



0000096696

Transcript Exhibit(s)

Docket #(s): W-03443A-08-0177

W-03443A-08-0313

Exhibit #: A1-A8, S1-S4

Arizona Corporation Commission

DOCKETED

MAY - 6 2009

DOCKETED BY 

AZ CORP COMMISSION
DOCKET CONTROL

2009 MAY - 6 P 2: 04

RECEIVED

**ARIZONA CORPORATION COMMISSION
NEW APPLICATION**



ORIGINAL

**RATE APPLICATION
FOR WATER COMPANIES
WITH ANNUAL GROSS OPERATING REVENUES
(INCLUDING REQUESTED RATE RELIEF)
OF LESS THAN \$250,000
PER ARIZONA ADMINISTRATIVE CODE R14-2-103**



Arizona Corporation Commission
DOCKETED
JUN 20 2008

Details at website: www.azcc.gov

APPALOSA WATER COMPANY
UTILITY NAME

DOCKETED BY nr

12 / 31 / 2007
TEST YEAR ENDED

W-03443A-08-0313

Required invoices to be submitted are listed in the checklist on page 1.

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance or see our website at:
www.azcc.gov

IN ORDER TO PROCESS YOUR APPLICATION
PLEASE FORWARD THE ORIGINAL
AND THIRTEEN COPIES OF THE
APPLICATION PLUS
THREE PACKETS WITH COPIES OF
CHECKLIST ITEMS 5-11 (PAGE 1)

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

AZ CORP COMMISSION
DOCKET CONTROL

2008 JUN 20 A 9:52

RECEIVED

NARRATIVE DESCRIPTION OF APPLICATION FOR RATE ADJUSTMENT

Instructions:

Please provide the reasons for your requested rate adjustment by checking the appropriate box(es) below. If desired, the Company may also attach a written narrative regarding its reasons for the requested rate adjustment. Your narrative may also include efforts made by the utility to control costs/expenses and/or mitigate the amount of rate adjustment.

Changes in current, compared to past operations, that necessitate the rate adjustment

Please explain:

PLEASE REFER TO ITEM #1 ON ATTACHMENT WHICH FOLLOWS THIS SHEET.

Descriptions and/or calculations of adjustments made to amounts that are included in this application that are different than amounts recorded in your books/ledgers (pro forma adjustments)

Please explain:

Significant factors influencing your revenues, expenses and/or rate base

Please explain:

PLEASE REFER TO ITEM #2 ON ATTACHMENT WHICH FOLLOWS THIS SHEET.

Anticipated growth/decline in customers expected in the next two years, the amount of anticipated construction to serve those customers, and how financed; the type of customers served by the utility, e.g. residential, irrigation, small retail businesses, large commercial, etc.

Please explain:

PLEASE REFER TO ITEM #3 ON ATTACHMENT WHICH FOLLOWS THIS SHEET.

Anticipated construction

Please explain:

PLEASE REFER TO ITEM #4 ON ATTACHMENT WHICH FOLLOWS THIS SHEET.



Efforts made to encourage conservation of water through the proposed rate design or through other means

Please explain:

PLEASE REFER TO ITEM #5 ON ATTACHMENT WHICH FOLLOWS THIS SHEET.



Other factors

Please explain:

PLEASE REFER TO SUMMARY ON ATTACHMENT WHICH FOLLOWS THIS SHEET.

Attach additional pages as necessary.

Narrative Description of Application for Rate Adjustment

1. Changes in current, compared to past operations, that necessitate the rate adjustment:

Increase in postal rates to mail out billings each month, purchase and implementation of new billing software and computer hardware to provide more accurate and more efficient documentation for all day to day inquiry, need to comply with new 2006 Arsenic Regulation and provide for adjustments of increased property taxes.

2. Significant factors influencing your revenues, expenses and/or rate base:

Significant expenses due to anticipated costs of construction of arsenic removal system.

3. Anticipated growth/decline in customers expected in the next two years, the amount of anticipated construction to serve those customers, and how financed: type of customers served by the utility, e.g. residential, irrigation, small retail, large commercial, etc:

Currently Phase 1 of the service area has approx. an additional 8 residential future hook-ups that have not been installed. Phase 2 of the service area is complete and Phase 3 of the service area will have an anticipated 76 residential hook-ups. Current negotiations with a 160 acre property owner to the North will suggest a main line extension across Road 4 North to service a future development.

4. Anticipated Construction:

New arsenic removal system with new building and service contract. New storage tank to accommodate all future potential hook-ups, main line extension across Road 4 North.

5. Efforts made to encourage conservation of water through the proposed rate design or through other means:

The completion of the arsenic removal system will bring with it a more efficient distribution of water to our customers. This along with a new service contract for Maintenance will allow for better monitoring of the entire system for loss and/or waste of water.

Continuation on next page:

Summary Description of Application for Rate Adjustment

Appaloosa Water Company, since inception, has never had a rate increase. In ongoing efforts to provide excellent water service combined with new rules and regulations set forth for the removal of arsenic in the water system, an increase in postal rates, an increase in minimum staff wages, an increase in property taxes; we respectfully request an appropriate rate increase to accommodate these modifications to our company.

The company has grown over time with its service area. This, as well as the new proposal of approx. \$190,000 to construct a new arsenic treatment facility, the continued service, financial strength and overall health of the company relies on this rate increase approval.

In summary, Appaloosa Water Company is requesting an appropriate rate increase to pay for the required arsenic treatment facility as well as a rate increase to bring our rates in line with current market rates and continue to guarantee its financial security, guaranteeing a continued service of water to all current and future customers. The income of Appaloosa Water Company has not been able to meet the demands and costs of operation and management. It is therefore imperative that Appaloosa Water Company obtain sufficient rates to properly manage and operate the company to all new standards.

COMPANY NAME: APPALOOSA WATER COMPANY	Test Year Ended: 12-31-2007
Name of System: APPALOOSA WATER CO	ADEQ Public Water System Number: 13208

AFFILIATE RELATIONSHIP

Please indicate a **yes** or **no** answer to the questions below and provide an explanation where necessary.

A parent-subsiary relationship, or affiliation, with another entity includes Corporations, Partnerships, Sole Proprietorship, Limited Liability Companies (LLCs), as well as common ownership of a water company and another entity, such as a development company or wastewater company.

Are any assets owned jointly with any affiliated or subsidiary entities?

YES NO

If Yes, please provide a description of each jointly owned asset, it's cost, and the percentage of the asset owned by the utility. (Please note the amounts reported on pages 12 and 15 should only include the percentage of plant owned by the utility.)

Were any of the assets constructed or acquired from an affiliated or subsidiary entity?

YES NO

If Yes, please identify the affiliated entity, the relationship with the utility, and a detailed listing of all transactions reflected in the Plant accounts. Also include detail for other balance sheet accounts, such as Advances, Contributions in Aid of Construction, inter-company payables and receivables, as well as affiliated revenues and expenses from the Company's Income Statement.

STATEMENTS IN SUPPORT OF RATE REQUEST

Complete the following statements in support of your rate request.

APPALOOSA WATER COMPANY (the "Company") requests an adjustment in the existing rates charged by the Company. The information contained in this application is based upon a twelve-month Test Year ending 12-31-2007 (mm/dd/yy). The Company had total operating revenues of \$ 162,489, served 2845 metered and 0 un-metered customers, and sold 27,544,949 gallons of water during the Test Year.

The Company is requesting a (1) increase/decrease in revenues in the amount of \$ 162,489. Total annual operating revenues, if the Company is granted the rate adjustment, will be \$ 324,978.

- The Company is current on all property taxes. [X] YES [] NO
The Company is current on all sales taxes. [X] YES [] NO
The Company currently has a Curtailment Plan Tariff on file with the Commission [X] YES [] NO
The Company currently has a Backflow Prevention Tariff on file with the Commission. [] YES [X] NO

The Company notified its customers of its application for a rate adjustment on 6-18-08 (mm/dd/yy). A COPY OF THE NOTICE WITH A NOTARIZED COVER LETTER STATING THE METHOD OF CUSTOMER NOTIFICATION, AS WELL AS THE DATE OF THE NOTIFICATION, MUST BE ATTACHED. (See page 32)

By completing this application in support of the Company's request for a rate adjustment, the Company realizes that Original Cost Less Depreciation ("OCLD") plant information will be used to determine the fair value rate base, i.e., the Company waives the right to Reconstruction Cost New.

The utility company ownership is one of the following:

- Sole Proprietorship
- Partnership
- "C" Corporation
- "S" Corporation
- Limited Liability Company ("LLC")
- Association--Cooperative
- Other, please specify: _____

Note: If a corporation, please list stockholders and the respective number of shares owned below.

Stockholders	Number of Shares Owned
ARTESIAN HOLDINGS, LLC	100%

I have read and completed this application, and to the best of my knowledge all of the information contained herein, and attached to this application, is true and correct.

Name of Authorized Representative (print): JOE CORDOVANA	Company Name: APPALOOSA WATER COMPANY
Title: OWNER	Address: 7012 N. 18 th ST
Signature: Joe Cordovana	City/ST/Zip: PHOENIX, AZ 85020
Date: 6/16/08	Phone Number: 928-237-6128 JOE
E-mail Address: TONY@CORDOVO.COM	Fax Number: 602-277-5632
Website Address: N/A	

COMPANY NAME: APPALCOOSA WATER COMPANY Test Year Ended: 2007
 Name of System: APPALCOOSA WATER Co. ADEQ Public Water System Number: 13708

CURRENT AND PROPOSED RATES AND CHARGES

CUSTOMER CLASS: Residential Commercial Industrial
 Irrigation All Other, specify _____

CURRENT RATES

PROPOSED RATES

MINIMUM OR SERVICE CHARGES	\$ GALLONS	\$ GALLONS
5/8" x 3/4" Meter	25 ⁰⁰ for 1000	50 for 1000
3/4" Meter	25 ⁰⁰ for 1000	50 for 1000
1" Meter	41.67 for 1000	83.34 for 1000
1-1/2" Meter	83.33 for 1000	166.66 for 1000
2" Meter	133.33 for 1000	266.66 for 1000
3" Meter	266.67 for 1000	533.34 for 1000
4" Meter	416.67 for 1000	833.34 for 1000
6" Meter	833.33 for 1000	1666.66 for 1000

GALLONS IN EXCESS OF MINIMUM
Commodity Charge in Excess of Minimum (Charge Per 1,000 Gallons)
First Tier
Second Tier
Third Tier
FLAT RATE

Current Rates

Proposed Rates

Rate	Gallons	Rate	Gallons
\$ 2.50	Up to 1000	\$ 5.00	PER 1000
\$	_____ to _____	\$	_____ to _____
\$	Over _____	\$	Over _____
\$ N/A	Per Month	\$ N/A	Per Month

Note: If rates and charges vary across customer classes, duplicate the form and complete one for each rate class. (e.g., residential, commercial) unless "All" is checked.

COMPANY NAME: APPALWOSA WATER COMPANY Test Year Ended: 2007
 Name of System: APPALWOSA WATER CO. ADEQ Public Water System Number: 13208

CURRENT AND PROPOSED SERVICE CHARGES

CUSTOMER CLASS: Residential Commercial Industrial
 Irrigation All Other, specify _____

SERVICE LINE AND METER INSTALLATION CHARGES	CURRENT CHARGES	PROPOSED CHARGES
5/8" X 3/4" Meter	\$ 25 ⁰⁰	\$ 50 ⁰⁰
3/4" Meter	\$ 25 ⁰⁰	\$ 50 ⁰⁰
1" Meter	\$ 41.67	\$ 83.34
1-1/2" Meter	\$ 83.33	\$ 166.66
2" Meter	\$ 133.33	\$ 266.66
3" Meter	\$ 266.67	\$ 533.34
4" Meter	\$ 416.67	\$ 833.34
6" Meter	\$ 833.33	\$ 1666.66

Establishment	\$ 25 ⁰⁰	\$ 50 ⁰⁰
Establishment (after hours)	\$ 50 ⁰⁰	\$ 100 ⁰⁰
Reconnection (delinquent)	\$ 30 ⁰⁰	\$ 60 ⁰⁰
Reconnection (delinquent) after hours	\$ 50 ⁰⁰	\$ 100 ⁰⁰
Meter Test	\$ 15 ⁰⁰	\$ 30 ⁰⁰
Deposit	\$ PER RULE	\$ PER RULE
Deposit Interest	PER RULE %	PER RULE %
Re-establishment (within 12 months)	\$ MONTHS OFF SYSTEM	\$ MONTHS OFF SYSTEM
NSF Check	\$ 10 ⁰⁰	\$ 20 ⁰⁰
Deferred Payment	PER RULE %	PER RULE %
Meter Re-read	\$ 15 ⁰⁰	\$ 30 ⁰⁰
Late Fee	\$ 1.5% OF OUTSTANDING	\$ 3%

Note: If rates and charges vary across customer classes, duplicate the form and complete one for each rate class. (e.g., residential, commercial) unless "All" is checked.

COMPANY NAME: Appaloosa Water Company Test Year Ended: 12/31/2007

Name of System: APPALOOSA WATER Co. ADEQ Public Water System Number: 13208

Plant Additions and Retirements by Year

Acct. No.	Description	See Next Column Incorporated in 1997		Year - 1997	
		Additions	Retirements	Additions	Retirements
301	Organization				
302	Franchises				
303	Land & Land Rights			3,161	
304	Structures & Improvements				
307	Wells & Springs			223,682	
311	Pumping Equipment				
320	Water Treatment Equipment				
320.1	Water Treatment Plants				
320.2	Solution Chemical Feeders				
330	Distribution Reservoirs & Standpipes				
330.1	Storage Tanks				
330.2	Pressure Tanks				
331	Transmission & Distrib. Mains			455,360	
333	Services				
334	Meters & Meter Installations				
335	Hydrants				
336	Backflow Prevention Devices				
339	Other Plant & Misc. Equipment				
340	Office Furniture & Equipment				
340.1	Computers & Software				
341	Transportation Equipment				
343	Tools, Shop & Garage Equip.				
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment				
348	Other Tangible Plant			15,198	
	TOTAL WATER PLANT			697,401	

Note: Enter all additions and retirements, by year, from the prior test year through the end of the current test year. Enter the totals for the additions and retirements for all intervening years on page 14, Columns B and C, respectively.

COMPANY NAME: Appaloosa Water Company

Test Year Ended: 12/31/2007

Name of System: APPALOOSA WATER CO.

ADEQ Public Water System Number: 13208

Plant Additions and Retirements by Year

Acct. No.	Description	Year - 1998		Year - 1999	
		Additions	Retirements	Additions	Retirements
301	Organization				
302	Franchises				
303	Land & Land Rights				
304	Structures & Improvements				
307	Wells & Springs				
311	Pumping Equipment				
320	Water Treatment Equipment				
320.1	Water Treatment Plants				
320.2	Solution Chemical Feeders				
330	Distribution Reservoirs & Standpipes				
330.1	Storage Tanks				
330.2	Pressure Tanks				
331	Transmission & Distrib. Mains				
333	Services				
334	Meters & Meter Installations				
335	Hydrants				
336	Backflow Prevention Devices				
339	Other Plant & Misc. Equipment				
340	Office Furniture & Equipment				
340.1	Computers & Software				
341	Transportation Equipment				
343	Tools, Shop & Garage Equip.				
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment				
348	Other Tangible Plant				
	TOTAL WATER PLANT				

Note: Enter all additions and retirements, by year, from the prior test year through the end of the current test year. Enter the totals for the additions and retirements for all intervening years on page 14, Columns B and C, respectively.

COMPANY NAME: Appaloosa Water Company

Test Year Ended: 12/31/2007

Name of System: APPALOOSA WATER CO. ADEQ Public Water System Number: 13208

Plant Additions and Retirements by Year

Acct. No.	Description	Year - 2000		Year - 2001	
		Additions	Retirements	Additions	Retirements
301	Organization				
302	Franchises				
303	Land & Land Rights				
304	Structures & Improvements				
307	Wells & Springs				
311	Pumping Equipment				
320	Water Treatment Equipment				
320.1	Water Treatment Plants				
320.2	Solution Chemical Feeders				
330	Distribution Reservoirs & Standpipes				
330.1	Storage Tanks				
330.2	Pressure Tanks				
331	Transmission & Distrib. Mains				
333	Services				
334	Meters & Meter Installations				
335	Hydrants				
336	Backflow Prevention Devices				
339	Other Plant & Misc. Equipment				
340	Office Furniture & Equipment				
340.1	Computers & Software				
341	Transportation Equipment				
343	Tools, Shop & Garage Equip.				
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment				
348	Other Tangible Plant				
	TOTAL WATER PLANT				

Note: Enter all additions and retirements, by year, from the prior test year through the end of the current test year. Enter the totals for the additions and retirements for all intervening years on page 14, Columns B and C, respectively.

COMPANY NAME: Appaloosa Water Company **Test Year Ended:** 12/31/2007
Name of System: APPALOOSA WATER CO **ADEQ Public Water System Number:** 13208

Plant Additions and Retirements by Year

Acct. No.	Description	Year - 2002 - NONE		Year - 2003 - NONE	
		Additions	Retirements	Additions	Retirements
301	Organization				
302	Franchises				
303	Land & Land Rights				
304	Structures & Improvements				
307	Wells & Springs				
311	Pumping Equipment				
320	Water Treatment Equipment				
320.1	Water Treatment Plants				
320.2	Solution Chemical Feeders				
330	Distribution Reservoirs & Standpipes				
330.1	Storage Tanks				
330.2	Pressure Tanks				
331	Transmission & Distrib. Mains				
333	Services				
334	Meters & Meter Installations				
335	Hydrants				
336	Backflow Prevention Devices				
339	Other Plant & Misc. Equipment				
340	Office Furniture & Equipment				
340.1	Computers & Software				
341	Transportation Equipment				
343	Tools, Shop & Garage Equip.				
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment				
348	Other Tangible Plant				
	TOTAL WATER PLANT	NONE	NONE	NONE	NONE

Note: Enter all additions and retirements, by year, from the prior test year through the end of the current test year. Enter the totals for the additions and retirements for all intervening years on page 14, Columns B and C, respectively.

COMPANY NAME: Appaloosa Water Company Test Year Ended: 12/31/2007

Name of System: APPALOOSA WATER CO ADEQ Public Water System Number: 13208

Plant Additions and Retirements by Year

Acct. No.	Description	Year - 2004		Year - 2005	
		Additions	Retirements	Additions	Retirements
301	Organization			264	
302	Franchises			2,309	
303	Land & Land Rights				
304	Structures & Improvements			67,051	
307	Wells & Springs	61,522			73,293
311	Pumping Equipment			94,131	
320	Water Treatment Equipment				
320.1	Water Treatment Plants				
320.2	Solution Chemical Feeders				
330	Distribution Reservoirs & Standpipes			100,438	
330.1	Storage Tanks				
330.2	Pressure Tanks				
331	Transmission & Distrib. Mains	392,827			94,919
333	Services				
334	Meters & Meter Installations			15,055	
335	Hydrants			48,876	
336	Backflow Prevention Devices				
339	Other Plant & Misc. Equipment				
340	Office Furniture & Equipment				
340.1	Computers & Software				
341	Transportation Equipment				
343	Tools, Shop & Garage Equip.				
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment				
348	Other Tangible Plant				2,309
	TOTAL WATER PLANT	454,349		328,124	170,521

Note: Enter all additions and retirements, by year, from the prior test year through the end of the current test year. Enter the totals for the additions and retirements for all intervening years on page 14, Columns B and C, respectively.

COMPANY NAME: Appaloosa Water Company **Test Year Ended:** 12/31/2007
Name of System: APPALOOSA WATER CO **ADEQ Public Water System Number:** 13208

Plant Additions and Retirements by Year

Acct. No.	Description	Year - 2006		Year - 2007	
		Additions	Retirements	Additions	Retirements
301	Organization				
302	Franchises				
303	Land & Land Rights				
304	Structures & Improvements				
307	Wells & Springs			26,608	
311	Pumping Equipment				
320	Water Treatment Equipment				
320.1	Water Treatment Plants				
320.2	Solution Chemical Feeders				
330	Distribution Reservoirs & Standpipes				
330.1	Storage Tanks				
330.2	Pressure Tanks				
331	Transmission & Distrib. Mains				8,166
333	Services				
334	Meters & Meter Installations				
335	Hydrants				
336	Backflow Prevention Devices				
339	Other Plant & Misc. Equipment				
340	Office Furniture & Equipment	1,850			
340.1	Computers & Software				
341	Transportation Equipment				
343	Tools, Shop & Garage Equip.				
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment				
348	Other Tangible Plant				
	TOTAL WATER PLANT	1,850		26,608	8,166

Note: Enter all additions and retirements, by year, from the prior test year through the end of the current test year. Enter the totals for the additions and retirements for all intervening years on page 14, Columns B and C, respectively.

COMPANY NAME: Appaloosa Water Company

Test Year Ended: 12/31/2007

Name of System: APPALOOSA WATER Co.

ADEQ Public Water System Number: 13208

Plant Summary

Acct. No.	Description	Plant in Service Per Prior Decision	Total Additions	Total Retirements	Test Year End Total
		Column A	Column B	Column C	Column D
301	Organization	0	264		264
302	Franchises	0	2,309		2,309
303	Land & Land Rights	0	3,161		3,161
304	Structures & Improvements	0	67,051		67,051
307	Wells & Springs	0	311,812	73,293	238,519
311	Pumping Equipment	0	94,131		94,131
320	Water Treatment Equipment				
320.1	Water Treatment Plants				
320.2	Solution Chemical Feeders				
330	Distribution Reservoirs & Standpipes	0	100,438		100,438
330.1	Storage Tanks				
330.2	Pressure Tanks				
331	Transmission & Distrib. Mains	0	848,187	103,085	745,102
333	Services				
334	Meters & Meter Installations	0	15,055		15,055
335	Hydrants	0	48,876		48,876
336	Backflow Prevention Devices				
339	Other Plant & Misc. Equipment				
340	Office Furniture & Equipment	0	1,850		1,850
340.1	Computers & Software				
341	Transportation Equipment				
343	Tools, Shop & Garage Equip.				
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment				
348	Other Tangible Plant	0	15,198	2,309	12,889
	TOTAL WATER PLANT	0	1,508,332	178,687	1,329,645

Note: Please refer to the checklist on page 1 for the required attachments related to this schedule
 - Column D = Column A + Column B - Column C

COMPANY NAME: Appaloosa Water Company Test Year Ended: 12/31/2007

Name of System: APPALOOSA WATER CO ADEQ Public Water System Number: 13208

UTILITY PLANT IN SERVICE

Acct No.	Description	Original Cost	Accumulated Depreciation	OCLD
		Column A	Column B	Column C**
301	Organization	264	0	264
302	Franchises	2,309	0	2,309
303	Land & Land Rights	3,161	0	3,161
304	Structures & Improvements	67,051	11,670	55,381
307	Wells & Springs	238,519	35,452	203,067
311	Pumping Equipment	94,131	27,820	66,311
320	Water Treatment Equipment			
320.1	Water Treatment Plants			
320.2	Solution Chemical Feeders			
330	Distribution Reservoirs & Standpipes	100,438	18,551	81,887
330.1	Storage Tanks			
330.2	Pressure Tanks			
331	Transmission & Distrib. Mains	745,102	71,576	673,526
333	Services			
334	Meters & Meter Installations	15,055	1,891	13,164
335	Hydrants	48,876	8,289	40,587
336	Backflow Prevention Devices			
339	Other Plant & Misc. Equipment			
340	Office Furniture & Equipment	1,850	493	1,357
340.1	Computers & Software			
341	Transportation Equipment			
343	Tools, Shop & Garage Equip.			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	12,889	1,527	11,362
	TOTAL WATER PLANT	1,329,645	177,269	1,152,376

-Must be the same as the amount reported on page 20

**Column C = Column A - Column B

COMPANY NAME: <u>APPALOSA WATER COMPANY</u>	Test Year Ended: <u>2007</u>
Name of System: <u>APPALOSA WATER Co.</u>	ADEQ Public Water System Number: <u>13208</u>

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-607274 #1	7.5	125	666	16	6	1999
55-607273 #2	10	175	260	12	6	2004

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
20	2	26	
7.5	1		
10	1		
100 (FIRE PUMP)			

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
65,000	1	5,500	1

COMPANY NAME: Appalosa Water Company Test Year Ended: 2007
 Name of System: Appalosa Water Co. ADEQ Public Water System Number: 13208

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	3589
3		
4	PVC	1,657
5		
6	PVC	22,433
8	PVC	5,395
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	191
3/4	
1	45
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

CURRENTLY UNDER CONTRACT FOR CONSTRUCTION BY ADEGE TECHNOLOGY FOR ARSENIC TREATMENT SYSTEM. VALUE IS PART OF FINANCING APPLICATION.

STRUCTURES:

60' x 140' SLUMP BLOCK WALL W/ IRON ENTRY GATE
38' x 8' 65,000 GAL STORAGE TANK
28' x 24' PUMP HOUSE FOR BOOSTER PUMPS AND HYDRO-TANK
5,500 GAL HYDRO TANK

OTHER:

3- 50' FIRE HOSES
2- 90° DEGREE BLOW OFF EXTENSIONS
MISC WRENCHES + TOOLS
1- LADDER

COMPANY NAME: APPALACHOSA WATER COMPANY Test Year Ended: 2007
 Name of System: APPALACHOSA WATER CO. ADEQ Public Water System Number: 13208

WATER USE DATA SHEET BY MONTH FOR TEST YEAR

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	236	1,501,310	1,501,310	0
FEBRUARY	236	1,140,540	1,140,540	0
MARCH	236	1,792,330	1,792,330	0
APRIL	236	2,252,940	2,252,940	0
MAY	237	3,139,640	3,139,640	0
JUNE	237	3,271,150	3,271,150	0
JULY	238	3,134,490	3,134,490	0
AUGUST	238	3,077,150	3,077,150	0
SEPTEMBER	238	2,647,989	2,647,989	0
OCTOBER	238	2,378,550	2,378,550	0
NOVEMBER	238	2,113,950	2,113,950	0
DECEMBER	237	1,094,910	1,094,910	0
TOTALS →		27,544,949	**27,544,949	0

What is the level of arsenic for each well on your system? .16, .16 mg/l
 (If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? _____ GPM for _____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
 () Yes (X) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 () Yes (X) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
 () Yes (X) No

If yes, provide the GPCPD amount: W/A

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact Engineering at 602-542-7277.

* This number must be equal to the number entered on Page 6, "sold gallons."
 ** Gallons pumped cannot equal or be less than the gallons sold

COMPANY NAME: Appaloosa Water Company **Test Year Ended:** 12/31/2007
Name of System: APPALOOSA WATER Co. **ADEQ Public Water System Number:** 19208

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	TEST YEAR
461	Metered Water Revenue	132,459	161,635
460	Unmetered Water Revenue		
474	Other Water Revenues	1,650	854
	TOTAL OPERATING REVENUES	134,109	162,489
	OPERATING EXPENSES		
601	Salaries and Wages (See page 1, item 4)	12,533	45,730
610	Purchased Water (See page 1, item 5)		
615	Purchased Power (See page 1, item 6)	8,266	8,320
618	Chemicals		
620	Repairs and Maintenance (See page 1, item 7)	1,815	8,226
621	Office Supplies and Expense	7,292	4,751
630	Outside Services (See page 1, item 8)	36,094	30,589
635	Water Testing (See page 1, item 9)	5,611	3,012
641	Rents		8,000
650	Transportation Expenses		
657	Insurance - General Liability	7,244	6,673
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense		1,625
403	Depreciation Expense (From page 20)	33,692	39,792
408	Taxes Other Than Income	2,329	2,173
408.11	Property Taxes (See page 1, item 10)	1,293	4,992
409	Income Tax		
	TOTAL OPERATING EXPENSES	116,169	163,883
	OPERATING INCOME/(LOSS)	17,940	(1,394)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income		
421	Non-Utility Income	3,985	
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(91)	(1,340)
	TOTAL OTHER INCOME/(EXPENSE)	3,894	(1,340)
	NET INCOME/(LOSS)	21,834	(2,734)

Note: Do not include sales tax in revenue or expense. Please refer to the checklist on page 1 for the required attachments related to this schedule.

- This number must be identical to the number entered on page 5 "total operating revenues."

COMPANY NAME: Appaloosa Water Company Test Year Ended: 12/31/2007
 Name of System: APPALOOSA WATER CO ADEQ Public Water System Number: 13208

CALCULATION OF DEPRECIATION EXPENSE

Acct. No..	Description	Original Cost	Depreciation Percentage	Depreciation Expense
		<i>Column A</i>	<i>Column B</i>	<i>Column C*</i>
301	Organization	264	N/A	0
302	Franchises	2,309	N/A	0
303	Land & Land Rights	3,161	N/A	0
304	Structures & Improvements	67,051	3.33	2,233
307	Wells & Springs	238,519	3.33	7,943
311	Pumping Equipment	94,131	8.00	7,530
320	Water Treatment Equipment			
320.1	Water Treatment Plants			
320.2	Solution Chemical Feeders			
330	Distribution Reservoirs & Standpipes	100,438	2.22	2,230
330.1	Storage Tanks			
330.2	Pressure Tanks			
331	Transmission & Distrib. Mains	745,102	2.00	14,903
333	Services			
334	Meters & Meter Installations	15,055	3.33	501
335	Hydrants	48,876	8.33	4,071
336	Backflow Prevention Devices			
339	Other Plant & Misc. Equipment			
340	Office Furniture & Equipment	1,850	6.67	123
340.1	Computers & Software			
341	Transportation Equipment			
343	Tools, Shop & Garage Equip.			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	12,889	2.00	258
	TOTAL WATER PLANT	1,329,645		39,792

in column 2.

• Column C = Column A x Column B

COMPANY NAME: Appaloosa Water Company **Test Year Ended:** 12/31/2007
Name of System: Appaloosa Water Co. **ADEQ Public Water System Number:** 13708

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF TEST YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	10,753	5,203
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	650	(974)
146	Notes/Receivables from Associated Companies	186,838	141,537
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		67,200
	TOTAL CURRENT AND ACCRUED ASSETS	198,241	212,966
	FIXED ASSETS		
101	Utility Plant in Service	1,311,203	1,329,645
103	Property Held for Future Use		60,000
105	Construction Work in Progress		
108	Accumulated Depreciation -- Utility Plant ("AD-UP")	(137,477)	(177,269)
121	Non-Utility Property	86,608	
122	Accumulated Depreciation -- Non Utility ("AD-NU")		
	TOTAL FIXED ASSETS	1,260,334	1,212,376
	TOTAL ASSETS	1,458,575	1,425,342

Note: Total Assets on this page should equal the sum of Total Liabilities and Total Capital on page 22. Also, numbers in parentheses should be subtracted. For example, Accounts 108 and 122 should be subtracted from Total Fixed Assets.

** Must equal page 15, original cost*

***Must equal page 15, accumulated depreciation*

COMPANY NAME: Appaloosa Water Company

Test Year Ended: 12/31/2007

Name of System: APPALOOSA WATER COADEQ Public Water System Number: 3708**BALANCE SHEET (CONTINUED)**

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITES		
231	Accounts Payable	4,223	4,999
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	21,263	37,337
235	Customer Deposits		
236	Accrued Taxes	44	6,002
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	271	
	TOTAL CURRENT LIABILITIES	25,801	48,338
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds		
	DEFERRED CREDITS		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	89,628	570,318
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	536,490	
272	Less: Amortization of Contributions	(10,930)	
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	615,188	570,318
	TOTAL LIABILITIES	640,989	618,656
	CAPITAL ACCOUNTS		
201	Common Stock Issued	2,000	2000
211	Paid in Capital in Excess of Par Value	804,471	804,471
215	Retained Earnings	11,115	215
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	817,586	806,686
	TOTAL LIABILITIES AND CAPITAL	1,458,575	1,425,342

Note: Account 272 should be subtracted from Total Deferred Credits.

*Must equal page 24, Total Advances in Aid of Constructions

**Must equal page 25, Total Advances

COMPANY NAME: Appaloosa Water Company Test Year Ended: 12/31/2007
 Name of System: APPALOOSA WATER CO ADEQ Public Water System Number: 13208

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt¹

	LOAN #1*	LOAN #2*	LOAN #3*	LOAN #4*
Date Issued				
Source of Loan				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Net Proceeds	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate				
Current Year Interest	\$	\$	\$	\$
Current Year Principal	\$	\$	\$	\$
Authority Granted By ACC Decision No.				

A.R.S. 40-301 requires ACC approval of long-term debt. If the Commission has not approved any of the above loans, then please submit an application requesting approval of the above loans.

Meter Deposit Balance - Test Year \$ N/A _____

Meter Deposits Refunded During the Test Year \$ N/A _____

¹List all bonds, notes, loans, and other types of indebtedness in which the proceeds were used in the provision of public utility service. Indebtedness incurred for personal uses by the owner of the utility should not be listed.

COMPANY NAME: Appaloosa Water Company Test Year Ended: 12/31/2007
 Name of System: APPALOOSA WATER CO. ADEQ Public Water System Number: 13208

ADVANCES IN AID OF CONSTRUCTION (Acct. 252)2

	Additions During Year	Refund During Year	
Balance Per Prior Decision	N/A	N/A	\$0.00
Year - 1997			
Year - 1998			
Year - 1999			
Year - 2000			
Year - 2001	12,517.92		
Year - 2002	14,520.00		
Year - 2003	5,840.00		
Year - 2004	426,706.33	1,384.62	
Year - 2005	160,804	22,607.39	
Year - 2006	8,680	4,651.38	
Year - 2007	0.00	30,107.02	
Year			
Total of Additions	629,068.25	N/A	
Total of Refunds	N/A	58,750.41	
Total Advances in Aid of Construction	N/A	N/A	570,317.84

Note: Prior Decision refers to the balances per the prior Staff Report as adjusted per the final Commission Decision.

Total Advances in Aid of Construction = Balance Per Prior Decision + Total Additions - Total Refunds (cross reference this to the Balance Sheet on page 22)

2

Advances in Aid of Construction refers to the following:

- (1) Refundable amounts received from a new customer to cover the cost of a meter and piping from the building to the meter and the associated installation.
- (2) Refundable amounts received from a customer or a developer for mains, valves, fittings, and additional facilities required to provide pressure, storage, or water supply pursuant to a main extension agreement.

COMPANY NAME: APPALCOSA WATER COMPANY Test Year Ended: 2007
 Name of System: APPALCOSA WATER CO. ADEQ Public Water System Number: 13208

GROSS CONTRIBUTIONS IN AID OF CONSTRUCTION (Acct. 271)³

Balance Per Prior Decision	N/A	\$	
Additions Year	\$		
Total Additions	N/A	\$	
Balance at Test Year End	N/A	\$	*

Note: Prior Decision refers to the balances per the prior Staff Report as adjusted per the final Commission Decision.

* Balance at Test Year End = Balance Per Prior Decision + Total Additions (cross reference this to the Balance Sheet on page 22)

³ Contributions in Aid of Construction refers to the following:

- (1) Non-refundable money, services, or property received for use in the provision of utility service from any source that is provided at no cost and interest free.
- (2) Unfunded balances of expired advance contracts reclassified from Advances in Aid of Construction.

Company Name: APPALDOSA WATER CO	Test Year Ended: 2007
Meter Size: 1"	1 st Quarter Ended: MARCH 31

BILL COUNT WORKSHEET 1ST QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 1 ST QUARTER
- 0 -	/// //	7
1 to 1,000	/// /// /// /	16
1,001 to 2,000	/// /// ///	13
2,001 to 3,000	/// /// /// ///	18
3,001 to 4,000	/// /// ///	15
4,001 to 5,000	/// /// /// /	16
5,001 to 6,000	/// /// //	12
6,001 to 7,000	/// ///	10
7,001 to 8,000	/// ///	9
8,001 to 9,000	///	5
9,001 to 10,000	/// /	6
10,001 to 12,000	///	5
12,001 to 14,000	//	2
14,001 to 16,000	//	2
16,001 to 18,000	/	1
18,001 to 20,000	/	1
20,001 to 25,000	/	1
25,001 to 30,000	//	2
30,001 to 35,000		0
35,001 to 40,000		0
40,001 to 50,000		0
50,001 to 60,000		0
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		141

Company Name: <u>APPALOOSA WATER CO</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>1"</u>	2 nd Quarter Ended: <u>JUNE 30</u>

BILL COUNT WORKSHEET 2ND QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 2 nd QUARTER
- 0 -	 	5
1 to 1,000	 	5
1,001 to 2,000	 	6
2,001 to 3,000	 	12
3,001 to 4,000	 	12
4,001 to 5,000	 	12
5,001 to 6,000	 	11
6,001 to 7,000	 	21
7,001 to 8,000	 	10
8,001 to 9,000	 	7
9,001 to 10,000	 	6
10,001 to 12,000	 	6
12,001 to 14,000	 	8
14,001 to 16,000		0
16,001 to 18,000		2
18,001 to 20,000	 	6
20,001 to 25,000		2
25,001 to 30,000		1
30,001 to 35,000		2
35,001 to 40,000		0
40,001 to 50,000		2
50,001 to 60,000		1
60,001 to 70,000		3
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)	1 (125,190)	1
Total Bills		141

Company Name: <u>APPALOOSA WATER CO.</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>1"</u>	3 rd Quarter Ended: <u>SEPT 30</u>

BILL COUNT WORKSHEET 3RD QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 3 rd QUARTER
- 0 -		6
1 to 1,000		4
1,001 to 2,000		8
2,001 to 3,000		12
3,001 to 4,000		15
4,001 to 5,000		5
5,001 to 6,000		11
6,001 to 7,000		14
7,001 to 8,000		15
8,001 to 9,000		10
9,001 to 10,000		5
10,001 to 12,000		5
12,001 to 14,000		7
14,001 to 16,000		2
16,001 to 18,000		4
18,001 to 20,000		3
20,001 to 25,000		1
25,001 to 30,000		3
30,001 to 35,000		2
35,001 to 40,000		1
40,001 to 50,000		5
50,001 to 60,000		2
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		1
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		141

Company Name: APPALCOOSA WATER COMPANY	Test Year Ended: 2007
Meter Size: 1 1/2	4 th Quarter Ended: DECEMBER 31

BILL COUNT WORKSHEET 4TH QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 4 th QUARTER
- 0 -	1	6
1 to 1,000		2
1,001 to 2,000		10
2,001 to 3,000		14
3,001 to 4,000		17
4,001 to 5,000		13
5,001 to 6,000		15
6,001 to 7,000		15
7,001 to 8,000		10
8,001 to 9,000		9
9,001 to 10,000		2
10,001 to 12,000		7
12,001 to 14,000		2
14,001 to 16,000		3
16,001 to 18,000		2
18,001 to 20,000		4
20,001 to 25,000		1
25,001 to 30,000		1
30,001 to 35,000		3
35,001 to 40,000		1
40,001 to 50,000		0
50,001 to 60,000		0
60,001 to 70,000		0
70,001 to 80,000		1
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		138

Company Name: <u>APPALCOSA WATER CO.</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>1" Unit II, Phase II</u>	

BILL COUNT SUMMARY

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total
- 0 -	7	5	6	6	24
1 to 1,000	16	5	4	2	27
1,001 to 2,000	13	6	8	10	37
2,001 to 3,000	18	12	12	14	56
3,001 to 4,000	15	12	15	17	59
4,001 to 5,000	16	12	5	13	46
5,001 to 6,000	12	11	11	15	49
6,001 to 7,000	10	21	14	15	60
7,001 to 8,000	9	10	15	10	44
8,001 to 9,000	5	7	10	9	31
9,001 to 10,000	6	6	5	2	19
10,001 to 12,000	5	6	5	7	23
12,001 to 14,000	2	8	7	2	19
14,001 to 16,000	2	0	2	3	7
16,001 to 18,000	1	2	4	2	9
18,001 to 20,000	1	6	3	4	14
20,001 to 25,000	1	2	1	1	5
25,001 to 30,000	2	1	3	1	7
30,001 to 35,000	0	2	2	3	7
35,001 to 40,000	0	0	1	1	2
40,001 to 50,000	0	2	5	0	7
50,001 to 60,000	0	1	2	0	3
60,001 to 70,000	0	3	0	0	3
70,001 to 80,000	0	0	0	1	1
80,001 to 90,000	0	0	1	0	1
90,001 to 100,000	0	0	0	0	0
Over 100,000 (List actual gallons, e.g., 120,000)	0	1	0	0	1
Total Bills	141	141	141	138	561

Company Name: APPALDOOSA WATER CO	Test Year Ended: 2007
Meter Size: 3/4"	1 st Quarter Ended: MARCH 31

BILL COUNT WORKSHEET 1ST QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 1 ST QUARTER
- 0 -	###	10
1 to 1,000	### ##	27
1,001 to 2,000	### ##	55
2,001 to 3,000	### ##	82
3,001 to 4,000	### ##	83
4,001 to 5,000	### ##	69
5,001 to 6,000	### ##	58
6,001 to 7,000	### ##	41
7,001 to 8,000	### ##	29
8,001 to 9,000	### ##	25
9,001 to 10,000	### ##	12
10,001 to 12,000	### ##	21
12,001 to 14,000	### ##	15
14,001 to 16,000	### ##	10
16,001 to 18,000	###	5
18,001 to 20,000	1	1
20,001 to 25,000	### ##	12
25,001 to 30,000	###	4
30,001 to 35,000	###	4
35,001 to 40,000	###	3
40,001 to 50,000		0
50,001 to 60,000		0
60,001 to 70,000		0
70,001 to 80,000	1	1
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)	1 (305,960)	1
Total Bills		568

Company Name: APPALACHIA WATER CO.

