

# OPEN MEETING ITEM



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**COMMISSIONERS**  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
GARY PIERCE



## ARIZONA CORPORATION COMMISSION

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ORIGINAL

DATE: FEBRUARY 20, 2007

DOCKET NO: W-01416A-06-0719

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc Stern. The recommendation has been filed in the form of an Order on:

DONEY WATER PARK COMPANY  
(FINANCE)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

MARCH 1, 2007

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

MARCH 13, 2007 AND MARCH 14, 2007

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.

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BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

Arizona Corporation Commission  
**DOCKETED**

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF  
DONEY WATER PARK COMPANY FOR  
APPROVAL OF FINANCING.

DOCKET NO. W-01416A-06-0719

DECISION NO. \_\_\_\_\_

**ORDER**

Open Meeting  
March 13 and 14, 2007  
Phoenix, Arizona

**BY THE COMMISSION:**

On November 13, 2006, Doney Park Water Company (“Applicant” or “Company”) filed with the Arizona Corporation Commission (“Commission”) an application for the issuance of long-term debt.

On December 18, 2006, the Company filed certification that it provided notice to its customers of its financing application on December 2, 2006. In response thereto, the Commission has received no comments on Applicant’s proposed financing.

On February 2, 2006, the Commission’s Utilities Division (“Staff”) filed its Staff Report, recommending the Company’s financing application be approved.

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

**FINDINGS OF FACT**

1. Pursuant to authority granted by the Commission, Applicant is a member-owned Arizona non-profit corporation engaged in the business of providing water service to approximately 3,300 customers in the Doney Park area northeast of Flagstaff, Coconino County, Arizona.

1           2.     Applicant's present rates and charges for water were approved in Decision No. 58752  
2 (September 1, 1994).

3           3.     On November 13, 2006, the Company filed an application requesting approval of  
4 long-term debt in an amount of \$1,530,000 with a loan from the Industrial Development Authority  
5 ("IDA") of Coconino County.

6           4.     On December 2, 2006, Applicant provided notice to its customers of its financing  
7 application by publication in a newspaper of general circulation in Coconino County and, in response  
8 thereto, no protests have been received by the Commission opposing Applicant's proposed request  
9 for financing approval.

10          5.     Staff conducted an investigation of Applicant's proposed long-term financing and  
11 filed its Staff Report on the Company's financing application request on February 2, 2007.

12          6.     According to the Staff Report, Applicant is in compliance with its Commission  
13 compliance action filings and prior Commission Orders. Additionally, Applicant is current on the  
14 payment of its taxes and is providing water which meets the requirements of the Safe Drinking Water  
15 Act.

16          7.     According to the Company's application, it is requesting the Commission's approval  
17 to borrow \$1,530,000, from the Coconino IDA in order to fund the drilling of two new wells and to  
18 construct related plant facilities, to interconnect them with its existing system and to pay related  
19 financing costs.

20          8.     The new wells are necessary to offset low production by two of the Company's six  
21 existing wells.

22          9.     The Company's six wells produce 1,675 gallons of water per minute ("GPM") and the  
23 Company has storage capacity of 4.497 million gallons, which normally meets customer demand.

24          10.    However, the Company experiences difficulty in maintaining tank pressure and water  
25 availability during periods of peak demand usually between Memorial Day and the Fourth of July.

26          11.    Additionally, the Company has a water supply agreement with the U.S. Forest Service  
27 requiring the Company to maintain adequate capacity for summer fire-fighting.

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1           12.    According to the Staff Report, the Company experiences numerous low pressure  
2 problems during periods of peak demand even when its existing wells are pumping at full capacity,  
3 and the two new wells will enhance the Company's ability to meet higher than normal demand which  
4 is placed on the system in the summer.

5           13.    Staff states that the Company indicates the proposed debt will be secured by general  
6 revenue and its assets will not be encumbered.

7           14.    The proposed long-term financing will be repaid over 15 years at 1.05 basis points  
8 above the Treasury bond rate.

9           15.    Based on a projected interest rate of 5.85 percent, the Company estimated monthly  
10 payments of \$12,787, which can be readily paid from the Company's operating income and its funds  
11 raised from its Development Fee for each new connection authorized by the Commission in Decision  
12 No. 54298 (December 31, 1984).

13           16.    According to Staff, the Company's cash flow will provide Applicant with a Times  
14 Interest Earned Ratio ("TIER") of negative 1.55 and Debt Service Coverage ("DSC") of 3.10. This is  
15 sufficient cash flow to support the Company's total debt request.

16           17.    Staff states that a DSC greater than 1.0 or more indicates sufficient cash to cover debt  
17 obligations.

18           18.    Based on the Staff Report, the Company's DSC represents the number of times  
19 internally generated cash will cover required principal and interest payments on long-term debt.

20           19.    According to the Staff Report, the TIER represents the number of times earnings will  
21 cover interest expense on long-term debt. A TIER greater than 1.0 means that operating income is  
22 greater than interest expense. A TIER less than 1.0 is not sustainable in the long term, but does not  
23 necessarily mean that debt obligations cannot be met in the short term.

24           20.    The Company indicates that its Development Fee is producing \$136,000 a year with  
25 an average of 68 new connections a year and this sum can also be utilized to help meet debt  
26 obligations. Additionally, the Company projects an annual growth rate of 120 new customers a year  
27 for the next five years.

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1 IT IS FURTHER ORDERED that Doney Park Water Company shall annually file as part of  
2 its annual report, an affidavit with the Utilities Division attesting that the Company is current in  
3 paying its property taxes in Arizona.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
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8 CHAIRMAN COMMISSIONER COMMISSIONER

9  
10 COMMISSIONER COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
12 Director of the Arizona Corporation Commission, have  
13 hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of Phoenix,  
15 this \_\_\_\_ day of \_\_\_\_\_, 2007.

16 BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

17 DISSENT \_\_\_\_\_

18 DISSENT \_\_\_\_\_

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1 SERVICE LIST FOR:

DONEY PARK WATER COMPANY

2 DOCKET NO.:

W-01416A-06-0719

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