

NEW APPLICATION



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Attorneys for Utility Source, L.L.C.

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

6 IN THE MATTER OF THE APPLICATION OF)
7 UTILITY SOURCE, L.L.C. FOR AUTHORITY)
8 TO ISSUE PROMISSORY NOTE(S) AND)
9 OTHER EVIDENCES OF INDEBTEDNESS)
PAYABLE AT PERIODS OF MORE THAN)
TWELVE MONTHS AFTER THE DATE OF)
ISSUANCE.)

WS-04235A-04-0074

DOCKET NO. WS-____-04-____

APPLICATION

10 Utility Source, L.L.C. ("Utility Source" or the "Applicant"), by and through undersigned
11 counsel, respectfully states the following in support of this Application:

12 1. Utility Source is a limited liability company duly organized and existing under the
13 laws of the State of Arizona. Its principal place of business is 721 E. San Pedro, Gilbert,
14 Arizona 85234.

15 2. Utility Source has filed a Certificate of Convenience and Necessity ("CC&N")
16 Application in a separate docket of even date herewith.

17 3. Utility Source seeks herein Commission approval for the issuance of promissory
18 note(s) and other evidences of indebtedness in the original amount of up to \$575,000.

19 4. Utility Source proposes to use the proceeds of the financing as a revolving line of
20 credit for working capital purposes in the start-up phase of the utilities operation. The details of
21 the proposed cash requirements are set forth in the pro-forma Income Statements, Balance
22 Sheet, and Cash Flow which are attached hereto as **Attachment A** and are incorporated herein
23 by this reference for all purposes.

1 5. The funds necessary to properly operate the Company are set forth in **Attachment A**
2 total \$575,000. The Company's principal will loan those funds to the Company. It is anticipated
3 that the Company can obtain loans with an annual interest rate of prime plus 2.0%, and a 10 year
4 term. The interest will be accrued, with principal and interest payable as funds are available from
5 operations. The form of the Promissory Note is attached as **Attachment B** hereto.

6 6. The Company will file a Motion to Consolidate and CC&N with this Application in a
7 separate filing.

8 7. Utility Source will provide notice of the filing of this Application in conformity with
9 A.R.S. § 40-302 in the form attached as **Attachment C** and incorporated herein by this reference,
10 which exhibit contains the form of the Notice of Publication to be filed with the Commission, or in
11 such other form as ordered by the Commission.

12 8. In the Company's opinion the purpose to which proceeds of the issuance of the
13 Promissory Note(s) and evidences of indebtedness will be applied as set forth above are lawful,
14 and within its powers and are compatible with the public interest, with sound financial practices,
15 and with the proper performance of the Company of service as a public service corporation and
16 will not impair its ability to perform that service. The Company is further of the opinion that the
17 issuance of the Promissory Note(s) and evidences of indebtedness as herein contemplated are
18 reasonably necessary or appropriate for the aforementioned purposes. To the extent that such
19 purposes may be considered reasonably chargeable to operating expenses or to income, the
20 Company requests that they be permitted by the Commission in the order sought hereby.

21 WHEREFORE, Utility Source requests that the Commission make such inquiry or
22 investigation that the Commission may deem necessary and appropriate; make the findings
23 required by A.R.S. § 40-301 and § 40-302 relative to the purposes of issuing the Promissory

1 Note(s) and evidences of indebtedness as herein stated; and thereafter make an immediately
2 effective order (i) authorizing the Company to issue the Promissory Note(s) and entry into the
3 proposed evidences of indebtedness, in the same manner and for the purposes herein
4 contemplated, (ii) stating that the issuance of the Promissory Note(s) and evidences of
5 indebtedness are reasonably necessary or appropriate for the purposes set forth above, (iii) stating
6 that such purposes are within those permitted by A.R.S. § 40-301, and (iv) approving such
7 purposes to the extent that they may be considered reasonably chargeable to operating expenses or
8 income.

