

ORIGINAL



0000096955

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
for Director
Utilities Division

DATE: May 14, 2009

RE: **AMENDED** STAFF REPORT FOR ARIZONA-AMERICAN WATER COMPANY'S APPLICATION FOR AUTHORITY TO INCUR LONG-TERM DEBT THROUGH THE WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA (DOCKET NO. WS-01303A-09-0152)

Attached is the amended Staff Report for the Company's application for authority to borrow funds from the Water Infrastructure Finance Authority of Arizona. Staff recommends approval.

The above referenced report was originally docketed on May 13, 2009. Attached, is the **amended** report to reflect a typographical error in the Executive Summary as well as Page 4. The correction changes "...Certificate of Approval to Construct..." to "...Certificate of Approval of Construction".

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before May 20, 2009.

EGJ:JCM:tdp

Originator: Juan C. Manrique

Arizona Corporation Commission
DOCKETED

MAY 14 2009

DOCKETED BY *MM*

AZ CORP COMMISSION
DOCKET CONTROL

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Service List for: Arizona-American Water Company
Docket No. WS-01303A-09-0152

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

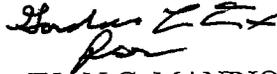
**ARIZONA-AMERICAN WATER COMPANY
DOCKET NO. WS-01303A-09-0152**

APPLICATION TO INCUR LONG-TERM DEBT

MAY 14, 2009

STAFF ACKNOWLEDGMENT

The Staff Report for Arizona-American Water Company, Docket No. WS-01303A-09-0152 is the responsibility of the Staff members listed below. Juan C. Manrique is responsible for the financial analysis. Dorothy Hains is responsible for the engineering review.



JUAN C. MANRIQUE
PUBLIC UTILITIES ANALYST I



DOROTHY HAINS
UTILITIES ENGINEER – WATER/WASTEWATER

EXECUTIVE SUMMARY
ARIZONA-AMERICAN WATER COMPANY
DOCKET NO. WS-01303A-09-0152

On March 25, 2009, Arizona-American Water Company ("Arizona-American" or "Company"), filed an application with the Arizona Corporation Commission ("Commission") requesting authorization to execute a loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA").

The U.S. Congress enacted the American Recovery and Reinvestment Act of 2009 ("ARRA") on February 17, 2009. WIFA's *Supplemental 2009 ARRA Intended Use Plan* asserts that projects that receive ARRA funds would need to be capable of moving forward rapidly; hence, expedited regulatory consideration is appropriate.

The Company is a for-profit Class "A" Arizona public service corporation that owns and operates a public water and wastewater utility in portions of Maricopa, Mohave and Santa Cruz Counties, Arizona. The Company seeks a \$2,300,000 WIFA loan. The Company also anticipates receiving \$1,150,000, or 50 percent of the loan, as forgivable principal reducing the effective amount of the loan to \$1,150,000. The forgivable principal is contingent upon compliance with ARRA. A 20-year amortizing loan at approximately 6.0 percent per annum is anticipated. The purpose of the loan is to fund an arsenic removal project in Tubac, Arizona.

As of December 31, 2008, Arizona-American's capital structure consisted of 14.9 percent short-term debt, 46.5 percent long-term debt, and 38.6 percent equity. Staff calculated a pro forma capital structure reflecting issuance of a \$2,300,000, 20-year amortizing loan at 6.0 percent per annum, and it is composed of 14.9 percent short-term debt, 46.8 percent long-term debt and 38.4 percent equity. Staff also calculated pro forma times interest earned ("TIER"), debt service coverage ("DSC") and cash coverage ("CCR") ratios of 0.52, 1.24 and 2.21, respectively. The DSC results show that cash flow from operations is sufficient to cover all obligations including WIFA's requirement to fund a "Debt Service Reserve Fund" equal to 20 percent of debt service.

Staff concludes that the Company's proposed capital projects are appropriate and that the related cost estimates are reasonable.

Staff further concludes that issuance of the proposed debt financing for the purposes stated in the application is within Arizona-American's corporate powers, is compatible with the public interest, is consistent with sound financial practices and will not impair its ability to provide services.

Staff recommends authorization to incur an 18-to-22 year amortizing loan in an amount not to exceed \$2,300,000 pursuant to a loan agreement with WIFA that provides for 50 percent of the principal amount to become forgiven upon compliance with the American Recovery and Reinvestment Act of 2009.

