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BEFORE THE ARIZONA CORPORATION COMMISSION
Arizona Corporation Commission

1 WILLIAM A. MUNDELL
2 Chairman

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3 JIM IRVIN
4 Commissioner

DEC 13 2001

AZ CORP COMMISSION
DOCUMENT CONTROL

4 MARC SPITZER
5 Commissioner

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6 IN THE MATTER OF THE APPLICATION OF)
7 ST. DAVID WATER ASSOCIATE FO A)
8 PERMANENT RATE INCREASE)

DOCKET NO. W-02084A-01-0389

8 IN THE MATTER OF THE APPLICATION OF)
9 ST. DAVID WATER ASSOCIATION FOR A)
10 FINANCING APPROVAL)

DOCKET NO. W-02084A-01-0636

**STAFF'S RESPONSE TO APPLICANTS
REQUEST TO WITHDRAW**

11
12 Staff for the Utilities Division of the Arizona Corporation Commission ("Staff") hereby
13 respectfully requests that Applicant's Request to Withdraw be denied for the reasons set forth below.

14 Under A.R.S. § 40-301, any public service corporation not providing communications service
15 in multiple jurisdictions must receive Arizona Corporation Commission ("Commission") approval
16 to any financing undertaken by the public service corporation. In October of 1997, the Applicant
17 obtained a loan of \$60,000 at 9.00 percent interest over fifteen years to construct a commercial
18 building. This loan was not included as part of the rate determination made for this Applicant in
19 Commission Decision No. 60973. Applicant never received approval for the aforementioned loan
20 prior to receiving it. For the above reasons, Staff believes that Docket No. W-02084A-01-0636
21 should go forward in order to approve the retroactive financing and ensure that Applicant is not in
22 continued noncompliance with Arizona law.

23 With regards to Docket No. W-2084A-01-0389, Staff is concerned over the financial health
24 of Applicant absent a rate case. Because the financing mentioned above was not considered in the
25 prior rate case but will have an effect on the overall financial health of Applicant, a rate case must
26 proceed. Ratepayers are affected by the financial vitality of Applicant. A hearing should go forward
27 to ensure that the Times Interest Earned Ratio (TIER) and the Debt Service Coverage Ratios (DSC)
28 are appropriate to ensure the continued financial vitality and health of Applicant. Staff, in addition,

1 is concerned that Applicant's percentage of capital as debt versus equity is at a level that is neither
2 in the interest of ratepayers nor in the public interest in general. Based on existing facts, sound
3 ratemaking principles and analysis, Staff believes that it would be premature to close this matter at
4 this time and that Docket No. W-02084A-01-0389 should proceed to a hearing and not be
5 withdrawn.

6 In conclusion, Staff believes that granting Applicant's Request to Withdraw is not in the
7 public interest for the reasons stated above. Staff would respectfully request that Applicant's request
8 be denied.

9 RESPECTFULLY SUBMITTED this 13th day of December, 2001.

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David Ronald

David M. Ronald, Attorney
Jason D. Gellman, Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

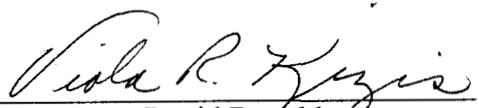
The original and ten copies of the
foregoing filed this 13th day of
December, 2001, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

COPIES of the foregoing
Mailed/hand delivered this
13th day of December, 2001 to:

Ernest Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

1 Reg Garavito, Board President
2 Fred Kartchner, Operations Manager
3 St. David Water Association
4 112 W. Patton Street
5 St. David, AZ 85630

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7 Secretary to David Ronald
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