9 Respectfully submitted this 30th day of January, 2004.

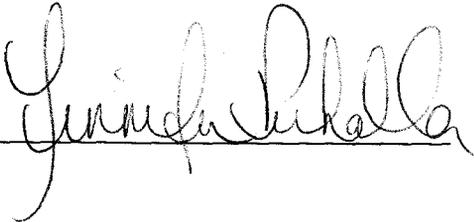
10 SALLQUIST & DRUMMOND, P.C.

11 By 
12 _____

13 Richard L. Sallquist
14 2525 E. Arizona Biltmore Circle, Suite 117
15 Phoenix, Arizona 85016
16 Attorneys for Utility Source, L.L.C.

17 Original and fifteen copies of the
18 foregoing filed this 30th day
19 of January, 2004, with

20 Docket Control
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007



LIST OF EXHIBITS

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ATTACHMENT

DESCRIPTION

- | | |
|---|--------------------------------|
| A | PRO FORMA FINANCIAL STATEMENTS |
| B | PROMISSORY NOTE |
| C | NOTICE OF PUBLICATION |

UTILITY SOURCE, L.L.C.
PROFORMA CONSOLIDATED INCOME STATEMENT

| | 2004 | Year Two | Year Three | Year Four | Year Five |
|---------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| REVENUES | | | | | |
| Water Revenues | \$57,758 | \$99,778 | \$128,071 | \$151,946 | \$175,821 |
| Wastewater Revenues | \$37,825 | \$65,155 | \$83,556 | \$99,084 | \$114,612 |
| Total Revenues | \$95,583 | \$164,933 | \$211,626 | \$251,030 | \$290,433 |
| EXPENSES | | | | | |
| Water Operating Expenses | \$101,518 | \$140,604 | \$167,278 | \$191,516 | \$231,825 |
| Wastewater Operating Expenses | \$111,462 | \$84,516 | \$105,856 | \$124,898 | \$154,683 |
| Total Operating Expenses | \$212,980 | \$225,120 | \$273,134 | \$316,413 | \$386,509 |
| Operating Income (Loss) | (\$117,396) | (\$60,187) | (\$61,507) | (\$65,384) | (\$96,075) |
| Water Interest Expense | \$0 | \$0 | \$0 | \$0 | \$0 |
| Wastewater Interest Expense | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Interest Expense | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Income (Loss) | (\$117,396) | (\$60,187) | (\$61,507) | (\$65,384) | (\$96,075) |

