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BEFORE THE ARIZONA CORPORATION CO.

COMMISSIONERS

Arizona Corporation Commission
DOCKETED

OCT 30 2009

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

DOCKETED BY
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IN THE MATTER OF THE APPLICATION OF
WILLOW VALLEY WATER CO., INC. FOR
FINANCING APPROVAL IN CONNECTION
WITH THE AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009.

DOCKET NO. W-01732A-09-0182

DECISION NO. 71313

ORDER

Open Meeting
October 20, and 21, 2009
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

* * * * *

FINDINGS OF FACT

1. On April 17, 2009, Willow Valley Water Co., Inc. ("Willow Valley" or "Company") filed an application with the Commission for authorization to execute a loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA").¹

2. Willow Valley is a for-profit Class "C" Arizona public service corporation that provides water service to approximately 1,588 customers in portions of Mohave County, Arizona. Of those customers, 1,518 are 5/8 X 3/4-inch residential customers. Willow Valley is an operating company subsidiary of Global Water Management, LLC.

3. On May 19, 2009, the Company filed an affidavit of publication verifying that it published notice of its application on May 10, 2009, in the *Mohave Valley Daily News*, a publication of general circulation in the Mohave County, Arizona area.

¹ This application was filed to take advantage of federal "stimulus" funds provided under the American Recovery and Reinvestment Act of 2009 ("ARRA"), the distribution of which is being administered by WIFA for capital projects undertaken by water and wastewater utilities in Arizona.

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1 4. On July 15, 2009, the Commission's Utilities Division ("Staff") issued a Staff Report
2 recommending approval of the application subject to, among other things, a requirement that Willow
3 Valley achieve a Debt Service Coverage² ("DSC") ratio of at least 1.20 prior to obtaining the loan.

4 5. On February 17, 2009, the ARRA went into effect. WIFA's *Supplemental 2009 ARRA*
5 *Intended Use Plan* shows that the ARRA authorizes WIFA to provide an additional subsidy on loans,
6 which can include forgivable principal and/or additional interest rate subsidies. In addition, the
7 *Supplemental 2009 ARRA Intended Use Plan* provides that projects that receive ARRA funds would
8 need to be capable of moving forward rapidly and, hence, expedited regulatory consideration is
9 appropriate.

10 6. In its application, Willow Valley requested authority to obtain a WIFA loan in the
11 amount of \$435,000 to fund a meter replacement program. According to the Company, its meters are
12 outdated and the new replacement meters would enable Willow Valley to obtain remote readings.

13 7. As described in the Staff Engineering Report, Willow Valley has historically
14 experienced high levels of iron and manganese in its distribution system. Although the Company has
15 now remedied the iron and manganese issue through a treatment process, Staff indicates that iron and
16 manganese has accumulated over many years in the current meters necessitating their replacement.
17 Staff stated that many of the meters are more than 30 years old and replacement should enable
18 Willow Valley to more accurately track water use and thereby reduce the amount of unaccounted for
19 water on the system. As described above, the new meters would also eliminate the current manual
20 reading process and reduce labor and other operating costs associated with meter reading. The
21 Company's estimated costs for the meter replacement project, as set forth in the Staff Report, are as
22 follows:

23 ...

24 ...

25 ...

26 _____
27 ² DSC represents the number of times internally generated cash will cover required principal and interest payments on
28 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.

	Uses by Budget Item	WIFA Funding
1	Planning	
2	Meter Selection Planning	\$ 5,000.00
	GIS Mapping	10,000.00
3	Meter Audit	2,500.00
	Determine AMR Technology	5,000.00
4	Installation Planning	12,500.00
5	Design & Engineering	N/A
	Legal/Debt Authorization	N/A
6	Financial Advisor	N/A
	Land/System Acquisition	N/A
7	Equipment/Materials	
8	Meter Materials – Mountain States, PO62208001(01)	155,824.24
	AMR Radio Heads	144,175.76
9	Construction/Installation/Improvement	
	Installation (Local Operators)	50,000.00
10	Inspection & Construction Management	
	Construction Inspection	25,000.00
11	Project Officer	
12	Site Project Manager	20,000.00
	Administration	
13	Administration	5,000.00
14	Staff Training	N/A
	Capitalized Interest	N/A
15	Other	N/A
	Total for Project	\$435,000.00

