



0000028276

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2005 SEP -9 P 12: 07

AZ CORP COMMISSION
DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

5 IN THE MATTER OF THE)
6 APPLICATION OF PINEVIEW)
7 WATER COMPANY, INC. FOR AN)
8 INCREASE IN ITS WATER RATES)
9 FOR CUSTOMERS WITHIN NAVAJO)
10 COUNTY, ARIZONA.)

DOCKET NO. W-01676A-04-0500

11 IN THE MATTER OF THE)
12 APPLICATION OF PINEVIEW)
13 WATER COMPANY, INC., FOR)
14 AUTHORITY TO ISSUE)
15 PROMISSORY NOTE(S) AND)
16 OTHER EVIDENCES OF)
17 INDEBTEDNESS PAYABLE AT)
18 PERIODS OF MORE THAN TWELVE)
19 MONTHS AFTER THE DATE OF)
20 ISSUANCE)

DOCKET NO. W-01676A-04-0463

**MOTION TO AMEND,
WITHDRAWAL OF REQUEST
FOR AN ORDER NUNC PRO
TUNC, AND
REQUEST FOR EXPEDITED
PROCESSING**

21 Pineview Water Company, Inc. (hereinafter "Pineview" or the "Company"), by and
22 through the undersigned counsel and pursuant to A.R.S. §40-252, hereby moves the Commission
23 to amend Decision No. 67989, dated July 18, 2005 (the "Decision") to correct the authorized
24 interest rate for the Water Infrastructure Finance Authority of Arizona ("WIFA") loan.

The Company hereby withdraws its Motion for an Order Nunc Pro Tunc docketed with
the Commission on August 25, 2005. Although Staff may be correct that such a motion is not
technically the appropriate form, their Response recommending denial of that Motion is certainly
not consistent with an administrative agency's broad latitude and ability to remedy the obvious
error of the Decision.

1 The Decision, among other things, approved the Company's Application for \$577,570 in
2 long-term debt from the WIFA with terms not to exceed 20 years and at an interest rate not to
3 exceed 4.20%. The Company, in following up on the authorization granted in the Decision,
4 contacted WIFA representatives and presented the Decision as authorization to enter into the
5 WIFA loan. The Company was advised that the funds now available cannot be obtained within
6 the interest rate authorization set forth in the Decision. WIFA advises the Company that the
7 interest rate is now, and typically has been, at the Prime Rate plus 2.0%. At the date of the
8 filing, the 4.20% rate was the applicable interest rate; however, that formula now requires an
9 approximate 6.38% interest rate.

10 In Staff's response to the Company's now-withdrawn Motion for an Order Nunc Pro
11 Tunc, Staff appears to blame the Company for the interest rate changes. It should be noted that
12 the Staff knew the Decision was incorrect and that the WIFA rate was "prime rate plus 2%".
13 This was clearly indicated in the Direct Testimony of J. H. Johnson (Exhibit S-12) at page 2 of
14 Exhibit A. thereto. Staff utilized the rate of 5.6% in its analysis and acknowledged that the "rates
15 may differ slightly at the loan closing". There is no question that the loan is in the public
16 interest. To suggest that the public interest is not present due to the slight change in interest rate
17 is illogical. This amendment to the Decision is necessary merely because WIFA legitimately
18 desires the Decision to reflect the actual loan terms.

19 The Company has determined that the 6.38% interest rate will not substantially or
20 adversely impact on the Company's cash flows. Staff argues that the Company's determination
21 is "conclusory". In fact, the approximate three quarters of one percent rate differential from
22 Staff's analysis represents an increase of about \$3,600 per year in debt service, hardly enough to
23 adversely affect public interest. That higher interest rate will not affect the Company's ability to
24 perform under the loan, nor impair its ability to fulfill its public service obligations. If further

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1 proof is necessary, WIFA, the lender who has a great interest in assuring that the loan is sound,
2 in its August 31, 2005 Financial Assistance Due Diligence Report for the WIFA Board of
3 Directors action on September 21, 2005, has concluded that the tariffed rates and charges
4 authorized in the Decision are adequate to provide the debt service for the subject loan at the
5 6.38% interest rate. Page 16 of that Report confirms that the coverage ratios for the loan at the
6 approved rates and charges for years 2005 through 2009 exceed 3.0 times coverage. Please see
7 **Attachment A** hereto. WIFA has advised the Company that the interest rate of 6.38% has been
8 "locked-in" and its analysis is complete.

9 A.R.S. §40-302A states, in part, that for financing authorizations such as the subject
10 Application, the Commission shall give the notice it deems appropriate, and that it "may hold a
11 hearing, and make inquiry or investigation, and examine witnesses, books, papers and doctors,
12 and require filing that it deems of assistance" (emphasis added). It is submitted that the
13 Commission has conducted such a hearing and analysis, and that a further evidentiary hearing is
14 not needed for the Commission to correct the Decision which will authorize the prevailing
15 interest rate on the WIFA loan. Should the Commission elect to proceed without an evidentiary
16 hearing, the Company hereby waives its opportunity to be heard under A.R.S. §40-252. The
17 Decision could be amended to accommodate WIFA's requirements by amending Page 36, Line 8
18 by striking "4.20 percent" and inserting "6.38 percent".

19 The Company respectfully requests that the Commission expeditiously processed this
20 Motion without a further evidentiary hearing on the matter to accommodate WIFA's approval of
21 the loan during its September funding cycle. A deferral until the October funding cycle could
22 delay the Company's start of construction which could be impacted by weather conditions. If it
23 is determined that an evidentiary hearing is required, the Company requests that the hearing be
24 held as soon as possible to accommodate the loan and construction schedules.

