



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION
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DOCKETED BY

IN THE MATTER OF THE APPLICATION OF GRANITE MOUNTAIN WATER COMPANY, INC. FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. W-02467A-09-0333

IN THE MATTER OF THE APPLICATION OF GRANITE MOUNTAIN WATER COMPANY, INC. FOR APPROVAL OF FINANCINGS.

DOCKET NO. W-02467A-09-0334

IN THE MATTER OF THE APPLICATION OF GRANITE MOUNTAIN WATER COMPANY, INC. FOR AUTHORITY TO INCUR LONG-TERM DEBT.

DOCKET NO. W-02467A-10-0483

STAFF RESPONSE

In response to the procedural order issued on October 18, 2013, the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") and Granite Mountain Water Company Inc. ("GMWC" or "Company"), jointly file the following response.

I. BACKGROUND.

This case concerns requests made by the Company for modification of two different Commission decisions: Decision No. 72294 (May 4, 2011) and Decision No. 72377 (May 27, 2011). Decision No. 72294 extended compliance deadlines established in Decision No. 71869 (September 1, 2010). Decision No. 72377 authorized long-term debt in the amount of \$181,320 for specific water system improvements.

Staff and the Company met on November 6, 2013 to discuss the Company's proposed financing and its new extension request regarding the filing of its rate application.

II. PROCEDURAL ORDER DATED OCTOBER 18, 2013.

The procedural order directed that Staff and GMWC, either jointly or separately file a response to the following:

- (1) Specifically identifying the proposed financing which GMWC seeks approval;

1 (2) Setting forth Staff's analysis of & position on proposed financing for which GMWC seeks
2 approval;

3 (3) Specifically identifying GMWC's proposed deadline to file a permanent rate case app. &
4 proposed test year for that rate case;

5 (4) Setting forth Staff's position on GMWC's proposed deadline to file a permanent rate case
6 app. & proposed test year for rate case;

7 (5) Including copies of Approvals to Construct obtained for GMWC's Well No. 6 and 50,000-
8 gallon storage tank project;

9 (6) Setting forth a proposed procedural schedule, which shall include proposed dates for the
10 provision of customer notice for an evidentiary hearing if GMWC is requesting to have its financing
11 authorization increased above \$181,320.

12 **1. Proposed financing for which GMWC seeks approval and Staff's analysis and**
13 **position.**

14 Decision No. 71869 (September 1, 2010) authorized a loan amount of \$181,320. As set forth in
15 Staff's Supplemental Staff Report dated March 11, 2013, Staff had expressed some concern regarding
16 the financial position of GMWC. As a result of the meeting between Staff and the Company, the
17 Company has clarified its position. The Company is now satisfied with the original authorization of the
18 loan amount of \$181,320 as set forth in Decision No. 71869. The Company provided Staff with
19 adjusted income statements for the years 2011 and 2012, to assist Staff in its evaluation of the
20 Company's ability to incur long-term debt to finance proposed system improvements. Further, the
21 Company requested that Staff update its analysis of the proposed financing to reflect a loan of
22 \$181,320 at an interest rate of 5.00%, amortized over 20 years. Staff conducted its analysis and finds a
23 debt service coverage ratio of 1.50% and that the Company has sufficient debt service capacity. Staff's
24 analysis is attached as Exhibit 1.

25 ...

26 ...

27 ...

1 Copy of the foregoing mailed and/or emailed
2 this 2nd day of December, 2013 to:

3 Paul D. Levie
4 Arden W. Barney
5 GRANITE MOUNTAIN WATER
6 COMPANY, INC.
7 P.O. Box 350
8 Chino Valley, AZ 85323
9 Attorney for Granite Mountain Water
10 Company, Inc.