8. According to Staff, Willow Valley requested that the Commission authorize it to secure WIFA financing in an amount not to exceed \$435,000, with an anticipated 20-year amortizing loan and an interest rate of 5.25 percent per annum (based on the current prime rate of 3.25 percent plus 2.00 percent). The Staff Report also indicates that \$174,000 (40 percent) of the loan would be comprised of forgivable principal, and \$261,000 as repayable indebtedness.

9. Staff states that, as of December 31, 2008, Willow Valley's capital structure consisted of 0.6 percent short-term debt, 7.7 percent long-term debt, and 91.7 percent equity, and that the Company's DSC ratio was negative. Staff's pro forma financial analysis indicates that with the proposed WIFA loan, the Company's capital structure would consist of 0.9 percent short-term debt, 20.0 percent long-term debt, and 79.1 percent equity. Staff's pro forma analysis further shows that the Company's DSC would continue to be negative with receipt of the WIFA loan.

10. According to Staff, the Company would require an additional \$97,308 of revenue to

1 achieve a 1.20³ DSC ratio based on a loan of \$435,000, and additional revenue of \$80,443 to reach a
2 DSC of 1.20 on a loan of \$261,000 (which assumes 40 percent forgivable principal and compliance
3 with ARRA requirements). In order to receive revenues sufficient to achieve a 1.20 DSC ratio, Staff
4 calculated that additional monthly surcharges of \$4.44 for a \$435,000 loan and \$3.67 for a \$261,000
5 loan would be required.

6 11. Because implementation of an interim rate (*i.e.*, a surcharge) requires a fair value rate
7 base ("FVRB") finding, Staff calculated Willow Valley's FVRB to be \$2.8 million based on the
8 Company's unaudited financial information filed in this proceeding. Staff indicates that its FVRB
9 calculation was determined for the sole purpose of establishing an interim surcharge sufficient to
10 achieve a 1.20 DSC ratio. However, Staff stated that because it has not audited the information
11 provided by the Company, Staff could make no assurances regarding the accuracy of the FVRB for
12 purposes of Willow Valley's pending rate case (Docket No. W-01732A-09-0079). Staff also
13 indicated that it expects any surcharges adopted by the Commission in this financing case would be
14 supplanted by the permanent rates ultimately established in Willow Valley's rate case.

15 12. On July 27, 2009, the administrative law judge convened a transcribed telephonic
16 procedural conference with counsel for Willow Valley and Staff. During that conference, Staff and
17 the Company agreed that if the Company provided adequate notice to its customers of the projected
18 interim surcharge, in a form agreed to by Staff (and if no requests for intervention were received), the
19 Commission could conduct a "mini-hearing" during its Open Meeting to satisfy the hearing
20 requirement set forth in A.R.S. §40-250(A).

21 13. On August 5, 2009, the Company filed a proposed form of notice, agreed to by Staff,
22 and requested that the notice be approved. On August 19, 2009, a Procedural Order was issued that
23 directed Willow Valley to mail to each of its customers and publish in a newspaper of general
24 circulation in its service territory the notice attached to the Procedural Order. The approved notice
25 set forth in bold print that a monthly surcharge of \$3.67 would be implemented. The notice also
26 directed interested persons to submit comments or request intervention by no later than September
27

28 ³ Staff points out that WIFA requires a Debt Service Reserve Fund equal to 20 percent of debt service. Therefore, based on WIFA's requirement, Willow Valley would need sufficient revenues to achieve a DSC ratio of at least 1.20.

1 11, 2009.

2 14. On August 31, 2009, Willow Valley filed affidavits of mailing and publication⁴. The
3 affidavits state that the required notice was published in the *Mohave Valley Daily News* on August
4 23, 2009 and that the notice was mailed to each of the Company's customers on August 27, 2009. To
5 date, no comments or requests for intervention have been received regarding this matter.