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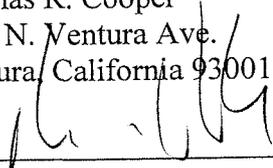
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Utilities Division
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1200 West Washington
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4 Jim Dorf
Utilities Division
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7 Jay Spector
Water Infrastructure Finance Authority of Arizona
8 1110 W. Washington, Suite 290
Phoenix, Arizona 85007

9 Dan E. Simpson
10 1021 White Tail Drive
Showlow, Arizona 85901

11 Thomas R. Cooper
12 8578 N. Ventura Ave.
13 Ventura, California 93001



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Drinking Water Revolving Fund

Financial Assistance Due Diligence



**Water Infrastructure
Finance Authority of Arizona**

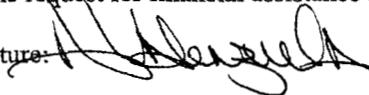
ATTACHMENT A

**Pineview Water Company
DW 001-2005**

**Board Action:
September 21, 2005**

Project Status Committee Member Certifications:

I have reviewed the application and financial documentation submitted by the applicant and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature:  Title: ~~Chief Financial~~ ^{LOAN} Officer

Date: 8/31/05

I have reviewed the application and technical documentation submitted by the applicant and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature:  Title: Environmental Program Specialist

Date: 8/31/05

Executive Director Certification:

I have reviewed the staff analysis of the application and related documentation and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature:  Date: 8/31/05

2.2 Current Condition

Currently Pineview Water Company's (PWC) wells rely on electricity to operate. There is no gravity fed storage tank. PWC's looped system, consisting of PVC, transite, galvanized and polyethylene pipe lines, is in very good condition. The design capacity is 0.68 MGD with average daily usage of 0.24 MGD and peak daily usage near 0.44 MGD. There are 4 booster pumps, 3 storage tanks, 3 pressure tanks, and 3 chlorinators.

ACC debt authorization has taken much longer than was anticipated. The PFA was originally submitted to WIFA in 2003 for this project. Portions of the project have been completed.

Type & Number of Users

Type of User	Current	2004	2003	2002	2001
Residential	848	831	724	724	740
Commercial	129	128	160	194	123
Industrial	0	0	13	13	8
Other	3	2	10	10	3
Total	980	961	907	941	874

2.3 Project Description

Gravity Flow System Project Summary:

Construct a Two Million Gallon Storage Facility on top of the hill to the west of PWC's present system. This will provide a gravity-flow system and create uninterrupted service, as the system would not be vulnerable to power failures. This additional storage tank would increase the capacity of the entire system providing adequate supplies to customers even in peak usages.

Construct a 12" Water Main Extension to be connected to the 2-MG tank and connected to the existing water system. This would also provide for future growth in current undeveloped areas.

A Well Addition at Well Site#4 is a necessary component in order to make the proposed project fully functional. In the event that one well fails, the second well would maintain service, particularly during high demands on the service.

Installation of Pressure Reducing Valves is vital in order to maintain even pressure distribution in the system. The gravity flow system will increase the pressure by 15 PSI, which would exceed the maximum pressures of portions of our system. With the installation of the pressure reducing valves PWC can substantially reduce the problems currently experienced.

2.4 Funding Sources & Uses

Uses by Budget Item	WIFA Funding	Pineview Funding	Other:	Total By Use
Planning		500.00		500.00
Design & Engineering	16,342.00	1,272.23		17,614.23
Legal/Debt Authorization		1,400.00		1,400.00
Financial Advisor		1,500.00		1,500.00
Land/System Acquisition		54,000.00		54,000.00
Equipment/Materials	278,266.35	192,824.50		471,090.85
Construction/Installation/Improvement	254,420.61	66,285.00		320,705.61
Inspection & Construction Management	1,400.00	1,400.00		2,800.00
Project Officer	7,464.67	7,464.67		14,929.34
Administration	19,684.37	21,363.45		41,047.82
Staff Training				
Capitalized Interest				
Other				
Total by Source	577,578.00	348,009.85		
Total for Project				\$925,587.85

Engineering Costs Reasonable? Yes No

Design and specifications were submitted in 2001. These costs represent roughly 6% of construction/installation costs.

Construction Costs Reasonable? Yes No

Work has been on going since 2003 and agreements on construction costs were made early in the process for the transmission line and well, so the impact of material costs increases of the past few years is mainly on the storage tank. See attachment G for cost details.

Storage Tank

The cost of materials for the storage tank have risen approximately 90% over the original amount. PWC is estimating an approximate 50% increase in construction cost over the original amount. To date no materials have been purchased for the tank, however negotiations are continuing with Page Steel for purchase of a used tank.

Transmission Line

To date PWC has installed 1,760 lineal feet of the Transmission Line at a cost of \$44,675 (\$25.38 per LF). PWC has secured the cost of the remaining materials.

Well

To date PWC has purchased the well casing, motor, pump and wire at a cost of \$21,158. PWC also built the access road and prepared the site, paid the engineering costs and installed the conduit for the electric at a cost of \$26,720.

Section 3: Legal Capability

Congressional District (s) 1
Legislative District (s) 5

Type of Applicant: Association/Cooperative Corporation
 Limited Liability Corporation Political Subdivision
 Sole Proprietor Other

Significant Findings in Legal Structure Review? No Yes

Debt Authorized Yes No, Scheduled: _____ N/A

Authorized Amount: **\$577,578.00**

Significant Findings in Debt Authorization Review? No Yes

Arizona Corporation Commission decision no. 67989, issued on July 18, 2005, authorizes a maximum rate of interest not to exceed 4.20%. WIFA's standard market rate for a twenty-year private water system loan is the prime rate plus two-hundred basis points (2%). The interest rate discount is applied. As of the date of this report the prime rate is 6.5% and the index that WIFA uses for interest rate is 8.5% before the discount is applied. Pursuant to WIFA's application scoring process, Pineview Water Company qualified for a 25% discount off of WIFA's standard market interest rate, which would make their twenty-year rate 6.38% – well above what was authorized and approved in the ACC order.

