

NEW APPLICATION



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ORIGINAL

ARIZONA CORPORATION COMMISSION



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ARIZONA CORP. COMM
400 W CONGRESS STE 218 TUCSON AZ 85701

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AZ CORP COMMISSION
DOCKET CONTROL CENTER

FINANCING APPLICATION

Arizona Corporation Commission
DOCKETED
MAR 11 2009

RAY WATER COMPANY

UTILITY NAME

W-01380A-09-0106

W-01380A

DOCKET NO(S)

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance.

IN ORDER TO PROCESS YOUR APPLICATION
PLEASE FORWARD THE ORIGINAL
AND THIRTEEN COPIES OF THE
APPLICATION PLUS
THREE PACKETS OF THE SUPPORTING
DOCUMENTATION TO:

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL CENTER
1200 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION) DOCKET NO. W-01380A
Of RAY WATER COMPANY, AN ARIZONA)
CORPORATION, FOR APPROVAL OF) FINANCING APPLICATION
LONG TERM FINANCING FOR REPLACEMENT)
OF AN EXISTING WELL.)

COMES NOW RAY WATER COMPANY, an Arizona corporation (Applicant), by and through its undersigned attorney Hugh A. Holub, and makes this Application for Approval by the Arizona Corporation Commission for up to \$500,000 of financing to replace an existing well.

In support of this Application, Applicant states as follows:

1. Ray Water Company is a public service corporation holding a Certificate of Convenience & Necessity to provide public utility water service to a service area located in the southern part of metropolitan Tucson, Arizona.
 2. The offices of Ray Water Company are located at 414 N. Court Avenue, Tucson, Arizona. Rhonda Mallis Rosenbaum is the company's general manager and authorized representative.
 3. Applicant proposed to borrow \$500,000 from R & M Real Estate Limited Partnership, L.L.P. for a term of 10 years at 9% interest rate. R & M Real Estate Limited Partnership, L.L.P. is a separate, independent entity owned by the shareholders of Applicant. Attached as Exhibit 1 to this Application and made a part hereof is the proposed Promissory Note. The assets of Applicant will not be encumbered by this Note.
 4. Attached as Exhibit 2 to this Application and made a part hereof is the proposed schedule of debt service.
 5. Attached as Exhibit 3 is the Certificate of Resolution authorizing the loan.
 6. Applicant has sought external financing from area banks, and received the proposals shown on Exhibits 4 and 5 attached to this Application and made a part hereof. Unlike the external financing offers, Applicant's lender is not requiring a security interest in the assets of Ray Water Company.
 7. The funds being sought by this Application are to be used for the engineering and construction of a replacement well to replace existing well #6 providing water to the customers of Applicant. Without replacing Well #6, Applicant needs the replacement to meet the existing water demands of its customers.
 8. The necessity for replacing Well #6 is described in more detail in the letter from Kara Festa, WestLand Resources, attached as Exhibit 6 and made a part hereof.
 9. The cost estimate for replacing Well # 6 is described in more detail on Exhibit 7 attached hereto and made a part hereof.
-

10. Current balance sheet and income statement financial information for Applicant is shown on Exhibit 8 attached hereto and made a part hereof.

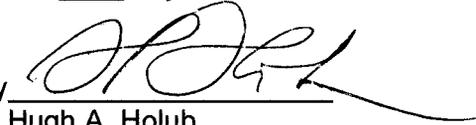
11. A summary of the well replacement project is attached as Exhibit 9.

12. Applicant believes that the public interest is best served by replacing the existing well to assure its customers of an uninterrupted supply of water during peak summer water demand periods.

13. Applicant requests expedited processing of this Application as it is anticipated it will take 60 days from Notice to Proceed to actual drill and equip the replacement well, which needs to be in service as soon as possible.

RESPECTFULLY SUBMITTED this 9th day of March, 2009

By



Hugh A. Holub
Attorney at Law
PO Box 4773
Tubac, Arizona 85646
(520) 841 2278
Fax (520) 398-9571
hughholub@msn.com

W-01380A
Ray Water Company

Ray Water Company
Docket#W-01380A
Exhibit 1

PROMISSORY NOTE

\$500,000.00

Tucson, Arizona

March 9, 2009

In installments as herein stated, for value received, RAY WATER COMPANY, INC., an Arizona Corporation ("Borrower") promise to pay to the order of R & M REAL ESTATE LIMITED PARTNERSHIP, L.L.P., an Arizona Limited Liability Partnership ("Lender") the sum of FIVE HUNDRED THOUSAND DOLLARS AND NO CENTS (\$500,000.00), with interest from _____ at the rate of NINE PERCENT (9 %) per annum; principal and interest payable in installments of SIX THOUSAND THREE HUNDRED THIRTY FOUR DOLLARS AND NO CENTS (\$6334.00) per month beginning _____, and continuing for ten (10) years until principal and interest are paid in full.

