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NEW APPLICATION



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MAR 13 2009

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LAWRENCE V. ROBERTSON, JR.  
ATTORNEY AT LAW

P. O. BOX 1448  
TUBAC, ARIZONA 85646

(520) 398-0411  
FAX: (520) 398-0412  
EMAIL: TUBACLAWYER@AOL.COM

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

OF COUNSEL TO  
MUNGER CHADWICK, P.L.C.

ADMITTED TO PRACTICE IN:  
ARIZONA, COLORADO, MONTANA,  
NEVADA, TEXAS, WYOMING,  
DISTRICT OF COLOMBIA

March 13, 2009

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

W-03718A-09-0122

Re: Sahuarita Water Company, LLC  
Docket No. W-03718A-09-\_\_\_\_\_

To Whom It May Concern:

Enclosed for filing are the original and thirteen (13) copies of an Application for long-term debt financing authorization, together with supporting Appendices "A" through "J," on behalf of Sahuarita Water Company, LLC.

Thank you for your assistance. Please advise me if you have any questions.

Sincerely,

Angela R. Trujillo

Secretary

Lawrence V. Robertson, Jr.

Arizona Corporation Commission  
DOCKETED

MAR 16 2009

DOCKETED BY [initials]

ARIZONA CORP. COMMISSION  
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NEW APPLICATION

BEFORE THE ARIZONA CORPORATION COMMISSION  
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COMMISSIONERS

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KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

MAR 13 2009

AZ CORP COMMISSION  
DOCKET CONTROL

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

W-03718A-09-0122

IN THE MATTER OF THE APPLICATION OF )  
SAHUARITA WATER COMPANY, LLC FOR ) DOCKET NO. W-03718A-09-\_\_\_\_  
AUTHORITY TO INCUR LONG-TERM )  
INDEBTEDNESS TO FINANCE WATER ) APPLICATION  
SYSTEM IMPROVEMENTS )

Pursuant to A.A.C. R14-3-106 (F) and A.R.S. 40-301 et seq., Sahuarita Water Company, LLC ("SWC"), by and through its undersigned counsel, hereby makes Application for an Opinion and Order authorizing it to incur certain long-term indebtedness for the purpose of financing water system improvements. In support of its Application, SWC submits the following information.

I.

DESCRIPTION OF APPLICANT

SWC is an Arizona public service corporation subject to regulation by the Arizona Corporation Commission ("Commission") as a water utility. SWC has received certificates of convenience and necessity authorizing it to provide potable water service to the public within a certificated service area in the vicinity of Sahuarita, Arizona. At present, SWC provides such service to approximately 4,622 customer connections. These customer connections consist of 4,458 residential, 17 commercial and 147 irrigation and construction.

II.

CIRCUMSTANCES OCCASIONING APPLICATION

By way of background, water withdrawn from SWC's production wells was tested in 2004 under the MAP program and determined to be in compliance with the United States Environmental Protection Agency's ("EPA") arsenic concentration standard of 50 ppb then in

LAWRENCE V. ROBERTSON, JR.  
ATTORNEY AT LAW  
P.O. Box 1448  
Tubac, Arizona 85646  
(520) 398-0411

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1 effect. However, the measured concentration levels were in excess of the 10 ppb standard which  
2 was scheduled to become effective in January 2006. Accordingly, SWC drilled an additional  
3 well in 2006 with the intent of blending the production from that well with its two (2) pre-  
4 existing production wells. But, the production from the third well was also in excess of 10 ppb,  
5 and SWC thus determined that blending the output from that well was not an available arsenic  
6 remediation measure.<sup>1</sup>

7 In 2007, SWC's two (2) existing production wells were again tested under the MAP  
8 program and determined to be in compliance with the 10 ppb standard that went into effect in  
9 2006. However, one (1) of the wells was barely in compliance, because it tested at 9.9 ppb.  
10 Those same wells were tested again in 2008, in connection with the design of the centralized  
11 arsenic treatment facility which is the subject of this Application, and were found to be in excess  
12 of 10 ppb. In addition, during 2007 SWC initiated a well exploratory program, which was  
13 designed to enhance SWC's water production capability and quality. The program results  
14 became available in 2008, and disappointingly indicated that water produced from each of five  
15 (5) wells that had been drilled would require arsenic treatment.

16 Under the Arizona Department of Environmental Quality ("ADEQ") and Safe Drinking  
17 Water Act ("SDWA") sampling cycles, 2010 will be the next arsenic concentration sample test  
18 year for SWC.<sup>2</sup> Given the aforesaid background with respect to its existing production wells and  
19 the presence of elevated arsenic levels within its anticipated future sources of water supply, SWC  
20 concluded that it would be prudent for the company to implement a proactive arsenic treatment  
21 program at this time, in order to insure that SWC is in compliance with the SDWA and the  
22 EPA's arsenic concentration regulations at all times, including the forthcoming 2010 sample test  
23 year. In this manner, SWC can be in a position to assure the ongoing delivery of drinking water  
24 to its customers in compliance with applicable statutes and regulations.

25 Accordingly, SWC has contracted to construct a 2,000 gallon per minute (gpm)  
26 centralized arsenic treatment facility during 2009, which would be connected to SWC's

27 <sup>1</sup> The third well was not completed as a production well.

28 <sup>2</sup> By reason of system customer growth since 2007, SWC has outgrown the MAP program, and will conduct its own  
arsenic concentration test(s) in 2010.

LAWRENCE V. ROBERTSON, JR.  
ATTORNEY AT LAW  
P.O. Box 1448  
Tubac, Arizona 85646  
(520) 398-0411

1 production wells by approximately 2.5 miles of collector transmission mains. In that regard,  
2 attached hereto as Appendix "A" and incorporated herein by this reference is an itemization of  
3 the aforesaid capital improvements, and the currently anticipated associated cost(s). As may be  
4 noted therefrom, the centralized arsenic treatment facility is estimated to cost \$2,686,523,<sup>3</sup> and  
5 the aforesaid collector transmission mains are estimated to cost \$2,008,000, for a total capital  
6 expenditure of \$4,694,523, inclusive of contingency allowances.