Combined Income

ATTACHMENT A

Page 1 of 5

UTILITY SOURCE, L.L.C.
PROFORMA WATER INCOME STATEMENT

| | 2004 | Year Two | Year Three | Year Four | Year Five |
|--|-------------|-------------|-------------|-------------|-------------|
| REVENUES | | | | | |
| Minimum Charges/Month | \$6.48 | \$6.48 | \$6.48 | \$6.48 | \$6.48 |
| Gallons Included | 0 | 0 | 0 | 0 | 0 |
| Excess Gallonage Charge/1000 for Residential/Commercial | | | | | |
| First 5,000 Gallons | \$2.83 | \$2.83 | \$2.83 | \$2.83 | \$2.83 |
| Next 10,000 Gallons | \$3.32 | \$3.32 | \$3.32 | \$3.32 | \$3.32 |
| Over 15,000 Gallons | \$4.71 | \$4.71 | \$4.71 | \$4.71 | \$4.71 |
| Existing Customers | 74 | | | | |
| New Customers | 215 | 137 | 100 | 100 | 100 |
| Year End Customers | 289 | 426 | 526 | 626 | 726 |
| Number of Residential Customers (Avg.) | 182 | 358 | 476 | 576 | 676 |
| Sales Revenues (1) | \$43,333 | \$85,354 | \$113,646 | \$137,521 | \$161,396 |
| Number of Commercial Customers (Avg.) | 2 | 2 | 2 | 2 | 2 |
| Microtel | \$4,460 | \$4,460 | \$4,460 | \$4,460 | \$4,460 |
| Travel Center | \$9,964 | \$9,964 | \$9,964 | \$9,964 | \$9,964 |
| Sales Revenues (2) | \$14,425 | \$14,425 | \$14,425 | \$14,425 | \$14,425 |
| Total Revenues | \$57,758 | \$99,778 | \$128,071 | \$151,946 | \$175,821 |
| EXPENSES | | | | | |
| Pumping costs | \$5,425 | \$9,429 | \$12,126 | \$14,401 | \$16,676 |
| Cost/1000 | \$0.40 | | | | |
| Operations and Maintenance | | | | | |
| Cost/Unit/Month | \$5.00 | \$11,010 | \$21,570 | \$28,680 | \$40,680 |
| Management | | | | | |
| Cost/Unit/Month | \$7.00 | \$15,414 | \$30,198 | \$40,152 | \$56,952 |
| Insurance: | | | | | |
| Liability/Month | \$75.00 | \$900 | \$900 | \$900 | \$900 |
| Property/Month | \$75.00 | \$900 | \$900 | \$900 | \$900 |
| Automotive/Year | \$0.00 | \$0 | \$0 | \$0 | \$0 |
| Vehicle/Month | \$100.00 | \$2,400 | \$2,400 | \$1,200 | \$1,200 |
| Depreciation | | | | | |
| Depreciable Plant | \$1,451,750 | \$2,107,250 | \$2,282,250 | \$2,457,250 | \$3,107,250 |
| Composite Rate | 3.45% | | | | |
| Total Depreciation | \$64,495 | \$72,610 | \$78,640 | \$84,670 | \$107,067 |
| Property Taxes (Schedule 4) | \$940 | \$2,563 | \$4,647 | \$6,179 | \$7,416 |
| Income Taxes (Schedule 5) (3) | \$34 | \$34 | \$34 | \$34 | \$34 |
| Total Operating Expenses | \$101,518 | \$140,604 | \$167,278 | \$191,516 | \$231,825 |
| Operating Income(Loss) | (\$43,760) | (\$40,826) | (\$39,208) | (\$39,570) | (\$56,005) |
| Interest Expense | | | | | |
| Outstanding Debt | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Rate | 0.00% | | | | |
| Long Term Interest Expense Total | \$0 | \$0 | \$0 | \$0 | \$0 |
| Working Capital Interest at: | 0.00% | \$0 | \$0 | \$0 | \$0 |
| Total Interest Expense | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Income (Loss) | (\$43,760) | (\$40,826) | (\$39,208) | (\$39,570) | (\$56,005) |
| Original Cost Rate Base | \$1,539,305 | \$1,957,795 | \$1,934,155 | \$1,874,485 | \$2,267,418 |
| Return on OCLD of: | -2.84% | -2.09% | -2.03% | -2.11% | -2.47% |

Water Income

ATTACHMENT A

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FOOTNOTES

| | | | In Gallons, except Unit # | | | | |
|-------------------------------------|------------------------------|----------|---------------------------|------------|------------|------------|------------|
| (1) Average Residential Sales/Month | | | 4,740 | 4,740 | 4,740 | 4,740 | 4,740 |
| Res Sales/Year in Gallons | | | 10,323,720 | 20,334,600 | 27,074,880 | 32,762,880 | 38,450,880 |
| (2) Average Commercial Sales | Consumption /Mo Bill / Month | | | | | | |
| Microtel Inn | 90,942 | \$371.68 | 1,091,304 | 1,091,304 | 1,091,304 | 1,091,304 | 1,091,304 |
| Bellefont Travel Center | 178,985 | \$830.36 | 2,147,820 | 2,147,820 | 2,147,820 | 2,147,820 | 2,147,820 |
| Total Non-irrigation Sales/Year | | | 13,562,844 | 23,573,724 | 30,314,004 | 36,002,004 | 41,690,004 |
| (3) Ratioed on Rate Base | | | | | | | |
| Average Residential Bill | | | \$19.90 | \$19.90 | \$19.90 | \$19.90 | \$19.90 |