Test Year Ended: 2007

Meter Size: 3/4"

3rd Quarter Ended: September 30

BILL COUNT WORKSHEET 3RD QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 3 rd QUARTER
- 0 -		17
1 to 1,000		17
1,001 to 2,000		39
2,001 to 3,000		36
3,001 to 4,000		29
4,001 to 5,000		36
5,001 to 6,000		34
6,001 to 7,000		44
7,001 to 8,000		27
8,001 to 9,000		20
9,001 to 10,000		16
10,001 to 12,000		34
12,001 to 14,000		34
14,001 to 16,000		27
16,001 to 18,000		33
18,001 to 20,000		18
20,001 to 25,000		35
25,001 to 30,000		24
30,001 to 35,000		18
35,001 to 40,000		7
40,001 to 50,000		8
50,001 to 60,000		7
60,001 to 70,000		7
70,001 to 80,000		2
80,001 to 90,000		2
90,001 to 100,000		1
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		572

Company Name: APPALDOSA WATER COMPANY	Test Year Ended: 2007
Meter Size: 3/4"	4 th Quarter Ended: DECEMBER 31

BILL COUNT WORKSHEET 4TH QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 4 th QUARTER
- 0 -		18
1 to 1,000		21
1,001 to 2,000		49
2,001 to 3,000		64
3,001 to 4,000		65
4,001 to 5,000		46
5,001 to 6,000		54
6,001 to 7,000		29
7,001 to 8,000		19
8,001 to 9,000		21
9,001 to 10,000		30
10,001 to 12,000		40
12,001 to 14,000		23
14,001 to 16,000		24
16,001 to 18,000		15
18,001 to 20,000		14
20,001 to 25,000		16
25,001 to 30,000		11
30,001 to 35,000		8
35,001 to 40,000		2
40,001 to 50,000		3
50,001 to 60,000		1
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		573

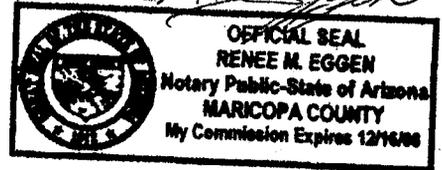
Company Name: <u>APPALWOOSA WATER CO.</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>3/4" Unit 1, Phases I+II</u>	

BILL COUNT SUMMARY

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total
- 0 -	10	7	17	18	52
1 to 1,000	27	13	17	21	78
1,001 to 2,000	55	31	39	49	174
2,001 to 3,000	82	37	36	64	219
3,001 to 4,000	83	39	29	65	216
4,001 to 5,000	69	30	36	46	181
5,001 to 6,000	58	46	34	54	192
6,001 to 7,000	41	34	44	29	148
7,001 to 8,000	29	34	27	19	109
8,001 to 9,000	25	30	20	21	96
9,001 to 10,000	12	24	16	30	82
10,001 to 12,000	21	39	34	40	134
12,001 to 14,000	15	28	34	23	100
14,001 to 16,000	10	26	27	24	87
16,001 to 18,000	5	21	33	15	74
18,001 to 20,000	1	20	18	14	53
20,001 to 25,000	12	31	35	16	94
25,001 to 30,000	4	22	24	11	61
30,001 to 35,000	4	23	18	8	53
35,001 to 40,000	3	15	7	2	27
40,001 to 50,000	0	12	8	3	23
50,001 to 60,000	0	5	7	1	13
60,001 to 70,000	0	2	7	0	9
70,001 to 80,000	1	1	2	0	4
80,001 to 90,000	0	1	2	0	3
90,001 to 100,000	0	0	1	0	1
Over 100,000 (List actual gallons, e.g., 120,000)	1	0	0	0	1
Total Bills	568	571	572	573	2284

WITNESSED THIS 18th DAY OF JUNE 2008

6/18/08



CUSTOMER NOTIFICATION

Appaloosa Water Company has applied to the Arizona Corporation Commission for an adjustment in rates. The current rates have been in effect since April 1998. An increase in rates is necessary at this time to meet new requirements to construct an arsenic water treatment facility, an increase in postal rates, an increase in staff wages, an increase in property taxes and to allow Appaloosa Water Company an opportunity to recover negative financial growth. Based on the company's un-audited 2007 Test Year results, Appaloosa Water Company realized an operating loss of \$2,734. The company is requesting a revenue increase of 100% of total revenues. Please refer to pages 8 and 10 of the application for current and proposed rates.

The application is available for inspection during regular business hours at the offices of the Commission in Phoenix, AZ at 1200 West Washington Street or online at <http://edocket.azcc.gov/edocket/> and at Appaloosa Water Company 1460 West Road 4 North Chino Valley AZ 86323. Please be advised that the rates and charges ultimately approved by the Commission may be higher or lower than the rates and charges requested in the Application.

Customer input is an important part of the Commission's analysis of the requested adjustment and is a factor in determining whether a hearing will be conducted. Customers should bring to the Commission's attention any questions or concerns related to the Company's Application including service, billing procedures, or other factors important in determining the reasonableness of charges. Customers may have the right to intervene in this matter. Customers wishing to communicate with the Commission, or request information on intervention in the proceeding, should contact the Commission's Consumer Services Section at 602-542-4251.

Customers are advised that the Commission may act upon the Application without a hearing. Regardless of whether a formal hearing is held, customer comments submitted in writing will be placed in the office file, which the Commission reviews prior to making its final decision on the Application. It is important that customers contact the Commission within 15 days of the receipt of this notice so that the Commission's Staff can consider customer comments and concerns in developing its recommendations to the Commission.

THIS NOTICE WAS PRINTED IN THE
JUNE 18th, 2008 LEGAL SECTION OF THE
CHINO VALLEY REVIEW. THIS PAPER IS NEWSPAPER
FOR ALL OUR CUSTOMERS.

A large, stylized handwritten signature in black ink, appearing to be the name of the person who printed the notice.

WATER TARIFF SCHEDULE

UTILITY: Appaloosa Water Company
 DOCKET NO. W-03443A-98-0548

DECISION NO. 60733
 EFFECTIVE: 04/01/98

Page 1

ORIGINAL

RATES AND CHARGES

CUSTOMER/MINIMUM CHARGES
PER MONTH

SERVICE LINE & METER
INSTALLATION CHARGES

<u>METER</u>	<u>CHARGES</u>	<u>GALLONS</u>
5/8 x 3/4"	\$ 25.00	1,000
3/4"	25.00	1,000
1"	41.67	1,000
1 1/2"	83.33	1,000
2"	133.33	1,000
3"	266.67	1,000
4"	416.67	1,000
6"	833.33	1,000

<u>METERS</u>	<u>CHARGES</u>
5/8 x 3/4"	\$ 400.00
3/4"	440.00
1"	500.00
1 1/2"	715.00

PLEASE SEE PAGE 2 FOR INSTALLATION CHARGES FOR 2, 3, 4, AND 6 INCH TURBO AND COMPOUND METERS.

COMMODITY CHARGE:

PER 1,000 GALLONS	\$2.50
STANDPIPE/BULK WATER, PER 1,000 GALLONS	\$3.50

SERVICE CHARGES:

1. ESTABLISHMENT (R14-2-403.D.1)	\$25.00
2. ESTABLISHMENT/AFTER HOURS (R14-2-403.D.2)	\$50.00
3. RECONNECTION/DELINQUENT (R14-2-403.D.1)	\$30.00
4. RECONNECTION/DELINQUENT AFTER HOURS)	\$50.00
5. NSF CHECK (R14-2-409)	\$10.00
6. METER REREAD/IF CORRECT (R14-2-403.C.2)	\$15.00 *
7. METER TEST/IF CORRECT (R14-2-408.F.1)	\$15.00 *
8. DEFERRED PAYMENT (PER MONTH)	PER RULE
9. LATE CHARGE (PER MONTH)	1.5% OF OUTSTANDING BALANCE
10. DEPOSIT INTEREST	PER RULE
11. DEPOSIT (R14-2-403.B.7)	PER RULE
12. RE-ESTABLISHMENT W/N 12 MONTHS	MONTHS OFF SYSTEM
	TIMES THE MINIMUM
13. AFTER HOURS SERVICE CHARGE, PER HOUR	\$50.00
14. CHARGE FOR MOVING METER	ACTUAL COST
15. MAIN EXTENSION	ACTUAL COST

* PER R14-2-408.F.1, NO CHARGE WILL BE IMPOSED IF METER IS FOUND TO BE IN ERROR BY MORE THAN PLUS OR MINUS 3%.

APPROVED FOR FILING
 DECISION # 60733

WATER TARIFF SCHEDULE

UTILITY: Appaloosa Water Company
DOCKET NO. W-03443A-97-0548

DECISION NO. 60733
EFFECTIVE: 04/01/98

ORIGINAL

Page 2

SERVICE LINE & METER
INSTALLATION CHARGES (CONT'D)

<u>METER</u>	<u>CHARGES</u>
2" COMPOUND	\$1,170.00
2" TURBO	1,700.00
3" COMPOUND	1,585.00
3" TURBO	2,190.00
4" COMPOUND	2,540.00
4" TURBO	3,215.00
6" COMPOUND	4,815.00
6" TURBO	6,270.00

OTHER RATES AND CHARGES APPROVED BY ORDER:

IN ADDITION TO THE COLLECTION OF ITS REGULAR RATES AND CHARGES, THE COMPANY SHALL COLLECT FROM ITS CUSTOMERS THEIR PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES OR USE TAX IN ACCORDANCE WITH R14-2-409.D.5.

APPROVED FOR FILING DECISION # <u>60733</u>
--

The Arizona Department of Environmental Quality (ADEQ) compliance status report follows this page.

As stated in this report, they have found the "Utility" to be in "non-compliance". It should be noted that the "Utility" has received approval to construct is has a Finance Application with the ACC for approval.

No. 1882 P. 2

Arizona Department of Environmental Quality
 Drinking Water Monitoring and Protection Unit
 Mail Code 5415B-2
 1110 West Washington Street
 Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name	System Type	Is system consecutive?
APPALOOSA MEADOWS	X Community	Yes, to PWS #
System ID #	Non-transient Non-community	
13208	Transient Non-community	X No

Overall compliance status	No major deficiencies	X Major deficiencies
Monitoring and Reporting status	No major deficiencies	X Major deficiencies
Comments: The system's running annual average has exceeded the Maximum Contaminant Level (MCL) for arsenic. The system will not be in compliance until they apply for an arsenic exemption, and receive approval for the exemption to install arsenic treatment.		

Operation and Maintenance status	X No major deficiencies	Major deficiencies
Date of last Sanitary Survey	2/20/03	Inspector Kent Haugerud, NRO
Major unresolved/ongoing operation and maintenance deficiencies:		
<input type="checkbox"/> unable to maintain 20psi	<input type="checkbox"/> inadequate storage	
<input type="checkbox"/> cross connection/backflow problems	<input type="checkbox"/> surface water treatment rule	
<input type="checkbox"/> treatment deficiencies	<input type="checkbox"/> approval to construct/of construction	
<input type="checkbox"/> certified operator	<input type="checkbox"/> other	
Comments: None.		

Is an ADEQ administrative order in effect?	Yes	X	No
Comments: None.			

System Information			
Population Served	400		
Service Connections	193		
Number of Entry Points to the Distribution System	1		
Number of Sources	2		
Initial Monitoring Year	1999		
Monitoring Assistance Program (MAP) System	X	Yes	No

Evaluation completed by	Donna Calderon, Manager Drinking Water Monitoring and Protection Unit		
Phone	802-771-4641	Date	May 9, 2008
	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.		
X	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.		
	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.		

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

9. - 2008 2:38PM ecutuson

The Arizona Department of Revenue (ADOR) certificate of compliance letter of good standing report follows this page.

Certificate of Compliance Letter of Good Standing

Appaloosa Water Company

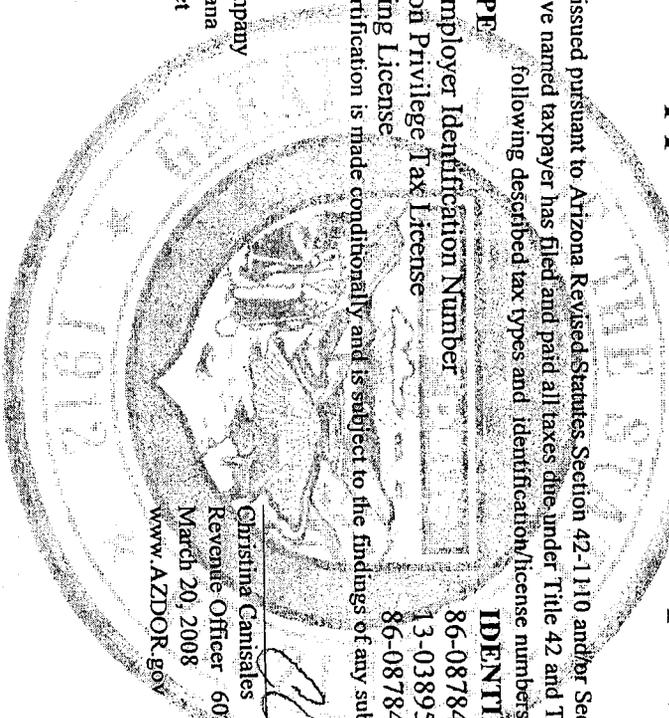
This Certificate of Compliance is issued pursuant to Arizona Revised Statutes, Section 42-1110 and/or Section 43-1151. It certifies that, according to department records, the above named taxpayer has filed and paid all taxes due under Title 42 and Title 43, specifically and only as to the following described tax types and identification/license numbers:

TAX TYPE	IDENTIFICATION
Federal Employer Identification Number	86-0878477
Transaction Privilege Tax License	13-038956-D
Withholding License	86-087847-7

This certification is made conditionally and is subject to the findings of any subsequent audit.

Issued To:
Appaloosa Water Company
Attn: Mr. Joe Cordovana
7012 North 18th Street
Phoenix, AZ 85020

Christina Canisales
Revenue Officer 602-716-6234
March 20, 2008
www.AZDOR.gov



Following this page are invoices from Water Treatment Operators.

On these invoices is the ADEQ Annual Sampling fee for the Monitoring Assistance Program which was paid by them through an invoice to Appaloosa Water.



WATER TREATMENT OPERATORS
 14615 Mountain Hills Blvd.
 Fountain Hills, AZ 85268

INVOICE

DATE 5/31/2007
INVOICE# 11194

APPALOOSA WATER COMPANY
 P.O.Box 3150
 Chino Valley, AZ 86323

(480) 837-6438 - Office
 (480) 837-3923 - Fax
 (602) 501-0713 - Cell
 wto1@cox.net

TERMS	PWS ID#	WELL REG. #	WELL ADDRESS	WELL CITY & STATE
Net 30	04-13208	55-607274	2100 Rd. 1 West	Chino Valley, AZ

DATE	DESCRIPTION	AMOUNT
5/6/2007	Certified Operator Services	185.00
5/6/2007	Bacterial Sample Analysis "D" (2 samples)	60.00
5/6/2007	Travel Surcharge	50.00
5/6/2007	IOC Sample analysis as required by ADEQ/EPA/MCESD. (Lab/Handling Charges)	265.00
5/6/2007	Order, Purchase, Pick Up, Store and Deliver __1__ Case of NSF Approved Liquid Chlorine as Required by EPA/ADEQ and/or MCESD Regulations.	40.00

PLEASE NOTE: Your sample results are attached to this invoice. Please make sure you keep these results in a separate file for regulatory compliance.

Less Payments/Credits \$0.00
INVOICE AMOUNT DUE \$600.00



WATER TREATMENT OPERATORS
 14615 N. Fountain Hills Blvd.
 Fountain Hills, AZ 85268

6-15-07

Revised

INVOICE

DATE 3/31/2007 **INVOICE#** 10865

APPALOOSA WATER COMPANY
 P.O.Box 3150
 Chino Valley, AZ 86323

(480) 837-6438 - Office
 (480) 837-3923 - Fax
 (602) 501-0713 - Cell
 wto1@cox.net

TERMS	PWS ID#	WELL REG. #	WELL ADDRESS	WELL CITY & STATE
Net 30	04-13208	55-607274	2100 Rd. 1 West	Chino Valley, AZ

DATE	DESCRIPTION	AMOUNT
3/9/2007	Certified Operator Services	185.00
3/9/2007	Bacterial Sample Analysis "D" (2 samples)	60.00
3/9/2007	Travel Surcharge	50.00
3/9/2007	Arsenic Sample Analysis (Special well source WQ screening. Both wells-2 samples). (Lab/Handling Charges)	130.00
3/9/2007	Collect, Process and Deliver "Arsenic" Sample(s) to Lab.	20.00
3/9/2007	Review, Interpret, Evaluate and Process "Arsenic" Sample Lab Results. Take Appropriate Follow-up Action. Enter all Results into WTO Database. Provide Copies to all Parties.	25.00
3/9/2007	Order, Purchase, Pick Up, Store and Deliver _1_ Case of NSF Approved Liquid Chlorine as Required by EPA/ADEQ and/or MCESD Regulations.	40.00
3/9/2007	IOC Sample analysis as required by ADEQ/EPA/MCESD. (Secondary primary) (Lab/Handling Charges)	445.00
3/9/2007	Collect, Process and Deliver IOC Sample(s) to Lab.	20.00
3/9/2007	Review, Interpret, Evaluate and Process IOC Sample Lab Results. Take Appropriate Follow-up Action. Enter all Results into WTO Database. Provide Copies to all Parties.	25.00

Less Payments/Credits \$0.00
INVOICE AMOUNT DUE \$1000.00

Regarding Item # 4 of the Application.

No plant assets in excess of \$150 were purchased for the Test year, 2007

**Copies of information to support entries on the Income
Statemnet on Page 19 of the Water Rate Appliacion.**

Appaloosa Water Company

Account 601 (Prior Year)

Name	Position	Salary	Duties
Valenzuela, Fernando	Maintenance	\$4,038.00	General maintenance of company assets. Clerical support to include but not limited to Accts
Dunbar, Mary Ann	Bookkeeping	312.00	Receivable and Accts Payable. Clerical support to include but not limited to Accts
Tangeman, Tara	Bookkeeping	<u>8,183.25</u>	Receivable and Accts Payable.
		<u>\$12,533.25</u>	

Account 601 (Test Year)

Name	Position	Salary	Duties
Tangeman, Tara	Bookkeeping	\$13,239.31	Clerical support to include but not limited to Accts Receivable and Accts Payable.
Cordovana, Joseph	Owner	<u>32,491.00</u>	Oversee company operations.
		<u>\$45,730.31</u>	

Invoices for Purchased Power

Account 615 (Test Year)



THE POWER TO MAKE IT HAPPEN®



Your electricity bill

Bill date: January 17, 2007

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Summary of what you owe

	Amount owing on your previous bill	\$548.96
<i>Less</i>	Payment made on Jan 8, thank you	-\$548.96
<i>Equals</i>	Your balance forward	\$0.00
<i>Plus</i>	Your new charges (details on following pages)	
	Cost of electricity (with taxes and fees)	\$441.29
<i>Equals</i>	Total amount due	\$441.29

Due date: January 30, 2007

Questions?

Call 602-371-6767 or 1-800-253-9407,
 Mon - Fri, 7:30am - 5:00pm
 Website: aps.com
 Para servicio en español llame al:
 602-371-6881 (Phoenix) o
 1-800-252-9410 (Otras areas)

Page 1 of 5

See page 2 for more information.

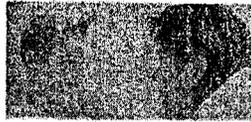
When paying in person, please
bring the bottom portion of your bill.

Page 3 of 5





THE POWER TO MAKE IT HAPPEN®



Your electricity bill

Bill date: February 14, 2007

Summary of what you owe

Amount owing on your previous bill	\$441.29
<i>Less</i> Payment made on Feb 8, thank you	-\$441.29
<i>Equals</i> Your balance forward	\$0.00
<i>Plus</i> Your new charges (details on following pages)	
Cost of electricity (with taxes and fees)	\$517.08
<i>Equals</i> Total amount due	\$517.08

Due date: February 27, 2007

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Questions?

Call 602-371-6767 or 1-800-253-9407,

Mon - Fri, 7:30am - 5:00pm

Website: aps.com

Para servicio en español llame al:

602-371-6861 (Phoenix) o

1-800-252-9410 (Otras areas)

Page 1 of 5

See page 2 for more information.

When paying in person, please
bring the bottom portion of your bill.

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Page 3 of 5





● Your electricity bill

Bill date: March 15, 2007

Summary of what you owe

	Amount owing on your previous bill	\$517.08
<i>Less</i>	Payment made on Mar 7, thank you	-\$517.08
<i>Equals</i>	Your balance forward	\$0.00
<i>Plus</i>	Your new charges (details on following pages)	
	Cost of electricity (with taxes and fees)	\$526.88
<i>Equals</i>	Total amount due	\$526.88

Due date: March 28, 2007

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Questions?

Call 602-371-6767 or 1-800-253-9407,

Mon - Fri, 7:30am - 5:00pm

Website: aps.com

Para servicio en español llame al:

602-371-6861 (Phoenix) o

1-800-252-9410 (Otras areas)

IMPORTANT PALO VERDE INFORMATION

At APS, we want our customers to know that we're dedicated to returning the Palo Verde Nuclear Generating Station to its place as one of the top performing power plants in the United States. To view a letter to customers regarding Palo Verde, as well as an informational Q&A, please visit us online at aps.com.

Page 1 of 5

See page 2 for more information.

When paying in person, please
bring the bottom portion of your bill.

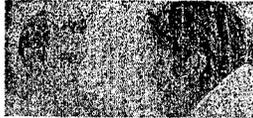
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Page 3 of 5



THE POWER TO MAKE IT HAPPEN®



Your electricity bill

Bill date: April 16, 2007

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Summary of what you owe

	Amount owing on your previous bill	\$526.88
Less	Payment made on Apr 2, thank you	-\$526.88
Equals	Your balance forward	\$0.00
Plus	Your new charges (details on following pages)	
	Cost of electricity (with taxes and fees)	\$660.92
Equals	Total amount due	\$660.92

Due date: April 27, 2007

Questions?

Call 602-371-6767 or 1-800-253-9407,

Mon - Fri, 7:30am - 5:00pm

Website: aps.com

Para servicio en español llame al:

602-371-6861 (Phoenix) o

1-800-252-9410 (Otras areas)

Page 1 of 5

See page 2 for more information.

When paying in person, please bring the bottom portion of your bill.



Page 3 of 5



THE POWER TO MAKE IT HAPPEN®



Your electricity bill

Bill date: May 15, 2007

Summary of what you owe

	Amount owing on your previous bill	\$660.92
<i>Less</i>	Payment made on Apr 30, thank you	-\$660.92
<i>Equals</i>	Your balance forward	\$0.00
<i>Plus</i>	Your new charges (details on following pages)	
	Cost of electricity (with taxes and fees)	\$673.90
<i>Equals</i>	Total amount due	\$673.90

Due date: May 29, 2007

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Questions?

Call 602-371-6767 or 1-800-253-9407,
Mon - Fri, 7:30am - 5:00pm

Website: aps.com

Para servicio en español llame al:
602-371-6861 (Phoenix) o
1-800-252-9410 (Otras areas)

Register at aps.com

Enjoy the convenience of managing your APS account online. It's easy, secure and free. At aps.com you can view and pay your bill, review your usage history, explore ways to save energy, start and stop your electric service and more. All you need is your account number and zip code. Go to aps.com, register and start enjoying the benefits today!

Page 1 of 5

See page 2 for more information.

When paying in person, please
bring the bottom portion of your bill.

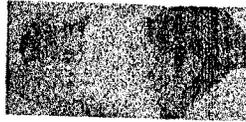


Page 3 of 5





THE POWER TO MAKE IT HAPPEN®



Your electricity bill

Bill date: June 14, 2007

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Summary of what you owe

Questions?

Call 602-371-6767 or 1-800-253-9407,

Mon - Fri, 7:30am - 5:00pm

Website: aps.com

Para servicio en español llame al:

602-371-6861 (Phoenix) o

1-800-252-9410 (Otras areas)

Amount owing on your previous bill	\$673.90
Less Payment made on Jun 12, thank you	-\$673.90
Equals Your balance forward	\$0.00
Plus Your new charges (details on following pages)	
Cost of electricity (with taxes and fees)	\$909.55
Equals Total amount due	\$909.55

Due date: June 27, 2007

Page 1 of 5

See page 2 for more information.

When paying in person, please bring the bottom portion of your bill.

Page 3 of 5





THE POWER TO MAKE IT HAPPEN®



Your electricity bill

Bill date: August 14, 2007

Summary of what you owe

Amount owing on your previous bill	\$909.55
Less Payment made on Jul 5, thank you	-\$909.55
Equals Your balance forward	\$0.00
Plus Your new charges (details on following pages)	
Cost of electricity (with taxes and fees)	\$1,699.79
Equals Total amount due	\$1,699.79

Due date: August 27, 2007

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Questions?

Call 602-371-6767 or 1-800-253-9407,

Mon - Fri, 7:30am - 5:00pm

Website: aps.com

Para servicio en español llame al:

602-371-6861 (Phoenix) o

1-800-252-9410 (Otras areas)

Beware of Credit Card Scams

Never give your credit card information over the telephone unless you are sure you know who you are dealing with or you have placed the call yourself. Identity thieves are skilled at posing as representatives of banks, Internet service providers, or even your utility. Although APS customers can pay their bill with a credit card through a third-party vendor, APS does not call customers requesting credit card information. If you receive a phone call asking for credit or debit card information from someone claiming to be an APS representative, hang up and call APS or file a complaint with the Federal Trade Commission by calling their hotline at 1-877-IDTHEFT (1-877-438-4338).

Page 1 of 7

See page 2 for more information.

When paying in person, please bring the bottom portion of your bill.

Comparing your monthly use

	This month	Last month	This month last year
Billing days	29	29	28
Average outdoor temperature	75°	76°	76°
Your total use in kWh	4800	6000	4560
Your billed demand in kW	23.0	27.0	24.0
Your average daily cost	\$16.24	\$20.19	\$24.98

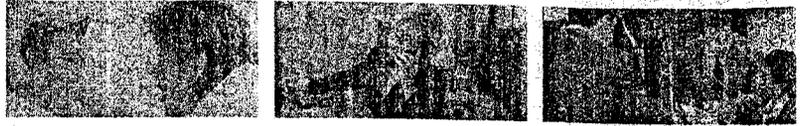
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Page 5 of 7



THE POWER TO MAKE IT HAPPEN®



Your electricity bill

Bill date: October 12, 2007

Summary of what you owe

Amount owing on your previous bill	\$938.70
<i>Less</i> Payment made on Oct 4, thank you	-\$938.70
<i>Equals</i> Your balance forward	\$0.00
<i>Plus</i> Your new charges (details on following pages)	
Cost of electricity (with taxes and fees)	\$762.69
<i>Equals</i> Total amount due	\$762.69

Due date: October 25, 2007

Thank you for your consistent and timely payments. We value your business.

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Questions?

Call 602-371-6767 or 1-800-253-9407,
Mon - Fri, 7:30am - 5:00pm

Website: aps.com

Para servicio en español llame al:
602-371-6861 (Phoenix) o
1-800-252-9410 (Otras areas)

Page 1 of 5

See page 2 for more information.

When paying in person, please
bring the bottom portion of your bill.

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Page 3 of 5



THE POWER TO MAKE IT HAPPEN®



Your electricity bill

Bill date: November 13, 2007

Summary of what you owe

Amount owing on your previous bill	\$762.69
<i>Less</i> Payment made on Oct 23, thank you	-\$762.69
<i>Equals</i> Your balance forward	\$0.00
<i>Plus</i> Your new charges (details on following pages)	
Cost of electricity (with taxes and fees)	\$653.16
<i>Equals</i> Total amount due	\$653.16

Due date: November 28, 2007

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Questions?

Call 602-371-6767 or 1-800-253-9407,
Mon - Fri, 7:30am - 5:00pm

Website: aps.com

Para servicio en español llame al:
602-371-6861 (Phoenix) o
1-800-252-9410 (Otras areas)

Page 1 of 5

See page 2 for more information.

When paying in person, please
bring the bottom portion of your bill.



Page 3 of 5





THE POWER TO MAKE IT HAPPEN®



Your electricity bill

Bill date: December 14, 2007

APPALOOSA WATER CO

Your account number: 257954288

For service at: 2 locations

Summary of what you owe

Amount owing on your previous bill	\$653.16
Less Payments made through Dec 14	\$0.00
Equals Your balance forward	\$653.16
Plus Late charge (taxes included)	\$10.78
Plus Your new charges (details on following pages)	
Cost of electricity (with taxes and fees)	\$524.87
Equals Total amount due	\$1,188.81

Questions?

Call 602-371-6767 or 1-800-253-9407,

Mon - Fri, 7:30am - 5:00pm

Website: aps.com

Para servicio en español llame al:

602-371-6861 (Phoenix) o

1-800-252-9410 (Otras areas)

Due date: December 28, 2007

Just a reminder, your usual timely payment has not been received. If you've already made your payment, thank you!

Page 1 of 5

See page 2 for more information.

When paying in person, please bring the bottom portion of your bill.



Page 3 of 5

Invoices for Repairs & Maintenance

Account 620 (Test Year)

PRESCOTT LOCK & SAFE
 611 MILLER VALLEY ROAD
 PRESCOTT, AZ 86301
 928-445-8349

Invoice

DATE	INVOICE #
5/4/2007	8136

BILL TO
COMMERCIAL - MISC ACCT

PAID

HIP TO

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
			5/4/2007			

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
1	LABOR	WINDMILL FARMS 1460 W RD 4 NORTH CV AZ INSTALL DB ON INNER BAR DOOR,KEY TO EXISTING KEY	75.00	75.00
1	LABOR	PUMP STAT DOOR	18.75	18.75
1	SVC CALL	SERVICE CALL	60.00	60.00
1	FUEL SURCHAR..	FUEL SURCHARGE	6.00	6.00
1	LABOR	DROP-OFF	20.00	20.00
1	VARIOUS	SCH SS DB 05 FINISH	48.00	48.00
		Sales Tax	8.35%	4.01
Total				\$231.76

3rd Generation Well Drilling Inc.
 P.O. Box 3893 ChinoValley
 Arizona 86323
 928-636-0378 /636-2648 Fax
 Cell 928-713-7553

SERVING ARIZONA SINCE 1946

TO APPALOOSA WATER CO
 602-277-5632

DATE SEP 17-07

DWR 55- N/A

PARCEL #

ITEM	DESCRIPTION	QTY	PER FT/HR	TOTAL
DRILLING	8 BORE HOLE	CLEAN OUT OF HOLE		\$ 1000.00
SURFACE CASING	7" STEEL			N/A
PVC CASING	4.5" SOLID			N/A
PVC CASING	4.5" SCREEN			N/A
PERMIT'S				N/A
WELL CAPING				\$ N/A
MOBILIZATION/ DEMOB				N/A
CEMENT IF NEEDED				N/A
TAX				N/A

TOTAL \$ 1000.00

DOWN PAYMENT \$

BALANCE DUE \$ 1,000.00

FULL INVOICE DUE AND PAYABLE BY

Custom Blending International DBA CBI

1023 North 21st Ave Unit D
 Phoenix AZ 85009
 Tel: 602-271-0301
 Fax: 602-271-0304

Invoice/ BOL

Date	Invoice #
8/15/2007	11028

Bill To
Appaloosa Water Company 7012 North 18th Street Phoenix AZ 85020

Ship To

P.O. No.	Terms	Due Date	Rep	Ship Date
	COD	8/15/2007	BMM	8/15/2007

Qty	H/M	Description	Rate	Amount
6		Sodium Hypochlorite NSF 5.25% 6 X 1 Case	16.10	96.60T
		For chemical emergency, spill, leak, fire, or explosion call Chemtrek at 800-424-9300 24 hours a day	0.00	0.00T

Subtotal	\$96.60
Sales Tax (7.5%)	\$7.25
Total	\$103.85
Payments/Credits	\$0.00
Balance Due	\$103.85
Customer Total Balance	\$103.85

Phone #	Fax #
602-271-0301	602-271-0304

pad # 597

Pro-Water Irrigation Supply, Inc.

629 Miller Valley Rd.
Prescott, Arizona 86301

Invoice

DATE	11/13/2007	INVOICE #	128277
------	------------	-----------	--------

Phone #	928-778-7771/PV 759-3650/ CV 636-3332
---------	---------------------------------------

Fax #	928-778-5006/PV 759-3654 /CV 636-3334
-------	---------------------------------------

BILL TO
Windmill Farms Nursery 7012 N. 18th Phoenix Az. 85020

P.O. NUMBER	PROJECT
Joe	

ITEM CODE	DESCRIPTION	QUANTITY	PRICE EACH	AMOUNT
429-030	3 PVC COUPLER	5	1.97	9.85
16RH	1 PINT CHRISTYS RED HOT RH-RHBG-PT	1	8.51	8.51
16P68	1 PINT P68 PRIMER	1	6.64	6.64

** materials were purchased on Windmill Farms account Appaloosa Water.*

Subtotal	\$25.00
-----------------	---------

Sales Tax (9.35%)	\$0.00
--------------------------	--------

Total	\$25.00
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Balance Due	\$25.00
--------------------	---------

Past due balances subject to a 2% charge.
Returns subject to a 20% restocking fee.
No open or used item returns. No returns on cut pipe, wire, etc..

Pro-Water Irrigation Supply, Inc.

629 Miller Valley Rd.
Prescott, Arizona 86301

Invoice

DATE	11/13/2007	INVOICE #	128291
------	------------	-----------	--------

Phone #	928-778-7771/PV 759-3650/ CV 636-3332
---------	---------------------------------------

Fax #	928-778-5006/PV 759-3654 /CV 636-3334
-------	---------------------------------------

BILL TO
Windmill Farms Nursery 7012 N. 18th Phoenix Az. 85020

AW

P.O. NUMBER	PROJECT

ITEM CODE	DESCRIPTION	QUANTITY	PRICE EACH	AMOUNT
401-020	2 PVC TEE SSS	1	1.45	1.45
429-020	2 PVC COUPLER	1	0.71	0.71
437-339	3 X 2 1/2 PVC BUSHING	1	1.90	1.90
435-025	2 1/2 PVC FEMALE ADAPTER	1	1.80	1.80
429-030	3 PVC COUPLER	1	1.97	1.97
437-292	2 1/2 X 2 PVC BUSHING	1	1.32	1.32
CH-TA-SWS20DR	3/4" X520" TEFLON TAPE	1	0.99	0.99

Subtotal	\$10.14
Sales Tax (9.35%)	\$0.00
Total	\$10.14
Balance Due	\$10.14

Past due balances subject to a 2% charge.
Returns subject to a 20% restocking fee.
No open or used item returns. No returns on cut pipe, wire, etc..

Pro-Water Irrigation Supply, Inc.

629 Miller Valley Rd.
Prescott, Arizona 86301

Invoice

DATE	11/13/2007	INVOICE #	128297
------	------------	-----------	--------

Phone #	928-778-7771/PV 759-3650/ CV 636-3332
---------	---------------------------------------

Fax #	928-778-5006/PV 759-3654/ CV 636-3334
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BILL TO
Windmill Farms Nursery 7012 N. 18th Phoenix Az. 85020 <i>A.W.</i>

P.O. NUMBER	PROJECT

ITEM CODE	DESCRIPTION	QUANTITY	PRICE EACH	AMOUNT
406-020	2 PVC 90	2	1.13	2.26

Subtotal	\$2.26
Sales Tax (9.35%)	\$0.00
Total	\$2.26
Balance Due	\$2.26

Past due balances subject to a 2% charge.
Returns subject to a 20% restocking fee.
No open or used item returns. No returns on cut pipe, wire, etc..

Pro-Water Irrigation Supply, Inc.

629 Miller Valley Rd.
Prescott, Arizona 86301

Invoice

DATE	11/21/2007	INVOICE #	128511
------	------------	-----------	--------

Phone #	928-778-7771/PV 759-3650/ CV 636-3332
Fax #	928-778-5006/PV 759-3654 /CV 636-3334

BILL TO
Windmill Farms Nursery 7012 N. 18th Phoenix Az. 85020

A.W.

updated files SW

P.O. NUMBER	PROJECT
Joe	

ITEM CODE	DESCRIPTION	QUANTITY	PRICE EACH	AMOUNT
6ADSSOLI	6" ADS SOLID PIPE PER FOOT	-10	1.605	-16.05
6SOLI	6 SW SOLID PIPE	8	2.31	18.48
6ADSC	6 ADS SNAP COUPLER	1	2.87	2.87
GSWC-040606	6 SW COUPLER	1	6.27	6.27
6ADSSOLI	6" ADS SOLID PIPE PER FOOT Exchanged 6ADS x 10 for 20'	20	1.605	32.10

Subtotal	\$43.67
Sales Tax (9.35%)	\$0.00
Total	\$43.67

Past due balances subject to a 2% charge.
Returns subject to a 20% restocking fee.
No open or used item returns. No returns on cut pipe, wire, etc..

Balance Due	\$43.67
--------------------	---------

A.W.

Pro-Water Irrigation Supply, Inc.
 629 Miller Valley Rd.
 Prescott, Arizona 86301

Invoice

DATE	11/28/2007	INVOICE #	128633
------	------------	-----------	--------

Phone #	928-778-7771/PV 759-3650/ CV 636-3332
---------	---------------------------------------

Fax #	928-778-5006/PV 759-3654 /CV 636-3334
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BILL TO
Windmill Farms Nursery 7012 N. 18th Phoenix Az. 85020 <i>A.W.</i>

P.O. NUMBER	PROJECT
Bill	

ITEM CODE	DESCRIPTION	QUANTITY	PRICE EACH	AMOUNT
32P711	1 QUART P711 GRAY CEMENT CH-RH-BGLV-QT	1	14.61	14.61
16P68	1 PINT P68 PRIMER	1	6.64	6.64

Subtotal	\$21.25
-----------------	---------

Sales Tax (9.35%)	\$0.00
--------------------------	--------

Total	\$21.25
--------------	---------

Past due balances subject to a 2% charge.
 Returns subject to a 20% restocking fee.
 No open or used item returns. No returns on cut pipe, wire, etc..

Balance Due	\$21.25
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Pro-Water Irrigation Supply, Inc.

629 Miller Valley Rd.
 Prescott, Arizona 86301

Invoice

DATE	12/11/2007	INVOICE #	128888
------	------------	-----------	--------

Phone #	928-778-7771/PV 759-3650/ CV 636-3332
---------	---------------------------------------

Fax #	928-778-5006/PV 759-3654 /CV 636-3334
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BILL TO
Windmill Farms Nursery 7012 N. 18th Phoenix Az 85020 <i>A.W.</i>

P.O. NUMBER	PROJECT
Joe	

ITEM CODE	DESCRIPTION	QUANTITY	PRICE EACH	AMOUNT
18VAN	18' VARIABLE ADJ. NOZZLE	21	1.45	30.45

Subtotal	\$30.45
Sales Tax (9.35%)	\$0.00
Total	\$30.45

Past due balances subject to a 2% charge.
 Returns subject to a 20% restocking fee.
 No open or used item returns. No returns on cut pipe, wire, etc..

Balance Due	\$30.45
--------------------	----------------

A.W.

Genix Paver Manufacturing LLC

Invoice

5 West Elwood
Phoenix AZ 85041-1227

Phone: 602-268-5908
Fax: 602-268-5912

Date	Invoice #
10/30/2007	17186

Bill To
Windmill Farms 7012 N 18th St Phoenix, AZ 85020

Ship To
Chino Valley

P.O. Number	Terms	Ship Date	Pre-Lien	Ship Via	F.O.B.
	Net 30	10/30/2007	JV	Muller Trucking	

Qty	Item Code	Description	Unit	Amount
4	2-Territorial	6x6 Paver 100 Sq Ft Territorial Blend	120.00	480.00
6	1-TUM-Territorial	6x9 Paver 100 Sq Ft Territorial Blend-TUMBLED	200.00	1,200.00
4	2-TUM-Territorial	6x6 Paver 100 Sq Ft Territorial Blend-TUMBLED	200.00	800.00
4	4-TUM-Territorial	9x9 Paver 100 Sq Ft Territorial Blend-TUMBLED	200.00	400.00
16	Pallet Out	Pallet Out Charge	12.00	192.00
1	Delivery-6	Delivery Charge Out of Normal Area	400.00	400.00

* materials were purchased on Windmill Farms account for Appaloosa Water

ON ACCT _____ CC _____ CASH _____ CHECK _____

AMOUNT OF CASH/CHECK RECEIVED _____

Refunds only allowed on full block cube lots - subject to prior approval.
Returns subject to a 30% restocking fee.
Pallet refund requests must be supported by original invoice.
No pallet refunds 180 days after original purchase.

Total	\$3,472.00
Payments/Credits	\$0.00
Balance Due	\$3,472.00

Past due accounts subject to service charge of 1.5% per month or maximum permitted by law.
Checks returned by your bank are subject to a \$25.00 Service Charge.

