

ORIGINAL NEW APPLICATION



0000055135

ARIZONA CORPORATION COMMISSION



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FINANCING APPLICATION

Water Inc  
UTILITY NAME

W-01979A-06-0357  
DOCKET NO(S).

You must complete all items in the application according to the instructions provided. If you have any questions regarding the application, call the Chief, Financial & Regulatory Analysis Section at (602) 542-0743 for assistance.

Send the original and sixteen copies of the application and cover sheet to the following address:

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Arizona Corporation Commission

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# WATCO INC.

P.O. BOX 1270 SHOW LOW, AZ 85902 PHONE-928-537-8739 • FAX-928-537-8739

## FINANCING APPLICATION

May 18, 2006

- 1) Watco Inc.  
Po Box 1270  
Show Low, Az 85902
- 2) Thomas Grapp  
Po Box 1270  
Show Low, Az 85902
- 3) The financing will be obtained from the Water Infrastructure Finance Authority of Arizona (WIFA) and will be in the form of long-term debt. The amount will be \$600,000 and the interest rate pertaining to the loan will be 6.3%. Date of maturity for the loan will be 20 years. Assets of Watco Inc. will be encumbered by the loan, as they will be used as collateral for the money borrowed from WIFA.
- 4) N/A
- 5) The net proceeds obtained from WIFA will be used to upgrade the Watco Inc. water system by constructing a 500,000 gallon storage tank; the tank will be built to help Watco Inc. supply current daily demand. The increased storage capacity is calculated to further benefit the community by providing residents with fire flow. WIFA funds obtained by Watco Inc. will also be used to construct a tie line between Silver Lake Estates and Bourdon Ranch Estates in an effort to boost pumping capacity and effectively serve Watco Inc.'s CC&N area. In addition to the tank and tie line, the funds shall be used for the replacement of water meters throughout the system to help reduce water loss and facilitate the meter reading process.
- 6)
  - (A) The financing is within the corporate powers of the company because Watco Inc. is a public water utility and able to apply and receive loans from WIFA. Performed concurrently with the WIFA application is a rate increase application which, when approved, will assist in paying the loan.
  - (B) Requesting financing for the afore-mentioned projects is compatible with the public interest by allowing Watco Inc. to meet the storage requirements of the water system, provide fire flow for the Silver Lake Estates and Bourdon Ranch

Estates communities, increase pumping capacity to more efficiently supply demand and reduce water loss.

- (C) The financing is compatible with sound financial principles since Watco Inc. is applying for a rate adjustment which will provide rates sufficient to make the payments required by the WIFA loan.
- (D) As a public service corporation, Watco Inc. possesses the responsibility to provide quality water in sufficient amounts to the residents within Watco Inc.'s service area. The growth that has occurred in recent years has made it impossible for Watco Inc. to supply the demand created in the Silver Lake Estates area. By obtaining financing and constructing the tank, tie line and replacing meters, Watco Inc. will have the necessary assets to better provide service to their customers.

7) N/A

8) N/A

9) N/A

10) Please see Attachment A

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(Please Include Account Number on Payment)

WATCO, INC.  
P.O. Box 1270  
Show Low, AZ 85902  
Attn: Thomas

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QUANTITY	DESCRIPTION	PRICE
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1 run @ 4"	Legal Publication @ \$ 7.61 per inch	\$ 30.44
	Tax	.61
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