Staff further recommends that the Commission authorize Arizona-American to pledge its assets in the State of Arizona pursuant to A.R.S. § 40-285 and R18-15-104 in connection with the WIFA loan.

Staff further recommends that Arizona-American use best efforts and act in good faith to comply with all the requirements of the American Recovery and Reinvestment Act of 2009 and all requirements of WIFA in order to obtain the 50 percent of forgivable principal.

Staff further recommends that the Commission take the regulatory measures it deems appropriate due to any detrimental consequences to ratepayers that may result from Arizona-American's failure to use best efforts and act in good faith to comply with the American Recovery and Reinvestment Act of 2009 that results in a reduction in the amount of the loan that would otherwise qualify as forgivable principal.

Staff further recommends that any authorization to incur debt granted in this proceeding terminate on December 31, 2012.

Staff further recommends authorizing Arizona-American to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.

Staff further recommends that Arizona-American file with Docket Control, as a compliance item in this matter, a copy of the loan documents within 60 days of the execution of any financing transaction authorized herein.

Staff further recommends that the Company file with Docket Control as a compliance item in this docket by December 31, 2010, a copy of the Certificate of Approval of Construction issued by Arizona Department of Environmental Quality for the proposed capital improvements.

Staff recommends that the Company install at a minimum, an additional 500,000 gallons of storage capacity prior to April 30, 2010.

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INTRODUCTION

On March 25, 2009, Arizona-American Water Company ("Arizona-American" or "Company"), filed an application with the Arizona Corporation Commission ("Commission") requesting authorization to execute a loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA").

PUBLIC NOTICE

On May 5, 2009, the Applicant filed an affidavit of publication verifying public notice of its financing application. The Applicant published notice of its financing application in the *Green Valley News and Sun* on April 26, 2009. The *Green Valley News and Sun* is a newspaper of general circulation in the county of Pima, State of Arizona published every Sunday and Wednesday. The affidavit of publication is attached along with a copy of the Notice.

BACKGROUND

The U.S. Congress enacted the American Recovery and Reinvestment Act of 2009 ("ARRA") on February 17, 2009. WIFA's *Supplemental 2009 ARRA Intended Use Plan* shows that ARRA authorizes it to provide an additional subsidy on loans. In addition, the *Supplemental 2009 ARRA Intended Use Plan* asserts that projects that receive ARRA funds would need to be capable of moving forward rapidly; hence, expedited regulatory consideration is appropriate.

Arizona-American is a for-profit Class "A" Arizona public service corporation located in Phoenix, Arizona. The Company owns and operates public water and wastewater utilities in portions of Maricopa, Mohave and Santa Cruz Counties, Arizona.

COMPLIANCE

The Compliance Database indicates there are four delinquencies for Arizona-American Water Company. All four delinquencies stem from Decision No. 70209. All items in question have been provided by the Company to Staff. Staff is currently reviewing them.

PURPOSE AND DESCRIPTION OF THE REQUESTED FINANCING

The purpose of Company's request for the Water Infrastructure and Finance Authority ("WIFA") loan is to fund an arsenic removal project in Tubac, Arizona.

The Company requests that the Commission authorize it to secure financing in an amount not to exceed \$2,300,000 from WIFA. The Company anticipates that \$1,150,000, or 50 percent of the loan, will be designated as forgivable principal reducing the expected repayable indebtedness to \$1,150,000. The Company anticipates a 20-year amortizing loan at 6.0 percent per annum. The current base interest rate on a WIFA loan is 6.0 percent. The base interest rate is calculated by using the current prime rate of 3.25 percent plus 2.75 percent.

WIFA rule R18-15-104 requires borrowers to pledge their assets when borrowing funds from WIFA. A.R.S. § 40-285 requires public service corporations to obtain Commission authorization to encumber certain utility assets.

ENGINEERING ANALYSIS

The Staff Engineering Memorandum is attached. Staff reviewed the Company's proposed capital improvements and found the project costs appropriate and the related cost estimates reasonable. Staff makes no "used and useful" determination of the proposed improvements or any conclusions for rate base or ratemaking purposes.

FINANCIAL ANALYSIS

Staff's analysis is illustrated on Schedule JCM-1. Column [A] reflects The Company's historical financial information for the year ended December 31, 2008. Column [B] presents pro forma financial information that modifies Column [A] to reflect a 20-year, \$2,300,000 amortizing loan at 6.0 percent per annum.

TIER, DSC and CCR

TIER represents the number of times earnings cover interest expense on short-term and long-term debt. A TIER greater than 1.0 means that operating income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long-term but does not mean that debt obligations cannot be met in the short-term.