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

15 16. Staff concluded that issuance of the proposed debt financing for the purposes stated in
16 the application is within the Company's corporate powers, is compatible with the public interest, is
17 consistent with sound financial practices and will not impair its ability to provide service, assuming
18 Willow Valley is able to attain a DSC ratio of 1.20 or greater. Staff recommends that Willow Valley
19 be authorized to incur debt in an amount not exceed \$435,000, for a period of 18 to 22 years,
20 pursuant to a loan agreement with WIFA that provides for 40 percent (\$174,000) of the principal
21 amount to become forgivable upon compliance with the ARRA.

22 17. Staff concluded that the Company's proposed capital projects are appropriate and that
23 the cost estimates provided by Willow Valley are reasonable. However, Staff made no "used and
24 useful" determination of the proposed capital projects for ratemaking or rate base purposes.

25 18. As a condition of approval, Staff also recommends that:

26 a. Willow Valley be authorized to engage in any transactions and to
27

28 ⁴ The affidavits of mailing and publication, including the text of the notice, are attached to this Order as Exhibit 1.

execute any documents necessary to effectuate the authorizations granted herein;

- b. Willow Valley be authorized to pledge its assets in the State of Arizona pursuant to A.R.S. § 40-285 and A.A.C. R18-15-104 in connection with the WIFA loan;
- c. the authorization to incur debt granted by this Decision terminate on December 31, 2012;
- d. Willow Valley be required to use its best efforts and to 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 40 percent forgivable principal;
- e. Willow Valley file with Docket Control, as a compliance item in this docket, copies of the loan documentation within 60 days of the execution of any financing transaction authorized herein;
- f. the Commission take the regulatory measures it deems appropriate due to any detrimental consequences to ratepayers that may result from the Company's failure to use best efforts and act in good faith to comply with the ARRA that results in a reduction in the amount of the loan that would otherwise qualify as forgivable principal;
- g. Willow Valley be authorized to implement an interim surcharge of \$3.67 per month for 5/8 X 3/4-inch customers and corresponding surcharge amounts for customers served by larger meters, in accordance with the meter multiple calculations set forth on Schedule JCM-3 of the Staff Report, attached hereto as Exhibit 2; and
- h. Willow Valley be required to maintain accurate records to segregate the amount of any refundable, interim revenues generated.

19. According to Staff, Willow Valley also requested authorization to use various forms of refinancing as long as total long-term indebtedness at any time would not exceed \$435,000 in 2009, or thereafter. Staff recommended that the Company's request be denied because of Staff's opinion that blanket refinancing authorizations should be approved sparingly in order for the Commission to retain oversight of debt issuances.

20. Staff's recommendations are reasonable and should be approved.

CONCLUSIONS OF LAW

1. Willow Valley is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-285, 40-301, 40-302, and 40-303.

2. The Commission has jurisdiction over Willow Valley and of the subject matter of the application.

1 current WIFA subsidized rate at the time the loan is executed, for the purpose of funding a meter
2 replacement program, and related facilities as described in the application.

3 IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. shall use best efforts
4 and act in good faith to comply with all requirements of the American Recovery and Reinvestment
5 Act of 2009 and all requirements of WIFA in order to obtain the forgivable principal loan.

6 IT IS FURTHER ORDERED that if Willow Valley Water Company, Inc. fails to use best
7 efforts and to act in good faith to comply with the ARRA, resulting in a failure to qualify for the
8 forgivable principal associated with the loan, the Commission shall take the regulatory measures it
9 deems appropriate, including but not limited to disallowing recovery for ratemaking purposes of the
10 amount of the loan that would otherwise have qualified for the reduced WIFA interest rate.

11 IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. is authorized to
12 implement an interim surcharge of \$3.67 per month for 5/8 X 3/4-inch customers and corresponding
13 surcharge amounts for customers served by larger meters, in accordance with the meter multiple
14 calculations set forth on Schedule JCM-3 of the Staff Report, as attached hereto as Exhibit 2.

15 IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. shall maintain
16 accurate records to segregate the amount of any refundable, interim revenues generated.

