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BEFORE THE ARIZONA CORPORATI

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COMMISSIONERS

BOB STUMP-Chairman
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2014 AUG 26 P 3:44

ARIZONA CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF)	DOCKET NO. W-02304A-14-0041
COMMUNITY WATER COMPANY OF GREEN)	
VALLEY FOR AUTHORITY TO BORROW UP)	AMENDMENT TO APPLICATION
TO \$3.4 MILLION FROM COMPASS BANK AND)	
COMPASS MORTGAGE CORPORATION FOR)	
THE PURPOSES OF (1) REFINANCING UP TO)	
\$2.2 MILLION IN EXISTING LONG-TERM)	
DEBT; AND (2) ISSUING AN ADDITIONAL \$1.2)	
MILLION IN LONG-TERM DEBT, UNDER)	
A.R.S. §§ 40-301 AND 40-302.)	

ORIGINAL

Community Water Company of Green Valley ("CWCGV") amends its Application submitted on February 12, 2014. Specifically, CWCGV amends its Application, Paragraph 9, to clarify the terms and conditions of the Compass Bank loan – in particular, the interest rate for the loan. Moreover, Compass informed CWCGV that the rate may exceed 5.8% depending on certain market components that comprise the interest rate CWCGV will be subject to.

In short, the interest rate description in the Summary Terms and Conditions provided by Compass (Exhibit 2 to the Application) did not fully describe the variables that determine the rate. The interest rate is actually comprised of three components: (1) the underlying swap rate the market is charging for your transaction (of which is determined by the market); (2) the current LIBOR rate (also determined by the market); and (3) the Compass index (2.70%), which is the margin added by Compass to the market rate. These three components comprise the actual interest rate. If the loan were to have closed on Friday, August 15, 2014, for example, the interest rate would have been the following:

- 1. The Market Rate (as of August 15, 2014): 2.66%;
 - 2. LIBOR: 0.20% (rounded up from 0.155%); and
 - 3. The Compass Index: 2.70%;
- Total: 2.66% + 0.2% + 2.70% = 5.56%**

Arizona Corporation Commission
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1 The other components of the 15-year-term loan remain intact; these include a fixed
2 principal repayment based on 20-year amortization, and a balloon for the remaining principal in
3 2029. There is no upfront origination fee. And CWCGV will file a copy of all executed
4 documents associated with the authorized financing with the Commission.

5 Based on information from Compass, CWCGV believes that the maximum interest rate is
6 unlikely to be more than 8% by November 18, 2014 (when CWCGV current debt is due). Even so,
7 the rate is far more likely to be at or below 6.5%. Attached to this amendment is a letter from
8 Compass showing the spread of the interest rate (as determined above) since January 1, 2014. The
9 Compass letter supplements the original terms and conditions attached to the February 12, 2014
10 Application (Exhibit 2). While the two market-rate components change constantly, CWCGV
11 believes that it is reasonable that the interest rate for the loan would range between 5.5% and 6.5%
12 through November, 2014.

13 But even at 8%, CWCGV would have the cash flow sufficient to meet all obligations with
14 cash generated from operations, with a Debt Service Coverage well above 1.0. Unfortunately,
15 CWCGV cannot know for sure what the actual rate will be until the loan is executed, since the
16 market-dependent components will fluctuate minute by minute up until the time a rate is actually
17 locked in.

18 Further, while the summary terms sheet provided with the Application indicated an option
19 for a tax-exempt swap rate, CWCGV will only pursue the taxable swap rate for the financing. This
20 is because CWCGV cannot refinance the \$2.2 million with the tax-exempt facility for a 20-year
21 amortization.

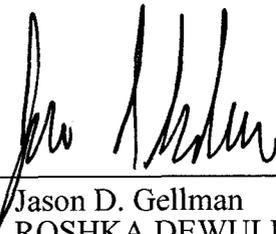
22 CWCGV still requires approval of the refinancing at a minimum before its balloon payment
23 on its existing loan is due in November, 2014. The Company has already contacted Staff to
24 determine what information they needed to analyze its request in light of the amendment. The
25 Company will provide all necessary information for Staff in an expedited fashion so that it can
26 update its analysis. Finally, CWCGV maintains its belief that its application, as amended, is
27 consistent with sound financial practices and will enhance the Company's ability to ensure safe and
reliable service.

