



2 Chairman
 3 Jim Irvin
 4 Commissioner
 5 Marc Spitzer
 6 Commissioner

W-01445A-02-0275

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BEFORE THE ARIZONA CORPORATION COMMISSION

6 IN THE MATTER OF THE APPLICATION OF) W-01445A-02 - _____
 7 ARIZONA WATER COMPANY, AN ARIZONA)
 8 CORPORATION, FOR AN ORDER AUTHORIZING) APPLICATION FOR AUTHORITY
 9 THE EXECUTION OF A LOAN AGREEMENT OR) TO EXECUTE LOAN
 10 AMENDMENT THERETO AND THE DELIVERY) AGREEMENT OR AMENDMENT
 11 OF A PROMISSORY NOTE IN CONNECTION) THERETO AND DELIVER
 12 THEREWITH.) PROMISSORY NOTE

13 Arizona Water Company, a public service corporation (the "Company"), respectfully
 14 shows as follows:

15 I.

16 The Company is an Arizona corporation owning and operating a water utility business in
 17 various municipalities and other areas in Cochise, Coconino, Gila, Maricopa, Navajo, Pima,
 18 Pinal and Yavapai Counties in Arizona in accordance with certificates of convenience and
 19 necessity heretofore granted by the Arizona Corporation Commission (the "Commission").

20 II.

21 The principal place of business of the Company is 3805 North Black Canyon Highway,
 22 Phoenix, Arizona 85015.

23 III.

24 On July 30, 1997, the Company entered into a Business Loan Agreement (the "1997
 25 Loan Agreement") with Bank of America Arizona (the "Bank") which established a line of credit
 26 in an amount not to exceed \$9,000,000, which expired on May 31, 1998. The 1997 Loan
 27 Agreement was approved and authorized by the Commission in its Decision No. 60272, entered
 28 on July 2, 1997. Beginning on January 18, 1998, with the First Amendment to the 1997 Loan
 Agreement, the Company and the Bank entered into ten amendments to the 1997 Loan
 Agreement, each of which is described in previous Company financing applications and each of
 which the Commission has approved.

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IV.

On March 29, 2002, the Company and the Bank entered into the Tenth Amendment to the 1997 Loan Agreement which set the Company's line of credit at an amount not to exceed \$5,000,000, pursuant to the Commission's approval of the Company's Application for authority to do so, as approved in Decision No. 64663 on March 25, 2002. Advances against this line of credit cannot be initiated after June 1, 2002. Therefore, the Company requests prompt action on this Application.

V.

The Company's short-term indebtedness is incurred for the construction of improvements and additions to the Company's utility plant within the State of Arizona and for the reimbursement of monies actually expended from monies in the Company's treasury for such purposes. As of February 28, 2002, the Company's short-term indebtedness was \$3,700,000.

VI.

The Bank is being asked to extend the Company a line of credit in an amount not to exceed \$11,500,000 which will be available from June 1, 2002, or the date the Commission approves this Application, if later, through November 30, 2003. One of the conditions to the Company's obtaining the line of credit from the Bank is the execution of one or more amendments (the "New Amendments") to the 1997 Loan Agreement between the Bank and the Company. The New Amendments will keep in effect the terms and conditions of the 1997 Loan Agreement. Copies of the New Amendments executed in conjunction with the \$11,500,000 line of credit will be submitted as late-filed exhibits. The proceeds of the line of credit under the New Amendments will be utilized by the Company for payment for construction of improvements and additions to the Company's utility plant located in the State of Arizona, and for the reimbursement of monies actually expended from the Company's treasury for such purposes and for payment to Utility Investment Company of short-term indebtedness which may be outstanding on or after the effective date of the New Amendments.

VII.

The unpaid principal balance of all advances made under the line of credit provided for in the New Amendments will bear interest during each calendar month at the Bank's Reference Rate minus .25 percentage point or such other rates as are negotiated to obtain the \$11,500,000

1 line of credit. Advances under the Tenth Amendment are made at the Bank's Reference Rate
2 minus .25 percentage point or one of two optional interest rates elected by the Company. If one
3 of these optional rates is chosen, it will be equal to or less than the Bank's Reference Rate minus
4 .25 percentage point.

5 VIII.

6 The New Amendment establishing the \$11,500,000 line of credit shall not become
7 effective until after the Commission has approved this Application. The Company requests
8 approval prior to the end of the availability period of the Tenth Amendment which is June 1,
9 2002.

10 IX.

11 The Company believes and therefore alleges that it is in the best interests of the Company
12 and its customers that the Commission authorize the Company to execute the New Amendments
13 for the reason that the Company must finance future construction and expansion of its water
14 facilities to maintain and continue a high quality of service to its customers.

