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AZ CORP COMMISSION
DOCKET CONTROL

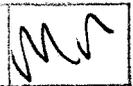
January 27, 2009

Dennis Rogers, Public Utilities Analyst
Arizona Corporation Commission
1200 W Washington St
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

JAN 28 2009

Re: Docket No. W-02304A-08-0465 Application for Indebtedness

DOCKETED BY 

Dear Mr. Rogers:

Community Water Company of Green Valley ("CWCGV") recently realized that its amended application seeking financing authority in Docket No. W-02304A-08-0465 will not be sufficient to meet its needs going forward. While CWCGV still seeks authority to incur the same amount of indebtedness - \$2,810,000 - it needs to adjust the terms of the financing. Specifically, CWCGV needs to change the terms of the indebtedness from a one-year revolving line of credit ("LOC") to a 5-year term loan with a 20-year amortization and a 5-year balloon payment. The purpose of my letter is to request a modification to CWCGV's amended application - to incorporate these revised terms - in seeking Arizona Corporation Commission approval for CWCGV to incur \$2.810 million in indebtedness. I explain in further detail below the reasons for the modifications CWCGV is requesting.

At the time CWCGV amended its original application in October 2008, there was substantial uncertainty in the financial markets. We were advised at that time not to lock in a long-term fixed loan. Therefore, CWCGV's amended application requested approval for a one-year non-revolving line of credit. CWCGV later realized that a one-year time period will not be sufficient for CWCGV to continue to allow it to address capital needs while maintaining its ability to fund operations. So, CWCGV would have to refinance the \$2.810 million, and also file a subsequent application for Commission approval to refinance the entire \$2.810 million, and achieve both before the end of 2009. This would put CWCGV in the precarious position of trying to secure longer-term financing and get regulatory approval before November 2009, which is when its current financing through Chase Bank will expire.

Further, CWCGV has successfully negotiated a term loan agreement with Chase Bank for the \$2,810,000. The new terms are for a five-year balloon payment, fixed principal repayment based on a 20-year amortization and a variable interest rate to be based on the CB Floating Rate plus 100 basis points with a 30 LIBOR plus 250 basis points floor. The attached documents from Chase Bank describe the term-loan agreement in further detail. CWCGV believes these terms are more favorable than a one-year non-revolving LOC (which it would need to refinance almost immediately). It is vital for CWCGV to have longer-term financing in place, in order for it to continue its operations beyond November 2009. CWCGV believes it is in the public interest for it to modify the terms of its financing request from its amended application in Docket No W-02304A-08-0465, and to now seek Commission approval with

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those modified terms. CWCGV is not changing the stated intent for the financing (to refinance \$2.5 million in indebtedness and an additional \$310,000 in capital improvements).

We appreciate the opportunity to discuss CWCGV's situation with Staff and to request modifying the terms of the financing request – from a one-year revolving LOC to a term loan agreement for \$2.810 million. Please let us know if there is any further information you need from CWCGV, or if you have any further questions. We look forward to hearing from you.

Sincerely,

Community Water Company of Green Valley

A handwritten signature in black ink, appearing to read 'Arturo R. Gabaldón', with a long horizontal line extending to the right.

Arturo R. Gabaldón,
President

cc: ACC Docket Control (Original and 13 copies)
Ayesha Vohra, Arizona Corporation Commission Legal Division
Jason Gellman, Roshka, DeWulf & Patten



PROPOSED CREDIT FACILITY TERMS AND CONDITIONS –

COMMUNITY WATER COMPANY OF GREEN VALLEY
1501 South La Canada
Green Valley, AZ 85622-1078

JANUARY 28, 2009

Attention: Mr. Pierre Y. Hanhart. – Controller

JPM Chase Bank, N.A. (The Bank), is pleased to provide you with an Expression of Interest for the purpose of outlining the terms and conditions under which the Bank would consider providing financing to Community Water Company of Green Valley to refinance existing debt with Chase Bank, N.A.