Section 4: Managerial Capability

4.1 Regulatory History

Compliance History: Significant Compliance Significant *Non*-Compliance

Recent Inspection: Significant Compliance Significant *Non*-Compliance

4.2 Management Review: Elected or Appointed Officials

Are terms of officials staggered? Yes No

As a privately owned business, the only change in management is the periodic replacement of the General Manager. The current GM has been in position for just over 2 years of a 10 year contract.

Are officials experienced in managing similar organizations? Yes No

The owners of the company have owned the business since its inception in 1957. All wells, storage tanks, treatment facilities, main lines, valves, hydrants and any other constructions associated with the development of supplying drinking water were either constructed or personally supervised by the owners.

Are officials experienced in managing similar projects? Yes No

Is there a history of (or pending) recalls or removals of officials? No Yes

4.3 Management Review: Management Structure

By-laws, rate ordinances, and connection ordinances in place? Yes No

Individual responsible for day-to-day management of the system:

General Manager Elected Official Other:

Day-to-day manager experienced in managing similar organizations? Yes No

General Manager has 20 years experience managing maintenance personnel and contracts for construction and maintenance of local government facilities and grounds in Southern California. He will be working closely with the owners and Vice President of the company, who will review the project as it progresses.

Day-to-day manager experienced in managing similar projects? Yes No

4.4 Potential Management Impacts

Significant management impacts as the result of the proposed project? No Yes

Pending Litigation or Claims? No Yes

4.5 Conclusions

Management History: Stable Unstable

Management Structure: Satisfactory Unsatisfactory

Significant Findings in Managerial Review? No Yes

Section 5: Technical Capability

5.1 Technical Capability

Recent Inspection: X Significant Compliance Significant *Non-Compliance*

Proposed project technology appropriate? X Yes No

Operators certified at appropriate level? X Yes No

The Operations Superintendent, Jack Moore, has Grade I and the Senior Serviceman, Wayne Coats has Grade II Distribution Certification.

Operators qualified to operate project technology? X Yes No

Significant operating impacts due to project technology? X No Yes

Project Officer hired to oversee Project Development? Yes X No

Significant findings in Technical Review? X No Yes

5.2 Water Supply Adequacy (drinking water systems only)

Water Supply adequate for Term of Loan Agreement? X Yes No

Obtained Certificate of Assured Water Supply from ADWR? Yes X No

Significant impact due to water rights adjudication? X No Yes

Significant findings in Water Supply Review? X No Yes

5.3 Readiness to Proceed

Project Development Milestones:

Event	Scheduled Completion Date
Design & Specs Submitted	August 2001
Approval to Construct	June 10, 2003
Advertisement for Bids	April 1, 2002
Construction Commencement	July 1, 2003
Construction Completion	April 1 2006
ACC Debt Authorization	July 18, 2005

5.4 Environmental Assessment

- Not Applicable – For Planning or Design Financial assistance Only
 Categorical Exemption
 Environmental Assessment – Finding of No Significant
 Environmental Assessment – Environmental Impact Statement

5.5 Consultant Capacity

Significant Findings in Consultant Capacity Review? No Yes

Section 6: Financial Capability *(see Attachments B, C, D, and E for detail)*

Credit Rating: N/A: Fitch: _____ Moody's: _____ S&P: _____

Historical Performance & Trend Analysis *(See Attachment C for Greater Detail):*

To perform the historical analysis of Pineview Water Company (PWC), WIFA staff utilized annual reports filed with the ACC for years 2000 through 2004. During 2002 through 2004, PWC experienced a decrease in operating expenses for years 2002 through 2004, while total revenues increased an average of 5%.

In 2001 revenues remained fairly flat as compared to the previous year and subsequent years as did the expenses increasing 14% respectively. The slightly higher increases in expenses were Administration and General expenses as well as slightly increased pumping expenses.

Financial Statement Analysis & Benchmarks *(See Attachment D for Greater Detail):*

The operating ratio measures a company's efficiency by comparing operating revenues and operating expenses. Based on this ratio PWC is showing steadily increasing operating efficiency since 2000, with the exception of 2001, topping out with a ratio of 2.36 in 2004 which WIFA considers to be above industry standards.

The current ratio describes how many times the current assets can cover the current liabilities. According to this ratio PWC may have some future liquidity problems. Although this trend reflects PWC's continued investment in capital improvements, it should be monitored into the future via the annual loan review.

Projected Performance *(See Attachment E for Greater Detail):*

WIFA staff projected revenues and expenditures to grow by 5% each year from 2005 through 2009 and found the PWC will still have a Debt Service Coverage Ratio (DCR) of 3.12 in 2005 increasing to 3.79 by 2009. These DCR's remain above WIFA's 1.20x requirement.

Section 7: WIFA Staff Recommendations

7.1 Financial Assistance Terms and Conditions (see Attachment B for greater detail)

Financial Assistance Amount: \$577,578.00

Primary Repayment Source: System Revenues

Secondary Repayment Source: None

Loan Term: 20 years

Frequency of Repayment:

Semi-Annual Monthly Other:

Loan Structure: Level 2 – Fixture filing

Debt Service Reserve Fund Requirements:

WIFA Local - Separate Local - Not Separate Surety None

Repair and Replacement Fund Requirements:

Local - Separate Local - Not Separate None

Requirements Prior to Loan Execution:

Require Legal Opinion: Yes No

Other: Evidence of general liability insurance renewal;
Completion of WIFA Demand Direct Debit loan repayment form;
Evidence of revised ACC financing order.