Water Income

ATTACHMENT A

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UTILITY SOURCE, L.L.C.
PROFORMA WASTEWATER INCOME STATEMENT

| | | 2004 | Year Two | Year Three | Year Four | Year Five |
|--|----------|------------|-------------|-------------|-------------|-------------|
| REVENUES | | | | | | |
| | Monthly | | | | | |
| Minimum Charges/Month | \$12.94 | \$12.94 | \$12.94 | \$12.94 | \$12.94 | \$12.94 |
| Number of Residential Customers (Avg.) | | 182 | 358 | 476 | 576 | 676 |
| Residential Revenues | | \$28,184 | \$55,513 | \$73,914 | \$89,443 | \$104,971 |
| Number of Commercial Customers (Avg.) | | 2 | 2 | 2 | 2 | 2 |
| Microtel | \$325.57 | \$3,907 | \$3,907 | \$3,907 | \$3,907 | \$3,907 |
| Travel Center | \$477.89 | \$5,735 | \$5,735 | \$5,735 | \$5,735 | \$5,735 |
| Commercial Revenues | | \$9,642 | \$9,642 | \$9,642 | \$9,642 | \$9,642 |
| Total Revenues | | \$37,825 | \$65,155 | \$83,556 | \$99,084 | \$114,612 |
| Total Revenues | | \$37,825 | \$65,155 | \$83,556 | \$99,084 | \$114,612 |
| EXPENSES | | | | | | |
| Power Costs | | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| Operations and Maintaince | | | | | | |
| Cost/Unit/Month | \$5.00 | \$11,010 | \$21,570 | \$28,680 | \$34,680 | \$40,680 |
| Service Installation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Management | | | | | | |
| Cost/Unit/Month | \$7.00 | \$15,414 | \$30,198 | \$40,152 | \$48,552 | \$56,952 |
| Insurance: | | | | | | |
| Liability/Month | \$75.00 | \$900 | \$900 | \$900 | \$900 | \$900 |
| Property/Month | \$75.00 | \$900 | \$900 | \$900 | \$900 | \$900 |
| Automotive/Year | \$500.00 | \$500 | \$500 | \$500 | \$500 | \$500 |
| Vehicle/Month | \$100.00 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 |
| Depreciation | | | | | | |
| Depreciable Plant | | \$887,225 | \$1,051,625 | \$1,171,625 | \$1,321,625 | \$1,921,625 |
| Composite Rate | 2.43% | | | | | |
| Total Depreciation | | \$78,906 | \$25,556 | \$28,473 | \$32,118 | \$46,699 |
| Property Taxes (Schedule 4) | | \$615 | \$1,675 | \$3,035 | \$4,032 | \$4,836 |
| Income Taxes (Schedule 5) (1) | | \$16 | \$16 | \$16 | \$16 | \$16 |
| Total Operating Expenses | | \$111,462 | \$84,516 | \$105,856 | \$124,898 | \$154,683 |
| Operating Income(Loss) | | (\$73,636) | (\$19,361) | (\$22,300) | (\$25,813) | (\$40,071) |
| Interest Expense | | | | | | |
| Outstanding Debt | | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Rate | 0.00% | | | | | |
| Long Term Interest Expense Total | | \$0 | \$0 | \$0 | \$0 | \$0 |
| Working Capital Interest at: | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Interest Expense | | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Income (Loss) | | (\$73,636) | (\$19,361) | (\$22,300) | (\$25,813) | (\$40,071) |
| Original Cost Rate Base | | \$733,344 | \$707,788 | \$679,315 | \$647,197 | \$1,050,499 |
| Return on OCLD of: | | -10.04% | -2.74% | -3.28% | -3.99% | -3.81% |

