

NEW APPLICATION
ORIGINAL
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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED
MAR 13 2009

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BEFORE THE ARIZONA CORPORATION COMMISSION

8 IN THE MATTER OF THE APPLICATION
9 OF BELLA VISTA WATER COMPANY,
10 INC., AN ARIZONA CORPORATION,
11 FOR AUTHORITY (1) TO ISSUE
12 EVIDENCE OF INDEBTEDNESS IN AN
13 AMOUNT NOT TO EXCEED \$65,000 IN
14 CONNECTION WITH (A) THE
15 CONSTRUCTION OF WATER SYSTEM
16 INFRASTRUCTURE IMPROVEMENTS
17 AND (2) TO ENCUMBER ITS REAL
18 PROPERTY AND PLANT AS SECURITY
19 FOR SUCH INDEBTEDNESS.

W-02465A-09-0117 —
DOCKET NO. W-02465A-09-_____
APPLICATION (FINANCING)

17 Pursuant to A.R.S. §§ 40-285, 40-301 and 40-302, Bella Vista Water Company,
18 Inc. ("BVWC" or the "Company"), an Arizona public service corporation, hereby applies
19 for authority from the Arizona Corporation Commission ("Commission") to (1) issue
20 evidence of indebtedness in an amount not to exceed \$65,000 on the terms and conditions
21 to be set forth by the Water Infrastructure and Finance Authority ("WIFA"), and (2)
22 encumber its real property and utility plant as security for such indebtedness. This debt
23 will be incurred for the purpose of the installation of fire hydrant locks in the BVWC
24 system.

25 In support of this application, BVWC states as follows:
26

1 **A. General Background.**

2 1. The Company is a public service corporation providing water service to
3 approximately 8,548 customers in Santa Cruz County, Arizona. BVWC's current rates
4 and charges were authorized in Decision No. 65350 (November 1, 2002).

5 2. BVWC's business office is located at 4055 Campus Drive, Sierra Vista,
6 Arizona 85635. Its telephone number is (520) 458-5470, and its telecopier number is
7 (520) 459-6680. The Company's primary management contact is Greg Sorensen.
8 Mr. Sorensen is also responsible for overseeing and directing the conduct of this
9 Application. His telephone and telecopier numbers are (623) 298-3753 and (623) 935-
10 1020 respectively. His email address is Greg.Sorensen@algonquinwater.com. All
11 discovery, data requests and other requests for information concerning this Application
12 should be directed to Mr. Sorensen, with a copy to counsel for the Company in this
13 matter, Jay L. Shapiro (jshapiro@fclaw.com).

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

16 **B. Purposes of Financial Transactions.**

17 4. The primary purpose of the long-term debt financing contemplated herein is
18 to install fire hydrant locks in the BVWC system. The total estimated cost of the
19 additional plant and improvements is approximately \$65,000.00. The Company will
20 provide a detailed breakdown of the estimated cost of the water system improvements as a
21 late-filed exhibit. The water infrastructure improvements are necessary to reduce water
22 loss due to theft.

23 **C. Terms and Conditions of Financial Transactions.**

24 5. The Company has applied to WIFA for financing, in large part, because
25 WIFA expects to receive monies from the recent federal stimulus package. Copies of the
26 Company's WIFA application is attached hereto as **Exhibit 2**. However, the specific,

1 actual terms of the WIFA financing are not known at this time. BVWC will supplement if
2 and when such information becomes available.

3 6. The Company expects that its repayment obligation to WIFA will be secured
4 by the grant of a security interest in some or all of its real property and its water plant and
5 system, which property and facilities are yet to be identified.

6 **D. Effects of Financial Transactions.**

7 7. The Company's proforma balance sheet for the period ending December 31,
8 2008, is attached at **Exhibit 3**. The pro forma balance sheet reflects the impact of the
9 financing transactions that are the subject of this Application. The pro forma income
10 statements will be filed as a late filed exhibit to this Application. The loan proceeds will
11 be issued for lawful purposes, and the execution of the loan agreement with WIFA and the
12 grant of a security interest in BVWC's real property, plant and system, and the
13 undertaking of the obligations set forth therein are within the Company's corporate
14 powers. A Corporate Resolution authorizing the contemplated transaction is attached at
15 **Exhibit 4**.

16 8. The financial transactions contemplated herein are compatible with sound
17 financial practices. BVWC has been urged by the Commission's Chairman to seek WIFA
18 financing to help address capital improvement needs with low cost financing. BVWC
19 agrees that the pursuit of such financing is warranted.

20 9. The approvals sought herein are compatible with the public interest and with
21 the proper performance of BVWC's duties as a public service corporation. The proceeds
22 of the financing will be utilized exclusively to install fire hydrant locks in the BVWC
23 system. No portion of the proceeds will be used to pay operating expenses. The
24 approvals sought herein are necessary to ensure the Company's ability to continue to
25 provide safe and reliable water utility service in compliance with all applicable law and
26 regulation, including the rules and regulations of ADEQ.

