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DOCKETED BY

**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  
12 WITHIN MARICOPA COUNTY,  
13 ARIZONA.

DOCKET NO. W-01412A-04-0736

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  
17 INDEBTEDNESS PAYABLE AT  
18 PERIODS OF MORE THAN TWELVE  
19 MONTHS AFTER THE DATE OF  
20 ISSUANCE.

DOCKET NO. W-01412A-04-0849

**STATUS REPORT AND PLAN OF  
DEBT SERVICE**

18 Valley Utilities Water Company, Inc. ("Valley Utilities" or "Company") hereby  
19 files this Status Report and Plan of Debt Service in the above captioned matter.

20 On November 13, 2008, Valley Utilities filed an Application for Approval of  
21 Interim Arsenic Surcharge Tariff pursuant to Decision No. 68309 (November 14, 2005).  
22 In its Application, Valley Utilities is seeking authority to implement an arsenic removal  
23 surcharge ("Surcharge") to help pay the debt service on a loan issued by the Water  
24 Infrastructure Financing Authority ("WIFA") to pay for arsenic treatment facilities. In  
25 addition to the Surcharge, Valley Utilities can use a combination of existing 'set-aside'  
26 funds recently authorized in Decision No. 70956 (April 7, 2009), as well as any funds

1 generated by the company's Arsenic Impact Fee tariff. However, because both these  
2 sources of funds to service the WIFA debt are likely to be exhausted in the near future,  
3 and prior to the resolution of the pending rate case application, Valley Utilities requested  
4 an expedited resolution to its request.

5 A procedural conference was held on December 2, 2008. During the procedural  
6 conference, Staff was granted ninety (90) days to file a memorandum and recommended  
7 order. As a result, a hearing date was not set. It has been approximately one hundred and  
8 eighty (180) days since the procedural conference. Valley Utilities understands that Staff  
9 is extremely overloaded with new applications and various other filings, and this Status  
10 Report is being filed in order to assist Staff in knowing the latest possible deadline for  
11 relief without serious adverse impacts to Valley Utilities' customers.

#### 12 DEBT SERVICE

13 Valley Utilities has the following funds available to service the current outstanding  
14 WIFA debt:

15	1. Set-Aside Account:	\$73,573.33
16	2. AIF Funds:	<u>\$3,193.32</u>
17	<b>TOTAL:</b>	<b>\$76,766.65</b>

18 Since January 2009, when Valley Utilities was still prohibited from using the set-aside  
19 funds, WIFA allowed the Company to pay interest and fee payments only from its WIFA  
20 debt service reserve. Prior to this arrangement, the monthly debt payment for principal,  
21 interest and fees totaled \$16,483.00.

22 WIFA has offered to allow the Company to continue making interest and fee  
23 payments only until the Surcharge application is finalized. However, Valley Utilities will  
24 be required to pay back any money utilized from its WIFA debt service reserve in 2009  
25 before it can take advantage of this payment arrangement, attached hereto as Exhibit 1.  
26 Therefore, with the funds available in the set-aside and AIF accounts, Valley Utilities

1 intends to remit to WIFA \$23,269.14 with its June interest and fee only payment of  
2 \$7,034.24, for a total June payment of \$30,303.38. This will leave \$46,463.27 to Valley  
3 Utilities to pay debt service on the WIFA loan until a new arsenic removal surcharge goes  
4 into effect.

5 **CONCLUSION**

6 If required to pay principal, interest and fees on the outstanding loan, the Company  
7 will run out of available funds within two months, by September 2009. While there may  
8 be a few AIF fees collected during this time, Valley Utilities does not expect such an  
9 explosion in growth within this area to warrant reliance on the AIFs to be collected (if  
10 any) to continue funding the WIFA debt after all existing funds are exhausted. On the  
11 other hand, if the Company is required to make interest and fee payments only to WIFA  
12 (which Valley Utilities intends to continue), then rate relief will not likely be required for  
13 another six (6) months. This Status Report is intended to provide the Commission and  
14 Staff full disclosure of the Company's use of set-aside and AIF funds to service existing  
15 WIFA debt, as well as allow Staff time flexibility in preparing a recommended opinion  
16 and order in this matter. However, because Valley Utilities will not be paying any  
17 principal during this time, an expedited determination of the Company's Surcharge  
18 Application is still necessary in order to avoid a substantive extension of the payment  
19 schedule.

20 RESPECTFULLY SUBMITTED this 4<sup>th</sup> day of June, 2009.

21  
22 FENNEMORE CRAIG, P.C.

23  
24 By:   
25 Patrick J. Black  
26 Attorneys for Valley Utilities Water Company, Inc.

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**ORIGINAL and 15 copies**  
of the foregoing filed this  
4<sup>th</sup> day of June, 2009 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

**COPY** of the foregoing was  
**HAND-DELIVERED**  
this 4<sup>th</sup> day of June, 2009 to:

Teena Wolfe, Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

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Ernest Johnson, Director  
Utilities Division  
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By: *Maria San Jose*  
2202390.1

# **Exhibit 1**