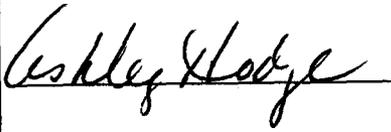
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EXHIBIT 1

Exhibit 1

Granite Mountain Water Company
 Docket No. W-02467A-09-0333, W-02467A-09-0334, W-02467A-10-0483
 Application For Financing
 Exhibit 1

FINANCIAL ANALYSIS

Selected Financial Information
 Pro forma Includes Immediate Effects of the Proposed Line of Credit

	[A] <u>Proforma 12/31/2012</u>		[B] <u>Proforma With \$181,320 Loan</u>	
1	Operating Income (a)	\$ (12,651)	\$ (12,651)	
2	Depreciation & Amort. (a)	34,178	34,178	
3	Income Tax Expense (a)	0	0	
4	Interest Expense on Debt	0	8,943	
5	Repayment of Principal	0	5,417	
DSC				
6	[1+2+3] + [4+5]	N/A	1.50	
7	Short-term Debt (b)	\$46,465	11.19%	\$46,465 7.79%
8	Long-term Debt	\$0	0.00%	\$181,320 30.39%
9	Equity (c)	\$368,874	88.81%	\$368,874 61.82%
10	Total Capital [7+8+9]	\$415,340	100.00%	\$596,660 100.00%

(a) Reflects the changes submitted by ARICOR (Ray L. Jones, P.E. on 11/15/2013 in a Financing Request) Mr. Jones reallocated the reimbursement to Chino Meadows II Water Company for 2010 common expenses paid and recorded in 2011; 2011 common expenses paid and recorded in 2012. Additionally, a reversal of 2008 journal entry and a property tax payment for 2010 was paid and included 2011 Financial Statements

(b) The Short-term Debt balance is shown in the Annual Report submitted to the Commission for 2012.

(c) The Equity balance shown in the Annual Report submitted to the Commission for 2012.

Note: The amounts are unaudited by Commission staff.

Granite Mountain Water Company
 Docket No. W-02467A-09-0333, W-02467A-09-0334, W-02467A-10-0483
 Application For Financing

Loan Amount Requested	\$181,320		
Down Payment:	\$0		
Amount Financed:	\$181,320		
Number of years:	20	Compounding Periods:	12
Interest rate (r):	5.00%	APR:	5.12%

LOAN AMORTIZATION SCHEDULE

Period	Loan payment (1)	Beginning-of-month principal (2)	Payments		End-of-month principal [(2) - (4)] (5)	Annual Interest (6)	Annual Principal (7)	Annual Debt Payment (8)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)				
1	\$1,196.63	\$181,320.00	\$755.50	\$441.13	\$180,878.87			
2	1,196.63	180,878.87	753.66	442.97	180,435.90			
3	1,196.63	180,435.90	751.82	444.82	179,991.08			
4	1,196.63	179,991.08	749.96	446.67	179,544.41			
5	1,196.63	179,544.41	748.10	448.53	179,095.88			
6	1,196.63	179,095.88	746.23	450.40	178,645.48			
7	1,196.63	178,645.48	744.36	452.28	178,193.21			
8	1,196.63	178,193.21	742.47	454.16	177,739.05			
9	1,196.63	177,739.05	740.58	456.05	177,283.00			
10	1,196.63	177,283.00	738.68	457.95	176,825.04			
11	1,196.63	176,825.04	736.77	459.86	176,365.18			
12	1,196.63	176,365.18	734.85	461.78	175,903.41	8,942.99	5,416.59	14,359.58

EXHIBIT 2



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
CERTIFICATE OF APPROVAL TO CONSTRUCT
WATER FACILITIES

Page 1 Of 3

ADEQ File No: 20110161	LTF No: 54492
System Name: Granite Mountain Water Co	System Number: 13-150
Project Owner: Granite Mountain Water Company	
Address: P O Box 350, Chino Valley, AZ 86323	
Project Location: Prescott	County: Yavapai
Description: GRANITE MOUNTAIN WATER COMPANY. ATC PERMIT TO CONSTRUCT 1-50,000 GALLON WATER STORAGE TANK (#3) AND ASSOCIATED YARD PIPING. TO SERVE 175 SINGLE-FAMILY RESIDENTIAL LOTS IN THE COMMUNITY OF PRESCOTT VALLEY.	

