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BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

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

Arizona Corporation Commission

DOCKETED

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AZ CORPORATION
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IN THE MATTER OF THE APPLICATION OF LAGO DEL ORO WATER COMPANY, AN ARIZONA CORPORATION FOR AUTHORITY TO: (1) ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED \$3,900,000 IN CONNECTION WITH THE PURCHASE OF EQUITY; AND (2) ENCUMBER REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.

DOCKET NO. W-01944A-13-0242

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

1 possible interest rate increases more than offsets any application processing efficiencies that might
2 result from consolidation and concurrent processing of both applications.

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

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

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

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

19 Docket Control
20 Arizona Corporation Commission
21 1200 West Washington Street
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23 Copy of the foregoing mailed this
24 7th day of March, 2014, to:

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