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BEFORE THE ARIZONA CORPORATION COMMISSION  
Arizona Corporation Commission

COMMISSIONERS

DOCKETED

JUL 12 2010

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

DOCKETED BY *MM*

IN THE MATTER OF THE APPLICATION OF  
BIG PARK WATER COMPANY, INC. FOR  
AUTHORITY TO INCUR LONG-TERM DEBT  
FROM THE ATER INFRASTRUCTURE FINANCE  
AUTHORITY OF ARIZONA.

DOCKET NO. W-01624A-10-0009

DECISION NO. 71793

ORDER

Open Meeting  
June 29 and 30, 2010  
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 January 13, 2010, Big Park Water Company, Inc. ("Big Park" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for authority to incur long-term debt from the Water Infrastructure Finance Authority of Arizona ("WIFA").

2. Big Park is a public service corporation, organized as an Arizona for-profit corporation, engaged in providing water utility service to approximately 3,000 water customers in Yavapai County, Arizona, pursuant to a certificate of convenience and necessity granted by the Commission.

3. Big Park requests approval to issue secured debt of \$415,000 from WIFA for the purpose of funding arsenic treatment facilities for the Company's two remaining untreated wells (Well Nos. 1 and 5).

1 4. Big Park stated that the debt is necessary to meet Environmental Protection Agency  
2 arsenic standards and to allow the Company to comply with a Notice of Violation from the Arizona  
3 Department of Environmental Quality ("ADEQ") concerning arsenic levels at its Well Nos. 1 and 5.

4 5. Big Park stated that its other wells have already been equipped with arsenic  
5 remediation facilities, which were funded by equity and through Arsenic Impact Hook-Up Fees  
6 previously approved by the Commission.

7 6. Big Park stated that due to slower customer growth in the last two years (an average of  
8 4 to 5 customers per year), its Arsenic Impact Hook-Up Fee Tariff will not generate the funds  
9 required to construct and install arsenic treatment facilities at Well Nos. 1 and 5.

10 7. According to the application, Big Park anticipates a WIFA financing rate of 4 percent,  
11 but not to exceed 7 percent, for a term not to exceed 20 years.

12 8. Big Park stated that in addition to servicing the proposed debt from operating cash  
13 flow, it also intends to use future funds collected from its Arsenic Impact Hook-Up Fee Tariff to  
14 repay principal and interest on the WIFA loan.

15 9. On January 8, 2010, Big Park's shareholders authorized it to borrow \$415,000 from  
16 WIFA.

17 10. On March 8, 2010, Big Park docketed its Notice of Filing Affidavit of Publication,  
18 indicating that it published notice of the financing application on March 3, 2010 in the *Sedona Red*  
19 *Rock News*, a newspaper of general circulation in Yavapai County.

20 11. No intervention requests were filed.

21 12. On April 30, 2010, the Commission's Utilities Division ("Staff") filed a Staff Report  
22 on the application, recommending approval. The Staff Report indicated that any party who wished to  
23 file comments to the Staff Report should file them on or before May 14, 2010.

24 13. On May 4, 2010, the Company filed comments on the Staff Report.

25 14. At December 31, 2008, with the inclusion of advances in aid of construction ("AIAC")  
26 and contributions in aid of construction ("CIAC") less accumulated amortization of CIAC, the  
27 Company's capital structure consisted of 1.2 percent short term debt, 0.0 percent long term debt, 20.8  
28 percent equity, 39.6 percent AIAC and 38.5 percent CIAC.

1           15. Staff performed a financial analysis of the effects of the proposed debt on the  
2 Company, utilizing historical information for the year ended December 31, 2008. Staff's pro forma  
3 analysis reflected issuance of a 20 year, \$415,000 amortizing loan at 7.0 percent per annum and  
4 repayment of a \$47,350 short term debt.

5           16. According to Staff's analysis, for the year ended December 31, 2008, the Company  
6 had a Debt Service Coverage Ratio ("DSC")<sup>1</sup> of 8.20 and a Times Interest Earned Ratio ("TIER")<sup>2</sup>  
7 of 6.31. According to Staff's calculation of the pro forma effects of the proposed long-term debt, the  
8 proposed debt would result in a DSC of 2.28 and a TIER of 1.44. Staff's pro forma analysis did not  
9 include repayment of the debt with proceeds from the Arsenic Impact Hook-Up Fee Tariff.

10           17. Staff believes that the Company's proposed capital projects are appropriate and that  
11 the related cost estimates are reasonable.