Requirements Prior to Construction: None

Requirement During Construction: None

Requirements Prior to Final Disbursements: None

Loan Category:

Qualified, Pledged Qualified, Not Pledged Not Qualified

Policy Exceptions: None

7.2 Technical Terms and Conditions

Observation Schedule:

Schedule A Schedule B Schedule C

Withholding Percentage:

15% 10% 5%

Requirements Prior to Loan Execution: None

Requirements Prior to Construction: None

Prior Review and Approval of Construction Bids: Yes No

Require Construction Signs: Yes No

Other: None

Requirement During Construction:

Prior Review of Changes in Project Scope: No Yes

Other: None

Requirements Prior to Final Disbursements:

Require Plan of Operation: No Yes

Require Final Approval: No Yes

Other: Engineer's Certificate of Completion

Policy Exceptions: None

7.3 Additional Notice and Reporting Requirements

WIFA to generate Press Release: Yes No

Other: None

SHOW LOW

Community Profile

TAXES

Property Tax Rate	1990	2000	2004
Elem/High School	6.44	6.23	5.48
City/Fire District	0.29	0.00	0.00
Countywide	2.32	2.90	3.00
Total	\$9.05	\$9.13	\$8.48

Sources: Arizona Tax Research Foundation
 Note: Tax rate per \$100 assessed valuation.

NOTE: School district participates in the Northern Arizona Vocational Institute of Technology (NAVIT).

Sales Tax Rate

City	2.50%
County	0.50%
State	5.60%

Sources: League of Arizona Cities and Towns, Arizona Dept. of Revenue

COMMUNITY FACILITIES

The City of Show Low has a broad range of community facilities including a library, bowling alley, one 18-hole golf course, one 27-hole golf course, several lighted racquetball and tennis courts, an exercise fitness course, soccer fields, an archery range, and movie theaters. Other facilities available include an indoor aquatic center pool, lighted softball and baseball fields, handball and basketball courts and picnic areas.

Educational Institutions

	Public	Private
Community College	Y	N
Elementary	Y	N
High School	Y	N
Technical	Y	N

Financial

Number of Banks: 6

Governmental Agencies

Fire Department: Show Low Fire District

Law Enforcement: City Police Department

Airports Two paved runways (7,200-ft./4,00-ft. unlighted) with paved taxiway and terminal. Daily scheduled air passenger service.

Medical

Navopache Regional Medical Center.

Hotel and Lodging Facilities

Number of Rooms: 700

Meeting Rooms: 12

Capacity of Largest Facility: 500

Industrial Properties

Contact City of Show Low Community Development Department at (928) 532-4040 or White Mountain Regional Development Corporation at (928) 537-3777.

Utilities

Electricity	APS (Statewide)	800.253-9405
Natural Gas	Citizens Utilities (Show Low)	928.537.2913
Telephone	Citizens Communications (statewide)	800.921.8101
	Frontier Communications (Show Low)	800-921-8102
Water	City of Show Low	928-532-4000
	Fools Hollow Water Company	928.537.1114
	Park Valley Water Company	928.537.1114
	Pineview Water Company	928.537.4858

Cable Providers: Yes

Cable Internet Service Provider: Yes

Digital Switching Station: Yes

Fiber Optics: Yes

Internet Service Provider: Yes

Weather

Month	Average Temperature (°F)		Average Total Precipitation (Inches)
	Daily Minimum	Daily Maximum	
January	20.3	45.5	1.18
February	23.9	50.5	1.25
March	28.7	56.4	1.33
April	34.0	64.2	0.71
May	41.8	73.8	0.65
June	50.6	83.8	0.43
July	57.4	86.0	2.21
August	55.8	83.0	3.09
September	49.6	78.1	1.70
October	38.2	67.8	1.59
November	27.9	55.4	1.36
December	21.1	46.3	1.82
Yearly Avg	37.4	65.9	17.31

Western Regional Climate Center, wrcc@dnr.edu. Period of record 1965-2004. Average Total Snowfall 26.1".

This profile was prepared by the Arizona Department of Commerce Communications Division in cooperation with local sources.

For further information, contact:

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 Show Low Chamber of Commerce
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Prepared on 4/2005

Pineview Water Company
Fiscal Impact of WIFA Financial Assistance

Terms and Conditions

Loan Amount.....	\$577,578.00
Term.....	20
Combined Interest & Fee Rate	
Interest Rate Index.....	8.50%
Subsidy Rate Index.....	75.00%
Combined Interest & Fee Rate.....	6.38%
Coverage Requirement.....	20.00%
Debt Service Reserve Requirement.....	\$51,166.41
# of Years Debt Service Reserve Funded.....	5

Monthly Fixed Payment to WIFA

Prior to Debt Service Reserve Requirement

Monthly Fixed Payment to WIFA.....	4,263.87
Monthly Debt Service Reserve Deposit.....	852.77
Total Monthly Fixed Payment.....	\$5,116.64

After Debt Service Reserve Requirement

Monthly Fixed Payment to WIFA.....	4,263.87
Monthly Debt Service Reserve Deposit.....	0.00
Total Monthly Fixed Payment.....	\$4,263.87

Monthly Replacement Fund Deposit -- Held Locally

Prior to Debt Service Reserve Requirement.....	\$0.00
After Debt Service Reserve Requirement.....	\$852.77

