0000096939

ORIGINAL

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

EA for EGJ

DATE: May 13, 2009

RE: STAFF REPORT FOR MOUNT TIPTON WATER COMPANY, INC. APPLICATION FOR AUTHORITY TO INCURE LONG-TERM INDEBTEDNESS TO FINANCE WATER SYSTEM IMPROVEMENTS (DOCKET NO. W-02105A-09-0145)

Attached is the Staff Report for the Company's application for authority to borrow funds from the Water Infrastructure Finance Authority of Arizona. Staff recommends approval.

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 May 20, 2009.

EGJ:JCM:tdp

Originator: Juan C. Manrique

Arizona Corporation Commission
DOCKETED
MAY 13 2009
DOCKETED BY

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2009 MAY 13 P 4: 29
AZ CORP COMMISSION
DOCKET CONTROL

W-02105A-09-0145

Service List for: Mount Tipton Water Company, Inc.
Docket No. W-02105A-09-0145

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

MOUNT TIPTON WATER COMPANY, INC.
DOCKET NO. W-02105A-09-0145

APPLICATION FOR AUTHORITY
TO
INCUR LONG-TERM INDEBTEDNESS

MAY 13, 2009

STAFF ACKNOWLEDGMENT

The Staff Report for Mount Tipton Water Company, Inc., Docket No. W-02105A-09-0145, is the responsibility of the Staff members listed below. Juan C. Manrique is responsible for the financial analysis. Dorothy Hains is responsible for the engineering review.

Gordon L Fox
for

JUAN C. MANRIQUE
PUBLIC UTILITIES ANALYST I

Dorothy Hains

DOROTHY HAINS
UTILITIES ENGINEER – WATER/WASTEWATER

EXECUTIVE SUMMARY
MOUNT TIPTON WATER COMPANY, INC.
DOCKET NO. W-02105A-09-0145

On March 23, 2009, Mount Tipton Water Company, Inc. ("Mount Tipton" or "Company"), filed an application with the Arizona Corporation Commission ("Commission") requesting authorization to execute a loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA").

The U.S. Congress enacted the American Recovery and Reinvestment Act of 2009 ("ARRA") on February 17, 2009. WIFA's *Supplemental 2009 ARRA Intended Use Plan* asserts that projects that receive ARRA funds would need to be capable of moving forward rapidly; hence, expedited regulatory consideration is appropriate.

The Company is a non-profit Class "C" Company that owns and operates a public utility water service in Mohave County. The Company seeks a $140,000 WIFA loan. The Company also anticipates receiving $126,000, or 90 percent of the loan amount as forgivable principal reducing the effective amount of the loan to $14,000. The forgivable principal is contingent upon compliance with ARRA. A 20-year amortizing loan at approximately 5.25 percent per annum is anticipated. The purpose of the loan is to fund completion of well upgrades and other system improvements.

As of December 31, 2008, Mount Tipton's capital structure consisted of 1.5 percent short-term debt, 98.3 percent long-term debt, and 0.2 percent equity. Staff also calculated a negative times interest earned ratio ("TIER") and a 0.76 debt service coverage ratio ("DSC"). The DSC results show that cash flow from operations in 2008 was not sufficient to cover all existing obligations. Thus, current base revenues are inadequate to provide debt service on the proposed $140,000 WIFA loan.

Decision No. 70559, dated October 23, 2008, authorized a $10 per month per customer emergency interim surcharge to provide approximately $89,040 of additional annual revenue. The purpose of the surcharge is to fund past due accounts payables, necessary repairs, capital improvements and contingencies totaling $175,751. A second surcharge equal to $3.40 per customer per month is needed to provide a 1.25 DSC for the proposed $140,000 loan if none of the existing surcharge is considered available to pay debt service on the proposed loan. The required second surcharge needed to provide a 1.25 DSC for a $14,000 loan, the effective amount of the $140,000 loan assuming 90 percent is forgiven, is $1.83 per customer per month. Since the use of the WIFA loan proceeds parallels the authorized uses of the existing interim surcharge, a portion of the existing surcharge could be used to provide debt service on the proposed $140,000 loan causing a nominal extension in the period required to collect the initially anticipated funds of $175,751.

Staff calculated a pro forma 1.84 TIER and 2.71 DSC in a scenario that recognizes $89,040 per year of additional interim rate revenue and issuance of a $140,000 20-year amortizing loan at 5.25 percent per annum. The pro forma capital structure for this scenario is composed of 1.7 percent short-term debt, 98.1 percent long-term debt and 0.2 percent equity.