12           18. Staff believes that the issuance of the proposed debt financing for the purposes stated  
13 in the application is within Big Park's corporate powers, is compatible with the public interest, and is  
14 consistent with sound financial practices.

15           19. Staff recommended that the Commission authorize Big Park to incur an 18 to 22 year  
16 amortizing loan in an amount not to exceed \$415,000 pursuant to a loan agreement with WIFA and at  
17 an interest rate not to exceed that available from WIFA.

18           20. Staff recommended that any unused debt authorization granted in this proceeding  
19 terminate on December 31, 2012.

20           21. Staff recommended that the Commission authorize Big Park to engage in any  
21 transaction and to execute any documents necessary to effectuate the authorizations granted.

22           22. Staff recommended that Big Park be required to file with the Commission's Docket  
23 Control, as a compliance item in this matter, copies of the loan documents within 60 days of the  
24 execution of any financing transaction authorized herein.

25 \_\_\_\_\_  
26 <sup>1</sup> DSC represents the number of times internally generated cash will cover required principal and interest payments on  
27 short term and long term debt. A DSC greater than 1.0 indicates that cash flow from operations is sufficient to cover debt  
28 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.

<sup>2</sup> 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 debt obligations cannot be met in the short term.



1 and should be adopted.

2 **ORDER**

3 IT IS THEREFORE ORDERED that Big Park Water Company, Inc. is hereby authorized to  
4 incur an 18 to 22 year amortizing loan in an amount not to exceed \$415,000, pursuant to a loan  
5 agreement with the Water Infrastructure Finance Authority of Arizona, at an interest rate not to  
6 exceed that available from the Water Infrastructure Finance Authority of Arizona.

7 IT IS FURTHER ORDERED that any unused debt authorization granted in this proceeding  
8 shall terminate on December 31, 2012.

9 IT IS FURTHER ORDERED that Big Park Water Company, Inc. is hereby authorized to  
10 engage in any transaction and to execute any documents necessary to effectuate the authorization  
11 granted herein.

12 IT IS FURTHER ORDERED that Big Park Water Company, Inc. shall, within 60 days after  
13 the date of execution, file with Docket Control, as a compliance item in this docket, copies of all  
14 executed financing documents related to the authorization granted herein.

15 IT IS FURTHER ORDERED that Big Park Water Company, Inc. shall file, by June 30, 2011,  
16 as a compliance item in this docket, a copy of the Arizona Department of Environmental Quality  
17 Approval of Construction for the arsenic treatment facilities.

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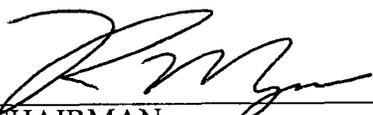
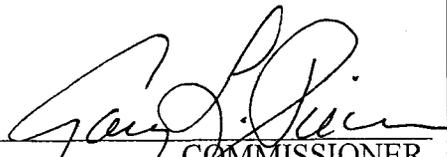
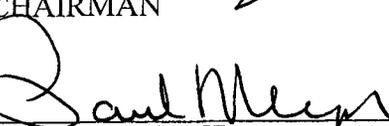
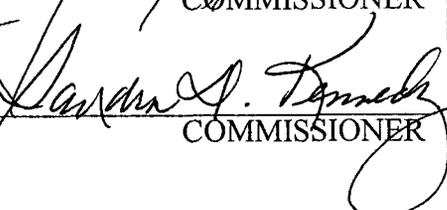
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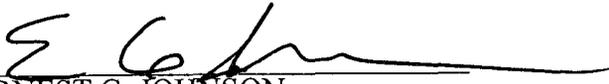
1 IT IS FURTHER ORDERED that that approval of the financing set forth herein does not  
2 constitute or imply approval or disapproval by the Commission of any particular expenditure of the  
3 proceeds derived thereby for purposes of establishing just and reasonable rates.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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7  
8  CHAIRMAN  COMMISSIONER  
9  COMMISSIONER  COMMISSIONER  COMMISSIONER  
10  
11

12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
13 Executive Director of the Arizona Corporation Commission,  
14 have hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this 12<sup>th</sup> day of July, 2010.

17   
18 ERNEST G. JOHNSON  
19 EXECUTIVE DIRECTOR

20 DISSENT \_\_\_\_\_

23 DISSENT \_\_\_\_\_

1 SERVICE LIST FOR:

BIG PARK WATER COMPANY, INC.

2 DOCKET NO.:

W-01624A-10-0009

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