White Copy/Office - Pink Copy/Customer - Yellow Copy/Yard - Blue Copy/Driver - Green Copy/Pallet Return



P.O. Box 1463
Chino Valley, AZ 86323
(928) 636-2838 (928) 713-1120

Date: 11/30/2007

<i>Date</i>	<i>Invoice #</i>	<i>Description</i>	<i>Hrs/Tons</i>	<i>Rate</i>	<i>Total</i>
		<i>Road 4 North</i>			
11/12/2007	17339	Deliver 3/8 minus Screened Sand	9.92	\$5.25	\$52.08
		Trucking	1	\$70.00	<u>\$70.00</u>
11/13/2007	17340	Deliver 3/8 minus Screened Sand	19.52	\$9.25	\$180.56
11/20/2007	17359	Deliver 3/8 minus Screened Sand	23.66	\$9.25	\$218.86
				<i>Total</i>	\$521.50

AW

Appaloosa Water Company

Account 620 (Test Year)

In addition to the invoices provided, Appaloosa Water Company paid an additional **\$2618.68** for repairs and maintenance. No one invoice was over \$150.00.

Invoices for Outside Services

Account 630 (Test Year)

Nelson Law Office - Douglas C. Nelson, P.C.
7000 North 16th Street
Suite 120-307
Phoenix, AZ 85020

Invoice submitted to:
Appaloosa Water Company

Mr. Joseph Cordovana

February 14, 2007

Invoice # 10264

Professional Services

	<u>Hours</u>
12/2/06 Dictated letter to Joe Cordovana re: Answer to HP Investment Complaint with Arizona Corporation Commission.	0.51
12/4/06 File Answer to Complaint and Motion to Dismiss.	0.57
12/5/06 Telephone call from Joe Cordovana.	0.09
12/12/06 Analyzed Response to Motion to Dismiss filed by HP Investment Corporation. Dictated letter to Joe Cordovana.	0.54
12/18/06 Researched and Drafted Reply to HP Investment Response to Motion to Dismiss.	1.32
Proof Reply. Dictated letter to client re: Reply to Complaint.	0.56
12/22/06 Telephone conference with Mike Cordovana re: Strategy in resolving HP Investment Complaint.	0.18
12/26/06 Telephone call from Mike Cordovana. Telephone call to Arizona Department of Water Resources.	0.13
12/27/06 Telephone call from Joe Cordovana. Telephone call from Joe Cordovana.	0.17
1/3/07 Telephone call from Joe Cordovana re: Arsenic Treatment Strategy.	0.17
1/9/07 Telephone call from Joe Cordovana. Reviewed fax of Procedural Order. Telephone call from Mike Cordovana.	0.27

Appaloosa Water Company

Page 2

	<u>Hours</u>	
1/23/07 Examine file and documents in preparation for procedural conference. Prepared and sent electronic message to Mike Cordovana.	0.75	
1/24/07 Appearance at Scheduling Conference before Administrative Law Judge.	1.50	
Telephone call from Joe Cordovana re: Response to HP Investments.	0.17	
Reviewed file and Dictated letter to Michael Pearce, Esq. Dictated fax to Michael Pearce.	1.18	
1/25/07 Telephone conference with Joe Cordovana.	0.25	
		<u>Amount</u>
For professional services rendered	8.35	\$1,791.95
Additional Charges :		
12/18/06 Legal Assistant		40.95
12/4/06 Reproduction Costs Reproduction Costs at Arizona Corporation Commission.		5.04
12/28/06 Postage Postage		4.07
Photocopies Photocopies		14.30
Total costs		<u>\$84.36</u>
Total amount of this bill		<u><u>\$1,856.31</u></u>

Please contact me if you have any questions regarding this invoice.
Thank you for your prompt payment.

Douglas C. Nelson, Esq.
Law Office of Douglas C. Nelson, P.C.
Telephone: 602-395-1612
Facsimile: 602-395-1943
Email: DougCNelson@cox.net

THE ALARM CONNECTION, INC.
537 6th STREET SUITE D
PRESCOTT, AZ. 86301
(928) 445-1609

ACCT'S PAYABLE - TONY CORDOVNA
APALOSSA WATER COMPANY
P.O. BOX 3150
CHINO VALLEY AZ 86323

INVOICE # 30504
DUE IN 15 DAYS
ARS#: APAMEA DUE: 03/02/2007
INVOICE DATE: 02/15/2007
TELEPHONE () -

I N V O I C E
Page 1

APALOSSA MEADOWS WATER DIST. ARS # APAMEA:0042
AT RD 3 NORTH & RD 1 WEST; 100 YARDS WEST OF INTERSECTION
CHINO VALLEY AZ 86323
TONY CORDOVANA CSID: 30042
CENTRAL STATION MONITORING SERVICE
(3 Months @ 22.50/Month)

67.50

NEW SALES THIS INVOICE

67.50

FOR SERVICE STARTING MARCH 2007
PLEASE INCLUDE THE INVOICE NUMBER ON YOUR PAYMENT.
THANK YOU FOR CHOOSING THE ALARM CONNECTION.

1.50%/Month Late Charge on Past Due Balances. Minimum Late Charge \$5.00

Please write any questions or comments you have here. Thank You!

Nelson Law Office - Douglas C. Nelson, P.C.
7000 North 16th Street
Suite 120-307
Phoenix, AZ 85020

Invoice submitted to:
Appaloosa Water Company

Mr. Joseph Cordovana

March 06, 2007

Invoice # 10268

Professional Services

	<u>Hours</u>	
2/12/07 Telephone call from Joe Cordovana. Reviewed fax from client. Dictated fax to client. Telephone call from Joe Cordovana.	0.58	
Telephone call to Joe Cordovana. Dictated letter to Patrick Black.	0.65	
2/13/07 Telephone conference with Patrick Black, Esq. Telephone call to Joseph Cordovana re: Addendum to Notice of Intent. Drafted Addendum.	0.95	
2/15/07 Telephone call from Tony Cordovana. Telephone conference with Connie at Arizona Corporation Commission.	0.58	
2/18/07 Analyzed Procedural Order and prepared draft schedule.	0.62	
2/20/07 Telephone call from Joe Cordovana.	0.08	
2/23/07 Telephone call to Patrick Black of Fennemore Craig. Reviewed file documents. Examined draft Proposed Scheduling Order. Prepared and sent electronic message to Patrick Black.	0.42	
2/26/07 Review ADWR regulations and forms. Dictated fax to client re: ADWR Notice of Intent to Serve. Dictated letter to Patrick Black. Dictated fax to Patrick Black.	1.60	
2/28/07 Telephone call from Mike Cordovana re: Aslanian Notice of Intent.	0.17	
Researched and drafted Addendum to Notice of Intent to Serve.	0.83	
		<u>Amount</u>
For professional services rendered	6.48	\$1,395.01

Appaloosa Water Company

Page 2

Additional Charges :

	<u>Amount</u>
2/14/07 Transcript Cost Arizona Reporting Services, Inc. - Transcript of Prehearing Conference before ACC Hearing Officer 1/24/07.	58.28
Total costs	<u>\$58.28</u>
Total amount of this bill	<u><u>\$1,453.29</u></u>

Please contact me if you have any questions regarding this invoice.
Thank you for your prompt payment.

Douglas C. Nelson, Esq.
Law Office of Douglas C. Nelson, P.C.
Telephone: 602-395-1612
Facsimile: 602-395-1943
Email: DougCNelson@cox.net

Law Office of Douglas C. Nelson, P.C.

7000 North 16th Street
Suite 120-307
Phoenix, AZ 85020

Invoice submitted to:
Appaloosa Water Company
P.O. Box 3150
1228 West Road 4 North
Chino Valley AZ 86323
Attention: Mr. Joseph Cordovana

April 15, 2007

Invoice # 10284

Professional Services

	Hours	Amount
3/28/2007 -Prepared and sent electronic message to Mike Cordovana. Analyzed draft Line Extension Agreement.	2.00	
3/29/2007 Meeting with Joe and Michael Cordovana re: Line Extension Terms and Conditions.	1.33	
4/3/2007 Meeting with Mike and Joe Cordovana.	0.75	
4/8/2007 Reviewed typed draft of line extension agreement and prepared red-line changes.	0.34	
4/10/2007 Telephone call from Joe Cordovana.	0.17	NO CHARGE
For professional services rendered	4.59	\$951.02
Additional Charges :		
4/12/2007 Draft - Line Extension Agreement		132.80
Total additional charges		\$132.80
Total amount of this bill		\$1,083.82

Law Office of Douglas C. Nelson, P.C.

7000 North 16th Street
Suite 120-307
Phoenix, AZ 85020

**Invoice submitted
to:**

Appaloosa Water Company
P.O. Box 3150
1228 West Road 4 North
Chino Valley AZ 86323
Mr. Joseph Cordovana

May 04, 2007

Invoice #10288

Professional Services

	<u>Hours</u>	<u>Amount</u>
4/1/2007 Prepared and sent electronic message to Mike Cordovana re: ACC Prehearing Conference.	0.17	
4/2/2007 Reviewed file documents and regulations. Dictated form letter for Notice of Interest by Appaloosa Water Co. to serve nearby developments.	0.50	
4/3/2007 Conference with Patrick Black. Appearance at Prehearing Conference before Administrative Law Judge of Corporation Commission, re: HP Investment Complaint.	1.00	
4/5/2007 Reviewed Procedural Order and Dictated memorandum to Mike and Tony Cordovana.	0.17	
4/24/2007 Researched ADWR statutes and regulations. Drafted Well Lease Agreement.	2.75	
Prepared and sent electronic message to Joe, Mike and Tony Cordovana re; Draft Well Lease Agreement.	0.17	
For professional services rendered	<u>4.76</u>	<u>\$1,022.08</u>

Please contact me if you have any questions regarding this invoice.
Thank you for your prompt payment.

Douglas C. Nelson, Esq.
Law Office of Douglas C. Nelson, P.C.
Telephone: 602-395-1612
Facsimile: 602-395-1943
Email: DougCNelson@cox.net

THE ALARM CONNECTION, INC.
 543 W. GURLEY ST.
 PRESCOTT, AZ. 86303
 (928) 445-1809

ACCT'S PAYABLE - TONY CORDOVNA
 APALOSSA WATER COMPANY
 P.O. BOX 3150
 CHINO VALLEY AZ 86323

INVOICE NUMBER: 31513
 Terms NET:15 Days **
 ARS#: APAMEA DUE: 05/30/2007
 INVOICE DATE: 05/15/2007
 TELEPHONE: () -

I N V O I C E

Page: 1 FOR SERVICE STARTING JUNE 2007

 D E S C R I P T I O N Per Unit . . . Quantity . . Tax . . Extension

{0042}APALOOSA MEADOWS WATER DIST. Telephone: ()771-1730 #AC30042
 100 YARDS WEST OF INTERSECTION TONY CORDOVANA
 AT RD 3 NORTH & RD 1 WEST
 CHINO VALLEY AZ 86323

Description of Service(s)	Term & Pricing Information	Total
{0042}CENTRAL STATION MONITORING SE	(3 Months @ 22.50/Month)	87.50

FOR SERVICE STARTING JUNE 2007

PLEASE INCLUDE THE INVOICE NUMBER ON YOUR PAYMENT.
 THANK YOU FOR CHOOSING THE ALARM CONNECTION.

 SALE AMOUNT \$ 87.50
 PREVIOUS PAYMENT/CREDIT \$ 87.50
 =====
 TOTAL NET DUE \$ 0.00

Page 1

*** 1.50%/Month Charge added to Past Due Balances. Minimum Charge \$5.00

Law Office of Douglas C. Nelson, P.C.

7000 North 16th Street
Suite 120-307
Phoenix, AZ 85020

Invoice submitted to:

Appaloosa Water Company

P.O. Box 3150
1228 West Road 4 North
Chino Valley AZ 86323
Attention: Mr. Joseph Cordovana

June 01, 2007

Invoice # 10293

Professional Services

	<u>Hours</u>	<u>Amount</u>
4/23/2007 Prepared and sent electronic message to Patrick Black re: Draft Line Extension Agreement.	0.23	
4/27/2007 Telephone call from Joe Cordovana. Prepared and sent electronic message to Patrick Black.	0.18	
5/3/2007 Telephone call to Patrick Black re: Line Extension Agreement.	0.17	
Prepared and sent electronic message to Mike Cordovana.	0.17	
5/4/2007 Telephone call from Patrick Black. Prepared and sent electronic message to client, re: Status of Drafting the Line Extension Agreement.	0.25	
5/7/2007 Telephone call from Joe Cordovana. Reviewed file documents. Dictated letter to Patrick Black.	1.19	
5/9/2007 Telephone call from Joe Cordovana.	0.17	
5/10/2007 Telephone call from Joe Cordovana. Dictated letter to Joe Cordovana re: Well Lease Agreement.	0.17	
5/24/2007 Examined Letter and Attachment from Patrick Black.	0.33	
5/26/2007 Dictated letter to Joe Cordovana re: HP Line Extension Agreement.	0.25	

	<u>Hours</u>	<u>Amount</u>
5/29/2007 Telephone call from Joe Cordovana.	0.17	
5/30/2007 Conference with Joe Cordovana and Mike Cordovana re: Line Extension Agreement.	1.00	
5/31/2007 Telephone call from Joe Cordovana re: Advance Issue.	0.17	
Examined electronic message from Patrick Black and drafted response.	0.45	
For professional services rendered	4.90	\$1,049.18
Additional Charges :		
5/8/2007	5.42	
		10.40
Total additional charges		\$15.82
Total amount of this bill		<u>\$1,065.00</u>

Thank you for your prompt payment.

Doug C. Nelson
Law Office of Douglas C. Nelson, P.C.

Law Office of Douglas C. Nelson,
P.C.

WELKER LAND SURVEYING INC.
1109 E. RD. 1 SOUTH
CHINO VALLEY, AZ 86323
PHONE (928) 636-4080

STATEMENT

June 14, 2007

APPALOOSA MEADOWS WATER CO.
CHINO VALLEY, AZ.

RE: PARCELS IN SEC. 4 T16N-R2W
Amend parcels and survey water line plat map, legal descriptions elevations
On water line.

TOTAL TIME AND MATERIALS:	\$625.00
TOTAL AMOUNT DUE:	\$625.00

PAID ck# 648

STEGALL, KATZ & WHITAKER, P.C.
531 East Thomas Road, Suite 102
Phoenix, Arizona 85012-3239
Telephone: 602-241-9221

MIKE CORDOVANA
7012 NORTH 18th STREET
PHOENIX, AZ 85020

FILE #: 14528.0041
JULY 31, 2007
STATEMENT #: 44783

PAGE 1

MATTER: ARTESIAN HOLDINGS, LLC

BALANCE FORWARD	PAYMENTS	CREDITS	RETAINER
\$0.00	\$0.00	\$0.00	\$0.00

LEGAL SERVICES RENDERED:

07/11/07 C.M.GO TO ARIZONA CORPORATION COMMISSION TO
FILE AMENDMENT;

07/27/07 LIT LEAGAL RESEARCH; MEMO;

TOTAL AMOUNT LEGAL SERVICES RENDERED: 212.50

COSTS:

MONTHLY CHARGES THROUGH JULY 31, 2007 \$212.50

TOTAL AMOUNT DUE: \$212.50

WE ACCEPT VISA/MASTERCARD. CALL MARK AT 602-241-9221 TO PAY BY PHONE.
PLEASE INCLUDE FILE # WITH PAYMENT.

NO LR

Law Office of Douglas C. Nelson, P.C.

7000 North 16th Street
Suite 120-307
Phoenix, AZ 85020

**Invoice submitted
to:**

Appaloosa Water Company
P.O. Box 3150
1228 West Road 4 North
Chino Valley AZ 86323
Mr. Joseph Cordovana

August 04, 2007

Invoice #10303

Professional Services

	<u>Hours</u>	<u>Amount</u>
5/3/2007 Prepared and sent electronic message to Mike Cordovana re: Well Lease.	0.17	
7/9/2007 Telephone conference with Greg Giles of AdEdge. Telephone call to Joe Cordovana.	0.60	
7/10/2007 Telephone call from Greg Gilles.	0.25	
7/13/2007 Examined electronic message from Greg Gilles. Telephone call to Joe Cordovana.	0.25	
7/15/2007 Analyzed proposal from AdEdge and warranties.	1.02	
7/18/2007 Meeting with Joe Cordovana. Telephone conference with Greg Giles of AdEdge (with Joe Cordovana) re: Arsenic Treatment Proposal.	1.25	
7/19/2007 Telephone call to Joe Cordovana. Telephone call to Greg Giles.	0.25	
8/2/2007 Reviewed proposal from AdEdge in preparation for meeting. Meeting with Joe and Mike Cordovana.	1.65	
Reviewed documents from Greg Giles of AdEdge and drafted Agreement. Telephone call to Joe Cordovana. Prepared and sent electronic message to Greg Giles.	2.91	
Prepared and sent electronic message to Greg Giles. Dictated fax to Greg Giles.	1.03	
For professional services rendered	<u>9.38</u>	<u>\$2,018.68</u>



Additional Charges :

	<u>Amount</u>
6/29/2007 Postage	2.23
Photocopies	5.20
Total additional charges	<u>\$7.43</u>
Total amount of this bill	<u><u>\$2,026.11</u></u>

Please contact me if you have any questions regarding this invoice.
Thank you for your prompt payment.

Douglas C. Nelson, Esq.
Law Office of Douglas C. Nelson, P.C.
Telephone: 602-395-1612
Facsimile: 602-395-1943
Email: DougCNelson@cox.net

THE ALARM CONNECTION, INC.
 543 W. GURLEY ST.
 PRESCOTT, AZ. 86303
 (928) 445-1609

ACCT'S PAYABLE - TONY CORDOVNA
 APALOOSA WATER COMPANY
 P.O. BOX 3150
 CHINO VALLEY AZ 86323

INVOICE NUMBER: 32565
 Terms NET:15 Days **
 ARS#: APAMEA DUE: 08/30/2007
 INVOICE DATE: 08/15/2007
 TELEPHONE: () -

I N V O I C E

Page: 1

FOR SERVICE STARTING SEPTEMBER 2007

 D E S C R I P T I O N Per Unit . . . Quantity . . Tax . . Extension

{0042}APALOOSA MEADOWS WATER DIST. Telephone: ()771-1730 #AC30042
 100 YARDS WEST OF INTERSECTION TONY CORDOVANA
 AT RD 3 NORTH & RD 1 WEST
 CHINO VALLEY AZ 86323

Description of Service(s)	Term & Pricing Information	Total
{0042}CENTRAL STATION MONITORING SE	(3 Months @ 22.50/Month)	67.50

FOR SERVICE STARTING SEPTEMBER 2007

PLEASE INCLUDE THE INVOICE NUMBER ON YOUR PAYMENT.
 THANK YOU FOR CHOOSING THE ALARM CONNECTION.

SALE AMOUNT	\$	67.50	*****
PREVIOUS PAYMENT/CREDIT	\$	67.50	
TOTAL NET DUE	\$	0.00	=====

Page 1

*** 1.50%/Month Charge added to Past Due Balances. Minimum Charge \$5.00



October 25, 2008

Appaloosa Water Company
7012 N. 18th St
Phoenix, AZ 85020

Re: Invoice for Catering

Dear Mr. Cordovana:

Thank you for allowing us the opportunity to cater your Arsenic Meeting with customers of Appaloosa Water. Please utilize this letter as your Invoice for services rendered on October 25, 2007.

Appetizers, Vegetable and Fruit Tray	\$ 565.00
Soft Drinks, Water and Coffee	\$ 225.00
Staff for Set-up and Clean-up	\$ 125.00
Chino Valley Tax	\$ 85.00
Total Amount Due on Receipt	\$1000.00

*Bobby Bing's Catering Brain Ingram, Owner
1460 West Road 4 North
Chino Valley, Arizona 86323
928-899-3561*

Invoice

M.E. Evans & Associates, Inc.

1596 Susan A. Williams Way
Suite A
Chino Valley, AZ 86323

Date	Invoice #
10/31/2007	709

Bill To
Joe Cordovana

Terms

Item	Description	Qty	Rate	Amount
Principal	Principal	0.25	100.00	25.00
Computer Technician	Computer Technician	14	75.00	1,050.00
Principal	Principal	9	100.00	900.00
	Field measurements to augment provided survey shots. Coordination with Ron Gritman, Robin Allen, Jeff Meek (Yavapai County). Spoke to Jim Wise (KWE) to determine location of air release valve in Harrison and existing water main features. Generate plan & profile sheets of proposed water main extension as well as a cover sheet which delineates the contractors responsibility and required testing. Submittals to Yavapai County Environmental Services and Chino Valley Public Works. Obtained approval by Town of Chino Valley, Yavapai County Approval to Construct pending. Research water service boundary for the private water system [controversy].			
07-009 Joe Cordovana Water Main Extension			Total	\$1,975.00

COMPANY
Connection, Inc.
Reference
33595

THE ALARM CONNECTION, INC.
537 6th STREET SUITE D
FRESCOTT, AZ. 86301
(928) 445-1609

ACCT'S PAYABLE - TONY CORDOVANA
APALOSSA WATER COMPANY
P.O. BOX 3150
CHINO VALLEY AZ 86323

INVOICE # 33595
DUE IN 15 DAYS
ARSN: AFAMEA DUE: 11/30/2007
INVOICE DATE: 11/15/2007
TELEPHONE () -

I N V O I C E

Page 1

APALOSSA MEADOWS WATER DIST. ARS # APAMEA:0042
AT RD 3 NORTH & RD 1 WEST; 100 YARDS WEST OF INTERSECTION
CHINO VALLEY AZ 86323
TONY CORDOVANA CSID: 30042
CENTRAL STATION MONITORING SERVICE
(3 Months @ 22.50/Month) 67.50
NEW SALES THIS INVOICE 67.50

FOR SERVICE STARTING DECEMBER 2007
PLEASE INCLUDE THE INVOICE NUMBER OR ARS CODE ON YOUR PAYMENT.
THANK YOU FOR CHOOSING THE ALARM CONNECTION.

1.50%/Month Late Charge on Past Due Balances. Minimum Late Charge \$5.00

Please write any questions or comments you have here. Thank You!

JC & SONS
General Contractor

Invoice

DATE	INVOICE #
12/31/2007	11998

BILL TO
Appaloosa Water Company 1460 W Road 4 North Chino Valley, AZ 86323

DUE DATE	PROJECT
12/31/2007	

DESCRIPTION	AMOUNT
Management services (July thru Dec, 2006 - \$1000/mo)	6,000.00
Management services (Jan thru Dec, 2007 - \$1000/mo)	12,000.00
Sales Tax - Phx/AZ	0.00
Total \$18,000.00	
Payments/Credits \$0.00	
Balance Due \$18,000.00	

Invoices for Water Testing
Account 635 (Test Year)

**WATER TREATMENT OPERATORS
14615 N. FOUNTAIN HILLS BLVD.
FOUNTAIN HILLS, AZ 85268**

INVOICE

DATE

INVOICE#

1/31/2007

10442

APPALOOSA WATER COMPANY
P.O.Box 3150
Chino Valley, AZ 86323

(480) 837-6438 - Office
(480) 837-3923 - Fax
(602) 501-0713 - Cell
wto1@cox.net

TERMS	PWS ID#	WELL REG. #	WELL ADDRESS	WELL CITY & STATE
Net 30	04-13208	55-607274	2100 Rd. 1 West	Chino Valley, AZ

DATE	DESCRIPTION	AMOUNT
1/17/2007	Certified Operator Services	185.00
1/17/2007	Bacterial Sample Analysis "D" (2 samples)	60.00
1/17/2007	Travel Surcharge	50.00
1/17/2007	Bacterial Sample Analysis "S" (Quarterly) (WELL). (Lab/Handling Charges)	35.00
1/17/2007	Nitrate (Annual) Sample analysis as required by ADEQ/EPA/MCESD. (Lab/Handling Charges)	65.00
1/17/2007	Collect, process and deliver Nitrate sample to lab.	20.00
1/17/2007	Review, Interpret, Evaluate and Process Nitrate sample lab results. Take appropriate follow-up action, enter results into WTO database. Provide copies to all parties.	25.00
1/17/2007	Hand/Batch Chlorinate System/Well-Including Chlorine. (Extra On Site Time/Labor)	20.00
1/17/2007	Order, Purchase, Pick Up, Store and Deliver __1__ Case of NSF Approved Liquid Chlorine as Required by EPA/ADEQ and/or MCESD Regulations.	40.00

PLEASE NOTE: Your sample results are attached to this invoice. Please make sure you keep these results in a separate file for regulatory compliance.

Less Payments/Credits \$0.00
INVOICE AMOUNT DUE \$500.00



WATER TREATMENT OPERATORS
14615 N. FOUNTAIN HILLS BLVD.
FOUNTAIN HILLS, AZ 85268

INVOICE

DATE 2/28/2007 **INVOICE#** 10687

APPALOOSA WATER COMPANY
 P.O.Box 3150
 Chino Valley, AZ 86323

(480) 837-6438 - Office
 (480) 837-3923 - Fax
 (602) 501-0713 - Cell
 wt01@cox.net

TERMS	PWS ID#	WELL REG. #	WELL ADDRESS	WELL CITY & STATE
Net 30	04-13208	55-607274	2100 Rd. 1 West	Chino Valley, AZ

DATE	DESCRIPTION	AMOUNT
2/11/2007	Certified Operator Services	185.00
2/11/2007	Bacterial Sample Analysis "D" (2 samples)	60.00
2/11/2007	Travel Surcharge	50.00
2/11/2007	Arsenic Sample Analysis (Quarter#1). (Lab/Handling Fees)	65.00
2/11/2007	Collect, process and deliver Arsenic sample(s) to lab.	15.00
2/11/2007	Review, interpret, evaluate and process Arsenic sample lab results. Take appropriate follow-up action. Enter all results into WTO database. Provide copies to all parties.	20.00

PLEASE NOTE: Your sample results are attached to this invoice. Please make sure you keep these results in a separate file for regulatory compliance.

Less Payments/Credits \$0.00
INVOICE AMOUNT DUE \$395.00



WATER TREATMENT OPERATORS
 14615 N. Fountain Hills Blvd.
 Fountain Hills, AZ 85268

6-15-07
 Revised

INVOICE

DATE 3/31/2007 **INVOICE#** 10865

APPALOOSA WATER COMPANY
 P.O.Box 3150
 Chino Valley, AZ 86323

(480) 837-6438 - Office
 (480) 837-3923 - Fax
 (602) 501-0713 - Cell
 wto1@cox.net

TERMS	PWS ID#	WELL REG. #	WELL ADDRESS	WELL CITY & STATE
Net 30	04-13208	55-607274	2100 Rd. 1 West	Chino Valley, AZ

DATE	DESCRIPTION	AMOUNT
3/9/2007	Certified Operator Services	185.00
3/9/2007	Bacterial Sample Analysis "D" (2 samples)	60.00
3/9/2007	Travel Surcharge	50.00
3/9/2007	Arsenic Sample Analysis (Special well source WQ screening. Both wells-2 samples). (Lab/Handling Charges)	130.00
3/9/2007	Collect, Process and Deliver "Arsenic" Sample(s) to Lab.	20.00
3/9/2007	Review, Interpret, Evaluate and Process "Arsenic" Sample Lab Results. Take Appropriate Follow-up Action. Enter all Results into WTO Database. Provide Copies to all Parties.	25.00
3/9/2007	Order, Purchase, Pick Up, Store and Deliver _1_ Case of NSF Approved Liquid Chlorine as Required by EPA/ADEQ and/or MCESD Regulations.	40.00
3/9/2007	IOC Sample analysis as required by ADEQ/EPA/MCESD. (Secondary primary) (Lab/Handling Charges)	445.00
3/9/2007	Collect, Process and Deliver IOC Sample(s) to Lab.	20.00
3/9/2007	Review, Interpret, Evaluate and Process IOC Sample Lab Results. Take Appropriate Follow-up Action. Enter all Results into WTO Database. Provide Copies to all Parties.	25.00

Less Payments/Credits \$0.00
INVOICE AMOUNT DUE \$1000.00



WATER TREATMENT OPERATORS
14615 N. FOUNTAIN HILLS BLVD.
FOUNTAIN HILLS, AZ 85268

I N V O I C E

DATE

4/30/2007

INVOICE#

10986

APPALOOSA WATER COMPANY
 P.O.Box 3150
 Chino Valley, AZ 86323

(480) 837-6438 - Office
 (480) 837-3923 - Fax
 (602) 501-0713 - Cell
 wto1@cox.net

TERMS	PWS ID#	WELL REG. #	WELL ADDRESS	WELL CITY & STATE
Net 30	04-13208	55-607274	2100 Rd. 1 West	Chino Valley, AZ

DATE	DESCRIPTION	AMOUNT
4/10/2007	Certified Operator Services	185.00
4/10/2007	Bacterial Sample Analysis "D" (2 samples)	60.00
4/10/2007	Travel Surcharge	50.00
4/10/2007	Bacterial Sample Analysis "S" (Quarter#2) (WELL). (Lab/Handling Charges)	35.00
4/10/2007	Hand/Batch Chlorinate System/Well-Including Chlorine. (Extra On Site Time/Labor)	20.00
4/10/2007	Order, Purchase, Pick Up, Store and Deliver __1__ Case of NSF Approved Liquid Chlorine as Required by EPA/ADEQ and/or MCESD Regulations.	40.00
	Late Charge on Past Due Invoice(s)#10865 & 10986. Should you have any questions or concerns regarding this charge, please call our office at (480) 837-6438.	10.00

Less Payments/Credits \$0.00

INVOICE AMOUNT DUE \$400.00



WATER TREATMENT OPERATORS
 14615 Fountain Hills Blvd.
 Fountain Hills, AZ 85268

INVOICE

DATE

INVOICE#

5/31/2007

11194

APPALOOSA WATER COMPANY
 P.O.Box 3150
 Chino Valley, AZ 86323

(480) 837-6438 - Office
 (480) 837-3923 - Fax
 (602) 501-0713 - Cell
 wto1@cox.net

TERMS	PWS ID#	WELL REG. #	WELL ADDRESS	WELL CITY & STATE
Net 30	04-13208	55-607274	2100 Rd. 1 West	Chino Valley, AZ

DATE	DESCRIPTION	AMOUNT
5/6/2007	Certified Operator Services	185.00
5/6/2007	Bacterial Sample Analysis "D" (2 samples)	60.00
5/6/2007	Travel Surcharge	50.00
5/6/2007	IOC Sample analysis as required by ADEQ/EPA/MCESD. (Lab/Handling Charges)	265.00
5/6/2007	Order, Purchase, Pick Up, Store and Deliver __1__ Case of NSF Approved Liquid Chlorine as Required by EPA/ADEQ and/or MCESD Regulations.	40.00

PLEASE NOTE: Your sample results are attached to this invoice. Please make sure you keep these results in a separate file for regulatory compliance.

Less Payments/Credits \$0.00

INVOICE AMOUNT DUE \$600.00



WATER TREATMENT OPERATORS
 14615 N. Fountain Hills Blvd.
 Fountain Hills, AZ 85268

INVOICE

DATE 7/17/07 **INVOICE#** 11510

APPALOOSA WATER COMPANY
 P.O.Box 3150
 Chino Valley, AZ 86323

(480) 837-6438 - Office
 (480) 837-3923 - Fax
 (602) 501-0713 - Cell
 wto1@cox.net

TERMS	PWS ID#	WELL REG. #	WELL ADDRESS	WELL CITY & STATE
on receipt	04-13208	55-607273	2100 Rd 1 West	Chino Valley, AZ 86323

DATE	DESCRIPTION	AMOUNT
6/15/07	Research, Prepare & Submit 2006 Consumer Confidence Report (CCR) as required by EPA / ADEQ &/or MCESD. Provide Copies To All Parties.	225.00
7/16/07	Process Discontinuation Notice to inform ADEQ that Joe Fiano of WTO is no longer the Certified Operator of Record for this water system and provide copies to all parties.	25.00

Less Payments/Credits	\$-250.00
INVOICE AMOUNT DUE	\$0.00

PAID

INVOICE

Remit To:
 Accounts Receivable
 Legend Technical Services of Arizona, Inc.
 17631 North 25th Avenue
 Phoenix, AZ 85023

Invoice To: Joe
 Appaloosa Water Company
 PO Box 3150
 Chino Valley, AZ 86323

Invoice: 0712828
Client Number: 00-0088888
Invoiced On: 08/30/07
Terms: NET 30

Client Contact: Joe	PO Number: \$40 minimum
Project Name: Appaloosa Water Company Drinking Water	Received: 07/13/07
Legend Contact: Lisa Sutherland	Project Number: 7/12/07
Work Order(s) Invoiced: 7070856	

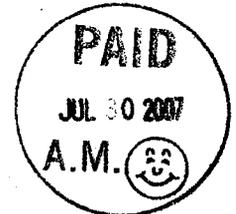
Quantity	Analysis/Description	Matrix	Unit Cost	Extended Cost
1	Turbidity-Metals	Drinking Water	\$0.00	\$0.00
1	Total Coliform	Drinking Water	\$16.00	\$16.00
1	Nitrogen 1: Nitrate & Nitrite	Drinking Water	\$40.00	\$40.00
1	Nitrate (manually calculated)	Drinking Water	\$0.00	\$0.00
1	Arsenic, GFAA	Drinking Water	\$21.00	\$21.00

Invoice Total: \$77.00

Pre-Paid Amount: _____

Thank you for your Business!

Payment Type: (Circle One)
 VISA Mastercard Cash/Check



Yavapai Water Production L.L.C.

Kimble McClymonds
2132 Stringfield Dr
Prescott AZ 86305
(928)771-9461

Invoice

DATE	INVOICE #
11/11/2007	565

<u>BILL TO</u>
Appaloosa Water P.O. Box 3150 Chino Valley Az 86323

JOB
Oct.

ITEM	QUANTITY	DESCRIPTION	RATE	SERVICED	AMOUNT
Operator	1	Water operator AZ sales tax	200.00 6.35%		200.00 0.00
				Total	\$200.00

roc 178489

paid in full

Yavapai Water Production L.L.C.

Kimble McClymonds
2132 Stringfield Dr
Prescott AZ 86305
(928)771-9461

Invoice

<u>DATE</u>	<u>INVOICE #</u>
11/11/2007	566

<u>BILL TO</u>
Appaloosa Water P.O. Box 3150 Chino Valley Az 86323

<u>JOB</u>
Nov

<u>ITEM</u>	<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>RATE</u>	<u>SERVICED</u>	<u>AMOUNT</u>
Operator		Water operator AZ sales tax	200.00 6.35%		200.00 0.00
				Total	\$200.00

roc 178489

Yavapai Water Production L.L.C.

Invoice

Kimble McClymonds
2132 Stringfield Dr
Prescott AZ 86305
(928)771-9461

<u>DATE</u>	<u>INVOICE #</u>
12/25/2007	569

<u>BILL TO</u>
Appaloosa Water P.O. Box 3150 Chino Valley Az 86323

<u>JOB</u>
Dec.07

<u>ITEM</u>	<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>RATE</u>	<u>SERVICED</u>	<u>AMOUNT</u>
Water Operato		Water System operation - Samples AZ sales tax	200.00 6.35%		200.00 0.00
				Total	\$200.00

roc 178489

Appaloosa Water Company

Account 635

Appaloosa Water Company received a rebate check from State of AZ on 8/29/07 for annual monitoring assistance program fees. State of AZ is obligated to refund any overages. Check was for **\$309.85**. Appaloosa Water Company applied this check to the Water Testing line item therefore reducing the total expense for this line item.

Appaloosa Water Company

Account 635

Appaloosa Water Company received a credit of \$500.00 from Water Treatment Operators on 7/15/08. This credit was applied to the Water Testing line item therefore reducing the total expense for this line item.

Property Tax Statements

Account 408.11 (Test Year)

PROPERTY TAX NOTICE

Yavapai County

ARIZONA

PARCEL #

AREA CODE

PRIMARY TAX RATE PER \$100 ASSESSED VALUE

SECONDARY TAX RATE PER \$100 ASSESSED VALUE

IRRIGATION DISTRICT \$ PER ACRE

2007 TAX SUMMARY

932-05-131 9 5131 6.6118 3.9274

PRIMARY PROPERTY TAX	2,665.90
LESS STATE AID TO EDUCATION	0.00
NET PRIMARY PROPERTY TAX	2,665.90
SECONDARY PROPERTY TAX	1,518.84
SPECIAL DISTRICT TAX	0.00
TOTAL TAX DUE FOR 2007	4,184.74

ASSESSMENT

	VALUE IN DOLLARS	ASSMT %	ASSESSED VALUE	EXEMPTIONS	TAX RATE	TAX
LIMITED LAND, BLDGS, ETC.	11,579	24.0	2,779	0	6.6118	183.76
LIMITED PERSONAL PROPERTY	166,421	24.0	37,541	0	6.6118	2,482.14
L TOTALS	166,000		40,320	0		2,665.80
F SH LAND	3,116	24.0	748	0	3.9274	29.38
FULL CASH BUILDINGS, ETC.	8,464	24.0	2,031	0	3.9274	79.76
FULL CASH PERSONAL PROPERTY	166,421	24.0	37,541	0	3.7551	1,409.70
FULL CASH TOTALS	166,000		40,320	0		1,518.84

ACREAGE: .25

0156066

SITUS ADDRESS:
NULL

LEGAL DESCRIPTION:

TOTAL VALUE OF OPERATING PROPERTY
306-13-001-D 2,460 306-13-004-F 665

JURISDICTION	2006 TAXES	2007 TAXES
02000 YAVAPAI COUNTY	547.47	616.59
07051 CHINO VALLEY SD #51	1,361.12	1,796.75
08150 COMMUNITY COLLEGE	548.16	613.87
11204 CHINO VALLEY FD	840.10	1,078.36
11900 FIRE DISTRICT ASSIST	29.60	33.42
14900 YAVAPAI COUNTY LIBRA	33.74	40.96
15001 YAVAPAI FLOOD CONTRO	1.51	4.79

This is the only notice you will receive.

Ross D. Jacobs
Yavapai County Treasurer
1015 Fair Street
Prescott AZ 86305-1807

THIS IS A
CALENDAR YEAR
TAX NOTICE

*pd # 2092.37 on
10/15/07 for 1st
half of year*

TOTALS 3,361.70 4,184.74

932-05-131 9 0009146 01 AV 0.312 **AUTO T7 0 0796 86323-270850 PAGE 01 OF 01



APPALOOSA WATER COMPANY
TONY M CORDOVANA
P. O. BOX 3150
CHINO VALLEY AZ 86323-2708

PAYMENT INSTRUCTIONS

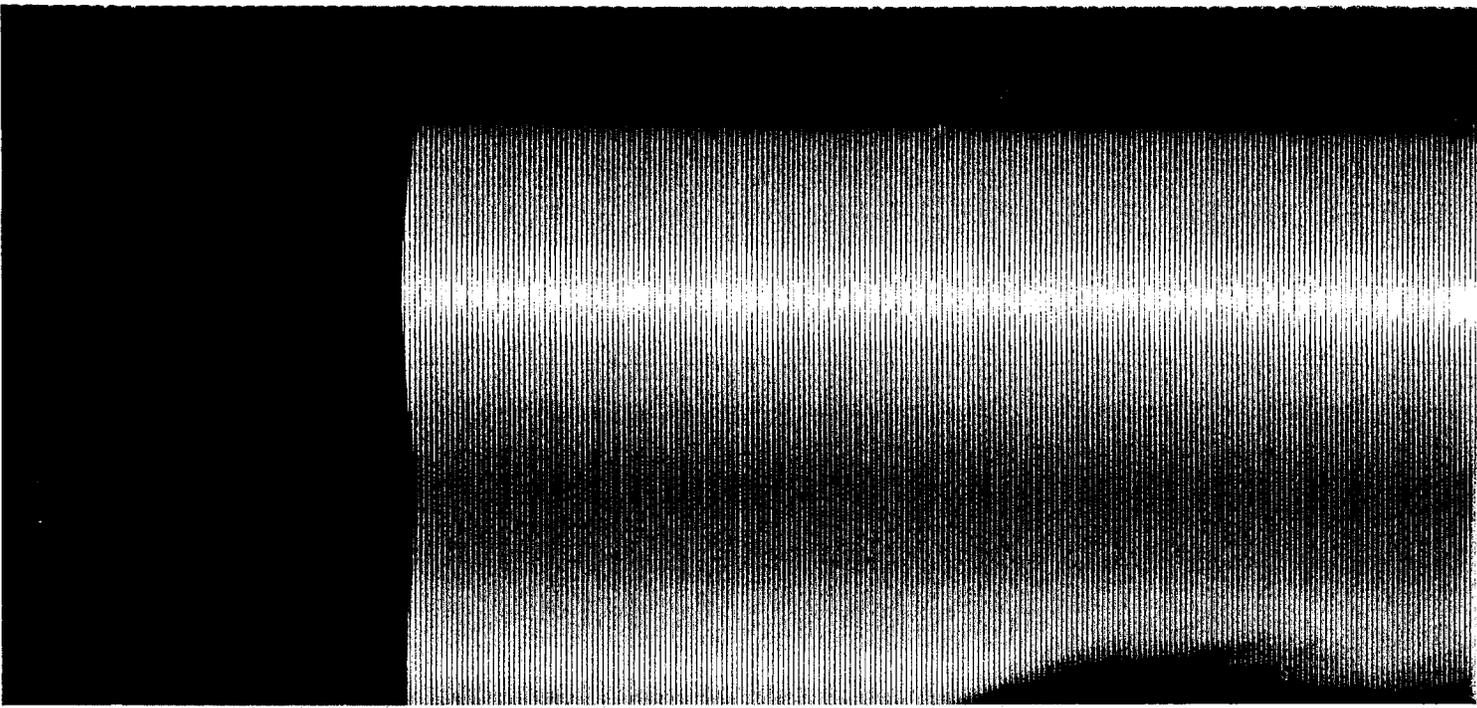
To pay the 1st half installment and tax notices under \$100, send the 1st half coupon with your payment postmarked no later than Nov. 1, 2007. To pay the 2nd half installment, send the 2nd half coupon with your payment postmarked no later than May 1, 2008. To pay taxes for the full year if the entire amount billed per notice exceeds \$100, send the 1st half coupon with your payment postmarked no later than Dec. 31, 2007. Delinquent interest will be waived.

