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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

8 KRISTIN K. MAYES, CHAIRMAN
9 GARY PIERCE
10 PAUL NEWMAN
11 SANDRA D. KENNEDY
12 BOB STUMP

Arizona Corporation Commission

DOCKETED

JUL 17 2009

DOCKETED BY *nr*

W-01431A-09-0361

13 APPLICATION OF ESTATE OF
14 WILLIAM F. RANDALL DBA VALLE
15 VERDE WATER COMPANY FOR
16 AUTHORITY TO INCUR LONG-TERM
17 DEBT

Docket No. W-01431A-09-

FINANCE APPLICATION

18
19 Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F), the Estate of
20 William F. Randall dba Valle Verde Water Company ("Company" or "Applicant"),
21 hereby applies for authority to incur debt to finance water system improvements.
22

23 **PRELIMINARY STATEMENT**

24 The Company is a public service corporation subject to regulation by the Arizona
25 Corporation Commission ("Commission") as a water utility. The Company holds a
26 Certificate of Convenience and Necessity ("CC&N") in the area of Nogales, Arizona.
27
28

1 The Company is seeking to finance necessary improvements to water production
2 and distribution systems, which will cost an estimated \$1,063,478.00 as determined by
3 engineers who evaluated the systems. See Exhibit 1. The Company has already applied
4 to the Water Infrastructure Finance Authority ("WIFA") for a loan to finance the
5 requisite equipment improvements and WIFA placed the Company on its 2009 Drinking
6 Water Revolving Fund Priority List. Nevertheless, due to the Company's desire to limit
7
8 its debt, it is submitting this application to receive authority to borrow no more than
9 \$1,063,478.00 from WIFA to make system improvements.
10

11 **INFORMATION REQUESTED ON APPLICATION FORM**
12

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

14 Valle Verde Water Company
15 Bonnie O'Connor
16 P.O. Box 85160
17 Tucson, Arizona 85754
18 Telephone: (520) 623-5172
19 Facsimile: (520) 792-0377

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

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

27 **3. Financing Description.**

28 If the Commission authorizes the proposed debt, then WIFA will lend the
Company \$1,063,478.00 for 20 to 30 years through the Drinking Water Revolving Fund.
Although the Company is on the loan priority list, WIFA does not offer finance terms
until the Commission authorizes water providers like the Company to incur debt. The

1 Company understands that the Commission and WIFA have a standard working
2 arrangement to accommodate WIFA's loan practices. Accordingly, Commission staff
3 may want to contact the following WIFA staff person:

4 Angie Valenzuela
5 Senior Loan Officer
6 Water Infrastructure Finance Authority
7 1110 W. Washington Street, Suite 290
8 Phoenix, Arizona 85007

8 **4. Proceeds Statement.**

9 Gross proceeds will be \$1,063,478.00. WIFA has a combined interest and fee rate
10 structure, so there are no issuance expenses. This means that the Company will net
11 \$1,063,478.00 from the proposed loan.

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

13 The proceeds will be used to repair and replace water distribution mains,
14 interconnect wells, install arsenic treatment system, abandon wells contaminated with
15 volatile organic chemicals (VOCs), relocate water distribution lines into the public right-
16 of-way, replace water meters, install fire hydrant locks, and make other related
17 improvements. *See* also Exhibit 1.

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

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

23 **7. Service Fees.**

24 WIFA does not charge service fees. Under WIFA's combined interest and fee rate
25 structure, the Company anticipates paying a fixed interest rate of prime plus 2%
26 multiplied by a subsidy rate index set by WIFA. WIFA may offer the Company a 85%
27
28

1 subsidy rate, so the effective interest rate could be Prime + 2% x 85%. This below-
2 market rate loan is reasonable for the Commission to approve.

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

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

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

6 A Company pro forma balance sheet is attached as Exhibit 2. A Company
7 pro forma income statement is attached as Exhibit 3.

8 **10. Customer Notice.**

9 The Commission required notice will be inserted in the customers' next bill. The
10 Company will file with the Commission a copy of the actual notice sent and an affidavit
11 stating when it was sent to the customers.

