

ORIGINAL NEW APPLICATION



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**BEFORE THE ARIZONA CORPORATION COM
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W-03211A-08-0621

**IN THE MATTER OF THE
APPLICATION OF WEST VILLAGE
WATER CO., FOR AUTHORITY TO
INCUR DEBT TO FINANCE WATER
SYSTEM IMPROVEMENTS**

Docket No. W-01589A-08-

FINANCE APPLICATION

Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F) West Village Water Company ("Company" or "Applicant"), hereby applies for authority to incur debt to finance water system improvements.

PRELIMINARY STATEMENT

The Company is a public service corporation subject to regulation by the Arizona Corporation Commission ("Commission") as a water utility. The Company holds a Certificate of Convenience and Necessity ("CC&N") near Flagstaff, Arizona.

The Company believes it needs to improve its well, pumping equipment, and

1 distribution system. On August 29, 2008, the Company applied to the Water
2 Infrastructure Finance Authority ("WIFA") for a \$843,944 loan to finance the requisite
3 equipment necessary to treat the water. After a preliminary review, WIFA staff requested
4 that the Company seek to focus on the more urgent repairs and improvements to make the
5 loan request more attractive to lenders. The Company is complying with WIFA staff's
6 request and is now seeking to finance no more than \$525,000.
7
8

9 As the Commission knows, WIFA will not fund the proposed loan until after the
10 Commission authorizes the Company to enter into the loan agreement through a
11 financing application proceeding. Therefore, the Company is submitting this application
12 to receive authority to borrow no more than \$525,000 from WIFA to make system
13 improvements.
14

15 **INFORMATION REQUESTED ON APPLICATION FORM**

16 **1. Applicant's Name and Address.**

17 F. Wayne Thompson
18 West Village Water Company
19 PO Box 756
20 Flagstaff, Arizona 86002

21 **2. Person Authorized to Receive Communications.**

22 Steve Wene, Esq.
23 Moyes Sellers & Sims Ltd.
24 1850 North Central Ave., Suite 1100
25 Phoenix, Arizona 85004
26 Telephone: (602) 604-2189
27 Facsimile: (602) 274-9135
28

1 **3. Financing Description.**

2 If the Commission authorizes the proposed debt, then WIFA will lend the
3 Company \$525,000 for approximately 20 years through the Drinking Water Revolving
4 Fund. Although the Company is on the loan priority list, WIFA does not offer finance
5 terms until the Commission authorizes water providers like the Company to incur debt.
6 The Company understands that the Commission and WIFA have a standard working
7 arrangement to accommodate WIFA's loan practices. Accordingly, Commission staff
8 may want to contact the following WIFA staff person:

9 Angie Valenzuela
10 Senior Loan Officer
11 Water Infrastructure Finance Authority
12 1110 W. Washington Street, Suite 290
Phoenix, Arizona 85007

13 **4. Proceeds Statement.**

14 Gross proceeds will be \$525,000. WIFA has a combined interest and fee rate
15 structure, so there are no issuance expenses. This means that the Company will net
16 \$525,000 from the proposed loan.

17 **5. Plant to be Acquired Using Net Proceeds.**

18 The proceeds will be used to improve the well, pumping equipment, and certain
19 transmission and distribution mains, and any other water distribution equipment deemed
20 necessary by the project engineer. See also Exhibit 1.
21

22 **6. Consistency with A.R.S. § 40-301 et seq.**

23 The proposed financing is: (a) within the Company's corporate powers, (b)
24 compatible with the public interest; (c) compatible with sound financial practices; (d)
25 compatible with the proper performance by the applicant of service as a public service
26 corporation; and (e) will not impair the Company's ability to perform that service.
27
28

1 **7. Service Fees.**

2 WIFA does not charge service fees. Under WIFA's combined interest and fee rate
3 structure, the Company anticipates paying a fixed interest rate of prime plus 2%
4 multiplied by a subsidy rate index set by WIFA. WIFA may offer the Company a 75%
5 subsidy rate, so the effective interest rate could be Prime + 2% x 75%. This below-
6 market rate loan is customary for WIFA and is reasonable for the Commission to
7 approve.

