

ORIGINAL

NEW APPLICATION



JAN 7 2009

RECEIVED

ARIZONA CORP. COMM
400 W CONGRESS STE 218 TUCSON AZ 85701
JAN -8 P 2:42

ARIZONA CORPORATION COMMISSION
APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY
WATER AND/OR SEWER

A. The name, address and telephone number of the Applicant (Company) is:

W-20647A-09-0009

Kings Ranch Water Company, Inc.

4568 E. Camp Lowell Drive

Tucson, AZ 85712 Phone: (520) 722-8030

B. If doing business (d.b.a.) under a name other than the Applicant (Company) name listed above, specify:

N/A

C. List the name, address and telephone number of the management contact:

Kenneth C. Komenda Phone: (604) 683-7077

1680 - 200 Burrard Street

Vancouver, Canada V6C 3L6

D. List the name, address and telephone number of the attorney for the Applicant:

Michael F. McNulty, Lewis and Roca LLP Phone: (520) 629-4453

One South Church Avenue, Suite 700

Tucson, AZ 85701-1611

E. List the name, address and telephone number of the operator certified by the Arizona Department of Environmental Quality:

Doug Olson, 320 E. Melrose, Casa Grande, AZ 85222

Phone: (520) 251-0784

Arizona Corporation Commission
DOCKETED

JAN -8 2009

DOCKETED BY OR

F. List the name, address and telephone number of the on-site manager of the utility:

Blaine Reely Phone: (520) 360-5657

P. O. Box 11896

Tucson, AZ 85734

G. The Applicant is a:

<input checked="" type="checkbox"/> Corporation: <input checked="" type="checkbox"/> "C"; <input type="checkbox"/> "S"; <input type="checkbox"/> Non-Profit <input checked="" type="checkbox"/> Arizona, <input type="checkbox"/> Foreign	<input type="checkbox"/> Partnership <input type="checkbox"/> Limited, <input type="checkbox"/> General <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign
<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Limited Liability Company (LLC)
<input type="checkbox"/> Other (Specify)	

H. If Applicant is a corporation:

1. List names of Officers and Directors:

Officers

Kenneth C. Komenda, President

Blaine Reely, Vice President

Blaine Reely, Secretary

Kenneth C. Komenda, Treasurer

Directors

Kenneth C. Komenda

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2. Attach a copy of the corporation's "Certificate of Good Standing" issued by the Corporation's Division of the Arizona Corporation Commission. (See Tab 2.)

3. Attach a copy of the Articles of Incorporation. (See Tab 3.)

4. Attach a copy of the corporation's By-Laws. (See Tab 4.)

5. If a for-profit corporation, indicate the number of shares of stock authorized for issue:

6. If stock has been issued, indicate the number of shares issued and date of issue:

1,000 shares issued September 18, 2008

H. If the Applicant is a partnership: N/A

1. List the names of the general partners:

2. List the name, address and telephone number of the managing partners:

3. Attach a copy of the Partnership's Articles of Partnership.

- If the Applicant is a foreign limited partnership, provide a copy of the Partnership's "Certificate of Registration" filed with the Arizona Secretary of State.

J. If the Applicant is a sole proprietor, list the name, address and telephone number of the proprietor: N/A

K. If the Applicant is a Limited Liability Company: N/A

1. List the names of managers:

L. List the names and addresses of any other public utility interest, which the applicant may have:

None

M. Attach a description of the area requested using **CADASTRAL** (quarter section description) or **Metes and Bounds** survey. References to parcels and docket numbers will not be accepted. (See Tab 5.)

N. Attach a detailed map using the form provided as Attachment "B". Shade and outline the area requested. Also, indicate any other utility within the general area using different colors. (See Tab 6.)

O. Attach financial information in a format similar to Attachment "C". (See Tab 7.)

P. Explain the method of financing utility facilities. Refer to the instructions, item no. 7. (Use additional sheets if necessary):

Cash

Q. Estimated starting and completion dates of construction of utility facilities:

Starting date August 2006 Completion December 31, 2010
under previous owner

R. Attach proposed Tariffs using either the water or sewer format of Attachment "D", unless the Utilities Division, prior to the filing of this application, approves another form. (See Tab 8.)

S. Attach the following permits:

1. The franchise from either the City or County for the area requested. (See Tab 9.)
2. The Arizona Department of Environmental Quality (or its designee's) approval to construct facilities. (See Tab 10.)
3. The Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.)
4. Any U.S. Forest Service approval. (If you are including any U.S. Forest Service land in your requested area this approval is needed.)
5. (WATER ONLY) If the area requested is within an Active Management Area, attach a copy of the utility's Designation of an Assured Water Supply, or the developer's Certificate of Assured Water Supply issued by the Arizona Department of Water Resources, whichever applies.
 - If the area requested is outside an Active Management Area, attach the developer's Adequacy Statement issued by the Arizona Department of Water Resources, if applied for by the developer.
 - If the area requested is outside an Active Management Area and the developer does not obtain an Adequacy Statement, provide sufficient detail to prove that adequate water exists to provide water to the area requested. (See Tab 11.)
6. Provide a copy of your estimated property taxes. This may be obtained by contacting the Arizona Department of Revenue, Division of Property Valuation and Equalization. You must provide them with a five (5) year projection of the original cost of the plant, depreciation expense, the location of the property and the school district. (See Tab 12.)

