

NEW APPLICATION



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FENNEMORE CRAIG  
A Professional Corporation  
Jay L. Shapiro (No. 014650)  
Patrick Black (No. 017141)  
3003 North Central Avenue  
Suite 2600  
Phoenix, Arizona 85012  
Telephone (602) 916-5000  
Attorneys for Applicant Southern Sunrise Water Company

2009 MAR 13 A 11:55

AZ CORP COMMISSION  
DOCKET CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF SOUTHERN SUNRISE WATER  
COMPANY, AN ARIZONA  
CORPORATION, FOR AUTHORITY (1)  
TO ISSUE EVIDENCE OF  
INDEBTEDNESS IN AN AMOUNT NOT  
TO EXCEED \$577,200 IN CONNECTION  
WITH (A) THE IMPLEMENTATION OF A  
METER CHANGE OUT PROGRAM AND  
(B) THE PURPOSE OF TESTING AND  
EQUIPPING ITS EXISTING WELLS AND  
(2) TO ENCUMBER ITS REAL  
PROPERTY AND PLANT AS SECURITY  
FOR SUCH INDEBTEDNESS.

W-20454A-09-0115

DOCKET NO. W-20454A-09- \_\_\_\_\_

**APPLICATION (FINANCING)**

APPROVED AND FORWARDED:  
\_\_\_\_\_  
ne

Pursuant to A.R.S. §§ 40-285, 40-301 and 40-302, Southern Sunrise Water Company ("SSWC" or the "Company"), an Arizona public service corporation, hereby applies for authority from the Arizona Corporation Commission ("Commission") to (1) issue evidence of indebtedness in an amount not to exceed \$577,200 on the terms and conditions to be set forth by the Water Infrastructure and Finance Authority ("WIFA"), and (2) encumber its real property and utility plant as security for such indebtedness. This debt will be incurred for the purpose of implementing a full-scale meter replacement program which would reduce water loss significantly, as well as promote water

1 conservation efforts by including usage tracking and leak detection capabilities, and  
2 proper testing and equipping of existing wells which would ensure a sustainable supply  
3 will be available.

4 In support of this application, SSWC states as follows:

5 **A. General Background.**

6 1. The Company is a public service corporation providing water service to  
7 approximately 837 customers in Santa Cruz County, Arizona. SSWC's current rates and  
8 charges were authorized in Decision No. 68826 (June 29, 2006).

9 2. SSWC's business office is located at 4055 Campus Drive, Sierra Vista,  
10 Arizona 85635. Its telephone number is (520) 458-5470, and its telecopier number is  
11 (520) 459-6680. The Company's primary management contact is Greg Sorensen.  
12 Mr. Sorensen is also responsible for overseeing and directing the conduct of this  
13 Application. His telephone and telecopier numbers are (623) 298-3753 and (623) 935-  
14 1020, respectively. His email address is Greg.Sorensen@algonquinwater.com. All  
15 discovery, data requests and other requests for information concerning this Application  
16 should be directed to Mr. Sorensen, with a copy to counsel for the Company in this  
17 matter, Jay L. Shapiro (jshapiro@fclaw.com).

18 3. Financial statements for the twelve-month period ending December 31, 2008,  
19 are attached at **Exhibit 1**.

20 **B. Purposes of Financial Transactions.**

21 4. The primary purpose of the long-term debt financing contemplated herein is  
22 to (A) Implement a full-scale meter replacement program which would reduce water loss  
23 significantly, as well as promote water conservation efforts by including usage tracking  
24 and leak detection capabilities, and (B) Properly test and equip existing wells which  
25 would ensure a sustainable supply will be available.. The total estimated cost of the  
26 additional plant and improvements is approximately \$577,200.00. The Company will



1           9.     The approvals sought herein are compatible with the public interest and with  
2 the proper performance of SSWC's duties as a public service corporation. The proceeds  
3 of the financing will be utilized exclusively to implement a full-scale meter replacement  
4 program which would reduce water loss significantly, as well as promote water  
5 conservation efforts by including usage tracking and leak detection capabilities, and  
6 proper testing and equipping of existing wells which would ensure a sustainable supply  
7 will be available. No portion of the proceeds will be used to pay operating expenses. The  
8 approvals sought herein are necessary to ensure the Company's ability to continue to  
9 provide safe and reliable water utility service in compliance with all applicable law and  
10 regulation, including the rules and regulations of ADEQ.