Each payment shall be credited first on interest then due and the remainder on principal; and interest shall thereupon cease upon the principal so credited. Principal and interest shall be payable in legal tender of the United States.

Borrower reserves the right to make full or partial payments of principal only at any time before they are due ("prepayment"). Any prepayment shall be without penalty and Borrower shall notify Lender in writing of any prepayment. Lender shall apply all prepayments to reduce the amount of principal owed under this Note.

Should default be made in payment of any installment of principal or interest when due, the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this Note.

Borrower waives grace, presentment, claim of homestead exemption, or rights of exemption, demand, notice of dishonor, and protest.

This Note may not be changed orally, but only by an agreement in writing and signed by the party against whom enforcement of any waiver, change, modification, or a discharge is sought.

Should suit be brought to recover on this Note, Borrower promises to pay reasonable attorney's fees in addition to the amount found due on this Note.

RAY WATER COMPANY, INC.

Ray Water Company**Docket#W-01380A****Exhibit 2****Loan Summary & Amortization Schedule**

\$6,333.79: Monthly Principal & Interest
 \$760,054.64: Total of 120 Payments
 \$260,054.64: Total Interest Paid
 Mar, 2019: Pay-off Date

Month	Interest	Principal	Balance
Apr, 2009	\$3,750.00	\$2,583.79	\$497,416.21
May, 2009	\$3,730.62	\$2,603.17	\$494,813.04
Jun, 2009	\$3,711.10	\$2,622.69	\$492,190.35
Jul, 2009	\$3,691.43	\$2,642.36	\$489,547.99
Aug, 2009	\$3,671.61	\$2,662.18	\$486,885.81
Sep, 2009	\$3,651.64	\$2,682.15	\$484,203.67
Oct, 2009	\$3,631.53	\$2,702.26	\$481,501.41
Nov, 2009	\$3,611.26	\$2,722.53	\$478,778.88
Dec, 2009	\$3,590.84	\$2,742.95	\$476,035.93
Jan, 2010	\$3,570.27	\$2,763.52	\$473,272.41
Feb, 2010	\$3,549.54	\$2,784.25	\$470,488.17
Mar, 2010	\$3,528.66	\$2,805.13	\$467,683.04
Apr, 2010	\$3,507.62	\$2,826.17	\$464,856.87
May, 2010	\$3,486.43	\$2,847.36	\$462,009.51
Jun, 2010	\$3,465.07	\$2,868.72	\$459,140.79
Jul, 2010	\$3,443.56	\$2,890.23	\$456,250.56
Aug, 2010	\$3,421.88	\$2,911.91	\$453,338.65
Sep, 2010	\$3,400.04	\$2,933.75	\$450,404.90
Oct, 2010	\$3,378.04	\$2,955.75	\$447,449.15
Nov, 2010	\$3,355.87	\$2,977.92	\$444,471.23
Dec, 2010	\$3,333.53	\$3,000.25	\$441,470.98
Jan, 2011	\$3,311.03	\$3,022.76	\$438,448.22
Feb, 2011	\$3,288.36	\$3,045.43	\$435,402.79
Mar, 2011	\$3,265.52	\$3,068.27	\$432,334.53
Apr, 2011	\$3,242.51	\$3,091.28	\$429,243.25
May, 2011	\$3,219.32	\$3,114.46	\$426,128.78
Jun, 2011	\$3,195.97	\$3,137.82	\$422,990.96
Jul, 2011	\$3,172.43	\$3,161.36	\$419,829.60
Aug, 2011	\$3,148.72	\$3,185.07	\$416,644.54
Sep, 2011	\$3,124.83	\$3,208.95	\$413,435.58
Oct, 2011	\$3,100.77	\$3,233.02	\$410,202.56
Nov, 2011	\$3,076.52	\$3,257.27	\$406,945.29
Dec, 2011	\$3,052.09	\$3,281.70	\$403,663.59
Jan, 2012	\$3,027.48	\$3,306.31	\$400,357.28
Feb, 2012	\$3,002.68	\$3,331.11	\$397,026.17
Mar, 2012	\$2,977.70	\$3,356.09	\$393,670.08
Apr, 2012	\$2,952.53	\$3,381.26	\$390,288.81
May, 2012	\$2,927.17	\$3,406.62	\$386,882.19
Jun, 2012	\$2,901.62	\$3,432.17	\$383,450.02
Jul, 2012	\$2,875.88	\$3,457.91	\$379,992.11
Aug, 2012	\$2,849.94	\$3,483.85	\$376,508.26
Sep, 2012	\$2,823.81	\$3,509.98	\$372,998.28
Oct, 2012	\$2,797.49	\$3,536.30	\$369,461.98
Nov, 2012	\$2,770.96	\$3,562.82	\$365,899.16
Dec, 2012	\$2,744.24	\$3,589.55	\$362,309.61
Jan, 2013	\$2,717.32	\$3,616.47	\$358,693.14
Feb, 2013	\$2,690.20	\$3,643.59	\$355,049.55
Mar, 2013	\$2,662.87	\$3,670.92	\$351,378.64
Apr, 2013	\$2,635.34	\$3,698.45	\$347,680.19
May, 2013	\$2,607.60	\$3,726.19	\$343,954.00
Jun, 2013	\$2,579.66	\$3,754.13	\$340,199.87
Jul, 2013	\$2,551.50	\$3,782.29	\$336,417.58
Aug, 2013	\$2,523.13	\$3,810.66	\$332,606.92
Sep, 2013	\$2,494.55	\$3,839.24	\$328,767.68
Oct, 2013	\$2,465.76	\$3,868.03	\$324,899.65

