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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

NOV 21 2008

DOCKETED BY 

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5 Attorneys for Valley Utilities Water Co., Inc.

6
7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE APPLICATION
9 OF VALLEY UTILITIES WATER
10 COMPANY INC. FOR AN INCREASE IN
11 ITS WATER RATES FOR CUSTOMERS
WITHN MARICOPA COUNTY, ARIZONA

DOCKET NO. W-01412A-99-0615

12 IN THE MATTER OF THE APPLICATION
13 OF VALLEY UTILITIES WATER
14 COMPANY INC. FOR AUTHORITY TO
15 ISSUE PROMISSORY NOTE(S) AND
16 OTHER EVIDENCES OF
INDEBTEDNESS PAYABLE AT
PERIODS OF MORE THAN TWELVE
MONTHS AFTER THE DATE OF
ISSUANCE

DOCKET NO. W-01412A-00-0023

**NOTICE OF LATE-FILED
EXHIBIT**

17
18 Valley Utilities Water Company, Inc. ("Valley Utilities" or "Company"), hereby
19 files this Notice of Late-Filed Exhibit in the above-captioned matter. During the
20 evidentiary hearing held on November 18, 2008, Administrative Law Judge Martin
21 requested clarification concerning the Company's August 26, 2008 Response to the Staff
22 Report filed on August 18, 2008 ("Response"). In its Response, the Company stated that
23 it closed a Water Infrastructure Financing Authority ("WIFA") loan No. 920131-08 on
24 December 21, 2007 in the amount of \$250,000. To clarify, the repayment term for the
25 loan referenced in the Response was for only 12 months, and therefore did not require
26

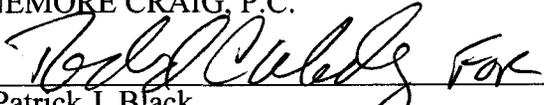
1 Arizona Corporation ("Commission") approval. A copy of the short-term loan agreement
2 between WIFA and Valley Utilities, dated December 21, 2007, is attached hereto as
3 Exhibit 1. As evidenced on page 3 of WIFA Loan Resolution 2007-046, attached hereto
4 as Exhibit 2, the concept was to convert the short-term loan into a 20-year note pending
5 approval by the Commission of Valley Utilities' application to incur long-term debt,
6 which was granted on January 23, 2008, in Decision No. 70138.

7 The Company did not, nor did it intend to, draw any funds from the short-term loan
8 prior to Commission approval of the long-term debt. WIFA representatives advised
9 Valley Utilities that converting the short-term loan into a standard 20-year note would: (1)
10 provide the Company emergency funds, if needed, after the Commission's approval to
11 incur long-term debt but before the second approval could be finalized; and (2) expedite
12 approval of WIFA's debt conversion from a 12 month note to long-term indebtedness. A
13 copy of the converted loan agreement, dated October 1, 2008, is attached hereto as Exhibit
14 3. This was the loan authorized by Decision No. 70138 on January 23, 2008. In the event
15 that the Commission did not grant Valley Utilities authority to incur long-term debt, the
16 Company was prepared to cancel the short-term loan and seek other means of financing
17 the emergency repairs and improvements needed to provide service to its customers.

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RESPECTFULLY SUBMITTED this 21st day of November, 2008.

FENNEMORE CRAIG, P.C.

By: 
Patrick J. Black
Attorneys for Valley Utilities Water Company, Inc.

1 ORIGINAL and 13 copies of the foregoing
FILED this 21st day of November, 2008 with:

2
3 Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
4 Phoenix, AZ 85007

5 COPY of the foregoing was
MAILED and sent via Electronic mail
6 this 21st day of November, 2008 to:

7 Belinda Martin
Hearing Division
8 ARIZONA CORPORATION COMMISSION
400 West Congress
9 Tucson, AZ 85701-1347
bmartin@azcc.gov

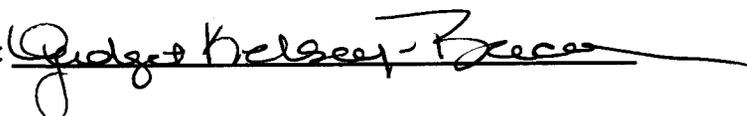
10 COPY of the foregoing was
11 HAND-DELIVERED
this 21st day of November, 2008 to:

12 Ayesha Vohru
13 Legal Division
ARIZONA CORPORATION COMMISSION
14 1200 West Washington Street
Phoenix, AZ 85007

15 Ernest Johnson, Director
16 Utilities Division
ARIZONA CORPORATION COMMISSION
17 1200 West Washington Street
Phoenix, AZ 85007

18

19

20 By: 

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EXHIBIT

1

Loan Agreement

between

Water Infrastructure Finance Authority of Arizona
(the "Authority")

and

Valley Utilities Water Company, Inc.