Annual Fiscal Impact

Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	51,166.41	10,233.28	0.00	61,399.69
2	51,166.41	10,233.28	0.00	61,399.69
3	51,166.41	10,233.28	0.00	61,399.69
4	51,166.41	10,233.28	0.00	61,399.69
5	51,166.41	10,233.28	0.00	61,399.69
6	51,166.41	0.00	10,233.28	61,399.69
7	51,166.41	0.00	10,233.28	61,399.69
8	51,166.41	0.00	10,233.28	61,399.69
9	51,166.41	0.00	10,233.28	61,399.69
10	51,166.41	0.00	10,233.28	61,399.69
11	51,166.41	0.00	0.00	51,166.41
12	51,166.41	0.00	0.00	51,166.41
13	51,166.41	0.00	0.00	51,166.41
14	51,166.41	0.00	0.00	51,166.41
15	51,166.41	0.00	0.00	51,166.41
16	51,166.41	0.00	0.00	51,166.41
17	51,166.41	0.00	0.00	51,166.41
18	51,166.41	0.00	0.00	51,166.41
19	51,166.41	0.00	0.00	51,166.41
20	51,166.41	0.00	0.00	51,166.41
	\$1,023,328.18	\$51,166.41	\$51,166.41	\$1,125,661.00

ATTACHMENT C – HISTORICAL PERFORMANCE & TREND ANALYSIS

Hepler-Witt Company Historical Revenues and Expenses For Fiscal Years Ending December 31

	2000		2001		2002		2003		2004		2005			
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%		
Revenues														
Operations	514,170		489,730	(5.68%)	471,881	(2.11%)	2111	0.43%	483,475	21.64%	439%	511,955	19.40%	378%
Other Operating	1,920		4,610	240%	3,341	(22.29%)	(2,229)	-28.03%	4,163	82%	24.03%	14,241	1,028%	240.03%
Misc	2,610		4,319	177%	3,624	(69%)	(1,603)	-16.03%	1,952	(1,602)	-61.14%	1,817	(133)	(5.92%)
Total Revenues	507,690		478,749	(28.88%)	478,835	117	0.02%	499,530	20.76%	439%	528,013	28,423%	568%	
Operating Expenses														
Operations (Less Depreciation)	0		0	0.00%	0	0	0.00%	0	0.00%	0	0	0	0.00%	
Maintenance & Capital	218,809		237,889	31.00%	221,311	(16.58%)	16,584	-6.97%	180,212	(41.08%)	-18.57%	176,824	(3,389)	-1.88%
Taxes	39,116		38,615	(30)	40,263	1,648	4.27%	44,306	4,123%	10.24%	46,107	1,721%	3.88%	
Other	(6,339)		(2,672)	3.84%	(15,628)	(12,954)	48.88%	0	15.628%	-100.00%	0	0	0.00%	
Total Operating Expenses	239,669		273,832	34.05%	245,935	(27,894)	-10.19%	224,938	(21,339)	-8.88%	222,924	(1,661)	-0.74%	
Net Revenues (Before Debt Service)	268,021		204,877	(61.84%)	232,880	28,003	13.67%	274,592	42,162%	18.08%	315,082	3,000%	10.99%	
Debt Service														
Principal	0		0	0.00%	67,036	67,036	0.00%	54,175	(12,879)	-19.23%	54,175	0	0.00%	
Interest	0		0	0.00%	0	0	0.00%	16,328	16,328	0.00%	24,265	7,938%	48.62%	
Total Debt Service	0		0	0.00%	67,036	67,036	0.00%	70,503	3,467%	5.18%	78,441	7,938%	11.28%	
Revenues After Debt Service	268,021		204,877	(63.84%)	165,844	(39,004)	-19.08%	204,489	3,665%	23.32%	226,641	2,152%	108.7%	
Coverage	na		na		3.47		3.80							

**Pineview Water Company
Financial Statement Analysis**

**ATTACHMENT D – FINANCIAL STATEMENT
ANALYSIS & BENCHMARKS**

	2000	2001	2002	2003	2004
Operating Efficiency & Profitability					
Operating Ratio = <i>Op Rev/Op Exp</i>	2.11	1.73	1.93	2.22	2.36
Operating Expenses / Operating Revenues	47.45%	57.72%	51.75%	45.13%	42.37%
Operating Efficiency = <i>Tot Rev - Op Exp</i>	280,731	314,447	286,963	269,282	275,550
Net Income = <i>Tot Rev - Tot Exp</i>	226,959	164,262	191,863	213,980	228,197
Profit Margin = <i>Net Inc/Op Rev</i>	44.93%	34.63%	40.38%	43.00%	43.37%
"Adjusted" Profit Margin = <i>(Net Inc + Dep)/Op Rev</i>	53.06%	43.19%	49.01%	51.98%	53.37%
Return on Assets = <i>Net Inc/Tot Assets</i>	19.38%	13.29%	16.18%	18.36%	13.86%
"Adjusted" Return on Assets = <i>(Net Inc + Dep)/Tot Assets</i>	22.89%	16.57%	19.64%	22.19%	17.06%
Short-Term Liquidity					
Working Capital = <i>Cur Assets - Cur Lia</i>	(18,990)	(99,916)	(121,709)	38,949	(42,520)
Current Ratio = <i>Cur Assets/Cur Lia</i>	0.90	0.54	0.44	1.53	0.69
Quick Ratio = <i>(Cash + Rec)/Cur Lia</i>	72.62%	42.61%	32.34%	95.38%	24.78%
Accounts Receivable Turnover = <i>Op Rev/Rec</i>	11.19	12.49	12.52	11.81	17.21
Sales Uncollected = <i>Rec/Op Rev</i>	8.93%	8.01%	7.99%	8.46%	5.81%
Long-Term Risk & Capital Structure					
Debt Ratio = <i>Tot Lia/Tot Assets</i>	45.78%	51.26%	48.91%	36.35%	31.30%
Current Assets / Total Assets	14.96%	9.40%	7.99%	9.61%	5.82%
Fixed Assets / Total Assets	85.04%	90.60%	92.01%	90.39%	94.18%
Other Assets / Total Assets	0.00%	0.00%	0.00%	0.00%	0.00%
Current & Other Liabilities / Total Liabilities & Equity	16.59%	17.48%	18.26%	36.00%	40.04%
Long-Term Liabilities / Total Liabilities & Equity	29.20%	33.78%	30.65%	30.09%	22.90%
Equity / Total Liabilities & Equity	54.22%	48.74%	51.09%	33.91%	37.06%
Connections					
# of Connections	0	874	941	907	961
Average Monthly Rates per Connection	\$ -	\$ 45.23	\$ 42.08	\$ 45.72	\$ 45.63

