

ORIGINAL

OPEN MEETING ITEM



0000078390

EXECUTIVE DIRECTOR

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



ARIZONA CORPORATION COMMISSION

DATE: NOVEMBER 2, 2007

DOCKET NO: W-01412A-07-0280

TO ALL PARTIES:

Arizona Corporation Commission
DOCKETED
NOV 02 2007

DOCKETED BY *MM*

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

VALLEY UTILITIES WATER COMPANY, INC.
(FINANCING)

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:

NOVEMBER 13, 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:

NOVEMBER 27, 2007 and NOVEMBER 28, 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 Director's Office at (602) 542-3931.

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AZ CORP COMMISSION
DOCKET CONTROL

Brian C. McNeil
BRIAN C. McNEIL
EXECUTIVE DIRECTOR

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF
VALLEY UTILITIES WATER COMPANY, INC.
FOR AUTHORITY TO ISSUE ADDITIONAL
COMMON STOCK.

DOCKET NO. W-01412A-07-0280

DECISION NO. _____

ORDER

Open Meeting
November 27 and 28, 2007
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. Valley Utilities Water Company, Inc. ("Valley" or "Company") is a corporation duly organized and existing under the laws of the State of Arizona.
2. Pursuant to authority granted by the Commission, Valley is an Arizona public service corporation primarily engaged in the business of providing water utility service to approximately 1,400 customers in its certificated area in portions of Maricopa County, Arizona.
3. On May 9, 2007, the Company filed an application requesting Commission approval for the issuance of 4,000 shares of common stock valued at \$300,000. The stock will be issued to the Company's owners, Robert and Barbara Prince, as partial payment for certain real and personal property consisting of a 2.45 acre parcel serving as an industrial storage site, and for a utility vehicle and a backhoe used by the Company.
4. The appraised value is \$404,000 for the real property, \$5,000 for the utility vehicle and \$20,000 for the backhoe, for a total of \$429,000.

1 5. In order to fund the remainder of the purchase of the real and personal property from
2 the Princes, the Company will issue an interest-free short-term note payable for up to \$129,000
3 within one year of its issuance.

4 6. As of December 31, 2006, Valley's capital structure consisted of \$7,072 short-term
5 debt, \$28,237 long-term debt, and negative equity of \$402,545. Issuance of the requested \$300,000
6 in common stock combined with an increase of \$129,000 in short-term debt and the issuance of
7 \$1,926,100 in previously authorized debt approved in Decision No. 68309 (November 14, 2005) now
8 results in a capital structure composed of \$188,826 short-term debt, \$1,901,583 long-term debt and
9 negative equity of \$102,545.

10 7. On June 22, 2007, the Company published notice of its application for financing
11 approval.

12 8. On September 28, 2007, the Commission's Utilities Division ("Staff") filed a Staff
13 Report recommending approval of this application.

14 9. The Company's existing rates were approved by the Commission in Decision No.
15 ~~68309 which also approved a Water Infrastructure Finance Authority ("WIFA") loan referred to~~
16 above in excess of \$1.9 million. Decision No. 68309 further ordered the Company to develop and
17 file, within 90 days of the Decision, an "Equity Plan" based on a recommendation that the Company
18 develop a plan to produce a positive equity position by December 31, 2010. The plan was filed on
19 February 13, 2006, and in part, this application is a result of the plan.

20 10. Staff notes that the Company's proposed issuance of \$300,000 in stock will
21 "significantly move" the Company toward a positive equity position as ordered in Decision No.
22 68309. Staff further reminded Valley that a utility's short-term debt should not exceed 7 percent of
23 its capitalization pursuant to A.R.S. § 40-302(D).

24 11. Based on Staff's review and analysis, the issuance of the proposed equity financing for
25 the purposes stated by the Company is within Valley's corporate powers, is compatible with the
26 public interest, is consistent with sound financial practices and will not impair its ability to provide
27 services.

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

IT IS FURTHER ORDERED that Valley Utilities Water Company, Inc. shall file, within 90 days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item in this docket, copies of all executed documents associated with the financing authorized herein.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, DEAN S. MILLER, Interim Executive Director 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 ____ day of _____, 2007.

DEAN S. MILLER
INTERIM EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

MES:db

1 SERVICE LIST FOR:

VALLEY UTILITIES WATER COMPANY, INC.

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3 DOCKET NO.

W-01412A-07-0280

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