7 **III.**

8 **PROPOSED FINANCING ARRANGEMENT**

9 As noted in Section II above, SWC intends to have the aforesaid centralized arsenic  
10 treatment facility in service by the end of 2009. In order to facilitate this construction schedule,  
11 SWC originally intended to borrow funds from its investors on a short-term basis,<sup>4</sup> with the  
12 understanding and intent that such short-term borrowings would be replaced with funds obtained  
13 through a long-term loan arrangement with the Water Infrastructure Financing Authority of  
14 Arizona ("WIFA") and/or a commercial bank. In that regard, on January 27, 2009, SWC  
15 submitted a Project Financial Assistance Priority List ("PPL") Application to WIFA, in order to  
16 commence the WIFA loan application process. A copy of that application is attached hereto as  
17 Appendix "B," and is incorporated herein by this reference. Thereafter, on February 17, 2009,  
18 SWC filed an Application with the Commission requesting short-term debt financing  
19 authorization<sup>5</sup> from the Commission, which Application was assigned Docket No. W-03718-09-  
20 0065. In addition, representatives of SWC have met with representatives of Wells Fargo Bank  
21 and Compass Bank to explore a possible long-term commercial bank lending arrangement, in the  
22 event WIFA funding was either unavailable or available only on less favorable terms.

23  
24  
25 <sup>3</sup> This estimate includes the cost of the facilities necessary to transport water from the centralized arsenic treatment facility to SWC's storage reservoirs.

26 <sup>4</sup> As used herein, "short-term" means a loan period of duration of less than twelve (12) months.

27 <sup>5</sup> SWC's construction schedule contemplates a substantial expenditure of funds in the initial stages of construction; and, it is conceivable that the amount required to be borrowed and disbursed for such purpose could exceed 7% of SWC's total capitalization before SWC is able to obtain long-term financing authorization for the water system improvements here in question. As the Commission is aware, A.R.S. § 40-302(D) provides that short-term borrowings in excess of 7% of a public service corporation's total capitalization require prior Commission authorization.

LAWRENCE V. ROBERTSON, JR.  
ATTORNEY AT LAW  
P.O. Box 1448  
Tubac, Arizona 85646  
(520) 398-0411

1 Subsequent to the filing of its Application in Docket No. W-03718-09-0065, SWC  
2 received a February 20, 2009 letter from Chairman Mayes encouraging SWC to explore the  
3 availability of federal "stimulus" funds being administered by WIFA under the auspices of the  
4 Federal Economic Recovery legislation. A copy of Chairman Mayes' letter is attached hereto as  
5 Appendix "C," and is incorporated herein by this reference. As a follow-up to Chairman Mayes'  
6 letter, and as a result of communications SWC had independently been having with  
7 representatives of WIFA, on March 5, 2009, SWC filed an amendment to the PPL Application it  
8 had filed with WIFA on January 27, 2009. The amendment to the PPL Application was intended  
9 to assist WIFA in determining whether SWC's loan application might qualify for federal  
10 "stimulus" funding; and, a copy of that amendment is attached hereto as Appendix "D," and is  
11 incorporated herein by this reference. Thereafter, on March 9, 2009, SWC responded to  
12 Chairman Mayes' February 20, 2009 letter, and therein advised her of the contemplated water  
13 system facilities which are the subject of this Application and SWC's intent to seek federal  
14 "stimulus" funding. A copy of that letter is attached as Appendix "E," and is incorporated herein  
15 by this reference. Finally, after having been advised by WIFA on or about March 10, 2009 that  
16 SWC's January 27, 2009 PPL Application appears to qualify for funding under the American  
17 Recovery and Reinvestment Act ("ARRA"), SWC filed an ARRA Loan Application supplement  
18 with WIFA on March 12, 2009. A copy of that ARRA Loan Application supplement is attached  
19 hereto as Appendix "F," and is incorporated herein by this reference.

20 In addition, on March 9, 2009 the undersigned counsel for SWC received a telephone call  
21 from a representative of the Commission's Staff. During the course of the ensuing conversation,  
22 it was suggested that SWC immediately file the contemplated long-term debt financing  
23 authorization Application to which reference had been made in SWC's February 17, 2009 short-  
24 term debt financing authorization Application. As SWC understood the situation, the  
25 Commission Staff believed that the best use of its personnel resources would be to focus on  
26 expediting the processing of SWC's long-term debt indebtedness authorization request, rather  
27 than the short-term debt Application currently pending in Docket No. W-03718A-09-0065.  
28

LAWRENCE V. ROBERTSON, JR.  
ATTORNEY AT LAW  
P.O. Box 1448  
Tubac, Arizona 85646  
(520) 398-0411

1 Accordingly, SWC is requesting through this Application that the Commission (i) issue  
2 an appropriate procedural order promptly setting this matter for hearing, if a hearing is found to  
3 be necessary, and thereafter (ii) issue an Opinion and Order authorizing SWC to borrow up to  
4 \$4,694,523 for the aforesaid purposes pursuant to a long-term loan arrangement with WIFA  
5 and/or a commercial bank.<sup>6</sup>

6 **IV.**

7 **PROPOSED FINANCING CONSISTENT WITH A.R.S. 40-301 ET SEQ.**

8 SWC believes that the proposed financing is (i) within the corporate powers of SWC, (ii)  
9 compatible with the public interest, (iii) compatible with sound financial practices, (iv)  
10 compatible with the proper performance by SWC of service as a public service corporation and  
11 (v) will not impair its ability to perform that service.

12 **V.**

13 **CONCLUSION**

14 WHEREFORE, SWC hereby requests that the Commission set the instant Application for  
15 hearing at the earliest practicable date, if a hearing is found to be necessary, and thereafter issue  
16 an Opinion and Order authorizing SWC to incur long-term indebtedness in the amount of up to  
17 \$4,694,523 pursuant to a loan arrangement with WIFA and/or a commercial bank in order to  
18 finance the design and construction of the aforesaid water system improvements.<sup>7</sup>

19  
20 Dated this 13<sup>th</sup> day of March 2009.



21 Lawrence V. Robertson, Jr.  
22 P. O. Box 1448  
23 Tubac, Arizona 85646  
24 Attorney for Sahuarita Water Company, LLC

25 <sup>6</sup> In that regard, attached hereto as Appendices "G" and "H," and incorporated herein by this reference are copies of  
26 a final Balance Sheet and Income Statement for the twelve (12) months ended December 31, 2008 for SWC. In that  
27 regard, neither SWC nor any of its predecessors-in-interest has previously requested any form(s) of financing  
28 authorization from the Commission; and, SWC does not have any outstanding debt at present. Also enclosed as  
Appendices "I" and "J," respectively, and incorporated herein by this reference, are copies of a Cash Flow Analysis  
for SWC for the twelve (12) months ended December 31, 2008, and a Statement of Changes In Owner's Equity for  
the year ended December 31, 2008.

<sup>7</sup> As the Commission is aware, WIFA will not take final action on a loan application from a public service  
corporation until the Commission has first authorized the indebtedness proposed to be incurred.