DSC represents the number of times internally generated cash will cover required principal and interest payments on short-term and long-term debt. A DSC greater than 1.0 indicates that cash flow from operations is sufficient to cover debt obligations. A DSC less than 1.0 means that debt service obligations cannot be met by cash generated from operations and that another source of funds is needed to avoid default.

CCR represents the number of times internally generated cash covers required interest payments on short-term and long-term debt. A CCR greater than 1.0 means that cash flow from operations is greater than interest expense.

Schedule JCM-1, Column [A] shows that for the year ended December 31, 2008, the Company's TIER, DSC and CCR were 0.52, 1.25 and 2.24, respectively. The pro forma TIER, DSC and CCR for the Company under the scenario described above for Column [B] are 0.52, 1.24 and 2.21, respectively. The pro forma DSC shows that cash flow from operations is sufficient to cover all obligations including WIFA's requirement to fund a "Debt Service Reserve Fund" equal to 20 percent of debt service.

Capital Structure

At December 31, 2008, the Company's capital structure consisted of 14.9 percent short-term debt, 46.5 percent long-term debt, and 38.6 percent equity (Schedule JCM-1, Column [A], lines 20-26). Staff calculated a pro forma capital structure reflecting issuance of a \$2,300,000, 20-year amortizing loan at 6.0 percent per annum, and it is composed of 14.9 percent short-term debt, 46.8 percent long-term debt and 38.4 percent equity (Schedule JCM-1, Column [B], lines 20-26).

Capital Structure inclusive of AIAC and CIAC

As of December 31, 2008, the Company's capital structure, inclusive of Advances-In-Aid-of-Construction ("AIAC") and Net Contributions-In-Aid-of-Construction ("CIAC")¹ consisted of 9.0 percent short-term debt, 27.9 percent long-term debt, 23.1 percent equity, 28.6 percent AIAC and 11.4 percent CIAC (Schedule JCM-1, Column [A], lines 31-41).

Encumbrance

Arizona Administrative Code ("A.A.C.") R18-15-104 requires WIFA borrowers to pledge their revenue sources to repay the financial assistance. A.R.S. § 40-285 requires public service corporations to obtain Commission authorization to encumber certain utility assets. The statute serves to protect captive customers from a utility's act to dispose of any of its assets that are necessary for the provision of service, thus, it serves to preempt any service impairment due to disposal of assets essential for providing service. Pledging assets as security typically provides benefits to the borrower in the way of increased access to capital funds or preferable interest rates, and it is often an unavoidable condition for procurement of funds for small or financially stressed entities.

CONCLUSION AND RECOMMENDATIONS

Staff concludes that the Company's proposed capital projects are appropriate and that the related cost estimates are reasonable.

Staff further concludes that issuance of the proposed debt financing for the purposes stated in the application is within Arizona-American's corporate powers, is compatible with the public interest, is consistent with sound financial practices and will not impair its ability to provide services.

Staff recommends authorization to incur an 18-to-22 year amortizing loan in an amount not to exceed \$2,300,000 pursuant to a loan agreement with WIFA that provides for 50 percent of the principal amount to become forgiven upon compliance with the American Recovery and Reinvestment Act of 2009.

¹ Contributions in Aid of Construction less Accumulated Amortization of Contributions in Aid of Construction.

Staff further recommends that the Commission authorize Arizona-American to pledge its assets in the State of Arizona pursuant to A.R.S. § 40-285 and R18-15-104 in connection with the WIFA loan.

Staff further recommends that Arizona-American use best efforts and act in good faith to comply with all the requirements of the American Recovery and Reinvestment Act of 2009 and all requirements of WIFA in order to obtain the 50 percent of forgivable principal.

Staff further recommends that the Commission take the regulatory measures it deems appropriate due to any detrimental consequences to ratepayers that may result from Arizona-American's failure to use best efforts and act in good faith to comply with the American Recovery and Reinvestment Act of 2009 that results in a reduction in the amount of the loan that would otherwise qualify as forgivable principal.

Staff further recommends that any authorization to incur debt granted in this proceeding terminate on December 31, 2012.

Staff further recommends authorizing Arizona-American to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.

Staff further recommends that Arizona-American file with Docket Control, as a compliance item in this matter, a copy of the loan documents within 60 days of the execution of any financing transaction authorized herein.

