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BEFORE THE ARIZONA CORPORATION CO

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

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GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF
THE ESTATE OF WILLIAM F. RANDALL D/B/A
VALLE VERDE WATER COMPANY FOR
APPROVAL OF PRE-EXISTING LONG-TERM
DEBT.

DOCKET NO. W-01431A-11-0007

DECISION NO. 72676

ORDER

Open Meeting
November 8 and 9, 2011
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

BACKGROUND

1. The Estate of William F. Randall d/b/a Valle Verde Water Company ("Valle Verde"
or "Company") is an Arizona Class 'C' public water utility engaged in the business of providing
potable water service to approximately 800 customers near the City of Nogales, Arizona, in Santa
Cruz County. The Commission granted Valle Verde a Certificate of Convenience and Necessity in
Decision No. 28887 (April 27, 1955). Valle Verde's current permanent rates and charges were set in
Decision No. 71899 (September 28, 2010).

2. Valle Verde is currently owned by the Estate of William F. Randall. Mr. Randall
operated the system for many years and upon his death, the system fell into financial and operational
disarray and became non-compliant with several Arizona Department of Environmental Quality
Rules. Ultimately, the Commission appointed Southwestern Utility Management, Inc. ("SUM") as

1 the Company's interim manager in 2007.¹

2 3. During the Company's latest combined rate and finance case filed in 2009, the
3 Commission's Utilities Division Staff ("Staff") learned that Valle Verde had obtained a \$15,238
4 long-term loan to acquire a truck, without prior Commission approval. Decision No. 71899 observed
5 that:

6 When SUM took over management of the Company, [SUM] found that Valle
7 Verde did not own any transportation equipment. Employees of the Company
8 used their personal vehicles and then the Company reimbursed them for their
9 expenses. After the employees left or were terminated, Valle Verde had no
10 vehicles for employees to use and it became necessary for the Company to
11 purchase a truck as quickly as possible for employee use. [Company witness
12 Bonnie O'Connor] testified that she is fully aware that a public utility must obtain
13 Commission approval before acquiring long-term debt, but in this circumstance it
14 was necessary to the Company's operations to purchase a truck quickly.²

15 4. Decision No. 71899 directed the Company to file a finance application with the
16 Commission for approval of the truck loan no later than January 31, 2011.

17 PROCEDURAL HISTORY

18 5. On January 6, 2011, Valle Verde filed its finance application for Commission
19 approval of the \$15,238 loan ("Application").³ Attached to the Application was a copy of the loan
20 documentation for the purchase of the truck.

21 6. On January 14, 2011, the Company filed an Affidavit of Publication indicating that
22 Notice of the Application had been published in the *Nogales International* on January 7, 2011.

23 7. On May 3, 2011, Staff filed its Staff Report recommending approval of the
24 Application.

25 8. According to the Application, SUM purchased a used truck in February 2008 for
26 \$15,238. The lender is Citizens Automobile Finance and the interest rate is 7.14 percent amortized
27 over five years. SUM states that as of the date of the Application, the remaining balance on the loan
28 was approximately \$7,086.

¹ Decision No. 69882 (August 29, 2007).

² Decision No. 71899 (September 28, 2010), page 16.

³ In its Application, Valle Verde requested debt authorization in the amount of \$18,216; however, Staff noted that the documentation provided by the Company indicates that the actual amount financed was \$15,238.19. The \$18,216 requested by Valle Verde represents the loan amount including principal and interest.

1 Application.

2 3. Notice of the financing was provided in accordance with Arizona law.

3 4. The financing approved herein is for lawful purposes within Valle Verde's corporate
4 powers, is compatible with the public interest, with sound financial practices, and with the proper
5 performance by Valle Verde of service as a public service corporation, and will not impair Valle
6 Verde's ability to perform that service.

7 5. The financing approved herein is for the purposes set forth in the Application is
8 reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably
9 chargeable to operating expenses or to income.

10 6. Staff's recommendation is reasonable and should be adopted.

11 **ORDER**

12 IT IS THEREFORE ORDERED that the Estate of William F. Randall d/b/a/ Valle Verde
13 Water Company is hereby authorized to incur \$15,238 of debt financing for the purposes stated in the
14 Application, and pursuant to the terms and conditions set forth in the Application and as described
15 herein.

16 IT IS FURTHER ORDERED that such authority is expressly contingent upon the Estate of
17 William F. Randall d/b/a/ Valle Verde Water Company's use of the proceeds for the purposes set
18 forth in its Application.

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1 IT IS FURTHER ORDERED 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.

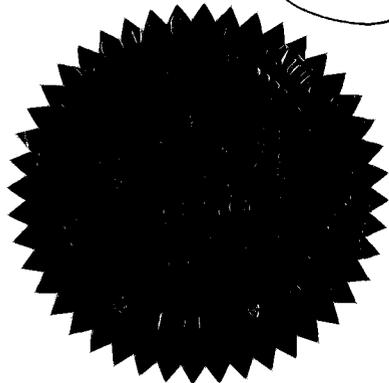
4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

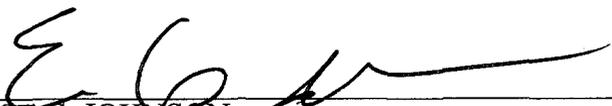
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7  CHAIRMAN  COMMISSIONER

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9  COMMISSIONER  COMMISSIONER  COMMISSIONER

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IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
Executive Director of the Arizona Corporation Commission,
have hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this 17th day of November 2011.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

1 SERVICE LIST FOR: THE ESTATE OF WILLIAM F. RANDALL D/B/A
2 VALLE VERDE WATER COMPANY

3 DOCKET NO.: W-01431A-11-0007

4 Bonnie O'Connor, Interim Manager
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