

ORIGINAL
NEW APPLICATION



0000107566

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

2010 JAN 13 P 4:22

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

W-01624A-10-0009

APPLICATION OF BIG PARK WATER
COMPANY, INC., AN ARIZONA
CORPORATION, FOR AUTHORITY TO
INCUR LONG-TERM DEBT FROM THE
WATER INFRASTRUCTURE FINANCE
AUTHORITY OF ARIZONA

DOCKET NO. W-01624A-10-_____

FINANCING APPLICATION

**BIG PARK WATER COMPANY, INC.
JANUARY 13, 2010**

1
2
3 1. **Introduction.** As more fully set forth below, Big Park Water Company, Inc
4 (“Big Park” or the “Company”) hereby applies in accordance with A.R.S. § 40-301 *et. seq.*, for
5 authority to be obligated for up to \$415,000 in debt not previously approved by the Commission.

6 2. **Supporting Exhibits.** As more fully discussed below, Big Park provides the
7 following exhibits in support of its application:

- 8 • **Exhibit A** – Project Budget.
- 9 • **Exhibit B** – 2008 Balance Sheet.
- 10 • **Exhibit C** – 2008 Income Statement.
- 11 • **Exhibit D** – Financial Ratios.
- 12 • **Exhibit E** – Certificate of Resolution.
- 13 • **Exhibit F** – Form of Public Notice.

Arizona Corporation Commission
DOCKETED
JAN 13 2010

DOCKETED BY nr

14 3. **Company Description.** Big Park is a public service corporation engaged in
15 providing water services in Yavapai County pursuant to a certificate of public convenience and
16 necessity granted by the Arizona Corporation Commission (the "Commission") to Big Park. The
17 Company presently provides utility service to approximately 3,000 water customers.

1 4. **Principal Office.** The Company's principal business office is located at 45 Castle
2 Rock Road, Suite 4, Sedona, AZ 86351, and its telephone number is 928-284-1133.

3 5. **Authorized Representative.** The person authorized to receive notices and
4 communications regarding this application is:

5 Stevan Gudovic
6 President
7 Big Park Water Company
8 45 Castle Rock Rd., Ste. 4
9 Sedona, AZ 86351
10 Telephone: (928) 284-1133
11 Facsimile: (928) 284-1974
12 sgudovic@bigparkwater.com

13 **All discovery, data requests, and other requests for information concerning this**
14 **Application should be directed to Mr. Gudovic, with a copy to undersigned counsel for the**
15 **Company.**

16 6. **Description of Lender.** The Water Infrastructure Finance Authority of Arizona
17 (“WIFA”) is an independent agency of the state of Arizona and is authorized to finance the
18 construction, of Arsenic Treatment Facilities.

19 7. **Purpose of Borrowing.** The purpose of this application is to request approval to
20 borrow \$415,000 in new funds from WIFA to fund Arsenic Treatment Facilities for Big Park’s
21 two remaining untreated wells (Well Nos. 1 and 5). Big Park’s other wells have already been
22 equipped with arsenic-remediation facilities. These facilities were funded by equity and through
23 Arsenic Impact Hook-up Fees previously approved by the Commission. Because of dramatically
24 slower customer growth in the last two years (average of 4-5 new customers per year), the
25 Arsenic Impact Hook-up Fees will not generate the funds required to construct and install
26 arsenic-treatment facilities at the two remaining wells.

27 8. **Project Budget.** Exhibit A is a copy of Big Park’s project budget for the Arsenic
28 Treatment Facilities that will be funded by the WIFA borrowing.

29 9. **Proposed Interest Rate.** Big Park expects to borrow these funds from WIFA at a
30 rate of 4%, not to exceed 7%.

1 10. **Financing Term.** The Company expects that the financing term will not exceed
2 20 years.

3 11. **Debt Security.** The proposed debt will be secured.

4 12. **Financing Costs.** There are no expected financing costs or issuance expenses.
5 No person is expected to receive any fees as a result of this transaction.

6 13. **Other Borrowing Terms.** The Company will file a copy with Commission of all
7 executed documents associated with the authorized financing.