Nov, 2013	\$2,436.75	\$3,897.04	\$321,002.61
Dec, 2013	\$2,407.52	\$3,926.27	\$317,076.34
Jan, 2014	\$2,378.07	\$3,955.72	\$313,120.63
Feb, 2014	\$2,348.40	\$3,985.38	\$309,135.24
Mar, 2014	\$2,318.51	\$4,015.27	\$305,119.97
Apr, 2014	\$2,288.40	\$4,045.39	\$301,074.58
May, 2014	\$2,258.06	\$4,075.73	\$296,998.85
Jun, 2014	\$2,227.49	\$4,106.30	\$292,892.55
Jul, 2014	\$2,196.69	\$4,137.09	\$288,755.46
Aug, 2014	\$2,165.67	\$4,168.12	\$284,587.34
Sep, 2014	\$2,134.41	\$4,199.38	\$280,387.95
Oct, 2014	\$2,102.91	\$4,230.88	\$276,157.07
Nov, 2014	\$2,071.18	\$4,262.61	\$271,894.46
Dec, 2014	\$2,039.21	\$4,294.58	\$267,599.88
Jan, 2015	\$2,007.00	\$4,326.79	\$263,273.09
Feb, 2015	\$1,974.55	\$4,359.24	\$258,913.85
Mar, 2015	\$1,941.85	\$4,391.93	\$254,521.92
Apr, 2015	\$1,908.91	\$4,424.87	\$250,097.04
May, 2015	\$1,875.73	\$4,458.06	\$245,638.98
Jun, 2015	\$1,842.29	\$4,491.50	\$241,147.49
Jul, 2015	\$1,808.61	\$4,525.18	\$236,622.30
Aug, 2015	\$1,774.67	\$4,559.12	\$232,063.18
Sep, 2015	\$1,740.47	\$4,593.31	\$227,469.87
Oct, 2015	\$1,706.02	\$4,627.76	\$222,842.10
Nov, 2015	\$1,671.32	\$4,662.47	\$218,179.63
Dec, 2015	\$1,636.35	\$4,697.44	\$213,482.19
Jan, 2016	\$1,601.12	\$4,732.67	\$208,749.52
Feb, 2016	\$1,565.62	\$4,768.17	\$203,981.35
Mar, 2016	\$1,529.86	\$4,803.93	\$199,177.42
Apr, 2016	\$1,493.83	\$4,839.96	\$194,337.46
May, 2016	\$1,457.53	\$4,876.26	\$189,461.20
Jun, 2016	\$1,420.96	\$4,912.83	\$184,548.37
Jul, 2016	\$1,384.11	\$4,949.68	\$179,598.70
Aug, 2016	\$1,346.99	\$4,986.80	\$174,611.90
Sep, 2016	\$1,309.59	\$5,024.20	\$169,587.70
Oct, 2016	\$1,271.91	\$5,061.88	\$164,525.82
Nov, 2016	\$1,233.94	\$5,099.85	\$159,425.97
Dec, 2016	\$1,195.69	\$5,138.09	\$154,287.88
Jan, 2017	\$1,157.16	\$5,176.63	\$149,111.25
Feb, 2017	\$1,118.33	\$5,215.45	\$143,895.80
Mar, 2017	\$1,079.22	\$5,254.57	\$138,641.23
Apr, 2017	\$1,039.81	\$5,293.98	\$133,347.25
May, 2017	\$1,000.10	\$5,333.68	\$128,013.56
Jun, 2017	\$960.10	\$5,373.69	\$122,639.88
Jul, 2017	\$919.80	\$5,413.99	\$117,225.89
Aug, 2017	\$879.19	\$5,454.59	\$111,771.29
Sep, 2017	\$838.28	\$5,495.50	\$106,275.79
Oct, 2017	\$797.07	\$5,536.72	\$100,739.07
Nov, 2017	\$755.54	\$5,578.25	\$95,160.82
Dec, 2017	\$713.71	\$5,620.08	\$89,540.74
Jan, 2018	\$671.56	\$5,662.23	\$83,878.51
Feb, 2018	\$629.09	\$5,704.70	\$78,173.81
Mar, 2018	\$586.30	\$5,747.49	\$72,426.32
Apr, 2018	\$543.20	\$5,790.59	\$66,635.73
May, 2018	\$499.77	\$5,834.02	\$60,801.71
Jun, 2018	\$456.01	\$5,877.78	\$54,923.93
Jul, 2018	\$411.93	\$5,921.86	\$49,002.07
Aug, 2018	\$367.52	\$5,966.27	\$43,035.80
Sep, 2018	\$322.77	\$6,011.02	\$37,024.78
Oct, 2018	\$277.69	\$6,056.10	\$30,968.68
Nov, 2018	\$232.27	\$6,101.52	\$24,867.15
Dec, 2018	\$186.50	\$6,147.29	\$18,719.87
Jan, 2019	\$140.40	\$6,193.39	\$12,526.48
Feb, 2019	\$93.95	\$6,239.84	\$6,286.64
Mar, 2019	\$47.15	\$6,286.64	\$0.00