8 **8. Documents to be executed in the matter.**

9 There are no documents to be executed in the matter at this time.

10 **9. Pro Forma Balance Sheet and Income Statement.**

11 A Company pro forma balance sheet is attached as Exhibit 2. A Company pro
12 forma income statement is attached as Exhibit 3.

13 **10. Customer Notice.**

14 The proposed notice, attached as Exhibit 4, will be inserted in the customers' next
15 bill. The Company will file with the Commission a copy of the actual notice sent and an
16 affidavit stating when it was sent to the customers.

17 **REQUEST FOR APPROVAL**

18
19 As set forth in this Application, the Company requests that the Commission
20 authorize the financing described herein.

21 DATED this 31st day of December, 2008.

22
23 **MOYES SELLERS & SIMS LTD.**

24 

25 Steve Wene
26 1850 North Central Avenue, Ste. 1100
27 Phoenix, AZ 80004
28 (602) 604-2189

1 **Original and 13 copies filed this**
2 **December 31, 2008, with:**

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

7 *Donnelly Herbert*

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EXHIBIT 1

West Village Water Company
Utility Plant in Service and Depreciation Expense
Includes Proforma Adjustments for WIFA Financing

Acct. No.	Description	ORIGINAL COST @ TEST YEAR END 12/31/2007	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR INCLUDING WIFA ADJUSTMENTS	PROPOSED DEPRECIATION RATES	PROPOSED DEPRECIATION EXPENSE
301	Organization					
302	Franchises					
303	Land and Land Rights	\$ 18,460	\$ -	\$ 18,460	N/A	\$ -
304	Structures and Improvements	1,198	-	1,198	3.3300%	-
307	Wells and Springs	12,638	202,200	214,838	3.3300%	6,733
311	Electric Pumping Equipment	29,873	117,744	147,617	12.5000%	16,065
320	Water Treatment Equipment				N/A	
320.1	Water Treatment Plants				3.3300%	
320.2	Solution Chemical Feeders				20.0000%	
330	Distrib Reservoirs/Standpipes				N/A	
330.1	Storage Tanks	5,257	-	5,257	2.2200%	-
330.2	Pressure Tanks				5.0000%	
331	Transmission and Distrib Mains	35,270	205,056	240,326	2.0000%	4,101
333	Services				3.3300%	
334	Meters	3,490	-	3,490	8.3300%	-
335	Hydrants				2.0000%	
336	Backflow Prevention Devices				6.6700%	
339	Other Plant & Misc Equipment				6.6700%	
340	Office Furniture and Equip				6.6700%	
340.1	Computers & Software				20.0000%	
341	Transportation Equipment				20.0000%	
343	Tools, Shop & Garage Equip.				5.0000%	
344	Laboratory Equipment				10.0000%	
345	Power Operated Equipment				5.0000%	
346	Communications Equipment				10.0000%	
347	Miscellaneous Equipment				10.0000%	
348	Other Tangible Plant					
	TOTALS	\$ 106,186	\$ 525,000	\$ 631,186		\$ 26,900

EXHIBIT 2

West Village Water Company
Balance Sheet as of 12/31/07
Includes Proforma Adjustments for WIFA Financing

Acct. No.	ASSETS	TEST YEAR END BALANCE @ 12/31/2007	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2007 ADJUSTED FOR WIFA LOAN
	CURRENT AND ACCRUED ASSETS			
131	Cash	\$ 8,074		\$ 8,074
134	Working Funds			
135	Temporary Cash Investments			
141	Customer Accounts Receivable			-
146	Notes/Receivables from Associated Companies			
151	Plant Material and Supplies			
162	Prepayments			
174	Miscellaneous Current and Accrued Assets			
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 8,074	\$ -	\$ 8,074
	FIXED ASSETS			
101	Utility Plant in Service	\$ 106,186	\$ 525,000	\$ 631,186
103	Property Held for Future Use			
105	Construction Work In Progress			
108	Accumulated Depreciation - Utility Plant ("AD-UP")	(77,218)		(77,218)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility ("AD-NU")			
	TOTAL FIXED ASSETS	\$ 28,968	\$ 525,000	\$ 553,968
	TOTAL ASSETS	\$ 37,042	\$ 525,000	\$ 562,042