(the "Local Borrower")

Evidencing a Loan from the
Authority to the Local Borrower

Dated as of December 21, 2007

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA
LOAN AGREEMENT**

This Loan Agreement (as it may be amended or supplemented from time to time, this "Agreement") is made and entered into as of the date set forth below by and between Borrower and Lender set forth below.

This Loan Agreement includes the attached Exhibits and Continuing Security Agreement. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and Continuing Security Agreement.

Section 1. Party Names And Addresses.

Borrower:	Valley Utilities Water Company, Inc.
Borrower Mailing Address:	6808 North Dysart Rd. Ste 112 Glendale, Arizona 85307 623-935-1100 623-935-7321
Attention:	Robert L. Prince, President
Borrower Business Office Address:	6808 North Dysart Rd., Ste.112 Glendale, Arizona 85307
Lender:	Water Infrastructure Finance Authority of Arizona
Lender Address:	1110 West Washington Street, Suite 290 Phoenix, Arizona 85007
Attention:	Executive Director

Section 2. Loan Information. The terms of the Loan include the terms set forth in the Exhibits and Continuing Security Agreement, which are part of this Agreement:

Exhibit A	Financial Assistance Terms and Conditions
Exhibit B	Technical Terms and Conditions
Exhibit C	Reporting Requirements
Exhibit E	Limits on Additional Indebtedness without Lender Consent
Exhibit F	Form of Promissory Note

Section 3. The Loan. Subject to the terms and conditions of this Agreement, Lender agrees to make the Loan to Borrower by means of one or more advances ("Advances") in an aggregate principal amount not to exceed the Loan Amount (the "Commitment"). The unadvanced portion of the Commitment shall expire on but not include the earliest of (i) the date on which the Loan

has been fully advanced by Lender, or (ii) the first Principal Repayment Date set forth in the Exhibit A. The obligation of Borrower to repay the Loan is evidenced by the Promissory Note in the form attached hereto as Exhibit F, dated of even date herewith, of Borrower payable to Lender, as it may be amended, modified, extended, renewed, restated, or supplemented from time to time (the "Note"). In the event of a conflict between the Note and this Agreement, the terms of this Agreement shall be deemed controlling. The Loan shall not constitute a revolving loan, and amounts repaid may not be reborrowed.

The parties agree that full repayment of the loan is initially scheduled to occur within not more than twelve months from the date of the loan in recognition of the provisions of the Arizona Revised Statutes that provide that the Borrower may not issue evidences of indebtedness payable at periods of more than twelve months except when authorized by an order of the Arizona Corporation Commission (the "ACC"). The Borrower agrees to use its best efforts to obtain an order of the ACC authorizing this loan to be payable over a term of 20 years, and if, but only if, authorized by an order of the ACC, the unpaid principal of this loan shall become payable from the date of the authorizing ACC order in equal monthly payments of principal and interest over a term of 20 years with interest at the rate of six and four tenths of one percent (6.4%) per annum in accordance with a payment schedule prepared by the Lender and delivered to the Borrower. The Borrower agrees to execute and deliver to the Lender any additional agreements and documents as the Lender shall request to evidence and confirm the conversion of the loan to a 20 year term. If and to the extent that it is determined by a court of competent jurisdiction or by the ACC that inclusion of this paragraph in this loan agreement violates the provisions of law referred to above, then this paragraph shall be deemed stricken and this loan agreement shall be construed as if this paragraph were not included.

Section 4. Advances. Lender may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. In making Advances, Lender shall be entitled to rely upon, and shall incur no liability to Borrower in acting upon, any request made by a person identifying himself or herself as one of the persons authorized by Borrower to request Advances. Advances of the Loan will be made only upon satisfaction of the conditions set forth in this Agreement, including the following:

(a) Lender has received a draw request from Borrower, in form and substance satisfactory to Lender, not less than ten (10) days prior to the date for which such Advance is requested, specifying the amount and purpose of the Advance requested. Lender will furnish an acceptable form of draw request to Borrower. Lender may revise the form of draw request from time to time.