11           10.    The financing contemplated herein will not impair the Company's ability to  
12 perform its duties as a public service corporation providing water utility service.

13           11.    SSWC is in the process of providing notice of this application by publishing  
14 notice, in the form provided by the Commission, in a newspaper of general circulation in  
15 the area in which the Company provides service. Proof of publication and a true copy of  
16 the notice as it appeared in the newspaper will be filed with the Commission.

17           12.    The Company is submitting this Application at this time due to WIFA  
18 requirements, and shall seasonably provide supplements as additional information  
19 becomes available.

20           Based on the foregoing, Southern Sunrise Water Company respectfully requests the  
21 following:

22           A.     That the Commission consider this application on an expedited basis,  
23 including the scheduling of a hearing, if necessary, on this matter as soon as practicable;

24           B.     That the Commission enter an order approving this Application and  
25 authorizing Southern Sunrise Water Company to incur indebtedness in an amount not to  
26 exceed \$577,200 and to encumber its real property and utility plant and system to secure

1 such indebtedness for the purposes described hereinabove; and

2 C. That the Commission authorize Southern Sunrise Water Company. to take  
3 such other and further action as may be necessary to effectuate the purposes of this  
4 Application, as may be appropriate under the circumstances herein.

5 RESPECTFULLY SUBMITTED this 13th day of March, 2009.

6 FENNEMORE CRAIG, P.C.

7

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By: 

9

Jay L. Shapiro

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Patrick Black

11

Attorneys for Applicant Southern Sunrise  
Water Company

12 ORIGINAL and 15 copies delivered this  
13 13th day of March, 2009 to:

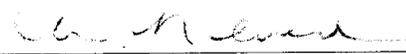
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Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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By: 

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# **EXHIBIT 1**

**Southern Sunrise**  
**Profit and Loss Statement**  
**For the Year Ended December 31, 2008**

	<u>2008</u>
<b>Revenue</b>	
Metered Water Revenues	\$422,264
Other Revenues	10,455
<hr/>	
<b>Total Revenue</b>	<b>432,719</b>
<b>Operating Expenses</b>	
Purchased Power	29,775
Chemicals	1,255
Materials & Supplies	10,871
Contractual Services - Accounting	50
Contractual Services - Testing	5,465
Contractual Services - Other	182,307
Contractual Services - Legal	9,286
Transportation Expenses	27,352
Insurance - General Liability	9,087
Regulatory Commission Expense	450
Miscellaneous Expense	12,056
Bad Debt Expense	6,283
Depreciation & Amortization	85,068
Property Taxes	24,485
<hr/>	
<b>Total Operating Expenses</b>	<b>403,790</b>
Operating Income	28,929
Interest Expense	177
<hr/>	
<b>Total Other Income (Expense)</b>	<b>177</b>
<hr/>	
<b>Net Profit (Loss)</b>	<b>28,752</b>

