

ORIGINAL NEW APPLICATION



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ARIZONA CORPORATION COMMISSION



Arizona Corporation Commission

DOCKETED

APR 13 2010

DOCKETED BY nr

W-03443A-10-0143

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AZ CORP COMMISSION
DOCKET CONTROL

FINANCING APPLICATION

APPALOOSA WATER COMPANY
UTILITY NAME

"NEW APPLICATION"
DOCKET NO(S)

← ORIGINAL →

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.

IN ORDER TO PROCESS YOUR APPLICATION
PLEASE FORWARD THE ORIGINAL
AND THIRTEEN COPIES OF THE
APPLICATION PLUS
THREE PACKETS OF THE SUPPORTING
DOCUMENTATION TO:

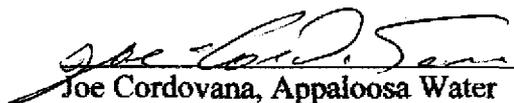
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL CENTER
1200 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007

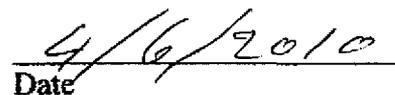
Arizona Corporation Commission
Attn: Docket Control Center
Room 130
1200 West Washington Street
Phoenix, AZ 85007-2927

Application for Financing Approval
Application Information Regarding Arizona Revised Statutes 40-301 & 40-302

1. Joe Cordovana, 1460 West Road 4 North Chino Valley, AZ 86323
(This is not a mailing address)
2. Joe Cordovana, PO Box 3150 Chino Valley, AZ 86323
3. Appaloosa Water Company provides water service to Appaloosa Meadows Subdivision in Chino Valley, AZ in Yavapai County. The request for financing approval is to construct a 500,000 water storage tank and incorporate this new storage system in conjunction with the existing. Per ADEQ and ADWR Rules and Regulations, each water system shall maintain enough storage capacity to supply its customers two days of water at a minimum pressure of 20 psi in the event of an electrical or mechanical failure. The amount requested for approved financing is \$855,193.00 to construct this required system, provide a emergency generator and to extend the main line to the service area to the North of Road 4 North. The financing will become a debt of the company with principal and interest payments to be calculated by "WIFA" as prime rate x subsidy rate index to be assigned to the loan application made to "WIFA" after that application is made.
4. N/A There is no expected gross proceeds or issuance of expenses.
5. Please review the documents contained in Exhibit A, these documents will provide a complete description of the expenditures of this Financing Approval.
6. This Financing Approval Application is made by Joe Cordovana, the owner of Appaloosa Water Company and is well within the corporate powers of Joe Cordovana. This Financing Approval is compatible with the public interest, sound financial practices, and compatible with proper performance as a public service corporation and will not impair, only improve its ability to perform that service.
7. N/A
8. Please refer to the documents contained in Exhibit A, Exhibit B and Exhibit C.
9. Please refer to the documents in Exhibit B
10. Please refer to the documents in Exhibit C
11. This application is complete, One (1) Original and Sixteen (16) copies.

I, Joe Cordovana, respectfully submit the attached application and its copies for financing approval by the Corporation Commission.


Joe Cordovana, Appaloosa Water


Date

Application Information Regarding Arizona Revised Statutes 40-301 and 40-302

The application for financing approval pursuant to Arizona Revised Statutes 40-301 and 40-302 shall include the following information:

1. The applicant's exact name and the address of its principal business office.
2. Name and address of the person authorized, on behalf of applicant, to receive notices and communications regarding the application.
3. A full description of the financings (debt or equity) proposed to be issued showing the kind, nature, and amount, the interest or dividend rate if any and its frequency, date of maturity, call features, voting privileges, and other detailed information regarding the financing itself. An explanation of whether the assets of the company will be encumbered by the financing (e.g. bank loan that is secured by company assets). If the financing is debt then provide a schedule of interest and principle payments. If the financing is a line of credit then provide a schedule of expected draw downs. Provide a description of the proposed method of issuing and selling the financing, including any special distribution rights to existing holders of the company's securities.
4. A statement showing the expected gross proceeds, issuance expenses, and net proceeds from the issuance and sale.
5. A complete description of the uses of the net proceeds, including descriptions of plant, property, or other assets to be acquired. Provide any capital expenditure budget that supports the proposed use of proceeds.
6. A statement that demonstrates why the financing is:
 - a. Within the corporate powers of the applicant;
 - b. Compatible with the public interest;
 - c. Compatible with sound financial practices; and,
 - d. Compatible with the proper performance by the applicant of service as a public service corporation and will not impair its ability to perform that service.
7. The name and address of any person receiving, or entitle to, a fee for service in connection with the issuance or sale of the financing and a demonstration that such fees do not exceed customary fees for such service in an arms-length transaction and are reasonable.
8. Provide a copy of any documents to be executed in the matter.