8 14. **Financial Statements.** Exhibit B is a copy of the Company's 2008 balance sheet.
9 Exhibit C is a copy of the Company's 2008 income statement. Financial statements for 2009 are
10 not yet available, but can be provided when available.

11 15. **DSC and TIER.** Exhibit D derives Big Park's Debt Service Coverage Ratio
12 ("DSC") and its Times Interest Earned Ratio (TIER"). As of December 2008, the Company's
13 DSC was 7.96 and TIER was 5.54 (Earnings before interest and taxes was \$40,623, interest was
14 \$7,879 and depreciation and amortization expense was \$159,682). Exhibit D also includes *pro*
15 *forma* calculations of DSC and TIER for 2008. After giving effect to the WIFA borrowing, the
16 Company's DSC would be 1.44 and TIER would be 3.14 (Earnings before interest and taxes
17 would be \$40,623, interest would be \$34,546, and depreciation and amortization expense would
18 be \$159,682).¹ Based on these ratios, the Company should be able to adequately cover its
19 expected debt payments from operating cash flow until on-going and future rate cases gradually
20 incorporate the aforementioned investment into rate base. In addition, the future funds from
21 Arsenic Impact Hook-up Fee will be available to repay principal and interest of the loan. The
22 amount of these funds on the annual basis is impossible to predict at this point of time because it
23 is the function of recovery of the real estate market in Yavapai County.

¹ For purposes of calculating this illustration, Big Park is using a principal amount of \$415,000, at term of 20 years, and an interest rate of 6.5%. The actual interest rate and other terms will be finalized at the time the borrowing is finalized.

1 16. **Corporate Powers.** Exhibit E is a copy of a resolution by Big Park's
2 stockholders authorizing the proposed borrowing.

3 17. **Compliance.** The purpose of the WIFA borrowing is to meet new EPA arsenic
4 requirements and to allow the Company to comply with a Notice of Violation from the Arizona
5 Department of Environmental Quality concerning arsenic levels at Wells No. 1 and 5. With this
6 exception, Big Park currently has no outstanding compliance issues with the Commission, the
7 Arizona Department of Environmental Quality with the exception of Arsenic Requirement, or
8 the Arizona Department of Water Resources.

9 18. **Compatibility.** The proposed transaction is needed to fund the construction of
10 Arsenic Treatment Facilities. The new borrowing will be provided by WIFA at competitive rates
11 and net of any underwriting costs or fees. Therefore, the requested financing approval is
12 compatible with

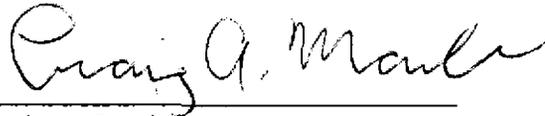
- 13 • the public interest;
- 14 • sound financial practices; and
- 15 • the proper performance by Big Park of service as a public service corporation (and
16 will not impair the Company's ability to perform that service).

17 19. **Public Notice.** Exhibit F is a copy of the notice that Big Park intends to publish
18 in a newspaper of general circulation in its service areas. Big Park will file proof of publication
19 when it is available.

20 20. **Prompt Approval.** Because the debt is needed to construct Arsenic Treatment
21 Facilities, Big Park requests prompt approval of this financing application.

22 21. **Requested Relief.** As more fully set forth in this Application, Big Park asks that
23 the Commission approve its request under A.R.S. § 40-301 *et. seq* to incur up to \$415,000 in new
24 long-term debt.

1 Respectfully submitted on January 13, 2010 by:

2
3 

4
5 Craig A. Marks
6 Craig A. Marks, PLC
7 10645 N. Tatum Blvd
8 Suite 200-676
9 Phoenix, Arizona 85028
10 (480) 367-1956
11 Craig.Marks@azbar.org
12 Attorney for Big Park Water Company

13
14 **Original and 13 copies filed**
15 on January 13, 2010, with:

16
17 Docket Control
18 Arizona Corporation Commission
19 1200 West Washington
20 Phoenix, Arizona 85007

21
22
23
24 By:


25 Craig A. Marks

Exhibit A

Exhibit A

Cost

The Company estimates a total construction cost of \$415,000.