Ray Water Company
Docket#W-01380A
Exhibit 3

CERTIFICATE OF RESOLUTION

The undersigned Secretary of Ray Water Company, Inc. hereby certifies the following resolutions were adopted by the Board of Directors of Ray Water Company, Inc., a quorum of its members being present at a special meeting held at 414 N. Court Avenue, Tucson, Arizona on January 14, 2009. Such resolutions have not been modified or amended and remain in full force and effect.

RESOLVED, that Ray Water Company, Inc. is authorized to execute an unsecured promissory note with Ray Water Company, as Borrower, and R & M Real Estate, L.L.P. as Lender, in an amount not to exceed Five Hundred Thousand Dollars (\$500,000) for a term of not more than Ten (10) years, at an interest rate no higher than ten percent (10%) per annum to finance the drilling of a replacement well and all plant necessary to connect the replacement well to Ray Water Company's existing system.

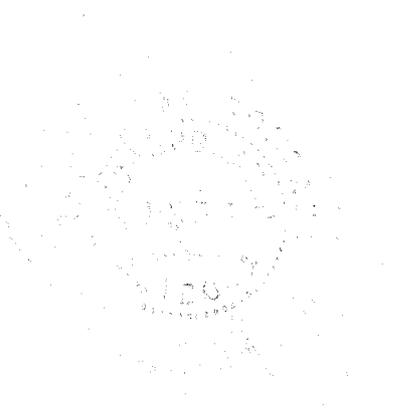
RESOLVED, that the Board of Directors and Officers of Ray Water Company, Inc. believe that the long term financing of the replacement well is within Ray Water Company's corporate powers; compatible with the public interest; compatible with sound financial practices; and compatible with Ray Water Company's proper performance of service as a public service corporation, and will not impair its ability to perform that service.

FURTHER RESOLVED, Ray Water Company, Inc. authorizes the President, Vice-President, and/or Secretary of Ray Water Company, Inc. to execute such documents on behalf of Ray Water Company, Inc. and perform any other act necessary to complete the purpose of this resolution.

WITNESS my hand and seal of this corporation on this 14th day of January, 2009.



Rhonda Mallis Rosenbaum
Secretary, Ray Water Company, Inc.



Ray Water Company
Docket#W-01380A
Exhibit 4

Wells Fargo Bank
Credit Proposal For
Ray Water Co.
414 N. Court Ave
Tucson, AZ 85701

1/7/2009

Wells Fargo Bank, National Association ("Wells Fargo") is pleased to propose the following financing to you. Note that this proposal is for discussion purposes only and does not represent an approval to lend. A formal approval may or may not be issued following the completion of our due diligence process. The following proposal represents the key terms and conditions under which Wells Fargo may be willing to lend. These terms are subject to change based upon recommendations provided by collateral analysts, senior management, or legal counsel.

Borrower: Ray Water Co

Type of Credit: Advancing Term Loan

Amount*: \$400,000

Purpose*: Purchase of equipment (water well)

Interest Rate*: 8.25

Loan Fees*: \$1500

Collateral*: Water well

Maturity*: Proposed loan will mature 10 years from the date of funding.

Repayment*: Monthly P&I payments may be auto debited from a Wells Fargo commercial account.

Continuing Guarantees*: Rhonda Rosenbaum
***Presented for illustration and discussion purposes only and subject to credit underwriting and due diligence.**

Covenants: Depending on the specifics of the loan request, you may be required to maintain certain financial conditions or ratios, which will be determined during the credit underwriting process.

Subject To: For discussion purposes only and to illustrate pre-commitment requirements typical for this type of loan.

