

ORIGINAL



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CLEAR SPRINGS UTILITY COMPANY, INC. - WATER DI
P.O. Box 85160
Tucson, AZ 85754
520-623-5172
Fax 520-792-0377

January 4, 2006

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

Re: Docket No.W-01689A-05-0629 - Exceptions to Staff Report

To Whom It May Concern;

We at Clear Springs Utility Company - Water Division (CSU-W) would like to take exception to the Staff Report as filed.

We feel that the amount loaned by E.H. Lewis, Owner of CSU-W, for the amount of \$20,000.00 should be allowed to be recovered through the Water Infrastructure Finance Authority of Arizona (WIFA)loan as requested.

The amount loaned to the Company by Mr. Lewis was essential, in that, there were repairs and upgrades needed to serve new business customers in our service area (see attached breakdown of Completed Project Costs as filed in the Rate & Finance Application submitted 8/26/05.)

Had the Company not been able to borrow the money from Mr. Lewis it would have had to borrow from an outside source at a much higher interest rate.

The Company has not been able to repay the loan to Mr. Lewis and continues to operate on a very tight budget making it impossible to get ahead and maintain an equitable rate of return.

Thank you in advance for your consideration.

Sincerely,

Bonnie L. O'Connor

For

E.H. Lewis, Owner, Clear Springs Utility Co., Inc.

Enclosure(s)

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 JAN - 5 P 12: 50

RECEIVED

CSU- Water Division/E.H. Lewis - Water Loan Amortization Schedule

KEY FIGURES

Annual Loan Payments	\$20,545.80
Monthly Payments	\$1,712.15
Interest in First Calendar Year	\$159.88
Interest Over Term of Loan	\$545.80
Sum of All Payments	\$20,545.80

INPUTS

Loan Principal Amount	\$20,000.00
Annual Interest Rate	5.00%
Loan Period in Years	1
Base Year of Loan	2004
Base Month of Loan	Nov.
Use Canadian Mortgage Rules	NO

PAYMENTS IN FIRST 12 MONTHS

Year	Month	Beginning Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
	Nov	\$20,000.00	\$1,712.15	\$1,628.82	\$83.33	\$1,628.82	\$83.33	\$18,371.18
	Dec	18,371.18	1,712.15	1,635.60	76.55	3,264.42	159.88	16,735.58
2005	Jan	16,735.58	1,712.15	1,642.42	69.73	4,906.84	229.61	15,093.16
	Feb	15,093.16	1,712.15	1,649.26	62.89	6,556.10	292.50	13,443.90
	Mar	13,443.90	1,712.15	1,656.13	56.02	8,212.23	348.52	11,787.77
	Apr	11,787.77	1,712.15	1,663.03	49.12	9,875.26	397.64	10,124.74
	May	10,124.74	1,712.15	1,669.96	42.19	11,545.22	439.83	8,454.78
	Jun	8,454.78	1,712.15	1,676.92	35.23	13,222.14	475.06	6,777.86
	Jul	6,777.86	1,712.15	1,683.91	28.24	14,906.05	503.30	5,093.95
	Aug	5,093.95	1,712.15	1,690.93	21.22	16,596.98	524.52	3,403.02
	Sep	3,403.02	1,712.15	1,697.97	14.18	18,294.95	538.70	1,705.05
	Oct	1,705.05	1,712.15	1,705.05	7.10	20,000.00	545.80	0.00

YEARLY SCHEDULE OF BALANCES AND PAYMENTS

Year	Beginning Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
2005	\$16,735.58	\$17,121.50	\$16,735.58	\$385.92	\$20,000.00	\$545.80	\$0.00

PROMISSORY NOTE

AMOUNT: \$20,000.00

Date: 10/26/04

Payable within one (1) year, and renewable up to five (5) years after the above noted date, pending approval of the Arizona Corporation Commission, without grace for value received, Clear Springs Utility Company, Inc. - Water Division, 2102 N. Forbes Blvd., Suite 107, Tucson, AZ 85754, promise to pay to the order of E.H. Lewis in legal tender of the United States.

The sum of Twenty Thousand -----00/100-----Dollars with interest at the rate of 5% per annum until paid. Interest payable at loan repayment, and if not so paid as it becomes due, then the principal sum of this note, together with the interest hereon, may be declared wholly due and payable at principal and bear interest at the same rate.