A general description of the costs is as follows:

Project Description	Estimated Costs (\$)
Arsenic Treatment Plant Well #1	
Engineering	10,000
Site Preparation	5,000
Building-Metal & Block wall	33,000
One 160 GPM arsenic treatment plant (2 x 48" Diameter Vessels and all associated piping)	26,523
Absorption media	13,000
Electronics	2,500
Labor	15,000
State and County fees	2,250
Subtotal (arsenic Treatment Facility)	107,273
Contingency	10,727
Total (Arsenic Treatment Facility)	118,000
Arsenic Treatment Plant Well #5	
Engineering	20,000
Site Preparation	8,000
One 550 GPM arsenic treatment plant (2 x 10' Diameter Vessels and all associated piping)	146,000
Absorption media	50,000
Electronics	3,000
Labor	39,000
State and County fees	4,000
Subtotal (arsenic Treatment Facility)	270,000
Contingency	27,000
Total (Arsenic Treatment Facility)	297,000
Total Arsenic Treatment Facilities	415,000

Exhibit B

Exhibit B

11:12 AM
 12/22/09
 Accrual Basis

Big Park Water Company
Balance Sheet
 As of December 31, 2008

	Dec 31, 08
Total 300-00 · Plant In Service	6,356,068.80
108-00 · Accumulated Depreciation	
108-10 · Accum Depreciation	-2,234,253.69
108-20 · Accum Depr - CdC	-22,237.29
108-30 · Accum Depr - FP	-58,054.79
Total 108-00 · Accumulated Depreciation	-2,314,545.77
Total Fixed Assets	4,219,275.37
Other Assets	
121-01 · Plant Acquisition Adjust - CdC	3,658.00
121-02 · Plant Acquisition Adjust-FP	-1,396.11
Total Other Assets	2,261.89
TOTAL ASSETS	4,640,414.72
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
231-00 · Accounts Payable	6,499.04
Total Accounts Payable	6,499.04
Other Current Liabilities	
231-20 · Accrued Payables	2,707.43
231-32 · Accrued 401-K Plan Co Match	71,621.15
231-40 · Accrued Workers' Comp	1,290.19
232-30 · National Bank of AZ	47,350.00
234-00 · Due to Shareholder	189,653.13
235-00 · Customer Security Deposits	14,590.95
236-10 · Accrued Property Taxes	20,432.75
236-30 · Accrued PR Taxes - FICA	2,728.40
236-35 · Accrued PR Taxes - Medicare	4,640.28
236-40 · Accrued PR Taxes - Fed W/H	76,500.00
236-60 · Accrued PR Taxes - FUTA	154.23
236-70 · Accrued PR Taxes - SUTA	8.99
236-80 · Accrued Taxes - Federal Income	2,446.00
241-10 · Unclaimed Property	1,591.91
241-20 · AIAOC - Current	16,500.00
241-30 · Current Meter Deposits	28,000.00
Total Other Current Liabilities	480,215.41
Total Current Liabilities	486,714.45
Long Term Liabilities	
252-00 · Advances in Aid of Construction	1,598,788.20
252-10 · Meter Deposits Long Term	97,963.64
255-00 · Unamortized ITC	2,003.00
271-00 · Contributions in aid of Constr	
271-10 · CIAOC	1,696,815.81
271-20 · CIAOC - Arsenic Impact Fee	181,980.00
272-00 · Accum. Amortization of CIAOC	-325,763.98
Total 271-00 · Contributions in aid of Constr	1,553,031.83
281-00 · Deferred Income Tax Liability	62,004.00
Total Long Term Liabilities	3,313,790.67
Total Liabilities	3,800,505.12
Equity	
200-10 · Common Stock	10,000.00
211-10 · Additional Paid-In Capital	117,604.09
215-10 · Retained Earnings	671,468.63
Net Income	40,836.88
Total Equity	839,909.60

