



0000034829

MEMORANDUM

RECEIVED

2002 AUG 13 P 4: 07

TO: Docket Control
Arizona Corporation Commission

AZ CORP COMMISSION
DOCUMENT CONTROL

FROM: Ernest G. Johnson
Director
Utilities Division

DATE August 13, 2002

RE: IN THE MATTER OF DIVERSIFIED WATER UTILITIES, INC., AN ARIZONA CORPORATION, FOR AUTHORITY TO ISSUE DEBT, DOCKET NO. W-02859A-00-0964, DECISION NO. 64061

In Decision No. 64061, the Commission approved a financing application for Diversified Water Utilities, Inc. (Diversified). In its Decision, the Commission ordered Diversified to file a cash flow statement in the Docket by July 31, 2002, for Staff review, which it did. Staff was to review the cash flow statement to determine if Diversified was generating sufficient positive cash flow to service the debt by June 30, 2002. If Diversified failed to generate sufficient cash flow by that date, it was required to file a rate increase application by September 30, 2002.

Staff has reviewed Diversified's cash flow statement (see attached memorandum), and has determined that Diversified is providing sufficient cash flow at the present time to service its debt, and, therefore, should not be required to file a rate application.

Originator: Patrick C. Williams

cc: Mr. Scott Gray
Diversified Water Utilities, Inc.
P. O. Box 17357
Phoenix, Arizona 85011

Arizona Corporation Commission
DOCKETED

AUG 13 2002

DOCKETED BY *CAJ*

MEMORANDUM

TO: Pat Williams

FROM: Linda A. Jaress 

DATE: August 12, 2002

RE: Compliance with Decision No. 64061

Per your request, I have reviewed Decision No. 64061, specifically, the following two ordering paragraphs;

"It is further ordered that Diversified Water Utilities, Inc. shall file a cash flow statement in the docket by July 31, 2002 for Staff's review.

It is further ordered if Diversified does not generate sufficient positive cash flow to service its debt by June 30, 2002, it will file for a rate increase by September 30, 2002."

Diversified filed two cash flow statements with the Commission on July 30, 2002. The most recent, and most relevant statement indicated that during the first half of 2002 Diversified drew down \$72,014 of the available \$353,900 of WIFA loan funds while spending \$78,614 on plant and additions. The statement also indicated that it ended the period with a cash balance of \$50,470. When all WIFA funds are drawn, Diversified's first monthly payment will be \$10,027. The second month, and thereafter, the fixed monthly payment will be \$2,780 per month, totaling \$33,000 annually. These payments will be somewhat less until the funds are fully drawn.

It should be noted that the two cash flow statements also indicate that funds were advanced by, and repaid to shareholders, the advance being larger than the repayment. This is likely an effort by the shareholders to increase the amount of cash in the company. Had the company not repaid the shareholder advance during the first half of 2002, cash at the end of the period would total approximately \$67,000.

The debt service payments that Diversified made during 2002 totaled \$4,700. There was ample cash to cover this debt service. The cash flow statement for the first half of 2002 also indicates that, all things held constant (including infusions of cash from the shareholders and similar amounts of contributions and advances), there should be sufficient cash flow to cover annual loan payments on the WIFA loan when it is fully drawn. Considering that the Decision did not require pro forma statements or projections, based on the information filed by Diversified in compliance with the Decision, I believe that a rate case filing is not necessary.

CC: Steven M. Olea