Borrower: Community Water Company of Green Valley. (Borrower)

Guarantors: N/A

Bank: Chase Bank, N.A.

Facilities: An up to \$2,810,000 Term Loan.

Purpose: Proceeds to be used to refinance existing line of credit with Chase Bank. Existing line was originally issued to finance cost associated with the installation of new water treatment facilities. Available funds (\$310,000.00) will be use to upgrade various plants and equipment.

Term: Five years from closing date.

Repayment: This loan will be payable in fifty nine (59) equal installments of principal and interest (based on a 20 year amortization) and one final balloon payment for the remaining balance.

Interest

Rate: Proposed pricing is based on a variable interest rate to be based on the **CB Floating Rate plus 100 basis points with a 30 Libor plus 250 basis points floor**. Note that the interest rate quoted in this document is for indicative purposes only and subject to change. Market conditions will dictate the actual interest rate at closing.

Collateral: First DOT on utility plant, land, administrative offices, wells & reservoirs. This is the same collateral that is currently securing the line of credit being refinanced with this term loan.

Financing

Documents: The Credit Facility will be evidenced by a Credit Agreement, Promissory Note and other legal documents (the “Financing Documents”). Additionally, the Borrower will agree to furnish any agreements, instruments and documents reasonably required by the Bank in connection with the Credit Facility.

**Representations,
Warranties, and
Covenants:**

As customary for a transaction of this nature, the Borrower shall make certain representations and warranties concerning the Borrower’s status as an entity in good standing with the State of Arizona. A commitment letter will be subject to the negotiation, execution, and delivery of documentation satisfactory to all parties. The Borrower will also agree to other representations, warranties and covenants as set forth in this term sheet and as otherwise deemed appropriate by the Bank.

Reporting

Requirements: Financial reporting with respect to the Borrower would be required as follows:

- Community Water Company of Green Valley to provide the Bank with its audited annual financial statements within 150 days from year end.
- Community Water Company of Green Valley to provide the Bank with its company prepared semi-annual financial statements within 60 days from 6/30/09 and every year thereafter.

Such other information regarding the operations, business, affairs and financial condition of Borrower as Bank may reasonably request.

Affirmative Covenants:

The Borrower will agree to maintain usual and customary affirmative covenants including, but not limited to maintenance of books, records and inspections, maintenance of insurance, payment of taxes, preservation of corporate existence, rights and authority, maintenance of properties and equipment, compliance with applicable statutes including environmental laws and other reasonable affirmative covenants customary for a transaction of this nature.

Financial Covenants:

Usual and customary for transactions of this nature, including, but not limited to, the following: use and investment of proceeds, change of control, capital expenditures, asset divestitures, liens, acquisitions and business combinations, transactions with affiliates, prepayment of other indebtedness, and additional indebtedness.

Other Conditions:

Other conditions on the Borrower as deemed necessary by the Bank and agreed to by the Borrower.

Governing Law:

State of Arizona.

Expenses & Indemnification:

The Borrower will pay lender expenses of outside counsel related to the preparation, negotiation and closing of the Financing Documents, and indemnify the lender and its respective affiliates, directors, officers, attorneys and employees against all claims asserted and losses, liabilities and expenses incurred in connection with the Credit Facility.

This summary of Terms and Conditions is not intended to be, and should not be construed as, a commitment to lend, nor should it be construed as an attempt to establish all of the terms and conditions relating to the credit facility. It is intended only to be indicative of certain terms and conditions around which credit approval maybe sought, and once approved, how the loan documents might be structured, and not to preclude negotiations within the general scope of these terms and conditions. The proposed credit facilities are subject to, but not limited to Lender receiving formal credit approval. The loan documents containing final terms and conditions will be subject to approval by the Borrower and the Bank.

Once again, I thank you for considering doing business with J.P.M. Chase Bank, N.A. Please do not hesitate to contact me at (520) 281-3315 should you have any question with the terms and conditions outlined in this expression of interest.

Sincerely,

Edmundo M. Gamillo
Vice-President

Agreed and Accepted by:

Community Water Company of Green Valley