Approval to construct the above-described facilities as represented in the approved documents on file with the Arizona Department of Environmental Quality is hereby given subject to provisions 1 through 6 continued on page 2 through 3

1. This project must be constructed in accordance with all applicable laws, including Title 49, Chapter 2, Article 9 of the Arizona Revised Statutes and Title 18, Chapter 5, Article 5 of the Arizona Administrative Code.
2. Upon completion of construction, the engineer shall fill out the Engineer's Certificate of Completion and forward it to the Central Regional Office located in Phoenix. If all requirements have been completed, that unit will issue a Certificate of Approval of Construction. R18-5-507(B), Ariz. Admin. Code. At the project owner's request, the Department may conduct the final inspection required pursuant to R18-5-507(B); such a request must be made in writing in accordance with the time requirements of R18-5-507(C), Ariz. Admin. Code.
3. This certificate will be void if construction has not started within one year after the Certificate of Approval to Construct is issued, there is a halt in construction of more than one year, or construction is not completed within three years of the approval date. Upon receipt of a written request for an extension of time, the Department may grant an extension of time; an extension of time must be in writing. R18-5-505(E), Ariz. Admin. Code.
4. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department. R18-5-507(A), Ariz. Admin. Code.

Reviewed by: FMS

By: Janak K. Desai 7/27/2011
Janak K. Desai, P.E. Unit Manager Date
Engineering Review Section
Water Quality Division

cc: File No: 20110161
Regional Office: Central
Owner: Granite Mountain Water Company
County Health Department: Yavapai
Engineer: Glen Vortherms
Planning and Zoning/Az Corp. Commission
Engineering Review Database - Etr021

**APPROVAL TO CONSTRUCT
STORAGE TANK & YARD PIPING
ADEQ FILE No. 20110161
PAGE 2 OF 3: PROVISIONS CONTINUED**

5. Approval of Construction (AOC) will not be issued until data is obtained and verified for Pressure and Leakage Tests of waterlines and Disinfection Sampling of constructed well, storage and hydropneumatic tanks, booster pumps and potable water lines. **Engineering Bulletin No. 10, Chapter 2.E.20, Disinfection Requirements**; requires that... "Every new, modified or reconditioned groundwater source shall be disinfected after placement of final pump equipment". Information on disinfection procedures can be obtained from "**Engineering Bulletin No. 8, "Disinfection of Water Systems"**".

It is recommended that the Engineer's Certificate of Completion (ECC) Data Required Sheet be completed in full, showing actual pressures and sampling data. Data required with ECC sheet can be found under heading - Safe Drinking Water and subheading - Technical Engineering/Plan Reviews

<http://www.azdeq.gov/function/forms/appswater.html#sdw>.

6. The Arizona Department of Environmental Quality's review of this application was subject to the requirements of the licensing time frames ("LTF") statute under Arizona Revised Statutes ("A.R.S.") § 41-1072 through § 41-1079 and the LTF rules under Arizona Administrative Code ("A.A.C.") R18-1-501 through R18-1-525. This Notice is being issued within the overall time frame for your application.

ADEQ hereby approves your application for Approve to Construct Drinking Water Facilities under A.R.S. § 49-351. Your copy is enclosed.

This decision is an appealable agency action under A.R.S. § 41-1092. You have a right to request a hearing and file an appeal under A.R.S. § 41-1092.03(B). You must file a written Request for Hearing or Notice of Appeal within 30 days of your receipt of this Notice. A Request for Hearing or Notice of Appeal is filed when it is received by ADEQ's Hearing Administrator as follows:

Office of Administrative Counsel
Arizona Department of Environmental Quality
1110 W. Washington Street
Phoenix, AZ 85007

The Request for Hearing or Notice of Appeal shall identify the party, the party's address, the agency and the action being appealed and shall contain a concise statement of the reasons for the appeal.

**APPROVAL TO CONSTRUCT
STORAGE TANK & YARD PIPING
ADEQ FILE No. 20110161
PAGE 3 OF 3: PROVISIONS CONTINUED**

Upon proper filing of a Request for Hearing or Notice of Appeal, ADEQ will serve a Notice of Hearing on all parties to the appeal. If you file a timely Request for Hearing or Notice of Appeal you have a right to request an informal settlement conference with ADEQ under A.R.S. § 41-1092.06. This request must be made in writing no later than **20 days** before a scheduled hearing and must be filed with the Hearing Administrator at the above address.

Please contact Frank M. Smaila at (602) 771-4237 or fms@azdeq.gov if you have questions regarding this Notice or the Certificate of Approved to Construct.