17 IT IS FURTHER ORDERED that the finance authority granted herein is expressly contingent
18 upon Willow Valley Water Company, Inc.'s use of the proceeds for the purposes stated in the
19 application and approved herein.

20 IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. is authorized to
21 pledge its assets in the state of Arizona pursuant to A.R.S. § 40-285 and A.A.C. R18-15-104 in
22 connection with the loan approved herein.

23 IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. is authorized to
24 engage in any transactions and to execute any documents necessary to effectuate the authorizations
25 granted.

26 IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. shall file with Docket
27 Control, as a compliance item in this docket, copies of all executed financing documents related to
28 this authority within 60 days after the date of execution.

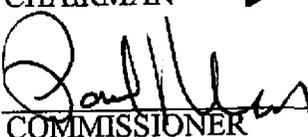
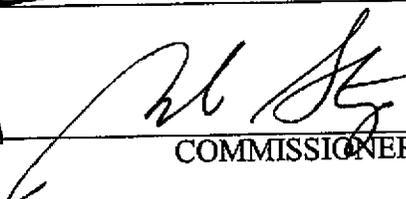
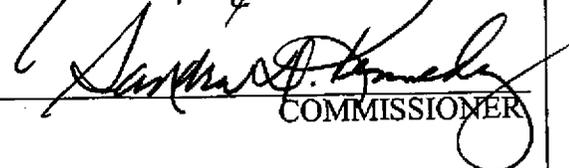
1 IT IS FURTHER ORDERED that the authorization to incur debt granted by this Decision
2 shall terminate on December 31, 2012.

3 IT IS FURTHER ORDERED that the request by Willow Valley Water Company, Inc. for
4 authorization to use various forms of refinancing as long as total long-term indebtedness at any time
5 would not exceed \$435,000 in 2009, or thereafter, is denied.

6 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
7 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
8 proceeds derived thereby for purposes of establishing just and reasonable rates.

9 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

10 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

11
12  CHAIRMAN  COMMISSIONER
13
14  COMMISSIONER  COMMISSIONER  COMMISSIONER
15

16 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
17 Executive Director of the Arizona Corporation Commission,
18 have hereunto set my hand and caused the official seal of the
19 Commission to be affixed at the Capitol, in the City of
20 Phoenix, this 30th day of OCT, 2009.

21 
22 ERNEST G. JOHNSON
23 EXECUTIVE DIRECTOR

24 DISSENT _____

25 DISSENT _____

1 SERVICE LIST FOR: WILLOW VALLEY WATER COMPANY, INC.

2 DOCKET NO.: W-01732A-09-0182

3
4 Michael W. Patten
5 Timothy B. Sabo
6 ROSHKA, DEWULF & PATTEN, PLC
7 One Arizona Center
8 400 E. Van Buren, Suite 800
9 Phoenix, AZ 85004
10 Attorneys for Willow Valley Water Co., Inc.

11 Janice Alward, Chief Counsel
12 Legal Division
13 ARIZONA CORPORATION COMMISSION
14 1200 West Washington Street
15 Phoenix, AZ 85007

16 Steve Olea, Director
17 Utilities Division
18 ARIZONA CORPORATION COMMISSION
19 1200 West Washington Street
20 Phoenix, AZ 85007

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EXHIBIT 1

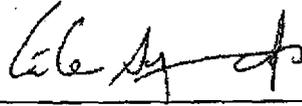
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AFFIDAVIT OF PROOF OF MAILING
Docket No. W-01732A-09-0182

STATE OF ARIZONA)
) ss.
County of Maricopa)

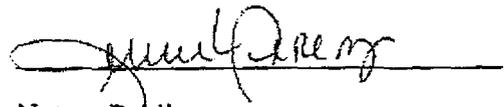
I, Graham Symmonds, states as follows:

1. I am the Senior Vice President Regulatory Affairs & Compliance for Global Water Resources.
2. I certify that a copy of the attached notice, pursuant to Procedural Order issued August 19, 2009 in W-01732A-09-0182 was mailed via U.S. First-Class Mail on August 27, 2009 to all customers of the Willow Valley Water Company.