12 **REQUEST FOR APPROVAL**

13
14 As set forth in this Application, the Company requests that the Commission
15 authorize the financing described herein.

16 DATED this 17th day of July, 2009.

17
18 **MOYES SELLERS & SIMS LTD.**

19
20 
21 Steve Wene
22 Attorneys for Valle Verde Water Company

23
24 Original and 13 copies of the foregoing
25 filed this 17th day of July, 2009, with:

26 Docket Control
27 Arizona Corporation Commission
28 1200 West Washington
Phoenix, Arizona 85007

1 Copy of the foregoing mailed this
2 17th day of July, 2009, to:

3 Janice Alward, Chief Counsel
4 Legal Division
5 Arizona Corporation Commission
6 1200 W. Washington Street
7 Phoenix, Arizona 85007

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

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M. Sherman

EXHIBIT 1



OPINION OF PROBABLE COSTS - RATE INCREASE

30-Mar-09

**WIFA TAG - Capital Improvements Plan
Valle Verde Water Company**

Item No	Item Description	Unit	Quantity	Unit Cost	Extended Cost	Notes
Remove and Replace 2-inch Distribution Mains with 6-inch Mains						
1	Mobilization Demobilization	LS	1	\$ 20,000.00	\$ 20,000.00	
2	New 6-Inch Class 200 PVC Pipe	LF	1500	\$ 55.00	\$ 82,500.00	
3	New 6-Inch Gate Valve Assembly	EA	3	\$ 2,500.00	\$ 7,500.00	
4	New 1/2" Air Release Valve Assembly	EA	3	\$ 1,500.00	\$ 4,500.00	
Interconnect Well #4 to Well #2						
5	New 6-Inch Class 200 PVC Pipe	LF	1600	\$ 30.00	\$ 45,000.00	
6	New 6-Inch Gate Valve Assembly	EA	3	\$ 2,500.00	\$ 7,500.00	
7	New 1/2" Air Release Valve Assembly	EA	3	\$ 1,500.00	\$ 4,500.00	
Install PRV Station						
8	PRV Station	EA	2	\$ 10,000.00	\$ 20,000.00	
Install Arsenic Treatment System						
9	Treatment System 450-500 gpm)	EA	1	\$ 300,000.00	\$ 300,000.00	
10	Site Electrical	EA	1	\$ 22,500.00	\$ 22,500.00	
11	Shade Structure	EA	1	\$ 17,500.00	\$ 17,500.00	
Plug and Abandon Wells						
12	Plug and Abandon Wells	LS	1	\$ 10,000.00	\$ 10,000.00	
Miscellaneous Pipe Replacement						
13	Mobilization Demobilization	LS	1	\$ 20,000.00	\$ 20,000.00	
14	New 6-Inch Class 200 PVC Pipe	LF	500	\$ 55.00	\$ 27,500.00	
15	New 6-Inch Gate Valve Assemble	EA	1	\$ 2,500.00	\$ 2,500.00	
16	New 1/2" Air Release Valve Assembly	EA	1	\$ 1,500.00	\$ 1,500.00	
Relocate Main and Service Lines to Public R-O-W						
17	New 6-Inch Class 200 PVC Pipe	LF	1200	\$ 55.00	\$ 66,000.00	
18	New 6-Inch Gate Valve Assemble	EA	2	\$ 2,500.00	\$ 5,000.00	
19	New 1" Service Line and Appurtenances	EA	25	\$ 1,250.00	\$ 31,250.00	
20	Sawcut, Remove and Replace Pavement/Sidewalk	SY	500	\$ 40.00	\$ 20,000.00	
New Water Service Lines						
21	New 1" Service Line and Appurtenances	EA	25	\$ 1,250.00	\$ 31,250.00	
Replace Water Meters						
22	New 1" Lockable Water Meter	EA	25	\$ 300.00	\$ 7,500.00	
Install Fire Hydrant Locks						
23	New 1" Lockable Water Meter	EA	10	\$ 500.00	\$ 5,000.00	
Water Model Calibration and Maintenance						
24	Site Visits (2 per year)	EA	2	\$ 900.00	\$ 1,800.00	
25	Fire Flow Tests	EA	2	\$ 900.00	\$ 1,800.00	
26	Model Calibration	EA	2	\$ 1,000.00	\$ 2,000.00	
System Map Maintenance						
27	Site Visits (3 per year)	EA	3	\$ 900.00	\$ 2,700.00	
					\$ 767,300.00	
Administration and Legal Expenses		2% of Construction Cost		\$	15,346.00	
Land, Structures, and Right-Of-Way Relocations		NA		\$	-	
Arch and Engineering Fees		8% of Construction Cost		\$	61,384.00	
Other A and E Fees (Survey, Geotech, etc)		2% of Construction Cost		\$	15,346.00	
Project Inspection Fees		3.5% of Construction Cost		\$	26,855.50	
Subtotal				\$	886,231.50	
Contingencies, 20%				\$	177,246.30	
Total Project Costs					\$ 1,063,478.00	