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# **EXHIBIT 2**

Southern Sunrise  
**BALANCE SHEET**  
AS AT December 31, 2008

	2008	Ajdustments	2008 Proforma
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash - Operating	\$23,123		\$23,123
Accounts Receivable	41,587		\$41,587
Prepays	7,802		\$7,802
Deposits	4,065		\$4,065
<b>Total Current Assets</b>	<b>76,577</b>		<b>76,577</b>
<b>Net Property Plant and Equipment</b>	<b>1,568,323</b>	<b>577,200</b>	<b>\$2,145,523</b>
<b>Total Assets</b>	<b>1,644,900</b>	<b>577,200</b>	<b>2,222,100</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	69,113		\$69,113
Current Taxes Payable	(2,784)		(\$2,784)
<b>Total Current Liabilities</b>	<b>66,329</b>		<b>66,329</b>
<b>Long Term Liabilities</b>			
Intercompany Notes Payable	181,287		\$181,287
Third Party Loans		577,200	\$577,200
Customer Meter Deposits	1,230		\$1,230
<b>Total Long Term Liabilities</b>	<b>182,517</b>	<b>577,200</b>	<b>759,717</b>
<b>Total Liabilities</b>	<b>248,846</b>	<b>577,200</b>	<b>826,046</b>
<b>SHAREHOLDERS EQUITY</b>			
<b>Contributed Capital</b>			
Common Shares	1,345,549		\$1,345,549
<b>Total Contributed Capital</b>	<b>1,345,549</b>		<b>1,345,549</b>
<b>Earnings</b>			
Retained Earnings	21,753		\$21,753
Year to Date Income	28,752		\$28,752
<b>Total Earnings</b>	<b>50,505</b>		<b>50,505</b>
<b>Total Shareholders' Equity</b>	<b>1,396,054</b>		<b>1,396,054</b>
<b>Total Liabilities and Equity</b>	<b>1,644,900</b>	<b>577,200</b>	<b>2,222,100</b>

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# **EXHIBIT 3**

DRINKING WATER APPLICATION  
Water Infrastructure Finance Authority of Arizona (WIFA)  
Project Financial Assistance Priority List Application

SECTION 1: APPLICATION INFORMATION

APPLICATION NUMBER: DW-187-2009  **Print**

1.1 Applicant: Southern Sunrise Water Company Job Title: Business Manager  
1.2 Contact Names: First Martin Middle Initial: K Last: Garlant  
1.3 Address: 4055 Campus Dr City: Sierra Vista State: AZ Zip: 85636  
1.4 Phone: (520) 281-7000 Fax: (520) 281-7433 E-Mail: martin.garlant@algonquinpower.com  
1.5 County in Which Project is Located: Cochise

1.6 Number of Connections to System: 837 Population Served by the System: 2511

1.7 Average Monthly Fee (Base + Use): \$45.00

1.8 Existing Debt (principal only) Payable by System Users: \$0.00

1.9 Median Household Income: \$38,427.00

1.10 ADEQ System Identification Number (PWS #): AZ0402011

1.11 Are you ACC Regulated?  Yes  No

1.12 Has this project received prior year WIFA funding?

- No
- Yes, request is for a multi-year construction project that received assistance in a previous funding cycle
- Yes, request is to construct a project that received TA funds in a previous funding cycle
- Yes, request is for additional financial assistance to offset actual costs of justified overruns

1.13 Is your company registered with the E-Verify Program?  Yes  No  
*(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)*

SECTION 2: PROPOSED DRINKING WATER FINANCIAL ASSISTANCE PROJECT

2.1 Project Title/Name: Meter Replacement Program

2.2 Type of loan required during this funding cycle?  Design \$0.00 and/or  Construction \$252,200.00

2.3 Briefly summarize below the problem *(Mail or upload any supporting documentation)*

Southern Sunrise Water Company (SSWC) consists of the former McLain water system in the Hereford and Palominas, AZ areas, in the San I Conservation Area. The former owner and operator did not have a meter replacement program. The majority of the meters are in excess of 20 years old meters do not read accurately, resulting in an average water loss of 25%.

2.4 Briefly summarize below the Solution

Implementing a full-scale meter replacement program would reduce water loss significantly, as well as promote water conservation efforts by inclu and leak detection capabilities.