Make your check payable to and mail to:

Ross D. Jacobs
Yavapai County Treasurer
1015 Fair Street
Prescott AZ 86305-1807

PLEASE INCLUDE YOUR
PARCEL NUMBER
ON YOUR CHECK.

THERE WILL BE A CHARGE FOR EACH RETURNED CHECK
AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.



095900000212000000 2 207 306131707

Ross D. Jacobs
Yavapai County Treasurer
1015 Fair Street
Prescott AZ 86305-1807

Penalty for late payment is 16% per year prorated monthly as of the 1st day of the month for payments postmarked after 5:00 P.M. May 1, 2008 (ARS 42-18052 and ARS 42-18053).

If your mortgage company makes your property tax payments/consider this notice as a courtesy copy for your records only.

APPALOOSA WATER COMPANY
Due March 1, 2008
306-13-117 7 Roll Number: 0084664
Delinquency Date Second Half Payment

455.60

TO PAY 2ND HALF

Ross D. Jacobs
Yavapai County Treasurer
1015 Fair Street
Prescott AZ 86305-1807

Payment in U.S. FUNDS ONLY

Make check payable to:

DETACH AND RETURN WITH PAYMENT

2007 SECOND HALF PAYMENT COUPON

2007 PROPERTY TAX NOTICE

YAVAPAI COUNTY

ARIZONA

PARCEL #	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	IRRIGATION DISTRICT \$ PER ACRE	2007 TAX SUMMARY	
306-13-117 7	5131	6.6118	3.9274		PRIMARY PROPERTY TAX	292.24
ASSESSMENT					LESS STATE AID TO EDUCATION	0.00
	VALUE IN DOLLARS	ASSMT %	ASSESSED VALUE	EXEMPTIONS	TAX RATE	TAX
LIMITED LAND, BLDGS, ETC	27,825	18.0	4,420	0	6.6118	292.24
LIMITED PERSONAL PROPERTY	0	0.0	0	0	0.0000	0.00
LIMITED TOTALS	27,825		4,420	0		292.24
FULL CASH LAND	98,500	18.0	15,760	0	3.9274	618.96
FULL CASH BUILDINGS, ETC	0	0.0	0	0	0.0000	0.00
FULL CASH PERSONAL PROPERTY	0	0.0	0	0	0.0000	0.00
FULL CASH TOTALS	98,500		15,760	0		618.96
					NET PRIMARY PROPERTY TAX	292.24
					SECONDARY PROPERTY TAX	618.96
					SPECIAL DISTRICT TAX	0.00
					TOTAL TAX DUE FOR 2007	911.20

ACREAGE: 1.25

JURISDICTION

2006 TAXES

2007 TAXES

00864

SITE ADDRESS:
2011 GILSON ST

LEGAL DESCRIPTION:

APPALOOSA MEADOWS PH 2 TRACT A SEC 9-16-2W
CONT 1.25AC MRP 42/63-65 DEVELOPERS USE

02000 YAVAPAI COUNTY
07051 CHINO VALLEY SD #51
08150 COMMUNITY COLLEGE
11204 CHINO VALLEY FD
11900 FIRE DISTRICT ASSIST
14900 YAVAPAI COUNTY LIBRA
15001 YAVAPAI FLOOD CONTRO

10.59 67.59
26.33 277.86
10.61 88.02
16.26 421.50
0.57 13.07
0.65 16.01
1.27 27.15

This is the only notice you will receive.

Ross D. Jacobs
Yavapai County Treasurer
1015 Fair Street
Prescott AZ 86305-1807

THIS IS A
CALENDAR YEAR
TAX NOTICE

TOTALS 66.28 911.20

306-13-117
0078019 NM

T 0796 85020

PAGE 01 OF 02

APPALOOSA WATER COMPANY
C/O MIKE CORDOVANA
7012 N 18TH ST
PHOENIX AZ 85020

PAYMENT INSTRUCTIONS

To pay the 1st half installment and tax notices under \$100, send the 1st half coupon with your payment postmarked no later than Nov. 1, 2007. To pay the 2nd half installment, send the 2nd half coupon with your payment postmarked no later than May 1, 2008. To pay taxes for the full year if the entire amount billed per notice exceeds \$100, send the 1st half coupon with your payment postmarked no later than Dec. 31, 2007. Delinquent interest will be waived.

Make your check payable to and mail to:

Ross D. Jacobs
Yavapai County Treasurer
1015 Fair Street
Prescott AZ 86305-1807

THERE WILL BE A CHARGE FOR EACH RETURNED CHECK
AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.

PLEASE INCLUDE YOUR
PARCEL NUMBER
ON YOUR CHECK.



2006 PROPERTY TAX NOTICE

ARIZONA

PARCEL #	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	IRRIGATION DISTRICT \$ PER ACRE
932-05-131 9	5131	6.2802	4.0973	

2006 TAX SUMMARY	
PRIMARY PROPERTY TAX	2,070.58
LESS STATE AID TO EDUCATION	0.00
NET PRIMARY PROPERTY TAX	2,070.58
SECONDARY PROPERTY TAX	1,291.12
SPECIAL DISTRICT TAX	0.00
TOTAL TAX DUE FOR 2006	3,361.70

ASSESSMENT	V. VALUE IN DOLLARS	ASSMT %	ASSESSED VALUE	EXEMPTIONS	TAX RATE	NET ASSESSED
RY LAND, BLDGS, ETC	3,115	24.5	763	0	6.2802	47.78
RY PERSONAL PROPERTY	0	0.0	0	0	0.0000	0.00
PRIMARY TOTALS	3,115		763			47.78
SECONDARY LAND	3,115	24.5	763	0	4.0973	31.25
SECONDARY BLDGS, ETC	131,885	24.5	32,312	0	3.8990	1,259.85
SEC. PERSONAL PROPERTY	0	0.0	0	0	0.0000	0.00
SECONDARY TOTALS	135,000		33,075			1,291.12

0150875
 ACREAGE: .25
 JURISDICTION
 SITUS ADDRESS:
 NULL
 LEGAL DESCRIPTION:
 TOTAL VALUE OF OPERATING PROPERTY
 306-13-001-D 2,450 305-13-004-F 565

JURISDICTION	2006 TAXES	2005 TAXES
02000 YAVAPAI COUNTY	547.47	450.72
07051 CHINO VALLEY SD #51	1,361.12	1,288.30
08150 COMMUNITY COLLEGE	548.16	464.12
11204 CHINO VALLEY FD	840.10	540.60
11900 FIRE DISTRICT ASSIST	29.60	25.55
14900 YAVAPAI COUNTY LIBRA	33.74	28.78
15001 YAVAPAI FLOOD CONTROL	1.51	1.55
02001 STATE SCHOOL TAX EQU	0.00	115.48

This is the only notice you will receive.

Ross D. Jacobs
 Yavapai County Treasurer
 1015 Fair Street
 Prescott AZ 86305-1807

**THIS IS A
 CALENDAR YEAR
 TAX NOTICE**

Handwritten:
 Paid # 1680.85
 on 4/16/07 for
 2nd half of year

2,915.10

932-05-131 9
 0029636 01 AV 0.293 **AUTO T4 0 0796 86

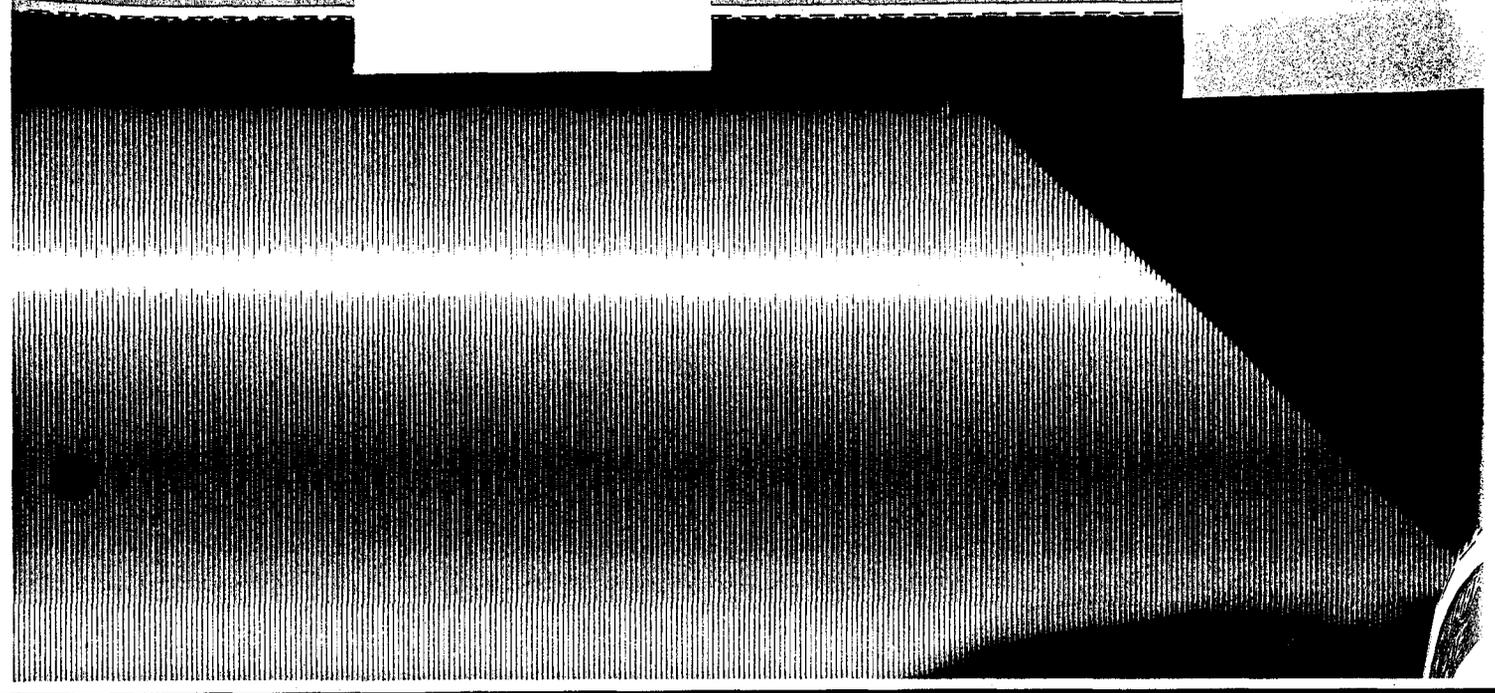
 APPALOOSA WATER COMPANY
 TONY M CORDOVANA
 PO BOX 3150
 CHINO VALLEY AZ 86323

PAYMENT INSTRUCTIONS
 1st half installment, send the 1st half coupon with your payment postmarked no later than Nov. 1, 2006. To pay the 2nd installment, send the 2nd half coupon with your payment postmarked no later than May 1, 2007. To pay taxes for the full year, if your payment postmarked no later than Dec. 31, 2006, the interest will be waived.

check payable to an
 Ross D. Jacobs
 County Treasurer
 1015 Fair Street
 Prescott AZ 86305-1807

THERE WILL BE A CHARGE FOR
 AND YOUR TAXES WILL BE RECALCULATED

UMI
 CHECK.



2006 PROPERTY TAX NOTICE

ARIZONA

PARCEL #	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	IRRIGATION DISTRICT \$ PER ACRE
306-20-110 6	5131	6.2602	4.0973	

ASSESSMENT	VALUE IN DOLLARS	ASSMT %	ASSESSED VALUE	EXEMPTIONS	TAX RATE	NET ASSESSED
PRIMARY LAND, BLDGS, ETC	11,005	16.0	1,761	0	6.2602	110.26
PRIMARY PERSONAL PROPERTY	0	0.0	0	0	0.0000	0.00
PRIMARY TOTALS	11,005		1,761	0		110.26
SECONDARY LAND	13,000	16.0	2,080	0	4.0973	85.22
SECONDARY BLDGS, ETC	0	0.0	0	0	0.0000	0.00
SEC. PERSONAL PROPERTY	0	0.0	0	0	0.0000	0.00
SECONDARY TOTALS	13,000		2,080	0		85.22

2006 TAX SUMMARY	
PRIMARY PROPERTY TAX	110.26
LESS STATE AID TO EDUCATION	0.00
NET PRIMARY PROPERTY TAX	110.26
SECONDARY PROPERTY TAX	85.22
SPECIAL DISTRICT TAX	0.00
TOTAL TAX DUE FOR 2006	195.48

0083432
SITUS ADDRESS:
LEGAL DESCRIPTION:
 AN IRREG PCL THE NW COR LYNG APPRX 1750' FROM THE NW SEC COR SEC 16-16-2W CONT .28AC 36/1-3

JURISDICTION	2006 TAXES	2005 TAXES
02000 YAVAPAI COUNTY	29.16	27.24
07051 CHINO VALLEY SD #51	75.48	82.96
08150 COMMUNITY COLLEGE	29.91	29.29
11204 CHINO VALLEY FD	52.83	42.43
11900 FIRE DISTRICT ASSIST	1.86	2.01
14900 YAVAPAI COUNTY LIBRA	2.12	2.26
15001 YAVAPAI FLOOD CONTRO	4.12	4.13
02001 STATE SCHOOL TAX EQU	0.00	6.98

paid #97.74 on 4/16/07 for 2nd half of year

TOTALS 195.48 197.30

THIS IS A CALENDAR YEAR TAX NOTICE

306-20-110 6
 0076997 NM 07/16 85020

**APPALOOSA WATER COMPANY
 C/O MIKE CORDOVANA
 7012 N 18TH ST
 PHOENIX AZ 85020**

PAYMENT INSTRUCTIONS

To pay the 1st half installment, send the 1st half coupon with your payment postmarked no later than Nov. 1, 2006. To pay the 2nd half installment, send the 2nd half coupon with your payment postmarked no later than May 1, 2007. To pay taxes for the full year if the entire amount billed exceeds \$100, send the 1st half coupon with your payment postmarked no later than Dec. 31, 2006. Delinquent interest will be waived.

Make your check payable to and mail to:

**Ross D. Jacobs
 Yavapai County Treasurer
 1015 Fair Street
 Prescott AZ 86305-1807**

PLEASE INCLUDE YOUR PARCEL NUMBER ON YOUR CHECK.

THERE WILL BE A CHARGE FOR EACH RETURNED CHECK AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.

ORIGINAL

RECEIVED

2008 JUL -1 A 8:04

AZ CORP COMMISSION
DOCKET CONTROL
Appaloosa Water Company



Amendment to Rate Application

File Number
W-03443-A-08-0313

Attachment is for changes made to Pages 9 and 11 of Rate Application and notarized notification to customers of rate application in their June billing as well as published in local newspaper.

Arizona Corporation Commission
DOCKETED

JUL - 1 2008



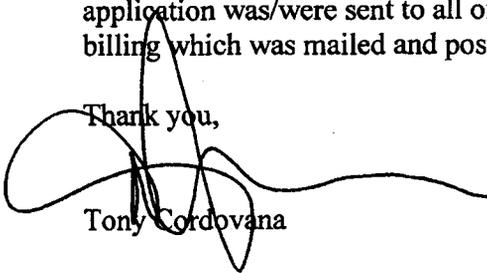
Arizona Corporation Commission
Attn: Carmen Madrid
602- 542- 2129 fax

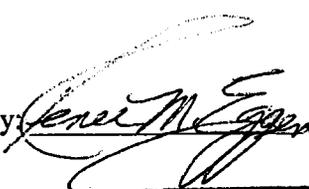
RE: Appaloosa Water Notification to Customers of Rate Increase

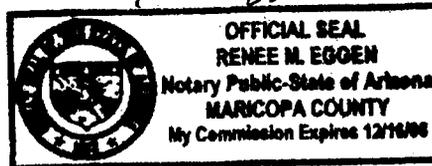
Dear Mrs. Madrid:

This notarized document is to provide verification that the attached documents, which include a copy of the "Customer Notification" Letter which was printed in the June 18th, 2008 Legal Section of the Chino Valley Review and Pages 9 and 11 of the Rate application was/were sent to all of the customers of Appaloosa Water in the June 2008 billing which was mailed and postmarked on July 1, 2008.

Thank you,


Tony Cordovana

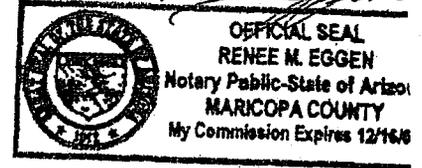
Witnessed this 30th Day of June 2008 by  Notary Public of
Arizona



WITNESSED THIS 18th DAY OF JUNE 2008

6/18/08

CUSTOMER NOTIFICATION



Appaloosa Water Company has applied to the Arizona Corporation Commission for an adjustment in rates. The current rates have been in effect since April 1998. An increase in rates is necessary at this time to meet new requirements to construct an arsenic water treatment facility, an increase in postal rates, an increase in staff wages, an increase in property taxes and to allow Appaloosa Water Company an opportunity to recover negative financial growth. Based on the company's un-audited 2007 Test Year results, Appaloosa Water Company realized an operating loss of \$2,734. The company is requesting a revenue increase of 100% of total revenues. Please refer to pages 8 and 10 of the application for current and proposed rates.

The application is available for inspection during regular business hours at the offices of the Commission in Phoenix, AZ at 1200 West Washington Street or online at <http://edocket.azcc.gov/edocket/> and at Appaloosa Water Company 1460 West Road 4 North Chino Valley AZ 86323. Please be advised that the rates and charges ultimately approved by the Commission may be higher or lower than the rates and charges requested in the Application.

Customer input is an important part of the Commission's analysis of the requested adjustment and is a factor in determining whether a hearing will be conducted. Customers should bring to the Commission's attention any questions or concerns related to the Company's Application including service, billing procedures, or other factors important in determining the reasonableness of charges. Customers may have the right to intervene in this matter. Customers wishing to communicate with the Commission, or request information on intervention in the proceeding, should contact the Commission's Consumer Services Section at 602-542-4251.

Customers are advised that the Commission may act upon the Application without a hearing. Regardless of whether a formal hearing is held, customer comments submitted in writing will be placed in the office file, which the Commission reviews prior to making its final decision on the Application. It is important that customers contact the Commission within 15 days of the receipt of this notice so that the Commission's Staff can consider customer comments and concerns in developing its recommendations to the Commission.

THIS NOTICE WAS PRINTED IN THE
JUNE 18th, 2008 LEGAL SECTION OF THE
CHINO VALLEY REVIEW. THIS PAPER IS NEWSPAPER
FOR ALL OUR CUSTOMERS.

A large, stylized handwritten signature is written at the bottom of the page, overlapping the end of the previous paragraph.

COMPANY NAME: APPALCOOSA WATER COMPANY Test Year Ended: 2007
 Name of System: APPALCOOSA WATER Co. ADEQ Public Water System Number: 13708

CURRENT AND PROPOSED RATES AND CHARGES

CUSTOMER CLASS: Residential Commercial Industrial
 Irrigation All Other, specify _____

MINIMUM OR SERVICE CHARGES	CURRENT RATES		PROPOSED RATES	
	\$	GALLONS	\$	GALLONS
5/8" x 3/4" Meter	25 ⁰⁰	for 1000	50 ⁰⁰	for FIRST 1000
3/4" Meter	25 ⁰⁰	for 1000	50 ⁰⁰	for FIRST 1000
1" Meter	41.67	for 1000	83.34	for FIRST 1000
1-1/2" Meter	83.33	for 1000	166.66	for FIRST 1000
2" Meter	133.33	for 1000	266.66	for FIRST 1000
3" Meter	266.67	for 1000	533.34	for FIRST 1000
4" Meter	416.67	for 1000	833.34	for FIRST 1000
6" Meter	833.33	for 1000	1666.66	for FIRST 1000

* STAND PIPE / BULK WATER PER 1000 GAL N/A

GALLONS IN EXCESS OF MINIMUM
Commodity Charge in Excess of Minimum (Charge Per 1,000 Gallons)
First Tier
Second Tier
Third Tier
FLAT RATE

Current Rates		Proposed Rates	
Rate	Gallons	Rate	Gallons
\$ 2.50	Up to 1000	\$ 5.00	PER 1000
\$	_____ to _____	\$	ADDITIONAL _____ to _____
\$	Over _____	\$	Over _____
\$ N/A	Per Month	\$ N/A	Per Month

Note: If rates and charges vary across customer classes, duplicate the form and complete one for each rate class. (e.g., residential, commercial) unless "All" is checked.

COMPANY NAME: APPALCOOSA WATER COMPANY Test Year Ended: 2007
 Name of System: APPALCOOSA WATER CO. ADEQ Public Water System Number: 13208

CURRENT AND PROPOSED SERVICE CHARGES

CUSTOMER CLASS: Residential Commercial Industrial
 Irrigation All Other, specify _____

SERVICE LINE AND METER INSTALLATION CHARGES	CURRENT CHARGES	PROPOSED CHARGES
5/8" X 3/4" Meter	\$ 400 ⁰⁰	\$ 800 ⁰⁰
3/4" Meter	\$ 440 ⁰⁰	\$ 880 ⁰⁰
1" Meter	\$ 500 ⁰⁰	\$ 1000 ⁰⁰
1-1/2" Meter	\$ 715 ⁰⁰	\$ 1430 ⁰⁰
<u>COMPOUND</u> 2" Meter	\$ 1170 ⁰⁰	\$ 2340 ⁰⁰
<u>TURBO</u>	<u>1700⁰⁰</u>	<u>3400⁰⁰</u>
<u>COMPOUND</u> 3" Meter	\$ 1585 ⁰⁰	\$ 3170 ⁰⁰
<u>TURBO</u>	<u>2190⁰⁰</u>	<u>4380⁰⁰</u>
<u>COMPOUND</u> 4" Meter	\$ 2540 ⁰⁰	\$ 5080 ⁰⁰
<u>TURBO</u>	<u>3215⁰⁰</u>	<u>6430⁰⁰</u>
<u>COMPOUND</u> 6" Meter	\$ 4815 ⁰⁰	\$ 9630 ⁰⁰
<u>TURBO</u>	<u>6270⁰⁰</u>	<u>12,540⁰⁰</u>
AFTER HOURS SERVICE CHARGE, PER HOUR	\$50⁰⁰	\$ 100⁰⁰
Establishment (R14-2-403.D.1)	\$ 25 ⁰⁰	\$ 50 ⁰⁰
Establishment (after hours) (R14-2-403.D.2)	\$ 50 ⁰⁰	\$ 100 ⁰⁰
Reconnection (delinquent) (R14-2-403.D.1)	\$ 30 ⁰⁰	\$ 60 ⁰⁰
Reconnection (delinquent) after hours	\$ 50 ⁰⁰	\$ 100 ⁰⁰
Meter Test (R14-2-408.F.1)	\$ 15 ⁰⁰	\$ 30 ⁰⁰
Deposit (R-14-2-403.B.7)	PER RULE	\$ 100 ⁰⁰
Deposit Interest	PER RULE %	0 %
Re-establishment (within 12 months)	\$ MONTHS OFF SYSTEM	\$ 50 ⁰⁰
NSF Check (R14-2-409)	\$ 10 ⁰⁰	\$ 20 ⁰⁰
Deferred Payment (PER MONTH)	PER RULE %	PER RULE %
Meter Re-read (R14-2-403.C.2)	\$ 15 ⁰⁰	\$ 30 ⁰⁰
Late Fee (PER MONTH)	\$ 1.5% OF OUTSTANDING	\$ 3% OF OUTSTANDING
CHARGE FOR MOVING METER	ACTUAL COST	ACTUAL COST
MAIN LINE EXTENSION	ACTUAL COST	ACTUAL COST

ORIGINAL

RECEIVED

2008 JUL 29 P 3:25



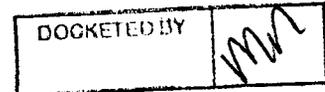
AZ CORP COMMISSION
Appaloosa Water Company

Amendment to Rate Increase Application

File/Docket Number
W-03443 A-08-0313

Arizona Corporation Commission
DOCKETED

JUL 29 2008



This Amendment to our original Rate Application is in response to Letter of Deficiency, dated 07/21/2008.

This packet contains, the list of deficiencies cited on 07/21/2008 and all corrected pages.

**APPALOOSA WATER COMPANY
DOCKET NO. W-03443A-08-0313
TEST YEAR ENDED DECEMBER 31, 2007**

ATTACHMENT OF DEFICIENCIES (07/21/2008)

The entire application is deficient because the Company is a Class C utility and the rate increase application is filed on forms for a Class D or E utility.

However Staff is willing to waive this requirement if all of the deficiencies listed below are corrected in a timely manner.

- 1.1 Please furnish the completed page 1 of the application.
- 1.2 Page 6. On page 6 and page 18, the number of total customers stated on these pages are not the same. Please reconcile and submit correct page(s).
- 1.3 Page 18. The application states on page 16 that the system has 26 fire hydrants. On page 18 the question pertaining to fire hydrants was not completed. Please complete this question and submit a new page 18.
- 1.4 The bill count for the test year generates a different amount of revenue than shown on page 19, Schedule C-1. They should be the same. Please reconcile.
- 1.5 The bill count proposed revenue generates a different amount of proposed revenue than the proposed revenue shown on page 6. They should be the same. Please reconcile.
- 1.6 Please provide the invoices for water testing for the period of September through December 2007.
- 1.7 Please provide the Arizona Department of Environmental Quality MAP invoice.

WATER RATE APPLICATION CHECKLIST

Please use the following checklist to ensure that all necessary attachments are included in the application. Provide an explanation for any omitted item. Please include **13 copies** of this application in your application submission. Also, please include **three packets** with copies of checklist items 5-11.

ORIGINAL APPLICATION PACKAGE ITEMS

- 1. The Arizona Department of Environmental Quality ("ADEQ") compliance status report (use the Maricopa County request if in Maricopa County). Use the appropriate request form in the appendix at the end of this application to obtain the status report. A separate form should be used for each public water system, as defined by ADEQ, which is part of this application.
- 2. The Arizona Department of Revenue ("ADOR") certificate of compliance letter of good standing. The form is available online at <http://www.revenue.state.az.us/>
- 3. The utility's most recent ADEQ annual sampling fee invoice for its Monitoring Assistance Program.
- 4. Invoices for each plant asset purchase in excess of \$150 for the Test Year, as well as all of the intervening years since the utility's prior Test Year as itemized on page 12.

Please provide 3 packets with copies of the following information to support entries on the Income Statement on page 19:

- 5. A breakdown by name, position, salary, and duties for the Salaries and Wages expense. (Acct. 601)
- 6. Invoices for Purchased Water during the Test Year. (Acct. 610)
- 7. Invoices for Purchased Power during the Test Year. (Acct. 615)
- 8. Invoices for Repairs and Maintenance in excess of \$150 incurred during the Test Year. (Acct. 620)
- 9. Invoices for Outside Services in excess of \$150 incurred during the Test Year. (Acct. 630)
- 10. Invoices for Water Testing during the Test Year (Acct. 635)
- 11. Statements from the county for Property Tax expenses incurred during the Test Year. (Acct. 408.11)

STATEMENTS IN SUPPORT OF RATE REQUEST

Complete the following statements in support of your rate request.

APPALOOSA WATER COMPANY (the "Company") requests an adjustment in the existing rates charged by the Company. The information contained in this application is based upon a twelve-month Test Year ending 12-31-2007 (mm/dd/yy). The Company had total operating revenues of \$ 162,489, served 237 metered and 0 un-metered customers, and sold 27,544,949 gallons of water during the Test Year.

The Company is requesting a(n) increase/decrease in revenues in the amount of \$ 162,489. Total annual operating revenues, if the Company is granted the rate adjustment, will be \$ 324,978.

- The Company is current on all property taxes. [X] YES [] NO
The Company is current on all sales taxes. [X] YES [] NO
The Company currently has a Curtailment Plan Tariff on file with the Commission [X] YES [] NO
The Company currently has a Backflow Prevention Tariff on file with the Commission. [] YES [X] NO

The Company notified its customers o

f its application for a rate adjustment on 6-18-08 (mm/dd/yy). A COPY OF THE NOTICE WITH A NOTARIZED COVER LETTER STATING THE METHOD OF CUSTOMER NOTIFICATION, AS WELL AS THE DATE OF THE NOTIFICATION, MUST BE ATTACHED. (See page 32)

By completing this application in support of the Company's request for a rate adjustment, the Company realizes that Original Cost Less Depreciation ("OCLD") plant information will be used to determine the fair value rate base, i.e., the Company waives the right to Reconstruction Cost New.

COMPANY NAME: <u>APPALOSA WATER COMPANY</u>	Test Year Ended: <u>2007</u>
Name of System: <u>APPALOSA WATER</u>	ADEQ Public Water System Number: <u>13208</u>

WATER USE DATA SHEET BY MONTH FOR TEST YEAR

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	236	1,501,310	1,501,310	0
FEBRUARY	236	1,140,540	1,140,540	0
MARCH	236	1,792,330	1,792,330	0
APRIL	236	2,252,940	2,252,940	0
MAY	237	3,139,640	3,139,640	0
JUNE	237	3,271,150	3,271,150	0
JULY	238	3,134,490	3,134,490	0
AUGUST	238	3,077,150	3,077,150	0
SEPTEMBER	238	2,647,489	2,647,489	0
OCTOBER	238	2,378,550	2,378,550	0
NOVEMBER	238	2,113,950	2,113,950	0
DECEMBER	237	1,094,910	1,094,910	0
TOTALS →		27,544,949	**27,544,949	0

What is the level of arsenic for each well on your system? .16, .16 mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 1000 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
 Yes No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 Yes No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
 Yes No

If yes, provide the GPCPD amount: N/A

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact Engineering at 602-542-7277.

* This number must be equal to the number entered on Page 6, "sold gallons."
 ** Gallons pumped cannot equal or be less than the gallons sold

Company Name: APPALOOOSA WATER CO	Test Year Ended: 2007
Meter Size: 1"	1 st Quarter Ended: 03/31/2007

BILL COUNT WORKSHEET 1ST QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 1 ST QUARTER
- 0 -		10
1 to 1,000	1	16
1,001 to 2,000		13
2,001 to 3,000		18
3,001 to 4,000		15
4,001 to 5,000	1	16
5,001 to 6,000		12
6,001 to 7,000		10
7,001 to 8,000		9
8,001 to 9,000		5
9,001 to 10,000	1	6
10,001 to 12,000		5
12,001 to 14,000		2
14,001 to 16,000		2
16,001 to 18,000		1
18,001 to 20,000		1
20,001 to 25,000		1
25,001 to 30,000		2
30,001 to 35,000		0
35,001 to 40,000		0
40,001 to 50,000		0
50,001 to 60,000		0
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		144

Company Name: APPALDOSA WATER CO	Test Year Ended: 2007
Meter Size: 1/2"	3 rd Quarter Ended: 06/30/07

BILL COUNT WORKSHEET 3RD QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 3 rd QUARTER
- 0 -		5
1 to 1,000	1	6
1,001 to 2,000	1	6
2,001 to 3,000		10
3,001 to 4,000	11	12
4,001 to 5,000	11	12
5,001 to 6,000	11	12
6,001 to 7,000	1	11
7,001 to 8,000	1	21
8,001 to 9,000		10
9,001 to 10,000	11	7
10,001 to 12,000	1	6
12,001 to 14,000	1	6
14,001 to 16,000		5
16,001 to 18,000		0
18,001 to 20,000	11	2
20,001 to 25,000	1	6
25,001 to 30,000	11	2
30,001 to 35,000	1	1
35,001 to 40,000	11	2
40,001 to 50,000		0
50,001 to 60,000	1	1
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		143

Company Name: APPALOOSA WATER CO	Test Year Ended: 2007
Meter Size: 1"	3 rd Quarter Ended: 09/30/2007

BILL COUNT WORKSHEET 3RD QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 3 RD QUARTER
- 0 -		10
1 to 1,000		4
1,001 to 2,000		8
2,001 to 3,000		12
3,001 to 4,000		15
4,001 to 5,000		5
5,001 to 6,000		11
6,001 to 7,000		14
7,001 to 8,000		15
8,001 to 9,000		10
9,001 to 10,000		5
10,001 to 12,000		5
12,001 to 14,000		7
14,001 to 16,000		2
16,001 to 18,000		4
18,001 to 20,000		3
20,001 to 25,000		1
25,001 to 30,000		3
30,001 to 35,000		2
35,001 to 40,000		1
40,001 to 50,000		5
50,001 to 60,000		2
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		144

Company Name: APPALCOOSA WATER CO	Test Year Ended: 2007
Meter Size: 1"	4 th Quarter Ended: 12/31/2007

BILL COUNT WORKSHEET 4TH QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 4 th QUARTER
- 0 -		9
1 to 1,000		7
1,001 to 2,000		10
2,001 to 3,000		14
3,001 to 4,000		17
4,001 to 5,000		13
5,001 to 6,000		15
6,001 to 7,000		15
7,001 to 8,000		10
8,001 to 9,000		9
9,001 to 10,000		2
10,001 to 12,000		7
12,001 to 14,000		2
14,001 to 16,000		3
16,001 to 18,000		2
18,001 to 20,000		4
20,001 to 25,000		1
25,001 to 30,000		1
30,001 to 35,000		3
35,001 to 40,000		1
40,001 to 50,000		0
50,001 to 60,000		0
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		145

Company Name: APPALCOOSA WATER CO	Test Year Ended: 2007
Meter Size: 1"	

BILL COUNT SUMMARY

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total
- 0 -	10	5	10	9	34
1 to 1,000	16	6	4	7	33
1,001 to 2,000	13	6	8	10	37
2,001 to 3,000	18	10	12	14	54
3,001 to 4,000	15	12	15	17	59
4,001 to 5,000	16	12	5	13	46
5,001 to 6,000	12	12	11	15	50
6,001 to 7,000	10	11	14	15	50
7,001 to 8,000	9	21	15	10	55
8,001 to 9,000	5	10	10	9	34
9,001 to 10,000	6	7	5	2	20
10,001 to 12,000	5	6	5	7	23
12,001 to 14,000	2	6	7	2	17
14,001 to 16,000	2	5	2	3	12
16,001 to 18,000	1	0	4	2	7
18,001 to 20,000	1	2	3	4	10
20,001 to 25,000	1	6	1	1	9
25,001 to 30,000	2	2	3	1	8
30,001 to 35,000	0	1	2	3	6
35,001 to 40,000	0	2	1	1	4
40,001 to 50,000	0	0	5	0	5
50,001 to 60,000	0	1	2	0	3
60,001 to 70,000	0	0	0	0	0
70,001 to 80,000	0	0	0	0	0
80,001 to 90,000	0	0	0	0	0
90,001 to 100,000	0	0	0	0	0
Over 100,000 (List actual gallons, e.g., 120,000)	0	0	0	0	0
Total Bills	144	143	144	145	576

Company Name: <u>APPALCOOSA WATER CO</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>3/4"</u>	2 nd Quarter Ended: <u>06/30/07</u>

BILL COUNT WORKSHEET 2ND QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 2 nd QUARTER
- 0 -		7
1 to 1,000		13
1,001 to 2,000		31
2,001 to 3,000		37
3,001 to 4,000		39
4,001 to 5,000		30
5,001 to 6,000		46
6,001 to 7,000		34
7,001 to 8,000		34
8,001 to 9,000		30
9,001 to 10,000		24
10,001 to 12,000		39
12,001 to 14,000		28
14,001 to 16,000		26
16,001 to 18,000		21
18,001 to 20,000		20
20,001 to 25,000		31
25,001 to 30,000		22
30,001 to 35,000		23
35,001 to 40,000		15
40,001 to 50,000		12
50,001 to 60,000		5
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		567

Company Name: APPALCOOSA WATER CO	Test Year Ended: 2007
Meter Size: 3/4"	3 rd Quarter Ended: 09/30/2007

BILL COUNT WORKSHEET 3RD QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 3 RD QUARTER
- 0 -		20
1 to 1,000		18
1,001 to 2,000		40
2,001 to 3,000		36
3,001 to 4,000		29
4,001 to 5,000		36
5,001 to 6,000		34
6,001 to 7,000		44
7,001 to 8,000		27
8,001 to 9,000		20
9,001 to 10,000		16
10,001 to 12,000		34
12,001 to 14,000		34
14,001 to 16,000		27
16,001 to 18,000		33
18,001 to 20,000		18
20,001 to 25,000		35
25,001 to 30,000		24
30,001 to 35,000		18
35,001 to 40,000		7
40,001 to 50,000		9
50,001 to 60,000		7
60,001 to 70,000		5
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		570

Company Name: <u>APPALDOUSA WATER Co.</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>3/4"</u>	4 th Quarter Ended: <u>12/31/2007</u>

BILL COUNT WORKSHEET 4TH QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 4 th QUARTER
- 0 -		18
1 to 1,000		21
1,001 to 2,000		49
2,001 to 3,000		64
3,001 to 4,000		60
4,001 to 5,000		46
5,001 to 6,000		54
6,001 to 7,000		29
7,001 to 8,000		19
8,001 to 9,000		21
9,001 to 10,000		30
10,001 to 12,000		40
12,001 to 14,000		23
14,001 to 16,000		24
16,001 to 18,000		15
18,001 to 20,000		14
20,001 to 25,000		16
25,001 to 30,000		11
30,001 to 35,000		8
35,001 to 40,000		2
40,001 to 50,000		3
50,001 to 60,000		1
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		568

Company Name: APPACOSA WATER CO	Test Year Ended: 2007
Meter Size: 3/4"	

BILL COUNT SUMMARY

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total
- 0 -	10	7	20	18	55
1 to 1,000	27	13	18	21	79
1,001 to 2,000	55	31	40	49	175
2,001 to 3,000	82	37	36	64	219
3,001 to 4,000	83	39	29	60	211
4,001 to 5,000	69	30	36	46	181
5,001 to 6,000	57	46	34	54	191
6,001 to 7,000	41	34	44	29	148
7,001 to 8,000	29	34	27	19	109
8,001 to 9,000	25	30	20	21	96
9,001 to 10,000	12	24	16	30	82
10,001 to 12,000	21	39	34	40	134
12,001 to 14,000	15	28	34	23	100
14,001 to 16,000	10	26	27	24	87
16,001 to 18,000	5	21	33	15	74
18,001 to 20,000	0	20	18	14	52
20,001 to 25,000	12	31	35	16	94
25,001 to 30,000	4	22	24	11	61
30,001 to 35,000	4	23	18	8	53
35,001 to 40,000	3	15	7	2	27
40,001 to 50,000	0	12	8	3	23
50,001 to 60,000	0	5	7	1	13
60,001 to 70,000	0	0	5	0	5
70,001 to 80,000	0	0	0	0	0
80,001 to 90,000	0	0	0	0	0
90,001 to 100,000	0	0	0	0	0
Over 100,000 (List actual gallons, e.g., 120,000)	0	0	0	0	0
Total Bills	564	567	570	568	2269

Yavapai Water Production

Kimble McClymonds
2132 Stringfield Dr
Prescott AZ 86305
(928)771-9461

Invoice

DATE	INVOICE #
9/11/2007	595

BILL TO
Appaloosa Water P.O. Box 3150 Chino Valley Az 86323

JOB
Sept. 07



ITEM	QUANT...	DESCRIPTION	RATE	SERVICED	AMOUNT
Water Operato		Water System operation - Samples AZ sales tax	200.00 6.35%		200.00 0.00
			Total		\$200.00

Yavapai Water Production

Kimble McClymonds
2132 Stringfield Dr
Prescott AZ 86305
(928)771-9461

Invoice

DATE	INVOICE #
11/11/2007	565

BILL TO
Appaloosa Water P.O. Box 3150 Chino Valley Az 86323

PAID

JOB
Oct. 2007

ITEM	QUANT...	DESCRIPTION	RATE	SERVICED	AMOUNT
Operator	1	Water operator AZ sales tax	200.00 6.35%		200.00 0.00
			Total		\$200.00

Yavapai Water Production L.L.C.

Kimble McClymonds
2132 Stringfield Dr
Prescott AZ 86305
(928)771-9461

Invoice

<u>DATE</u>	<u>INVOICE #</u>
11/11/2007	566

<u>BILL TO</u>
Appaloosa Water P.O. Box 3150 Chino Valley Az 86323

<u>JOB</u>
Nov 07

<u>ITEM</u>	<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>RATE</u>	<u>SERVICED</u>	<u>AMOUNT</u>
Operator		Water operator AZ sales tax	200.00 6.35%		200.00 0.00
				Total	\$200.00

Yavapai Water Production L.L.C.