- Certificate of Insurance on Subject collateral
- Completion of Credit Investigations and Due Diligence on Borrower and Guarantors
- Completion of Wells Fargo Bank's Environmental Questionnaire
- Completion of Wells Fargo Loan Documents
- Copy of Lease Agreements (if applicable)
- Copy of Real Estate Tax Evaluation (if applicable)
- Satisfactory Real Estate Evaluation (if applicable)
- Submission of Articles of Incorporation / Organization
- Submission of Corporate Bylaws
- Title Report Satisfactory to the Bank (if applicable)
- Verification of Marketable Securities

Borrower's Submission Borrower is required to provide the following financial information
of Financial Information: (additional information may be required)

- Annual federal Income Tax Returns for Borrower and Guarantor(s)
- Annual Personal Financial Statement for Guarantor(s)
- Annual CPA or Co. Prep. Financial Statements (Bal. Sheet & Profit/Loss Stmt)
- Annual CPA Audited/Reviewed Financial Statements
- Monthly Accounts Payable Reports
- Monthly Accounts Receivable Aging Reports
- Monthly Borrowing Base Certificates
- Quarterly Interim Financial Statements (Balance Sheet & Profit/Loss Stmt)

This proposal is not a commitment to lend. If the proposal outlined in this letter forms the basis for further discussions about your credit needs, please sign below to acknowledge receipt of this letter, your agreement to the confidentiality provisions below, and your desire to continue our discussions. Please return the signed letter to us by {Deadline Date}.

The proposal set forth herein is personal to the Borrower and may not be transferred or assigned without prior written consent of Wells Fargo. **Neither this letter, nor any portions hereof, may be disclosed or exhibited to any person, entity, or lender without the prior written consent of Wells Fargo.** After the receipt of a signed copy of this letter and submission of a complete credit application package, the Bank will continue with its normal diligence and proceed with its credit underwriting process.

SIGNATURE REQUIRED:

Wells Fargo Bank, National Association

By: _____
Tony Hannigan
Industry Specialist
 Wells Fargo Government Banking

Date: _____
 January 7, 2009

Ray Water Company
Docket # W-01380A
Exhibit 5



National Bank

O F A R I Z O N A

January 5, 2009

Ray Water Company
Rhonda Rosenbaum
414 N Court Ave.
Tucson, AZ 85701

Dear Rhonda,

We are pleased to provide the following general terms for the proposed structure National Bank of Arizona would consider for financing. Final terms and conditions are subject to full underwriting and bank loan approval.

*This letter is for discussion purposes only and is not an offer or commitment to lend.
The terms proposed herein are subject to revision at National Bank of Arizona's discretion.
All loans are subject to underwriting and loan committee approval.
This term sheet may not be contradicted by evidence or any alleged oral agreement,
may not be disclosed, and may not be relied upon for any purpose without
National Bank of Arizona's prior written consent.*

NBA loan \$ 400,000

Collateral: Hard assets to include equipment or real estate
Borrower: Ray Water Company
Guarantors: Rhonda Rosenbaum
Loan Amount: \$400,000
Bank Fee: \$1,000
Loan Term: Fixed for 7 years
Interest Rate: Fixed at 9.0%
Prepayment: None

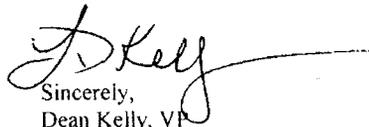
Other condition precedents:

Loan is further conditioned upon the following:

- No material omissions or material adverse changes in the financial condition of the borrower prior to closing.

I sincerely appreciate the opportunity to establish a business relationship with National Bank of Arizona. My promise is to work diligently for you to provide you with the best financial services at a fair, competitive price. Should you have any questions, please call or if you find it more convenient you may send an E-mail.

If you would like to precede, please contact me and I will provide a list of needed financial information that will be used for underwriting.


Sincerely,
Dean Kelly, VP
Commercial Lending
Dean.kelly@nbarizona.com

Business Banking Center
335 North Wilmot Road, Tucson, AZ 85711
Phone no. (520) 519-2939 Fax no. (520) 750-7356

Ray Water Company
Docket # W-01380A
Exhibit 6

WestLand Resources, Inc.
Engineering and Environmental Consultants

March 4, 2009

Arizona Corporation Commission
Docket Control Center
1200 W. Washington Street
Phoenix, Arizona 85007

**Re: ENGINEERING DOCUMENTATION IN SUPPORT OF THE RAY WATER COMPANY
LONG-TERM FINANCING APPLICATION
WESTLAND PROJECT NO. 544.01 A 8000**

To Docket Control Center:

WestLand Resources, Inc. (WestLand) has prepared this letter in support of the Ray Water Company Long-Term Financing Application for the design and construction of a potable water well and well site to replace the Ray Water Company Well No. 6 site. The existing Well No. 6 was taken out of service in December 2008 due to issues concerning the well pump. During a routine well video of the well condition, it was determined that this well is no longer usable due to irreparable damage to the well casing.