Staff further recommends that the Company file with Docket Control as a compliance item in this docket by December 31, 2010, a copy of the Certificate of Approval of Construction issued by Arizona Department of Environmental Quality for the proposed capital improvements.

Staff recommends that the Company install at a minimum, an additional 500,000 gallons of storage capacity prior to April 30, 2010.

FINANCIAL ANALYSIS

	[A] ¹ <u>12/31/2008</u>		[B] ² <u>Pro forma</u>	
1 Operating Income	\$ 5,715,352		\$ 5,715,352	
2 Depreciation & Amort.	18,769,394		18,769,394	
3 Income Tax Expense	0 ³		0	
4				
5 Interest Expense	10,934,958		11,071,288	
6 Repayment of Principal	8,580,775		8,642,180	
7				
8				
9 TIER				
10 [1+3] ÷ [5]	0.52		0.52	
11				
12 DSC				
13 [1+2+3] ÷ [5+6]	1.25		1.24	
14				
15 Cash Coverage Ratio				
16 [1+2+3] ÷ [5]	2.24		2.21	
17				
18 Capital Structure				
19				
20 Short-term Debt	\$59,794,852	14.9%	59,856,257	14.9%
21				
22 Long-term Debt	\$186,187,365	46.5%	\$188,425,960	46.8%
23				
24 Common Equity	\$154,505,690	38.6%	\$154,505,690	38.4%
25				
26 Total Capital	\$400,487,907	100.0%	\$402,787,907	100.0%
27				
28				
29 Capital Structure (inclusive of AIAC and Net CIAC)				
30				
31 Short-term Debt	59,794,852	9.0%	59,856,257	8.9%
32				
33 Long-term Debt	186,187,365	27.9%	188,425,960	28.1%
34				
35 Common Equity	154,505,690	23.1%	154,505,690	23.1%
36				
37 Advances in Aid of Construction ("AIAC")	191,172,405	28.6%	191,172,405	28.5%
38				
39 Contributions in Aid of Construction ("CIAC") ⁴	75,929,610	11.4%	75,929,610	11.3%
40				
41 Total Capital (Inclusive of AIAC and CIAC)	\$667,589,922	100.0%	\$ 669,889,922	100.0%
42				
43 AIAC and CIAC Funding Ratio ⁵	40.0%		39.9%	
44 (36+38)/(40)				
45				
46				

¹ Column [A] is based on the Company's Financial Statements for the year ended December 31, 2008.

² Column [B] is Column [A] modified to reflect issuance of the proposed \$2.3 million debt financing amortized for 20 years at 6 percent.

³ The reported 2006 income tax expense is a negative \$1,694,443.

⁴ Net CIAC balance (i.e. less: accumulated amortization of contributions).

⁵ Staff typically recommends that combined AIAC and Net CIAC funding not exceed 30 percent of total capital, inclusive of AIAC and Net CIAC, for private and investor owned utilities.

MEMORANDUM

DATE: April 8, 2009

TO: Juan Manrique
Public Utility Analyst

FROM: Dorothy Hains, P. E. *DH*
Utilities Engineer

RE: **Application of Arizona-American Water Company, an Arizona Corporation, For Authority to Incur Long-Term Debt through the Water Infrastructure Finance Authority of Arizona**
Docket No. WS-01303A-09-0152

Introduction and Background

On March 25, 2009, Arizona-American Water Company ("the Company") filed with the Arizona Corporation Commission ("ACC") a financing application requesting ACC approval to incur long-term in the amount of 2.3 million dollars to purchase and install a centralized arsenic treatment facility and transmission main for the Company's Tubac Water District ("Tubac"). This project includes a centralized, media arsenic removal treatment plant and 4,900 feet of 12-inch PVC main that will connect Well Site No. 4.1 with the arsenic treatment plant located at Well Site No. 5.1.

The most recent lab analysis of the groundwater produced by the three active wells supplying water to the Tubac system indicated that arsenic levels in the water varies from 16 $\mu\text{g/l}$ to 36 $\mu\text{g/l}$, which exceeds the 10 parts per billion ("ppb") arsenic standard now in effect. Based on 2007 sample test results, arsenic levels in the ground water were as follows for each well: 24 $\mu\text{g/l}$ detected in Well No. 2.1, 36 $\mu\text{g/l}$ detected in Well No. 4.1 and 16 $\mu\text{g/l}$ detected in Well No. 5.1.