Kimble McClymonds
2132 Stringfield Dr
Prescott AZ 86305
(928)771-9461

Invoice

DATE	INVOICE #
12/25/2007	569

BILL TO
Appaloosa Water P.O. Box 3150 Chino Valley Az 86323

→ JOB
Dec.07

ITEM	QUANTITY	DESCRIPTION	RATE	SERVICED	AMOUNT
Water Operato		Water System operation - Samples AZ sales tax	200.00 6.35%		200.00 0.00
				Total	\$200.00



**MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE**

* Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to willful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 9252	Invoice Number 63601
To: APPALOOSA MEADOWS SUBD 7861 EAST GRAY RD STE 109 SCOTTSDALE AZ 85251	Public Water System ID #: 13208
	Billing for Calendar Year: 2007
	Due Date: December 18, 2006 2nd Notice! Past Due!
	Total Amount Due \$ 0.00
	Amount Paid \$

↑ Keep the top portion for your records. ↑

ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice

Invoice # 63601

APPALOOSA MEADOWS SUBD 7861 EAST GRAY RD STE 109 SCOTTSDALE AZ 85251 13208 - Appaloosa Meadows Subd	Owner Id #: 9252	MAP
	Billing for Calendar Year: 2007	
	Due Date: 12/18/2006 Past Due!	

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	\$ 250.00
Fee per Connection in 2007..... 193 connections X \$ 2.57.....	\$ 496.01
Total Sampling Fee	\$ 746.01
Plus Paid Interest Charges and/or Other Adjustments	\$ 0.00
Plus Unpaid Interest Charges as of 07/28/2008	\$ 0.00
Minus Payments Received and/or Other Adjustments	\$ 746.01
Amount Due	\$ 0.00
Amount received by ADEQ (Make check payable to State of Arizona)	\$

* A \$12 fee will be charged for any check not honored by the bank.

Do not write below this line

Make your check or money order payable to State of Arizona
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Check Number:
Received:
Postmarked:
Entered:

CRT 07/28/2008
WM301RcPrint

ORIGINAL

RECEIVED

2008 AUG -7 A 11:52

AZ CORP COMMISSION
DOCKET CONTROL

Appaloosa Water Company



Amendment to Rate Increase Application

File/Docket Number
W-03443-A-08-0313

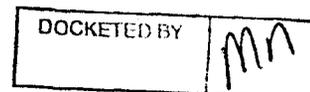
Attached –

1. Revised Page 6 of Application
2. Revised Page 18 of Application
3. Revised bill counts to support entries on Pages 6 and 18

Arizona Corporation Commission

DOCKETED

AUG -7 2008



STATEMENTS IN SUPPORT OF RATE REQUEST

Complete the following statements in support of your rate request.

APPALOOSA WATER COMPANY (the "Company") requests an adjustment in the existing rates charged by the Company. The information contained in this application is based upon a twelve-month Test Year ending 12-31-2007 (mm/dd/yy). The Company had total operating revenues of \$161,634.61 served 237 metered and 0 un-metered customers, and sold 27,583,509 gallons of water during the Test Year.

The Company is requesting a(n) increase/decrease in revenues in the amount of \$161,634.61. Total annual operating revenues, if the Company is granted the rate adjustment, will be \$323,269.22.

- The Company is current on all property taxes. [X] YES [] NO
The Company is current on all sales taxes. [X] YES [] NO
The Company currently has a Curtailment Plan Tariff on file with the Commission [X] YES [] NO
The Company currently has a Backflow Prevention Tariff on file with the Commission. [] YES [X] NO

The Company notified its customers o

f its application for a rate adjustment on 6-18-09 (mm/dd/yy). A COPY OF THE NOTICE WITH A NOTARIZED COVER LETTER STATING THE METHOD OF CUSTOMER NOTIFICATION, AS WELL AS THE DATE OF THE NOTIFICATION, MUST BE ATTACHED. (See page 32)

By completing this application in support of the Company's request for a rate adjustment, the Company realizes that Original Cost Less Depreciation ("OCLD") plant information will be used to determine the fair value rate base, i.e., the Company waives the right to Reconstruction Cost New.

COMPANY NAME: <u>APPALCOOSA WATER COMPANY</u>	Test Year Ended: <u>2007</u>
Name of System: <u>APPALCOOSA WATER</u>	ADEQ Public Water System Number: <u>13208</u>

WATER USE DATA SHEET BY MONTH FOR TEST YEAR

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	233	1090690	1090690	0
FEBRUARY	236	1501310	1501310	0
MARCH	236	1110540	1110540	0
APRIL	237	1790730	1790730	0
MAY	237	2248970	2248970	0
JUNE	237	3121380	3121380	0
JULY	237	3292860	3292860	0
AUGUST	237	3165780	3165780	0
SEPTEMBER	237	3046360	3046360	0
OCTOBER	237	2656809	2656809	0
NOVEMBER	237	2444130	2444130	0
DECEMBER	237	2113950	2113950	0
TOTALS →		27,583,509	**27,583,509	0

What is the level of arsenic for each well on your system? .16, .16 mg/l
 (If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 1000 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
 () Yes (X) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 () Yes (X) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
 () Yes (X) No

If yes, provide the GPCPD amount: N/A

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact Engineering at 602-542-7277.

* This number must be equal to the number entered on Page 6, "sold gallons."

** Gallons pumped cannot equal or be less than the gallons sold

Company Name: <u>APPALACHIAN WATER COMPANY</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>1"</u>	

BILL COUNT SUMMARY

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total
- 0 -	7	5	7	10	29
1 to 1,000	13	9	5	1	28
1,001 to 2,000	15	6	8	9	38
2,001 to 3,000	21	14	10	13	58
3,001 to 4,000	14	12	14	16	56
4,001 to 5,000	14	17	5	9	45
5,001 to 6,000	15	8	13	13	49
6,001 to 7,000	11	18	15	18	62
7,001 to 8,000	7	12	13	13	45
8,001 to 9,000	5	6	7	9	27
9,001 to 10,000	5	6	5	3	19
10,001 to 12,000	7	3	7	7	24
12,001 to 14,000	3	4	10	3	20
14,001 to 16,000	1	1	2	3	7
16,001 to 18,000	0	3	2	3	8
18,001 to 20,000	1	4	6	3	14
20,001 to 25,000	1	3	1	1	6
25,001 to 30,000	0	2	2	3	7
30,001 to 35,000	0	1	3	4	8
35,001 to 40,000	0	0	0	2	2
40,001 to 50,000	0	2	5	0	7
50,001 to 60,000	0	1	2	0	3
60,001 to 70,000	0	0	3	0	3
70,001 to 80,000	0	0	0	2	2
80,001 to 90,000	0	0	0	1	1
90,001 to 100,000	0	0	0	0	0
Over 100,000 (List actual gallons, e.g., 120,000)	305,960	125,190	0	0	2
Total Bills	141	138	145	146	570

Company Name: APALCOOSA WATER CO	Test Year Ended: 2007
Meter Size: 1"	1 st Quarter Ended: 03/31/07

BILL COUNT WORKSHEET 1ST QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 1 st QUARTER
- 0 -		7
1 to 1,000		13
1,001 to 2,000		15
2,001 to 3,000		21
3,001 to 4,000		14
4,001 to 5,000		14
5,001 to 6,000		15
6,001 to 7,000		11
7,001 to 8,000		7
8,001 to 9,000		5
9,001 to 10,000		5
10,001 to 12,000		7
12,001 to 14,000		3
14,001 to 16,000		1
16,001 to 18,000		0
18,001 to 20,000		1
20,001 to 25,000		1
25,001 to 30,000		0
30,001 to 35,000		0
35,001 to 40,000		0
40,001 to 50,000		0
50,001 to 60,000		0
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)	305,960	1
Total Bills		141

Company Name: <u>APPALCOOSA WATER CO</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>1"</u>	2 nd Quarter Ended: <u>06-30-07</u>

BILL COUNT WORKSHEET 2ND QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 2 ND QUARTER
- 0 -		5
1 to 1,000		9
1,001 to 2,000		6
2,001 to 3,000		14
3,001 to 4,000		12
4,001 to 5,000		17
5,001 to 6,000		8
6,001 to 7,000		18
7,001 to 8,000		12
8,001 to 9,000		6
9,001 to 10,000		6
10,001 to 12,000		3
12,001 to 14,000		4
14,001 to 16,000		1
16,001 to 18,000		3
18,001 to 20,000		4
20,001 to 25,000		3
25,001 to 30,000		2
30,001 to 35,000		1
35,001 to 40,000		0
40,001 to 50,000		2
50,001 to 60,000		1
60,001 to 70,000		0
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)	125,190	1
Total Bills		138

Company Name: <u>APPALCOOSA WATER CO</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>1"</u>	3 rd Quarter Ended: <u>09-30-07</u>

BILL COUNT WORKSHEET 3RD QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 3 RD QUARTER
- 0 -		7
1 to 1,000		5
1,001 to 2,000		8
2,001 to 3,000		10
3,001 to 4,000		14
4,001 to 5,000		5
5,001 to 6,000		13
6,001 to 7,000		15
7,001 to 8,000		13
8,001 to 9,000		7
9,001 to 10,000		5
10,001 to 12,000		7
12,001 to 14,000		10
14,001 to 16,000		2
16,001 to 18,000		2
18,001 to 20,000		6
20,001 to 25,000		1
25,001 to 30,000		2
30,001 to 35,000		3
35,001 to 40,000		0
40,001 to 50,000		5
50,001 to 60,000		2
60,001 to 70,000		3
70,001 to 80,000		0
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		145

Company Name: <u>APPALCOOSA WATER CO</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>1"</u>	4 th Quarter Ended: <u>12-31-07</u>

BILL COUNT WORKSHEET 4TH QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 4 th QUARTER
- 0 -	 	10
1 to 1,000		1
1,001 to 2,000	 	9
2,001 to 3,000	 	13
3,001 to 4,000	 	16
4,001 to 5,000	 	9
5,001 to 6,000	 	13
6,001 to 7,000	 	18
7,001 to 8,000	 	13
8,001 to 9,000	 	9
9,001 to 10,000		3
10,001 to 12,000	 	7
12,001 to 14,000		3
14,001 to 16,000		3
16,001 to 18,000		3
18,001 to 20,000		3
20,001 to 25,000		1
25,001 to 30,000		3
30,001 to 35,000		4
35,001 to 40,000		2
40,001 to 50,000		0
50,001 to 60,000		0
60,001 to 70,000		0
70,001 to 80,000		2
80,001 to 90,000		1
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		146

Company Name: <u>APPALACHIAN WATER COMPANY</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>3/4"</u>	

BILL COUNT SUMMARY

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total
- 0 -	12	5	8	10	35
1 to 1,000	30	16	18	13	77
1,001 to 2,000	63	37	35	41	176
2,001 to 3,000	95	44	32	41	212
3,001 to 4,000	99	42	36	43	220
4,001 to 5,000	76	42	27	41	186
5,001 to 6,000	51	55	34	50	190
6,001 to 7,000	35	38	39	38	150
7,001 to 8,000	28	35	33	16	112
8,001 to 9,000	23	31	21	20	95
9,001 to 10,000	14	28	11	36	89
10,001 to 12,000	17	34	36	43	130
12,001 to 14,000	6	28	32	32	98
14,001 to 16,000	4	29	28	30	91
16,001 to 18,000	3	15	34	25	77
18,001 to 20,000	0	14	18	17	49
20,001 to 25,000	4	26	31	30	91
25,001 to 30,000	1	16	28	16	61
30,001 to 35,000	1	14	24	10	49
35,001 to 40,000	1	13	10	4	28
40,001 to 50,000	0	7	11	5	23
50,001 to 60,000	0	3	9	1	13
60,001 to 70,000	0	0	7	2	9
70,001 to 80,000	1	1	0	1	3
80,001 to 90,000	0	0	3	0	3
90,001 to 100,000	0	0	1	0	1
Over 100,000 (List actual gallons, e.g., 120,000)	0	0	0	0	0
Total Bills	564	573	566	565	2268

Company Name: <u>APPALOOOSA WATER CO.</u>	Test Year Ended: <u>2007</u>
Meter Size: <u>3/4"</u>	1 st Quarter Ended: <u>03/31/07</u>

BILL COUNT WORKSHEET 1ST QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 1 ST QUARTER
- 0 -		12
1 to 1,000		30
1,001 to 2,000		63
2,001 to 3,000		95
3,001 to 4,000		99
4,001 to 5,000		76
5,001 to 6,000		51
6,001 to 7,000		35
7,001 to 8,000		28
8,001 to 9,000		23
9,001 to 10,000		14
10,001 to 12,000		17
12,001 to 14,000		6
14,001 to 16,000		4
16,001 to 18,000		3
18,001 to 20,000		0
20,001 to 25,000		4
25,001 to 30,000		1
30,001 to 35,000		1
35,001 to 40,000		1
40,001 to 50,000		0
50,001 to 60,000		0
60,001 to 70,000		0
70,001 to 80,000		1
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		564

Company Name: APPALOOZA WATER CO	Test Year Ended: 2007
Meter Size: 3/4"	2 nd Quarter Ended: 06-30-07

BILL COUNT WORKSHEET 2ND QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 2 nd QUARTER
- 0 -		5
1 to 1,000		16
1,001 to 2,000		37
2,001 to 3,000		44
3,001 to 4,000		42
4,001 to 5,000		42
5,001 to 6,000		55
6,001 to 7,000		38
7,001 to 8,000		35
8,001 to 9,000		31
9,001 to 10,000		28
10,001 to 12,000		34
12,001 to 14,000		28
14,001 to 16,000		29
16,001 to 18,000		15
18,001 to 20,000		14
20,001 to 25,000		26
25,001 to 30,000		16
30,001 to 35,000		14
35,001 to 40,000		13
40,001 to 50,000		7
50,001 to 60,000		3
60,001 to 70,000		0
70,001 to 80,000		1
80,001 to 90,000		0
90,001 to 100,000		0
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		573

Company Name: APPALACHIA WATER CO	Test Year Ended: 2007
Meter Size: 3/4"	3 rd Quarter Ended: 09-30-07

BILL COUNT WORKSHEET 3RD QUARTER

GALLONAGE RANGE	NUMBER OF BILLS	TOTAL BILLS FOR 3 RD QUARTER
- 0 -		4
1 to 1,000		5
1,001 to 2,000		5
2,001 to 3,000		5
3,001 to 4,000		5
4,001 to 5,000		5
5,001 to 6,000		5
6,001 to 7,000		5
7,001 to 8,000		5
8,001 to 9,000		5
9,001 to 10,000		5
10,001 to 12,000		5
12,001 to 14,000		5
14,001 to 16,000		5
16,001 to 18,000		5
18,001 to 20,000		5
20,001 to 25,000		5
25,001 to 30,000		5
30,001 to 35,000		5
35,001 to 40,000		5
40,001 to 50,000		5
50,001 to 60,000		5
60,001 to 70,000		5
70,001 to 80,000		0
80,001 to 90,000		2
90,001 to 100,000		1
Over 100,000 (List actual gallons, e.g., 120,000)		0
Total Bills		566

ORIGINAL

Matt L. Holdsworth CPA*
Charles R. Larson CPA*
Joy E. Ramsey CPA
Brian J. Zottnick CPA / ABV, CVA
Ken R. Smith CPA
Amy L. Bentley CPA

*Professional Corporation



RECEIVED

Phone: (928) 445-8639
Fax: (928) 445-8639
Website: www.holdsworthlarson.com
E-mail: staff@hlcpa.biz

2008 SEP 17 A 10: 27

AZ CORP COMMISSION
DOCKET CONTROL



06

September 15, 2008
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2927

Reference: Appaloosa Water Company – Rate Application Docket Number W-03443A-08-0313
Attention: Mr. Charles Myhlhousen

Via Fax: 602-364-2270 and hand delivered

Dear Mr. Myhlhousen:

Per our telephone call on Monday, September 15, 2008 the following letter is provided to clarify the difference in revenue and the amount calculated on bill count as follows:

There was an adjusting journal entry that was dated December 31, 2007 in the amount of \$19,616. The reason for this adjustment was to correct the balance in the hook up fees payable not to adjust the water revenue total for the year. Appaloosa Water Company maintains a detail ledger of the balance due to each individual customer. The total of the detail ledgers did not agree with the balance in the general ledger in QuickBooks. This adjusting journal entry was to correct the general ledger liability account to agree with the detail ledger total. This adjustment was made in 2007 and is reflected in the current 2007 records as an increase in revenue in the amount of \$19,616.00. This \$19,616 is not actual cash received or revenue earned during the fiscal year 2007. We trust this will clear up items 2.1 and 2.2 of the deficiencies dated September 8, 2008.

If you have any additional questions with regards to this matter, please feel to give us a call at 928-445-8633.

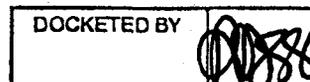
Sincerely,

Charles R. Larson CPA

Charles R. Larson, CPA

Arizona Corporation Commission
DOCKETED

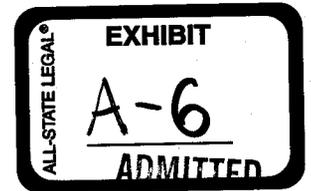
SEP 17 2008



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57

Appaloosa Water Company



Cross Connection Tariff

**File/Docket Number
W-03443-A-08-0313**

**-Attached-
Letter requesting approval of tariff
Cross Connection/Backflow Tariff**

Arizona Corporation Commission
DOCKETED
NOV - 4 2008

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AZ CORP COMMISSION
DOCKET CONTROL

2008 NOV - 4 P 12: 42

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Appaloosa Water Company
PO Box 3150
Chino Valley, AZ 86323

November 3, 2008

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

RE: Cross-Connection Tariff

Attached is an application by Appaloosa Water Company for approval of a Cross-Connection Tariff. The purpose of this tariff is to protect Appaloosa Water Company water from the possibility of contamination caused by the backflow of contaminants that may be present on the customer's premises.

A handwritten signature in black ink, appearing to read "Joe Cordovana", written over a horizontal line.

Joe Cordovana

CROSS-CONNECTION OR BACKFLOW TARIFF

PURPOSE:

The purpose of this tariff is to protect APPALOOSA WATER COMPANY ("Company") water from the possibility of contamination caused by the backflow of contaminants that may be present on the customer's premises by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code ("A.A.C.") R14-2-405.B.6 and A.A.C. R18-4-115.

REQUIREMENTS:

In compliance with the Rules of the Arizona Corporation Commission ("Commission") and the Arizona Department of Environmental Quality ("ADEQ"), specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-115 relating to backflow prevention:

1. The Company may require a customer to pay for and to have installed a backflow-prevention assembly if A.A.C. R18-4-115.B or C applies.
2. A backflow-prevention assembly required to be installed by the customer under Paragraph 1 of this tariff shall comply with the requirements set forth in A.A.C. R18-4-115.D and E.
3. Subject to the provisions of A.A.C. R14-2-407 and 410, and in accordance with Paragraphs 1 and 7 of this tariff, the Company may terminate service or may deny service to a customer who fails to install a backflow-prevention assembly as required by this tariff
4. The Company shall give any existing customer who is required to install a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is **not** applicable, the customer shall be given thirty (30) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why he cannot install the device within thirty (30) days, the Company or Commission Staff may suspend this requirement for a reasonable period of time.

****FOR OFFICIAL USE ONLY****

Effective Date: _____

Company Name: APPALCOOSA WATER COMPANY Page 2 of 2

5. Testing shall be in conformance with the requirements of A.A.C. R18-4-115.F. The Company may require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests.
6. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:
 - a. assembly identification number and description;
 - b. location
 - c. date(s) of test(s);
 - d. description of repairs and recommendations for repairs made by tester; and
 - e. the tester's name and certificate number.
7. In the event the backflow-prevention assembly does not function properly or fails any test, and an obvious hazard as contemplated under A.A.C. R14-2-410.B.1.a. exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested.
8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and A.A.C. R14-2-410.B.1.a. is not applicable, the backflow-prevention assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency or dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with A.A.C. R14-2-410.

****FOR OFFICIAL USE ONLY****

Effective Date: _____

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AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA)
County of Yavapai) ss.



I, Aileen Kemper, being first duly sworn on her oath says:
That she is the Classified Coordinator of PRESCOTT NEWSPAPERS, INC., an Arizona corporation, which owns and publishes the COURIER, a Daily Newspaper published in the City of Prescott, County of Yavapai that the notice attached hereto, namely,

PUBLIC NOTICE OF HEARING ON THE APPLICATION OF APPALOOSA WATER COMPANY FOR AN INCREASE IN ITS RATES AND AUTHORIZATION FOR FINANCING (Docket Nos. W-03443-A08-0177 and W-03443A-08-0313

has, to the personal knowledge of affidavit, been published in the news paper aforesaid, according to law, on 1 day of JAN, 2009 to 1 day of JAN, 2009 both inclusive without change, interruption or omission, amounting in all 1 insertions, made on the following dates:
JAN 1, 2009

Arizona Corporation Commission
DOCKETED

MAR - 2 2009

By: [Signature]
Dated this 26 Day of FEB, 2009

DOCKETED BY [Signature]

By: Malia L Miller
Notary Public

My commission expires:



AZ CORP COMMISSION
DOCKET CONTROL

2009 MAR - 2 P 12: 29

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PUBLIC NOTICE OF HEARING ON THE APPLICATION OF APPALOOSA WATER COMPANY FOR AN INCREASE IN ITS RATES AND AUTHORIZATION FOR FINANCING (Docket Nos. W-03443-A08-0177 and W-03443A-08-0313

Summary
On March 26, 2008 and June 20, 2008, Appaloosa Water Company, LLC ("Appaloosa") filed with the Arizona Corporation Commission ("Commission") an application for an increase in its rates for water service and authorization for financing, respectively. In its rate application, Appaloosa is seeking an increase in its rates to generate an additional \$162,469 in annual sales, or approximately a 100% increase over its reported 2007 last year total operating revenues of \$162,469. The rate application states the increase is necessary to cover administrative costs, increased property taxes, and the cost to construct an arsenic treatment system. In its financing, Appaloosa is seeking authorization to finance approximately \$192,000 to construct an arsenic treatment facility.

The Commission's Utilities Division Staff ("Staff") is in the process of auditing and analyzing Appaloosa's records and has not yet made a recommendation regarding the rate or financing applications. The Commission will determine the appropriate relief to be granted based on the evidence presented during the proceeding. The Commission is not bound by the proposals made by Appaloosa, Staff, or any intervenors; therefore, the final rates and amount of financing approved may differ from the rates and amounts requested by Appaloosa in its applications.

How You Can View or Obtain a Copy of the Rate Proposal

Copies of the rate and finance applications are available at Appaloosa's offices, 1480 West Road 4 North, Chino Valley, AZ 86323, and at the Commission's Docket Control Center at 1200 West Washington St, Phoenix, AZ, for public inspection during regular business hours and on the internet via the Commission's website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning April 21, 2009 at 10:00am, at the Commission's offices, 1200 West Washington St, Room 100, Phoenix, AZ. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. W-03443A-08-0177 et al., to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington St, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to <http://www.azcc.gov/divisions/utilities/forms/publiccomments.pdf>. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you desire to intervene, you must file a written motion to intervene with the Commission no later than January 30, 2009. You must send a copy of the motion to intervene to Appaloosa or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;

2. A short statement of your interest in the proceeding (e.g., a customer of Appaloosa, a shareholder of Appaloosa, etc.); and

3. A statement certifying that you have mailed a copy of the motion to intervene to Appaloosa or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before January 30, 2009, if representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>. The granting of

a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Linda Hogan, at L.Hogan@azcc.gov, voice phone number (602) 542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

ORIGINAL

March 19, 2009

Arizona Corporation Commission
1220 West Washington St.
Phoenix, AZ



RE: Docket # W-03443A-08-0313 and W-03443A-08-0177

Mr. Ernest G. Johnson, Director Utilities Division
Mr. Charles Myhlhousen, Public Utility Analysis
Ms. Janice M. Alward, Chief Counsel
Ms. Lyn Farmer, Chief Administrative Law Judge

This document is in response to the Staff Report for Appaloosa Water Company's Application for a permanent rate increase and Financing Approval.

I would like to begin by saying that I purchased the water company in 2006 without knowing all the rules and regulations that apply to operating a water company. Just like any other business, I secured a loan under the impression that the company I purchased would later be refinanced to repay this debt. I have been told that this is not possible. That the revenue into Appaloosa Water Company cannot pay back this debt. What are my options? What are my choices? How can I repay this debt? Please advise me in this request.

Appaloosa Water Company has been in operation since 1998. To date this company has never had a rate increase. When I applied for this increase for test year 2007, I never in my wildest imagination would expect that this request for an increase would not only be denied but actually reduced. The cost of living, the cost of materials and supplies and the costs of professional services, just to mention a few expenses that impact this water company, increase every year. The cost of living for the entire US is adjusted each year as well. How can a company that was opened in 1998 be expected to operate under the same expense guidelines outlined 10 years ago?

To date Appaloosa Water Company has bills which it cannot pay. In addition to the payment for the recently added arsenic treatment system, each year there is a payment which must be made to Veracen Inc, under a main line extension agreement which entitles them to 10% of revenue for the repayment of their construction costs over the next 8 years. There are bills for well repairs, there are bills for increased monitoring, there are bills for utilities which continue to increase every year, just to mention a few. How can Appaloosa Water Company continue to operate and serve its customer base under these conditions?

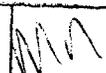
I respectfully request that a re-evaluation be administered to this rate increase application and an increase be granted to allow for the continued operation of Appaloosa Water Company into the future. An increase in rates is required to meet the current debt load the company currently faces now and into the future.

Your immediate attention is respectfully requested.

Sincerely,


Joe Cordovana
Appaloosa Water Company

Arizona Corporation Commission
DOCKETED
MAR 23 2009

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2009 MAR 23 P 2:12
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MEMORANDUM

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S-1
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TO: Docket Control

FROM: Ernest G. Johnson
Director
EGJ Utilities Division

2009 MAR -3 F

AZ CORP COM.
DOCKET CONTROL

DATE: March 03, 2009

RE: STAFF REPORT FOR APPALOOSA WATER COMPANY'S APPLICATIONS FOR A PERMANENT RATE INCREASE, DOCKET NO. W-03443A-08-0313 AND FINANCING APPROVAL, DOCKET NO. W-03443A-08-0177

Attached is the Staff Report for Appaloosa Water Company's, applications for a permanent rate increase and financing approval. Staff recommends approval of the rate case application using Staff's recommended rates and charges. Staff recommends approval of the financing application subject to Staff's recommendations.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before March 12, 2009.

EGJ:CRM:kdh

Originator: Charles R. Myhlousen

Attachment: Original and fifteen copies

FILE COPY

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MAR 04 2009

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

Service List for: Appaloosa Water Company
Docket Nos. W-03443A-08-0313 and W-03443A-08-0177

Mr. Joseph Cordovana
Appaloosa Water Company
7012 North 18th Street
Phoenix, Arizona 85020

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

APPALOOSA WATER COMPANY

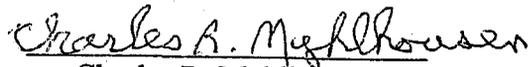
**DOCKET NO. W-03443A-08-0313, RATES
AND
DOCKET NO. W-03443A-08-0177, FINANCE**

**APPLICATIONS FOR A
PERMANENT RATE INCREASE AND FINANCING APPROVAL**

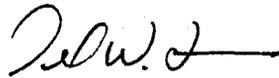
MARCH 03, 2009

STAFF ACKNOWLEDGMENT

The Staff Report for Appaloosa Water Company, Docket Nos. W-03443A-08-0313 and W-03443A-08-0177, for a permanent rate increase and financing approval, respectively, was the responsibility of the Staff members listed below. Charles R. Myhlhousen was responsible for the review and analysis of the Company's applications recommended revenue requirements, rate base, rate design and financial analysis. Del Smith was responsible for the engineering and technical analysis. Carman Madrid was responsible for reviewing the Commission's records on the Company and reviewing customer complaints filed with the Commission.



Charles R. Myhlhousen
Public Utility Analyst III



Del Smith
Utilities Engineer



Carmen Madrid
Public Utilities Consumer Analyst I

**EXECUTIVE SUMMARY
APPALOOSA WATER COMPANY
DOCKET NOS. W-03443A-08-0313
AND W-03443A-08-0177**

Appaloosa Water Company ("Company") serves the Appaloosa Meadows subdivision within the Town of Chino Valley, Arizona. The Company is engaged in the business of providing utility water service exclusively to Arizona customers in Yavapai County. The Company provides service to approximately 237 customers. The Company's current rates were effective April 1, 1998. This is the first rate case and long term financing case filed by the Company since the Certificate of Convenience and Necessity was issued in Decision No. 60733, March 23, 1998. The Company is a Class C utility.

The Company, in its rate application, requested an increase in revenue of \$162,489 or a 100.0 percent increase over test year revenue of \$162,489. The Company is proposing revenues of \$324,978 that results in an operating income of \$161,095, for an operating margin of 49.57 percent. The Company's requested rates would increase the typical residential bill with a median usage of 6,253 gallons from \$38.13 to \$76.27, for an increase of \$38.14 or 100.0 percent.

Staff is recommending no increase or decrease over Staff's adjusted test year revenue of \$142,873. Staff's recommended revenues of \$142,873, result in an operating income of \$24,474, for an operating margin of 17.13 percent. Staff's recommended rates would decrease the typical residential bill with a median usage of 6,253 gallons from \$38.13 to \$36.01, for a decrease of \$2.12 or 5.6 percent. This decrease is caused by Staff's redesign of rates to an inverted 3-tier commodity rate structure.

The Company, in its financing application, is requesting approval of \$192,300 of long term financing. The Company has also submitted an application to the Water Infrastructure Finance Authority of Arizona ("WIFA").

Staff recommends approval of financing in the amount of \$200,000.

Staff's recommended rates and charges would continue to provide an operating income of \$24,474 for an operating margin of 17.13 percent. The operating margin is within Staff's recommended range for operating margin.

Staff recommends:

- Approval of Staff's rates and charges as shown on Schedule CRM-4. In addition to collection of its regular rates and charges, the Company may collect from its customers the proportionate share of any privilege, sales or use tax per Commission Rule (14-2-409D-5).

- The Company be ordered to docket a tariff of its approved rates and charges within 30 days after the Decision in this matter is issued.
- The Company be ordered to use the depreciation rates delineated in Table B of the Engineering Report on a going forward basis.
- That the lease agreement on the well be cancelled.
- That \$200,000 finance request be approved.
- That the loans made to Joe Cordovana be substantiated with a written note and board approval and that Joe Cordovana pay back the loan in a timely manner.
- Approval of an arsenic cost recovery mechanism to provide recovery of arsenic remediation as described in this Report.
- That this docket remain open to facilitate implementation of an arsenic cost recovery mechanism.
- That the Company be required to report the actual water pumped data as read at the well meter on a monthly basis in future Annual Reports, beginning with the 2008 Annual Report filed in 2009.
- That the Company monitor the Appaloosa water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meters each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.
- That the Company's filed backflow prevention tariff be approved. Staff further recommends that the Company file the tariff with Docket Control, as a compliance item in this docket, within 45 days after the effective date of the decision in this case.
- That the Company file with Docket Control, as a compliance item in this docket, the Certificate of AOC issued by ADEQ or Yavapai County for the waterline extension across Road 4 North at Harrison Drive by December 31, 2009.

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Rate Base Adjustment # 2 Schedule CRM-6

Operating Income Schedule CRM-7

Summary Of Operating Income Adjustments Schedule CRM-8

Operating Income Adjustment #1 Metered Water Revenues Schedule CRM-9

Operating Income Adjustment # 2 Wages And Salaries Expense Schedule CRM-10

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Operating Income Adjustment # 9 Income Taxes..... Schedule CRM-17

Rate Design..... Schedule CRM-18

Typical Bill Analysis Schedule CRM-19

ATTACHMENT

Engineering ReportA

Arsenic Cost Recovery Schedules.....B

Fact Sheet

Current Rates: Decision No. 60733, March 23, 1998, rates effective April 1, 1998.

Type of Ownership: Arizona "C" Corporation.

Location: The Company serves the Appaloosa Meadows subdivision within the Town of Chino Valley in Yavapai County. The Company Certificate of Convenience and Necessity ("CC&N") covers approximately two-thirds of a square mile. The Company also serves contiguous parcels covering roughly 60 acres north of its CC&N.

Rates:

Permanent rate increase application filed: June 20, 2008, amended July 29, 2008, August 7, 2008 and September 17, 2008.

Finance: The finance application was filed March 26, 2008.

Test Year: Current Test Year Ended: December 31, 2007.

	<u>Company Current Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Recommended Rates</u>
Monthly Minimum Charge Based on 5/8 X 3/4 inch meter	\$25.00	\$50.00	\$25.00
Gallons in Minimum	1	1	0
Commodity Charge Excess of minimum, per 1,000 gallons	2.50	5.00	
Tier One zero gallons to 3,000 gallons			1.50
Tier Two 3,001 gallons to 7,000 gallons			2.00
Tier Three All gallons over 7,000 gallons			2.90
Typical residential bill (Based on median usage of 6.253 gallons)	\$38.13	\$76.27	36.01

Customers:

The average number of customers in current test year is 237.

Notification:

Customer Notification was mailed originally on June 18, 2008, corrected and resent on June 30, 2008.

Complaints:

There were four complaints from 01/01/2006 through 01/27/2009.

Summary of Filing

Based on adjusted test year results, Appaloosa Water Company ("Company") realized an operating income of \$24,474, for a 17.13 percent operating margin as shown on Schedule CRM-1.

The Company's proposed rates produce operating revenue of \$324,978 and an operating income of \$161,095, for an operating margin of 49.57 percent. The Company's proposed rates increase the typical residential bill, with a median usage of 6,253 gallons, from \$38.13 to \$76.27, for an increase of \$38.14 or 100.0 percent.

Staff's recommended rates produce operating revenue of \$142,873 and an operating income of \$24,474, for an operating margin of 17.13 percent. Staff's recommended rates decrease the typical residential bill, with a median usage of 6,253 gallons, from \$38.13 to \$36.01, for a decrease of \$2.12 or 5.6 percent. This decrease is caused by Staff's redesign of rates to an inverted 3-tier commodity rate structure.

The Company is a class C utility, based on its proposed rates. Based on Staff's proposed rates, the Company is a Class D.

Company Background

The Commission granted the Company its Certificate of Convenience and Necessity ("CC&N") in Decision No. 60733, dated March 23, 1998. This is the Company's first rate application since the Company received its CC&N in 1998. The present owner, Artesian Holdings L.L.C., purchased the Company in 2006.

On June 20, 2008, the Company filed an application for a permanent rate increase with the Commission. On July 21, 2008, the Company's filing was found deficient. On July 29, 2008, August 7, 2008, and September 17, 2008, the Company submitted the items to correct the deficiencies. On October 17, 2008, Staff determined the application was sufficient. The Company's current test year ends on December 31, 2007.

The Company filed a financing application on March 27, 2008. Staff filed a motion to consolidate the rate and financing applications on October 21, 2008. A Procedural Order dated December 5, 2008, granted Staff's motion to consolidate the two applications.

Consumer Services:

A review of the Commission's records from January 1, 2006, through January 27, 2009, revealed that there were four customer complaints. Three complaints for quality of service and one for a rate case item. All complaints have been resolved and closed.

Compliance:

A check with the Utilities Division Compliance Section showed no outstanding compliance issues.

The Company is current in its property and sales tax payments.

The Company is in good standing with the Corporations Division of the Commission.

The Company's service area is located within the Prescott Active Management Area ("AMA"). The Company is in compliance with AMA reporting requirements and Arizona Department of Water Resources requirements governing water providers and/or community water system.

According to the May 9, 2008 Arizona Department of Environmental Quality ("ADEQ") Compliance Status Report, the system has major deficiencies in monitoring and reporting requirements for arsenic. The system's running annual average has exceeded the maximum contaminate level ("MCL") for arsenic. ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, title 18, Chapter 4 because of these monitoring and reporting deficiencies.

Rate Base:

The Company's application indicates a rate base in the amount of \$679,726.

The Company could not verify the cost of plant items or obtain the invoices for the plant items added since 1998. The Company has Advances in Aid of Construction ("AIAC") in the amount of \$570,318. Since the Company could not verify who paid for these plant items, Staff has classified the balance of plant in service as Contributions in Aid of Construction ("CIAC") in the amount of \$759,327. Staff also made an adjustment of \$24,502 for CIAC amortization. Staff's adjustment decreases rate base by \$734,825, from \$679,726 to a negative \$55,099. See Schedule CRM-3.

Plant-in-Service:

Staff did not make any adjustments to plant in service. Staff agrees with the Company's plant in service amount of \$1,329,645 less accumulated depreciation of \$79,601. Staff's recommended net plant in service is \$1,250,044. The Company has a leased well that is not connected to the Company's water system. This well is not used by the Company. It is only leased in the event the Company has an emergency. This well is not included in plant in service. Staff recommends cancellation of the lease agreement for this well. The well is not used or useful. The owner of the well, Artesian Holdings L.L.C., pays all expenses and costs incurred by the well. See Schedules CRM-3 and CRM-4.

Accumulated Depreciation:

Staff concurs with the Company's accumulated depreciation of \$79,601.

Staff calculated accumulated depreciation by adding depreciation expense for the years 1998 through the end of 2007, to the Commission accumulated depreciation balance and subtracting accumulated depreciation for plant retirements from the Commission accumulated depreciation balance. This produces accumulated depreciation of \$79,601. See Schedule CRM-4.

Advances-in-Aid-of-Construction:

Staff made no adjustments to advances-in-aid-of-construction ("AIAC").

Contributions-in-Aid-of-Construction:

The Company is not claiming contributions-in-aid-of-construction ("CIAC"). Staff recommends CIAC in the amount of \$759,327. This amount represents the amount of plant where the Company could not verify amount paid. Staff made an adjustment of \$24,502 for CIAC amortization. See Schedule CRM-14.

Operating Revenue:

The Company's application requests operating revenue of \$162,489. Staff made an adjustment to metered water revenue, decreasing operating revenue by \$19,616 from \$161,635 to \$142,019. The Company made a year end general ledger adjustment to metered water revenue of \$19,616; increasing metered water revenue by this amount. This adjustment should not have been made to metered water revenue. This should have been a prior period adjustment for advances in aid of construction in order to bring that account in balance to actual AIAC. Staff's adjusted operating revenue and the bill counts reconcile. See Schedules CRM-7, CRM-8 and CRM-9.

The plant nursery, the clubhouse and Joe Cordovana's personal residence all have separate domestic water wells and are not connected to, or receiving, water from the Company.

Operating Expenses:

Staff's adjustments to operating expenses result in a decrease of \$45,483 from \$163,883 to \$118,400 as shown on Schedule CRM-7 and CRM-8. Adjustments are discussed below.

Adjustment 2: decreases wages and salaries expense by \$2,491 from \$45,730 to \$43,239 to reflect Staff's analysis of wages and salaries. Staff allowed the salary paid to Tara Tangeman and the amount of salary stated in Joe Cordovana's employment contract with the Company. See Schedules CRM-7, CRM-8, and CRM-10.

Adjustment 3: decreases repairs and maintenance expense by \$5,269 from \$8,226 to \$2,957 to remove the costs of one time expenses that will not be repeated in the near future and removal of the cost of plant pavers for future plant use. See Schedule CRM-11.

Adjustment 4: decreases outside services expense by \$19,861 from \$30,589 to \$10,728 to reflect Staff's recommended expense level. Staff removed expenses will not be repeated in the near future. Staff reclassified \$1,433 from water testing expense to reflect an increase in the certified operator expense. This adjustment reflects the normalized annual water testing costs determined per Staff's Engineering Report at Table A. See Schedule CRM-12.

Adjustment 5: decreases water testing expense by \$1,433 from \$3,012 to \$1,579. This adjustment reflects the normalized annual water testing costs determined per Staff's Engineering Report at Table A. Staff reclassified \$1,433 from water testing expense to outside services expenses. See schedule CRM-13.

Adjustment 6: decreases depreciation expense by \$21,471 from \$39,792 to \$18,321, to reflect the amount of depreciation expense for the test year less the amount offset by amortization of CIAC. See Schedules CRM-14.

Adjustment 7: decreases taxes other than income by \$1,471 from \$2,173 to \$702. Staff removed the annual sampling cost of \$746. Staff also removed the balance of sales taxes of \$725. See Schedule CRM- 15.

Adjustment 8: increases property taxes by \$38 from \$4,962 to \$5,030 to reflect the increased property taxes based on Staff's calculation of property taxes. See Schedules CRM-16.

Adjustment 9: increases income taxes by \$6,475 from zero to \$6,475 to reflect income taxes based on Staff's recommended operating revenue. See Schedules CRM-7, CRM-8 and CRM-17.

Staff's recommended rates and charges continue to provide an operating income of \$24,474 for an operating margin of 17.13 percent. This operating margin is within Staff's recommended range for operating margin. This operating income amount will give the Company sufficient cash for operating expenses and contingencies. See Schedule CRM-1.

Revenue Requirement

The Company's current rates have been in effect since they have not been increased since the original CC&N was issued in 1998.

Staff recommends total operating revenue of \$142,873 which is the same as Staff's adjusted test year revenue of \$142,873. Staff's recommendation provides sufficient operating revenue. See Schedules CRM-1

Operating Income:

Staff's recommended operating income is \$24,474. See Schedules CRM-7, CRM-8.

Operating Margin:

Staff recommends an operating margin of 17.13 percent. This margin will provide sufficient revenue to pay expenses and for contingencies.

Rate Design

Schedule CRM-18 reflects a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

The Company's proposed rates increase the median usage residential customer bill by \$38.14 from \$38.13 to \$76.27 or 100.0 percent.