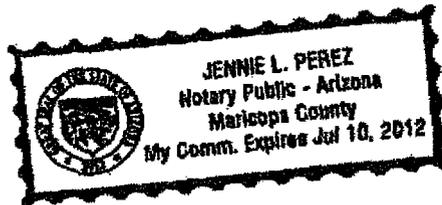
Graham Symmonds

SUBSCRIBED AND SWORN to before me by Graham Symmonds, this 27th day of August, 2009.



Notary Public

My Commission Expires: 7/10/2012



PUBLIC NOTICE OF
APPLICATION OF WILLOW VALLEY WATER CO., INC.
FOR FINANCING APPROVAL IN CONNECTION WITH THE
AMERICAN RECOVERY AND REINVESTMENT ACT ("ARRA") OF 2009.
(DOCKET NO. W-01732A-09-0182)

Summary of Application

On April 17, 2009, Willow Valley Water Company, Inc. ("Willow Valley" or "Company"), a subsidiary of Global Water, filed with the Arizona Corporation Commission ("Commission") an application in the above-captioned docket seeking approval to incur long-term indebtedness.

Willow Valley is seeking a \$435,000 Water Infrastructure Finance Authority of Arizona ("WIFA") loan for the purposes of replacing water meters in its service territory. Willow Valley anticipates receiving \$174,000, or forty percent (40%) of the loan amount, as forgivable principal reducing the effective amount of the loan to \$261,000. The forgivable principal is contingent upon compliance with the ARRA. A 20-year amortizing loan at approximately 5.25 percent per annum is anticipated.

The Commission Staff recommends an interim rate surcharge to generate additional funds needed to achieve the minimum debt service coverage ratio recommended by Commission Staff. If authorized, this surcharge would be collected monthly from the date of the Commission's Order of the application, until eliminated at the completion of the Company's general rate filing currently under review at the Commission (Docket No. W-01732A-09-0079). The additional monthly charge for a customer served by a 5/8 inch x 3/4 inch meter is estimated to be \$3.67.

How You Can View or Obtain a Copy of the Application

Copies of the application and proposed Surcharge are available for public inspection during regular business hours at Global Water's offices, 21410 N. 19th Avenue, Suite 201, Phoenix, AZ 85027 (623) 580-9600 and at the Commission's Docket Control Center at 1200 West Washington, Phoenix, Arizona. Electronic copies may be obtained from the Commission's website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission may hold a formal hearing on this matter, or it may conduct an informal hearing. If a formal hearing is scheduled, you will be informed of the date and time in advance. Public comments will be taken on the first day of hearing. If an informal hearing is scheduled, it will take place as part of a Commission Open Meeting. Agendas for Commission Open Meetings are available on the Commission's website (www.azcc.gov).

Public comments can be provided in this matter by contacting the Consumer Services Section at the number below or may be submitted in writing by mailing a letter referencing Docket No. W-01732A-09-0182 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by email. For a form to use and instructions on how to email comments to the Commission, go to <http://www.azcc.gov/divisions/utilities/fomis/publiccomment.pdf>. If you require assistance, you may contact Consumer Services Section at 602-542-4251 or 1-800-222-7000.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **September 11, 2009**, and send a copy of the motion to Global Water or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., a customer of Willow Valley, a shareholder of Willow Valley, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to Willow Valley or its counsel and to all parties of record in the case.

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 September 11, 2009. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>.

The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, E-mail sbernal@azcc.gov, voice phone number (602) 542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

Proof of Publication

STATE OF ARIZONA)
County of Mohave) ss

inda Delano, being first duly sworn, says that during the publication of the notice, as herein mentioned, he/she was and now is the LEGAL CLERK of the MOHAVE VALLEY DAILY NEWS, six times weekly newspaper published on Sunday, Monday, Tuesday, Wednesday, Thursday and Friday of each and every week at the city of Bullhead City, in said county.