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

2
3 Docket Control
4 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

5

6 By: *N. N. [Signature]*
2175330.1/17962.001

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EXHIBIT 1

**Bella Vista Water
Profit and Loss Statement
For the Year Ended December 31, 2008**

	<u>2008</u>
Revenue	
Metered Water Revenues	\$3,374,725
Other Revenues	126,035
Total Revenue	3,500,760
Operating Expenses	
Salaries and Wages	
Purchases Water	691
Purchased Power	537,026
Fuel for Power Production	
Sludge and Removal Expense	
Chemicals	4,148
Materials & Supplies	35,187
Contractual Services - Accounting	5,009
Contractual Services - Testing	59,590
Contractual Services - Other	1,267,709
Contractual Services - Legal	17,907
Equipment Rental	5,857
Rents - Building	60,600
Transportation Expenses	81,847
Insurance - General Liability	40,425
Insurance - Vehicle	4,887
Regulatory Commission Expense	9,190
Miscellaneous Expense	62,153
Bad Debt Expense	11,043
Depreciation & Amortization	540,030
Property Taxes	191,285
Total Operating Expenses	2,934,584
Operating Income	566,176
Interest Expense	120,889
Total Other Income (Expense)	120,889
Net Profit (Loss)	445,287

EXHIBIT 2

**Bella Vista Water
BALANCE SHEET
AS AT December 31, 2008**

	2008	Ajdustments	2008 Proforma
ASSETS			
Current Assets			
Cash - Operating	\$77,418		\$77,418
Accounts Receivable	356,732		\$356,732
Prepays	20,519		\$20,519
Deposits	1,135		\$1,135
Total Current Assets	455,804		455,804
Intercompany			
Net Property Plant and Equipment	13,378,306	65,000	\$13,443,306
Other Assets			
Deferred Costs	6,959		\$6,959
Total Other Assets	6,959		\$6,959
Total Assets	13,841,069	65,000	13,906,069
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Liabilities	494,586		\$494,586
Current Taxes Payable	(10,241)		(\$10,241)
Current Portion of Long Term Debt	111,632		\$111,632
Total Current Liabilities	595,977		595,977
Long Term Liabilities			
Intercompany Notes Payable	381,043		\$381,043
Third Party Loans	1,424,266	65,000	\$1,489,266
Customer Meter Deposits	723,792		\$723,792
Customer Advances in Aid of Construction	6,409,201		\$6,409,201
Deferred Income Tax	(101,160)		(\$101,160)
Total Long Term Liabilities	8,837,142	65,000	8,902,142
Total Liabilities	9,433,119	65,000	9,498,119
SHAREHOLDERS EQUITY			
Contributed Capital			
Common Shares	1,898,028		\$1,898,028
Total Contributed Capital	1,898,028		1,898,028
Earnings			
Retained Earnings	4,807,257		\$4,807,257
Year to Date Income	445,287		\$445,287
Dividends Paid	(2,742,622)		(\$2,742,622)
Total Earnings	2,509,922		2,509,922
Total Shareholders' Equity	4,407,950		4,407,950
Total Liabilities and Equity	13,841,069	65,000	13,906,069

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-185-2009 |  [Print](#)

1.1 Applicant: Bella Vista 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: 8548 Population Served by the System: 25644

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

1.8 Existing Debt (principal only) Payable by System Users: \$1,840,244.82

1.9 Median Household Income: \$38,427.00

1.10 ADEQ System Identification Number (PWS #): AZ0402010,AZ0402007

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: Installation of Fire Hydrant Locks

2.2 Type of loan required during this funding cycle? Design \$0.00 and/or Construction \$65,000.00

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

Bella Vista Water Company (BVWC) is located in Sierra Vista, AZ, in the San Pedro River Natural Conservation Area. In order to protect our constantly looks for ways to reduce water loss in order to conserve our natural resources. Part of the problems encountered is water loss due to theft hydrants.

2.4 Briefly summarize below the Solution

Installation of fire hydrant locks will provide a very effective and low cost solution to water loss due to theft from hydrants, as well as help resources.

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: _____ [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: Installation of hydrant locks to prevent water loss through theft

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: 6/1/2009 [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:	\$65,000.00
Other Source: _____	\$0.00
Total Cost:	\$65,000.00

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-650001.pdf	RA Letter - Debt Authorization - March 12 2009.pdf

Authorized Signature: 

Date: 3/6/09

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

Community Name: Bella Vista Water Company Date: Friday, 03/06/2009 @ 11:13 AM
Project Contact: Martin Garland Phone: (520) 281-7000
Project ID: DW-185-2009 Email: martin.garland@algonquinpower.com
Project Title: Installation of Fire Hydrant Locks

Should this Application be considered for American Recovery and Reinvestment Act funds? [X] Yes [] No. If Yes, complete the following que...

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...

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 sta...

1.1 As of February 17, 2009, when will your project be prepared to start construction?
[] Already Started [] Within 60 days [] Within 120 days [X] 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 a...

1.2 Do you currently have debt authorization? [] Yes [X] No. If no, when will do you plan on receiving debt authorization? Prior to: [] March, 31...

1.3 After the start of construction, when will construction be completed and/or the final loan disbursement be requested from WIFA? [] Within 6 mo...

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 n...

- 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...

2.1 Are you willing to include this "Use of American Iron, Steel, and Manufactured Goods" requirement in your plans and specification documents and...

If No, please provide a brief explanation below:

2.2 If you have already solicited bids, was this requirement included? [] Yes [X] No If No, would you be willing to re-bid? [] Yes [X] No If you l...

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 emp...

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 I and re-bid, please adjust you 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 pr 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 2 that will be created or retained if this project receives ARRA funding and provide a brief explanat

Retainage of (2) field personnel to install hydrant locks throughout system.

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 Yes No

6.2 Sustainability Infrastructure Practices

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

[x] 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

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

Authorized Signature:  Date: 3/6/09

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

EXHIBIT 4



ALGONQUIN
WATER RESOURCES
— OF AMERICA, INC. —

March 12, 2009

TO WHOM IT MAY CONCERN

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;

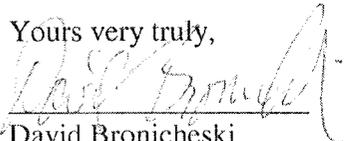
Southern Sunrise Water Company, Inc. located in Hereford;

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