11:12 AM
12/22/09
Accrual Basis

Big Park Water Company
Balance Sheet
As of December 31, 2008

	<u>Dec 31, 08</u>
TOTAL LIABILITIES & EQUITY	<u><u>4,640,414.72</u></u>

Exhibit C

11:11 AM
 12/22/09
 Accrual Basis

**Big Park Water Company
 Profit & Loss
 January through December 2008**

Exhibit C

	<u>Jan - Dec 08</u>
Ordinary Income/Expense	
Income	
461-00 · Metered Water Revenue	
461-10 · Residential Revenue	1,037,735.71
461-20 · Commercial Revenue	275,865.29
461-30 · Multi-Family Revenue	74,311.57
461-40 · Residential Sales Tax	67,184.04
461-50 · Commercial Sales Tax	18,059.89
461-60 · Multi-Family Sales Tax	4,845.55
461-70 · Sales Tax Expense	-90,408.33
461-00 · Metered Water Revenue - Other	-542.26
Total 461-00 · Metered Water Revenue	1,387,051.46
474-00 · Other Water Revenues	
474-10 · Establishment Fees	9,380.00
474-20 · Miscellaneous Service Revenues	1,884.40
474-30 · Sales For Resale	4,891.27
Total 474-00 · Other Water Revenues	16,155.67
Total Income	1,403,207.13
Expense	
601-10 · Salaries & Wages	
601-40 · Regular Operations	-7,634.03
601-20 · Officers Salary	385,231.39
601-10 · Salaries & Wages - Other	258,856.21
Total 601-10 · Salaries & Wages	636,453.57
615-10 · Purchased Power	107,527.47
620-00 · Repairs & Maintenance	37,222.68
621-00 · Office Supplies & Expense	
621-03 · Merchant CC & ACH Fees	7,212.85
621-02 · Bank Service Charges	1,094.26
621-01 · Postage	14,120.47
621-00 · Office Supplies & Expense - Other	12,615.48
Total 621-00 · Office Supplies & Expense	35,043.06
630-00 · Outside Services	
630-10 · Engineering	73,530.00
630-20 · Accounting	6,810.50
Total 630-00 · Outside Services	80,340.50
635-00 · Water Testing	6,518.47
641-00 · Rental of Building	22,200.00
650-00 · Transportation Expense	27,184.13
657-00 · Insurance - General Liability	30,261.68
659-00 · Insurance - Health & Life	37,836.88
675-00 · Miscellaneous Expenses	
669-00 · Reconciliation Discrepancies	-88.40
675-06 · Communication Expense	9,039.86
675-01 · ACC Expense	3,206.31
675-02 · Bad Debt Expense	-2,193.30
675-04 · Billable Overhead Benefits	-1,714.73
675-05 · Charitable Expense	605.00
675-07 · Dues & Fees	3,292.62
675-08 · Employee Retirement	74,076.57
675-10 · Meals & Entertainment	3,574.08
675-12 · Other Expenses	2,519.07
675-15 · Training and Education	1,296.40
675-17 · Uniforms	920.05
Total 675-00 · Miscellaneous Expenses	94,533.73
403-00 · Depreciation Expense	159,682.00
408-00 · Taxes Other Than Income	
408-01 · FICA Expense	32,033.37
408-02 · Medicare Expense	10,333.67
408-03 · FUTA Expense	582.51

11:11 AM
12/22/09
Accrual Basis

Big Park Water Company
Profit & Loss
January through December 2008

	<u>Jan - Dec 08</u>
408-04 · SUTA Expense	1,131.78
Total 408-00 · Taxes Other Than Income	44,081.33
408-11 · Property Tax Expense	40,874.08
409-00 · Income Tax Expense	
409-10 · Income Tax	9,097.00
409-20 · Deferred Income Tax	-4,442.00
409-30 · Deferred ITC	-1,630.00
Total 409-00 · Income Tax Expense	3,025.00
Total Expense	1,362,584.58
Net Ordinary Income	40,622.55
Other Income/Expense	
Other Income	
419-00 · Interest Income	2,597.36
421-00 · Non-Utility Income	-0.47
421-10 · AFUDC	5,172.66
Total Other Income	7,769.55
Other Expense	
426-00 · Misc Non-Utility Expense	-323.75
427-00 · Interest Expense	7,878.97
Total Other Expense	7,555.22
Net Other Income	214.33
Net Income	40,836.88