With the existing Well No. 6 out of service there is an immediate concern that the existing system capacity could be insufficient for summer peaks, due to the age and condition of several other existing water company wells and the need for redundancy in the water system. Ray Water Company has an interconnect with the adjacent Tucson Water system, and it was necessary for the water company to purchase water from that adjacent provider in the summer of 2007, due to a lack of available well capacity in the system at that time.

The current status of the water company's aging well field must be taken into consideration. The age of certain current wells and recent history of failing wells make it prudent to operate with some redundancy. The design criteria used for planning and design within the water system is such that the system should be capable of providing peak daily demand (PDD) with the largest well out of service. The recommended redundancy allows for outage both due to age and condition issues, and other unforeseen operational issues with the existing wells. In addition, the water company has committed to service for certain future water system customers with a portion of the existing well capacity which was constructed by those future customers. The Ray Water Company's well capacities and original drilling years are shown in the table below.

Table 1. Ray Water Company Well Data

Well Number	Well Capacity Gallons per Minute (gpm)	Year Drilled/ Replaced
Well No. 2 (replacement well)	410	2007
Well No. 3	250	1969
Well No. 4	125	1973
Well No. 5*	0	1963
Well No. 6**	0	1983
Well No. 7	350	2007
TOTAL	1,135	-

*Well No. 5 is no longer operational

**Well No. 6 (the topic of this letter) is no longer operational and had a previous capacity of 325 gpm

Docket Control Center
March 4, 2009
Page 2

The estimated PDD of the existing system is approximately 1,000 gpm. Future commitments for water service will increase the demand to approximately 1,160 gpm. Per Table 1, the current well capacity is approximately 1,135 gpm. With any of the three largest well out of service (Well No. 2) the system could not provide PDD during the summer for existing customers. The water company considers the recent history of well outages and required replacements an issue of concern with respect to operation of the water system and adequate service to customers. The replacement of Well No. 6 would provide the required redundancy for the water system, adequate capacity to meet summer demands, and would offset concerns about the other aging Ray Water wells. For this reason, Ray Water Company feels that it is necessary to replace the capacity of Well No. 6 as soon as possible, preferably early in 2009 as feasible.

If you have any questions or concerns please feel free to give me a call.

Respectfully,
WestLand Resources, Inc.



Kara D. Festa, P.E.
Vice President

JB:emr

cc: Jon Boitano, WestLand Resources, Inc.

RAY Water Company
 Decret #W-01380A
 Exhibit 7

Westland Resources, Inc.
 Engineering and Environmental Consultants

OPINION OF PROBABLE CONSTRUCTION COST

Prepared by: JMB
 Checked by: KDF
 Client: Ray Water Company

Date: 12/30/08
 Date: 1/5/09

Project Name: Ray Water Company Well No. 6 Design
 Project No.: 544.01
 Location: 4450 E. Rex St., Tucson, Arizona
 Description: Well Drilling and Site Equipping Costs

Item No.	Item Description	Unit	Quantity	Unit Price	Amount	Remarks
	Well Drilling					
1	Drill new 12-inch well	LS	1	\$20,000	\$20,000	Assumes approximately 100 feet of pipeline.
	Site Design and Well Equipping					
	Site work including fencing, gate, grading and gravel	LS	1	\$15,000	\$15,000	Assumes three phase electrical is available from power line along boundary of well site
1	Well manifold, site piping, valves and appurtenances	LS	1	\$85,000	\$85,000	
2	Well manifold, site piping, valves and appurtenances	LS	1	\$45,000	\$45,000	
3	Onsite 6-inch pipeline for connection to existing reservoir fill line	LS	1	\$215,000	\$215,000	
4	Well pump, column, motor and well head				\$32,250	
5	Electrical, instrumentation, and controls				\$247,250	
	Subtotal				\$499,250	
	15% Contingency					
	Well Design and Equipping Total					
	Well Drilling and Site Construction Total					
	Consulting Services					

W:\jobs\500's\544.01\Well No 6 OPCC (including engineering)

Ray Water Company
 Docket # W-01380A
 Exhibit 7 - page 2

Project Name: Ray Water Company Well No. 6 Design

Project No.: 544.01

Location: 4450 E. Rex St., Tucson, Arizona

Description: Well Drilling and Site Equipping Costs

Prepared by: JMB

Checked by: KDF

Client: Ray Water Company

Date: 12/30/08

Date: 1/5/09

1	Contract documents for well drilling	LS	1	\$900	\$900	
2	Engineering consulting services for site design, well equipping, and electrical	LS	1	\$25,900	\$25,900	
3	Engineering consulting services for construction project bidding	LS	1	\$6,500	\$6,500	
4	Construction inspection services for submittal to PCDEQ (estimated)	LS	1	\$14,000	\$14,000	
	Consulting Services Total				\$47,300	
	PROJECT TOTAL					\$546,550

Ray Water Co.