EXHIBIT 2

Valle Verde Water Company
Balance Sheet as of 12/31/08
Includes Proforma Adjustments for WIFA Financing

Acct. No.	ASSETS	TEST YEAR END BALANCE @ 12/31/2008	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2008 ADJUSTED FOR WIFA LOAN
	CURRENT AND ACCRUED ASSETS			
131	Cash	\$ 50,714		\$ 50,714
134	Working Funds			
135	Temporary Cash Investments			
141	Customer Accounts Receivable	112,060		112,060
146	Notes/Receivables from Associated Companies			
151	Plant Material and Supplies			
162	Prepayments			
174	Miscellaneous Current and Accrued Assets			
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 162,774	\$ -	\$ 162,774
	FIXED ASSETS			
101	Utility Plant in Service	\$ 2,858,608	\$ 1,063,478	\$ 3,922,086
103	Property Held for Future Use			
105	Construction Work In Progress			
108	Accumulated Depreciation - Utility Plant ("AD-UP")	(1,461,206)		(1,461,206)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility ("AD-NU")			
	TOTAL FIXED ASSETS	\$ 1,397,402	\$ 1,063,478	\$ 2,460,880
	TOTAL ASSETS	\$ 1,560,176	\$ 1,063,478	\$ 2,623,654

Valle Verde Water Company
Balance Sheet as of 12/31/08 (continued)
Includes Proforma Adjustments for WIFA Financing

Acct. No.	LIABILITIES	TEST YEAR END BALANCE @ 12/31/2008	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2008 ADJUSTED FOR WIFA LOAN
	CURRENT LIABILITIES			
231	Accounts Payable	\$ 294,938		\$ 294,938
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Companies			-
235	Customer Deposits	27,692		27,692
236	Accrued Taxes	4,102		4,102
237	Accrued Interest			
241	Miscellaneous Current and Accrued Liabilities			
	TOTAL CURRENT LIABILITIES	\$ 326,732	\$ -	\$ 326,732
	LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$ 12,463	\$ 1,063,478	\$ 1,075,941
	DEFERRED CREDITS			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction	\$ 1,518,730		\$ 1,518,730
255	Accumulated Deferred Investment Tax Credits			
271	Gross Contributions in Aid of Construction	502,640		502,640
272	Less: Amortization of contributions	(25,132)		(25,132)
281	Accumulated Deferred Income Tax			
	TOTAL DEFERRED CREDITS	\$ 1,996,238	\$ -	\$ 1,996,238
	TOTAL LIABILITIES	\$ 2,335,433	\$ 1,063,478	\$ 3,398,911
	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)	\$ (775,257)		(775,257)
	TOTAL CAPITAL	\$ (775,257)	\$ -	\$ (775,257)
	TOTAL LIABILITIES AND CAPITAL	\$ 1,560,176	\$ 1,063,478	\$ 2,623,654

EXHIBIT 3

Valle Verde Water Company
Income Statement from January through December of 2008
Includes Proforma Adjustments for WIFA Financing