Exhibit D

FINANCIAL ANALYSIS

	<u>(A)¹</u> <u>12/31/2008</u>		<u>(B)²</u> <u>Pro Forma</u>	
1 Net Ordinary Income	40,623		40,623	
2 Depreciation & Amort.	159,682		159,682	
3 Income Tax Expense	9,097		9,097	
4				
5 Interest Expense	7,879		34,546	
6 Repayment of Principal	17,650		28,113	
7				
8				
9 TIER				
10 (1+3) / (5)	6.31		1.44	
11				
12 DSC				
13 (1+2+3) / (5+6)	8.20		3.34	
14				
15				
16				
17				
18 Capital Structure				
19				
20 Short Term Debt	47,350	5%	10,463	0.8%
21				
22 Long Term Debt	-		404,537	32.2%
23				
24 Common Equity	839,910	95%	839,910	66.9%
25				
26 Total Capital	887,260	100%	1,254,910	100%
27				
28				
29 Capital Structure (inclusive of AIAC and Net CIA)				
30				
31 Short Term Debt	47,350	1.1%	10,463 ³	0.2%
32				
33 Long Term Debt	-		404,537	9.0%
34				
35 Common Equity	839,910	20.3%	839,910	18.6%
36				
37 Advances in Aid of Construction ("AIAC")	1,696,752	41.0%	1,696,752	37.7%
38				
39 Contributions in Aid of Construction ("CIAC")⁴	1,553,032	37.5%	1,553,032	34.5%
40				
41 Total Capital (Inclusive of AIAC and CIAC)	4,137,043	100%	4,504,693	100%
42				
43				
44				
45				
46				

47 ¹Column (A) is based on the Company's Financial Statements for the year ending December 31, 2008

48 ²Column (B) is Column (A) modified to reflect issuance of the proposed \$415,000 debt financing amortized for 20 years at 6.5%

49 ³Pro Forma Short-term Debt Represents the annual principal portion of the proposed loan

50 ⁴Net CIAC balance (i.e. less: amortization of contributions).

Exhibit E

Borrowing Resolutions of Big Park Water Company

Date: 11/2/10

THIS IS TO CERTIFY that the undersigned stockholders of Big Park Water Company, an Arizona Corporation ("Company") duly organized and existing under the laws of the State of Arizona, hereby adopt the following Resolutions and certify that the same have not been altered, amended or revoked.

RESOLVED THAT Company is hereby authorized and empowered to enter into a loan transaction with WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender") and borrow pursuant thereto, from time to time on behalf of, and in the name of, Company from Lender such sums of money not exceeding in the aggregate at any one time the principal sum of Four Hundred Fifteen Thousand Dollars (\$415,000).

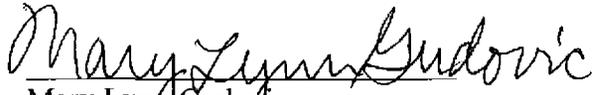
RESOLVED FURTHER, that for action of the Lender in reliance thereon, the Company certifies and delivers to the said Lender a copy of these Resolutions, and that these Resolutions shall remain in full force and effect until written notice of their repeal shall have been received by Lender and until all indebtedness which may have been incurred as aforesaid shall have been paid and satisfied.

WE FURTHER CERTIFY that the authority conferred is not inconsistent with the Laws of the State of Arizona or the Company's Articles of Incorporation.

IN WITNESS WHEREOF, the stockholders of Company have hereunto set their hands officially this 2 day of Jan, 2010.



Stevan S. Gudovic
50% Stockholder in Big Park Water Company



Mary Lynn Gudovic
50% Stockholder in Big Park Water Company

Exhibit F

Exhibit F

Public Notice of an Application for an Order

Authorizing the issuance of \$415,000 long term debt by Big Park Water Company ("BPWC").

BPWC ("Company") filed an Application on _____ with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$415,000 of long term debt in order to finance the construction of water system facilities. The Application is available for inspection during regular business hours at the offices of the Commission in Phoenix, Arizona and the Company's offices at 45 Castle Rock Road, #4, Sedona, Arizona 86351. The Application has been assigned Docket No. _____.

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

1. The name, address and telephone number of the proposed intervener and of any person upon whom service of documents is to be made if different than the intervener.
2. A short statement of the proposed intervener's interest in the proceeding.
3. Whether the proposed intervener 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.A.C. R-14-3-105, except that all Motions to Intervene must be filed on or before the 15th day after this notice.