9. Provide the most recent balance sheet and income statement showing booked amounts and pro forma adjustments to record and show the effect of the transaction. Provide any other statements (such as pro forma statements from prior periods) that would demonstrate that the security issuance and sale is consistent with sound financial practices.
10. The Commission requires the Company to notice customers of the financing application. Attached is a copy of the notice to be used. Fill in the notice's blanks and either insert a copy of the notice in customers' next bill or have it published at least once in a newspaper of general circulation in the area in which the company serves. Please send proof of noticing to the Commission. Proof consists of the dated bill insert, a copy of the notice as it appeared in the newspaper or the receipt from the newspaper showing the date the notice is to be published.
11. Submit an original and thirteen (13) copies of the application and three (3) copies of the supporting documents to the following:

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

EXHIBIT "A"

Keogh Engineering, Inc.

From: "Nancy L. Sandoval" <Sandoval.Nancy@azdeq.gov>
Date: Thursday, January 21, 2010 9:47 AM
To: <dennis@keoghengineering.com>
Attach: STORAGE TANK CHECKLIST.xls
Subject: FW: Appaloosa Water Company
Dear Mr. Keogh;

Here is the first e-mail correspondence that sent to Tony Cordovana.

Lou Sandoval

From: Nancy L. Sandoval
Sent: Tuesday, December 15, 2009 12:35 PM
To: 'tony cordovana'
Subject: RE: Appaloosa Water Company

Dear Mr. Cordovana;

Thank you for sending me this information. Here are the regulations regarding storage tank size for water systems: These regulations can also be looked up on-line on the Secretary of State website, or I can walk you through the steps to find these regulations on the web.

Arizona Administrative Code, Title 18, Chapter 5, Section 503, A and B. "A. The minimum storage capacity for a CWS (community water system) or a non-community water system that serves a residential population or a school shall be equal to the average daily demand during the peak month of the year. Storage capacity may be based on existing consumption and phased as the water system expands. B. The minimum storage capacity for a multiple-well system for a CWS or a non-community water system that serves a residential population or a school may be reduced by the amount of the total daily production capacity minus the production from the largest producing well."

The drawing didn't identify if you have one well or two, and how much it (they) pump. Basically what that says for your water system, since it is a CWS is that the minimum of storage required shall be equal to the average daily demand during the peak month of the year. For instance if your service connections each use 500 gallons per day in the summer (the usual peak months of the year of course are May, June, July, August and September) and you have, or will have 1000 service connections then you would need a 500,000 gallon storage tank. Then the storage tank size would be increased for fire flow based on the local Fire Marshall recommendation for flow and duration (usually 2 hours, 1000 gallons per hour). This is if you have one well. If you have two wells supplying the storage tank then the size of the tank can be reduced, as it states in "B". Based upon what you told me over the phone, it sounds like a 431,000 gallon storage tank will be plenty large enough. The danger of making the tank too large is that if there is not enough circulation from incoming and outgoing water in the tank, stagnant water could develop and you might start getting positive Bac-T results.

I have attached a check list which we use to aid us Engineers in our review. This will give you and your design Engineer an idea of what we require on the plans and in the submittal package. ATC applications and fee schedule can be found on our website www.azdeq.gov. If you would like assistance finding this information I would be happy to help you find it on our website.

If you have any questions, please do not hesitate to contact me by phone or e-mail. We can also schedule a meeting here in the Phoenix office.

Sincerely,

Lou Sandoval

602-771-4672
nlm@azdeq.gov

PROJECT NAME:		WATER SYSTEM AND PROJECT NAME		
DATE:				
STORAGE TANKS SYSTEM CHECKLIST				
	Answer	QUESTIONS		
1		Is cost of project over \$12,500? If so, Does it have a P.E. Seal on each page of the Plans and Specs?		
2		Is there a Approval to Construct application?		
3		Does it have a Design Report sealed by the P.E. and that establishes the adequacy of the design to meet the system demand?		
4		Does the Minimum storage capacity for a CWS or NCWS that serves a residential population or a school equal to the average daily demand during the peak month of the year?		
5		Does it have a multiple-well system (Minimum Storage Capacity) for a CWS or a NCWS that serves a residential population or a school?		
6		Do you have a Compliance of water system Doc.? (when applicable)		
7		Does the paperwork have a Water Service Agreement? (usually applicable). (Not for small needs)		
8		Do the materials, surface coatings, and paints shall conform to NSF 617		
9		Are all materials used Lead-free?		
10		Are the steel structures in accordance with AWWA(D100-05 for welded steel tanks)(D103-97 for factory-coated bolted steel tanks)? Concrete tanks in accordance with AWWA(D110-04 or D115-06). Plastic tanks in accordance with AWWA (D120-06).		
12		Does the cover have a watertight roof, well drained, and provided with protected vents - #16 mesh noncorrodible screen?		
13		Is the bottom of the tank either above the 100-year flood level, or protected from the 100-year flood?		
14		Is the area within 100 ft. of tank graded to provide drainage away from tank?		
15		Is access provided by manholes or roof hatches above the waterline that have watertight cover and a locking device?		
16		Do the notes say that they will Disinfect in accordance with Engineering Bulletin 8 (V.B.) or AWWA C652-02 (Disinfection of Water-Storage Facilities)?		
17		Are there level indicator, level controls - operating levels, and overflow and low-level warnings or alarms?		
18		Are there interior and exterior ladders provided with safety cage or railing?		
19		Is there protection from trespassers (six-foot fence, or locks on access manholes)?		
20		Are there bedding detail for tank foundation shown?		
21		Is there a overflow pipe with splash pad and screening (#16 mesh)?		

