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Arizona Corporation Commission
BEFORE THE ARIZONA CORPORATION COMMISSION

JAN 12 2000

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

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IN THE MATTER OF THE APPLICATION OF
YUCCA WATER ASSOCIATION, INC. FOR
APPROVAL OF LONG-TERM DEBT.

DOCKET NO. W-01937A-99-0260

DECISION NO. 62242

ORDER

Open Meeting
January 5 and 6, 2000
Phoenix, Arizona

BY THE COMMISSION:

On May 15, 1999, Yucca Water Association, Inc. ("Yucca" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for approval to borrow \$159,900 in long-term debt from the USDA Rural Development ("RD") and a grant in the amount of \$200,000 from RD for the purpose of construction improvements and additions to the plant. On December 6, 1999, the Commission's Utilities Division Staff ("Staff") filed a Staff Report, in which it recommended approval of the application without a hearing.

Yucca provides water service to approximately 90 members/customers within portions of Mohave County, Arizona.

DISCUSSION

Yucca plans to utilize the loan and grant proceeds to replace existing service lines and valves, upgrade booster pumps and install a new 100,000-gallon water tank, new well and submersible pump. The Company estimated the total cost of the improvements to be \$359,900. The Commission's Engineering Staff has reviewed the proposed projects and concluded that the improvements are prudent and the estimated costs are reasonable.

As of December 31, 1998, Yucca's capital structure consisted of 100 percent equity. If the financing were approved, the capital structure would change to 84.19 percent long-term debt and 15.81 percent equity. According to Staff, the \$200,000 RD grant is accounted for as an advance on

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1 existing service lines and values and upgrade its booster pumps.

2 4. Yucca estimates the total cost of the projects to be \$359,900.

3 5. On June 1, 1999, Yucca mailed a notice to all its members of the pending finance
4 application in its regular billing.

5 6. On December 6, 1999, Staff filed a Staff Report, in which it recommended approval of
6 the application without a hearing.

7 7. Engineering Staff reviewed the projects to be financed and found the planned
8 improvements to be prudent and the cost estimates to be reasonable.

9 8. Staff concluded the Company would not likely experience any difficulty in servicing
10 the annual debt service of approximately \$8,640 as a result of new rates approved in Decisor No.
11 60168.

12 9. Yucca is current on its property taxes and is in non-compliance with ADEQ as the
13 Company has only performed five of the required ten lead and copper tests.

14 10. Staff recommended approval of the loan in spite of the non-compliance with the lead
15 and copper tests since the Company will not have sufficient water without the new well and because
16 the existing copper and lead tests will change significantly when the new well comes on line as the
17 primary water source.

18 CONCLUSIONS OF LAW

19 1. Yucca is a public service corporation within the meaning of Article XV of the Arizona
20 Constitution and A.R.S. §§ 40-301 and 40-302.

21 2. The Commission has jurisdiction over Yucca and the subject matter of the application.

22 3. Notice of the application was given in accordance with the law.

23 4. The financing approved herein is for lawful purposes within Yucca's corporate
24 powers, is compatible with the public interest, with sound financial practices, and with the proper
25 performance by Yucca of service as a public service corporation, and will not impair Yucca's ability
26 to perform that service.

27 5. The financing approved herein is for the purposes stated in the application and is
28 reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably

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1 chargeable to operating expenses or to income.

2 **ORDER**

3 IT IS THEREFORE ORDERED that Yucca Water Association, Inc. is hereby authorized to
4 borrow up to \$159,900 from the USDA Rural Development or other financial institution for a term of
5 40 years at an annual interest rate of 4.5 percent.

6 IT IS FURTHER ORDERED that Yucca Water Association, Inc. is hereby authorized to
7 engage in any transactions and to execute any documents necessary to effectuate the authorization
8 granted hereinabove.

9 IT IS FURTHER ORDERED that Yucca Water Association, Inc. shall execute the relevant
10 loan documents within one year of the effective date of this Decision.

11 IT IS FURTHER ORDERED that such authority is expressly contingent upon Yucca Water
12 Association Inc.'s use of the proceeds for the purposes set forth in its application.

13 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
14 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
15 proceeds derived thereby for purposes of establishing just and reasonable rates.

16 IT IS FURTHER ORDERED that Yucca Water Association, Inc. shall file copies of all
17 executed financing documents setting forth the terms of the financing, within 30 days of obtaining
18 such financing.

19 IT IS FURTHER ORDERED that Yucca Water Association, Inc. shall provide written
20 notification to the Director of the Utilities Division within 30 days of the date of the startup of the
21 new well.

22 IT IS FURTHER ORDERED that Yucca Water Association, Inc. shall complete the initial
23 phase of the lead and copper sampling and submit the results to the Arizona Department of
24 Environmental Quality within 180 days from the startup date of the new well.

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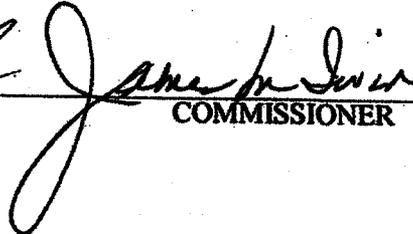
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IT IS FURTHER ORDERED that when Yucca Water Association, Inc. files its testing result with the Arizona Department of Environmental Quality, Yucca shall also file written confirmation of such submission with the Director of the Utilities Division.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

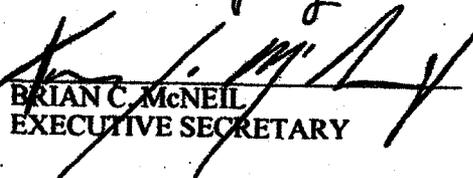
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 12th day of January, 2000.


BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT
JLR:dap

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SERVICE LIST FOR:

YUCCA WATER ASSOCIATION, INC.

DOCKET NO.

W-01937A-99-0260

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