That said newspaper was printed and published as foresaid on the following dates, to-wit:

August 23, 2009

That the PUBLIC NOTICE OF APPLICATION OF WILLOW VALLEY WATER CO., INC

of which the annex copy is a printed and true copy, was printed and inserted in each and every copy of said newspaper printed and published on the dates aforesaid, and in the body of said newspaper and not in a supplement thereto.

L. Delano (CLERK)

Subscribed and sworn to before me this 25 day

of August, 2009

Laura J. Sullivan
Notary Public

My commission expires 10-2-2012

PUBLIC NOTICE OF APPLICATION OF WILLOW VALLEY WATER CO., INC. FOR FINANCING APPROVAL IN CONNECTION WITH THE AMERICAN RECOVERY AND REINVESTMENT ACT ("ARRA") OF 2009. (DOCKET NO. W-01732A-09-0182)

Summary of Application

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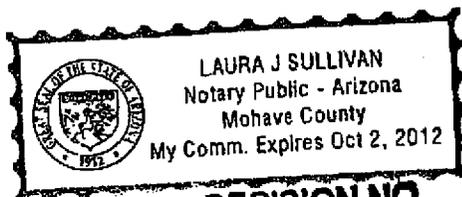
The Commission Staff recommends an interim rate surcharge to generate additional funds needed to achieve the minimum debt service coverage ratio recommended by Commission Staff. If authorized, this surcharge would be collected monthly from the date of the Commission's Order of the application, until eliminated at the completion of the Company's general rate filing currently under review at the Commission (Docket No. W-01732A-09-0079). The additional monthly charge for a customer served by a 5/8 inch x 3/4 inch meter is estimated to be \$3.67.

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Arizona Corporation Commission Public Hearing Information

The Commission may hold a formal hearing on this matter, or it may conduct an informal hearing. If a formal hearing is scheduled, you will be informed of the date and time in advance. Public comments



DECISION NO. 71313

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About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **September 11, 2009**, and send a copy of the motion to Global Water or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., customer of Willow Valley, a shareholder of Willow Valley, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to Willow Valley or its counsel and to all parties of record in the case.

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 September 11, 2009. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the Intervenor obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>.

The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, E-mail bernal@azcc.gov, voice phone number (602) 542-3931. Requests should be made as early as possible to allow time to arrange the

EXHIBIT 2

Willow Valley Water Company
Docket No. W-01732A-09-0182
Application For Financing

Schedule JCM-3

CALCULATION OF SURCHARGE AMOUNT

Incremental Revenue Requirement for a \$435,000 Loan		\$	80,443
Total Bill Equivalents			21,930
Surcharge - 5/8 x 3/4-inch Meter	\$ 3.67 x 1	\$	3.67
Surcharge - 3/4-inch Meter	\$ 3.67 x 1.5	\$	5.50
Surcharge - 1-inch Meter	\$ 3.67 x 2.5	\$	9.17
Surcharge - 1.5-inch Meter	\$ 3.67 x 5	\$	18.34
Surcharge - 2-inch Meter	\$ 3.67 x 8	\$	29.35
Surcharge - 3-inch Meter	\$ 3.67 x 16	\$	58.69
Surcharge - 4-inch Meter	\$ 3.67 x 25	\$	91.70
Surcharge - 6-inch Meter	\$ 3.67 x 50	\$	183.41

Meter Size	Number of Customers	AWWA Multiplier	Meter Equivalents	Annual Bill Equivalents	Monthly Surcharge	Yearly Surcharge
5/8" x 3/4" Meter	1518	1	1518	18,216	\$ 5,568.28	\$ 66,819.41
3/4" Meter	13	1.5	19.5	234	\$ 71.53	858.35
1" Meter	16	2.5	40	480	\$ 146.73	1,760.72
1 1/2" Meter	2	5	10	120	\$ 36.68	440.18
2" Meter	3	8	24	288	\$ 88.04	1,056.43
3" Meter	1	16	16	192	\$ 58.69	704.29
4" Meter	2	25	50	600	\$ 183.41	2,200.90
6" Meter	3	50	150	1,800	\$ 550.23	6,602.71
TOTAL	1558		1827.5	21,930		\$ 80,443.00

¹ As of December, 2008.

DECISION NO. 71313