Sewer Income

ATTACHMENT A

UTILITY SOURCE, L.L.C.
PROFORMA CASH FLOW

| | 2005 | Year Two | Year Three | Year Four | Year Five |
|--|--------------------|--------------------|------------------|------------------|--------------------|
| SOURCES OF CASH | | | | | |
| Beginning Cash Balance | \$0 | (\$995) | \$36,984 | \$32,589 | \$33,994 |
| Net Income | (\$117,396) | (\$60,187) | (\$61,507) | (\$65,384) | (\$96,075) |
| Add: Depreciation Expense | \$143,401 | \$98,166 | \$107,112 | \$116,788 | \$153,766 |
| Total Cash from Operations | \$26,005 | \$37,979 | \$45,605 | \$51,404 | \$57,691 |
| Financing Proceeds | \$1,814,050 | \$0 | \$0 | \$0 | \$0 |
| Water Line Extension Agreements | \$267,950 | \$205,500 | \$175,000 | \$175,000 | \$200,000 |
| Wastewater Line Extension Agreements | \$179,975 | \$164,400 | \$120,000 | \$150,000 | \$150,000 |
| Water Hook-Up Fees | \$215,000 | \$137,000 | \$100,000 | \$100,000 | \$100,000 |
| Wastewater Hook-Up Fees | \$387,000 | \$246,600 | \$180,000 | \$180,000 | \$180,000 |
| Hook-Up Reserve Account Drawdowns | \$0 | \$450,000 | \$0 | \$0 | \$900,000 |
| Working Capital Loan | \$575,000 | \$0 | \$0 | \$0 | \$0 |
| Total Cash Sources | \$3,464,980 | \$1,240,484 | \$657,589 | \$688,994 | \$1,621,684 |
| USES OF CASH | | | | | |
| Plant Additions | \$2,863,975 | \$819,900 | \$295,000 | \$325,000 | \$1,250,000 |
| Plant Replacement | \$0 | \$0 | \$0 | \$0 | \$0 |
| Debt Repayment | \$0 | \$0 | \$0 | \$0 | \$0 |
| Line Extension Agreement Refunds | \$0 | \$0 | \$0 | \$0 | \$0 |
| Working Capital Repayment | \$0 | \$0 | \$50,000 | \$50,000 | \$75,000 |
| Hook-Up Fee Reserve Account Deposits | \$602,000 | \$383,600 | \$280,000 | \$280,000 | \$280,000 |
| Ending Cash Balance (Including HUF Account Balance) | (\$995) | \$36,984 | \$32,589 | \$33,994 | \$16,684 |
| Total Cash Uses | \$3,465,975 | \$1,203,500 | \$625,000 | \$655,000 | \$1,605,000 |
| Net Change in Cash | (\$995) | \$37,979 | (\$4,395) | \$1,404 | (\$17,309) |

Cash Flow

ATTACHMENT A

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UTILITY SOURCE, L.L.C.

PROFORMA BALANCE SHEET

| | End 2004 | Year Two | Year Three | Year Four | Year Five |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | | |
| Cash | (\$995) | \$36,984 | \$32,589 | \$33,994 | \$16,684 |
| Water Land | \$210,000 | \$210,000 | \$210,000 | \$210,000 | \$210,000 |
| Production & Storage Plant in Service | \$1,661,750 | \$2,317,250 | \$2,492,250 | \$2,667,250 | \$3,317,250 |
| Less: Accumulated Depreciation | (\$64,495) | (\$137,105) | (\$215,745) | (\$300,415) | (\$407,482) |
| Wastewater Land | \$105,000 | \$105,000 | \$105,000 | \$105,000 | \$105,000 |
| Wastewater Plant/ Collection Plant in Service | \$887,225 | \$1,051,625 | \$1,171,625 | \$1,321,625 | \$1,921,625 |
| Less: Accumulated Depreciation | (\$78,906) | (\$104,462) | (\$132,935) | (\$165,053) | (\$211,751) |
| Net Plant in Service | \$2,720,574 | \$3,442,307 | \$3,630,195 | \$3,838,407 | \$4,934,641 |
| Hook-Up Fee Reserves | | | | | |
| Total Reserve Balance | \$602,000 | \$535,600 | \$815,600 | \$1,095,600 | \$475,600 |
| TOTAL ASSETS | \$3,321,579 | \$4,014,892 | \$4,478,384 | \$4,968,001 | \$5,426,926 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Current Liabilities | \$0 | \$0 | \$0 | \$0 | \$0 |
| Deferred Credits: | | | | | |
| Water Advances | \$267,950 | \$473,450 | \$648,450 | \$823,450 | \$1,023,450 |
| Less: Cumulative Refunds | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Water Advances | \$267,950 | \$473,450 | \$648,450 | \$823,450 | \$1,023,450 |
| Wastewater Advances | \$179,975 | \$344,375 | \$464,375 | \$614,375 | \$764,375 |
| Less: Cumulative Refunds | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Wastewater Advances | \$179,975 | \$344,375 | \$464,375 | \$614,375 | \$764,375 |
| Contributions: | | | | | |
| Water HUF's | \$215,000 | \$352,000 | \$452,000 | \$552,000 | \$652,000 |
| Wastewater HUF's | \$387,000 | \$633,600 | \$813,600 | \$993,600 | \$1,173,600 |
| Total Deferred Credits | \$1,049,925 | \$1,803,425 | \$2,378,425 | \$2,983,425 | \$3,613,425 |
| CAPITAL | | | | | |
| Common Stock Issued | \$1,814,050 | \$1,814,050 | \$1,814,050 | \$1,814,050 | \$1,814,050 |
| Long Term Debt | | \$0 | \$0 | \$0 | \$0 |
| Less: Repayment | | \$0 | \$0 | \$0 | \$0 |
| Balance | \$0 | \$0 | \$0 | \$0 | \$0 |
| Retained Earnings | (\$117,396) | (\$177,583) | (\$239,091) | (\$304,474) | (\$400,549) |
| Working Capital Loan | \$575,000 | \$575,000 | \$525,000 | \$475,000 | \$400,000 |
| Total Capital | \$2,271,654 | \$2,211,467 | \$2,099,959 | \$1,984,576 | \$1,813,501 |
| TOTAL LIABILITIES & CAPITAL | \$3,321,579 | \$4,014,892 | \$4,478,384 | \$4,968,001 | \$5,426,926 |