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
CERTIFICATE OF APPROVAL TO CONSTRUCT
DRINKING WATER WELL FACILITIES

Page 1 Of 2

ADEQ File No: 20130185	LTF No: 58455
System Name: Granite Mountain Water Co	System Number: 13-150
Project Owner: Granite Mountain Water Company	
Address: P O Box 350, Chino Valley, AZ 86323	
Project Location: Prescott	County : Yavapai
Description: GRANITE MOUNTAIN WATER COMPANY WELL #6. ATC PERMIT FOR 1-10HP, 70 GPM NEW SOURCE WELL (55-622083) AND APPROXIMATELY 620 LF OF 6-INCH CLASS 200 C900 WATERLINE AND RELATED FITTINGS. TO SERVE GRANITE MOUNTAIN HOMESITES SUBDIVISION.	

Approval to construct the above-described facilities as represented in the approved documents on file with the Arizona Department of Environmental Quality is hereby given subject to provisions 1 through 5 continued on page 2 through 2

1. This project must be constructed in accordance with all applicable laws, including Title 49, Chapter 2, Article 9 of the Arizona Revised Statutes and Title 18, Chapter 5, Article 5 of the Arizona Administrative Code.
2. Upon completion of construction, the engineer shall fill out the Engineer's Certificate of Completion and forward it to the Central Regional office located in Phoenix. If all requirements have been completed, that unit will issue a Certificate of Approval of Construction. R18-5-507(B), Ariz. Admin.Code. At the project owner's request, the Department may conduct the final inspection required pursuant to R18-5-507(B); such a request must be made in writing in accordance with the time requirements of R18-5-507(C), Ariz. Admin. Code.
3. This certificate will be void if construction has not started within one year after the Certificate of Approval to Construct is issued, there is a halt in construction of more than one year, or construction is not completed within three years of the approval date. Upon receipt of a written request for an extension of time, the Department may grant an extension of time; an extension of time must be in writing. R18-5-505(E), Ariz. Admin. Code.
4. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department. R18-5-507(A), Ariz. Admin. Code.

Reviewed by : FMS

By: John Calkins 8/22/13
John Calkins, Date
Engineering Review Section
Water Quality Division

cc: File No : 20130185
Regional Office: Central
Owner: Granite Mountain Water Company
County Health Department: Yavapai
Engineer: B C Engineering
Planning and Zoning/Az Corp. Commission
Engineering Review Database - Etr022

**APPROVAL TO CONSTRUCT
NEW SOURCE WELL & POTABLE WATER LINE
ADEQ FILE No. 20130185
PAGE 2 OF 2: PROVISIONS CONTINUED**

5. The Arizona Department of Environmental Quality's review of this application was subject to the requirements of the licensing time frames ("LTF") statute under Arizona Revised Statutes ("A.R.S.") § 41-1072 through § 41-1079 and the LTF rules under Arizona Administrative Code ("A.A.C.") R18-1-501 through R18-1-525. This Notice is being issued within the overall time frame for your application.

ADEQ hereby approves your application for Approve to Construct Drinking Water Facilities under A.R.S. § 49-351. Your copy is enclosed.

This decision is an appealable agency action under A.R.S. § 41-1092. You have a right to request a hearing and file an appeal under A.R.S. § 41-1092.03(B). You must file a written Request for Hearing or Notice of Appeal within **30 days** of your receipt of this Notice. A Request for Hearing or Notice of Appeal is filed when it is received by ADEQ's Hearing Administrator as follows:

Office of Administrative Counsel
Arizona Department of Environmental Quality
1110 W. Washington Street
Phoenix, AZ 85007

The Request for Hearing or Notice of Appeal shall identify the party, the party's address, the agency and the action being appealed and shall contain a concise statement of the reasons for the appeal. Upon proper filing of a Request for Hearing or Notice of Appeal, ADEQ will serve a Notice of Hearing on all parties to the appeal. If you file a timely Request for Hearing or Notice of Appeal you have a right to request an informal settlement conference with ADEQ under A.R.S. § 41-1092.06. This request must be made in writing no later than **20 days** before a scheduled hearing and must be filed with the Hearing Administrator at the above address.

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