(b) Except as hereinafter provided, disbursements shall be made only upon certification of an authorized officer of Lender that such disbursement is proper. An authorized officer of Lender shall approve disbursements in payment of the invoices, demands for payment, approved contractors' estimates or other evidence of cost incurrence directly to the persons or entities entitled to payment or to Borrower in the case of reimbursement for costs of services already paid, and shall provide Borrower with a copy of the approval and the date approved.

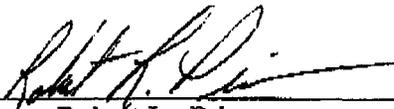
(c) Lender has received such other items or documents as Lender may reasonably require.

Section 5. Payment Of Principal, Interest And Fees. The outstanding principal balance of the Loan, together with all unpaid accrued interest due under the Note, shall be paid by "automatic debit" from the Borrower Deposit Account. The Borrower Deposit Account shall be a Demand Deposit Account in the name of the Borrower, Account Number _____ [to be determined by 5/30/2008] maintained with Chase Bank. Borrower shall cause monthly payments to be made by direct debit to the Lender in accordance with routing instructions within Exhibit A.

IN WITNESS WHEREOF, the Authority and Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hererof.

DATED as of December 21, 2007.

Valley Utilities Water Company, Inc.

By: 
Name: Robert L. Prince
Title: President

Water Infrastructure Finance Authority of Arizona

By: 
Executive Director

EXHIBIT

2

***Loan Resolution 2007-046 – Valley Utilities Water Company, Inc.
Water Infrastructure Finance Authority of Arizona***

Section 3: Financial Assistance Terms & Conditions (Section 7.1 of Due Diligence)

Financial Assistance Amount: \$250,000

Primary Repayment Source: Revenues

Secondary Repayment Source: None

Loan Term: 1 year; to be converted into a 20 year loan prior to the end of 1 year loan term or, loan due and payable at the end of one calendar year.

Frequency of Repayment: Monthly

Loan Structure: Non-Governmental, (Security Level 1 & 2 will be applied to 20 year loan)

Debt Service Reserve Fund Requirements: No Reserve for 1 year loan; however, will be required on 20 year loan.

Repair and Replacement Fund Requirements: None required for 1 year loan. Also, not required with conversion to a 20 year loan.

Requirements Prior to Loan Execution:

Require Legal Opinion: Yes, required with conversion to 20 year loan.

Other: No Requirement

Requirements Prior to Construction: No Requirement

Requirement During Construction: No Requirement

Requirements Prior to Final Disbursements: No Requirement

Loan Category: Not Qualified

Policy Exceptions: Yes

VUWCO requests an exception to Policy 1.008 (Section 3) in regards to the standard 20 year loan term. VUWCO requests a 1 year short-term loan in order to begin construction on the replacement well as soon as possible, which will allow the well to be in service prior to the peak demand usage (late spring of 2008).

Once VUWCO receives long term debt authorization from ACC, WIFA will convert the 1 year short-term loan into a standard 20 year loan.

***Loan Resolution 2007-046 – Valley Utilities Water Company, Inc.
Water Infrastructure Finance Authority of Arizona***

Section 4: Technical Terms & Conditions (Section 7.2 of Due Diligence)

Observation Schedule: B

Withholding Percentage: 10%

Requirements Prior to Loan Execution: No Requirement

Requirements Prior to Construction:

Prior Review and Approval of Construction Bids: Yes

Require Construction Signs: Yes

Other: No Requirement

Requirements During Construction:

Prior Review of Changes in Project Scope: Yes

The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Other: No Requirement

Requirements Prior to Final Disbursements:

Require Plan of Operation: No Requirement

Require Final Approval: No Requirement

Other: No Requirement

Policy Exceptions: None

Section 5: Additional Notice & Reporting Requirements (Section 7.3 of Due Diligence)

WIFA to generate Press Release: No

Other: No Additional Requirements

*Loan Resolution 2007-046 – Valley Utilities Water Company, Inc.
Water Infrastructure Finance Authority of Arizona*

Section 1: Resolution

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "Authority") has received from Valley Utilities Water Company, Inc. (the "Local Borrower") a request for a loan (the "Loan"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "Act") and the rules promulgated thereunder (the "Rules"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower will be set forth in a loan agreement or bond purchase agreement (the "Loan Agreement") to be executed by the Local Borrower and the Authority.