Water will be transported via the new 12-inch main from Well Site No. 4.1 to the plant for treatment. Water from both Well Nos. 4.1 and 5.1 will be treated. The Company plans to remove Well No. 2.1 from service and use only the treated water from Well Nos. 4.1 and 5.1 going forward. An arsenic treatment plant using iron media will remove arsenic from the water produced by Well Nos. 4.1 and 5.1. Major components of the proposed plant are two 9-foot diameter by five-foot high arsenic removal vessels manufactured by Severn Trent. The treatment plant will be designed to treat 500 gallons per minute ("GPM"). Each well has a flow rate of 500 GPM therefore the Company plans to alternate between the two remaining sources pumping from only one well at a time.

The Water Infrastructure Financing Authority ("WIFA") has advised the Company that the centralized arsenic treatment facility will qualify for funding under the American Recovery and Reinvestment Act ("ARRA").

System Analysis

The Tubac water system consists of three active drinking water wells (having a combined well capacity of 1,300 GPM), one storage tank (having a capacity of 50,000 gallons). Tubac serves an existing customer base of approximately 590 customers.¹ Staff concludes that Tubac currently has adequate storage and well production to serve its existing base of customers plus reasonable growth. However, operation of the system at 500 GPM will leave the system short on storage capacity. Therefore, Staff recommends that the Company install at a minimum, 500,000 gallons of storage capacity prior to April 30, 2010.

Arizona Department of Environmental Quality ("ADEQ") Compliance Status

ADEQ has determined that Tubac is currently in full compliance with its requirements.² ADEQ further states that Tubac is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4 (except for arsenic).

Arizona Department of Water Resources ("ADWR") Compliance Status

Arizona-American Water Company is located in the Santa Cruz Active Management Area ("AMA"), as designated by ADWR. ADWR has determined that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems³.

ACC Compliance Status

A check of the Utilities Division Compliance database showed there were no delinquent compliance items for the Company.

Cost

The Company estimates a total construction cost of \$2,300,000.

A general description and breakdown of the funding required is as follows:

¹ According to data submitted, the Company served 588 customers as of December 2008.

² ADEQ compliance status report dated February 8, 2008.

³ ADWR compliance status report dated June 3, 2008.

Project Description	Estimated Cost (\$)
Arsenic Treatment Plant & Transmission Line	
Planning & Design	
Hydraulic modeling study	20,768*
Design of A 500 GPM Arsenic Removal Facility & 4,900' transmission line	258,131*
Bidding Services	8,900*
Reimbursable items (prints, permit fees, title report fees, etc.)	8,500*
Construction Administration	53,700*
Subtotal	350,000
Arsenic Treatment Plant Construction	
Media	75,000*
Plant installation, piping, vessel transportation, earth work, concrete work including footing installation, backwash water holding basin installation, retaining basin installation, etc.	340,000*
Subtotal	415,000
Transmission & Distribution Line Construction	
Installation of 4,900' 12" PVC between Well #5.1 and Well #4.1	550,000*
Purchase of Arsenic Treatment Vessels	
Two 9'-Diameter, 5'-deep vessels (manufactured by Severn Trent)	150,000*
Land Acquisition	
Purchasing easement for transmission line project	30,000*
Other	
Including AFUDC, internal labor, overhead (labor & general)	455,000*
Contingency	
Contingency (18%)	350,000
Total	2,300,000

Note: * means that tax has been included.

Staff concludes that the proposed project is appropriate and the cost estimates presented above are reasonable for purposes of this financing request. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purpose in the future.

Construction Schedule

The Company plans to submit the construction plans outlined above to ADEQ for review in April 2009 and expects to receive its Certificate of Approval to Construct ("ATC") in May 2009. The construction is scheduled to begin in June 2009. According to the Company, all construction work will be completed by end of December 2009. The Company expects the plant to be in service in January 2010.

Staff recommends that the Company file with Docket Control as a compliance item in this docket by April 30, 2010, copies of the ADEQ Certificates of Approval of Construction ("AOC") for the arsenic treatment plant, the transmission main project, and the additional storage.

Summary

I. Conclusions

1. ADEQ has determined that the Tubac water system is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4 (except for arsenic).
2. ADWR has determined that Tubac is currently in compliance with departmental requirements governing water providers and/or community water systems.
3. A check of the Utilities Division Compliance database showed there were no delinquent compliance items for the Company.
4. Staff concludes that the proposed project is appropriate and the cost estimates presented herein are reasonable for purposes of this financing request. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purpose in the future.
5. The Tubac water system currently has adequate storage and well production to serve its existing base of customers plus reasonable growth.

