

JIM KEVIN
COMMISSIONER - CHAIRMAN
N.Z. D. JENNINGS
COMMISSIONER
EARL J. KUNASEK
COMMISSIONER



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JACK ROSE
EXECUTIVE SECRETARY

ARIZONA CORPORATION

DATE: MARCH 17, 1998

DOCKET NO.: W-02465A-97-0704

TO ALL PARTIES:

Enclosed please find the recommendation of Hearing Officer Jane Rodda. The recommendation has been filed in the form of an Order on:

BELLA VISTA WATER COMPANY, INC.
(FINANCING)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

MARCH 26, 1998

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

APRIL 6, 1998 and APRIL 7, 1998

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.


JACK ROSE
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JIM IRVIN
COMMISSIONER-CHAIRMAN
3 RENZ D. JENNINGS
COMMISSIONER
4 CARL J. KUNASEK
COMMISSIONER
5

6 IN THE MATTER OF THE APPLICATION OF)
BELLA VISTA WATER COMPANY, INC.)
7 FOR AUTHORITY TO ISSUE DEBT.)
8 _____)

DOCKET NO. W-02465A-97-0704

DECISION NO. _____

ORDER

9 Open Meeting
10 April 6 & 7, 1998
Phoenix, Arizona

11 **BY THE COMMISSION:**

12 On December 15, 1997, Bella Vista Water Company, Inc. ("Bella Vista" "Company," or
13 "Applicant") filed an application with the Arizona Corporation Commission ("Commission") for
14 authority to issue long-term debt. The Company requested approval to borrow \$81,000 from the Water
15 Infrastructure Finance Authority ("WIFA") to replace mains, install a pressure reducing valve and install
16 hydrants. The Commission's Utilities Division Staff ("Staff") filed its Staff Report on February 26,
17 1998, recommending approval of the application without a hearing.

18 **BACKGROUND**

19 Bella Vista serves approximately 6,200 customers in and around Sierra Vista in Cochise County,
20 Arizona. The Company is financially strong, with over \$1.0 million in cash and marketable securities.
21 The WIFA loan would be for a term of between 10 and 15 years at an interest rate at or below the prime
22 rate (currently 8.5 percent).¹ Based on year end 1996 figures, the proposed loan would have a minimal
23 affect on the Company's balance sheet, increasing long-term debt from 16.2 percent of the capital
24 structure to 17.4 percent. The company's Times Interest Earned Ration ("TIER") would fall slightly
25 from 3.81 to 3.56 and there would be a small reduction in the Debt Service Coverage ratio ("DSC") from
26 1.65 to 1.62. Based on 1996 figures, the loan would decrease cash flow from approximately \$109,600
27

28 _____
¹ In its analysis, Staff used 8.5 percent and a term of ten years to be conservative.

1 to \$97,300.

2 The Company is currently in compliance with the Arizona Department of Environmental Quality
3 ("ADEQ"), and is current with its sales, property and income tax payments. Staff Engineering has
4 reviewed the projects planned and determined them to be appropriate and the cost estimates reasonable.

5 * * * * *

6 Having considered the entire record herein and being fully advised in the premises, the
7 Commission finds, concludes, and orders that:

8 **FINDINGS OF FACT**

9 1. Bella Vista provides water service to approximately 6,200 customers in and around Sierra
10 Vista in Cochise County, Arizona.

11 2. On December 15, 1997, Bella Vista filed a financing application with the Commission
12 seeking authority to borrow \$81,000 in long-term debt from WIFA for the purpose of replacing mains
13 and installing a pressure reducing valve and hydrants.

14 3. The WIFA loan will be for a term of between ten and fifteen years and bear interest at a
15 rate at or below the prime rate.

16 4. Staff has reviewed the proposed projects to be financed and determined that they are
17 appropriate and their cost estimates are reasonable.

18 5. The Company is in compliance with ADEQ regulations and is current with its property,
19 sales and income taxes.

20 6. Staff recommended that the application be approved without a hearing.

21 7. Staff's recommendation, as set forth in Findings of Fact No. 6, is reasonable.

22 **CONCLUSIONS OF LAW**

23 1. Applicant is a public service corporation within the meaning of Article XV of the Arizona
24 Constitution and A.R.S. §§40-301 and 40-302.

25 2. The Commission has jurisdiction over Applicant and the subject matter of the application.

26 3. Notice has been provided as required by law.

27 4. Staff's recommendation, as set forth in Findings of Fact No. 6 should be adopted.

28 5. The financing approved herein is for lawful purposes within Applicant's corporate powers,

1 is compatible with the public interest, with sound financial practices, and with the proper performance
2 by Applicant of service as a public service corporation, and will not impair Applicant's ability to perform
3 that service.

4 6. The financing approved herein is for the purposes stated in the application and is
5 reasonably necessary for those purposes, and such purposes are not, wholly or in part, reasonably
6 chargeable to operating expenses or to income.

7 **ORDER**

8 IT IS THEREFORE ORDERED that Bella Vista Water Company, Inc. is hereby authorized to
9 borrow \$81,000 from the Water Infrastructure Finance Authority for a term of between ten and fifteen
10 years at an interest rate at or below the prime rate.

11 IT IS FURTHER ORDERED that Bella Vista Water Company, Inc. is hereby authorized to pay
12 all costs, engage in any transactions and execute any documents necessary to effectuate the authorization
13 granted hereinabove.

14 IT IS FURTHER ORDERED that such authority shall be expressly contingent upon Bella Vista
15 Water Company, Inc.'s use of the proceeds for the purposes set forth in the application.

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

17
18 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

19
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21 COMMISSIONER-CHAIRMAN

COMMISSIONER

COMMISSIONER

22 IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona
23 Corporation Commission, have hereunto set my hand and caused the official seal
24 of the Commission to be affixed at the Capitol, in the City of Phoenix, this ____
25 day of _____, 1998.

26 JACK ROSE
EXECUTIVE SECRETARY

27
28 DISSENT _____
JR/dap

1 SERVICE LIST FOR: BELLA VISTA WATER COMPANY, INC.

2 DOCKET NO.: U-02465A-97-0704

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4 Bella Vista Water Company.
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