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BEFORE THE ARIZONA CORPORATION C

COMMISSIONERS

BOB STUMP- CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF LAGO DEL ORO WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.

DOCKET NO. W-01944A-13-0215

STAFF RESPONSE TO PROCEDURAL ORDER

ORIGINAL

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") files its response to the Procedural Order dated February 28, 2013. The administrative law judge directed each party to provide a position statement on whether the rate application of Lago Del Oro Water Company ("LDO" or "Company"), Docket No. W-01944A-13-0215 ("Rate Case Docket") should be consolidated with the Company's current debt financing application, Docket No. W-01944A-13-0242 ("Financing Docket").

Staff does not believe that consolidation is warranted since Staff's analysis indicates that additional rate relief is not needed in order for the Company to meet the debt servicing requirements associated with incurring the new debt. On February 10, 2014, Staff docketed its Staff Report in the Financing Docket. Staff recommended approval of the Company's financing request subject to certain conditions. The Company, in its response of February 14, 2014, indicated its acceptance of Staff's recommendations. Allowing the Rate Case Docket to proceed without consolidating it with the Financing Docket will allow LDO to obtain the financing sooner rather than later, which hopefully will serve to reduce LDO's cost of debt. Further, assuming that interest rates could rise in the short-term, time delays that could result from consolidation have the potential of raising LDO's cost of debt, when approved. Staff believes that the risk and potential higher costs associated with possible interest rate increases more than offsets any application processing efficiencies that might result from consolidation and concurrent processing of both applications.

1 In the Rate Case Docket, Staff has proposed a pro forma capital structure giving recognition
2 to the anticipated financing.

3 For the above reasons, Staff believes the matters should not be consolidated.

4 RESPECTFULLY SUBMITTED this 7th day of March, 2014.

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15 Original and thirteen (13) copies of
16 the foregoing filed this 7th day of
March, 2014, with:

17 Docket Control
18 Arizona Corporation Commission
19 1200 West Washington Street
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20 Copy of the foregoing mailed this
21 7th day of March, 2014, to:

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