LAWRENCE V. ROBERTSON, JR.  
ATTORNEY AT LAW  
P.O. Box 1448  
Tubac, Arizona 85646  
(520) 398-0411

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Original and thirteen (13) copies of  
the above Application will be filed on  
March 13, 2009 with:

Docket Control  
Arizona Corporation Commission  
c/o 400 West Congress, Suite 218  
Tucson, Arizona 85701

A copy of the above Application  
will be mailed/emailed that same date to:

Ernest Johnson, Director  
Utilities Division - ACC  
1200 West Washington Street  
Phoenix, Arizona 85007

Steve Olea, Assistant Director  
Utilities Division - ACC  
1200 West Washington Street  
Phoenix, Arizona 85007

Janice Alward, Chief Counsel  
Legal Division - ACC  
1200 West Washington Street  
Phoenix, Arizona 85007

Mark J. Seamans, President  
Sahuarita Water Company, LLC  
P.O. Box 1520  
Sahuarita, Arizona 85629

  
\_\_\_\_\_

# Appendix “A”

SAHUARITA WATER CO, LLC  
ARSENIC TREATMENT PROJECT  
SUMMARY OF COSTS

<u>Project</u>		<u>Estimate</u>		<u>Contingency</u>		<u>Total Costs</u>
Arsenic Treatment Plant	\$	2,567,596	\$	118,927	\$	2,686,523
Well 18 Transmission Main	\$	1,018,000	\$	204,000	\$	1,222,000
Well 14 Transmission Main	\$	655,000	\$	131,000	\$	786,000
<b>TOTAL</b>	<b>\$</b>	<b>4,240,596</b>	<b>\$</b>	<b>453,927</b>	<b>\$</b>	<b>4,694,523</b>

SAHUARITA WATER COMPANY, LLC

COSTS FOR ARSENIC TREATMENT PLANT

<u>Description</u>	<u>Arsenic Treatment Plant</u>
Furnish all labor, materials and equipment necessary to install chlorinator, including all connections per plans and specifications complete.	\$ 36,311
Furnish all labor, materials and equipment to provide a 12' wide lime treated A B access road per plans and specifications complete.	\$ 19,500
Furnish all labor, materials and equipment to install chain link fence with 16' access gate, track and appurtenances per plans and specifications complete.	\$ 4,698
Furnish all labor, materials and equipment to install block wall, including connection to existing block wall, sleeve for future pipeline, and all appurtenances per plans and specifications complete.	\$ 70,508
Furnish all labor, materials and equipment to install electrical and instrumentation equipment per plans and specifications complete.	\$ 40,000
Furnish all labor, materials and equipment to install control panel including coordination with Malcolm Pirnie to perform telemetry programming per plans and specifications complete.	\$ 10,000
Furnish all labor, materials and equipment to install fiber optics lines, pull boxes, connections and appurtenances per plans and specifications complete.	\$ 11,445
Furnish all labor, materials and equipment to install 24" V905 DR 18 PVC pipeline including all valves, fittings and connections per plans and specifications complete.	\$ 120,900
Furnish all labor, materials and equipment to install 16" DIP main including tank connections, recoating valves, existing storage tanks, and fitting per plans and specifications complete.	\$ 106,435
Furnish all labor, materials and equipment to complete site pad, final grading and 2" of 3/4" gravel per plans and specifications complete.	\$ 18,216
	\$ 438,013
Bond	\$ 6,973
Taxes	\$ 28,756
Bid Total	<u>\$ 473,742</u>
Furnish all labor, materials and equipment necessary to install level electrode assemblies on reservoirs including new tank connections per plans and specifications complete.	\$ 4,350
Install alternative drainage channel section indicated in detail 1, sheet 17 per plans and specifications complete.	\$ 28,800
Furnish all labor, materials and equipment necessary to install shade structure for chlorinator per plans and specifications complete.	\$ 6,430
Furnish all labor, materials and equipment necessary to hot tap tank connections and recoat tank using a certified diver per plans and specifications complete.	\$ 3,950
Furnish all labor, materials and equipment necessary to have certified diver inspect tanks and provide written inspection reports per plans and specifications complete.	\$ 5,880
Furnish all labor, materials and equipment necessary to re-coat the interior of the existing 1.0 MG 2850-Zone reservoir including surface preparation, tank draining, and disinfection per plans and specifications complete.	\$ 118,886
	<u>\$ 168,296</u>
Bond	\$ 1,670
Taxes	\$ 11,049
Addendum Total	<u>\$ 181,015</u>
Total Bid plus Alternates	\$ 654,757

SAHUARITA WATER COMPANY, LLC

COSTS FOR ARSENIC TREATMENT PLANT

	<u>Description</u>	<u>Arsenic Treatment Plant</u>
<b>Layne Christensen</b>		
	Layne Christensen	\$ 1,400,000
	Bond	\$ 14,000
	Taxes	\$ 91,910
	Layne Christensen Total	<u>\$ 1,505,910</u>
<b>Miscellaneous</b>		
	Paul Jacobson	\$ 10,000
	Westland Inspections (Total \$29,250)	\$ 19,013
	Arsenic Treatment Ph 1_Westland OPCC 102208 (attached)	\$ 397,500
	Trico	\$ 30,000
	Fiber Optics - design/program	\$ 16,667
	Miscellaneous Total	<u>\$ 473,179</u>
	Sub-Total (Bid, Alternates, Layne and Misc)	\$ 2,633,846
	Contingency	<u>\$ 52,677</u>
	Total Budget	<u><u>\$ 2,686,523</u></u>

**DRAFT**  
**Preliminary Opinion of Probable Construction Cost - Phase I SWC Arsenic Treatment Plant**

**Project Name:** Phase I SWC Arsenic Treatment  
**Project Number:** 217.149 X 8000  
**Location:** Sahuarita, AZ  
**Description:** Phase I Arsenic Treatment Plant to treat Wells 14 and 18

**Prepared by:** EKB  
**Checked by:** MFT  
**Date:** 10/22/2008  
**Date:**  
**Client:** SWC

Item No.	Description of Item	Units of Measure	Estimated Quantity	Unit Price	TOTAL	Remarks
1	Install 4 - 10" diameter arsenic treatment vessels and cartridge filter including all piping, appurtenances and fittings	LS	1	\$100,000	\$100,000	
2	Install site piping including all header piping, valves, fittings, appurtenances, including installing vendor supplied equipment, and all connections	LS	1	\$125,000	\$125,000	Including aboveground 12-inch flow meter, flow control valve in 24 main, and all pipelines, valving and connections to new treatment plant.
3	Cost of Accu-Tab Chlorination System and Analyzer	LS	1	\$35,000	\$35,000	A total of \$36,311 in Well 23 bid for Hammonds unit and installation. A previous Accu-Tab quote for a 1,500 gpm system was \$18,560 for unit and \$13,020 for the building, as well as an estimate of \$3,500 for the chlorine analyzer.
4	Install Chlorination System and residual analyzer	LS	1	\$8,000	\$8,000	
5	Construct concrete pads	LS	1	\$45,000	\$45,000	
6	Electrical, control, and telemetry work	LS	1	\$38,250	\$38,250	Provided by Rick Cimney Engineering (see attachment). Excluding 15% contingencies from estimate.
7	Materials necessary to load media and gravel	LS	1	\$10,000	\$10,000	Cost of labor and grain rental.
8	Paint arsenic treatment vessel, bag filter vessel, above ground piping, and all appurtenances	LS	1	\$10,000	\$10,000	