Docket #W-01380A

Exhibit 8

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

<input type="checkbox"/>
W-01380A Ray Water Company 414 N. Court Tucson, AZ 85701

ANNUAL REPORT
WATER

FOR YEAR ENDING

12	31	2008
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FOR COMMISSION USE

ANN 04	08
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PROCESSED BY:

SCANNED

COMPANY NAME Ray Water Company

Ray Water Co
Docket #W-01380A
Exhibit 8

BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
CURRENT AND ACCRUED ASSETS			
131	Cash	\$ 56,987	\$ 59,647
134	Working Funds	N/A	N/A
135	Temporary Cash Investments	210,235	190,951
141	Customer Accounts Receivable	22,724	23,587
146	Notes/Receivables from Associated Companies	N/A	N/A
151	Plant Material and Supplies	N/A	N/A
162	Prepayments	36,976	8,412
174	Miscellaneous Current and Accrued Assets	*9,440	42,031
	TOTAL CURRENT AND ACCRUED ASSETS	\$ *336,362	\$ 324,628
FIXED ASSETS			
101	Utility Plant in Service	\$ *3,090,926	\$ 3,431,339
103	Property Held for Future Use	N/A	N/A
105	Construction Work in Progress	345,029	327,451
108	Accumulated Depreciation – Utility Plant	*1,132,614	1,263,199
121	Non-Utility Property	N/A	N/A
122	Accumulated Depreciation – Non Utility	N/A	N/A
	TOTAL FIXED ASSETS	\$ *2,303,341	\$ 2,495,591
	TOTAL ASSETS	\$ *2,639,703	\$ 2,820,219

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

* Restated for prior period adjustment.

See Accountant's Compilation Report.

COMPANY NAME Ray Water Company

Ray Water Co.
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Exhibit 8

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
LIABILITIES			
CURRENT LIABILITES			
231	Accounts Payable	\$ 7,728	\$ 615
232	Notes Payable (Current Portion)	-0-	-0-
234	Notes/Accounts Payable to Associated Companies	-0-	-0-
235	Customer Deposits	84,717	88,595
236	Accrued Taxes	25,066	25,766
237	Accrued Interest	-0-	-0-
241	Miscellaneous Current and Accrued Liabilities	30,144	6,705
	TOTAL CURRENT LIABILITIES	\$ 147,655	\$ 121,681
LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$ -0-	\$ -0-
DEFERRED CREDITS			
251	Unamortized Premium on Debt	\$ -0-	\$ -0-
252	Advances in Aid of Construction	*962,133	1,064,284
255	Accumulated Deferred Investment Tax Credits	2,331	1,595
271	Contributions in Aid of Construction	*457,552	564,171
272	Less: Amortization of Contributions	*(101,670)	(126,719)
281	Accumulated Deferred Income Tax	*-0-	-0-
	TOTAL DEFERRED CREDITS	\$*1,320,346	\$1,503,331
	TOTAL LIABILITIES	\$*1,468,001	\$1,625,012
CAPITAL ACCOUNTS			
201	Common Stock Issued	\$ 16,000	\$ 16,000
211	Paid in Capital in Excess of Par Value	41,333	41,333
215	Retained Earnings	*1,114,369	1,137,874
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$*1,171,702	\$1,195,207
	TOTAL LIABILITIES AND CAPITAL	\$*2,639,703	\$2,820,219

* Restated for prior period adjustment.

See Accountant's Compilation Report.

COMPANY NAME

Ray Water Company

Ray Water Co.

Doc # W-01350

Exhibit 8

A

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 609,955	\$ 592,199
460	Unmetered Water Revenue	-0-	-0-
474	Other Water Revenues	20,073	24,108
	TOTAL REVENUES	\$ 630,028	\$ 616,307
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 219,329	\$ 223,512
610	Purchased Water	14,229	-0-
615	Purchased Power	76,605	73,925
618	Chemicals	-0-	-0-
620	Repairs and Maintenance	2,429	1,702
621	Office Supplies and Expense	16,909	12,447
630	Outside Services	32,745	43,014
635 604	Water Testing Emp. Pension and Benefit - SEP	30,144	6,705
641	Rents	22,000	22,000
650	Transportation Expenses	9,373	11,710
657	Insurance - General Liability	10,981	11,260
659	Insurance - Health and Life	4,488	6,604
666	Regulatory Commission Expense - Rate Case	-0-	-0-
675	Miscellaneous Expense	13,923	19,154
403	Depreciation Expense	*91,893	109,876
408	Taxes Other Than Income	17,416	17,797
408.11	Property Taxes	36,822	37,129
409	Income Tax	*3,891	(1,653)
	TOTAL OPERATING EXPENSES	\$ *603,177	\$ 595,182
	OPERATING INCOME/(LOSS)	\$ *26,851	\$ 21,125
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 15,489	\$ 4,954
421	Non-Utility Income	4,000	144
426	Miscellaneous Non-Utility Expenses	(1,300)	(2,139)
427	Interest Expense	(534)	(579)
	TOTAL OTHER INCOME/(EXPENSE)	\$ 17,655	\$ 2,380
	NET INCOME/(LOSS)	\$ *44,506	\$ 23,505

* Restated due to prior period adjustment.