Staff's recommended rates decrease the median usage residential customer bill by \$2.12 from \$38.13 to 36.01 or 5.6 percent. This decrease is caused by Staff's redesign of rates to include an inverted 3-tier commodity rate structure.

The Company currently has a uniform rate design. Staff recommends a three-tier inverted rate design for the 5/8 x 3/4 inch and 3/4 inch meters and a two-tier inverted rate design for larger size meters.

The Company presently does not have a construction/bulk water tariff and has not requested one. Staff recommends a tariff of \$2.90 per 1,000 gallons for construction/bulk water sales.

Staff does not agree with the Company's proposed 100 percent increase in Service Line and Meter Installation Charges. Staff's recommendation will help ensure that the Company will have enough cash to pay for the actual installation of service for any meter size. See Schedule CRM-18.

The Company did not propose charges for fire sprinklers. Staff recommends charges for fire sprinklers. See Schedule CRM-18.

The Company proposed increases to service charges: (See Schedule CRM-18.)

The Company proposes an increase to Establishment charge from \$25.00 to \$50.00. The Company has not provided adequate information to support that amount. Staff recommends \$25.00. This amount is reasonable and normal.

The Company proposes an increase to Establishment (after hours) charge from \$50.00 to \$100.00. The Company has not provided adequate information to support that amount. Staff recommends \$50.00. This amount is reasonable and normal.

The Company proposes an increase to Reconnection (delinquent) from \$30.00 to \$60.00. The Company has not provided adequate information to support that amount. Staff recommends \$30.00. This amount is reasonable and normal.

The Company proposes an increase to Meter Test from \$15.00 to \$30.00. The Company has not provided adequate information to support that amount. Staff recommends \$15.00. This amount is reasonable and normal.

The Company proposes no change to Deposit service charge. Staff concurs.

The Company proposes no change to interest on deposits. Staff concurs.

The Company proposes no change to the Re-establishment service charge (within 12 months). Staff concurs.

The Company proposes an increase to Not Sufficient Funds check from \$15.00 to \$20.00. Staff concurs.

The Company proposes no change to Deferred Payment service charge. Staff concurs.

The Company proposed an increase to Meter Re-read service charge from \$15.00 to \$30.00. The Company has not provided adequate information to support that amount. Staff recommends \$15.00. This amount is reasonable and normal.

The Company proposed a change to its Late Fee service charge from 1.5 percent to 3 percent. The Company has not provided adequate information to support that amount. Staff

recommends one and one half percent on the unpaid balance per month. This amount is reasonable and normal.

Financing:

On March 26, 2008, the Company filed a financing application with the Commission requesting authorization to obtain a \$192,380 amortizing loan from the Water Infrastructure Finance Authority of Arizona ("WIFA"). The purpose of the financing is to fund a needed arsenic treatment facility. The Company has entered into an agreement with Aledge Technologies Inc. to construct the arsenic treatment facility. The Company's engineering cost for an arsenic treatment plant is \$192,380. The arsenic facility was built in 2008. The Company is testing and seeking approval for operation of the arsenic facility. The Company is requesting a 20-year amortizing loan from WIFA. The Company plans to use the funds to pay for the arsenic treatment facility.

Staff concludes that the proposed plant is appropriate and the estimated costs appear to be reasonable. However, this does not imply any particular future treatment for inclusion in rate base. No "used and useful" determination of the proposed plant was made, and no conclusion should be inferred for rate making or rate base purposes.

The Commission has previously authorized an arsenic cost recovery mechanism ("ACRM") to recover arsenic remediation costs. Staff concludes that authorization of an ACRM is an appropriate ratemaking treatment of the Company's, arsenic remediation costs.

The purpose of the ACRM is to permit recovery of the capital and operating costs of providing arsenic remediation once the plant is place in service when the in-service date occurs subsequent to the end of the test year. An ACRM is a two-step process. Each step requires the Company to make a filing that requests authorization for a surcharge. Step one provides for recovery of and on the arsenic plant investment. Step two provides for recovery of related operation and maintenance expenses ("O&M") going forward, and recovery of O&M deferred for up to twelve months prior to the step two filing. The specific O&M expenses that may be deferred and recovered are: 1) media replacement or regeneration costs, 2) media replacement or regeneration service costs or 3) waste media or regeneration disposal costs. Staff concludes that authorization of an ACRM that parallels those authorized in Decision Nos. 66400 and 68825 is appropriate for the Company. However, the earnings test for the ACRM should be established at Staff's recommended Operating Margin (17.13 percent). Accordingly, the Company should be required to submit ACRM filings to the Commission with the following ten schedules (See Exhibit B).

1. Balance Sheet – most current one available as of time of filing.
2. Income Statement – most current available as of time of filing with adjustments conforming with the decision.
3. Earnings Test – A schedule verifying that the Company's arsenic rate surcharge will not result in operating income in excess of the authorized operating margin.

4. Rate Review Schedule – including the incremental and pro forma effects of the proposed increase.
5. Arsenic Revenue Requirement – Includes a calculation based on earnings test.
6. Surcharge Calculation – a detailed surcharge calculation.
7. Rate Base – a schedule showing the elements and the calculation of the rate base.
8. Construction Work in Progress (CWIP) Ledger – a ledger showing the construction work in progress (as applicable).
9. Cost Allocation Factor Schedule – a schedule of all cost allocation factors amounts.
10. Typical Bill Analysis – A typical bill analysis showing the effects on residential customers at various consumption levels.

In its application, the Company provided a copy of the notice that it sent to its customers.

Staff Recommendations

- Approval of Staff's rates and charges as shown on Schedule CRM-4. In addition to collection of its regular rates and charges, the Company may collect from its customers the proportionate share of any privilege, sales or use tax per Commission Rule (14-2-409D-5).
- The Company be ordered to docket a tariff of its approved rates and charges within 30 days after the Decision in this matter is issued.
- The Company be ordered to use the depreciation rates delineated in Table B of the Engineering Report on a going forward basis.
- That the lease agreement on the well be cancelled.
- That \$200,000 finance request be approved.
- That the loans made to Joe Cordovana be substantiated with a written note and board approval and that Joe Cordovana pay back the loan in a timely manner.
- Approval of an arsenic cost recovery mechanism to provide recovery of arsenic remediation as described in this Report.
- That this docket remain open to facilitate implementation of an arsenic cost recovery mechanism.
- That the Company be required to report the actual water pumped data as read at the well meter on a monthly basis in future Annual Reports, beginning with the 2008 Annual Report filed in 2009.

- That the Company monitor the Appaloosa water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meters each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.
- That the Company's filed backflow prevention tariff be approved. Staff further recommends that the Company file the tariff with Docket Control, as a compliance item in this docket, within 45 days after the effective date of the decision in this case.
- That the Company file with Docket Control, as a compliance item in this docket, the Certificate of AOC issued by ADEQ or Yavapai County for the waterline extension across Road 4 North at Harrison Drive by December 31, 2009.

Appaloosa Water Company

Docket No. W-03443A-08-0313 AND W-03443A-08-0177

Test Year Ended December 31, 2007

SCHEDULES OF CHARLES R. MYHLHOUSEN

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CRM-17	OPERATING INCOME ADJUSTMENT #9 - INCOME TAX EXPENSE
CRM-18	RATE DESIGN
CRM-19	TYPICAL BILL ANALYSIS

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 679,726	\$ 679,726	\$ (55,099)	\$ (55,099)
2	Adjusted Operating Income (Loss)	\$ (1,394)	\$ (1,394)	\$ 24,474	\$ 24,474
3	Current Operating Margin	-0.86%	-0.86%	17.13%	17.13%
4	Required Operating Margin	N/A	N/A	17.13%	17.13%
5	Required Operating Income	\$ 161,095	\$ 161,095	\$ 24,474	\$ 24,474
6	Operating Income Deficiency (L5 - L2)	\$ 162,489	\$ 162,489	\$ -	\$ -
7	Gross Revenue Conversion Factor	1.0000	1.0000	1.2914	1.2914
8	Required Revenue Increase (L7 * L6)	\$ 162,489	\$ 162,489	\$ 0	\$ 0
9	Adjusted Test Year Revenue	\$ 162,489	\$ 162,489	\$ 142,873	\$ 142,873
10	Proposed Annual Revenue (L8 + L9)	\$ 324,978	\$ 324,978	\$ 142,873	\$ 142,873
11	Required Increase in Revenue (%)	100.00%	100.00%	0.00%	0.00%
12	Rate of Return on Equity (%)	N/A	N/A	N/A	N/A
12	Operating Margin (L5/L10)	49.57	49.57	17.13	17.13

References:

Columns [A] and [B]: Company Application Schedules

Columns [C] and [D]: STAFF Schedules CRM-2, CRM-3 and CRM-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	22.5668%			
5	Subtotal (L3 - L4)	77.4332%			
6	Revenue Conversion Factor (L1 / L5)	1.291435715			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	20.9228%			
9	One Minus Combined Income Tax Rate (L7 - L8)	79.0772%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 44)	15.0000%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.139548			
17	Combined Federal and State Income Tax Rate (L13 + L16)	20.9228%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	20.9228%			
20	One Minus Combined Income Tax Rate (L18 - L19)	79.0772%			
21	Property Tax Factor (XXX-18, L24)	2.0790%			
22	Effective Property Tax Factor (L 21 * L 22)	0.016439969			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		22.5668%		
24	Required Operating Income (Schedule XXX-1, Line 5)	\$ 24,474			
25	Adjusted Test Year Operating Income (Loss) (Schedule XXX-10, Line 40)	\$ 24,474			
26	Required Increase in Operating Income (L24 - L25)		\$ 0		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 6,475			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ 6,475			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ -		
30	Recommended Revenue Requirement (Schedule XXX-1, Line 10)	\$ 142,873			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (XXX-18, L19)	\$ 5,030			
36	Property Tax on Test Year Revenue (XXX-18, L 16)	\$ 5,030			
37	Increase in Property Tax Due to Increase in Revenue (XXX-18, L22)		\$ 0		
38	Total Required Increase in Revenue (L26 + L30 + L34+L37)		\$ 0		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule XXX-10, Col.(C), Line 5 & Sch. XXX-1, Col. (B), Line 10)	\$ 142,873	\$ 0	\$ 142,873	
40	Operating Expenses Excluding Income Taxes	\$ 111,924	\$ 1	\$ 111,924	
41	Synchronized Interest (L47)	\$ -	\$ -	\$ -	
42	Arizona Taxable Income (L36 - L37- L38)	\$ 30,949	\$ -	\$ 30,949	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L39 x L40)		\$ 2,157		\$ 2,157
45	Federal Taxable Income (L33 - L35)	\$ 28,792	\$ -	\$ 28,792	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 4,319	\$ -	\$ 4,319	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -	\$ -	\$ -	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -	\$ -	\$ -	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -	\$ -	\$ -	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -	\$ -	
51	Total Federal Income Tax	\$ 4,319	\$ -	\$ 4,319	
52	Combined Federal and State Income Tax (L35 + L42)	\$ 6,475	\$ -	\$ 6,475	
53	Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]				15.00%

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) ADJ No.	(D) STAFF AS ADJUSTED
1	Plant in Service	\$ 1,329,645	\$ -	\$ 1,329,645
2	Less: Accumulated Depreciation	79,601	-	79,601
3	Net Plant in Service	<u>\$ 1,250,044</u>	<u>\$ -</u>	<u>\$ 1,250,044</u>
LESS:				
4	Contributions in Aid of Construction (CIAC)		\$ 759,327 1	\$ 759,327
5	Less: Accumulated Amortization		24,502 2	24,502
6	Net CIAC		<u>734,825</u>	<u>734,825</u>
7	Imputed Regulatory Contributions	-	-	-
8	Advances in Aid of Construction (AIAC)	570,318	-	570,318
9	Imputed Regulatory Advances	-	-	-
10	Customer Deposits	-	-	-
11	Investment Tax Credits	-	-	-
12	Deferred Income Tax Credits (Debits)	-	-	-
ADD:				
13	Cash Working Capital	-	-	-
12	Prepayments	-	-	-
13	Supplies Inventory	-	-	-
14	Projected Capital Expenditures	-	-	-
15	Deferred Debits	-	-	-
16	Citizens Acquisition Adjustment	-	-	-
17	Original Cost Rate Base	<u>\$ 679,726</u>	<u>\$ 734,825</u>	<u>\$ (55,099)</u>

References:

Column [A], Company Application
Column [B]: Column [C] - Column [A]
Column [C]: Schedule CRM-4
ADJ 1 Schedule CRM-4
ADJ 2 Schedule CRM-13

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTED	[C] Adj No.	[D] STAFF RECOMMENDED
<u>PLANT IN SERVICE:</u>						
1		Intangible Plant				
2	301.00	Organization	\$ 264	\$ -		\$ 264
3	302.00	Franchises	2,309	-		2,309
4	303.00	Land & Land Rights	3,161	-		3,161
5		Subtotal Intangible	<u>5,734</u>	-		<u>5,734</u>
6						
7		Source of Supply				
8	304.00	Structures & Improvements	67,051	-		\$ 67,051
9	305.00	Collecting and Impounding Res.	-	-		-
10	306.00	Lake River and Other Intakes	-	-		-
11	307.00	Wells and Springs	238,519	-		\$ 238,519
12	308.00	Infiltration Galleries and Tunnels	-	-		-
13	309.00	Supply Mains	-	-		-
14	310.00	Power Generating Equipment	-	-		-
15	311.00	Electric Pumping Equipment	94,131	-		\$ 94,131
16	312.00	Collecting & Impounding Reservoirs	-	-		-
17	313.00	Lakes, Rivers, Other Intakes	-	-		-
18		Subtotal Source of Supply	<u>399,701</u>	-		<u>399,701</u>
19						
20		Water Treatment				
21	320.00	Water Treatment Equipment	-	-		-
22	321.00	Structures & Improvements	-	-		-
23	323.00	Other Power Production	-	-		-
24	325.00	Electric Pumping Equipment	-	-		-
25	326.00	Diesel Pumping Equipment	-	-		-
26	328.10	Gas Engine Pumping Equipment	-	-		-
27		Subtotal Water Treatment	<u>-</u>	-		<u>-</u>
28						
29		Transmission & Distribution				
30	330.00	Distribution Reservoirs & Standpipe	100,438	-		\$ 100,438
31	331.00	Transmission and Distribution Mains	745,102	-		\$ 745,102
32	332.00	Services	-	-		\$ -
33	334.00	Meters	15,055	-		\$ 15,055
34	335.00	Hydrants	48,876	-		\$ 48,876
35	336.00	Backflow Prevention Devices	-	-		-
36	339.00	Other Plant and Miscellaneous Equipment	-	-		-
37		Subtotal Transmission & Distribution	<u>909,471</u>	-		<u>909,471</u>
38						
39		General Plant				
40	340.00	Office Furniture and Equipment	1,850	-		\$ 1,850
41	340.10	Computer and Software	-	-		-
42	341.00	Transportation Equipment	-	-		-
43	342.00	Stores Equipment	-	-		-
44	343.00	Tools and Work Equipment	-	-		-
45	344.00	Laboratory Equipment	-	-		-
46	345.00	Power Operated Equipment	-	-		-
47	346.00	Communications Equipment	-	-		-
48	347.00	Miscellaneous Equipment	-	-		-
49	349.00	Other Tangible Plant	12,889	-		\$ 12,889
50		Plant Held for Future Use	-	-		-
51		Subtotal General Plant	<u>14,739</u>	-		<u>14,739</u>
52						
53		Total	1,329,645	-		\$ 1,329,645
54	Add:					
55						
56						
57	Less:					
58						
59						
60		Total Plant in Service	\$ 1,329,645	\$ -		\$ 1,329,645
61		Less: Accumulated Depreciation	79,601	-		79,601
62		Net Plant in Service (L59 - L 60)	<u>\$ 1,250,044</u>	-		<u>\$ 1,409,246</u>
63						
64		<u>LESS:</u>				
65		Contributions in Aid of Construction (CIAC)		\$ 759,327	1	\$ 759,327
66		Less: Accumulated Amortization		24,502	2	\$ 24,502
67		Net CIAC (L25 - L26)		734,825		\$ 734,825
68		Imputed Regulatory Contributions		-		-
69		Advances in Aid of Construction (AIAC)	570,318	-		\$ 570,318
70		Imputed Regulatory Advances	-	-		-
71		Customer Meter Deposits	-	-		-
72		Investment Tax Credits	-	-		-
73		Deferred Income Tax Credits (Debits)	-	-		-
74						
75		<u>ADD:</u>				
76		Cash Working Capital Allowance	-	-		-
77		Prepayments	-	-		-
78		Supplies Inventory	-	-		-
79		Projected Capital Expenditures	-	-		-
80		Deferred Debits	-	-		-
81		Intentionally left blank	-	-		-
82		Original Cost Rate Base	<u>\$ 679,726</u>	<u>\$ 734,825</u>		<u>\$ (55,098)</u>

ADJ # References:
1 Schedule CRM-5
2 Schedule CRM-13
Column [A] + Col [B] = Col [D]

RATE BASE ADJUSTMENT #1 - Contributions in aid of construction (CIAC)

LINE NO.	DESCRIPTION	[A] COMPANY Test Year	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Contribution in Aid of Construction	.00	\$ 759,327	\$ 759,327
2				
3				
4	Total Contributions in Aid of Construction	<u>\$ -</u>	<u></u>	<u>\$ 759,327</u>
5				
6	Total Plant in Service	\$ 1,329,645		
7	Less: Advances (AIAC)	570,318		
8	Balance of Plant CIAC	<u>\$ 759,327</u>		

- 9
- 10 REFERENCES:
- 11 Col: [A] Line 5 Company Application Page 14
- 12 Col:[A] Line 6 Company Application Page 24
- 13 Col:[B] Staff Report CRM
- 14 Col: [C] Col; [A] +Col:[B]

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Schedule CRM-6

RATE BASE ADJUSTMENT #2 - Contributions in Aid of Construction (CIAC) Amorization

LINE NO.	DESCRIPTION	[A] COMPANY Test Year	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Contribution in Aid of Construction Amorization	<u>.00</u>	<u>\$ 24,502</u>	<u>\$ 24,502</u>
2				
	Staff adjusted contribution in aid of construction	\$ 759,327		
	Depreciation Rate	<u>0.032268616</u>		
	CIAC amorization	<u>\$ 24,502</u>		

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] ADJ No.	[D] STAFF TEST YEAR AS ADJUSTED	[E] STAFF PROPOSED CHANGES	[F] STAFF RECOMMENDED
<u>REVENUES:</u>							
1	461.00 Metered Water Sales	\$ 161,635	\$ (19,616)	1	\$ 142,019	\$ 0	\$ 142,019
2	460.00 Water Sales - Unmetered	-	-		-	-	-
3	474.00 Other Operating Revenue	854	-		854	-	854
4	Total Operating Revenues	\$ 162,489	\$ (19,616)		\$ 142,873	\$ 0	\$ 142,873
5							
<u>OPERATING EXPENSES:</u>							
7	601.00 Wages and Salaries	\$ 45,730	(2,491)	2	\$ 43,239	\$ -	\$ 43,239
8	610.00 Purchased Water	-	-		-	-	-
9	615.00 Purchased Power	8,320	-		8,320	-	8,320
10	618.00 Chemicals	-	-		-	-	-
11	620.00 Repairs & Maintenance	8,226	(5,269)	3	2,957	-	2,957
12	621.00 Office Supplies and Expense	4,751	-		4,751	-	4,751
13	630.00 Outside Services	30,589	(19,861)	4	10,728	-	10,728
14	635.00 Water Testing	3,012	(1,433)	5	1,579	-	1,579
15	641.00 Rents	8,000	-		8,000	-	8,000
16	650.00 Transportation	-	-		-	-	-
17	657.00 Insurance General Liability	6,673	-		6,673	-	6,673
18	675.00 Miscellaneous Expense	1,625	-		1,625	-	1,625
19	403.00 Depreciation Expense	39,792	(21,471)	6	18,321	-	18,321
20	408.00 Taxes Other Than Income	2,173	(1,471)	7	702	-	702
21	408.11 Property Taxes	4,992	38	8	5,030	-	5,030
22	409.00 Income taxes	-	6,475	9	6,475	-	6,475
23	Total Operating Expenses	163,883	(45,483)		118,400	-	118,400
24	Operating Income (Loss)	\$ (1,394)	\$ 25,867		\$ 24,474	\$ 0	24,474

References:

- Column (A): Company Schedule Page 19
- Adj No 1 Schedule CRM 9
- Adj No. 2 Schedule CRM 10
- Adj No. 3 Schedule CRM 11
- Adj No. 4 Schedule CRM 12
- Adj No 5 Schedule CRM 13
- Adj No 6 Schedule CRM 14
- Adj No 7 Schedule CRM 15
- Adj No 8 Schedule CRM 16
- Adj No 9 Schedule CRM 17

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1 Metered Water Revenue	(C) ADJ #2 Salaries and Wages	(D) ADJ #3 Repairs and Maintenance	(E) ADJ #4 Outside Services	(F) ADJ #5 Water Testing	(G) ADJ #6 Depreciation Expense	(H) ADJ #7 Taxes Other Than Income Tax	(I) ADJ #8 Property Tax	(J) ADJ #9 Income Tax	(J) STAFF ADJUSTED
REVENUES:												
1	461.00 Metered Water Revenue	\$ 161,635										
2	460.00 Water Sales - Unmetered		\$ (19,616)									
3	474.00 Other Operating Revenue	854										
4	Total Operating Revenues	\$ 162,489	\$ (19,616)									85-
OPERATING EXPENSES:												
6	601.00 Wages and Salaries	\$ 45,730		(2,491)								
8	610.00 Purchased Water											
9	615.00 Purchased Power	8,320										8,320
10	618.00 Chemicals											
11	620.00 Repairs & Maintenance	8,226										
12	621.00 Office Supplies and Expense	4,751		(5,269)								2,957
13	630.00 Outside Services	30,589			(19,861)							4,751
14	635.00 Water Testing	3,012					(1,433)					10,728
15	641.00 Rents	8,000										1,579
16	650.00 Transportation											8,000
20	657.00 Insurance General Liability	6,673										6,673
22	675.00 Miscellaneous Expense	1,625										1,625
23	403.00 Depreciation Expense	39,792						(21,471)				18,321
25	408.00 Taxes Other Than Income	2,173							(1,471)			702
26	408.11 Property Taxes	4,992								38		5,030
27	409.00 Income taxes										6,475	6,475
28	Total Operating Expenses	163,883	\$ (19,616)	\$ (2,491)	\$ (5,269)	\$ (19,861)	(1,433)	\$ (21,471)	\$ (1,471)	\$ 38	\$ 6,475	118,400
29	Operating Income (Loss)	\$ (1,394)	\$ (19,616)	\$ (2,491)	\$ 5,269	\$ 19,861	(1,433)	\$ 21,471	\$ 1,471	\$ 38	\$ 6,475	24,474

References

- Adj No 1 Schedule CRM 9
- Adj No. 2 Schedule CRM 10
- Adj No. 3 Schedule CRM 11
- Adj No. 4 Schedule CRM 12
- Adj No 5 Schedule CRM 13
- Adj No 6 Schedule CRM 14
- Adj No 7 Schedule CRM 15
- Adj No 8 Schedule CRM 16
- Adj No 9 Schedule CRM 17

OPERATING INCOME ADJUSTMENT # 1 - Meter Water Revenue

Line No.	Description	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	Meter Water Revenue	\$ 161,635	\$ (19,616)	\$ 142,019
2				
3				
4				
5	Metered Water Revenue			\$ 161,635
6	Journal entry incorrectly post to metered water revenue.			(19,616)
7	Adjusted Metered Water Revenue			\$ 142,019
8				
9	<u>References</u>			
10	Col. [A] Company Schedule Page 19			
11	Col [B] General Ledger Page 199 and Staff Report-CRM			
12	Col. [C] - Col. [E] = Col. [G]			

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Schedule CRM-10

OPERATING INCOME ADJUSTMENT # 2 - Wages and Salaries

Line No.	Description	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	Wages and Salaries	\$ 45,730	\$ (2,491)	\$ 43,239
2				
3				
4	<u>References</u>			
5	Col. [A] Company Schedule Page 19			\$ 45,730
6	Per Staff Report- CRM			43,239
7	Col. [A] - Col. [B] = Col. [C]			\$ (2,491)
8				
9	<u>Explanation</u>			
10	Tara Salary Test Year		\$ 13,239	
11	Joe Cordvana Contract Salary		30,000	
13	Total		\$ 43,239	

OPERATING INCOME ADJUSTMENT # 3 - Repairs and Maintenance

Line	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	\$ 8,226	\$ (5,269)	\$ 2,957
2			
3	The following are one time expenses and not expected to repeat in the near future.		
4			
5	<u>Casual Labor</u>		
6		\$ (318.72)	
7		(424.96)	
8		(102.00)	
9		(280.00)	
10		(224.00)	
11		(216.00)	
12		(231.76)	
13			
14	For future plant use		
15		(3,472.00)	
16		<u>\$ (5,269.44)</u>	
17			
18	<u>References</u>		
19	Col. [A] Company Schedule Page 19		\$ 8,226
20	Per Staff Report - CRM		<u>(5,269)</u>
21	Col. [C] - Col. [E] = Col. [G]		<u>\$ 2,957</u>

OPERATING INCOME ADJUSTMENT # 4 - Outside Services

Line No.	Description	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	Outside Services	\$ 30,589	\$ (19,861)	\$ 10,728
2				
3				
4	References			
5	Col. [A] Company Schedule Page 19			\$ 30,589
6	Per Staff Report - CRM			(19,861)
7	Col. [C] - Col. [E] = Col. [G]			\$ 10,728
8				
9	The following are one time expenses or			
10	not test year expenses. The one time expenses			
11	are not expected to repeat in the near future.			
12	LESS:			
13	Management fee paid for year 2006		\$ 6,000.00	
19	Brian Ingram		1,000.00	
20	M.E. Evans Survey		1,975.00	
21	Nelson Law Office Invoice No. 10264		1,856.31	
22	Nelson Law Office Invoice No. 10268		1,453.29	
23	Douglas C. Nelson Invoice No. 10284		1,083.82	
24	Douglas C. Nelson Invoice No. 10288		1,022.08	
25	Douglas C Nelson Invoice No. 10293		1,065.00	
26	Welker Land Surveying July 14, 2007		625.00	
27	Stegall Katz, Whitker P.C. # 44783		212.50	
28	Douglas c. Nelson Invoice No. 10303		2,026.11	
29	Bobby Bings Catering		1,000.00	
30	M.E. Evans Survey Invoice No. 709		1,975.00	
31	Sub-Total		\$ 21,294.11	
32	ADD:			
33	Transfer from Water Testing Expense - additional operator exp.		1,433.00	
34	Total		19,861.11	

Appaloosa Water Company

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Test Year Ended December 31, 2007

Schedule CRM-13

OPERATING INCOME ADJUSTMENT # 5 - Water Testing Expense

Line No.	Description	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	Water Testing Expense	\$ 3,012	\$ (1,433)	\$ 1,579
2				
3				
4	<u>References</u>			
5	Col. [A] Company Schedule Page 19			\$ 3,012
6	Per Staff Report - CRM			(1,433)
7	Col. [A] - Col. [B] = Col. [C]			\$ 1,579
8				
9	Per Staff Engineer transferred to Outside Services			\$ (1,433)
10	for additional operator cost.			

OPERATING INCOME ADJUSTMENT # 6 - Depreciation

Line No.	Description	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	Depreciation Expense	\$ 39,792.00	\$ 3,031.00	\$ 18,321.00
2	CIAC amorizaton		(24,502.00)	
3	Total		\$ (21,471.00)	
4				
5				
6	Plant in Service	\$ 1,329,645.00		
7				
8	Total Advances in aid of construction	570,318.00		
9	Balance of Plant	\$ 759,327.00		
10				
11	Contributions in aid of construction	\$ 759,327.00		
12	Depreciation Rate	0.032268616		
13	Depreciation reduction for contributions (CIAC) Amorization	\$ 24,502.43		
14				
15	Depreciation claimed in application Page 19	\$ 39,792.00		
16		3,031.00		
17		\$ 42,823.00		
18	Less: CIAC amorization	24,502.00		
19	Test Year adjusted depreciation less CIAC amorization	\$ 18,321.00		

20 References

- 21 Line 10 Company's Application Page 19
- 22 Line 14 per Staff Report CRM

Appaloosa Water Company

Schedule CRM-15

Docket No. W-03443A-08-0313 AND W-03443A-08-0177

Test Year Ended December 31, 2007

OPERATING INCOME ADJUSTMENT # 7 - Taxes Other Than Income

Line No.	Description	[A] Company As Filed	[B] Staff Adjustments	[C] Staff As Adjusted
1	Taxes Other Than Income	<u>\$ 2,173</u>	<u>\$ (1,471)</u>	<u>\$ 702</u>

References

Col. [A] Company Schedule Page 19	\$ 2,173
Per Staff Report - CRM	(1,471)
Col. [C] - Col. [B] = Col. [C]	<u>\$ 702</u>

Annual Sampling Fee included in water testing expense by Staff engineer.	\$ (746)
removal of balance of sales taxes	(725)
	<u>\$ (1,471)</u>

OPERATING INCOME ADJUSTMENT # 8-PROPERTY TAXES

LINE NO.	Property Tax Calculation	STAFF AS ADJUSTED Column [A]	STAFF RECOMMENDED Column [B]
1	Staff Adjusted Test Year Revenues - 2006	\$ 142,873	\$ 142,873
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	285,746	\$ 285,746
4	Staff Recommended Revenue, Per Schedule CRM-6	142,873	\$ 142,873
5	Subtotal (Line 4 + Line 5)	428,619	428,619
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	142,873	\$ 142,873
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	285,746	\$ 285,746
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	285,746	\$ 285,746.00
13	Assessment Ratio	23.5%	23.5%
14	Assessment Value (Line 12 * Line 13)	67,150	\$ 67,150
15	Composite Property Tax Rate	7.4900%	7.4900%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	\$ 5,030	
17	Company Proposed Property Tax	4,992	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ 38	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 5,030
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 5,030
21	Increase/(Decrease) to Property Tax Expense		\$ 0
22	Decrease to Property Tax Expense		\$ 0
23	Increase in Revenue Requirement		0
24	Decrease to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.000074%

References:

Col [A]: Company Application Page 19
Col [B]: Staff Report CRM

OPERATING INCOME ADJUSTMENT # 9 INCOME TAXES

	[A]	[B]	[C]	[D]
Calculation of Income Tax:				
Revenue (Schedule)	\$ 142,873	0.00001	\$ 142,873	
Operating Expenses Excluding Income Taxes	\$ 111,924		\$ 111,924	
Synchronized Interest (L47)	0		0	
Arizona Taxable Income	\$ 30,949		\$ 30,949	
Arizona State Income Tax Rate	0.06968		0.06968	
Arizona Income Tax		\$ 2,157		\$ 2,157
Federal Taxable Income	\$ 28,792		\$ 28,792	
Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 4,319		\$ 4,319	
Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	0		0	
Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	0		0	
Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	0		0	
Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	0		0	
Total Federal Income Tax		\$ 4,319		\$ 4,319
Combined Federal and State Income Tax (L12 + L19)		\$ 6,475		\$ 6,475

Applicable Federal Income Tax Rate [Col. (D), L42 - Col. (B), L42] / [Col. (C), L36 - Col. (A), L36]

0.150000061

Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 6,475
Income Taxes on Test Year Revenue (Col. (B), L52)	\$ 6,475

RATE DESIGN

Monthly Usage Charge
Residential and Commercial
5/8" x 3/4" Meter
3/4" Meter
1" Meter
1 1/2" Meter
2" Meter
3" Meter
4" Meter
6" Meter

Present Rates	Company Proposed	Staff Recommended
25.00	50.00	25.00
25.00	50.00	25.00
41.67	83.34	41.67
83.33	166.66	83.33
133.33	266.66	133.33
266.67	533.34	266.67
416.67	833.34	416.67
833.33	1666.66	833.33

Commodity Charges
Gallons Included in any Minimum

Excess of Minimum - per 1,000 Gallons
5/8" x 3/4" Meter
3/4" Meter

1" Meter
1 1/2" Meter
2" Meter
3" Meter
4" Meter
6" Meter

	Present		Company Proposed		Staff Recommended		
	1,000		1,000		Zero		
	1st Tier		1st Tier		1st Tier	2nd Tier	3rd Tier
	\$ 2.50		\$ 5.00		\$ 1.50	\$ 2.00	\$ 2.90
	\$ 2.50		\$ 5.00		3,000	7,000	Infinite
	\$ 2.50		\$ 5.00		3,000	7,000	Infinite
					1st Tier	2nd Tier	
					\$ 2.00	\$ 2.90	n/a
	\$ 2.50		\$ 5.00		7,000	Infinite	n/a
	\$ 2.50		\$ 5.00		15,000	Infinite	n/a
	\$ 2.50		\$ 5.00		24,000	Infinite	n/a
	\$ 2.50		\$ 5.00		48,000	Infinite	n/a
	\$ 2.50		\$ 5.00		75,000	Infinite	n/a
	\$ 2.50		\$ 5.00		150,000	Infinite	n/a

Service Line and Meter Installation Charges

5/8" x 3/4" Meter
3/4" Meter
1" Meter
1 1/2" Meter
2" Turbine Meter
2" Compound Meter
3" Turbine Meter
3" Compound Meter
4" Turbine Meter
4" Compound Meter
6" Turbine Meter
6" Compound Meter

	Present Rates		Company Proposed		Staff Recommended	
	Total	Service Line	Meter Install.	Service Line	Meter Install.	Total
	400.00	800.00		445.00	155.00	600.00
	440.00	880.00		445.00	255.00	700.00
	500.00	1,000.00		495.00	315.00	810.00
	715.00	1,430.00		550.00	525.00	1,075.00
	1,170.00	2,340.00		830.00	1,045.00	1,875.00
	1,700.00	3,400.00		830.00	1,890.00	2,720.00
	1,585.00	3,170.00		1,045.00	1,670.00	2,715.00
	2,190.00	4,380.00		1,185.00	2,545.00	3,710.00
	2,570.00	5,080.00		1,490.00	2,670.00	4,160.00
	3,215.00	6,430.00		1,670.00	3,645.00	5,315.00
	4,815.00	9,630.00		2,210.00	5,025.00	7,235.00
	6,270.00	12,540.00		2,330.00	6,920.00	9,250.00

Service Charges

Establishment
Establishment (After Hours)
Reconnection (Delinquent)
Reconnection (Delinquent)- After Hours
Meter Test (If Correct)
Deposit (1)
Re-Establishment (Within 12 Months) 92)
NSF Check
Deferred Payment (3)
Meter Re-Read (If Correct)
Late Fee

	Present	Company Proposed	Staff Recommended
	25.00	50.00	25
	50.00	100.00	50
	30.00	60.00	30
	50.00	100.00	50
	15.00	30.00	15
	per rule	per rule	*
	months off sys	months off sys	**
	10.00	20.00	20
	per rule	per rule	...
	15.00	30.00	15
	1.5% of outsta	1.5% of outstar	****

Monthly Service Charge for Fire Sprinkler

4 inch or Smaller	n/a	n/a	*****
6 inch	n/a	n/a	*****
8 inch	n/a	n/a	*****
10 inch	n/a	n/a	*****
Larger than 10 inch			

Company Proposed

- 1 Per Rule deposit (R-14-2-403.B)
- 2 Per Rule Deposit Interest (R-14-2-403.B.3)
- 3 Per Rule Resestablishment (14-2-403.D.1)

Staff Recommended

- * Per Commission Rules (R14-2-403.B) Two times the average bill.
- ** Per Commission Rules (R14-2-403.B) Two and one-half times the average bill
- *** Per Commission Rules (R14-2-403.B)
- **** Months off system times the minimum (R14-2-403.D)
- ***** 100 percent of monthly minimum for a comparable Sized Meter Connection, but no less that \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

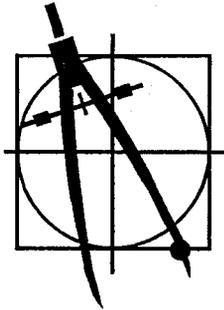
TYPICAL BILL ANALYSIS
General Service 3-4 Inch Meter

Average Number of Customers: 189

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	9,938	\$47.34	\$94.69	\$47.35	100.0%
Median Usage	6,253	\$38.13	\$76.27	\$38.14	100.0%
<u>Staff Proposed</u>					
Average Usage	9,938	\$47.34	\$46.02	(\$1.32)	-2.8%
Median Usage	6,253	\$38.13	\$36.01	(\$2.12)	-5.6%

Present & Proposed Rates (Without Taxes)
General Service 3-4 Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$25.00	\$50.00	100.0%	\$25.00	0.0%
1,000	25.00	50.00	100.0%	26.50	6.0%
2,000	27.50	55.00	100.0%	28.00	1.8%
3,000	30.00	60.00	100.0%	29.50	-1.7%
4,000	32.50	65.00	100.0%	31.50	-3.1%
5,000	35.00	70.00	100.0%	33.50	-4.3%
6,000	37.50	75.00	100.0%	35.50	-5.3%
7,000	40.00	80.00	100.0%	37.50	-6.3%
8,000	42.50	85.00	100.0%	40.40	-4.9%
9,000	45.00	90.00	100.0%	43.30	-3.8%
10,000	47.50	95.00	100.0%	46.20	-2.7%
15,000	60.00	120.00	100.0%	60.70	1.2%
20,000	72.50	145.00	100.0%	75.20	3.7%
25,000	85.00	170.00	100.0%	89.70	5.5%
50,000	147.50	295.00	100.0%	162.20	10.0%
75,000	210.00	420.00	100.0%	234.70	11.8%
100,000	272.50	545.00	100.0%	307.20	12.7%
125,000	335.00	670.00	100.0%	379.70	13.3%
150,000	397.50	795.00	100.0%	452.20	13.8%
175,000	460.00	920.00	100.0%	524.70	14.1%
200,000	522.50	1,045.00	100.0%	597.20	14.3%

**ENGINEERING REPORT FOR
APPALOOSA WATER COMPANY**

Docket Nos. W-03443A-08-0177
(Financing) & W-03443A-08-0313 (Rates)

By Del Smith

December 8, 2008

CONCLUSIONS

1. Staff concludes that Appaloosa Water Company's ("Appaloosa" or "Company") system well production and storage capacities are adequate to serve the present customer base and up to 279 service connections. Staff further concludes that it can reasonably be expected that Appaloosa will develop needed storage and production to serve its CC&N area when needed.
2. Based on an Arizona Department of Environmental Quality ("ADEQ") Compliance Status Report, dated May 9, 2008, the system has major deficiencies in monitoring and reporting requirements for arsenic. The system's running annual average has exceeded the maximum contaminate level ("MCL") for arsenic. Because of these monitoring and reporting deficiencies, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. Appaloosa's service area is located within the Prescott Active Management Area ("AMA"). Appaloosa is in compliance with Prescott AMA reporting requirements and Arizona Department of Water Resources ("ADWR's") requirements governing water providers and/or community water systems.
4. A check of the Compliance Section database showed that the Company had no delinquent Commission compliance issues.
5. The Company has an approved curtailment tariff that became effective on May 13, 2006.
6. With regard to Appaloosa's request for financing approval to fund the purchase and installation of arsenic treatment plant, Staff concludes that the proposed plant is appropriate and the estimated costs appear to be reasonable. However, this does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for rate making or rate base purposes

RECOMMENDATIONS

1. The Company has been reporting data for water pumped in its Annual Reports that is not based on actual data read at the well meter but instead is the same quantity as reported for gallons sold. Therefore, Staff cannot determine the actual level of non-account water from the Company's Annual Reports. Staff recommends that the Company be required to report the actual water pumped data, as read at the well meter, on a monthly basis in future Annual Reports, beginning with the 2008 Annual Report filed in 2009.
2. Staff recommends that the Company monitor the Appaloosa water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meters each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.
3. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of the order in this matter, the certificate of Approval of Construction ("AOC") for the arsenic treatment plant. Staff further recommends that any permanent rate increase granted in this case become effective on the first day of the month after the Company files with Docket Control, as a compliance item in this docket, ADEQ documentation reporting that there are no compliance deficiencies and the Company is delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
4. Staff recommends an annual water testing expense of \$1,579 be used for purposes of this application and further recommends that the remaining \$1,433 of the reported \$3,012 be classified as part of the water operator's fee.
5. Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table B. Staff recommends that the Company use these depreciation rates by individual NARUC category in the future.
6. Staff recommends that the Service Line and Meter Installation Charges listed under "Staff's Recommendation" in Table C be adopted.
7. On November 4, 2008, the Company filed a backflow prevention tariff based on Staff's backflow prevention tariff template posted on the Commission's website. Staff

recommends that this tariff be approved. Staff further recommends that the Company file the tariff with Docket Control, as a compliance item in this docket, within 45 days after the effective date of the decision in this case.

8. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, the Certificate of AOC issued by ADEQ or Yavapai County for the waterline extension across Road 4 North at Harrison Drive by December 31, 2009.

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A. INTRODUCTION AND LOCATION OF COMPANY

On March 26, 2008, Appaloosa Water Company ("Appaloosa" or "Company") filed a request for financing approval to construct an arsenic treatment facility with the Arizona Corporation Commission ("ACC" or "Commission). On June 20, 2008, Appaloosa filed an application with the Commission to increase its rates, needed in part, according to the Company, to cover increased expenses associated with the arsenic treatment facility the Company was constructing. The ACC Utilities Division Staff ("Utilities Staff") engineering review and analysis of both applications is presented in this report.