<b>Subtotal</b>	331,250
<b>20% Contingencies, Payment Bonds, and Taxes</b>	44,250
<b>TOTAL</b>	375,500

**Note:** Cost excludes the 24-inch pipeline and all site work as shown in Well No. 23 plans. Also excludes equipment provided by Layne Christensen





**SWC TRANSMISSION MAINS**  
(CIP# 08-142, 08-146)

**ENGINEER'S OPINION OF PROBABLE CONSTRUCTION COSTS**  
90% SUBMITTAL

Client: Sahuena Water Company  
Stantec Job No.: 185120032  
Prepared by: MG  
18-NOV-2008

Description	Unit	Page - SWO CIP # 08-142					Page - SWO CIP # 08-146					TOTAL CIP # 08-142	TOTAL CIP # 08-146	UNIT COST	SUBTOTAL COST CIP # 08-142	SUBTOTAL COST CIP # 08-146	TOTAL COST	
		8	9	10	11	12	13	14	15	16	17							
CATCH BASIN, UNDERWATER EQUIPMENT (1-F CELL) SPECIAL PER DTL. 1, SHT. 6	LS				1							1			\$ 5,000.00	\$ 5,000.00		\$ 5,000.00
CATCH BASIN, UNDERWATER EQUIPMENT (1-F CELL) SPECIAL PER DTL. 1, SHT. 6	LS				1							1			\$ 5,000.00	\$ 5,000.00		\$ 5,000.00
OBJECT BURIED CABLE	LF	887	1289	1150	908	1278	1274					4026			\$ 3.50	\$ 14,016.00	\$ 9,268.00	\$ 23,284.00
CONDUIT, 8" (12P) (SECOND IN TRENCH)	LF	1284	2500	2300	1815							8019			\$ 7.50	\$ 60,142.50		\$ 60,142.50
PULL BOX, 60x26x18 (12P)	EA	2	2	2	2							8			\$ 7,000.00	\$ 56,000.00		\$ 56,000.00
PULL BOX, 60x26x18 (12P)	EA				1	3		3	2			4			\$ 2,000.00	\$ 8,000.00	\$ 12,000.00	\$ 20,000.00
SPLICE PIT	EA														\$ 1,000.00			\$ 1,000.00
FIBER OPTIC TERMINATION	EA	2			2		2					4			\$ 2,000.00	\$ 8,000.00	\$ 4,000.00	\$ 12,000.00
MISCELLANEOUS WORK (CONSTRUCTION ADMIN/OBSERVATION)	LS	1										1			\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 40,000.00
MOBILIZATION	LS	1										1			\$ 20,000.00	\$ 20,000.00		\$ 20,000.00
Sub-Total Construction Cost															\$ 1,014,000.00	\$ 832,000.00	\$ 1,846,000.00	\$ 1,846,000.00
Contingencies															\$ 284,000.00	\$ 131,000.00	\$ 415,000.00	\$ 415,000.00
Total Construction Cost															\$ 1,298,000.00	\$ 963,000.00	\$ 2,261,000.00	\$ 2,261,000.00

# Appendix “B”

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

SECTION 1: APPLICATION INFORMATION  Print

1.1 Applicant: Sahuarita Water Company, LLC APPLICATION NUMBER: DW-045-2009 SUBMITTED: 1/27/2009  
1.2 Contact Names: Mark First Middle Initial J Last Seamans Job Title: President  
1.3 Address: PO Box 1520 City: Sahuarita State: AZ Zip: 85629  
1.4 Phone: (520)-3991105 Fax: (520) 399-1095 E-Mail: mseamans@ranchosahuarita.com

1.5 County in Which Project is Located: Pima Population Served by the System: 12,628  
1.6 Number of Connections to System: 4677

1.7 Average Monthly Fee (Base + Use): \$ 30.00  
1.8 Existing Debt (principal only) Payable by System Users: \$ 0.00  
1.9 Median Household Income: \$ 53,194

1.10 ADEQ System Identification # (PWS #): AZ0410312  
1.11 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
- 1.12 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: SWC Arsenic Treatment Plant  
2.2 Type of loan required during this funding cycle? True this is a test  Design \$ 450,000.00 and/or  Construction \$ 4,250,000.00  
2.3 Briefly summarize below the problem (Mail any supporting documentation)

In 2007, water produced for SWC's production wells was tested and determined to be in compliance with the U.S. Environmental Protection Agency's (EPA) arsenic concentration rules, which became effective in January 2006. However, samples taken from SWC's production wells in 2004 would not have satisfied EPA's current arsenic concentration rules, although, they did comply with the regulations in effect at that time. Moreover, given the geologic characteristics of the groundwater aquifer upon which SWC relies, and the fact that samples taken from the aforesaid production

wells in late 2008 exceeded the EPA standard, SWC anticipates that the arsenic concentration of water withdrawn from current and future production wells probably will not comply with EPA's rules in the future.

In that regard, under the Arizona Department of Environmental Quality (ADEQ) and Safe Drinking Water Act (SDWA) sampling cycles, 2010 would be the next arsenic concentration sample test year for SWC. However, given the aforesaid background with respect to its production wells and the presence of arsenic within its water supply, SWC has concluded that it would be prudent for the company to implement a proactive arsenic treatment program, in order to insure that SWC is in compliance with the SDWA and the EPA's arsenic concentration regulations at all times, including the forthcoming 2010 sample test year. In this manner, SWC can be in a position to assure the ongoing delivery of drinking water to its customers in compliance with applicable statutes and regulations.

2.4 Briefly summarize below the solution

SWC proposes to construct a 2,000 gallon per minute (gpm) centralized arsenic treatment facility during 2009, which would be connected to SWC's production wells by approximately 2.5 miles of collector transmission mains. The centralized arsenic treatment facility is estimated to cost \$2,700,000 and the collector transmission mains are estimated to cost \$2,000,000, inclusive of contingency allowances.