Description	Actual for Test Year Ended 31-Dec-08	Proforma Adjustments Including WIFA Loan	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Operating Revenues:					
461 Metered Water Revenue	\$ 437,387	\$ 11,928	\$ 449,315	\$ 497,753	\$ 947,068
474 Other Water Revenue	6,033		6,033		6,033
Total Operating Revenue	\$ 443,420	\$ 11,928	\$ 455,348	\$ 497,753	\$ 953,101
Operating Expenses:					
601 Salaries & Wages	\$ 71,814		\$ 71,814		\$ 71,814
610 Purchased Water	187,158		187,158		187,158
615 Purchased Power	38,214		38,214		38,214
618 Chemicals	919		919		919
620 Repairs & Maintenance	58,561		58,561		58,561
621 Office Supplies and Expense	18,166		18,166		18,166
630 Outside Services	152,005		152,005		152,005
635 Water Testing	10,447		10,447		10,447
641 Rental Expense			-		-
650 Transportation Expense	10,277		10,277		10,277
657 Insurance - General Liability	10,940		10,940		10,940
659 Insurance - Health and Life			-		-
666 Rate Case Expense		8,333	8,333		8,333
675 Miscellaneous Expense	1,056		1,056		1,056
403 Depreciation & Amortization	127,449	39,214	166,663		166,663
408 Property Taxes	14,129		14,129		14,129
408.1 Taxes Other Than Income	8,503		8,503		8,503
409 Income Taxes			-		-
Total Operating Expenses	\$ 709,638	\$ 47,547	\$ 757,186	\$ -	\$ 757,186
OPERATING INCOME/(LOSS)	\$ (266,218)	\$ (35,619)	\$ (301,837)	\$ 497,753	\$ 195,915
Other Income/(Expense):					
419 Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
427 Interest Expense	(1,184)	(52,452)	(53,636)		(53,636)
Total Other Income/(Expense)	\$ (1,184)	\$ (52,452)	\$ (53,636)	\$ -	\$ (53,636)
NET INCOME/(LOSS)	\$ (267,402)	\$ (88,071)	\$ (355,474)	\$ 497,753	\$ 142,279

Valle Verde Water Company
Utility Plant in Service and Depreciation Expense
Includes Proforma Adjustments for WIFA Financing

Acct. No.	Description	ORIGINAL COST @ TEST YEAR END 12/31/2008	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR INCLUDING WIFA ADJUSTMENTS	PROPOSED DEPRECIATION RATES	PROPOSED DEPRECIATION EXPENSE
301	Organization	\$ 125		\$ 125	20.00000%	\$ -
302	Franchises					
303	Land and Land Rights	86,093		86,093		\$ -
304	Structures and Improvements	500,114	24,255	524,369	3.33000%	17,461
307	Wells and Springs	557,589	13,860	571,449	3.33000%	19,029
311	Electric Pumping Equipment	292,876	27,720	320,596	12.50000%	40,075
320	Water Treatment Equipment	-		-		-
320.1	Water Treatment Plants	-	446,985	446,985	3.33000%	14,885
320.2	Solution Chemical Feeders	11,504		11,504	20.00000%	2,301
330	Distrib Reservoirs/Standpipes	366,501		366,501	3.61000%	13,231
330.1	Storage Tanks	-		-	2.22000%	-
330.2	Pressure Tanks	-		-	5.00000%	-
331	Transmission and Distrib Mains	579,729	490,020	1,069,749	2.00000%	21,395
333	Services	51,108	43,313	94,421	3.33000%	3,144
334	Meters	93,702	17,325	111,027	8.33000%	9,249
335	Hydrants	35,007		35,007	2.00000%	700
336	Backflow Prevention Devices	-		-	6.67000%	-
339	Other Plant & Misc Equipment				6.67000%	-
340	Office Furniture and Equip	16,552		16,552	6.67000%	1,104
340.1	Computers & Software				20.00000%	-
341	Transportation Equipment	71,364		71,364	20.00000%	14,273
343	Tools, Shop & Garage Equip.	11,729		11,729	5.00000%	586
344	Laboratory Equipment				10.00000%	-
345	Power Operated Equipment	44,869		44,869	5.00000%	2,243
346	Communications Equipment				10.00000%	-
347	Miscellaneous Equipment				10.00000%	-
348	Other Tangible Plant	139,746		139,746	5.00000%	6,987
	TOTALS	\$ 2,858,608	\$ 1,063,478	\$ 3,922,086		\$ 166,663