T. Provide the following information:

1. Indicate the estimated number of customers, by class, to be served in each of the first five years of operation:

Residential:

First Year 45 Second Year 130 Third Year 225 Fourth Year 330

Fifth Year 441

Commercial: N/A

First Year _____ Second Year _____ Third Year _____ Fourth Year _____

Fifth Year _____

Industrial:

First Year _____ Second Year _____ Third Year _____ Fourth Year _____

Fifth Year _____

Irrigation:

First Year _____ Second Year _____ Third Year _____ Fourth Year _____

Fifth Year _____

2. Indicate the projected annual water consumption or sewerage treatment, in gallons, for each of the customer classes for each of the first five years of operation:

Residential:

First Year 3,942,000 Second Year 15,330,000 Third Year 31,098,000

Fourth Year 48,618,000 Fifth Year 67,396,000

Commercial:

First Year _____ Second Year _____ Third Year _____ Fourth Year _____

Fifth Year _____

Industrial:

First Year _____ Second Year _____ Third Year _____ Fourth Year _____

Fifth Year _____

Irrigation:

First Year _____ Second Year _____ Third Year _____ Fourth Year _____

Fifth Year _____

3. Indicate the total estimated annual operating revenue for each of the first five years of operation:

Residential:

First Year ____ Second Year ____ Third Year ____ Fourth Year ____

Fifth Year ____

Commercial:

First Year ____ Second Year ____ Third Year ____ Fourth Year ____

Fifth Year ____

Industrial:

First Year ____ Second Year ____ Third Year ____ Fourth Year ____

Fifth Year ____

Irrigation:

First Year ____ Second Year ____ Third Year ____ Fourth Year ____

Fifth Year ____

4. Indicate the total estimated annual operating expenses for each of the first five years of operation:

Residential:

First Year \$246,695 Second Year \$341,777 Third Year \$366,153

Fourth Year \$ 388,595 Fifth Year \$780,188

Commercial:

First Year ____ Second Year ____ Third Year ____ Fourth Year ____

Fifth Year ____

Industrial: N/A

First Year _____ Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

Irrigation: N/A

First Year _____ Second Year _____ Third Year _____
Fourth Year _____ Fifth Year _____

- 5. Attach an itemized list of the major components of the water or sewer system (see Attachment C-3). (See Tab 12.)
- 6. Indicate the total estimated cost to construct utility facilities:

\$5,482,365

Michael F. McNulty
(Signature of Authorized Representative)

Michael F. McNulty
(Type or Print Name Here)

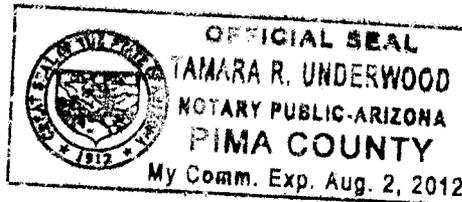
Legal Counsel
(Title)

SUBSCRIBED AND SWORN to before me this 6th day of January, 2009

[Signature]

NOTARY PUBLIC

My Commission Expires August 2, 2012



Kings Ranch Water Company, Inc.

ACC Application Document Index

ACC Application For Certificate of Convenience and Necessity Water and/or Sewer

<u>Tab No.</u>	<u>Document Description</u>
1.	Attachment "A" : Description of the purpose of the Application
2.	Arizona Corporation Commission: Certificate Of Good Standing
3.	Articles Of Incorporation of Kings Ranch Water Company, Inc.
4.	By-Laws: <i>To be provided.</i>
5.	Legal Description of the area requested.
6.	Attachment "B" : Map of the proposed CC&N ·Map No. 38 (Cochise County) (Range 21East, Township 23 South) ·Kings Ranch Water Company : Map of Proposed Service Area (Section 33/34/35, Township 23South, Range 21E)
7.	Attachment "C" : Financial Information ·Kings Ranch Water Company water system components ·Attachment "CW -1": Proforma Balance Sheet (Water) ·Attachment "CW-2" : Proforma Income Statement (Water) ·Attachment "CW-3" : Proforma Utility Plant In Service 1 st year
8.	Attachment "D" : Proposed Water Tariff Schedule
9.	Cochise County Franchise: <i>To be provided</i>
10.	ADEQ Certificate of Approval To Construct Water Facilities ADEQ File No. 20060433
11.	Finding of ADWR Office of Assured and Adequate Water Supply
12.	Estimated Property Taxes: <i>To be provided.</i>

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January 6, 2009

Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Re: Kings Ranch Water Company - CC&N Application

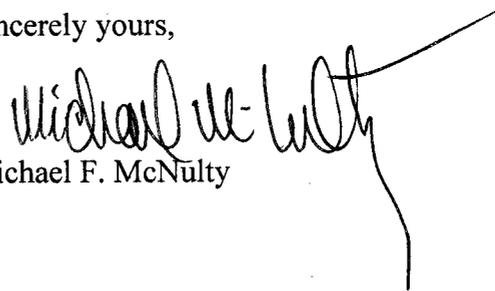
Dear Mr. Johnson,

In accord with the public instructions included by the Commission's staff, this letter is written to briefly describe the purpose and rationale for the accompanying Application. The Kings Ranch Water Company was incorporated for the purpose of providing water utility services to the lands described in this application, and the Applicant is seeking a Certificate of Public Convenience & Necessity enabling it operate as a water utility within the territory depicted in this application.

The public notification of the two owners of land within the proposed territory will be processed within two weeks of the filing of this application. Additionally, three exhibits will be late filed: The estimated property taxes, and the company's by-laws will be filed by January 20, 2009. The Cochise County Franchise is in process, and will be filed upon its approval by the Cochise County Board of Supervisors, but in no event later than the public hearing in this matter.

In the event that the Commission or the Commission's staff has any questions regarding this Application, please feel free to contact the undersigned.

Sincerely yours,


Michael F. McNulty

MFM/tru

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STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, **Brian C. McNeil**, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****KINGS RANCH WATER COMPANY, INC.*****

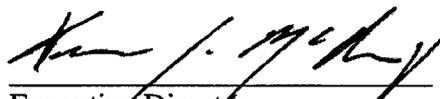
a domestic corporation organized under the laws of the State of Arizona, did incorporate on September 5, 2008.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 8th Day of December, 2008, A. D.




Executive Director

Order Number: 292184

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AZ CORPORATION COMMISSION
FILED

SEP 5 2008

FILE NO. 1474874-3

ARTICLES OF INCORPORATION
OF
KINGS RANCH WATER COMPANY, INC.

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, do hereby associate ourselves together for the purposes of forming a corporation under the laws of the State of Arizona and do hereby adopt, sign and acknowledge the following Articles of Incorporation.

**ARTICLE I
NAME**

The name of the corporation is Kings Ranch Water Company, Inc .