II. Recommendations

1. Staff recommends that the Company install at a minimum, an additional 500,000 gallons of storage capacity prior to April 30, 2010.
2. Staff recommends that the Company file with Docket Control as a compliance item in this docket by April 30, 2010, copies of the ADEQ Certificates of AOC for the arsenic treatment plant, the transmission main project and additional storage.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
 GARY PIERCE
 SANDRA D. KENNEDY
 PAUL NEWMAN
 BOB STUMP

APPLICATION OF ARIZONA-AMERICAN
 WATER COMPANY, AN ARIZONA
 CORPORATION, FOR AUTHORITY TO
 INCUR LONG-TERM DEBT THROUGH THE
 WATER INFRASTRUCTURE FINANCE
 AUTHORITY OF ARIZONA.

DOCKET NO. WS- 01303A-09-0152

**NOTICE OF FILING
 AFFIDAVIT OF PUBLICATION**

1 Arizona-American Water Company hereby files the attached Affidavit of Publication
 2 published on April 26, 2009, in The Green Valley News and Sun by which the company gave
 3 public notice of its Application in this matter.

4
 5 RESPECTFULLY SUBMITTED on May 5, 2009.

6
 7
 8
 9 

10 Michael Hallam
 11 Lewis and Roca, LLP
 12 40 North Central Avenue
 13 Phoenix, Arizona 85004
 14 (602) 262-5340
 15 mhallam@lrlaw.com
 16 Attorney for Arizona-American Water Company
 17
 18
 19

20 **Original and 15 copies filed**
 21 **on May 5, 2009, with:**

22
 23 Docket Control
 24 Arizona Corporation Commission
 25 1200 West Washington
 26 Phoenix, Arizona 85007
 27
 28
 29
 30

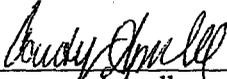
1 Copies of the foregoing mailed
2 on May 5, 2009, to:

3
4 Legal Division
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007

8
9 Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington
12 Phoenix, Arizona 85007

13
14 Lyn Farmer
15 Chief Hearing Officer
16 Arizona Corporation Commission
17 1200 West Washington
18 Phoenix, Arizona 85007

19
20 Residential Utility Consumer Office
21 1110 W. Washington Street
22 Suite 220
23 Phoenix, AZ 85007

24
25
26 By: 
27 Courtney Appelhans

AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA)
 :SS.)
COUNTY OF PIMA

MARILEE WRIGHT being first duly sworn, deposes and says that she is the Legal Advertising Manager of the **GREEN VALLEY NEWS and SUN**, a newspaper published every Sunday and Wednesday in the County of Pima, State of Arizona, and of general circulation in said County, and that the hereto attached

PUBLIC NOTICE
ARIZONA-AMERICAN WATER COMPANY

was printed and published in the regular and entire issue of said **GREEN VALLEY NEWS and SUN** for 1 issues; that the first was made on the 26TH day of APRIL, 2009 and the last publication thereof was made on the 26TH day of APRIL, 2009; that said publication was made on each of the following dates, to-wit:

04/26/09

Request of (L) BOB NELSON ASSOCIATES

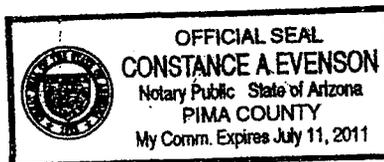
**green valley news
and sun**

By *Marilee Wright*

Subscribed and sworn to before me this 26TH day of
APRIL, 2009.

Constance A. Evenson

Notary Public in and for the County of Pima, State of Arizona
My Commission Expires: JULY 11, 2011



**PUBLIC NOTICE
OF AN APPLICATION
FOR AN ORDER
AUTHORIZING THE ISSUANCE
OF UP TO \$2.3 MILLION
IN LONG-TERM DEBT BY
ARIZONA-AMERICAN WATER
COMPANY**

On March 25, 2009 Arizona-American Water Company filed an Application with the Arizona Corporation Commission (Commission) for an order authorizing Applicant to issue up to \$2.3 million of long-term debt. The application is available for inspection during regular business hours at the office of the Commission at 1200 W. Washington, Phoenix, Arizona 85007, and the Company's offices in 19820 N. 7th Street, Suite 201, Phoenix, Arizona 85024.

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:

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.

A short statement of the proposed intervenor's interest in the proceeding.

Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.

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.

Pub: Green Valley News & Sun
Date: April 26, 2009*