2.5 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 & Distribution
- Purchase of System(s)
- Treatment-Surface Water
- Treatment-Radionuclides
- Treatment-DBP
- Source
- Restructuring

2.6 Select Expected Project Benefit(s)

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

2.7 Water System Improvement

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

2.8 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

2.9 System Compliance (mail any supporting documents)

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

SECTION 3: AMOUNT OF PROJECT FINANCIAL ASSISTANCE

- 3.1 Estimated Date WIFA Funding Required: 11/1/2009
- 3.2 Estimated Financial Assistance Costs & Funding Source

Funding Source	Project Costs
Amount Funded Locally:	\$ 0.00
Amount Requested from WIFA:	\$ 4,700,000.00
Other Source:	\$ 0.00
<b>Total Finance Cost:</b>	<b>\$ 4,700,000.00</b>

**SECTION 4: READINESS TO PROCEED INDICATORS**

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

- Authorized - mail copy of official governing body debt authorization resolution or election results.
- Scheduled - Anticipated election or authorization date: 9/1/2009

**4.2 Project Plans and Specifications (Select only one)**

- Approved - mail approval notification
- Scheduled for Approval
- Engineer Selected

Enter anticipated approval date: 4/1/2009

**4.3 Applicable Local, State, and Federal Project Permits: (Select only one)**

- Obtained - mail approval notification
- Scheduled to Obtain Permit(s) - anticipated permit(s) date:
- Date of Approval Unknown
- Not Applicable - explain

**4.4 Project Bids: (Select only one)**

- Obtained - mail approval notification(s)
- Scheduled to Obtain Permit(s) - anticipated permit(s) date:
- Date of Approval Unknown

**SECTION 5: CERTIFICATION & APPROVAL**

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

Authorized Representative Name: First Mark

Last Seamans

Title: President

Authorized Signature:



Date:

1-27-09

Water Infrastructure Finance Authority of Arizona | 1110 West Washington, Suite 290, Phoenix, Arizona 85007  
Phone: (602) 364-1310 | Fax (602) 364-1327 | Toll Free: (877) 298-0425

# Appendix “C”

**COMMISSIONERS**  
KRISTIN K. MAYES - Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP



RECEIVED FEB 23 2009

MICHAEL KEARNS  
Acting Executive Director

**ARIZONA CORPORATION COMMISSION**

February 20, 2009

**Re: Opportunities for Commission regulated water companies to access Federal Stimulus monies for water infrastructure projects, finance consolidation of smaller water systems; Utility plans and preparations for additional funding.**

Dear Sir or Madam:

You are receiving this letter as a representative of a Class A or B water utility in Arizona. As you know, the recently passed Federal Economic Recovery package includes financial assistance for water infrastructure projects. All told, more than \$7 billion dollars is available through United States Department of Agriculture ("USDA") grants and loans and Clean Water Act ("CWA") and Safe Drinking Water Act ("SDWA") State Revolving Loan Funds ("SRF"). As I understand it, the legislation introduces a new prioritization for funding for "projects on a State priority list that are ready to proceed to construction within 12 months of the date of enactment of this Act." The legislation also includes a "use it or lose it" provision, which tells states that if they are unable to utilize the funding for water infrastructure improvements, it will be re-allocated to other states.<sup>1</sup>

It is my understanding that in Arizona the Water Infrastructure Financing Authority ("WIFA") will be administering the additional funds designated for our state, which total in excess of \$81 million dollars, through the CWA and SDWA SRFs. At this moment, WIFA is preparing policies and procedures for accessing these additional funds.

Given the immediacy of this issue and the scope of funds available, I would like you to inform the Commission of any plans you have for applying for and/or utilizing this increased funding. Accordingly, please identify any projects you have identified which could be presented to WIFA for consideration for funding provided by the Federal Economic Recovery package through the SDWA SRF (estimated to be in excess of \$26 million). Specifically, please tell the Commission whether any of the water companies you operate could benefit from money provided by WIFA to refurbish or repair dilapidated pipes, or implement leak detection or other efficiency measures at the water systems you currently operate, or whether you believe you could utilize some of this funding to purchase old and aging water systems, which could then be repaired and restored to health. As you know, Arizona has more than 350 private water companies, a good number of which are in desperate need of infrastructure improvements.<sup>2</sup>

<sup>1</sup> Even if Arizona water companies are unable to be included in the initial round of stimulus funding, it would appear there may be additional opportunities in the future, if other states are forced to turn back their allocations.

<sup>2</sup> In recent years, this Commission has heard from water companies, during rate cases and in other venues, that water companies need additional funding to replacing aging infrastructure. Several rate cases, asking ratepayers to finance

I recently learned that the federal EPA considers private water systems to not only be eligible for the new funding from the Recovery package, but that it also has encouraged investor owned and private utilities to apply for this funding if they have "shovel ready" projects that can make water systems more efficient, more "green" and most importantly, more reliable.<sup>3</sup> Given the willingness of the EPA to consider water companies eligible for this additional infrastructure funding, and in view of the many needs of our state's small and large water companies, I believe it is important for water companies as well as this Commission to identify and encourage the placement of water company infrastructure projects on the WIFA priority list.

Thank you for your attention to this matter.

Sincerely,



Kris Mayes  
Chairman

Cc: Commissioner Pierce  
Commissioner Newman  
Commissioner Kennedy  
Commissioner Stump  
Ernest Johnson  
Janice Alward  
Michael Kearns  
Rebecca Wilder  
Judy Navarrete, WIFA

---

such infrastructure improvements, are pending before this Commission as I write this letter. Additionally, every year, the Commission is presented with at least a handful of cases involving water systems that are on the verge of complete collapse.

<sup>3</sup> At a meeting this week of the National Association of Regulatory Utility Commissioners' Water Committee, of which I am a member, Peter Shanaghan, Team Leader of the US EPA's Drinking Water State Revolving Fund division told Commissioners that, "If a utility has been thinking about retrofitting old pumps for energy efficiency, that would be a great project for funding." Mr. Shanaghan also stated that an excellent candidate for funding by the CWA and SRF's would be one in which a well-functioning water company applied to use the funding to purchase a smaller, troubled system and make repairs to it. According to Mr. Shanaghan, Congress has stated that 20 percent of the water infrastructure funding should be used for water efficiency and energy efficiency.