**ARTICLE II
DURATION**

The duration of the corporation is perpetual.

**ARTICLE III
PURPOSE**

The purpose for which this corporation is organized is for the purpose of supplying water for public consumption in Arizona and for the transaction of any or all business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time, subject to the limitations found in the Bylaws of the corporation.

**ARTICLE IV
INITIAL BUSINESS**

The corporation initially intends to do the following: engage in the business of supplying water for public consumption in Cochise County in the State of Arizona.

**ARTICLE V
AUTHORIZED CAPITAL**

The amount of capital stock of this corporation shall be one hundred thousand (100,000) authorized shares of stock having no par value. Shares shall be issued when paid for in cash, services, real or personal property, leases, options to purchase, or any other valuable right or thing for the uses and purposes of the corporation, and all shares of capital stock, when issued in exchange therefor, shall thereupon and thereby become fully paid, the same as though paid for in cash, and shall be forever non-assessable. The judgment of the Board of Directors honestly exercised as to the value of the property taken or services rendered in exchange for shares shall be conclusive in the absence of fraud.

**ARTICLE VI
INITIAL STATUTORY AGENT**

The name and address of the initial statutory agent of the corporation is Jeffrey M. Neff, 4568 E. Camp Lowell, Tucson, Arizona 85712, for and on behalf of this corporation to accept and acknowledge service of, and upon whom may be served all necessary process or processes in any action, suit, or proceeding that may be had or brought against this corporation in any of the Courts of the State of Arizona, such service of process or notice or acceptance thereof by the agent endorsed thereon to have the same force and effect as if served upon the president and secretary of this corporation.

**ARTICLE VII
BOARD OF DIRECTORS**

The initial Board of Directors will consist of one (1) director. The person who is to serve as director until the first annual meeting of shareholders or until a successor(s) are elected and qualified are:

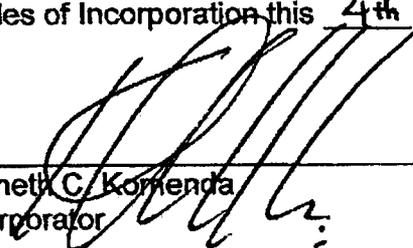
Kenneth C. Komenda
4568 E. Camp Lowell
Tucson, AZ 85712

**ARTICLE VIII
INCORPORATORS**

The names and addresses of each of the incorporators are:

Kenneth C. Komenda
4568 E. Camp Lowell
Tucson, AZ 85712

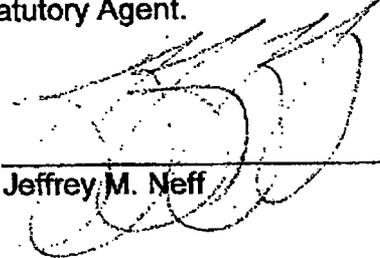
IN WITNESS WHEREOF, the said incorporators have hereunto signed these Articles of Incorporation this 4th day of September 2008.



Kenneth C. Komenda
Incorporator

CONSENT OF STATUTORY AGENT:

The undersigned hereby affirms that he is advised of and accepts the appointment by this corporation as its Statutory Agent.



Jeffrey M. Neff

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By-Laws

[To be provided]

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Legal Description
Kinjockity Ranch, LLC
840.72 Acres

That portion of Section (32), Section (33) and Section (34), Township 23 South, Range 21 East of the Gila and Salt River Meridian, Cochise County, Arizona and being described as follows:

Beginning at the Northwest corner of said Section (33), point being an aluminum cap on a steel rod marked S28/S29/S32/S33 USFS RLS 4080;

Thence North 89 degrees 53' 49" East along the north line of the northwest 1/4 of said Section (33) a distance of 2691.84 feet to an iron pin found degreemarked stone lying on it's side) said point being the north 1/4 corner of said Section (33);

Thence North 89 degrees 48' 19" East a distance of 2635.95 to an iron pin found with an aluminum cap said point being northeast corner of said Section (33);

Thence South 89 degrees 11' 31" East along the north line of the northwest 1/4 of said Section (34) a distance of 2648.29 feet (as shown in a record of survey book 9, page 88, Cochise County, Arizona) to an angle iron in concrete said point being the north 1/4 corner of said Section (34);

Thence South 00 degrees 48' 03" West a distance of 2617.06 feet to an iron pin set marked LS 11845 IKE said point being the center 1/4 of said Section (34);

Thence South 00 degrees 48' 01" West a distance of 1256.07 feet to an iron pin found marked LS 23379 said point being the northeast corner of the Valley View Elementary School as shown in fee # 980205232, Cochise County recorder, Arizona;

Thence North 89 degrees 55' 13" West along the north line of said school property a distance of 2628.13 feet to an iron pin found marked LS 23379;

Thence South 01 degrees 36' 42" West along the west line of said school property a distance of 1322.85 feet to an iron pin found marked LS 23379 said point being in the north line of Highway 92;

Thence North 89 degrees 56' 01" West along the north line of said Highway 92 a distance of 1670.57 feet to an Arizona Department of Transportation monument and the beginning of a curve to the right;

Thence with a simple circular curve to the right having a radius of 6990.53 feet; an arc length of 2048.74 feet; a central angle of 16 degrees 47' 31" whose chord bears North 80 degrees 32' 18" West a distance of 2041.42 feet to an Arizona Department of Transportation monument;

Thence with a simple circular curve to the right having a radius of 5679.58 feet; an arc length of 1851.24 feet; a central angle of 18 degrees 40' 31" whose chord bears North 60 degrees 06' 52" West a distance of 1843.06 feet to an iron pin found marked LS 11845 IKE;

Thence North 00degrees 27' 26" East along the west line of the southwest 1/4 of said Section (33) a distance of 720.93 feet to an iron pin found marked LS 14181;

Thence according to information shown in Record of Survey book 6 at page 91, Cochise County, Arizona, as follows:

N 01 degrees 23' 32" W a distance of 590.09 feet to a point;

N 01 degrees 24' 12" W a distance of 358.95 feet to a point;