Staff concludes that the Company's proposed capital projects are appropriate and that the related cost estimates are reasonable.

Staff further concludes that issuance of the proposed debt financing for the purposes stated in the application is within Mount Tipton's corporate powers, is compatible with the public interest, will not impair its ability to provide services and is consistent with sound financial practices if a portion of the emergency interim rates equal to the monthly debt service payment plus an additional 20 percent for the required "Debt Service Reserve Fund", as required by WIFA, is established as the first priority use of the monthly collections and as long as Mount Tipton maintains compliance with the terms of the American Recovery and Reinvestment Act of 2009.

Staff recommends authorization to incur an 18-to-22 year amortizing loan in an amount not to exceed $140,000 pursuant to a loan agreement with WIFA that provides for 90 percent of the principal amount to become forgiven principal upon compliance with the American Recovery and Reinvestment Act of 2009.

Staff further recommends that the Commission authorize Mount Tipton to pledge its assets in the State of Arizona pursuant to A.R.S. § 40-285 and R18-15-104 in connection with the WIFA loan.

Staff further recommends that Mount Tipton use best efforts and act in good faith to comply with all the requirements of the American Recovery and Reinvestment Act of 2009 and all requirements of WIFA in order to obtain the 90 percent forgivable principal.

Staff further recommends that the Commission take the regulatory measures it deems appropriate due to any detrimental consequences to ratepayers that may result from Mount Tipton's failure to use best efforts and act in good faith to comply with the American Recovery and Reinvestment Act of 2009 that results in a reduction in the amount of the loan that would otherwise qualify as forgivable principal.

Staff further recommends that any authorization to incur debt granted in this proceeding terminate on December 31, 2012.

Staff further recommends authorizing Mount Tipton to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.

Staff further recommends that Mount Tipton file with Docket Control, as a compliance item in this matter, a copy of the loan documents within 60 days of the execution of any financing transaction authorized herein.

Staff further recommends that the Mount Tipton file with Docket Control, as a compliance item in this docket, by December 31, 2010, copies of the Certificates of Approval of Construction issued by the Arizona Department of Environmental Quality for the proposed well upgrades and other system improvements.

TABLE OF CONTENTS

SCHEDULES

ATTACHMENTS

INTRODUCTION

On March 23, 2009, Mount Tipton Water Company, Inc. ("Mount Tipton" or "Company"), filed an application with the Arizona Corporation Commission ("Commission") requesting authorization to execute a loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA").

PUBLIC NOTICE

On May 8, 2009, the Applicant filed an affidavit of publication verifying public notice of its financing application. The Applicant published notice of its financing application in the *Kingman Daily Miner* on May 4, 2009. The *Kingman Daily Miner* is a daily newspaper of general circulation in County of Mohave, State of Arizona. The affidavit of publication is attached along with a copy of the Notice.

BACKGROUND

The U.S. Congress enacted the American Recovery and Reinvestment Act of 2009 ("ARRA") on February 17, 2009. WIFA's *Supplemental 2009 ARRA Intended Use Plan* shows that ARRA authorizes it to provide an additional subsidy on loans. In addition, the *Supplemental 2009 ARRA Intended Use Plan* asserts that projects that receive ARRA funds would need to be capable of moving forward rapidly; hence, expedited regulatory consideration is appropriate.

Mount Tipton is a non-profit Class "C" Arizona public service corporation located in Dolan Springs, Arizona. The Company owns and operates a public water utility in Mohave County, Arizona.

COMPLIANCE

The Compliance Database indicates there is one delinquency for Mount Tipton. The item in question is a revised rate schedule reflecting the emergency interim surcharge authorized in Decision No. 70559. The Company has provided the rate schedule to Staff, and Staff is currently reviewing it.

PURPOSE AND DESCRIPTION OF THE REQUESTED FINANCING

The purpose of the Company's request for the WIFA loan is to fund completion of well upgrades and other system improvements.

The Company requests that the Commission authorize it to secure financing in an amount not to exceed $140,000 from WIFA. The Company anticipates that $126,000, or 90 percent of the loan, will be designated as forgivable principal reducing the expected repayable indebtedness to $14,000. The Company expects a 20-year amortizing loan at 5.25 percent per annum. The current base interest rate on a WIFA loan is 5.25 percent. The base interest rate is calculated by using the current prime rate of 3.25 percent plus 2.00 percent.