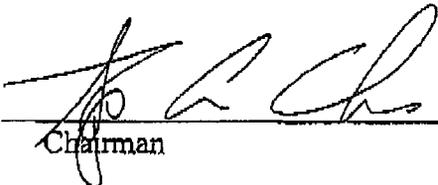
NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

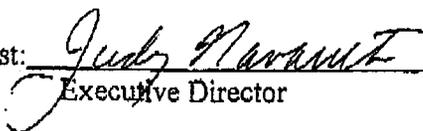
The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3, Section 4, and Section 5 of this Loan Resolution.

This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: December 19, 2007

By: 
Chairman

Attest: 
Executive Director

*Loan Resolution 2007-046 – Valley Utilities Water Company, Inc.
Water Infrastructure Finance Authority of Arizona*

Section 2: Project Summary

2.1 Project Number(s)

DW 059-2007

2.2 Project Priority Data

<u>PL Rank</u>	<u>Funding Cycle</u>	<u>Population Served</u>	<u>Subsidy Rate</u>
54	DW 2007	4,500	80%

2.3 Project Description(s)

Well #6 is unable to be rehabilitated and is unusable. This project includes replacement of Well #6 and the existing pump. The replacement well needs to be in service by late spring 2008 to meet the peak water usage of Valley Utilities Water Company's customers.

Located approximately 35-feet away from the existing well, this new well will be drilled up to a depth of 800-feet using a Cable Tool Rig. The well will consist of a 20-inch diameter steel casing with a well screen between 400 to 800-feet. The designed pump capacity is 1,150 gpm.

2.4 Previous Board or Committee Actions

April 21, 2004 - Board adopted Loan Resolution 2004-011 to award \$52,350 (Loan # 920092-05) for a drinking water project.

April 19, 2006 - Board adopted loan Resolution 2006-011 to award \$1,926,100 (Loan #920109-07) for arsenic treatment for five wells.

2.5 Project Finance Committee Recommendations

December 5, 2007 - Project Finance Committee reviewed the project due diligence and recommended approval by the Board.

EXHIBIT

3

Loan Agreement

between

Water Infrastructure Finance Authority of Arizona
(the "Authority")

and

Valley Utilities Water Company, Inc.

(the "Local Borrower")

Evidencing a Loan from the
Authority to the Local Borrower

Dated as of October 1, 2008

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA
LOAN AGREEMENT**

This Loan Agreement (as it may be amended or supplemented from time to time, this "Agreement") is made and entered into as of the date set forth below by and between Borrower and Lender set forth below.

This Loan Agreement includes the attached Exhibits and the attached Standard Terms and Conditions. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and Standard Terms and Conditions.

Section 1. Party Names And Addresses.

Borrower:	Valley Utilities Water Company, Inc.
Borrower Mailing Address:	6808 N. Dysart Rd., Suite 112 Glendale, Arizona 85307 623-935-1100 623-935-7321
Attention:	Robert Prince, President
Borrower Business Office Address:	6808 N. Dysart Rd., Suite 112 Glendale, Arizona 85307
Lender:	Water Infrastructure Finance Authority of Arizona
Lender Address:	1110 West Washington Street, Suite 290 Phoenix, Arizona 85007
Attention:	Executive Director

Section 2. Loan Information. The terms of the Loan include the terms set forth in the Exhibits, which are part of this Agreement:

Exhibit A	Financial Assistance Terms and Conditions
Exhibit B	Technical Terms and Conditions
Exhibit C	Reporting Requirements
Exhibit D	Debt Service Reserve and Replacement Reserve Provisions
Exhibit E	Limits on Additional Indebtedness without Lender Consent
Exhibit F	Form of Promissory Note
Exhibit G	Form of Opinion of Counsel to Borrower
Exhibit H	Borrower Disclosure

Section 3. The Loan. Subject to the terms and conditions of this Agreement, Lender agrees to make the Loan to Borrower by means of one or more advances ("Advances") in an aggregate

principal amount not to exceed the Loan Amount (the "Commitment"). The unadvanced portion of the Commitment shall expire on but not include the earliest of (i) the date on which the Loan has been fully advanced by Lender, or (ii) the first Principal Repayment Date set forth in the Exhibit A. The obligation of Borrower to repay the Loan is evidenced by the Promissory Note in the form attached hereto as Exhibit E, dated of even date herewith, of Borrower payable to Lender, as it may be amended, modified, extended, renewed, restated, or supplemented from time to time (the "Note"). In the event of a conflict between the Note and this Agreement, the terms of this Agreement shall be deemed controlling. The Loan shall not constitute a revolving loan, and amounts repaid may not be reborrowed.