2.5 Project Purpose: *(Select only one)*

- Assist Non-Compliant Systems to Achieve Compliance
- Assist Compliant Systems to Meet Future Reqmnts
- Assist Compliant Systems to Maintain Compliance
- Other Assistance Not Compliance Related

SECTION 3: EXISTING CONDITIONS AND PROJECT BENEFITS

3.1 Select Type(s) of Needs to be Funded

- Planning and Design Only
- Treatment-Nitrate
- Treatment-Organic Chemical(s)
- Treatment-Other
- Storage
- Land Acquisition
- Treatment-Bacteriological
- Treatment-Arsenic
- Treatment-Primary Standard [Metals(s)]
- Transmission and Distribution
- Purchase of System(s)
- Treatment-Surface Water
- Treatment-Radionuclides
- Treatment-DBP
- Source
- Restructuring

3.2 Select Expected Project Benefit(s)

- Compliance - Existing Requirements
- Compliance - New Requirements
- Expand Service
- Reduce Public Health Risks

3.3 Water Quality Improvement

- Proposed project addresses deficiencies identified by ADEQ
- Proposed project includes installing meters to monitor water use
- Submitted a complete capacity development plan to ADEQ

3.4 Consolidation and Regionalization

- Consolidate physical facilities of existing multiple facilities
- Consolidate the operations of existing multiple facilities
- Extending service to existing areas currently served by another facility
- Consolidate the ownership of existing multiple facilities

3.5 System Compliance \*must mail or upload supporting documents

- Notice of violations and/or consent orders from regulatory agency \*
- In compliance

SECTION 4: READINESS TO PROCEED INDICATORS

4.1 Debt Authorization (For more information, see WIFA Debt Authorization Guidance Document)

- Authorized (mail or upload copy of official governing body debt authorization resolution or election results)
  - Date of Election or Authorization Unknown
  - Scheduled
- If scheduled, enter anticipated election or authorization date: \_\_\_\_\_ [mm/dd/yyyy]

4.2 Project Design (Select only one)

- Completed
  - Engineer Selected
  - Date of Completion Unknown
  - Scheduled for Completion
- Enter anticipated completion date: 2/28/2010 [mm/dd/yyyy]

4.3 Applicable Plan and Specification Approvals (Select only one)

- Obtained (mail or upload approval notification)
  - Date of Approval Unknown
  - Not Applicable (use textbox below to explain)
  - Scheduled to Obtain Permits
- If scheduled, enter anticipated permit(s) date: \_\_\_\_\_ [mm/dd/yyyy]
- If not applicable, then explain: Replacement of existing meters

4.4 Project Bids (Select only one)

- Solicited Project for Bidding
  - Date of Solicit Unknown
  - Scheduled to Solicit Bid(s)
- If scheduled, enter anticipated bid award date: \_\_\_\_\_ [mm/dd/yyyy]

**SECTION 5: REQUESTED AMOUNT AND CERTIFICATION/APPROVAL**

5.1 Estimated Date WIFA Funding Required: 7/1/2009 [mm/dd/yyyy]

5.2 Estimated Financial Assistance Costs & Funding Source (*Soft costs*)

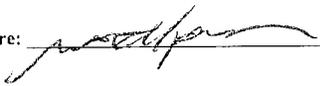
Funding Source	Project Costs
Amount Funded Locally:	\$0.00
Amount Requested from WIFA:	\$252,200.00
Other Source: _____	\$0.00
<b>Total Cost:</b>	<b>\$252,200.00</b>

5.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate.

First Name	Last Name	Title
<u>Martin</u>	<u>Garlant</u>	<u>Business Manager</u>

**5.4 Uploaded Supporting Documents**

Reference Name	Document Name	Original Name
Debt Authorization	DOC-710001.pdf	RA Letter - Debt Authorization - March 12 2009.pdf

Authorized Signature: 

Date: 3/16/09

**ADDENDUM TO PPL APPLICATION  
Water Infrastructure Finance Authority of Arizona (WIFA)  
American Recovery and Reinvestment Act (ARRA)**

Community Name: Southern Sunrise Water Company Date: Friday, 03/06/2009 @ 11:36 AM  
 Project Contact: Martin Garland Phone: (520) 281-7000  
 Project ID: DW-187-2009 Email: martin.garland@algonquinpower.com  
 Project Title: Meter Replacement Program

**Should this Application be considered for American Recovery and Reinvestment Act funds?**  Yes  No. If Yes, complete the following questions. If you have selected 'No', skip to the bottom of this addendum and select submit.