**Pineview Water Company
Benchmarks**

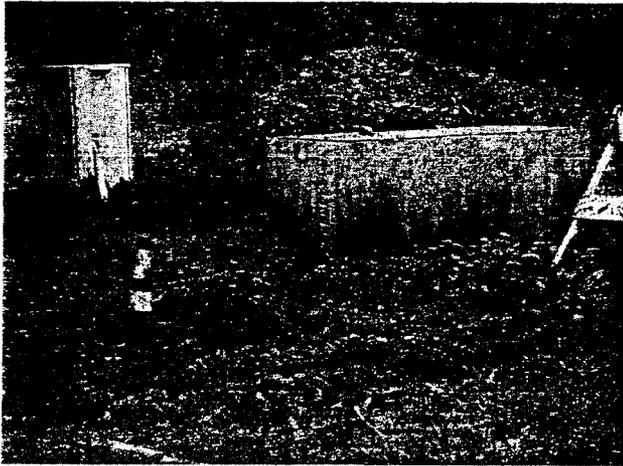
	Most Recent System or State Data	Average, Range, or Median Benchmark	Comparison Relative to Benchmark	Performance Relative to Benchmark
Operating Efficiency & Profitability				
Operating Revenues divided by Expenses	236.04%	100% to 120%	Above Average Range	<i>Strong</i>
Operating Expenses as % of Revenues	42.37%	82.50%	Above Average	<i>Strong</i>
Profit Margin	43.37%	23.50%	Above Average	<i>Strong</i>
Short-Term Liquidity				
Current Assets divided by Current Liabilities	69.25%	400% > 210% < 70%	Below Lower Quartile	<i>Weakest</i>
Cash & Receivables divided by Current Liabilities	24.78%	350% > 200% < 70%	Below Lower Quartile	<i>Weakest</i>
Long-Term Risk & Capital Structure				
Current Assets / Total Assets	5.82%	18.80%	Below Average	<i>Weak</i>
Fixed Assets / Total Assets	94.18%	73.20%	Above Average	<i>Strong</i>
Other Assets / Total Assets	0.00%	8.00%	Below Average	<i>Weak</i>
Current Liabilities / Total Liabilities & Equity	40.04%	15.30%	Above Average	<i>Weak</i>
Long-Term Liabilities / Total Liabilities & Equity	22.90%	36.00%	Below Average	<i>Strong</i>
Equity / Total Liabilities & Equity	37.06%	48.70%	Below Average	<i>Weak</i>
Debt Service Coverage				
Current Net Revenues divided by Existing Debt	3.89	1.2	Above Requirement	<i>Strong</i>
Projected Net Revenues divided by Existing & WIFA Debt	3.12	1.2	Above Requirement	<i>Strong</i>
Projected Debt Service Safety Margin	3.10	1	Above Requirement	<i>Strong</i>
Impact on Users				
Median Household Income (MHI)	\$ 20,727	\$ 40,558	<i>Below State MHI</i>	
Current Monthly Rates per Connection	\$ 45.63	\$ 30.16	<i>Above Statewide Average</i>	
Current Annual Rates divided by MHI	2.64%	1.5% to 3.0%	Within Average Range	<i>Average</i>
Projected Monthly Rates per Connection	\$ 46.61	\$ 30.16	<i>Above Statewide Average</i>	
Projected Annual Rates divided by MHI	2.70%	1.5% to 3.0%	Within Average Range	<i>Average</i>
Estimated Monthly Rate Increase per Connection	2.16%	25%	Below	<i>OK</i>
Existing Debt per Connection	\$ 392.39	\$2,500 to \$5,000	Below Average Range	<i>Strong</i>
Existing & WIFA Debt per Connection	\$ 993.41	\$2,500 to \$5,000	Below Average Range	<i>Strong</i>
Existing & WIFA Debt per Connection divided by MHI	4.79%	10% to 20%	Below Average Range	<i>Strong</i>

ATTACHMENT E - PROJECTED PERFORMANCE

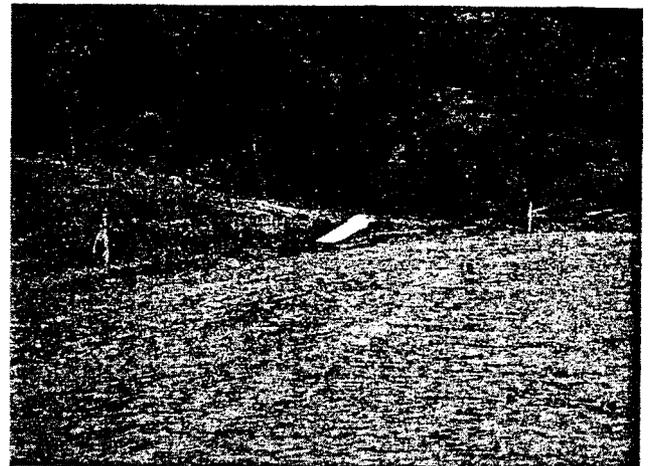
Breakwater Company Project Revenues and Expenses For Fiscal Years Ending December 31