# Appendix “D”

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

Community Name: Sahuarita Water Company, LLC                      Date: 3/5/2009  
 Project Contact: Mark Seamans    Phone: (520) -3991105  
 Project ID: DW-045-2009    Email: mseamans@ranchosahuarita.com  
 Project Title: SWC Arsenic Treatment Plant

Should this Application be considered for American Recovery and Reinvestment Act funds?  Yes  No . If Yes, following questions below. 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 infrastructure projects. The citation below 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 that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities initiated not later than 120 days after the date of the enactment of this 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 you refer to WIFA's documents "[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 to:  March, 3 2009  March 17, 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 available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building unless all of the iron, steel, and manufactured goods used in the project 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 involved finds 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 quantities and of a satisfactory quality; or
- inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project 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), the head of the department or agency shall publish in the Federal Register a detailed 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 documents and provide 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?  No If you had to go back out and 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, mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by the Federal Government pursuant to this Act shall be paid wages at rates not less than those prevailing on projects of a character similar to the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. Notwithstanding the labor standards specified in this section, the Secretary of Labor shall have the authority and function under the 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 have complied with this requirement?  Yes  No  
If No, please provide a brief explanation below:

3.2 If you have already solicited bids, was this requirement included?  Yes  No If No, would you be willing to re-bid?  No If you had to go back out 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 delay your project?  Yes  No  
If yes, please explain briefly below:

**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 20 that will be created or retained if this project receives ARRA funds. Provide a brief explanation below:

It is expected that 20 jobs may be retained by various contractors in relation to this project.

**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 activities?  Yes  No

**6.2 Sustainability Infrastructure Practices**

Per

**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.

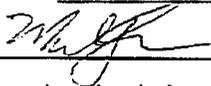
- project will address stormwater through green infrastructure practices

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 true, accurate, and correct.

First Name	Last Name	Title
Mark _____	Seamans _____	President _____
Authorized Signature: 	Date: 3/5/09	

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

Update

Print

Close

# Appendix “E”

**SAHUARITA**  
Water Company



**RECEIVED**

MAR 11 2009

Lawrence V. Robertson, Jr.

---

March 9, 2009

Kristin K. Mayes, Chairman  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

**Re: Opportunities for Commission Regulated Water Companies to Access Federal Stimulus Monies for Water Infrastructure Projects, Finance Consolidation of Smaller Water Systems; Utility Plans and Preparations for Additional Funding.**

Dear Chairman Mayes:

This letter is in response to your February 20, 2009 correspondence to Class A and B water utilities in Arizona in connection with the above-referenced subject. Sahuarita Water Company, LLC ("SWC") was a recipient of your letter, and SWC is currently in the process of applying for financial assistance which may be available under the Federal Economic Recovery package referred to in your letter. In that regard, SWC understands the American Recovery and Reinvestment Act ("ARRA") to constitute that "package."

More specifically, on February 17, 2009, SWC filed an application with the Commission requesting authorization to incur \$4,694,523 in short-term indebtedness in connection with the construction of a centralized arsenic treatment plant and approximately 2.5 miles of related collector transmission mains on SWC's water system. That filing has been assigned Docket No. W-03718A-09-0065; and it is to be followed by a second application in which SWC will request long-term financing authorization in an equivalent amount.

Normally, short-term borrowing would not necessitate the receipt of prior Commission approval. However, in this instance, SWC's construction schedule contemplates a substantial expenditure of funds in the initial stages of construction; and, it is conceivable that the amount required to be borrowed and disbursed for such purpose could exceed 7% of SWC's total capitalization before SWC is able to obtain long-term financing authorization for the water system improvements here in question. As you are aware, A.R.S. § 40-302(D) provides that short-term borrowings in excess of 7% of a public service corporation's total capitalization

require prior Commission authorization. Accordingly, SWC filed the application which is the subject of Docket No. W-03418A-09-0065.

In connection with the foregoing, on January 27, 2009, SWC filed a Project Financial Assistance Priority List Application ("PPL Application") with the Water Infrastructure Finance Authority of Arizona ("WIFA") for funding to construct the aforesaid water system facilities. In addition, on March 5, 2009, SWC filed an addendum to the PPL Application with WIFA, through which SWC hopes to be able to obtain funds made available to WIFA under the ARRA.

Further, SWC currently anticipates that within the next 2-3 weeks, it will be filing its application requesting long-term financing authorization from the Commission in the aforesaid amount of \$4,694,523. Funds obtained pursuant to that authorization would be used to pay off any funds which may have been obtained pursuant to the short-term borrowing authorization which has been requested.

As you are also aware, WIFA will not approve or fund any loans to water utilities subject to regulation by the Commission, until the Commission has issued a decision approving such borrowing. Accordingly, and against the background of a need for promptness reflected in your February 20, 2009 letter, SWC would be interested in knowing whether the Commission has instituted (or is considering instituting) procedures for expediting the processing of financing applications by water utilities where the proposed source of borrowing might include Federal "stimulus" funds.

I hope that the foregoing is responsive to your February 20, 2009 letter. Let me know if you have any questions or would like more information.

Sincerely,



Mark Seamans, President

cc: Commissioner Pierce  
Commissioner Newman  
Commissioner Kennedy  
Commissioner Stump  
Ernest Johnson  
Steve Olea  
Janice Alward  
Michael Kearns  
Rebecca Wilder  
Judy Navarrete, WIFA  
Lawrence V. Robertson, Jr.

# Appendix “F”

To all Applicants who have submitted a Project Priority List Application and requested the project to be considered for American Recovery and Reinvestment Act (ARRA) funding:

To continue to be considered for funding under the ARRA, YOU MUST PROVIDE THE INFORMATION REQUESTED NO LATER THAN midnight, March 12, 2009.

Below is a summary of the ARRA Loan Applications received by the March 6, 2009 Deadline.

Program	Applications Received	Funding Requested	ARRA Funds Available
Clean Water (CW)	109	\$536,713,134.00	\$26,757,000
Drinking Water (DW)	183	\$521,299,513.96	\$55,340,000

At least 50% of the CW ARRA Funds available to WIFA (\$13,378,500) will be provided in the form of low interest loans with a percentage of forgivable principal. The remaining CW ARRA funds available will be distributed through low interest loans and will include additional interest rate subsidization.

At least 50% of the DW ARRA Funds available (\$27,670,000) will be provided in the form of low interest loans with a percentage of forgivable principal. The remaining DW ARRA funds available will be distributed through low interest loans and will include additional interest rate subsidization.

WIFA continues to receive additional ARRA Program Guidance. Preference will be given to projects that are ready to start construction, with design and refinance projects following in priority. Additionally all loan recipients will need to have a DUNS (Data Universal Number System) number. To find out your DUNS # or to get a DUNS number, go to <http://fedgov.dnb.com/webform/>.