West Village Water Company
Balance Sheet as of 12/31/07 (continued)
Includes Proforma Adjustments for WIFA Financing

Acct. No.	LIABILITIES	TEST YEAR END BALANCE @ 12/31/2007	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2007 ADJUSTED FOR WIFA LOAN
	CURRENT LIABILITIES			
231	Accounts Payable	\$ 62,900		\$ 62,900
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Companies			
235	Customer Deposits			
236	Accrued Taxes			
237	Accrued Interest			
241	Miscellaneous Current and Accrued Liabilities			
	TOTAL CURRENT LIABILITIES	\$ 62,900	\$ -	\$ 62,900
	LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$ -	\$ 525,000	\$ 525,000
	DEFERRED CREDITS			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction			
255	Accumulated Deferred Investment Tax Credits			
271	Gross Contributions in Aid of Construction	\$ 20,886		\$ 20,886
272	Less: Amortization of contributions	(20,886)		(20,886)
281	Accumulated Deferred Income Tax			
	TOTAL DEFERRED CREDITS	\$ -	\$ -	\$ -
	TOTAL LIABILITIES	\$ 62,900	\$ 525,000	\$ 587,900
	CAPITAL ACCOUNTS			
201	Common Stock Issued			
211	Paid in Capital in Excess of Par Value			
215	Retained Earnings			
218	Proprietary Capital (Sole Props and Partnerships)	\$ (25,858)		\$ (25,858)
	TOTAL CAPITAL	\$ (25,858)	\$ -	\$ (25,858)
	TOTAL LIABILITIES AND CAPITAL	\$ 37,042	\$ 525,000	\$ 562,042

EXHIBIT 3

West Village Water Company
Income Statement from January through December of 2007
Includes Proforma Adjustments for WIFA Financing

Acct. No.	OPERATING REVENUES	TEST YEAR ACTUAL	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR INCLUDING WIFA LOAN ADJUSTMENTS
461	Metered Water Revenue	\$ 31,935	\$ 99,273	\$ 131,208
460	Unmetered Water Revenue			-
474	Other Water Revenues			-
	TOTAL OPERATING REVENUES	\$ 31,935	\$ 99,273	\$ 131,208
	OPERATING EXPENSES			
601	Salaries and Wages	\$ -		\$ -
610	Purchased Water	18,765		18,765
615	Purchased Power	4,390		4,390
618	Chemicals	100		100
620	Repairs and Maintenance	3,817		3,817
621	Office Supplies & Expense	1,030		1,030
630	Outside Services	15,550		15,550
635	Water Testing	982		982
641	Rents	-		-
650	Transportation Expenses	-		-
657	Insurance - General Liability	1,124		1,124
659	Insurance - Health and Life	-		-
666	Regulatory Commsn Exp-Rate Case	5,000		5,000
675	Miscellaneous Expense	-		-
403	Depreciation Expense	539	26,361	26,900
408	Taxes Other Than Income	-		-
408.1	Property Taxes	1,023		1,023
409	Income Tax	-		-
	TOTAL OPERATING EXPENSES	\$ 52,320	\$ 26,361	\$ 78,680
	OPERATING INCOME/(LOSS)	\$ (20,384)	\$ 72,912	\$ 52,528
	OTHER INCOME/(EXPENSE)			
419	Interest and Dividend Income	\$ -		\$ -
421	Non-Utility Income			-
426	Miscellaneous Non-Utility Exp			-
427	Interest Expense	-	39,211	39,211
	TOTAL OTHER INCOME/(EXPENSE)	\$ -	\$ (39,211)	\$ (39,211)
	NET INCOME/(LOSS)	\$ (20,384)	\$ 33,701	\$ 13,317

EXHIBIT 4

PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER
AUTHORIZAING THE ISSUANCE OF DEBT
BY MR. AND MRS. F. WAYNE THOMPSON DBA
WEST VILLAGE WATER COMPANY

Mr. and Mrs. F. Wayne Thompson dba West Village Water Company ("WVWC" or "Company") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to Issue \$525,000 of debt. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Flagstaff, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.