ENGINEERING ANALYSIS

The Staff Engineering Memorandum is attached. Staff reviewed the Company's proposed capital improvements and found the project costs appropriate and the related cost estimates reasonable. Staff makes no "used and useful" determination of the proposed improvements nor any conclusions for rate base or ratemaking purposes.

FINANCIAL ANALYSIS

Staff's analysis is illustrated on Schedule JCM-1. Column [A] reflects The Company's historical financial information for the year ended December 31, 2008. Column [B] presents pro forma financial information that modifies Column [A] to reflect additional revenues the Company generates from a surcharge approved by the Commission in Decision No. 70559. Column [C] presents pro forma financial information that modifies Column [B] to reflect issuance of a 20-year, $140,000 amortizing loan at 5.25 percent per annum.

TIER and DSC

Times interest earned ratio ("TIER") represents the number of times earnings cover interest expense on short-term and long-term debt. A TIER greater than 1.0 means that operating income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long-term but does not mean that debt obligations cannot be met in the short-term.

Debt service coverage ratio ("DSC") represents the number of times internally generated cash will cover required principal and interest payments on short-term and long-term debt. A DSC greater than 1.0 indicates that cash flow from operations is sufficient to cover debt obligations. A DSC less than 1.0 means that debt service obligations cannot be met by cash generated from operations and that another source of funds is needed to avoid default.

Schedule JCM-1, Column [A] shows that for the year ended December 31, 2008, the Company had a negative times interest earned ratio ("TIER") and a 0.76 debt service coverage ratio ("DSC"). The DSC results show that cash flow from operations in 2008 was not sufficient to cover all existing obligations. Thus, current base revenues are inadequate to provide debt service on the proposed $140,000 WIFA loan.

Decision No. 70559, dated October 23, 2008 authorized a $10 per month per customer emergency interim surcharge to provide approximately $89,040 per year of additional revenue with the condition that the Company post a $20,000 performance bond or irrevocable sight draft letter of credit with the Commission before the surcharge could take effect. The Company was not able to post $20,000. Accordingly, the Commission reduced the required bond to $5,000 in

Decision No. 70838, dated March 17, 2009. The Company subsequently posted a $5,000 bond, and it has begun billing the authorized interim surcharge.

The purpose of the surcharge is to fund past due accounts payables, necessary repairs, capital improvements and contingencies totaling $175,751. A second surcharge equal to $3.40 per customer per month is needed to provide a 1.25 DSC for the proposed $140,000 loan if none of the existing surcharge is considered available to pay debt service on the proposed loan. The required second surcharge needed to provide a 1.25 DSC for a $14,000 loan, the effective amount of the $140,000 loan assuming 90 percent is forgiven, is $1.83 per customer per month. Since the use of the WIFA loan proceeds parallels the authorized uses of the existing interim surcharge, a portion of the existing surcharge could be used to provide debt service on the proposed $140,000 loan causing a nominal extension in the period required to collect the initially anticipated funds of $175,751. Under this scenario Staff calculated a pro forma 1.84 TIER and 2.71 DSC as shown in Schedule JCM-1, Column [C]. The pro forma DSC shows that cash flow from operations with the interim surcharge is sufficient to cover all obligations including WIFA's requirement to fund a "Debt Service Reserve Fund" equal to 20 percent of debt service.

Capital Structure

As of December 31, 2008, the Company's capital structure consisted of 1.5 percent short-term debt, 98.3 percent long-term debt, and 0.2 percent equity (Schedule JCM-1, Column [A], lines 19-25). Staff calculated a pro forma capital structure reflecting an increase in interim rate revenues of $89,040 per year and issuance of a 20-year, $140,000 amortizing loan at 5.25 percent per annum, and it is composed of 1.7 percent short-term debt, 98.1 percent long-term debt and 0.2 percent equity (Schedule JCM-1, Column [C], lines 19-25).

Capital Structure inclusive of AIAC and CIAC

As of December 31, 2008, the Company's capital structure, inclusive of Advances-In-Aid-of-Construction ("AIAC") and Net Contributions-In-Aid-of-Construction ("CIAC")[1] consisted of 1.5 percent short-term debt, 97.6 percent long-term debt, 0.2 percent equity, 0.8 percent AIAC and 0.0 percent CIAC (Schedule JCM-1, Column [A], lines 30-40).