Each Project Priority List Application for a loan is currently being reviewed. To complete the review, WIFA requires the following information be filed electronically no later than midnight, March 12, 2009. Certifications with original signatures should be printed, signed and submitted to WIFA's Office within 7 days of electronic submission.

1. Provide the following information.

Task	Date
Planning, Design & Specifications Submitted	3-17-09
Approval to Construct	5-1-09
Advertisement for Bids	3-17-09
Construction Commencement	5-4-09
Construction Completion	12-3-09
Initiate Operation	12-4-09

Sahuarua Water Co LLC (# DW-045-2009)

# SAHUARITA Water Company



## CERTIFICATIONS

I, Mark J. Seamans, as President of the Sahuarita Water Company, LLC certify that the start date for construction of this Project is projected to be May 4, 2009.

I also certify that this Project will remain in compliance with the "Wage Rate Requirement" (Davis-Bacon Act) and the "Use of American Iron, Steel and Manufactured Goods Requirement" as described in the ARRA. A copy of the bid documents is currently in draft form and the final documents will be mailed to you on March 17, 2009 when we put the Project out to bid.

For debt authorization, I am attaching a long-term debt financing authorization signed by the Owners of the Sahuarita Water Company, LLC. Our application to the Arizona Corporation Commission will be filed on Friday, March 13, 2009 and I will forward a copy to your offices at that time.

The estimate that twenty (20) jobs will either be created or retained was determined by the average number of workers that we believe will be on the job site on a daily basis.

Signed by: 

Print Name: MARK J SEAMANS

Title: President

Date: 3/12/09

**Meeting Minutes and Resolution,  
and Related Waiver of Notice  
and Ratification**

The members of Sahuarita Water Company, L.L.C. ("Company") met, pursuant to waiver of advance notice, for the purpose of authorizing the management of the Company to cause the filing of an Application with the Arizona Corporation Commission ("Commission") requesting authorization to incur up to \$4.7 million of long-term (more than 12 months) indebtedness for the purpose(s) of (i) installing a centralized arsenic treatment facility on the Company's water system, and (ii) constructing related collector mains.

The members of the Company further met, pursuant to said waiver of advance notice, for the purpose of ratifying the previous decision of management of the Company to cause the filing of an Application with the Commission requesting authorization to incur short-term (less than 12 months) indebtedness up to the aforementioned amount for the aforesaid purpose(s), which Application has been assigned Docket No. W-03718A-09-0065 by the Commission.

Following discussion, upon a motion duly made and seconded, the following resolution was unanimously adopted.

RESOLVED that the Management of Sahuarita Water Company, L.L.C. is hereby authorized to cause the filing of an Application with the Arizona Corporation Commission ("Commission") requesting authorization to incur up to \$4.7 million of long-term (more than 12 months) indebtedness for the purpose(s) of (i) installing a centralized arsenic treatment facility on the Company's water system, and (ii) constructing related collector mains.

RESOLVED FURTHER that the previous decision of the management of Company cause the filing of an Application with the Commission requesting authorization to incur short-

term (less than 12 months) indebtedness up to the aforementioned amount for the aforesaid purpose(s) is hereby ratified.

RESOLVED FURTHER that this Meeting Minutes and Resolution, and Related Waiver of Notice and Ratification may be signed in counterparts by the Members of the Company, in order to facilitate timely execution.

IOF:

**INTERCHANGE OPPORTUNITY  
FUND LIMITED LIABILITY LIMITED  
PARTNERSHIP**, an Arizona limited  
liability limited partnership

By: Sharpe & Associates, Inc., an Arizona  
corporation

By: [Signature] President

Its: Managing Partner

Date: 3/11/09

SAI:

**SHARPE & ASSOCIATES, INC.**, an  
Arizona corporation

By: [Signature]

Its: President

Date: 3/11/09

MP 4000:

**MISSION PEAKS 4000, LLC**, a Nevada  
limited liability company

By: American Nevada Company, LLC, a  
Nevada limited liability company

Its: Manager

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

term (less than 12 months) indebtedness up to the aforementioned amount for the aforesaid purpose(s) is hereby ratified.

RESOLVED FURTHER that this Meeting Minutes and Resolution, and Related Waiver of Notice and Ratification may be signed in counterparts by the Members of the Company, in order to facilitate timely execution.

**IOF:**

**INTERCHANGE OPPORTUNITY  
FUND LIMITED LIABILITY LIMITED  
PARTNERSHIP**, an Arizona limited  
liability limited partnership

By: Sharpe & Associates, Inc., an Arizona  
corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**SAI:**

**SHARPE & ASSOCIATES, INC.**, an  
Arizona corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_

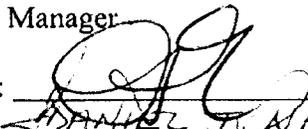
Date: \_\_\_\_\_

**MP 4000:**

**MISSION PEAKS 4000, LLC**, a Nevada  
limited liability company

By: American Nevada Company, LLC, a  
Nevada limited liability company

Its: Manager

By:  \_\_\_\_\_

Its: DANIEL J. NAEF  
VICE PRESIDENT

Date: MARCH 13, 2009

# Appendix “G”

Sahuarita Water Company  
Balance Sheet

Acct. No.	Balance Sheet 12/31/07	Balance Sheet 12/31/08
<b>ASSETS</b>		
<u>Current and Accrued Assets</u>		
131	\$ 5,810,349	\$ 5,591,809
146		\$ 19,809
151	\$ 822	\$ 103,909
162	\$ 4,430	\$ 2,658
	<u>\$ 5,815,601</u>	<u>\$ 5,718,185</u>
<u>Fixed Assets</u>		
301	\$ 7,541	\$ 7,541
302	\$ 203,211	\$ 350,861
303	\$ 13,636	\$ 13,636
304	\$ 120,514	\$ 171,671
307	\$ 800,396	\$ 800,396
310	\$ 155,594	\$ 335,668
311	\$ 42,065	\$ 43,912
320	\$ 12,854	\$ 18,694
330	\$ 1,811,998	\$ 1,811,998
331	\$ 10,141,143	\$ 10,162,557
333	\$ 2,081,553	\$ 2,081,553
334	\$ 1,202,041	\$ 1,222,335
335	\$ 672,037	\$ 672,037
336	\$ 816	\$ 816
339	\$ 152,130	\$ -
340	\$ 198,350	\$ 283,991
341	\$ 146,129	\$ 146,129
343	\$ 10,966	\$ 13,856
344	\$ 132	\$ 132
345	\$ -	\$ -
346	\$ 8,636	\$ 11,818
347	\$ 695	\$ 695
348	\$ -	\$ 962,974
105	\$ 1,305,549	\$ 1,602,002
108	\$ (1,328,263)	\$ (1,905,271)
121	\$ -	\$ 70,297
122	\$ -	\$ (2,344)
	<u>\$ 17,759,723</u>	<u>\$ 18,877,953</u>
	<u>\$ 23,575,324</u>	<u>\$ 24,596,138</u>
<b>LIABILITIES</b>		
<u>Current Liabilities</u>		
231	\$ 36,942	\$ 23,613
235	\$ 48,925	\$ 96,204
236	\$ 16,749	\$ 14,582
237	\$ -	\$ 2,257
241	\$ 73,408	\$ 137,086
	<u>\$ 176,024</u>	<u>\$ 273,743</u>
<b>DEFERRED CREDITS</b>		
252	\$ 9,502,775	\$ 9,334,999
271	\$ 2,402,899	\$ 2,436,452
272	\$ (165,307)	\$ (238,862)
	<u>\$ 11,740,367</u>	<u>\$ 11,532,590</u>
	<u>\$ 11,916,391</u>	<u>\$ 11,806,333</u>
<b>CAPITAL</b>		
218	\$ 11,658,933	\$ 12,789,805
	<u>\$ 11,658,933</u>	<u>\$ 12,789,805</u>
	<u>\$ 23,575,324</u>	<u>\$ 24,596,138</u>