	2005		2006		2007		2008		2009		Total
	\$	%	\$	%	\$	%	\$	%	\$		
Revenues											
Quarries	57,553	25.38	56,430	26.88	59,652	28.22	62,285	29.63	63,399	31.14	
Otr	14,933	7.12	15,701	7.48	16,486	7.85	17,310	8.04	18,175	8.85	
Misc	1,908	0.92	2,003	0.95	2,113	1.02	2,219	1.05	2,319	1.12	
Total Revenues	54,414	26.42	58,134	27.22	61,211	29.07	64,803	30.52	67,893	32.00	
Operating Expenses											
Quarries	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Maintenance & Capital	185,665	9.84	194,948	9.28	204,695	9.74	214,931	10.25	225,617	11.24	
Taxes	48,412	2.35	50,833	2.42	53,375	2.52	56,048	2.69	58,845	2.82	
Otr	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Total Operating Expenses	234,078	11.14	245,781	11.74	258,070	12.28	271,974	12.94	284,513	13.59	
Net Revenues from Otr Service	310,336	15.28	336,353	16.07	353,171	16.88	370,829	17.69	389,371	18.94	
Otr Service											
Existing Otr (P&S)	51,475		51,475		51,475		51,475		51,475		
Bipart Otr	51,165		51,165		51,165		51,165		51,165		
Total Otr Service	102,641										
Revenues from Otr Service	217,695		233,711		250,529		268,188		286,729		
Change	312		328		344		361		379		

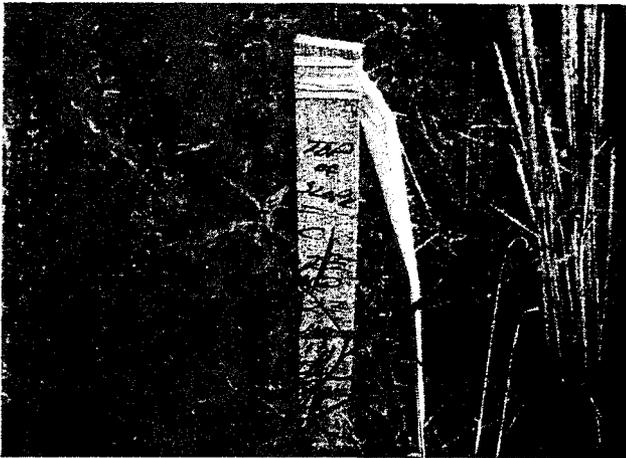
Photos from site visit on 8/9/05



Beginning of the 12" Water Main Extension



12" PVC main extension to be connected to 2-MG tank



Stake marking top of slope at 2-MG tank site



View from the middle of tank site down towards system



View from future Well Site #4B showing electrical



Access road and 12" main extension pipe at Well Site #4

AND MAPS

PHOTOGRAPHY

Two Million Gallon Tank Estimates

Estimates with Paint

Brown Tank & Steel	\$315,000.00
Columbian Steel Tank Company	\$369,000.00
Eidson Brown-Minneapolis Tank Co.	\$340,000.00

Estimates Without Paint

Scuff Steel Company	\$225,507.00
Skinner Tank Company	\$269,000.00
Smyth Steel Manufacturing, INC.	\$224,350.00
Cashica Tank & Steel Co.	\$380,000.00

Estimates for Paint

Southwest Industrial Coatings, INC.	\$ 79,800.00
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PINEVIEW WATER COMPANY, INC.

5198 CUB LAKE ROAD
HOW LOW, AZ 85901

Estimate

DATE	ESTIMATE NO.
8/19/2002	2

NAME / ADDRESS
Pineview Water Company, Inc. 5198 Cub Lake Road Show Low, AZ 85901

PROJECT

DESCRIPTION	QTY	RATE	TOTAL
12" C900 PVC Pipe	5,100	12.74	64,974.00T
12" PVC Valve	10	1,106.41	11,064.10T
Trenching & labor to install line	5,100	9.75	49,725.00
6" valve	2	303.09	606.18T
4" Valves	4	322.00	1,288.00T
30" road crossing	3	4,285.00	12,855.00T
Testing	3	1,200.00	3,600.00T
Engineering- Surveying	1	3,420.00	3,420.00T
valve stands	15	68.05	1,020.75T
accessory kits	45	16.49	742.05T
Sales Tax		6.10%	6,073.77
TOTAL			\$155,368.81

A To Z Drilling & Pump Service LLC
 602 North Main
 P.O. Box 519
 Taylor, AZ 85939
 Office 928-536-7319
 Fax 928-536-2789

August 5, 2005

Pineview Water
 Ron McDonald
 928-537-1035
 Cell 602-421-8082
 Fax 928-537-2180

12 Casing 800' @ \$ 18.00 per ft		\$ 14,400.00
15' hole 800' @ \$ 30.00 per ft		24,000.00*
Grouted Surface Seal		<u>400.00*</u>
	Subtotal on Well	\$ 38,800.00
	6.1% tax on 65% of subtotal* (\$ 15,860.00)	<u>967.46</u>
	TOTAL	\$ 39,767.46
Paid	7-27-04	<u>14,400.00</u>
	Balance Due	\$ 25,367.46

**Estimate for well addition
at Well Site # 4**

<u>Item</u>	<u>Estimated Cost</u>
1.5 Acres of land for well field	\$ 54,000.00
800 L. F. deep well, 12" in diameter	\$ 38,000.00
1-Pump assembly, 130 GPM, 40HP	\$ 18,037.00
1-Pump house & chlorination system	\$ 16,570.00
Access road and site preparation	\$ 17,600.00
Site Electricity	\$ 18,420.00
Site Fencing	\$ 3,120.00
Pressure and gravity water main extension	\$ 30,660.00
Engineering and design	<u>\$ 5,422.00</u>
Estimated total cost of well installation	\$201,829.00

The following are additional improvements required to convert to a gravity flow system:

Controls and Electrical work for Well site # 3 & 4	\$ 22,370.00
Engineering and design (modifications to control pressures at various locations within the system)	\$ 7,500.00
Pressure reducing valves (fittings & installation)	<u>\$ 39,760.00</u>

Total estimated cost of well installation combined with cost to convert system to gravity flow : **\$271,459.00**

August 22, 2005

Water Infrastructure Finance Authority
1110 W. Washington, Suite 290
Phoenix, AZ 85007

Attn: Jon Bernreuter

Subject: Loan Application Information

Dear Jon:

Here is the information we talked about on the phone today. My understanding of your request is as follows:

1. You would like updated estimates for the Two Million Gallon Storage Tank
2. You would like a cost breakdown of what Pineview Water Company has already spent on this project.
3. You would like an explanation of how Pineview Water Company plans to complete this project with the funds requested.