As stated in the cover letter, the purpose of the Act is to provide funds that will stimulate job creation through swift initiation of infrastructure projects. The Act requires WIFA to provide preference to those purposes.

**SECTION 1: PREFERENCE FOR QUICK START**

ARRA Sec. 1602. In using funds made available in this Act for infrastructure investment, recipients shall give preference to activities that can be started expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after the date of the Act. Recipients shall also use grant funds in a manner that maximizes job creation and economic benefit.

1.1 As of February 17, 2009, when will your project be prepared to start construction?  
 Already Started  Within 60 days  Within 120 days  Within 180 days  Within 365 days

To enter into a loan agreement, organizations must have debt authorization. If you are not sure what this requires for your organization, refer to the "WIFA Debt Authorization Guidance Document" and "Sample Debt Authorization Resolution."

1.2 Do you currently have debt authorization?  Yes  No. If no, when will do you plan on receiving debt authorization? Prior to:  March, 31, 2009  April 14, 2009  May 19, 2009  June 16, 2009  Other

1.3 After the start of construction, when will construction be completed and/or the final loan disbursement be requested from WIFA?  Within 6 months  Within 1 year  Within 2 years  Within 3 years

**SECTION 2: USE OF AMERICAN IRON, STEEL, AND MANUFACTURED GOODS**

ARRA Sec. 1605. Use of American Iron, Steel, and Manufactured Goods. (a) None of the funds appropriated or otherwise made available by this Act for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used are produced in the United States. (b) Subsection (a) shall not apply in any case or category of cases in which the head of the Federal department or agency that--

- applying subsection (a) would be inconsistent with the public interest;
- iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a quality; or
- inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent;
- If the head of a Federal department or agency determines that it is necessary to waive the application of subsection (a) based on a finding under this section, the head of the department or agency shall publish in the Federal Register a detailed written justification as to why the provision is being waived.
- This section shall be applied in a manner consistent with United States obligations under international agreements.

2.1 Are you willing to include this "Use of American Iron, Steel, and Manufactured Goods" requirement in your plans and specification documents and supporting documentation that you have complied with this requirement?  Yes  No  
 If No, please provide a brief explanation below:

2.2 If you have already solicited bids, was this requirement included?  Yes  No. If No, would you be willing to re-bid?  Yes  No. If you would re-bid, please adjust your answer in Section 1, if necessary.

**SECTION 3: WAGE RATE REQUIREMENT**

Sec. 1606. Notwithstanding any other provision of law and in a manner consistent with other provisions in this Act, all laborers and mechanics employed and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to this Act shall be paid not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter I of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and for Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code.

3.1 Are you willing to include this "Wage Rate Requirement" in your plans and specification documents and provide supporting documentation that you with this requirement?  Yes  No

If No, please provide a brief explanation below:

[Empty text box for explanation]

3.2 If you have already solicited bids, was this requirement included?  Yes  No If No, would you be willing to re-bid?  Yes  No If you bid and re-bid, please adjust your answer in Section 1, if necessary.