15 X.

16 Attached hereto, marked Exhibit "A" and by this reference made a part of this
17 Application, are the Company's financial statements for the twelve months ended December 31,
18 2001.

19 XI.

20 Attached hereto, marked Exhibit "B" and by this reference made a part of this
21 Application, is a certified copy of a resolution adopted by the Board of Directors of the Company
22 on March 19, 2002, authorizing the Company to borrow an amount not to exceed \$11,500,000
23 and to file this Application with the Commission.

24 XII.

25 In Decision No. 64663, the Commission concluded, as a matter of law, that, in
26 consideration of the recommendation of the Staff of the Commission's Utility Division, the
27 application therein could be summarily approved, and in further consideration of the
28

1 Commission's approval of a virtually identical application in Decision No. 62844, no hearing
2 was necessary to approve the Company's application.

3 This Application is likewise virtually identical to the applications referred to in the
4 preceding paragraphs. Therefore, the Company submits that no hearing is necessary on this
5 Application and that summary approval by the Commission would be appropriate in this matter.

6 WHEREFORE, the Company prays that the Commission, without a hearing, and prior to
7 June 1, 2002, enter its order:

- 8 1. authorizing the Company to execute and deliver the New Amendments to Bank of
9 America Arizona for a line of credit in an amount not to exceed \$11,500,000;
- 10 2. authorizing the Company to use the proceeds of the line of credit provided for in the
11 New Amendments for the following purposes:
 - 12 a. Payment and retirement of short-term indebtedness; and
 - 13 b. Payment for the construction of improvements and additions to the
14 Company's utility plant within the State of Arizona and for the reimbursement of
15 monies actually expended from the Company's treasury for such purposes and for
16 payment to Utility Investment Company of short-term indebtedness which may be
17 outstanding on or after the effective date of the New Amendments.
- 18 3. finding that in the opinion of the Commission the money to be borrowed pursuant to
19 the New Amendments is reasonably necessary for the purposes specified in paragraph
20 2 of this prayer and that such purposes are not wholly or in part reasonably chargeable
21 to operating expense or to income; and
- 22 4. authorizing the Company to do and perform any and all acts and things necessary or
23 appropriate to effectuate, carry out and perform the foregoing.

24 DATED this 10th day of April, 2002.

25 Respectfully submitted,

26 By: Robert W. Geake
27 Robert W. Geake
28 Post Office Box 29006
Phoenix, Arizona 85038-9006
Attorney for Arizona Water Company

1 Original and ten (10) copies delivered
2 this 10th day of April, 2002 to:

3 Arizona Corporation Commission
4 Docket Control Division
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Robert W. Seale

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EXHIBIT A

ARIZONA WATER COMPANY
Comparative Balance Sheet
at December 31, 2001

ASSETS

	Dec. 31, 2001	Dec. 31, 2000	Increase (Decrease)
UTILITY PLANT			
Gross Utility Plant	\$ 181,972,346	\$ 167,705,111	\$ 14,267,235
Less Accumulated Depreciation	43,363,098	39,806,593	3,556,505
Net Utility Plant	<u>138,609,248</u>	<u>127,898,518</u>	<u>10,710,730</u>
CURRENT ASSETS			
Cash on Hand and in Banks	389,615	465,047	(75,432)
Investments and Special Deposits	3,111	3,111	0
Accounts Receivable	2,376,245	2,309,749	66,496
Materials and Supplies	224,058	250,437	(26,379)
Other	233,009	447,194	(214,185)
Total Current Assets	<u>3,226,038</u>	<u>3,475,538</u>	<u>(249,500)</u>
DEFERRED DEBITS			
	4,623,623	4,386,196	237,427
TOTAL	<u>\$ 146,458,909</u>	<u>\$ 135,760,252</u>	<u>\$ 10,698,657</u>

LIABILITIES

CAPITALIZATION			
Common Stock	\$ 2,700,000	\$ 2,700,000	\$ 0
Capital Surplus	2,654,647	2,654,647	0
Retained Earnings	44,088,091	42,582,502	1,505,589
Common Stock Equity	<u>49,442,738</u>	<u>47,937,149</u>	<u>1,505,589</u>
Long-Term Debt	23,000,677	9,142,535	13,858,142
Total Capitalization	<u>72,443,415</u>	<u>57,079,684</u>	<u>15,363,731</u>
CURRENT LIABILITIES			
Notes Payable	2,850,000	13,400,000	(10,550,000)
Accounts Payable	2,906,099	2,583,042	323,057
Accrued Expenses	1,932,148	1,007,536	924,612
Other	361,744	345,581	16,163
Total Current Liabilities	<u>8,049,991</u>	<u>17,336,159</u>	<u>(9,286,168)</u>
DEFERRED CREDITS			
Advances for Construction	32,497,124	29,295,512	3,201,612
Contributions in Aid of Construction	19,589,131	18,124,450	1,464,681
Deferred Income Tax	10,618,721	10,239,756	378,965
Other	3,260,527	3,684,691	(424,164)
Total Deferred Credits	<u>65,965,503</u>	<u>61,344,409</u>	<u>4,621,094</u>
TOTAL	<u>\$ 146,458,909</u>	<u>\$ 135,760,252</u>	<u>\$ 10,698,657</u>