N 00 degrees 20' 10" E a distance of 129.98 feet to a point;

N 00 degrees 19' 50" E a distance of 173.18 feet to a point;

N 89 degrees 56' 45" E a distance of 30.00 feet to a point;

North 00 degrees 19' 50" E along the west line of the northwest 1/4 of said Section (33) a distance of 1986.29 feet to the Point of Beginning and containing 840.72 acres of land more or less

Legal Description
Hereford, LLC
477.64 Acres

That portion of Valley View Ranches \ Book 1 Page 79A & 79B NE/4 Section (34) & N/2 Section (35), Township 23 South, Range 21 East of the Gila and Salt River Meridian, Cochise County, Arizona and being described as follows:

Beginning at the Northeast corner of said Section (35), point being a brass cap;

Thence South 00° 02' 05" West coincident with the East line of Section 35, a distance of 2646.72 feet to an Brass cap, point being the East quarter corner of said Section (35);

Thence North 89 ° 54' 16" West a distance of 2642.71 feet to the center quarter of said Section (35);

Thence South 89° 53' 37" West a distance of 2650.48 feet to a Redwood Post, point being the East quarter corner of said Section 34;

Thence South 89 ° 23' 40" West a distance of 2605.68 feet to the center quarter of said Section (34);

Thence North 00° 49' 30" East, a distance of 2617.06 feet to a brace post set in concrete, point being the north quarter corner of Section 34;

Thence South 89° 58' 19" East coincident with the north line of Section 34, a distance of 2579.48 feet to the Northwest corner of Section 35;

Thence South 89° 56' 28" East coincident with the north line of Section 35, a distance of 2641.64 feet to the North quarter corner of Section 35;

Thence South 89° 55' 34" East coincident with the north line of Section 35, a distance of 1320.73 feet;

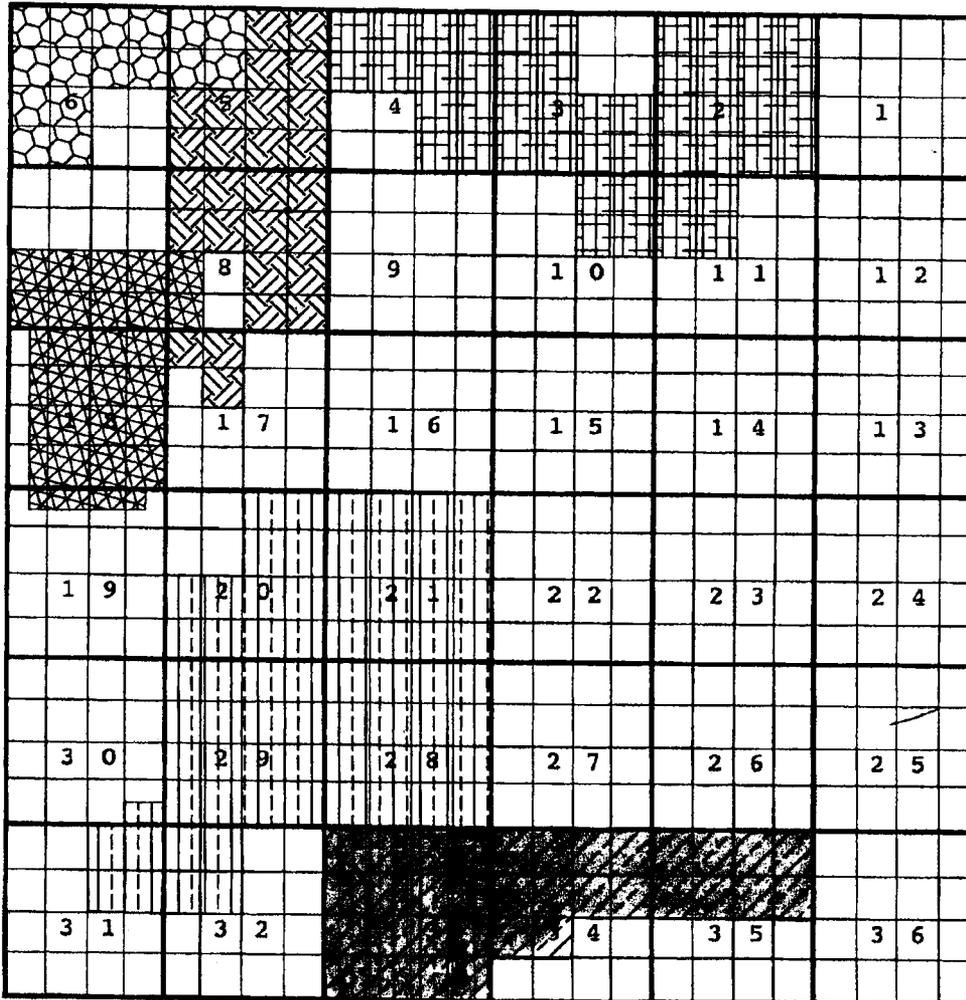
Thence South 89° 56' 41" East coincident with the north line of Section 35, a distance of 1320.79 to the Northeast corner of Section 35, to the Point of Beginning and containing 477.64 acres of land more or less.

Subject to any and all prior easements, rights of way, covenants, restrictions and encumbrances of record or not of record that may otherwise exist.