Encumbrance

Arizona Administrative Code ("A.A.C.") R18-15-104 requires WIFA borrowers to pledge their revenue sources to repay the financial assistance. A.R.S. § 40-285 requires public service corporations to obtain Commission authorization to encumber certain utility assets. The statute serves to protect captive customers from a utility's act to dispose of any of its assets that are necessary for the provision of service, thus, it serves to preempt any service impairment due to disposal of assets essential for providing service. Pledging assets as security typically provides benefits to the borrower in the way of increased access to capital funds or preferable

[1] Contributions in Aid of Construction less Amortization of Contributions in Aid of Construction.

interest rates, and it is often an unavoidable condition for procurement of funds for small or financially stressed entities.

CONCLUSION AND RECOMMENDATIONS

Staff concludes that the Company's proposed capital projects are appropriate and that the related cost estimates are reasonable.

Staff further concludes that issuance of the proposed debt financing for the purposes stated in the application is within Mount Tipton's corporate powers, is compatible with the public interest, will not impair its ability to provide services and is consistent with sound financial practices if a portion of the emergency interim rates equal to the monthly debt service payment plus an additional 20 percent for the required "Debt Service Reserve Fund", as required by WIFA, is established as the first priority use of the monthly collections and as long as Mount Tipton maintains compliance with the terms of the American Recovery and Reinvestment Act of 2009.

Staff recommends authorization to incur an 18-to-22 year amortizing loan in an amount not to exceed $140,000 pursuant to a loan agreement with WIFA that provides for 90 percent of the principal amount to become forgiven principal upon compliance with the American Recovery and Reinvestment Act of 2009.

Staff further recommends that the Commission authorize Mount Tipton to pledge its assets in the State of Arizona pursuant to A.R.S. § 40-285 and R18-15-104 in connection with the WIFA loan.

Staff further recommends that Mount Tipton use best efforts and act in good faith to comply with all the requirements of the American Recovery and Reinvestment Act of 2009 and all requirements of WIFA in order to obtain the 90 percent forgivable principal.

Staff further recommends that the Commission take the regulatory measures it deems appropriate due to any detrimental consequences to ratepayers that may result from Mount Tipton's failure to use best efforts and act in good faith to comply with the American Recovery and Reinvestment Act of 2009 that results in a reduction in the amount of the loan that would otherwise qualify as forgivable principal.

Staff further recommends that any authorization to incur debt granted in this proceeding terminate on December 31, 2012.

Staff further recommends authorizing Mount Tipton to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.

Staff further recommends that Mount Tipton file with Docket Control, as a compliance item in this docket, a copy of the loan documents within 60 days of the execution of any financing transaction authorized herein.

Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, by December 31, 2010, copies of the Certificates of Approval of Construction issued by the Arizona Department of Environmental Quality for the proposed well upgrades and other system improvements.

Mount Tipton Water Company, Inc.
Docket No. W-02105A-09-0145
Application For Financing

Schedule JCM-1

FINANCIAL ANALYSIS

	[A][1] <u>12/31/2008</u>		[B][2] <u>Pro forma</u>		[C][3] <u>Pro forma</u>	
Operating Income	-$42,650		$40,450		$40,602	
Depreciation & Amort.	$65,154		$65,154		$65,154	
Income Tax Expense	$0		$5,940		$5,788	
Interest Expense	$18,001		$18,001		$25,254	
Repayment of Principal	$11,782		$11,782		$15,850	
TIER						
[1+3] ÷ [5]	Negative		2.58		1.84	
DSC						
[1+2+3] ÷ [5+6]	0.76		3.75		2.71	
Capital Structure						
Short-term Debt	$11,782	1.5%	$11,782	1.5%	$15,850	1.7%
Long-term Debt	$787,329	98.3%	$787,329	98.3%	$923,261	98.1%
Common Equity	$1,587	0.2%	$1,587	0.2%	$1,587	0.2%
Total Capital	$800,698	100.0%	$800,698	100.0%	$940,698	100.0%
Capital Structure (inclusive of AIAC and Net CIAC)						
Short-term Debt	$11,782	1.5%	$11,782	1.5%	$11,782	1.2%
Long-term Debt	$787,329	97.6%	$787,329	97.6%	$923,261	97.9%
Common Equity	$1,587	0.2%	$1,587	0.2%	$1,587	0.2%
Advances in Aid of Construction ("AIAC")	$6,287	0.8%	$6,287	0.8%	$6,287	0.7%
Contributions in Aid of Construction ("CIAC") [4]	$0	0.0%	$0	0.0%	$0	0.0%
Total Capital (Inclusive of AIAC and CIAC)	$806,985	100.0%	$806,985	100.0%	$942,917	100.0%
AIAC and CIAC Funding Ratio [5] (36+38)/(40)	0.8%		0.8%		0.7%	