ARIZONA WATER COMPANY
Comparative Statement of Income
December 31, 2001

	12 MONTHS TO DATE		DECEMBER		12 Months to Date	
	2001	2000	2001	2000	2001	2000
OPERATING REVENUE	\$ 32,951,633	\$ 32,411,346	\$ 2,410,001	\$ 2,261,972	\$ 32,951,633	\$ 32,411,346
OPERATING EXPENSES						
Operation and Maintenance	15,606,479	14,406,660	1,262,922	1,224,258	15,606,479	14,406,660
Depreciation	3,854,952	3,504,370	361,974	269,845	3,854,952	3,504,370
Taxes Other Than Income Taxes	4,922,200	4,757,748	378,291	357,528	4,922,200	4,757,748
Income Taxes	2,532,193	2,682,630	4,538	(216,795)	2,532,193	2,682,630
Total Operating Expenses	26,915,824	25,351,408	2,007,725	1,634,836	26,915,824	25,351,408
OPERATING INCOME	6,035,809	7,059,938	402,276	627,136	6,035,809	7,059,938
OTHER (INCOME) AND DEDUCTIONS						
Other (Income) - Net	219,437	(90,101)	23,635	(124,644)	219,437	(90,101)
Interest on Long-Term Debt	1,651,552	862,157	161,565	70,009	1,651,552	862,157
Other Interest and Amortization	(218,969)	482,717	(63,160)	54,559	(218,969)	482,717
Total Other (Income) and Deductions	1,652,020	1,254,773	122,040	(76)	1,652,020	1,254,773
NET INCOME	4,383,789	5,805,165	\$ 280,236	\$ 627,212	\$ 4,383,789	\$ 5,805,165
Regular Common Dividends	2,878,200	2,713,500				
INCOME RETAINED	\$ 1,505,589	\$ 3,091,665				
Active Services	64,368	61,632				

DECEMBER 2001

ARIZONA WATER COMPANY**CERTIFICATE OF RESOLUTION**

ROBERT W. GEAKE does by these presents certify that he is the Secretary of Arizona Water Company, an Arizona corporation (hereinafter sometimes referred to as the "Company"); that as such he is familiar with the records and files of the Company; that on March 19, 2002, at the annual organization meeting of the Board of Directors of the Company, the following resolution was adopted:

"RESOLVED: That the Company may borrow from Bank of America Arizona or a comparable financial institution or Utility Investment Company when and as needed, from June 1, 2002 through November 30, 2003, an amount not to exceed in the aggregate of \$11,500,000 outstanding at any one time, exclusive of interest and charges, and that any two of the Chairman of the Board, the President, any Vice President, the Treasurer, the Secretary, or any one of the above and any Assistant Secretary or any Assistant Treasurer be, and they hereby are, authorized from time to time on behalf of the Company to agree to the terms and conditions of such borrowings and to execute notes, loan agreements, other necessary documents and extension or renewals thereof as may be required to evidence such borrowings; and

"BE IT FURTHER RESOLVED: That all prior actions of the officers of the Company in borrowing money from or in incurring other obligations to Bank of America Arizona or Utility Investment Company and the execution of any and all instruments and agreements by them are hereby ratified, confirmed and approved; and

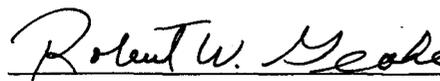
"BE IT FURTHER RESOLVED: That Bank of America Arizona and/or such other comparable financial institution selected by the officers of the Company and/or Utility Investment Company may rely upon these resolutions and the certificates of the officers given in connection therewith until written notice of other action of the Board of Directors of the Company is served upon Bank of America Arizona and/or such other comparable financial institution selected by the officers of the Company and/or Utility Investment Company and until all indebtedness and obligations of the Company to Bank of America Arizona and/or such other comparable financial institution selected by the officers of the Company and/or Utility Investment Company are paid and satisfied; and

"BE IT FURTHER RESOLVED: That the Chairman of the Board, the President, any Vice President, the Treasurer, the Secretary, an Assistant Secretary or an Assistant Treasurer are hereby authorized to sign any and all documents, instruments and applications to the Arizona Corporation Commission, or otherwise, or other instructions necessary to complete such borrowings."

The foregoing resolution is in full force and effect and has not been revoked.

IN WITNESS WHEREOF, the said Robert W. Geake has executed this certificate this

1st day of April 2002.



Secretary