ROSHKA DEWULF & PATTEN, PLC
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PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 RESPECTFULLY SUBMITTED this 26th day of August, 2014.

2 COMMUNITY WATER COMPANY OF GREEN VALLEY

3
4
5 By _____


Jason D. Gellman
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Phoenix, Arizona 85004

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8 Attorney for Community Water Company of Green Valley

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10
11 Original and thirteen copies of the foregoing
12 filed this 26th day of August, 2014, with:

13 Docket Control
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Copy of the foregoing hand-delivered
18 this 26th day of August 2014 to:

19 Lyn A. Farmer, Esq.
20 Chief Administrative Law Judge
21 Hearing Division
22 Arizona Corporation Commission
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 Janice Alward, Esq.
26 Chief Counsel, Legal Division
27 Arizona Corporation Commission
1200 West Washington Street
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28 Steven M. Olea
29 Director, Utilities Division
30 Arizona Corporation Commission
31 1200 West Washington Street
32 Phoenix, Arizona 85007

33 By _____



BBVA Compass

bbvacompass.com

Commercial Banking Group
5285 E. Williams Circle, Suite #3500
Tucson, AZ 85711

August 22, 2014

Community Water Company of Green Valley

ATTN: Arturo Gabaldon

1501 S. La Canada Drive

Green Valley, AZ 85622

RE: Swap Rate History

Dear Arturo:

You have requested I provide you with a swap rate history as it relates to the \$3.4 million financing Community Water is contemplating with BBVA Compass. In order for you to update your filing with the Arizona Corporation Commission I have provided a chart detailing the history of the rates related to your transaction. You may take the below chart and make your own forecast as to what the final rate may be upon executing the swap. As I'm sure you understand I cannot legally forecast what the final rate will be when Community Water executes the proposed swap transaction.

20 Year Amortization				
Date	Market Rate	BBVA Index	30 Day LIBOR	Final Rate
1/1/14	3.09%	2.70%	0.20%	5.99%
1/15/14	3.00%	2.70%	0.20%	5.90%
2/1/14	2.83%	2.70%	0.20%	5.73%
2/15/14	2.89%	2.70%	0.20%	5.79%
3/1/14	2.75%	2.70%	0.20%	5.65%
3/15/14	2.88%	2.70%	0.20%	5.78%
4/1/14	2.92%	2.70%	0.20%	5.82%
4/15/14	2.77%	2.70%	0.20%	5.67%
5/1/14	2.81%	2.70%	0.20%	5.71%
5/15/14	2.65%	2.70%	0.20%	5.55%
6/1/14	2.71%	2.70%	0.20%	5.61%
6/15/14	2.76%	2.70%	0.20%	5.66%
7/1/14	2.75%	2.70%	0.20%	5.65%
7/15/14	2.58%	2.70%	0.20%	5.48%
8/1/14	2.70%	2.70%	0.20%	5.60%
8/15/14	2.66%	2.70%	0.20%	5.56%

Definitions: "Market Rate": The underlying swap rate driven by the markets. Subject to constant change.

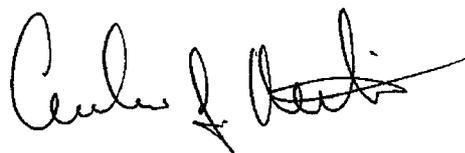
"BBVA Compass Index": The spread added to the market rate by BBVA Compass.

"30 Day LIBOR": The London Interbank Offering Rate. Subject to constant change.

"Final Rate": The rate achieved by adding together the three columns and the ending interest rate for your loan if you were to lock your swap on the day indicated.

I hope the provided information aids you in generating your own forecast for your Corporation
Commission filings.

Regards,

A handwritten signature in cursive script, appearing to read "Andrew J. Martin". The signature is written in black ink and is positioned above the printed name.

Andrew J. Martin