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ATTACHMENT "B"

COCHISE	33, 34, & 35	23S	21E
COUNTY	SECTION	TOWNSHIP	RANGE



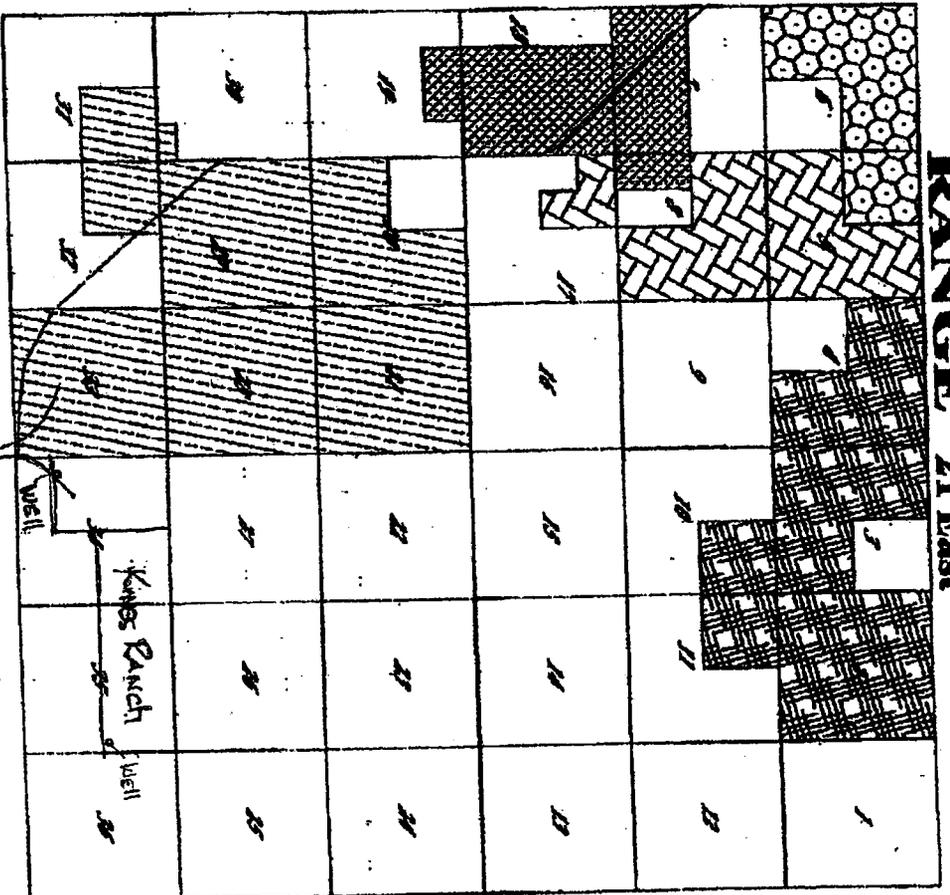
-  Kings Ranch Water Company
-  Bella Vista Water Company, Inc.
-  Southland Utilities Company, Inc.
-  Southern Sunrises Water Company, Inc.
-  Nicksville Water Company, Inc.
-  East Slope Water Company

Type or Print Description Here:

Kings Ranch Water Company intends to serve Sec. 33; N/2 Sec. 34; N/2 SW/4 Sec. 34; N/2 Sec 35 T23S R21E Cochise County, AZ. Sec. 33 is currently under a CC&N of Bella Vista Water Company.