Appaloosa serves the Appaloosa Meadows subdivision within the Town of Chino Valley. Figure 1 shows the location of the Company within Yavapai County and Figure 2 shows the Certificate of Convenience and Necessity ("CC&N") covering approximately two-thirds of a square-mile. Appaloosa also serves contiguous parcels covering roughly 60 acres (Two Parcels) north of its CC&N.

B. DESCRIPTION OF THE WATER SYSTEM

Del Smith and Charles Myhlhousen, with Utilities Staff, visited the Appaloosa water system on October 22, 2008, by in the accompaniment of Joseph Cordovana, the Company's President. The Company's current certified operator changed mid test year 2007. The current operator is Kimble McClymonds, the owner of Yavapia Water Production.¹ Mr. McClymonds was present at the Booster Pump Station during Staff's inspection.

The water system consists of two wells, one storage tank, a Booster Pump Station equipped with two booster pumps a pressure tank and fire pump, and a distribution system serving 237 customers as of year end 2007. A water system schematic is shown as Figure 3 and Table A includes a detailed plant facility listing.

¹ Joseph Fiano, the owner of Water Treatment Operators was the Company's certified operator prior to Mr. McClymonds.

Table A. Plant Facilities Summary²

Well Data

	Well No 1	Well No. 2	Well No. 3 (Note 1)
ADWR ID No.	55-607274	55-607273	55-607272
Casing Size	16 inches	12 inches	16 inches
Casing Depth	665 feet	260 feet	200 feet
Pump Size in Horsepower (Hp)	7.5 Hp	10 Hp	na
Pump Yield in Gallons Per Minute (GPM)	125 GPM	175 GPM	na
Meter Size	6 inch	6 inch	na
Year Drilled	1966	2003	1942

Notes:

- 1) This well is not in use and has been capped.

Storage, Pumping & Structures

Structure or Equipment	Location	Quantity and Capacity
Pumps	Well Site #1 (Booster Pump Station)	1- 10 Hp (Spare for back-up) 2 -10 Hp (Booster Pumps) 1- 100 Hp (Fire Pump)
Pressure Tank	Booster Pump Station	1 – 5,500 gallon
Storage Tank (38' Diameter x 8' Height)	Booster Pump Station	1- 65,000 gallon
28' x 24' Pump House (Note 1)	Booster Pump Station	1
60' x 140' Slump Block Wall with iron entry gate (Note 2)	Booster Pump Station	1
Arsenic Treatment System AdEdge APU (Notes 3 & 4)	Booster Pump Station	1 – 200 GPM

Notes:

- 1) Houses Booster Pumps, Pressure Tank and Fire Pump.
- 2) Fence surrounding the Booster Pump Station.
- 3) AdEdge Adsorption Package Unit (APU); Capacity: Up to 200 GPM
- 4) Construction had been completed at the time of Staff's inspection. The Company was conducting system tests needed for final regulatory approval.

² Based on the Company's application and Staff's site visit.

Distribution Mains

Diameter	Material	Length
8 inches	PVC	5,395 feet
6 inches	PVC	22,933 feet
4 inches	PVC	1,657 feet
2 inches	PVC	3,589 feet

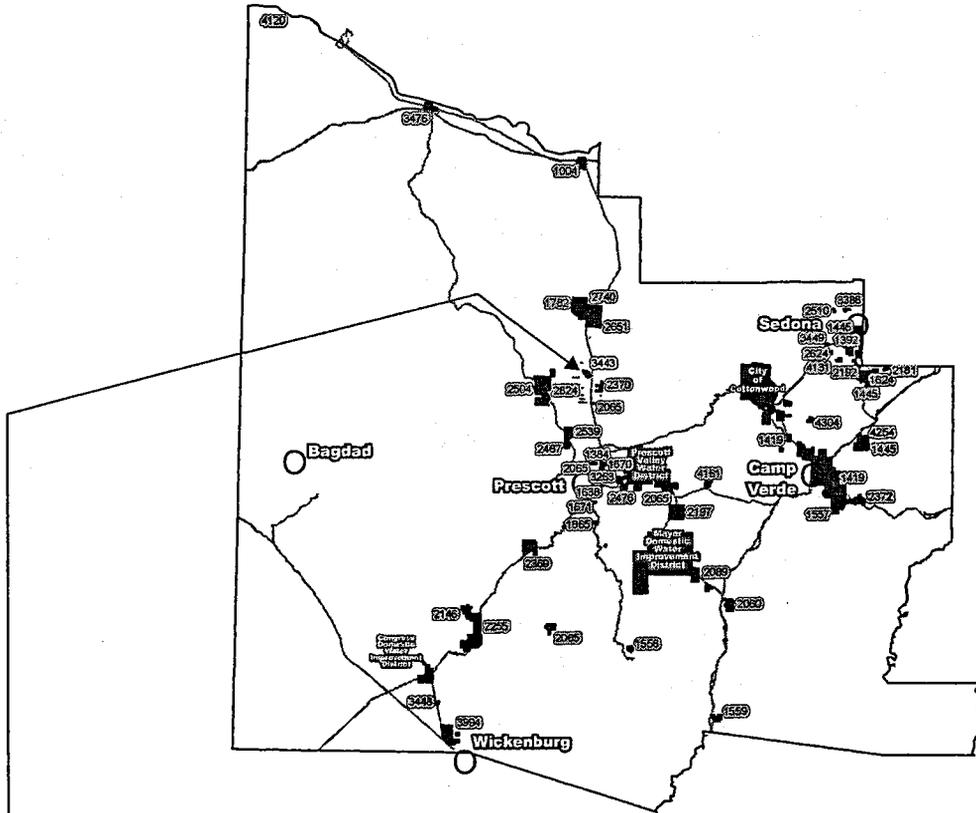
Meters

Size	Quantity
5/8 x 3/4 inch	191
1 inch	45

Fire Hydrants

Size/Description	Quantity
Standard	26

YAVAPAI COUNTY

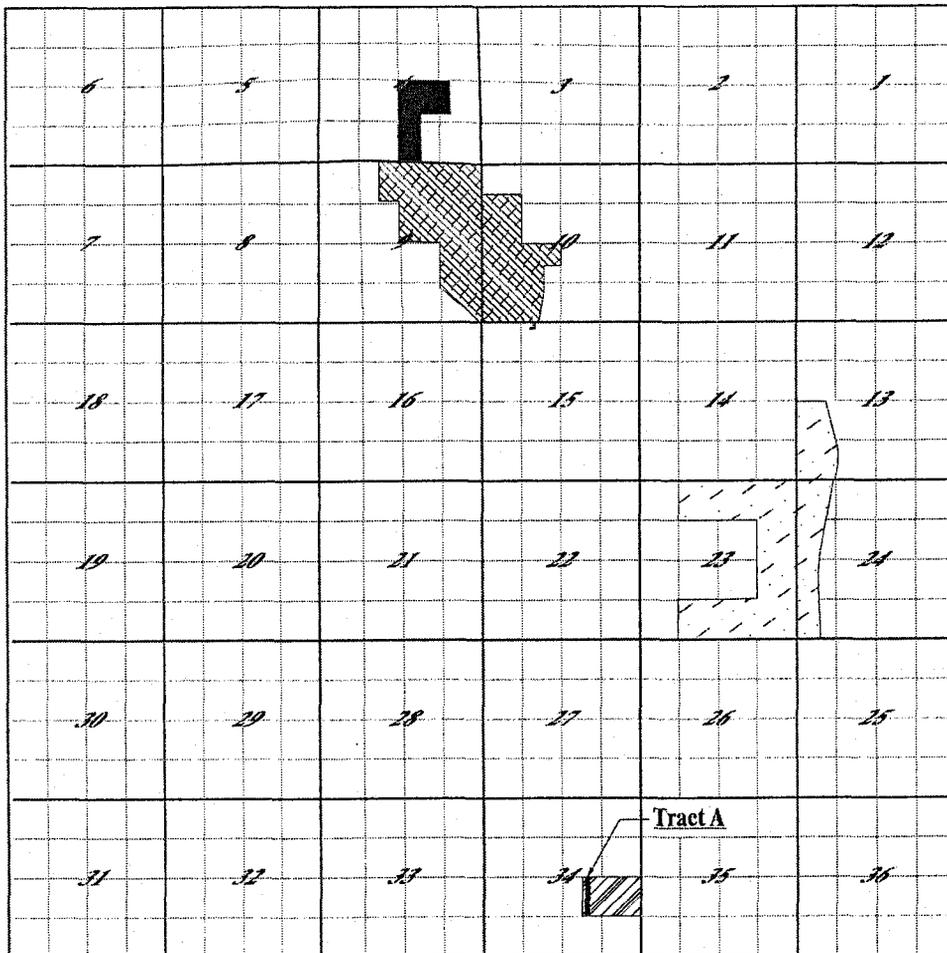


- | | | | |
|------|--|------|--|
| 1782 | ABRA WATER COMPANY, INC. | 1638 | HOLIDAY HILLS WATER COMPANY |
| 2740 | ANTELOPE LAKES WATER COMPANY | 2197 | HUMBOLDT WATER SYSTEM, INC. |
| 3443 | APPALOOSA WATER COMPANY | 2824 | ICR WATER USERS ASSOCIATION |
| 1445 | ARIZONA WATER COMPANY | 2624 | MICHAELS RANCH WATER USERS' ASSOCIATION |
| 1004 | ASHFORK DEVELOPMENT ASSOCIATION, INC. | 2651 | JUNIPER WELLS WATER COMPANY |
| 3478 | BN LEASING CORPORATION | 1557 | LAKE VERDE WATER COMPANY |
| 1624 | BIG PARK WATER COMPANY | 2192 | LITTLE PARK WATER COMPANY, INC. |
| 2510 | BOYNTON CANYON ENCHANTMENT HOMEOWNERS ASSOC. | 2245 | LOMA ESTATES WATER COMPANY |
| 2089 | BRADSHAW MOUNTAIN VIEW WATER COMPANY | 2504 | MEADOW WATER COMPANY |
| 2476 | BRADSHAW WATER COMPANY, INC. | 4254 | MONTEZUMA RIMROCK WATER COMPANY, LLC |
| 1419 | CAMP VERDE WATER SYSTEM | 4304 | OAK CREEK PUBLIC SERVICE, LLC |
| 3994 | CDC WICKENBURG WATER, LLC | 1392 | OAK CREEK WATER COMPANY NO. 1 |
| 2370 | CHINO MEADOWS II WATER COMPANY, INC. | 2146 | PEEPLER VALLEY WATER COMPANY |
| 1559 | COLDWATER CANYON WATER COMPANY | 2181 | PINE VALLEY WATER COMPANY |
| 2060 | CORDES LAKES WATER COMPANY | 3448 | RAINBOW PARKS, INC. |
| 4131 | CROSS CREEK RANCH WATER COMPANY | 3449 | SEDONA VENTURE (MHC OPERATING LTD PARTNERSHIP) |
| 1558 | CROWN KING WATER COMPANY, INC. | 3388 | SEVEN CANYONS WATER COMPANY |
| 1384 | DELL'S WATER COMPANY, INC. | 1671 | SHERMAN PINES WATER COMPANY |
| 3263 | DIAMOND VALLEY WATER USERS ASSOCIATION | 2372 | VERDE LAKES WATER CORPORATION |
| 4120 | GRAND CANYON CAVERNS AND INN, LLC | 2369 | WALDEN MEADOWS COMMUNITY COOPERATIVE |
| 1670 | GRANITE DELLS WATER COMPANY | 4181 | WHITE HORSE RANCH OWNERS ASSOCIATION, INC. |
| 2467 | GRANITE MOUNTAIN WATER COMPANY, INC. | 2065 | WILHOIT WATER COMPANY, INC. |
| 2539 | GRANITE OAKS WATER USERS ASSOCIATION | 2255 | YARNELL WATER IMPROVEMENT ASSOCIATION |
| 1865 | GROOM CREEK WATER USERS ASSOCIATION | | |

Figure 1. County Map

COUNTY: *Yavapai*

RANGE 2 West



TOWNSHIP 16 North

-  W-3443 (1)
Appaloosa Water Company
-  W-2370 (1)
Chino Meadows II Water Company, Inc.
-  W-2065 (6)
Wilhoit Water Company, Inc.
(Yavapai Estates System)
-  Appaloosa Water - Contiguous Area

Figure 2. Certificated Area

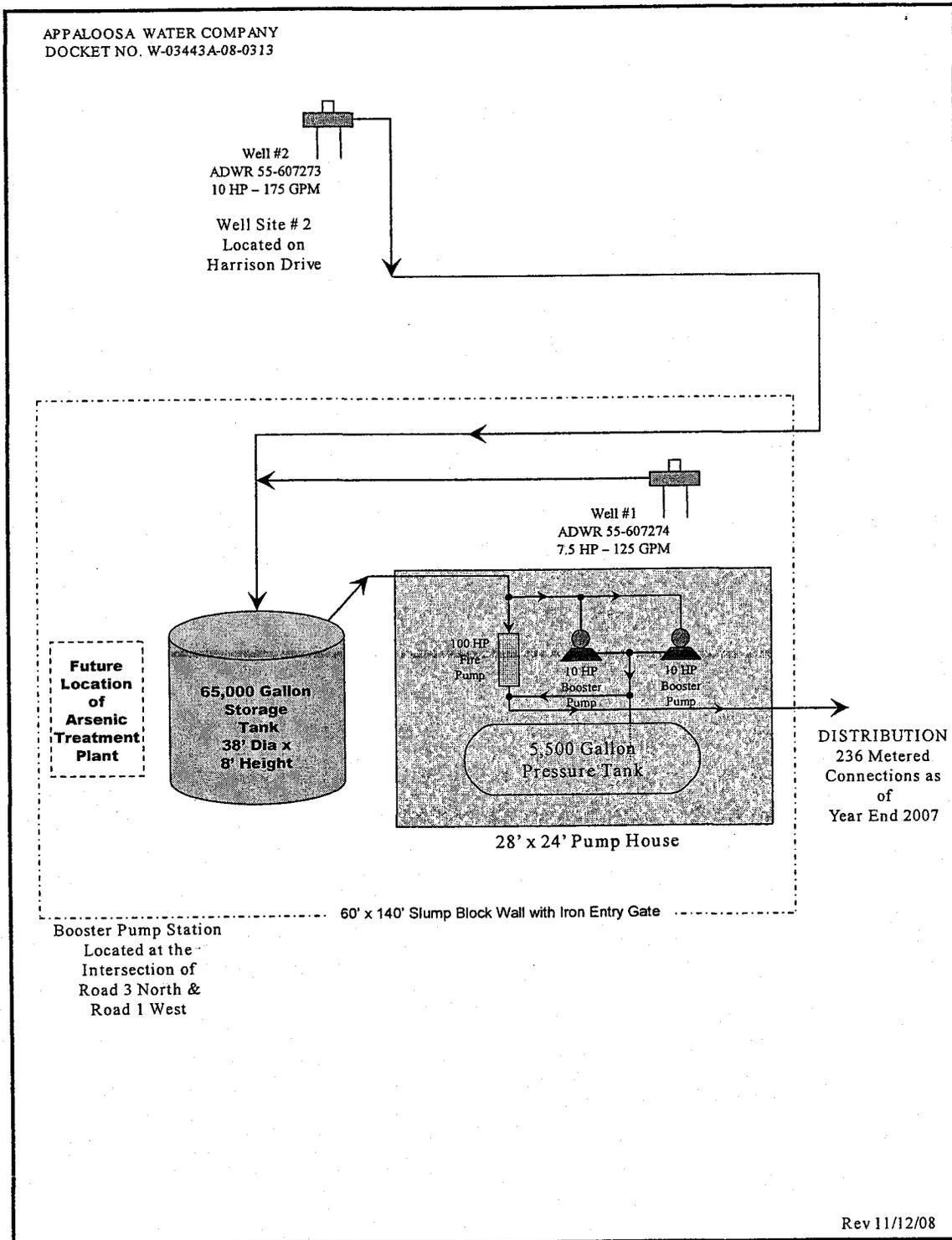


Figure 3. System Schematic

C. WATER USE

Water Sold

Figure 4 presents the water consumption data provided by the Company for the test year ending December 31, 2007.³ Customer consumption included a high monthly water use of 443 gallons per day (“GPD”) per connection in August, and a low water use of 198 GPD per connection in March. The average annual use was 315 GPD per connection.

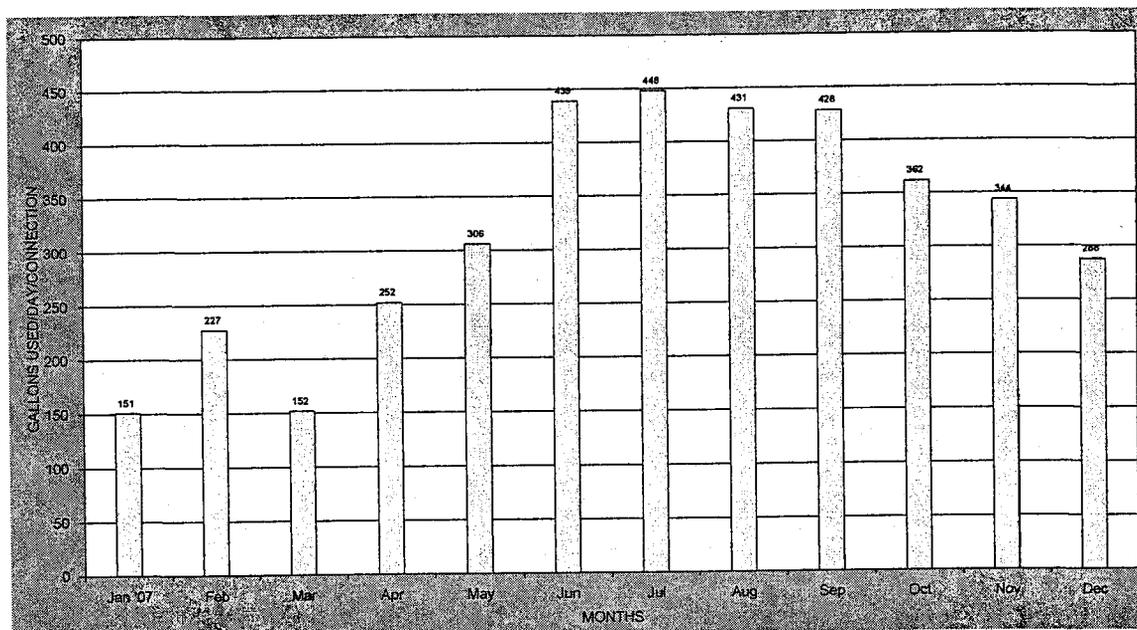


Figure 4. Water Use

Non-Account Water

Non-account water should be 10 percent or less. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a company to identify water and revenue losses due to leakage, theft and flushing. The Company reported 27,648,501 gallons pumped and 27,583,509 gallons sold for the test year, resulting in a water loss of .24 percent, which is well within the recommended threshold amount of 10 percent. According to information provided by the Company the amount of water pumped was derived and not based on monthly data read at the well meter therefore the amount of non-account water reported by the Company may not be accurate.⁴

³ Based on an amended water use data sheet provided in response to Staff's Data Request CM 5.2 received on October 9, 2008.

⁴ See Company response dated October 20, 2008, to Staff Data Request DS 7.2.

The Company has been reporting data for water pumped in its Annual Reports that is not based on actual data read at the well meter but instead is the same quantity as reported for gallons sold. Therefore, Staff cannot determine the actual level of non-account water from the Company's Annual Reports. Staff recommends that the Company be required to report the actual water pumped data as read at the well meter on a monthly basis in future Annual Reports, beginning with the 2008 Annual Report filed in 2009.

Staff recommends that the Company monitor the Appaloosa water system and submit the gallons pumped and sold to determine the non-account water for one full year. The Company should coordinate when it reads the well meters each month with customer billing so that an accurate accounting is determined. The results of this monitoring and reporting shall be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss is greater than 10 percent the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of the order issued in this proceeding.

System Analysis

Based on the data provided by the Company, the system's well production capacity is 300 GPM and total storage capacity is 65,000 gallons. There are fire hydrants in the distribution system. The system had 236 connections as of December 2007.⁵ Staff concludes that the system's well production and storage capacities are adequate to serve the present customer base and up to 279 service connections.⁶ Staff further concludes that it can reasonably be expected that Appaloosa will develop needed storage and production to serve its CC&N area when needed.

D. GROWTH

Figure 5 details the customer growth using linear regression analysis. The number of service connections was obtained from annual reports submitted to the Commission. During the test year 2007, the Company had 237 metered customers and it is projected that the Company could have approximately 338 customers by 2012.

⁵ The Company reported that as of July 31, 2008, there were 234 customers billed for water service.

⁶ The 279 service connections equate to approximately two years of growth based on Staff's growth projection presented in Figure 5.

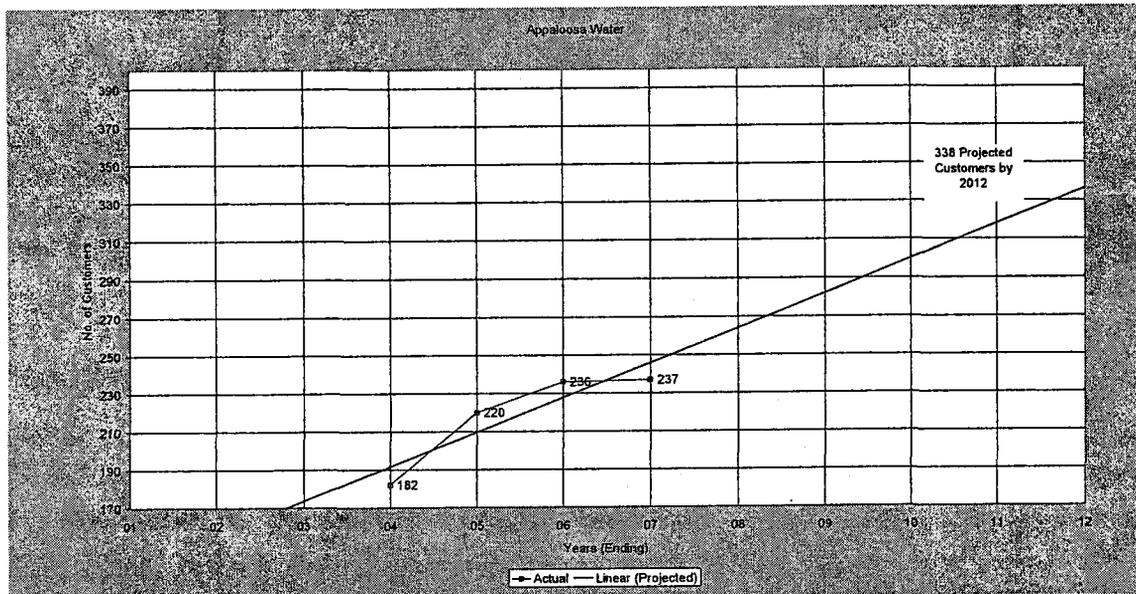


Figure 5. Growth Projection

E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE

Compliance

ADEQ regulates the water system under ADEQ Public Water System I.D. #13-208. Based on a Compliance Status Report, dated May 9, 2008, the system has major deficiencies in monitoring and reporting requirements for arsenic. The system’s running annual average has exceeded the maximum contaminate level (“MCL”) for arsenic. The system will not be in compliance until the Company applies for an arsenic exemption and receives approval for the exemption to install arsenic treatment or in the alternative completes construction of an arsenic treatment plant and obtains a Certificate of Approval of Construction for this treatment plant. Because of these monitoring and reporting deficiencies, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of the order in this matter the Certificate of Approval of Construction for the arsenic treatment plant. Staff further recommends that any permanent rate increase become effective on the first day of the month after the Company files with Docket Control, as a compliance item in this docket, ADEQ documentation reporting that there are no compliance deficiencies and the Company is delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Water Testing Expense

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). Participation in the MAP program is mandatory for water systems, which serve less than 10,000 persons (approximately 3,300 service connections). Starting January 1, 2002, water companies paid a fixed \$250 per year fee, plus an additional fee of \$2.57 per service connection, regardless of meter size for participation in MAP.

The Company reported its water testing expense at \$3,012 during the test year by combining water testing costs and a portion of water operator's fees. Staff has reviewed the Company's testing expense and has recalculated the testing costs to remove non-water testing fees, and to add the omitted monitoring requirements for lead & copper.

Table A. Water Testing Cost

Monitoring	Cost per test	Quantity of tests per 3 years	Annual Cost
Total coliform (2 samples monthly)	\$30	72	\$720
MAP – IOCs, Radiochemical, Nitrate, Nitrite, Asbestos, SOCs, & VOCs	MAP	MAP	\$746
Lead & Copper	\$34	10	\$113
Total			\$1,579

Note: ADEQ's MAP invoice for the 2007 Calendar Year was \$746.01.

Staff recommends an annual water testing expense of \$1,579 be used for purposes of this application and further recommends that the remaining \$1,433 of the reported \$3,012 be classified as part of the water operator's fee.⁷

F. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

Appaloosa's service area is located within the Prescott Active Management Area ("AMA"). Appaloosa is in compliance with Prescott AMA reporting requirements and ADWR's requirements governing water providers and/or community water systems.⁸

⁷ The current certified operator has informed the Company that once the arsenic system is in production his charges will increase to \$475 per month (certified operator fees reported for the latter half of the test year averaged \$200 per month).

⁸ Per ADWR Water Provider Compliance Status Report received November 14, 2008.

G. ARIZONA CORPORATION COMMISSION COMPLIANCE

A check of the Utilities Staff Compliance Section database showed that the Company had no delinquent Commission compliance issues.⁹

H. DEPRECIATION RATES

For purposes of this rate application the Company used depreciation rates per National Association of Regulatory Utility Commissioners ("NARUC") plant category that were the same or lower than the rates typically recommended by Staff except in the case of hydrants where the Company used a higher rate. Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table B and it is recommended that the Company use these depreciation rates by individual NARUC category.

⁹ Per Compliance Section email dated November 14, 2008.

Table B. Depreciation Rate Table for Water Companies

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (percent)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00

I. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company has requested changes in its service line and meter installation charges. These charges are refundable advances and the Company requested charges are higher than

Staff's customary range of charges. It appears that the Company simply doubled the existing rates for every size and type of meter. Staff recommends the upper end of its customary range of charges. Staff believes its recommended charges listed below are more reflective of current costs than the Company's proposed charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff. Staff recommends that the charges listed under "Staff's Recommendation" in Table C be adopted.

Table C. Service Line and Meter Installation Charges

Meter Size	Company Current Tariff	Company Proposed	Staff's Recommendation		
			Service Line Charge	Meter Charge	Total Charge
5/8 x 3/4-inch	\$400	\$800	\$445	\$155	\$600
3/4-inch	\$440	\$880	\$445	\$255	\$700
1-inch	\$500	\$1000	\$495	\$315	\$810
1-1/2-inch	\$715	\$1,430	\$550	\$525	\$1,075
2-inch Turbine	\$1,170	\$2,340	\$830	\$1,045	\$1,875
2-inch Comp	\$1,700	\$3,400	\$830	\$1,890	\$2,720
3-inch Turbine	\$1,585	\$3,170	\$1,045	\$1,670	\$2,715
3-inch Comp	\$2,190	\$4,380	\$1,165	2,545	\$3,710
4-inch Turbine	\$2,540	\$5,080	\$1,490	\$2,670	\$4,160
4-inch Comp	\$3,215	\$6,430	\$1,670	\$3,645	\$5,315
6-inch Turbine	\$4,815	\$9,630	\$2,210	\$5,025	\$7,235
6-inch Comp	\$6,270	\$12,540	\$2,330	\$6,920	\$9,250

2. Curtailment Tariff

The Company has an approved curtailment tariff that became effective on May 13, 2006.

3. Backflow Prevention Tariff

On November 4, 2008, the Company filed a backflow prevention tariff based on Staff's backflow prevention tariff template posted on the Commission's website.¹⁰ Staff recommends that this tariff be approved. Staff further recommends that the Company file the tariff with Docket Control, as a compliance item in this docket, within 45 days after the effective date of the decision in this case.

¹⁰ The Company filed its proposed tariff in Docket No. W-03443A-08-0313.

4. Waterline Extension across Road 4 North at Harrison Drive

ADEQ issued a Notice of Opportunity to Correct ("NOC") to Appaloosa on May 27, 2008, regarding the subject waterline extension.¹¹ According to the NOC the alleged violations were 1) failure to obtain an Approval to Construct ("ATC") prior to beginning construction of a waterline extension and 2) failure to obtain an AOC before operation of a newly constructed water line. ADEQ became aware of the alleged violations after it received an email from the Town of Chino Valley and reviewed the facility files at ADEQ.

Apparently the waterline in question was installed by the contractor in a manner that did not meet ATC specifications and requirements. According to the Company an ATC for the Waterline extension had been issued by Yavapai County prior to the lines construction. However, the line was installed by boring under the road bed as opposed to opening a trench and installing the water line inside a sleeve as specified in the Certificate of ATC issued by the County. Allegedly the contractor failed to flush, chlorinate and test the new line as required. Staff understands that recent tests have been conducted to ensure safe water is being delivered.

Staff recommends that the Company take immediate action to bring the waterline into compliance with the Certificate of ATC issued by the County. Once the waterline has been installed in the manner required, the Company can seek to obtain the Certificate of AOC and bring its water system into compliance. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, the Certificate of AOC issued by ADEQ or Yavapai County for the waterline extension across Road 4 North at Harrison Drive by December 31, 2009.

The waterline extension across Road 4 North at Harrison Drive serves Appaloosa customers (a nursery and club house) in a portion of the SE ¼ of Section 4 in T-16-N, R-2-W, identified more specifically as Parcel "B". In a letter dated November 16, 2006, Appaloosa notified Staff that per A.A.C. Rule R14-2-402 (C) that it was extending service to two parcels identified as Parcel A and Parcel B and that both were contiguous to the Company's CC&N. Using a metes and bounds legal description for each Parcel Staff verified that each Parcel is contiguous to the Company's CC&N as required.

5. Sale of Lot 20

Well No. 2 is located on Lot 20 in the Appaloosa Meadows Phase II Subdivision, Yavapai County. Appaloosa provided Staff with a copy of the Warranty Deed wherein the real property containing Well No. 2 was transferred (sold) by the Company. The Company also

¹¹ The NOC is an informal compliance assurance tool used to put a responsible party on notice that ADEQ believes a non-significant violation of an environmental law has occurred. The NOC provides the responsible party (in this case Appaloosa) an opportunity to resolve the violation or deficiency before ADEQ takes formal action. A Notice of Violation may be issued if the violation is not corrected within 180 days.

provided Staff with copies of the Plat Map¹² showing the recorded easement. The easement appears to be adequate at least for the Company to gain access to perform routine maintenance and to read the well meter. It does not appear that the operation and maintenance of Well No. 2 within the easement violates any ACC or ADEQ rule or regulation as long as the Company has access to the well whenever it is needed.

6. Financing Application to Fund Arsenic Treatment

On March 26, 2008, Appaloosa filed a request for financing, the Company plans to use the funds, if approved by the Commission, to construct an arsenic treatment facility to reduce the level of arsenic in its water supply.¹³ Appaloosa has two wells which supply water to the system. According to data included in the Company 2007 Annual Report filed with the Commission, the level of arsenic for each well is 16 parts per billion ("ppb") which exceeds the new standard of 10 ppb.

Based on an ADEQ Compliance Status Report, dated May 9, 2008, the Appaloosa water system has major deficiencies in monitoring and reporting requirements for arsenic. The system's running annual average has exceeded the MCL for arsenic. The system will not be in compliance until the Company applies for an arsenic exemption and receives approval for the exemption to install arsenic treatment or in the alternative completes construction of an arsenic treatment plant and obtains a Certificate of AOC for this treatment plant.

Appaloosa entered into a turnkey agreement with AdEdge to install an arsenic treatment reduction system at the Company's Well Site #1 (aka Booster Pump Station).¹⁴ Construction of the arsenic treatment plant has been completed and is undergoing final testing. The Company expects to receive its certificate of AOC for the plant by year end 2008.

Staff concludes that the proposed arsenic treatment plant is appropriate and the estimated costs appear to be reasonable. However, this does not imply any particular future treatment for

¹² According to the Plate of Record in Book 42 of Maps, Pages 63-65, Records of Yavapai County, Arizona.

¹³ On January 3, 2008, Appaloosa filed a funding request with the Water Infrastructure Finance Authority of Arizona ("WIFA"). The amount requested from WIFA was \$225,000. Appaloosa was ranked no. 11 for funding on WIFA's 2008 priority list.

¹⁴ AdEdge is on ADEQ's approved list of vendors for arsenic removal equipment. It is Staff's understanding that the AdEdge system proposed for Appaloosa is proven technology. ADEQ has previously approved this treatment process for use in other parts of the State.

ATTACHMENT B

ACRM Tutorial

The purpose of this workbook is to provide guidance in the filing on an ACRM step one filing. It is not meant to be all inclusive. It does not necessary reflect the ACC's position on filing. It cannot be relied on exclusively as the one definitive source for all ACRM information.

What is an ACRM filing?

When the EPA released its new arsenic guidelines on January 23, 2001, it was clear that public utilities would need a means to comply with the new requirements. Typically new rates are only obtained during the rate application process. Rather than have 400 water companies all file rate cases, the Commission saw the need to give utilities the ability to finance arsenic remediation efforts outside of a rate case in a more time efficient manner. Thus, the Arsenic Cost Recovery Mechanism (ACRM) was born.

What does an ACRM achieve?

The ACRM gives utilities the means to recover costs related to the remediation of arsenic contamination. An ACRM can only be approved for arsenic related costs and not the drilling of a new well or the installation of a storage tank, for example. The ACRM is designed to give utilities the means to recover arsenic related expenditures necessary to comply with EPA regulations.

What does a company need (document wise) to file an ACRM?

The Company will need to produce the following:

Current Balance Sheet	(for company, not consolidated)	schedule 1
Current Income Statement	(for company, not consolidated)	schedule 2
A schedule of arsenic related expenditures (e.g. CWIP Ledger)		schedule 8

What important calculations will the Company need to make?

Annual operating margin	schedule 3
Depreciation on Arsenic Plant	schedule 5
Effect on tax liabilities due to arsenic related expenditures	schedule 5
Gross Revenue Conversion Factor	schedule 5
Arsenic Surcharge Requirement	schedule 5
Comparison of water sold in test year versus current period	schedule 6
Comparison of rate base in test year to period including arsenic plant	schedule 7
The typical bill analysis for residential customers	schedule 9

Wilhoit Water Company
Yavapai Mobile Home Estates ACRM Step 1
Docket No. W-02065A-07-0311, et.al.

List of Schedules

The following **EXAMPLE** schedules supply the necessary information required by Staff to arrive at the required ACRM surcharge.

Please note: The figures in the following schedules are for illustrative purposes only. They are not intended to reflect any actual balances.

1. Balance Sheet - The most recent balance sheet for the at the time of filing the ACRM request.
2. Income Statement - The most recent income statement.
3. Earnings Test - An earning test calculation. Purpose is to assure that the Company's actual return including the arsenic surcharge does not exceed the authorized return.
- 3A. Earnings Test Adjustment Schedule - An earning test calculation with any adjustments that you may have to arrive at the corrected adjusted balance.
4. Rate Review Filing - A rate review calculation.
5. Arsenic Compliance Revenue Requirement - An arsenic compliance revenue requirement calculation. Purpose is to calculate the amount of the surcharge based on the capitalized arsenic plant components, depreciation, O&M expenses, etc.
6. Surcharge Calculation - A detailed calculation of the necessary surcharge to cover the cost of the Plant in Service and the Depreciation expense associated with it. This schedule breaks out the surcharge equally between the monthly charge and the commodity charge.
7. Rate Base Calculation - A schedule showing the elements and the calculation of the rate base. The purpose of this schedule is to show the rate base balances as of the prior decision and the effect of the capitalized arsenic plant increases.
8. CWIP Ledger - A ledger showing the transactions recorded in the construction work in progress account. This balance is posted to Schedule 5.
9. Typical Bill Analysis - A schedule showing the ACRM impact on the Typical 5/8-inch Residential Customer monthly bill.

Sources:

ACC Decision No. 66400 dated 10/14/03 docket No. W-01445A-00-0962
ACC Decision No. 69181 dated 10/5/06 docket No. W-01303A-05-0280

ILLUSTRATION ONLY

Balance Sheet figures are the most recent date prior to ACRM filing

Line No.	<u>Description</u>	[A] <u>Month Year Ending</u>
<u>ASSETS</u>		
1	Utility Plant in Service	\$ 117,493
2	Accumulated Depreciation - Utility	(88,071)
3	Property Held for Future Use	-
4	Construction Work in Process	<u>2,000</u>
5	Subtotal Utility Plant	\$ 31,422
6	Non-Utility Property	-
7	Accumulated Depreciation - Nonutility	-
8	Other Investments	-
9	Subtotal Non-Utility Property and Investments	\$ -
<u>Current Assets</u>		
10	Cash	500
11	Working Funds	-
12	Temporary Cash Investments	-
13	Customer Accounts Receivable	-
14	Notes Receivable	6,721
15	Plant Material & Supplies	-
16	Prepayments	-
17	Miscellaneous Current & Accrued Assets	3,070
18	Other	-
19	Total Current Assets	\$ 10,291
<u>Deferred Debits</u>		
20	Debt and preferred stock	-
21	Expense of rate proceeding	-
22	Prelim survey & invest charges	500
23	Reg Asset-income tax recovery	-
24	Other	-
25	Total Deferred Debits	\$ 500
26	Total Assets	<u>\$ 42,213</u>
<u>CAPITAL AND LIABILITIES</u>		
27	Common Stock	\$ -
28	Paid in capital	-
29	Retained Earnings	<u>9,151</u>
30	Total Equity	\$ 9,151
31	Preferred stock	-
32	Long term debt	-
33	Total Capitalization	\$ 9,151
<u>Current Liabilities</u>		
34	Accounts Payable	200
35	Notes Payable (current portion)	25,000
36	Notes Payable to Associated Companies	1,000
37	Customer deposits	5,148
38	Taxes accrued	1,064
39	Accrued Interest	50
40	Miscellaneous current & accrued liabilities	600
41	Other	-
42	Subtotal Current Liabilities	<u>33,062</u>
43	Deferred Credits	-
44	Contributions in Aid of Construction	-
45	TOTAL CAPITAL AND LIABILITIES	<u>\$ 42,213</u>

ILLUSTRATION ONLY

Income Statement for the most recent 12 months prior to ACRM filing

Line No.	Description	[A]	[B]	[C]
		Month Year Ending	Adjustments Conforming to the Decision	As Adjusted
1	Operating Revenues			
2	Metered Water Revenue	\$ 115,000		\$ 115,000
3	Unmetered Water Revenue	600		600
4	Other Water Revenue	500		500
5	Total Operating Revenues	\$ 116,100	-	\$ 116,100
6				
7	Operating Expenses			
8	Salaries & Wages	15,000		15,000
9	Purchased Water	-		-
10	Purchased Power	14,350		14,350
11	Chemicals	50		50
12	Repairs & Maintenance	30,000		30,000
13	Office Supplies & Expenses	3,000		3,000
14	Outside Services	2,500		2,500
15	Water Testing	10,300		10,300
16	Rents	6,600		6,600
17	Transportation Expenses	300		300
18	Insurance - General Liability	3,300		3,300
19	Insurance - Health & Life	-		-
20	Regulatory Commission Expense	-		-
21	Miscellaneous Expense	6,600	(1,200)	5,400
22	Total Maintenance & Operating Expenses	\$ 92,000	(1,200)	90,800
23	Depreciation & Amortization Expense	5,220		5,220
24	General Taxes	1,000		1,000
25	Income Taxes	500		500
26	Total Operating Expenses	\$ 98,720		97,520
27				
28	UTILITY OPERATING INCOME / (LOSS)	\$ 17,380		\$ 18,580
29				
30	Other Income / (Expense)			
31	Interest and Dividend Income	100		100
32	Non-Utility Income	-		-
33	Miscellaneous Non-Utility Expenses	-		-
34	Other Income / (Expense)	\$ 100		\$ 100
35				
36	Income Before Interest Charges	\$ 17,480		\$ 18,680
37	Interest Charges	1,000		1,000
38				
39	Net Income	\$ 16,480		\$ 17,680

OPERATING ADJUSTMENT EXAMPLE

Description	[A]	[B]	[C]
	COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
40 Miscellaneous Expense	90,800	(1,200)	89,600

Please explain adjustment here. E.g. to remove lobbying expense disallowed by decision.

EXAMPLE ONLY

An earnings test calculation.