The makers and endorser's, jointly and severally, covenant, and agree that their community property and the respective separate property of each of them shall be liable for the payment of the obligation evidenced by this note.

Should time of payment be extended by agreement with any of the makers, without the knowledge or consent of the others, after the said extension, the liability of all parties shall remain as if no extension had been made. The makers and endorser's hereon waive exemption, demand of dishonor, and protest.



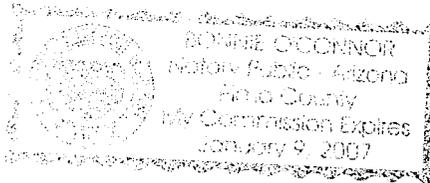
E.H. Lewis, President
Clear springs Utility Co., Inc.
Water division

This instrument was acknowledged before me this 26th day of October, 2004.

My commission Expires: 1/9/07



Notary



Breakdown of Completed Project Costs

Well Motor Repair R & R Electric	\$ 309.90
Well Pump Repair Starlings Pump	\$ 5,070.91
Well Pump Repair Southwestern Utility	\$ 280.00
Materials Dana Kepner	\$ 8,370.07
“ ”	\$ 122.24
“ ”	\$ 43.81
Apache Hardware	\$ 29.42
“ ”	\$ 17.51
“ ”	\$ 9.07
“ ”	\$ 11.16
Sun State Equipment	\$ 72.01
“ ”	\$ 72.01
Starlings Pump 1420' 6" line	\$13,774.00
Southwestern Utility	\$ 805.00
JAC Enterprises - As built	<u>\$ 1,200.00</u>
Total:	\$28,571.67

CLEAR SPRINGS UTILITY COMPANY, INC.

WATER DIVISION

**P.O. Box 85160
Tucson, AZ 85754
Phone: 520-623-5172
Fax: 520-792-0377**

Arizona Corporation Commission
2100 W. Washington Street
Phoenix, AZ 85007-2927

November 1, 2005

Re: Clear Springs Utility Company, Inc. Finance Application Amendment
Docket #W-01689A-05-0629

Please accept this letter as an amendment to the original Finance Application submitted on, August 26, 2005.

Since filing the application we have discovered the original cost estimate is lower than the actual proposal from Starlings Drilling for work needed to be completed on Well #16.

As you can see per the attached proposal, the cost is \$37,140.00. The cost of management and inspection of the work is \$2,000.00 bringing the total needed to \$39,000 plus. Also, please keep in mind this is a proposal at the current rates, the price may, and probably will, raise over the next few months, depending on when approval is obtained. For this reason we respectfully request an additional \$1,500.00 to cover this additional cost if needed.

The revised amount requested will be as follows:

Completed Project Costs	\$28,572.00
Management/Inspection Fees	\$ 2,000.00
Starlings Drilling Proposal	\$37,140.00
Possible Proposal Increase	<u>\$ 1,500.00</u>
Total Requested	\$69,212.00

Please do not hesitate to call if you need further information and/or documentation.

Thank you for your help in this matter.

Sincerely,


Bonnie O'Connor, V.P.
Southwestern Utility Management, Inc.

For
Clear Springs Utility Co., Inc.
E.H. Lewis, Owner

Enclosure

cc: WIFA, Funding Department

STARLINGS

DRILLING AND PUMP EQUIPMENT SERVICE

Licensed and Bonded

P.O. Box 574 Pearce, AZ 85625

Phone 520-826-3752

Cell 520-678-6324

August 4, 2005

PROPOSAL

Clear Springs Pump Bid

This bid includes the following material:

- (1) 50 hp pump and motor 460 volt 3 phase
- 500 feet of #4 sub-cable four conductor cable
- 520 feet of 4" black T&C pump pipe
- (3) 4" check valves
- (1) 500 ft. air line
- (1) Well plate
- 4" fittings for hook-up
- (2) 120 gallon pressure tanks
- (1) variable speed drive and transducer controller
- Pulling of existing pump; six inch turbine
- Labor for installation of new system
- Any applicable tax

\$37,140.38

Proposal quote good through September 1, 2005.