COCHISE COUNTY

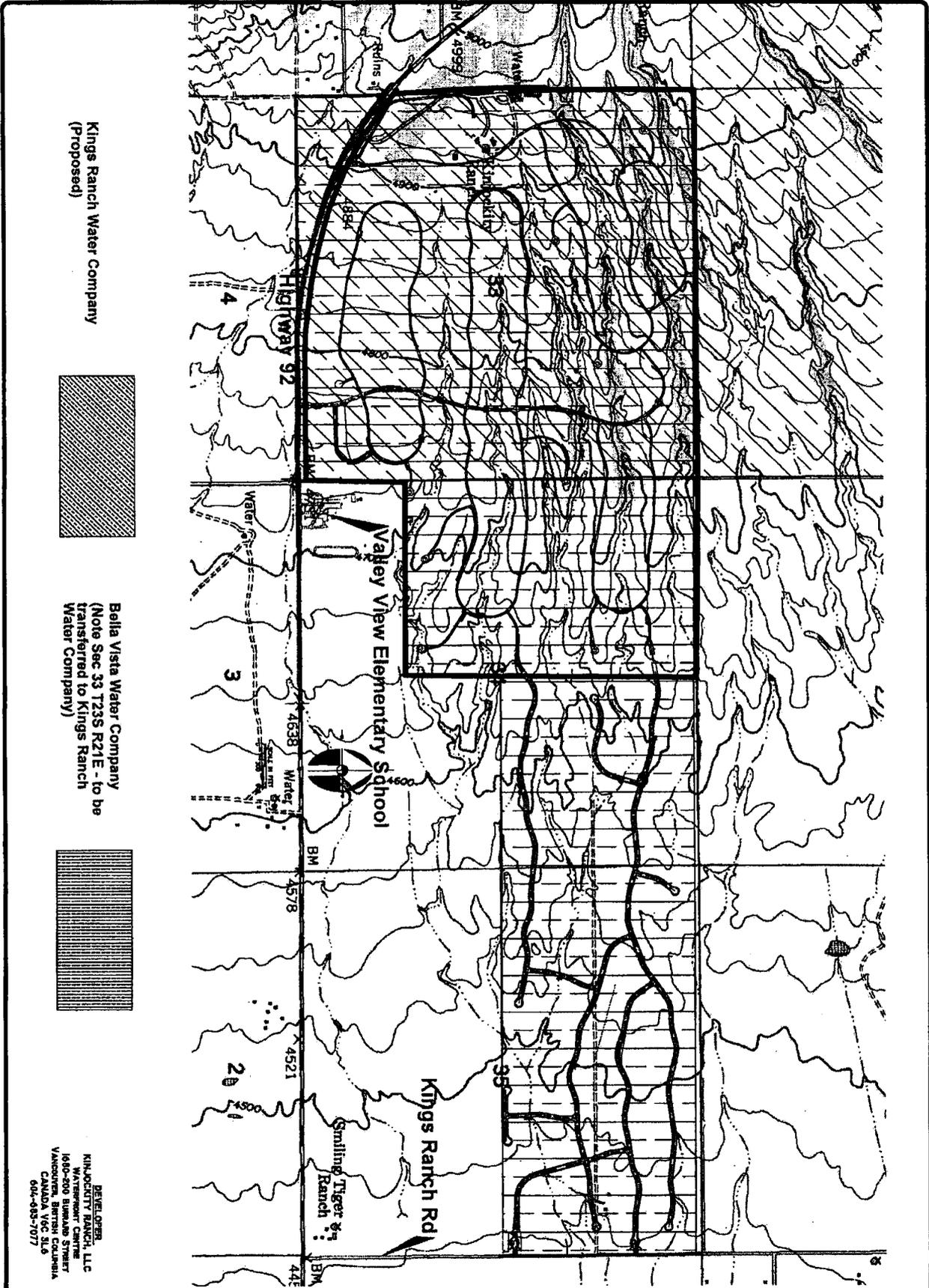
RANGE 21 East



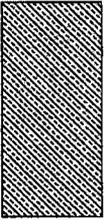
TOWNSHIP 23 South

-  W-2465 (6)
Bella Vista Water Company, Inc.
-  W-1906 (2)
East Slope Water Company
-  W-1602 (1)
Nicksville Water Company, Inc.
-  W-20434 (2)
Southern Summit Water Company, Inc.
-  W-20054 (2)
Southland Utilities Company, Inc.

TEXAS 29 JUN 1906



Kings Ranch Water Company
(Proposed)



Bella Vista Water Company
(Note Sec 33 T235 R21E - to be
transferred to Kings Ranch
Water Company)



DEVELOPER:
KINGJOCKITY RANCH, LLC
WATERBURY CENTRE
1600-500 BURMAN STREET
VANCOUVER, BRITISH COLUMBIA
CANADA V6V 2G5
604-483-7077

DRAWN BY	ETR
ENGINEERED BY	ETR
DATE	7/21/08
SCALE	AS SHOWN
JOB NO.	
SHEET	1 of 1

KINGS RANCH WATER COMPANY

MONSOON CONSULTANTS
P.O. Box 11896
TUCSON, AZ 85734

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**KINGS RANCH WATER COMPANY
WATER SYSTEM COMPONENTS**

Mark	Description	Quantity	unit
1	8" PVC C-900 PRESSURE CLASS 200 PIPE (ft)	72674	LF
2	6" PVC C-900 PRESSURE CLASS 200 PIPE (ft)	15317	LF
3	8" X 8" X 8" DI "T"	40	EA
4	8" DI 90 DEG. BEND	20	EA
5	8" DI 45 DEG. BEND	39	EA
6	8" DI 22-1/2 DEG. BEND	54	EA
7	8" DI 11-1/4 DEG. BEND	235	EA
8	8" X 8" X 6" DI "T"	24	EA
9	8" X 6" X 6" DI "T"	1	EA
10	6" DI 90 DEG. BEND	18	EA
11	6" DI 45 DEG. BEND	33	EA
12	6" DI 22-1/2 DEG. BEND	27	EA
13	6" DI 11-1/4 DEG. BEND	69	EA
14	6" FIRE HYDRANT	42	EA
15	6" X 6" X 6" DI "T"	2	EA
16	8" DI 5-4/3 DEG. BEND	84	EA
17	6" DI 5-3/4 DEG. BEND	4	EA
18	6" GATE VALVE	29	EA
19	8" GATE VALVE	74	EA
20	8" DUCTILE IRON PIPE ANSI/AWWA C151/A21.51-8L CLASS 50 (ft)	4205	LF
21	6" DUCTILE IRON PIPE ANSI/AWWA C151/A21.51-8L CLASS 50 (ft)	538	LF
22	8" Pressure reducing valve (35 psi setting)	8	EA
23	5,000 GALLON HYDROPNEUMATIC TANK	1	EA
24	100,000 GALLON TANK- AWWA D100	1	EA
25	CONCRETE SLAB FOR 100K TANKS	55	YARDS
26	400,000 GALLON TANK- AWWA D100	1	EA
27	CONCRETE SLAB FOR 400K TANKS	210	YARDS
28	WELL w/ SUBMERSIBLE PUMP	2	EA
29	PACKAGED BOOSTER BUMP STATION (2-40 hp Vertical Turbine Pumps)	3	EA
30	DUPLEX BOOSTER PUMP STATION (2-40hp Vertical Turbine Pumps)	1	EA
31	CHLORINATOR- US Filter Accuthek Unit w/ Enclosure	2	EA
32	MISC WELL HEAD PIPING	2	LOT
33	CONCRETE VALVE BOX WITH STEEL LID	103	EA
34	6' SECURITY FENCING W/ GATES (WELLSITES & TANK SITES)	1	LS
35	ELECTRICAL & CONTROL SYSTEM	1	LOT

INDIVIDUAL LOT SERVICE COSTS			
2A	1" WATER METER	466	EA
2B	CORPORATION STOP	297	EA
2C	1" COPPER PIPE (SERVICES)	1	LOT
2D	CONCRETE METER BOX WITH STEEL LID	456	EA

ATTACHMENT "C"

PROFORMA BALANCE SHEET (WATER)

ASSETS

Current Assets

Cash	\$	<u> </u>
Accounts Receivable		<u>5,692</u>
Other		<u> </u>
Total Current Assets		<u>5,692</u>

Fixed Assets

Utility Plant in Service		<u>3,665,925</u>
(Less) Accumulated Depreciation		<u>(64,195)</u>
Net Plant in Service		<u>3,601,730</u>
Other		<u> </u>
TOTAL ASSETS	\$	<u>3,607,422</u>

LIABILITIES AND CAPITAL

Current and Accrued Liabilities

Accounts Payable	\$	<u>18,250</u>
Notes Payable		<u>-</u>
Accrued Taxes		<u>-</u>
Accrued Interest		<u>-</u>
Other		<u>13,500</u>
Total Current and Accrued Liabilities		<u>31,750</u>
<u>Long-Term Debt</u>	\$	<u>-</u>
Other		<u> </u>

Deferred Credits

Advances in Aid of Construction	\$	<u>34,425</u>
Contributions in Aid of Construction		<u>-</u>
Accumulated Deferred Income Tax		<u>-</u>
Total Deferred Credits	\$	<u>34,425</u>
TOTAL LIABILITIES	\$	<u>66,175</u>