See Accountant's Compilation Report.

Ray Water Company
Docket#W-01380A
Exhibit 9

RAY WATER COMPANY

414 North Court Avenue
Tucson, Arizona 85701
(520) 623-1332
FAX (520) 623-2302

March 9, 2009

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

Ray Water Company respectfully submits this Long Term Financing Application for the Arizona Corporation Commission's immediate processing, inspection and approval. This Long Term Financing Application is required to fund a replacement well for an older large production well that unexpectedly failed in December 2008 and is no longer usable due to irreparable damage to the well casing. Ray Water anticipates that it will require a loan not to exceed Five Hundred Thousand Dollars (\$500,000).

Ray Water does not have the funds needed to pay for a replacement well. This replacement well is necessary to serve existing customers. The replacement well must be drilled and placed online as soon as possible and, if feasible, before June, 2009 in order to avoid a water shortage that could occur as the summer heat approaches.

Ray Water contemplates borrowing the needed money from an affiliated company at a market rate; up to \$500,000 for 10 years at 9%. Ray Water feels confident that we can service this loan from existing revenue with monthly payments of principal and interest. Please see the attached letters from two outside lenders, marked as Exhibits 4 & 5. We used these loan Letters of Intent to determine a fair market value for the loan terms.

The Board of Directors and officers of Ray Water Company, Inc. believe that the long term financing of the replacement well is within Ray Water Company's corporate powers; compatible with the public interest; compatible with sound financial practices; and compatible with Ray Water Company's proper performance of service as a public service corporation, and will not impair its ability to perform that service.

The details of the failed well are as follows: On or about December 6, 2008, Ray Water Well #6 stopped operating. After the pump and submersible motor were pulled and the well was videoed, it was determined that there were many holes in both the well's blank casing and screen. Because of the poor condition of the casing and screen, our hydrology consultants, Clear Creek Associates, recommended abandoning the existing well and drilling a replacement well.

With this Well No. 6 out of service, there is an immediate concern that the existing system capacity could be insufficient for summer peaks in 2009, due to the age and condition of several other existing water company wells and the need for redundancy in the water system. Please see the enclosed letter from Ms. Kara Festa, our project engineer at WestLand Resources, Inc. for a more detailed account of the water system need for this replacement well (Exhibit 6).

The failed well had been Ray Water's main production well for 26 years. Although two new wells have been drilled in the last two years, Ray Water Company's aging well field must be taken into consideration. Ray Water's older wells (Wells #1, #3, #4 & #5) are either at or near the end of their useful life and water production has stopped or continues to decrease in these wells.

The loan funds will be immediately used to drill a replacement well, equip it, and connect the well to the existing system. This replacement well will only restore the production capacity that serves existing Ray Water customers prior to the failure of the well it is replacing. We believe that the recent history of well outages and required replacements are an important and immediate concern with respect to operation of the water system and adequate service to customers. The replacement of Well No. 6 would provide the required redundancy for the water system, adequate capacity to meet this and future summer demands, and would offset concerns about the other aging Ray Water wells. For this reason, Ray Water Company feels that it is necessary to replace the capacity of Well No. 6 as soon as possible, preferably as early in the summer of 2009.

The following is an estimate of the funds needed for the replacement well. Please see the attached Opinion of Probable Cost for a breakdown of the replacement well expenses. (Exhibit 7):

Drill replacement well:	\$252,000
Site work to install pump, electric and connect to existing storage	215,000
Hydrology consultant	21,050
Source Approval sampling	3,500
Engineering design & inspection work	47,300
TOTAL (not including 15% contingency)	\$538,850

Ray Water is a Class C water utility that has been family owned and operated for over 50 years. Ray Water is, and has always been, aware of the economic makeup of its customers. Therefore, Ray Water has always made efforts to keep expenses low, while maintaining the water plant and system for maximum water quality. However, in light of this emergency situation, Ray Water finds it necessary to borrow funds to replace the existing well.

Arizona Corporation Commission

March 9, 2009

Page 3

Ray Water needs a replacement well in operation as soon as possible in order to comply with health department regulations requiring minimum pressures on the system. Our engineers have determined that the only way to ensure the company has adequate pressure this summer is to drill a replacement well and have it available to meet summer peak period demands.

Ray Water respectfully requests that this Long Term Financing application be processed in an expedited manner so that minimum required system pressures for existing customers can be maintained.

Thank you for your consideration. My project engineer, Kara Festa, at WestLand Resources is available for you and ACC staff to discuss this situation. Also, please contact me if you have any questions or comments.

Very Truly Yours,

A handwritten signature in black ink that reads "Rhonda Mallis Rosenbaum". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Rhonda Mallis Rosenbaum
Ray Water Company