[1] Column [A] is based on the Company's Financial Statements for the year ended December 31, 2008.
[2] Column [B] is Column [A] modified to reflect an $89,040 increase in interim rate revenues (Decision No. 70559).
[3] Column [C] is Column [B] modified to reflect issuance of the proposed $140,000 debt financing amortized for 20 years at 5.25 percent
[4] Net CIAC balance (i.e., less: accumulated amortization of contributions).
[5] Staff typically recommends that combined AIAC and Net CIAC funding not exceed 30 percent of total capital, inclusive of AIAC and Net CIAC.

MEMORANDUM

DATE April 3, 2009

TO: Juan Manrique
Public Utility Analyst

FROM: Dorothy Hains, P. E. DH
Utilities Engineer

RE: **Financing Application filed by Mount Tipton Water Company, Inc**
Docket No. W-02105A-09-0145

Introduction and Background

On March 23, 2009, Mount Tipton Water Company, Inc. ("Mt. Tipton" or "the Company") filed a financing application with the Arizona Corporation Commission ("ACC" or "Commission"). Mount Tipton has filed an application with the Water Infrastructure Finance Authority ("WIFA") seeking funds totaling $140,000. The funds requested would be used to complete the well upgrades and other system improvements outlined in the table below. The Company has informed Commission Utilities Division Staff ("Staff") that it intends to formally increase its funding request filed with WIFA and with this Commission to $160,300 to reflect the amount listed in the table below.

WIFA has advised the Company that the proposed well upgrade work and the other system improvements listed below will qualify for funding under the American Recovery and Reinvestment Act ("ARRA").

According to the Company, the water system wells and pumps have not received the proper maintenance for the past 10 years which has reduced the amount of water pumped to the system. The system is not able to supply adequate water to customers during high demand months due to the diminished pumping rate. Funds are needed to clean and refurbish five existing wells and the well pumps need to be replaced. Funds are also needed for testing and sampling to obtain Arizona Department of Environmental Quality ("ADEQ ") approval of an existing spring well. Testing of the spring well and acceptance by ADEQ, if granted, would provide an additional source of water to meet peak demand and alleviate the need to drill a new well.[1] Finally, funds are needed for the replacement of worn-out meters which the Company believes will help lessen its water loss.[2]

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[1] Commission Decision No. 70559, issued October 23, 2008, ordered the Company to develop an additional water source before adding storage.

[2] Lost water should be 10 percent or less and never more than 15 percent. Lost water for the Company was calculated to be 20.34 percent which exceeds acceptable limits.

System Analysis

The Company operates a water system that consists of nine drinking water wells[3] (having a combined well capacity of 140 gallons per minutes ("GPM")) and three storage tanks (having a combined capacity of 627,000 gallons). The Company serves an existing customer base of approximately 740 customers.[4]

The Company recently had two of its wells fail. While these wells were out of service for cleaning and rehabilitation work the Company did not have an adequate source of water during periods of high demand. The Company believes that several of its other wells will also fail without having the same rehabilitation work, which would again leave the Company without an adequate supply of water during periods of high demand. Staff concludes that the proposed well rehabilitation work is needed to ensure that the Company continues to have an adequate source of water during periods of high demand.

ADEQ Compliance Status

ADEQ has determined that Mount Tipton is currently in full compliance with its requirements.[5] ADEQ further states that Mount Tipton is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance Status

Mount Tipton Water Company is not located in any Active Management Area ("AMA"), as designated by ADWR. ADWR has determined that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.[6]

ACC Compliance Status

A check of the Utilities Division Compliance database showed there is one delinquent compliance item for the Company. This item[7] has been posted as received and compliance is awaiting Staff approval on the information submitted by the Company.

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[3] The Company owns eight wells and leases one well. Two the Company owned wells are spring wells that have not been approved by ADEQ.
[4] According to data submitted, the Company served 737 customers at the end of December 2008.
[5] ADEQ compliance status report dated February 27, 2009.
[6] ADWR compliance status report dated June 16, 2008.
[7] Compliance item required the Company to file a revised rate schedule reflecting the emergency interim surcharge approved in Decision No. 70559.

Cost

The Company estimates a total construction cost of $160,302.34.