Balance Sheet

ATTACHMENT A

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PROMISSORY NOTE

\$575,000.00

Bellemont, Arizona
_____, 2004

FOR VALUE RECEIVED, the undersigned promises to pay to the order of Lonnie McCleve, or to such other persons or places as may be designated from time to time by notice to the undersigned, the sum of Five Hundred Seventy-Five Thousand and 00/100 Dollars (\$575,000.00), together with interest on the unpaid principal balance of said indebtedness at the rate of prime plus two percent (2%) per annum (computed on a 365 day year) from the date hereof, payable in lawful money of the United States of America, as follows:

(a) Quarterly payments of interest only commencing on _____ and each quarter thereafter for a ten (10) year period or until the principal is fully paid;

(b) Lender may use this Note as a revolving line of credit provided the maximum balance does not exceed \$575,000 and subject to paragraph (c) below;

(c) The full principal amount, plus any accrued interest thereon, on December 31, 2014, if not paid in full before such date.

The undersigned shall have the right from time to time to prepay the whole or any part of the principal sum hereof together with accrued interest to the date of prepayment.

The whole of the principal sum and interest shall become immediately due and payable at the option of the holder, without notice to the undersigned, upon default in the payment of any principal hereof or interest hereon. The undersigned shall pay all costs and reasonable attorneys' fees incurred by the holder hereof in collecting or enforcing payment hereof. The whole of the principal sum and accrued interest, together with costs and attorneys' fees shall bear interest at the rate of eighteen percent (18%) per annum, from and after maturity, whether or not resulting from acceleration. The payment and acceptance of any sums at any time, or the failure to exercise any rights herein given the holder, shall not constitute a waiver of holder's rights in the event of any subsequent default.

Should any installment of principal or interest become ten (10) days late, a late charge of 5% of such installment shall be paid to the holder by the maker.

As to this note and any deed of trust or any other instruments securing the indebtedness, the undersigned, any endorsers and any guarantors severally waive all applicable exemption rights, whether under the state constitution, homestead laws or otherwise, and also severally waive valuation and appraisal, presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this note, and expressly agree that the maturity of this note, or any payment hereunder, may be

extended from time to time without in any way affecting the liability of the undersigned or said endorsers and guarantors.

Should this note be signed by more than one maker, the singular shall include the plural and all the obligations herein contained shall be the joint and several obligations of each signer hereof.

This note is to be construed according to the laws of the State of Arizona.