CAPITAL ACCOUNT

Common Stock	\$	<u>1,000</u>
Preferred		<u>-</u>
Paid in Capital		<u>3,739,606</u>
Retained Earnings		<u>(199,359)</u>
Total Capital	\$	<u>3,541,247</u>
TOTAL LIABILITIES AND CAPITAL	\$	<u>3,607,422</u>

CW-2
PROFORMA INCOME STATEMENT (WATER)

	<u>YR ONE</u>	<u>YR TWO</u>	<u>YR THREE</u>
REVENUE:			
Water Sales	<u>\$45,536</u>	<u>\$177,083</u>	<u>\$359,225</u>
Establishment Charges	<u>1,800</u>	<u>3,400</u>	<u>3,800</u>
Other Operating Revenue	_____	_____	_____
Total Operating Revenue	\$ _____	\$ _____	\$ _____
OPERATING EXPENSES:			
Salaries and Wages	\$ _____	\$ _____	\$ _____
Purchased Water	_____	_____	_____
Power Costs	_____	_____	_____
Water Testing	_____	_____	_____
Repairs and Maintenance	_____	_____	_____
Office Supplies Expense	_____	_____	_____
Outside Services	_____	_____	_____
Rents	_____	_____	_____
Transportation Expense	_____	_____	_____
Taxes Other than Property and income	_____	_____	_____
Depreciation	<u>64,195</u>	<u>130,077</u>	<u>133,653</u>
Health and Life Insurance	_____	_____	_____
Income Taxes	_____	_____	_____
Property Tax	_____	_____	_____
Miscellaneous Operating	_____	_____	_____
Total Operating Expense	\$ <u>246,695</u>	\$ <u>341,777</u>	\$ <u>366,153</u>
OPERATING INCOME OR (LOSS)	\$ <u>(199,359)</u>	\$ <u>(161,295)</u>	\$ <u>(3,128)</u>
OTHER INCOME/EXPENSES:			
Interest Income	\$ _____	\$ _____	\$ _____
Other Income	_____	_____	_____
Other Expenses	_____	_____	_____
Interest Expenses	_____	_____	_____
TOTAL OTHER INCOME/EXPENSE	\$ _____	\$ _____	\$ _____
NET INCOME (LOSS)	\$ <u>(199,359)</u>	\$ <u>(161,295)</u>	\$ <u>(3,128)</u>

CW-3
PROFORMA UTILITY PLANT IN SERVICE (WATER)
FIRST YEAR

	ORIGINAL COST	ACCUM. DEPRC.	ORIG. COST LESS DEPREC.
Organization	\$ -	\$ -	\$ -
Franchises			
Land and Land Rights	200,000	-	200,000
Structures and Improvements			-
Wells and Springs	350,000	5,828	344,173
Electric Pumping Equipment	399,000	24,938	374,063
Water Treatment Equipment	60,000	6,000	54,000
Distribution Reservoirs/Standpipes	-	-	-
Storage Tank	282,500	3,136	279,364
Transmission and Distribution Mains	2,240,000	22,400	2,217,600
Services	21,600	360	21,240
Meters	12,825	534	12,291
Hydrants	100,000	1,000	99,000
Plant Structures/Improvements			
Office Furniture and Equipment			
Transportation Equipment			
Tools and Work Equipment			
Laboratory Equipment			
Power Operated Equipment			
Communications Equipment			
Other Tangible Plant			
TOTAL PLANT IN SERVICE **	\$ 3,665,925	\$ 64,195	\$ 3,601,730

** Includes both the Kinjockity & Kings Ranch combined systems.

8

ATTACHMENT "D"
WATER TARIFF SCHEDULE

CUSTOMER/MINIMUM CHARGES PER MONTH

<u>METER</u>	<u>CHARGE</u>	<u>GALLONS</u>	<u>COMMODITY CHARGE (EXCESS OF MINIMUM):</u>		
5/8 x 3/4"	\$ 36.00	for -	Per Thousand Gallons		
3/4"	54.00	for -			
1"	90.00	for -			
1 1/2"	180.00	for -			1 to 3,000 gallons \$ 4.00
2"	288.00	for -			3,001 to 10,000 gallons 5.25
3"	576.00	for -			in excess of 10,000 gallons 6.50
4"	900.00	for -			
5"	1,350.00	for -			
6"	1,800.00	for -			

SERVICE LINE AND METER INSTALLATION CHARGES

<u>Meter Size</u>	<u>Service Line Charge</u>	<u>Meter Charge</u>	<u>Total Charge</u>
5/8 X 3/4"	\$ 385	\$ 135	\$ 520
3/4"	385	215	600
1"	435	255	690
1 1/2"	470	465	935
2" - Turbine	630	965	1,595
2" - Compound	630	1,690	2,320
3" - Turbine	805	1,470	2,275
3" - Compound	845	2,265	3,110
4" - Turbine	1,170	2,350	3,520
4" - Compound	1,230	3,245	4,475
6" - Turbine	1,730	4,545	6,275
6" - Compound	1,770	6,280	8,050

SERVICE CHARGES:

Establishment (R14-2-403.D.1)	\$ 25.00
Establishment/After Hours (R14-2-403.D.2)	35.00
Reconnection/Delinquent (R14-2-403.D.1)	35.00
Meter Test/If Correct (R14-2-408.F.1)	35.00
Deposit (R14-2-403.B.7)	(a)
Deposit Interest (R14-2-403.B.3)	(b)
Re-Establishment Within 12 Months (R14-2-403.D.1)	(c)
NSF Check (R14-2-409.F.1)	\$ 25.00
Deferred Payment (R14-2-409.G.6)	1.50%
Meter Re-Read/If Correct (R14-2-408.C.2)	\$ 25.00
Moving Meter at Customer Request per Rule R14-2-405B	Cost
Late Charge/Month	1.50%
Main Extension per Rule R14-2-406B	Cost (d)

(a) Per Commission rule R14-2-403.B.7

(b) Interest per Rule R14-2-403.B.3

(c) Months off system times the monthly minimum per Rule R14-2-403.D.1

(d) Cost includes labor, materials and parts, overhead, and all applicable taxes.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use and franchise tax per Commission Rule R14-2-409.D.5.