# Appendix “H”

Sahuarita Water Co., LLC  
Comparative Statement of Income and Expense

Acct. No.	1/1/07-12/31/07	1/1/08 - 12/31/08
<u>Utility Revenues</u>		
461 Metered Water Revenue	\$ 1,849,699	\$ 2,030,502
460 Other Water Revenue	\$ 136,864	\$ 157,242
474 Total Utility Revenues	<u>\$ 1,986,563</u>	<u>\$ 2,187,744</u>
<u>Utility Expenses</u>		
601 Salaries and Wages		
610 Purchased Water	\$ 74,260	\$ 118,875
615 Purchased Power	\$ 131,471	\$ 141,901
618 Chemicals	\$ 5,856	\$ 11,535
620 Repairs and Maintenance	\$ 54,608	\$ 75,423
621 Office Supplies and Expense	\$ -	\$ 30,131
630 Outside Services	\$ 745,564	\$ 730,103
635 Water Testing	\$ 5,750	\$ 8,750
641 Rents	\$ 19,209	\$ 13,195
650 Transportation Expense	\$ 17,682	\$ 22,358
657 Insurance - General Liability	\$ 64,772	\$ 21,111
659 Insurance - Health and Life	\$ -	\$ -
666 Regulatory Commission Expense - Rate Case	\$ -	\$ -
675 Miscellaneous Expense	\$ 12,044	\$ 14,834
403 Depreciation Expense	\$ 341,881	\$ 503,454
408 Taxes Other Than Income	\$ -	
408.11 Property Taxes	\$ 56,022	\$ 80,828
409 Income Tax		
Total Utility Expenses	<u>\$ 1,529,119</u>	<u>\$ 1,772,498</u>
Total Utility Operating Income	<u>\$ 457,444</u>	<u>\$ 415,246</u>
<u>Other Income</u>		
414 Gain (loss) from Disposition of Utility Property	\$ (2,195)	\$ -
419 Interest and Dividend Income	\$ 77,753	\$ 123,085
421 Non-Utility Income	\$ -	\$ 9,544
426 Miscellaneous Non-Utility Expenses	\$ -	\$ (4,666)
427 Interest Expense	\$ (43,990)	\$ (3,904)
Total Other Income (Expense)	<u>\$ 31,568</u>	<u>\$ 124,059</u>
Net Profit (Loss)	<u>\$ 489,012</u>	<u>\$ 539,304</u>

# Appendix “I”

Sahuarita Water Company  
Increase (Decrease) in Cash  
For the Year Ended December 31, 2008

Cash Flows from operating activities	
Net Income	\$ 539,304
Adjustments provided by operating activities	
	\$ -
Depreciation	\$ 505,798
Plant Material & Supplies	\$ (103,087)
Accounts payable	\$ (13,329)
Deposits Payable	\$ 47,279
Misc Current & Accrued Liabilities	\$ 63,678
Accrued Taxes	\$ (2,167)
Customer Credits	\$ -
Prepaid Expenses	\$ 1,772
Accounts Receivable/Clearing	\$ (19,809)
Accrued Interest	\$ 2,257
Net cash provided by operations	<u>\$ 1,021,696</u>
Cash Flows from investing activities	
Franchises	\$ (147,650)
Land	\$ -
Structures & Improvements	\$ (51,157)
Wells & Springs	\$ -
Power Generation Equipment	\$ (180,074)
Pumping Equipment	\$ (1,847)
Water Treatment Equipment	\$ (5,840)
Distribution Reservoir	\$ -
Transmission & Dist Mains	\$ (21,414)
Services	\$ -
Water Meters	\$ (20,294)
Hydrants	\$ -
Backflow Prevention Device	\$ -
Other Plant & Misc Equipment	\$ 152,130
Office Furniture & Equipment	\$ (85,641)
Transportation Equipment	\$ -
Tools, Shop and Garage Equipment	\$ (2,890)
Laboratory Equipment	\$ -
Power Operated Equipment	\$ -
Communication Equipment	\$ (3,182)
Miscellaneous Equipment	\$ -
Other Tangible Plant	\$ (962,974)
Construction In Progress	\$ (296,451)
Non-Utility Property & Equipment	\$ (70,297)
Net cash used by investing activities	<u>\$ (1,697,581.00)</u>
Cash Flows from financing activities	
Advances in Aid of Construction	\$ (167,776)
Contributions in Aid of Construction	\$ 33,553
Capital	\$ 591,568
Net cash provided (used) by financing activities	<u>\$ 457,345</u>
<b>Net increase &lt;decrease&gt; in cash</b>	<u><u>\$ (218,540)</u></u>
<b>Summary</b>	
Cash Balance at End of Period	\$ 5,591,809
Cash Balance at Beg of Period	\$ 5,810,349
<b>Net increase &lt;decrease&gt; in Cash</b>	<u><u>\$ (218,540)</u></u>

# Appendix “J”

SAHUARITA WATER COMPANY, LLC  
STATEMENT OF CHANGES IN OWNER'S EQUITY  
FOR THE YEAR ENDING DECEMBER 31, 2008

Beginning Balance, 12/31/07	\$	11,658,933
Less: Prior Period Adjustment	\$	(314)
Adjusted Beginning Balance, 12/31/07	\$	<u>11,658,619</u>
Investments by Partners	\$	591,882
Net Income	\$	<u>539,304</u>
Ending Balance, 12/31/08	\$	12,789,805