No provision of this note or any instrument securing this note shall be deemed to require the payment or permit the collection of interest in excess of the maximum permitted by law over the term of this note. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided for herein, for whatever reason, the interest required to be paid hereunder shall be automatically reduced to the maximum legally enforceable and any excess paid over such maximum enforceable amount shall be automatically credited against any other indebtedness of the undersigned to the holder hereof, and thereafter, any remaining amount refunded to the undersigned in cash.

UTILITY SOURCE, L.L.C.

By _____
Lonnie McCleve, Manager

1 Richard L. Sallquist
Sallquist & Drummond, P.C.
2 2525 E. Arizona Biltmore Circle
Suite A-117
3 Phoenix, Arizona 85016
Phone: (602)224-9222
4 Fax: (602)224-9366
Attorneys for Applicant
5

6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7
8 IN THE MATTER OF THE APPLICATION OF)
UTILITY SOURCE, L.L.C. FOR A)
CERTIFICATE OF CONVENIENCE AND)
9 NECESSITY TO PROVIDE WATER AND)
WASTEWATER SERVICE IN COCONINO)
10 COUNTY, ARIZONA.)

DOCKET NO. WS-____-__-__

11 IN THE MATTER OF THE APPLICATION OF)
UTILITY SOURCE, L.L.C. FOR AUTHORITY)
TO ISSUE PROMISSORY NOTE(S) AND)
12 OTHER EVIDENCES OF INDEBTEDNESS)
PAYABLE AT PERIODS OF MORE THAN)
13 TWELVE MONTHS AFTER THE DATE OF)
ISSUANCE.)

DOCKET NO. WS-____-__-__

AFFIDAVIT OF MAILING

14 STATE OF ARIZONA)
15)ss
County of Maricopa)
16

- 17 1. I am Lonnie McCleve, Manager of Utility Source, L.L.C. My business address is 721
18 E. San Pedro, Gilbert, Arizona 85234.
19 2. On February __, 2004, I caused the Notice in the form attached hereto as Exhibit 1
20 and incorporated herein by reference for all purposes, to be mailed by first class mail,
21 postage prepaid, to all property owners within the Requested Expansion Area.
22 3. Further affiant sayeth naught.
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DATED this ____ day of February, 2004.

UTILITY SOURCE, L.L.C.

By: _____
Lonnie McCleve

The foregoing instrument was acknowledged before me this ____ day of February, 2004,
by Lonnie McCleve.

Notary Public

My Commission Expires:

Original and fifteen copies of the
foregoing filed this ____ day
of February, 2004:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

A copy of the foregoing filed
this ____ day of February, 2004, to:

Hearing Division
Arizona Corporation Commission
400 W. Congress
Tucson, Arizona 85701

Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

1 Legal Division
Arizona Corporation Commission
2 1200 West Washington
Phoenix, Arizona 85007
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**PUBLIC NOTICE OF AN APPLICATION
FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AND AN ORDER
AUTHORIZING THE ISSUANCE OF PROMISSORY NOTE(S) AND OTHER
EVIDENCE OF INDEBTEDNESS
BY UTILITY SOURCE, L.L.C.**

Utility Source, L.L.C. has filed with the Arizona Corporation Commission (“Commission”) an application for authority to provide water service to an area in which records indicate that you are a property owner. If the application is granted, Utility Source, L.L.C. would be the exclusive provider of those services to the proposed area. Utility Source, L.L.C. will be required by the Commission to provide this service under the rates and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street or in Tucson at 400 West Congress, North Building, Room 218, and at Utility Source, L.L.C., 721 E. San Pedro, Gilbert, Arizona 85234.

The Commission will hold a hearing on this matter. As a property owner you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless requested by you.

Additionally, the Company has filed an Application for an order authorizing Applicant to issue up to \$575,000 in promissory notes and other evidences of indebtedness.

Intervention in the Commission’s proceedings on the Application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon the Applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor’s interest in the proceedings.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the Application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

If you have any questions or concerns about these applications, have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000 or 400 West Congress, North Building, Room 218, Tucson, Arizona 85701 or call 1-800-535-0148.