9

Cochise County Franchise

[To be provided]

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S.2.1



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
CERTIFICATE OF APPROVAL TO CONSTRUCT
WATER FACILITIES

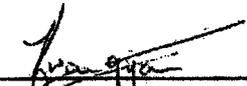
Page 1 Of 2

ADEQ File No: 20060433	LTF No: 40072
System Name: Bella Vista Water Co	System Number: 02007
Project Owner: Dunafon Dvlmp, Llc	
Address: 6254 N. Sabino Shadow Ln., Tucson, AZ 85750	
Project Location: Sierra Vista	County: Cochise
Description: WATER SYSTEM FOR 281 LOTS OF KINJOCKITY RANCH DEVELOPMENT CONSISTING OF A NEW WELL (ADWR #55-204088), 100,000-GAL AND 400,000-GAL STORAGE TANKS, 5,000-GAL HYDROPNEUMATIC TANK, BOOSTER PUMPS, AND DISTRIBUTION SYSTEM.	

Approval to construct the above-described facilities as represented in the approved documents on file with the Arizona Department of Environmental Quality is hereby given subject to provisions 1 through 5 continued on page 2 through 2

1. This project must be constructed in accordance with all applicable laws, including Title 49, Chapter 2, Article 9 of the Arizona Revised Statutes and Title 18, Chapter 5, Article 5 of the Arizona Administrative Code.
2. Upon completion of construction, the engineer shall fill out the Engineer's Certificate of Completion and forward it to the Southern Regional Office located in Tucson. If all requirements have been completed, that unit will issue a Certificate of Approval of Construction. R18-5-507(B), Ariz. Admin. Code. At the project owner's request, the Department may conduct the final inspection required pursuant to R18-5-507(B); such a request must be made in writing in accordance with the time requirements of R18-5-507(C), Ariz. Admin. Code.
3. This certificate will be void if construction has not started within one year after the Certificate of Approval to Construct is issued, there is a halt in construction of more than one year, or construction is not completed within three years of the approval date. Upon receipt of a written request for an extension of time, the Department may grant an extension of time; an extension of time must be in writing. R18-5-505(E), Ariz. Admin. Code.
4. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department. R18-5-507(A), Ariz. Admin. Code.

Reviewed by: JD1

By:  6/27/06
Kwame A. Agyare, P.E. Date
Manager, Drinking Water and
Wastewater Engineering Review
Water Quality Division

cc: File No: 20060433
Regional Office: Southern
Owner: Dunafon Dvlmp, Llc
County Health Department: Cochise
Engineer: Blaine Reely
Planning and Zoning/Az Corp. Commission
Engineering Review Database - Etr021

S.2.2

**CERTIFICATE OF APPROVAL TO CONSTRUCT
WATER FACILITIES**

ADEQ File No. 20060433

Page 2 of 2 : Provisions, continued

5. Water storage tanks and hydropneumatic tank shall comply with AWWA D103 and ASME Code for Unfired Pressure Vessels respectively. They shall also be disinfected to AWWA or Engineering Bulletin No. 8 standards and the sites shall be graded to drain away from the tanks.

11

ARIZONA DEPARTMENT OF WATER RESOURCES

Office of Assured and Adequate Water Supply

500 North Third Street, Phoenix, Arizona 85004-3921

Telephone 602 417-2465

Fax 602 417-2467



October 6, 2005

Janet Napolitano
Governor

Herbert R. Guenther
Director

Mr. Roy Tanney
Arizona Department of Real Estate
2910 N. 44th Street
Phoenix, Arizona 85018

Water Adequacy Report #22-401824.0000

Subdivision Name: Kinjockity Ranch

Owner: Dunafon Development, LLC

Number of lots: 281

County: Cochise

Township 23 S Range 21 E Sections 32, 33, 34

Water provided by: Bella Vista Water Company

Water Type: Groundwater

Current water depth: 422

Estimated 100-year depth: 452 - 560

Current decline rate: 1.38

Basin: Upper San Pedro

Dear Mr. Tanney:

Pursuant to A.R.S. § 45-108, the Department of Water Resources has reviewed the available information pertaining to the water supply for the above-referenced subdivision. This letter constitutes the Department's report on the subdivisions water supply as required by A.R.S. § 45-108(A).

Adequacy of the 100-year water supply was reviewed by the Department with regard to physical, legal and continuous availability, and to determine if the water supply is of adequate quality. Information available to the Department indicates that the applicant has satisfied the adequate water supply requirements as set forth in A.A.C. R12-15-715 *et seq.* Therefore, the Department of Water Resources finds the water supply to be adequate to meet the subdivision's projected needs. Any change to the subdivision or its water supply plans may invalidate this decision.

This letter is being forwarded to your office as required by A.R.S. § 45-108. This law requires the developer to hold the recordation of the subdivision's plat until receipt of the Department's report on the subdivision's water supply. By copy of this report, the Cochise County Recorder is being officially notified of the developer's compliance with the law. Because of the possibility that a future court proceeding could result in a legal determination that water withdrawn from wells in this area is surface water, the Department recommends that your office include the following statement in all promotional material and contracts for sale of lots in the subdivision:

"Pursuant to A.R.S. § 45-108 and A.A.C. R12-15-715 *et seq.*, the Department has determined that the water supply for the Kinjockity Ranch subdivision is adequate, *i.e.* that the water supply is physically, continuously and legally available to satisfy the applicant's 100-year projected water demand; and that the water supply is of suitable water quality. However, the legal availability of the water withdrawn from wells in this area may be the subject of court action in the future as part of a determination of surface water rights. Whether future court action will have an effect on the legal availability of the water supply for the proposed subdivision cannot be determined at this time."

If you have any questions, please contact D. Holden at (602) 417-2448.

Sincerely,

Frank Putman
Assistant Director

FPI/AD/tp
700280

cc: Cochise County Planning and Zoning
Cochise County Recorder
Darrell Dunafon
Alan R. Dulaney, AD

Celebrating 25 Years

12

Estimated Property Taxes

[To be provided]