The updated prices we have on the storage tank are informal estimates. Most likely we will combine the purchasing of materials with constructing the tank ourselves. I also have a Page Steel representative preparing a bid to sell us a used tank that will come in at, or below our original costs for the completed tank. As I informed you on the phone, I plan to give further detail about the project when I meet with the Committee on September 7, 2005. If there is any other information you need before the meeting, please don't hesitate to call.

Ronald L. McDonald

Ronald L. McDonald, General Manager
Pineview Water Company

Ps. I have also attached the Community Description Addendum that Terry requested in her call to me this morning.

PROJECT WORK COMPLETED AND PAID FOR

Project Finance Application, Page 3

1) Land/System Acquisition:

Funds in the amount of \$54,000 are requested. These funds were spent for the purchase of land which will be used for the Well and Storage Tank. The land was purchased via Pineview Water Company's General Fund account in 2000. Funds in the amount of \$21,875 were reimbursed to Pineview Water Company via the WIFA Loan #920034-00, Draw #2.

The remaining amount of the original purchase (\$32,125) will be requested in Draw #1 of the new WIFA Loan.

2) Equipment/Materials

Funds in the amount of \$278,266.35 are requested. These funds are for the Well, Transmission Line and Storage Tank "materials".

Well

Of the \$278,266 requested, \$44,865 is for the materials for the well, housing, electric, main and fencing.

To date Pineview Water Company has purchased the well casing, motor, pump and wire at a cost of \$21,158.

Transmission Line

Of the \$278,266 requested, \$58,040 is for the materials to install 5,100 lineal feet of 12" C900 Pipe.

To date Pineview Water Company has installed 1,760 lineal feet of the Transmission Line at a material cost of \$20,314.

Storage Tank

Of the \$278,266 requested, \$175,361 is for the storage tank materials.

To date no materials have been purchased for the storage tank.

To date Pineview Water Company has spent a total of \$95,472 for material for the project. Of this \$73,597 will be requested in Draw #1.

The funds from Draw #1 will be used to cover the estimated increase in the storage tank materials.

Concerning the cost of materials. Pineview Water Company has already purchased most of the well materials. Prices for the remaining items are fixed, therefore there is no increase in the original material cost for the well.

Of the materials for the transmission line, 35% of the materials have been purchased. Of the remaining materials to be purchased, Pineview Water Company has secured the cost of the remaining materials and will be within the original amount requested.

The cost of materials for the storage tank have risen approximately 90% over the original amount. This brings current estimated cost of materials for the storage tank to \$333,186 ($\$175,361 \times 90\% = \underline{\$157,825}$) ($\$175,361 + \$157,825 = \$333,186$).

As noted above, \$73,597 will go towards the increase in material costs. The remaining funds will be come from Pineview's General Fund Account.

3) Construction/Installation/Improvement

Funds in the amount of \$254,420.61 are requested. These funds are for the Well, Transmission Line and Storage Tank "construction".

Well

Of the \$254,421 requested, \$111,250 is for the well, housing, electric, engineering/design, main extension and fencing.

To date Pineview Water Company has built the access road and prepared the site, paid the engineering costs and installed the conduit for the electric at a cost of \$26,720.

Transmission Line

Of the \$254,421 requested, \$69,601 is for the construction of 5,100 lineal feet of 12" C900 Pipe.

To date Pineview Water Company has installed 1,760 lineal feet of the Transmission Line at a material cost of \$24,361.

Storage Tank

Of the \$254,421 requested, \$73,570 is for the storage tank construction.

To date there has been rough site prep at the tank site. Engineering and design have also been completed and paid for. Total cost thus far of construction is \$5,600. These costs have been

absorbed in the General Account of Pineview Water Company and we will not seek reimbursement.

We are estimating an approximate 50% increase in construction cost over the original amount. This brings current estimated cost of construction for the storage tank to \$110,355 ($\$73,570 \times 50\% = \$36,785$) ($\$73,570 + \$36,785 = \$110,355$).

In February 2005, the Arizona Corporation Commission approved a Hook-Up Fee with a base fee of \$500 for each 5/8" meter service. Pineview Water Company currently has approved line extension agreements that include 120 – 5/8" meters for a total of \$60,000. Hook-Up Fees can only be used to pay for new plant. The \$60,000 will be used to offset the increase in construction of the new storage tank.

Currently there is a confirmed minimum of 382 new 5/8" meters that will be set within the next five years. Funds from these Hook-Up Fees will be exclusively used for payment supplements to the WIFA Loan.

As you can see from Page 3 of the Project Finance Application, Pineview Water Company will be funding \$153,400 of this project. With the reimbursement of the \$73,597 that will be requested in Draw #1 coupled with the \$153,400 of Pineview Water Company revenues and the Hook-Up Fee, we are confident this project can be completed under budget. Pineview Water Company is able to do this through a combination of WIFA funding, in-house labor, and in-house revenues. You can see from our current loan that we are able to come in well under budget on our projects.