A general description of the costs is as follows:

Project Description	Estimated Cost ($)
Well Rehab Program	
Well pump motor replacement*	14,303.52
Well pump replacement*	16,005.50
Parts (tees, etc.)*	2,019.85
Pipes*	23,111.42
Sub cable*	9,802.88
Lighting arrestor*	1,043.00
Couplings*	1,146.00
Valves*	1,491.00
Plumbing*	1,050.00
Camera well (rental, labor)*	4,900.00
Well cleaning to remove solid deposit in well column(labor, equip rental & tax)*	59,997.11
Shipping & handling (pipes, valves, etc.)*	1,750.00
Travel expenses*	1,890.00
Tax*	4,148.86
Labor*	9,643.20
Subtotal	**$152,302.34**
New Source Program	
Sampling & Testing**	6,000.00
Subtotal	**$6,000.00**
Water Loss Reduction Program	
Service meter replacement***	2,000.00
Subtotal	**$2,000.00**
Total	**$160,302.34**

Note:* The listed items include improvements to Well #1 (DWR #55-6065117, Ironwood Well), Well #2 (DWR #55-508835, Iron Dr Well), Well #3 (DWR #55-520733, LDS Well), Well #5 (DWR #55-510178, Chambers Well), Well #6 (DWR #55-601846, Field Well), Well #7(DWR #55-601847), Well #9 (DWR #55-601848, Spring Well).

** Sampling and testing of the Spring Well #2 to obtain ADEQ source approval.

*** Based on the estimated cost to replace 100 defective worn-out meters.

Staff concludes that the proposed project is appropriate and the cost estimates presented above are reasonable for purposes of this funding request. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purpose in the future.

Construction Schedule

The Company plans to begin the proposed well rehabilitation work in April 2009. According to the Company all construction work will be completed in six to nine months.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, by December 31, 2010, copies of the Certificates of Approval of Construction ("AOC") issued by ADEQ for the proposed well upgrades and other system improvements.

Summary

I. Conclusions

1. ADEQ has determined that the Company is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

2. ADWR has determined that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.

3. A check of the Utilities Division Compliance database showed there is one delinquent compliance item for the Company. This item[8] has been posted as received and compliance is awaiting Staff approval on the information submitted by the Company.

4. Staff concludes that the proposed well rehabilitation work is needed to ensure that the Company continues to have an adequate source of water during periods of high demand.

5. Staff concludes that the proposed project is appropriate and the cost estimates presented herein are reasonable for purposes of this funding request. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purpose in the future.

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[8] Compliance item required the Company to file a revised rate schedule reflecting the emergency interim surcharge approved in Decision No. 70559.

II. Recommendations

1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, by December 31, 2010, copies of the Certificates of AOC issued by ADEQ for the proposed well upgrades and other system improvements.

ATTACHMENT B

Attn: Charlotte

Client:	
Mount Tipton Water Co, Inc	
Account #	31761
Ad #	125170
Phone:	(928) 767-3713
Fax:	(928) 767-3053
Address:	PO Box 38 Dolan Springs, AZ 86441
Sales Rep.:	
2011 Melinda Mauser	
Phone:	(928) 753-6397 Ext: 242
Fax:	(928) 753-5661
Email:	mmauser@kingmandailyminer.com
Entry date:	05/01/2009 11:43 AM
Class.:	0050 LEGAL NOTICES
Requested By:	
Start Date:	05/04/2009
End Date:	05/04/2009
Nb. of Inserts:	1
Publications:	KINGMAN DAILY MINER
Total Price:	$35.28
Paid Amount:	$0.00
Balance:	$35.28

Page 1 of 1

(125170)

PUBLIC NOTICE OF AN APPLICATION FOR AN ORDER AUTHORIZING THE ISSUANCE OF $140,000 LONG TERM DEBT BY MT. TIPTON WATER COMPANY, INC.

Mt Tipton Water Company Inc. ("Company") filed an Application on 3-23-09 with the Arizona Corporation Commission ("Commission") for an order, authorizing Applicant to issue $140,000 of Long Term Debt in order to finance the updating of the Wells, Pumps and Water System for Mt. Tipton Water Company. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's office at 15986 Ironwood Drive. Dolan Springs. Arizona 86441. This application has been assigned Docket No. W-02105A-09-0145.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.C.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice. Published: 5/4/2009

Ad. No. 125170

Here is proof, price & run date! Thank you

Have a great weekend!

- Melinda Mauser