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MEMORANDUM RECEIVED

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2007 NOV 15 P 2:45

FROM: Ernest G. Johnson
for Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: November 15, 2007

RE: VALLEY UTILITIES WATER COMPANY'S APPLICATION FOR AN EMERGENCY RATE INCREASE AND AUTHORITY TO IMMEDIATELY IMPLEMENT A WELL SURCHARGE (DOCKET NO. W-01412A-07-0560)

STAFF REPORT FOR VALLEY UTILITIES WATER COMPANY'S APPLICATION FOR AN APPROVAL OF A \$250,000 LINE OF CREDIT AND AUTHORITY TO ISSUE LONG-TERM PROMISSORY NOTES OR BONDS AND OTHER EVIDENCE OF INDEBTEDNESS AS PERMANENT REFINANCING OF THAT LINE OF CREDIT (DOCKET NO. W-01412A-07-0561)

The Staff Report that was docketed on November 14, 2007, was inadvertently docketed without the Attachments. Attached are the Attachments that go along with the Staff Report.

EGJ:CSB:red

Originator: Crystal S. Brown

Attachment: Original and sixteen copies

Arizona Corporation Commission
DOCKETED

NOV 15 2007

DOCKETED BY	<i>nr</i>
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Service List for: Valley Utilities Water Company
Docket Nos. W-01412A-07-0560 & W-01412A-07-0561

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FINANCIAL ANALYSIS

Selected Financial Information
Pro forma Includes Immediate Effects of the Proposed Long-term Debt

	[A]		[B]	
	<u>12/31/2006</u> <u>Without Loan</u>		<u>12/31/2006</u> <u>Includes Full Amount of</u> <u>Proposed \$250,000 Loan</u>	
1	Operating Income	\$ 88,924	\$ 88,924	
2	Depreciation & Amortization Expense	\$ 172,644	\$ 172,644	
3	Income Tax Expense	\$ 24,905	\$ 24,905	
4	Interest Expense on Debt	\$ -	\$ 15,286 (a)	
5	Repayment of Principal	\$ -	\$ 6,533	
Cash Flow				
6	(1+2-5)	\$ 261,568	\$ 255,035	
TIER				
7	[1+3] ÷ [4]	-	7.45	
DSC				
8	[1+2+3] ÷ [4+5]	-	13.13	
9	Short-term Debt	\$ -	\$ 6,533 (c)	0.14%
10	Long-term Debt	\$ - (b)	\$ 243,467	5.25%
11	Advances in Aid of Construction	\$ 3,805,035	\$3,805,035	81.98%
12	Net Contributions in Aid of Constr.	\$ 988,897	\$ 988,897	21.31%
13	Equity	\$ (402,545)	\$ (402,545)	-8.67%
14	Total Capital	\$ 4,391,387	\$4,641,387	100.00%

(a) Includes the first year interest on the entire proposed loan.

(b) Staff did not include the Company's reported \$28,237 in long-term debt as it was not Commission authorized. Also, Staff did not include the Company's \$1.92 million WIFA loan as the Company had not drawn any funds as of 12/31/06 and the Company will obtain a surcharge to cover debt service payments for the loan.

(c) Includes \$0 in short-term debt and \$6,230 in current maturities on long-term debt at 12/31/06 and first year principal repayment on the full amount of the proposed loan.

Loan Amount Requested	\$250,000		
Down Payment:	\$0		
Amount Financed:	\$250,000		
Wifa Subsidy	75%		
Unsubsidized Interest Rate	8.25%		
Number of years:	20	Compounding Periods:	12
Interest rate (r):	6.19%	APR:	6.37%