SECTION 4: POTENTIAL PROJECT DELAYS

4.1 To your knowledge, are there any issues such as NEPA compliance, SHPO compliance, Permit requirements, etc, that could possibly delay your project?  Yes  No

If yes, please explain briefly below:

[Empty text box for explanation]

SECTION 5: REPORTING REQUIREMENTS

5.1 Each Calendar quarter during construction, you will be required to provide a report outlining at a minimum the following information:

- Completion status of the project
- Estimated number of jobs created each quarter
- Estimated number of jobs retained since the last quarter

Will you be capable of providing this type of reporting?  Yes  No

5.2 Please estimate the total number of jobs 3 that will be created or retained if this project receives ARRA funding and provide a brief explanation:

Retainage of (1) technician to review data  
(1) service person to install meters  
(1) service person to complete documentation

SECTION 6: GREEN, EFFICIENT, INNOVATIVE PROJECTS

6.1 Does your project address any of the following: green infrastructure, water or energy efficiency improvements or other environmentally innovative practices?  Yes  No

6.2 Sustainability Infrastructure Practices

Percent

A. Water Re-Use & Conservation - Project/System

The use of improved technologies and practices to deliver equal or better services with less water.

- project will generate or utilize reclaimed water for direct re-use
- project will correct water loss issues
- project will enhance water conservation program(s)

B. Energy Use & Conservation (Efficiency)

Includes capital projects that reduce the energy consumption of eligible water quality projects or produce clean energy used by a treatment works

- project will significantly improve system efficiency
- project will employ significant alternative energy sources and/or co-generation efforts
- project will include an Energy Audit

C. Green Practices (Green Infrastructure)

Green Infrastructure includes a wide array of practices at multiple scales that manage wet weather to maintain and restore natural hydrology by infiltrating, evapotranspiring and capturing and using stormwater.

- project will address stormwater through green infrastructure practices

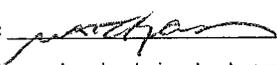
D. Environmentally Innovative Projects

Projects that demonstrate new and/or innovative approaches to managing water resources in a more sustainable way, including projects that achieve pollution prevention or pollutant removal at the least life-cycle costs, subject to environmental review results. Includes approaches to incorporate green infrastructure into drinking water, stormwater and wastewater utility infrastructure and management.

- project utilizes solid waste reduction alternatives
- project meets EPA "Green Building" practices
- other: \_\_\_\_\_

6.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate and complete.

First Name	Last Name	Title
Martin	Garlant	Business Manager

Authorized Signature:  Date: 3/16/09

This Application Addendum must be printed, signed and returned to WIFA within 5 days of electronic submittal

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# **EXHIBIT 4**



**ALGONQUIN**  
WATER RESOURCES  
— OF AMERICA, INC. —

March 12, 2009

TO WHOM IT MAY CONCERN

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**RE: Debt Authorization**

Algonquin Water Resources of America (“AWRA”), a Delaware corporation, owns 18 water and wastewater utilities in the States of Arizona, Texas, Missouri and Illinois. The following AWRA owned utilities are making applications to Arizona's Water Infrastructure Finance Authority (WIFA) for loans to finance capital works:

Litchfield Park Service Company (LPSCo), located in Litchfield Park, Avondale, Goodyear and Maricopa County;

Bella Vista Water Co, Inc. located in Sierra Vista and Hereford;

Northern Sunrise Water Company, Inc. located in Whetstone;

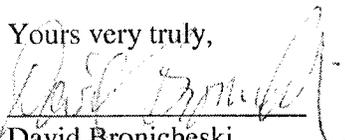
Southern Sunrise Water Company, Inc. located in Hereford;

Rio Rico Utilities Inc., located in Rio Rico; and

Black Mountain Sewer Corporation, located in Carefree and Cave Creek.

Debt Authorization is hereby granted as of this date to these utilities by AWRA, all of which is subject to approval of the Arizona Corporation Commission (ACC). Application to the ACC for approval of the debt will be made by each relevant utility within three (3) weeks of notification by WIFA that its application has been approved. Each utility has no control over the time it will take to receive ACC approval of the debt.

Yours very truly,

  
David Bronicheski  
Chief Financial Officer

  
Robert Dodds  
President

---

Algonquin Water Services, LLC  
111 W. Wigwam Road  
Suite B  
Litchfield Park, AZ 85340

Ph: 623-935-9367  
Fax: 623-935-1020