Section 4. Advances. Lender may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. In making Advances, Lender shall be entitled to rely upon, and shall incur no liability to Borrower in acting upon, any request made by a person identifying himself or herself as one of the persons authorized by Borrower to request Advances. Advances of the Loan will be made only upon satisfaction of the conditions set forth in this Agreement, including the following:

(a) Lender has received a draw request from Borrower, in form and substance satisfactory to Lender, not less than ten (10) days prior to the date for which such Advance is requested, specifying the amount and purpose of the Advance requested. Lender will furnish an acceptable form of draw request to Borrower. Lender may revise the form of draw request from time to time.

(b) Except as hereinafter provided, disbursements shall be made only upon certification of an authorized officer of Lender that such disbursement is proper. An authorized officer of Lender shall approve disbursements in payment of the invoices, demands for payment, approved contractors' estimates or other evidence of cost incurrence directly to the persons or entities entitled to payment or to Borrower in the case of reimbursement for costs of services already paid, and shall provide Borrower with a copy of the approval and the date approved.

(c) Lender has received such other items or documents as Lender may reasonably require.

Section 5. Payment Of Principal, Interest And Fees. The outstanding principal balance of the Loan, together with all unpaid accrued interest due under the Note, shall be paid by "automatic debit" from the Borrower Deposit Account. The Borrower Deposit Account shall be a Demand Deposit Account in the name of the Borrower, Account Number 779475151 maintained with Chase Bank. Borrower shall cause monthly payments to be made by direct debit to the Lender in accordance with routing instructions within Exhibit A.

Section 6. Loan And Security Documents. The Loan shall be secured by the Continuing Security Agreement of even date herewith executed by Borrower for the benefit of Lender (the "Continuing Security Agreement") granting Lender a security interest in the collateral described therein by the provisions of this Agreement providing for the holding of, and granting Lender a security interest in, the Debt Service Reserve Fund and the Replacement Reserve Fund (as described in Exhibit D). The Continuing Security Agreement, any Deed of Trust and any other agreements, documents or instruments securing the Loan are referred to as the "Security

Documents". This Agreement, the Note, the Security Documents and any other agreements, documents or instruments evidencing, securing or otherwise relating to the Loan, and all exhibits thereto, are referred to as the "Loan Documents".

IN WITNESS WHEREOF, the Authority and Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hereof.

DATED as of October 1, 2008

Valley Utilities Water Company, Inc.

By: 
Name: Robert L. Prince
Title: President

Water Infrastructure Finance Authority of Arizona

By: 
Judy Navarrete
Executive Director

Exhibit A of Loan Agreement

Section 1: Financial Assistance Terms and Conditions
Valley Utilities Water Co.
24-Sep-08

Loan Number..... 920143-09

Closing Date..... 10/01/08

Financial Assistance Terms and Conditions

Original Loan Amount as of the Closing Date..... \$ 250,000.00
 Final Loan Amount as of Release of Retention..... \$ 250,000.00
 Loan Term..... 20
 First Fixed Monthly Payment..... 05/01/09
 Final Fixed Monthly Payment..... 10/01/28

Debt Service Reserve Fund Requirements (Held by WIFA)

Total Reserve Amount..... \$ 21,436.73
 Monthly Deposit..... \$ 357.28
 Reserve Funded by (Date)..... 04/01/14

Repair and Replacement Fund Requirement (Held by Borrower)

Begin Funding on (Date)..... None
 Annual Amount..... None
 Monthly Deposit..... None

Monthly Payment

Period #7 - 1st Debt Service Payment

Maximum Payment (Includes interest payable from Closing to 1st Payment)..... \$ 9,393.67
 Minimum Payment \$ 2,143.67

WIFA will calculate the first payment due on Period #7; payment will depend on actual loan draws.

Periods #8 through #66..... \$ 2,143.67
 Periods #67 through #120..... \$ 1,786.39
 Periods #121 through #180..... \$ 1,786.39
 Periods #181 through #240..... \$ 1,786.39