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	\$1,818.22	\$250,000.00	\$1,289.06	\$529.16	\$249,470.84			
2	1,818.22	249,470.84	1,286.33	531.89	248,938.95			
3	1,818.22	248,938.95	1,283.59	534.63	248,404.31			
4	1,818.22	248,404.31	1,280.83	537.39	247,866.92			
5	1,818.22	247,866.92	1,278.06	540.16	247,326.76			
6	1,818.22	247,326.76	1,275.28	542.95	246,783.82			
7	1,818.22	246,783.82	1,272.48	545.75	246,238.07			
8	1,818.22	246,238.07	1,269.67	548.56	245,689.51			
9	1,818.22	245,689.51	1,266.84	551.39	245,138.12			
10	1,818.22	245,138.12	1,263.99	554.23	244,583.89			
11	1,818.22	244,583.89	1,261.14	557.09	244,026.80			
12	1,818.22	244,026.80	1,258.26	559.96	243,466.84	15,285.54	6,533.16	21,818.70

Valley Utilities Surcharge Calculation

Line		
No.	Loan Amount:	\$250,000
1	Term:	20 Years
2	Unsubsidized Interest Rate	8.25%
3	Wifa Subsidy	75%
4	Subsidized Interest Rate (L2 x L3)	6.188%
5		
6		
7	Calculation of Annual Surcharge Revenue Requirement Needed for the Loan	
8	\$6,533.16	Annual Principal Payment (Schedule CSB-1, Page 2)
9	\$15,285.54	Plus: Annual Interest Payment (Schedule CSB-1, Page 2)
10	\$21,818.70	Total Annual Surcharge Revenue Requirement for the Loan

14 Calculation of Equivalent Bills

16	Col A	Col B	Col C	Col D	Col E	Col F
17	Meter Size	NARUC Multiplier	Number of Customers	Monthly Equivalent Bills Col B x C	Number of Months in Year	Annual Equivalent Bills Col D x E
21	5/8"x 3/4" Meter	1	191	191	12	2,292
22	3/4" Meter	1.5	765	1,148	12	13,770
23	1" Meter	2.5	403	1,008	12	12,090
24	1 1/2" Meter	5	6	30	12	360
25	2" Meter	8	48	384	12	4,608
26	3" Meter	16	5	80	12	960
27	4" Meter	25	0	-	12	-
28	6" Meter	50	0	-	12	-
29			0	2,840		34,080

34 Calculation of Monthly Surcharge

36	\$21,818.70	Total Annual Surcharge Revenue Requirement for the Loan (from Step 8)
37	34,080	Divided by: Total Number of Annual Equivalent Bills
38	\$ 0.64	Monthly Surcharge for 5/8" x 3/4" Customers

41 Calculation of Monthly Surcharge for the Remaining Meter Size Customers

43 Equivalent Bills

44	Col A	Col B	Col C	Col D
45	Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
48	5/8"x 3/4" Meter	1	\$ 0.64	\$ 0.64
49	3/4" Meter	1.5	\$ 0.64	\$ 0.96
50	1" Meter	2.5	\$ 0.64	\$ 1.60
51	1 1/2" Meter	5	\$ 0.64	\$ 3.20
52	2" Meter	8	\$ 0.64	\$ 5.12
53	3" Meter	15	\$ 0.64	\$ 9.60
54	4" Meter	25	\$ 0.64	\$ 16.01
55	6" Meter	50	\$ 0.64	\$ 32.01
56	6" Meter	50	\$ 0.64	\$ 32.01
57	8" Meter	80	\$ 0.64	\$ 51.22
58	10" Meter	115	\$ 0.64	\$ 73.63
59	12" Meter	215	\$ 0.64	\$ 137.65

**EMERGENCY RATES
SURCHARGE**

Monthly Usage Charge	Company Proposed	Staff Recommended
5/8" x 3/4" Meter	\$ 0.89	\$ 0.64
3/4" Meter	\$ 1.34	\$ 0.96
1" Meter	\$ 2.23	\$ 1.60
1½" Meter	\$ 4.45	\$ 3.20
2" Meter	\$ 7.13	\$ 5.12
3" Meter	\$ 14.25	\$ 9.60
4" Meter	\$ 22.27	\$ 16.01
6" Meter	\$ 44.54	\$ 32.01
8" Meter	\$ 71.27	\$ 32.01
10" Meter	\$ 102.45	\$ 51.22
12" Meter	\$ 191.53	\$ 73.63