Line		<u>Month Year Ending</u>
<u>No.</u>	<u>Description</u>	
1	Operating Revenues	
2	Water Revenues	\$ 115,000
3	Sewer Revenues	50
4	Other Revenues	50
5	Total Operating Revenues	<u>\$ 115,100</u>
6		
7	Operating Expenses	
8	Maintenance Expense	92,000
9	Depreciation & Amortization	5,220
10	General Taxes (Sales, Property, etc.)	1,000
11	Income Taxes	500
12	Total Operating Expenses	<u>98,720</u>
13		
14	Utility Operating Income	<u>16,380</u>
15	Other Income / (Expenses)	<u>100</u>
16	Income Before Interest Charges	16,480
17	Interest Charges	1,000
18		
19	Net Income	<u><u>\$ 15,480</u></u>
20		
21	Authorized Operating Margin per Decision XXXXX	21.63%
22		
23	Actual Operating Margin	14.23%
24		
25	Over/ Under Authorized Operating Margin	-7.40%

Line No.	Description	[A] Month Year Ending Actual
1	Operating Revenues	
2	Total Operating Revenues	\$ 115,100
3		
4	Operating Expenses	
5	Total Maintenance & Operations Expense	92,000
6	Depreciation & Amortization	5,220
7	General Taxes	1,000
8	Income Taxes	500
9	Total Operating Expenses	<u>98,720</u>
10		
11	Utility Operating Income	<u>16,380</u>
12		
13	Other Income	100
14		
15	Income Before Interest Charges	<u>16,480</u>
16		
17	Interest Charges	1,000
18		
19	Net Income	<u><u>\$ 15,480</u></u>
20		
21	Rate Base - O.C.L.D. (2006 Test Year)	65,244
22		
23	Authorized ACRM Operating Margin per Decision	21.63%
24		
25	Actual ROR (Ln. 11 + Ln. 21)	25.11%
26		
27	Actual Operating Margin (Ln. 11 + Ln. 2)	14.23%
28		
29	Interest Coverage (Ln. 11 + Ln. 8 + Ln. 17)	16.88

Line No.	Description	ILLUSTRATION ONLY			
		[A] Per Decision XXXXX	[B] 12 Months Ended Month Year Ending Adjusted	[C] Arsenic1 Treatment Plant Increase	[D] Adjusted
1	Operating Revenues				
2	Total Operating Revenues	\$ 115,000	\$ 116,100	\$ -	\$ 116,100
3					
5	Total Maintenance & Operatings Expense	85,600	92,000		92,000
6	Depreciation & Amortization	4,000	5,220		5,220
7	General Taxes	8,000	1,000		1,000
8	Income Taxes	100	500		500
9	Total Operating Expenses	97,700	98,720	-	98,720
10					
11	Utility Operating Income	17,300	17,380	-	17,380
12					
13	Rate Base O.C.L.D. (Sch. 7 Ln. 32)	\$ 3,024	\$ 29,139	\$ 36,105	\$ 65,244
14					
15	Authorized ACRM Return on Equity per Decision	21.63%	21.63%	21.63%	21.63%
16					
17	Actual ROR (Ln. 11 ÷ Ln. 13)	572.09%	59.65%	0.00%	26.64%
18					
19	Operating Margin (Ln. 11 ÷ Ln. 2)	15.04%	14.97%	N/A	14.97%
20					
21	Interest Expense (synchronized interest)	\$ 88	\$ 845	\$ -	\$ 1,892
22					
23	Interest Coverage (Ln. 11 ÷ Ln. 8 ÷ Ln. 21)	198.41	21.16	N/A	9.45

EXAMPLE ONLY

Line No.		[A]
1	Arsenic Plant Revenue Requirement	
2	Arsenic Plant in Service/Rate Base ¹	\$ 36,105
3	Less: Accumulated Depreciation	-
4	ACRM Rate Base	<u>\$ 36,105</u>
5	Depreciation rate ²	5.00%
6	Depreciation expense	1,805
7	Depreciation expense net of tax savings	1,408
8	Recoverable O&M costs	-
9	Recoverable O&M costs net of tax savings ³	-
10	Arsenic Operating Income	(1,408)
11	Rate of return	-3.90%
12	Required Operating Margin	21.63%
13	Required Operating Income	1,805
14	Operating Income deficiency	3,213
15	Gross revenue conversion factor ⁴	0.000
16	Depreciation Expense Revenue deficiency	<u>\$ -</u>
17	Total Surcharge Requirement	<u>\$ 36,105</u>

¹ From Schedule 8 CWIP Ledger

² Use composite rate calculated from component rates by account

³ Assumes a 22 percent combined state and federal income tax rate.

⁴ $GRCF = 1/(1 - \text{Tax Rate}) = 1/(1 - .22) = 1.282$

EXAMPLE ONLY

Detailed calculation of Surcharge.

Line No.	Growth	[A] Customers	[B] Total Gallons Sold	[C] Gallons Sold Per Cust.	[D] Monthly Minimum	[E] Minimum Multiples	[F] Equivalent Meters	[G] Monthly	[H] Fixed Increment Annual Total
1	Month Year 1 (Year 1)	90	9,000,000	100,000.00	8.00	1.0	96	\$ 11.62	\$ 13,324
2	Month Year 2 (Year 2)	95	9,850,109	103,685.36	8.00	1.0	-	26.14	-
3	Year 2 minus Year 1	5	850,109	3,685	40.00	2.3	-	58.08	-
4	Percentage Change	5.56%	9.45%	3.69%	64.00	8.0	8	92.93	1,146
5	Avg Gallons (Col B Ln 1 + Col B Ln 2 + 2)		9,425,055		120.00	15.0	-	174.25	-
6					200.00	25.0	26	290.42	3,582
7					400.00	50.0	-	580.84	-
8					-	0.0	-	-	-
9					-	0.0	-	-	-
10					-	0.0	-	-	-
11					-	0.0	-	-	-
12					-	0.0	-	-	-
13					-	0.0	-	-	-
14					-	0.0	-	-	-
15					-	0.0	-	-	-
16					-	0.0	-	-	-
17					-	0.0	-	-	-
18					-	0.0	-	-	-
19					-	0.0	-	-	-
20					-	0.0	-	-	-
21					-	0.0	-	-	-
22					-	0.0	-	-	-
23					-	0.0	-	-	-
24					-	0.0	-	-	-
25					-	0.0	-	-	-
26					-	0.0	-	-	-
27					-	0.0	-	-	-
28					-	0.0	-	-	-
29					-	0.0	-	-	-
30					-	0.0	-	-	-
31					-	0.0	-	-	-
32					-	0.0	-	-	-
33					-	0.0	-	-	-
34					-	0.0	-	-	-
35					-	0.0	-	-	-
36					-	0.0	-	-	-
37					-	0.0	-	-	-
38					-	0.0	-	-	-
39					-	0.0	-	-	-
40					-	0.0	-	-	-
41					-	0.0	-	-	-
42					-	0.0	-	-	-
43					-	0.0	-	-	-
44					-	0.0	-	-	-

Line No.	Minimum Surcharge	Commodity Surcharge
31	95	100
32	98	98
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43		
44		

Please Note: These are illustrative numbers only.

EXAMPLE ONLY

LINE NO.	[A] Per Decision XXXXX	[B] Arsenic Treatment Plant Increase	[C] Decision Plus Arsenic Treatment Plant	[D] Actual Balance Month Year Ending	[E] Arsenic Treatment Plant Increase	[F] Actual Balance Plus Arsenic Trtmt. Plant
1	Utility Plant					
2	Gross Utility Plant in Service	\$ 111,493	\$ 36,105	\$ 147,598	\$ 117,493	\$ 153,598
3	Accumulated Depreciation	(88,071)		(88,071)		(88,071)
4	Arsenic Removal Facilities	-		-		-
5	Accumulated Depreciation of Arsenic Plant	-		-		-
6						
7	Net Utility Plant in Service	\$ 23,422	\$ 36,105	\$ 59,527	\$ 29,422	\$ 65,527
8						
9	Deductions					
10	Advances in Aid of Construction	-		-		-
11	Imputed Regulatory Advances	-		-		-
12	Accum. Amortization of Regulatory AIAC	-		-		-
13	Contributions in Aid of Construction	20,000		20,000		
14	Accum. Amortization of CIAC	(750)		(750)		(1,000)
15	Imputed Regulatory Contributions	-		-		-
16	Accum. Amortization of Regulatory CIAC	-		-		-
17	Arsenic Impact Fee Contributions	-		-		-
18	Accum. Amortization of AIF CIAC	-		-		-
19	Customer Meter Deposits	5,148		5,148		5,148
20	Deferred Income Taxes & Investment Tax Credits	-		-		-
21						
22	Total Deductions	\$ 24,398	\$ -	\$ 24,398	\$ 4,148	\$ 4,148
23						
24	Additions					
25	Unamortized Finance Charges	-		-		-
26	Deferred Tax Assets	-		-		-
27	Allowance for Working Capital	4,000		4,000	3,865	3,865
28	Utility Plant Acquisition Adjustment	-		-		-
29						
30	Total Additions	\$ 4,000	\$ -	\$ 4,000	\$ 3,865	\$ 3,865
31						
32	Total Rate Base	\$ 3,024	\$ 36,105	\$ 39,129	\$ 29,139	\$ 65,244
33						
34						
35						

This schedule shows work orders cross referenced to invoices and dates paid.
 These totals are put on Schedule 5, Revenue Requirement

EXAMPLE ONLY

Line No.	CWIP Ledger Summary		CWIP Acct. (GLOBJ)										Total
	Period/ Month (GLPN)	Work Order/ Subledger (GLSBL)	105050 - Accruals	105110 - History	105150 - M&S Purchases	105200 - Co. Labor	105260 - Overhead	105270 - Svc. Co. Charges	105275 - Contracted Services	105280 - Retainage Bldgs	105350 - AFUDC Debit		
1	2006	50028305	31,830	(23,000)	395		(1,687)	16,169		1,131	(4,563)		
2		50051122		(30,556)				(9,727)		942	31,630		
3		50066421		(49,279)				21,777	634	2,221	(36,961)		
4		50072458								77	(21,164)		
5		50072461									218		
6		50028305			582		3,508	18,988		1,156	27,276		
7		50051122	10,191	(13,916)				18,603	2,558	956	10,191		
8		50066421						30,000		2,270	10,045		
9		50072458								77	10,974		
10		50072461									3		
11		50028305			485	1,306	6,793	3,114		1,230	7		
12		50051122	(40,958)					37,289		1,021	(40,958)		
13		50066421						23,762	3,213	2,394	43,621		
14		50072458								78	31,597		
15		50072461									228		
16		50051122	(663)								(663)		
17	2006 Total		0	(116,751)	485	2,384	2,792	159,975	6,405	13,553	104,464		
18	Total		0	(116,751)	485	2,384	2,792	159,975	6,405	13,553	104,464		

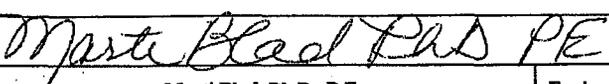
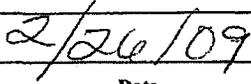
EXAMPLE ONLY

Residential 5/8-inch Customer		[B]	[C]	[D]	
Line No.	Gallons Consumption [A]	Present Rates	Proposed Rates	Percent Increase	
1					
2	-	\$ 8.00	\$ 11.62	45.2%	
3	1,000	\$ 10.94	\$ 14.56	33.1%	
4	2,000	\$ 13.88	\$ 17.50	26.1%	
5	3,000	\$ 16.82	\$ 20.44	21.5%	
6	4,000	\$ 19.76	\$ 23.38	18.3%	
7	5,000	\$ 23.92	\$ 27.55	15.2%	
8	6,000	\$ 28.08	\$ 31.71	12.9%	
9	7,000	\$ 32.24	\$ 35.87	11.3%	
10	8,000	\$ 36.40	\$ 40.03	10.0%	
11	9,000	\$ 40.56	\$ 44.19	9.0%	
12	10,000	\$ 44.72	\$ 48.36	8.1%	
13	11,000	\$ 48.88	\$ 52.52	7.4%	
14	12,000	\$ 53.04	\$ 56.68	6.9%	
15	13,000	\$ 57.20	\$ 60.84	6.4%	
16	14,000	\$ 57.20	\$ 60.84	6.4%	
17	15,000	\$ 57.20	\$ 60.84	6.4%	
18	16,000	\$ 57.20	\$ 60.84	6.4%	
19	17,000	\$ 57.20	\$ 60.84	6.4%	
20	18,000	\$ 57.20	\$ 60.84	6.4%	
21	19,000	\$ 57.20	\$ 60.84	6.4%	
22	20,000	\$ 57.20	\$ 60.84	6.4%	
23	21,000	\$ 57.20	\$ 60.84	6.4%	
24	22,000	\$ 57.20	\$ 60.84	6.4%	
25	23,000	\$ 57.20	\$ 60.84	6.4%	
26	24,000	\$ 57.20	\$ 60.84	6.4%	
27	25,000	\$ 57.20	\$ 60.84	6.4%	
28					
29					
30	Average Residential Consumption				
31	Average Residential Bill	\$ 45.30	\$ 48.94	8.0%	\$ 3.64
32					
33	Monthly Minimum Rate	\$ 8.00	11.62	45.2%	\$ 3.62
34	Commodity Rate 0 to 6,000 gallons	2.940	2.9419	0.065%	\$ 0.0019
35	Commodity Rate 6,001 gallons and over	4.160	4.1619	0.046%	
36					

ALL-STATE LEGAL® EXHIBIT
S-2
 ADMITTED



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
Certificate of Approval of Construction
 For a Water Distribution System

Applicant Information			ADEQ File Number	20070704	LTF ID	49493
Name	Appaloosa Water Company		Project Name	Appaloosa Water Company As Removal		
Mail Address 1	7012 N. 18 th Street		Project Location	West Road 3 North and North Road 1 West, Chino Valley, AZ		
Mail Address 2						
City / State / Zip	Phoenix, AZ 85020					
Project Type			Project Description			
<input checked="" type="checkbox"/>	Pressure Main	<input type="checkbox"/>	Storage Tank	Install Adedge Technologies Model Number APU-200CS-S-2-MVH arsenic removal system, 38 linear feet of 6" diameter DIP waterline, 15 linear feet of 4" diameter DIP and related appurtenances for the Appaloosa Water Company ADWR Well Number 55-607274.		
<input type="checkbox"/>	Hydro Tank	<input checked="" type="checkbox"/>	Other			
Facility Name	Appaloosa Water Company		Facility Capacity			
Street Address 1	1228 West Road 4 North					
Street Address 2	P.O. Box 3150					
City / State / Zip	Chino Valley, AZ 86323					
PWSID	13-208		Facility Capacity Affirmation By	Date		
County	Yavapai					
Design Documents Approved	Date		Site Information			
Engineers Certificate of Completion	02/02/2009		Location of Distribution System			
As-Built Site Plan	02/02/2009		Township	16 N	Range	2 W
As-Built Drawings and Specifications	02/16/2009		Section	9	Quarter Section	
Operations & Maintenance Plan			Latitude	34° 46' 33"		North
Response Letter	02/19/2009		Longitude	112° 27' 55"		West
Other (Pressure / Leak test)	Leak: 02/16/2009 CI: 02/16/2009 Bac-T: 02/16/2009		Testing performed by Maurice Lee and sealed by Terry L. Moore, P.E.			
Variations Granted						
 Marti Blad, Ph.D., P.E.			Engineering Services Manager		Date 	

Cc: Mr. Terry Moore, P.E., Analytical Water Solutions, L.L.C., 9850 N. 19th Drive, Suite # 4, Phoenix, AZ 85021
 Yavapai County Departments of Environmental Health and Planning and Zoning,
 Appaloosa Water Company, P.O. Box 1228, Chino Valley, AZ 86323
 NRO Reading and Construction Files, Engineering Review Databases

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
NORTHERN REGIONAL OFFICE
1801 W. Route 66 Suite 117. Flagstaff AZ. 86001

ATTACHMENT C
APPROVAL OF CONSTRUCTION
(APPROVAL TO OPERATE)

1. This approval is based solely on the engineer's certification in the Engineer's Certificate of Completion that construction of this system complies with the key elements of the approved plans and the ADEQ minimum design and construction standards contained in statute, rule or referenced codes.
2. The Department cannot assure that conditions and requirements specified by state regulations, guidelines, or in the approved plans have been met. This Approval should not be construed or implied as a guarantee or warranty of the quality of construction or accuracy of dimensions nor does this Approval in any way relieve any other party from meeting requirements or obligations imposed by contract or any other means, including commonly accepted industry practices.

The Department or its employees assume no responsibility for, nor is the owner, contractor or any other party relieved of any legal obligations or responsibility for compliance with applicable laws or the Approval to Construct by virtue of this Approval.

This approval shall be null and void if an undiscovered defect or omission in manufacturing, design, installation or operation is in violation of the key elements of the approved as-built plans, applicable laws, rules, regulations, bulletins, or the Approval to Construct. Upon discovery of said defect, the Department may require the project owner to submit plans to correct the defect, and then correction.

3. Project Storm Water Pollution Prevention Plan (SWPPP) shall remain operational until all areas of the construction site, not otherwise covered by permanent pavement or structure, have been stabilized with a uniform perennial vegetative cover with a density of 70% (of ambient) or equivalent measures have been employed (final stabilization & Notice of Termination).

System No: 13-208
File No. 20070704 (LTF 49493)

MCB
2/26/09

13-208 ADEQ Compliance Status Request - UPDATE!.txt

From: Donna M. Lucchese [Lucchese.Donna@azdeq.gov]
Sent: Monday, March 02, 2009 2:25 PM
To: Del Smith
Subject: 13-208 ADEQ Compliance Status Request - UPDATE!

Del,

They still need to perform compliance testing to assure that the system is operating as intended. Once two quarters of samples below the MCL are received, then they would be considered to be back in compliance.

Donna Calderon, Manager
Drinking Water Monitoring and Protection Unit Arizona Department of Environmental Quality 1110 west washington Street, Mail Code 5415B-2 Phoenix, AZ 85007

602-771-4641 (direct line)
602-771-4634 (fax)
e-mail: dml@azdeq.gov
ADEQ website: www.azdeq.gov

P Please consider the environment before printing this e-mail.

-----Original Message-----

From: Del Smith [mailto:DSmith@azcc.gov]
Sent: Monday, March 02, 2009 1:11 PM
To: Donna M. Lucchese
Subject: RE: ADEQ Compliance Status Request - UPDATE!

Donna is Appaloosa in compliance with ADEQ requirements now that it has operating status (an AOC) for its arsenic treatment plant?

System Name: Appaloosa Meadows
PWSID #: 13-208

=====
This footnote confirms that this email message has been scanned to detect malicious content.

If you experience problems, please contact postmaster@azcc.gov
=====

NOTICE: This e-mail (and any attachments) may contain PRIVILEGED OR CONFIDENTIAL information and is intended only for the use of the specific individual(s) to whom it is addressed. It may contain information that is privileged and confidential under state and federal law. This information may be used or disclosed only in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the original e-mail. Thank you.

L. Jaress



Law Office of Douglas C. Nelson, P.C.

An Arizona Professional Corporation
7000 North 16th Street, Suite 120-307
Phoenix, Arizona 85020

Telephone 602-395-1612

Facsimile 602-395-1943

E-mail DougCNelson@cox.net

November 16, 2006

RECEIVED

NOV 17 2006

AZ CORP COMM
Director Utilities

Arizona Corporation Commission
Utilities Division
Attention: Ms. Linda A. Jaress
1200 West Washington Street
Phoenix, Arizona 85007-2027

SUBJECT: Appaloosa Water Company
Notification and Verification of Extension of Service Area

HAND-DELIVERED

Dear Ms. Jaress:

Thank you and Del Smith for meeting with us on October 24, 2006.

The Appaloosa Water Company hereby gives notice of and verifies the extension of its service territory as contained in the enclosed Notice and Verification executed on behalf of the Company.

Thank you for your courtesies in this matter, and unless the Appaloosa Water Company receives written notice to the contrary within thirty (30) days of this letter, it will assume the service area is extended in accordance with this Notice and Verification.

We would appreciate your acknowledging receipt of this letter and enclosure by signing a copy of this enclosed letter and returning it to us.

Sincerely yours,

A handwritten signature in cursive script that reads "Douglas C. Nelson".

Douglas C. Nelson
Law Office of Douglas C. Nelson, P.C.

Attachment: Notice and Verification

c: Appaloosa Water Company

Arizona Corporation Commission
Utilities Division
Attention: Ms. Linda A. Jaress
November 16, 2006
Page 2

ACKNOWLEDGEMENT OF RECEIPT

By _____

Date: _____



Keogh Engineering, Inc.

14150 W. McDowell Rd. • Goodyear Arizona 85338
(623) 535-7260 • Fax (623) 535-7262 • E-mail: keoeng@qwest.net

Consulting Engineers | Land Surveyors

Legal Description
Joe Cordovana
Our Job No. 17267
16 October 2006

PARCEL A

A portion of the Southeast quarter of Section 4, Township 16 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Beginning at the Southwest corner of the said Southeast quarter; thence South 87°52'20" East, along the South line of said Section 4, a distance of 113.21 feet; thence North 00°48'18" West, a distance of 391.80 feet to the beginning of a curve, concave Southeasterly, having a radius of 125.00 feet; thence Northeasterly along the arc of said curve, through a central angle of 52°51'48", an arc length of 115.33 feet to a point of non-tangency; thence North 20°07'47" West, a distance of 104.20 feet to the beginning of a curve, concave Southeasterly, having a radius of 154.90 feet; thence Northeasterly along the arc of said curve, through a central angle of 80°22'32", an arc length of 217.30 feet to a point of non-tangency; thence North 14°06'27" East, a distance of 858.43 feet; thence South 89°05'01" East, a distance of 1309.31 feet; thence North 01°32'23" West, a distance of 1125.04 feet to a point on the North line of said Southeast quarter; thence North 89°05'09" West, along said North line, a distance of 1716.99 feet to the Northwest corner of said Southeast quarter; thence South 00°50'25" East along the West line of said Southeast quarter, a distance of 2737.44 feet to THE POINT OF BEGINNING.

Said parcel contains 2,294,610 square feet or 52.677 acres, more or less.

SUBJECT to easements and rights of way of record.

DESCRIPTION
Dictated JS
Typed JS
Proof-1 JS
Proof-2 _____
KEOGH ENGINEERING, INC.





Keogh Engineering, Inc.

14150 W. McDowell Rd. • Goodyear Arizona 85338
(623) 535-7260 • Fax (623) 535-7262 • E-mail: keoeng@qwest.net

Consulting Engineers | Land Surveyors

Legal Description
Joe Cordovana
Our Job No. 17267
16 October 2006

PARCEL B

A portion of the Southeast quarter of Section 4, Township 16 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Beginning at the Southwest corner of said Southeast quarter; thence South 87°52'20" East, along the South line of said Section 4, a distance of 113.21 feet to THE TRUE POINT OF BEGINNING; thence North 00°48'18" West, a distance of 391.80 feet to the beginning of a curve, concave Southeasterly, having a radius of 125.00 feet; thence Northeasterly along the arc of said curve, through a central angle of 52°51'48", an arc length of 115.33 feet; thence North 20°07'47" West, a distance of 104.20 feet to the beginning of a curve, concave Southeasterly, having a radius of 154.90 feet; thence Northeasterly along the arc of said curve, through a central angle of 80°22'32", an arc length of 217.30 feet; thence North 14°06'27" East, a distance of 858.43 feet; thence South 89°05'01" East, a distance of 324.59 feet; thence South 01°23'50" East, a distance of 1629.66 feet to a point on said South line of Section 4; thence North 87°52'20" West, along said South line, a distance of 649.31 feet to THE TRUE POINT OF BEGINNING.

Said parcel contains 864,483 square feet or 19.846 acres, more or less.

SUBJECT to easements and rights of way of record.

DESCRIPTION
Dictated JS
Typed JS
Proof-1 JS
Proof-2 _____
KEOGH ENGINEERING, INC.



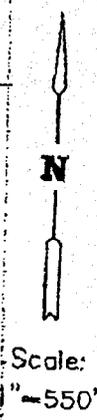
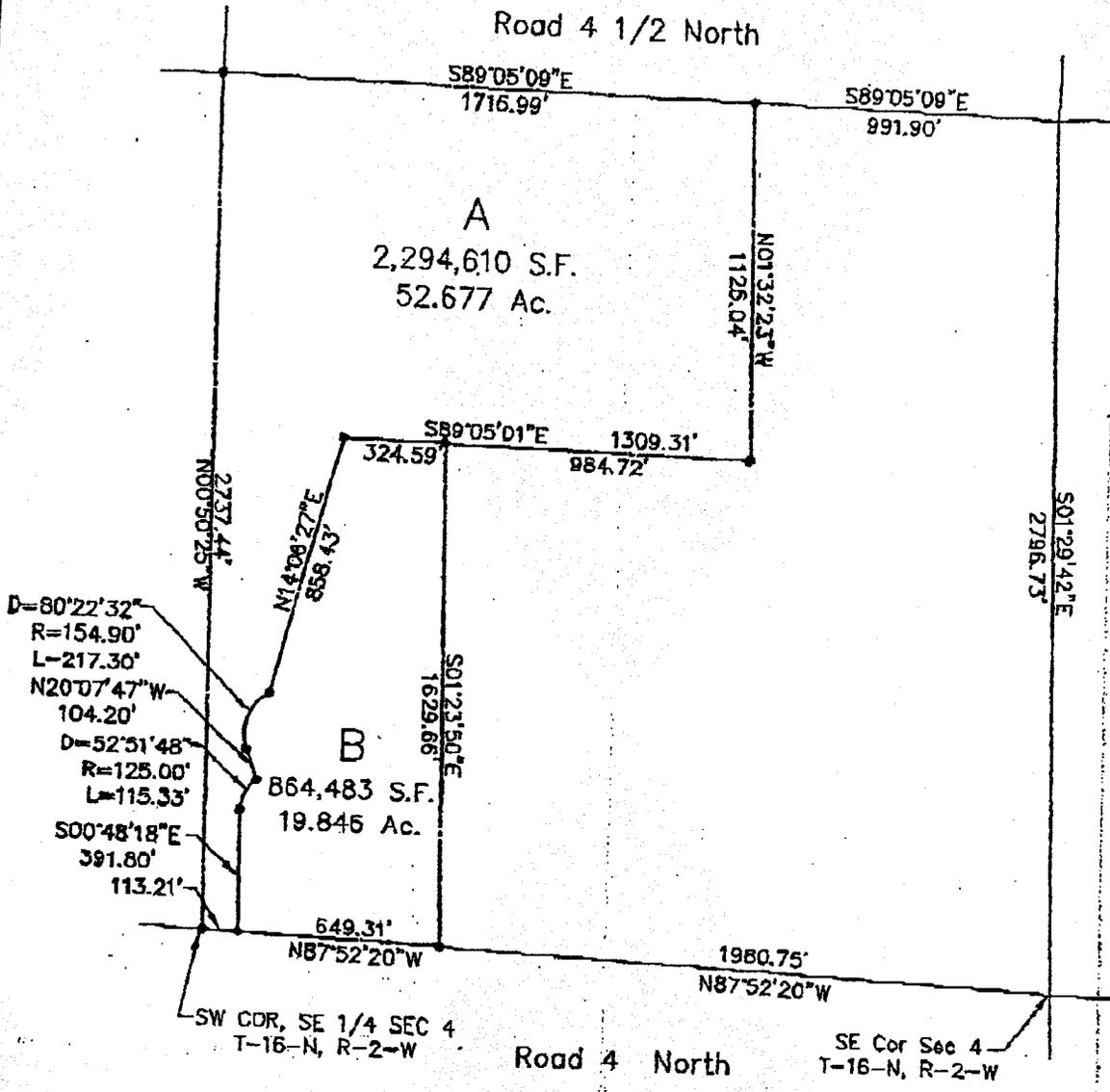
PREPARED FOR:

Joe Cordovana

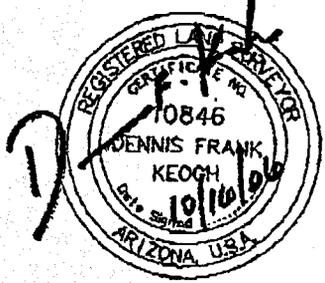
BY: JEK

DATE: Oct., 2006

JOB NO. 17267



MAP TO ACCOMPANY
 LEGAL DESCRIPTION
 OF
 A portion of the SE 1/4 Section 4
 T-16-N, R-2-W G & SRB & M,
 Yavapi County, Arizona

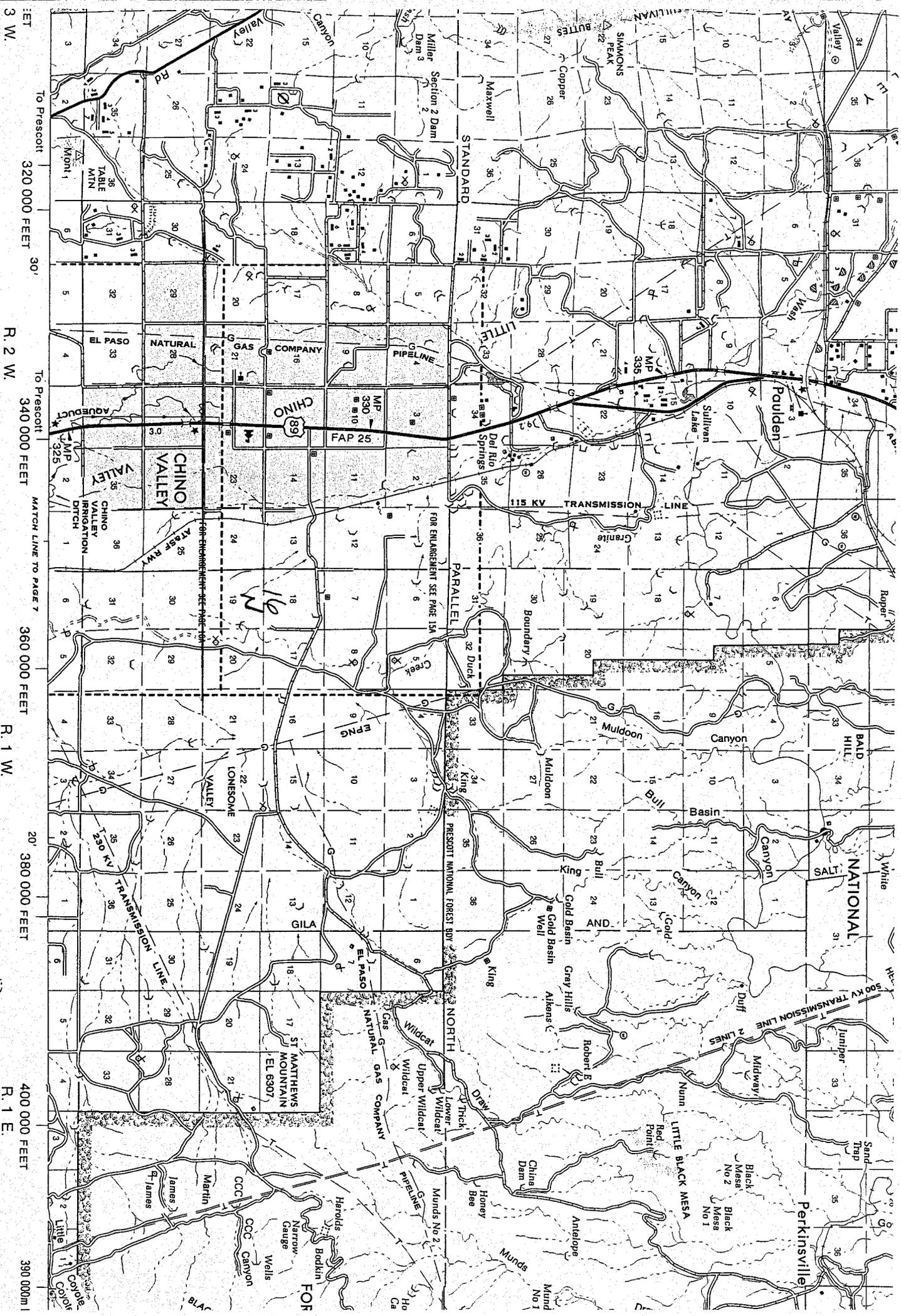


Keogh Engineering, Inc.
 14150 W. MCDOWELL ROAD • GOODYEAR, ARIZONA 85338
 PHONE (623) 535-7260 • FAX (623) 535-7262

CHECKED BY: DFK
 DATE: Oct., 2006

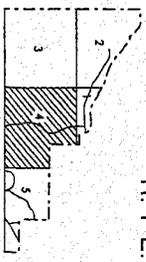
SHEET NO. 1
 OF 1

AutoCad Version: 18.0
 Layout Name: JACRGE
 Plot Date / Time: 10/16/06 02:30pm
 Plot File Path: U:\17267\17267.dwg



3 W. To Prescott 320 000 FEET 30' To Prescott 340 000 FEET MATCH LINE TO PAGE 7 360 000 FEET R. 2 W. 380 000 FEET 20' 400 000 FEET R. 1 W. 390 000m |

GENERAL HIGHWAY MAP
 YAVAPAI COUNTY, ARIZONA
 ARIZONA DEPARTMENT OF TRANSPORTATION



Arizona Corporation Commission
Utilities Division
Attention: Ms. Linda A. Jaress
November 16, 2006
Page 2

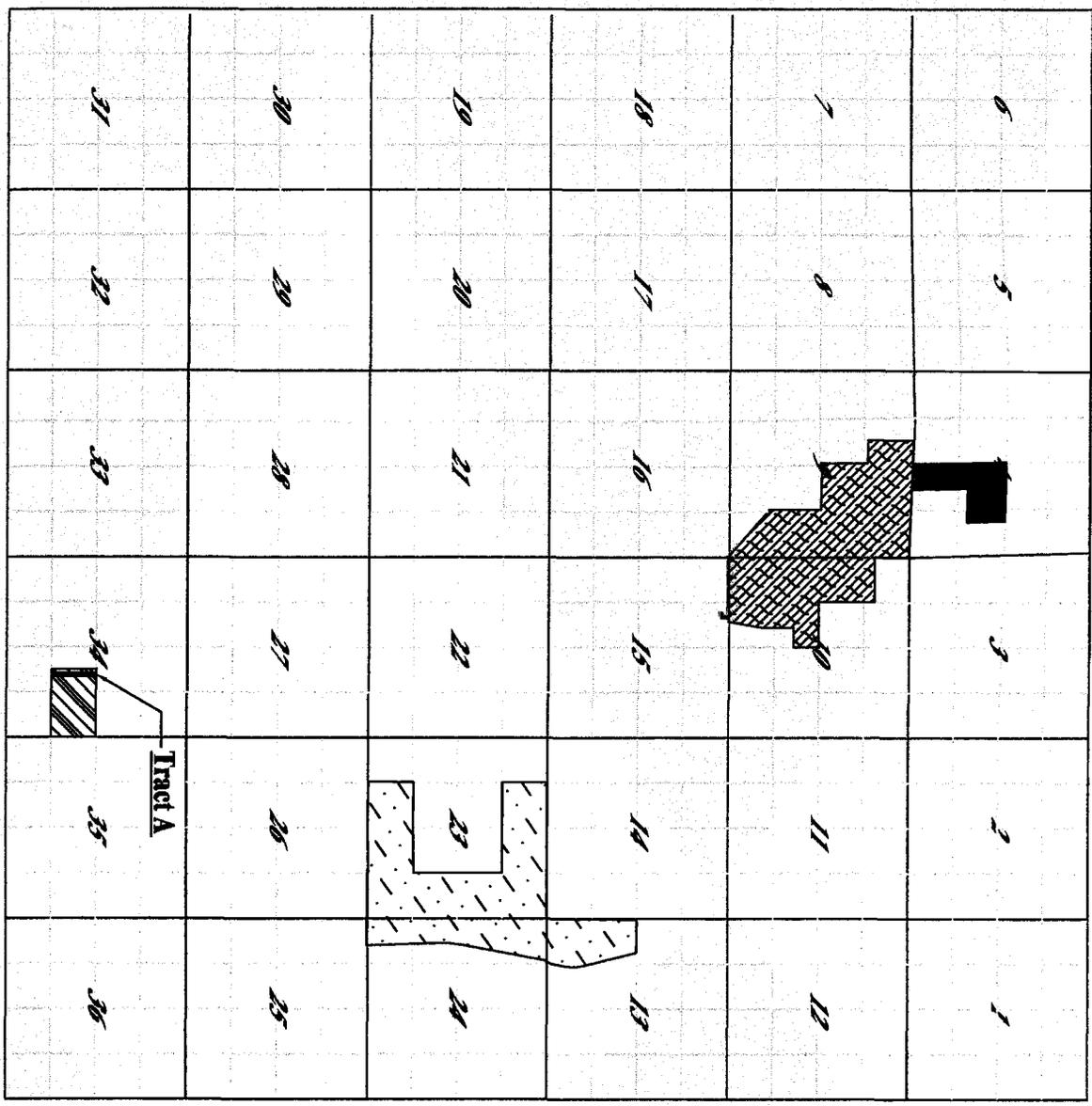
ACKNOWLEDGEMENT OF RECEIPT

By: Barb Wells

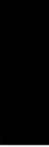
Date: 11/22/06

COUNTY OF YAVAPAI

RANGE 2 West



TOWNSHIP 16 North

-  W-3443 (1)
Appaloosa Water Company
-  W-2370 (1)
Chino Meadows II Water Company, Inc.
-  W-2065 (6)
Witholt Water Company, Inc.
(Yavapai Estates System)
-  Appaloosa Water - Contiguous Area

PREPARED FOR:

Joe Cordovana

BY: JEK

DATE: Oct., 2006

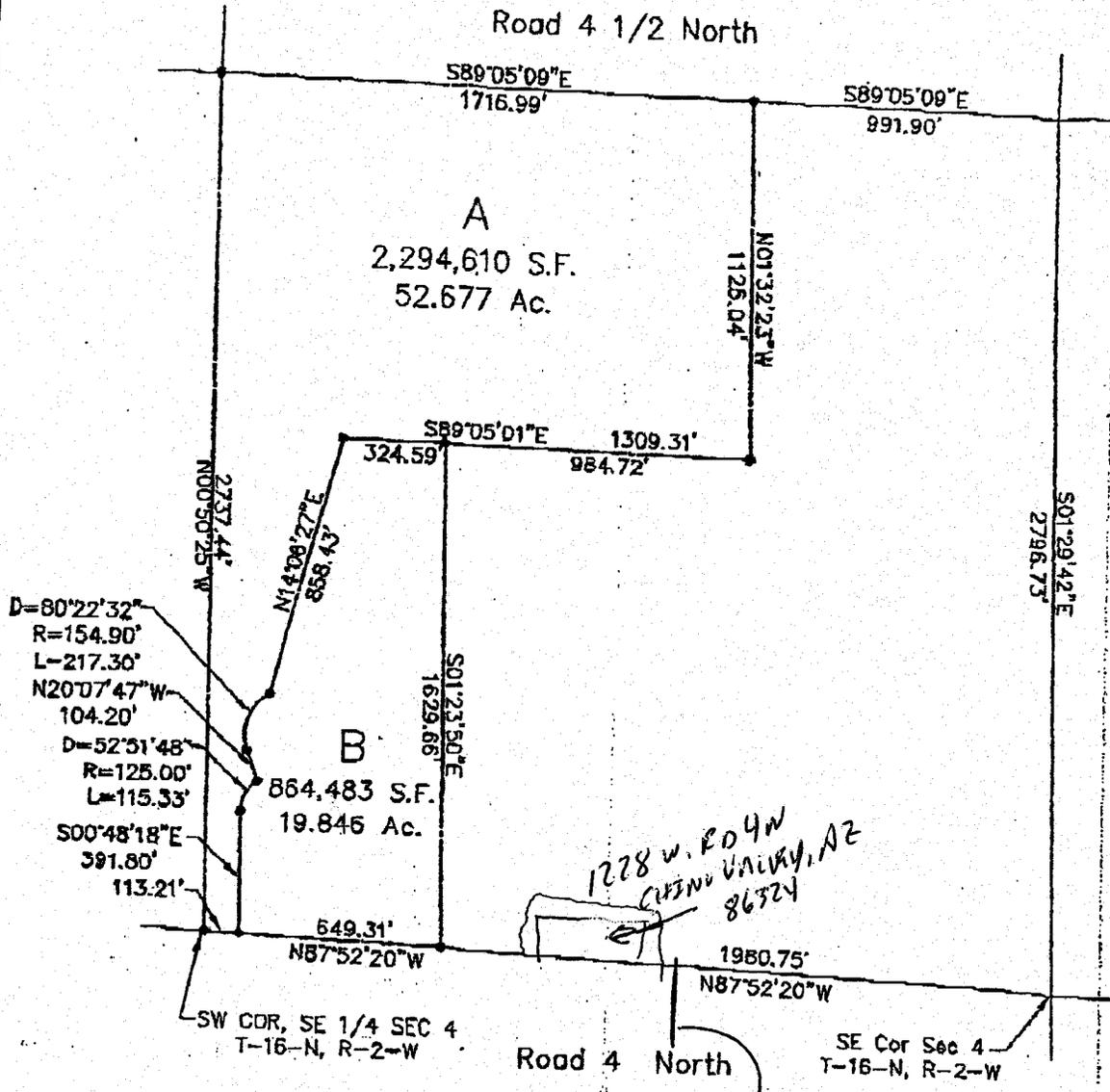
JOB NO. 17267

ALL-STATE LEGAL
EXHIBIT
S-4
ADMITTED

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LayOut Name: JACRJE

LayOut Name: 8.5x11

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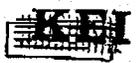


Scale: 1" = 550'

MAP TO ACCOMPANY
LEGAL DESCRIPTION
OF

A portion of the SE 1/4 Section 4
T-16-N, R-2-W G & SRB & M,
Yavapi County, Arizona

MINOR ENE CROSSING



Keogh Engineering, Inc.

14150 W. MCDOWELL ROAD • GOODYEAR, ARIZONA 85338
PHONE (623) 535-7260 • FAX (623) 535-7262

CHECKED BY: DFK
DATE: Oct., 2006

SHEET NO 1
OF 1