10		steel tanks)(D103-97 for factory-coated bolted steel tanks)? Concrete tanks in accordance with AWWA(D110-04 or D115-06). Plastic tanks in accordance with AWWA (D120-06).
12		Does the cover have a watertight roof, well drained, and provided with protected vents - #16 mesh noncorrodible screen?
13		Is the bottom of the tank either above the 100-year flood level, or protected from the 100-year flood?
14		Is the area within 100 ft. of tank <i>graded to provide drainage away from tank?</i>
15		Is access provided by manholes or roof hatches above the waterline that have watertight cover and a locking device?
16		Do the notes say that they will Disinfect in accordance with Engineering Bulletin 8 (V.B.) or AWWA C652-02 (Disinfection of Water-Storage Facilities)?
17		Are there level indicator, level controls - operating levels, and overflow and low-level warnings or alarms?
18		Are there interior and exterior ladders provided with safety cage or railing?
19		Is there protection from trespassers (six-foot fence, or locks on access manholes)?
20		Are there bedding detail for tank foundation shown?
21		Is there a overflow pipe with splash pad and screening (#16 mesh)? Overflow pipe should be terminated 12" to 24" above grade.
22		Is there a drain valve on the drain pipe?
23		Is there a inlet connected to the top of the tank?
24		Is the maximum variation between high and low levels in storage units equal to or less than 30 feet?
????	Require Question Deficiency Question Question Question	2

KEOGH
ENGINEERING, INC

Keogh Engineering, Inc.

14150 W. McDowell Rd. • Goodyear Arizona 85395
(623) 535-7260 • Fax (623) 535-7262 • E-mail: keoeng@qwest.net

Civil Engineers | Land Surveyors

26 January 2010

Joe Cordovana
Josal Enterprises Inc.
1228 W. Road 4 North
Chino Valley, AZ 85323

Re: Appaloosa Water Company
New Storage Tank and Water Line
Extension Cost Estimate
Keogh Job No. 19059

Gentlemen,

The following is an engineers cost estimate for the design and installation of a new storage tank and water line extension for Appaloosa Water Company.

TANK

<u>Quantity</u>	<u>Item</u>	<u>Unit</u>	<u>Price</u>
1 EA	522, 100 gal. Storage Tank w/ fittings (per Allstate Tank)	L.S.	294,003.00
80 L.F.	8" D.I.P.	30.00	2,400.00
60 L.F.	4" D.I.P.	20.00	1,200.00
2 EA	8" G. Valve	500.00	1,000.00
2 EA	4" G. Valve	250.00	500.00
1 EA	Engineering Design	15,000.00	15,000.00
1 EA	Construction Staking	7,500.00	7,500.00
1 EA	8" Solenoid Valve	4,500.00	4,500.00
1 EA	Site Preparation	15,000.00	15,000.00

580 L.F.	8" CMU Wall	30.00	17,400.00
2 EA	Generator w/Propane Tank	25,000.00	50,000.00
2 EA	Electric Panel	15,000.00	30,000.00
1 EA	4" Solenoid Valve	3,000.00	3,000.00
1 EA	Taxes	L.S.	34,360.00
1 EA	Permits/Fees	L.S.	<u>30,237.00</u>
		Total	506,136.00
		20% Contingency	607,363.00

PHASE I WATER LINE EXTENSION

1930 L.F.	8" D.I.P.	30.00	57,900.00
1 EA	6" x 8" Reducer	350.00	350.00
4 EA	8" GVB & C	500.00	2,000.00
1 EA	Fire Hydrant Complete	3,000.00	3,000.00
1 EA	Engineering Design	2,500.00	2,500.00
1 EA	Construction Staking	2,500.00	2,500.00
1 EA	Taxes	L.S.	5,060.00
1 EA	Permit/Fees	L.S.	<u>4,500.00</u>
		Total	77,810.00
		20% Contingency	93,372.00

PHASE II WATER LINE EXTENSION

3010 L.F.	8" D.I.P.	30.00	90,300.00
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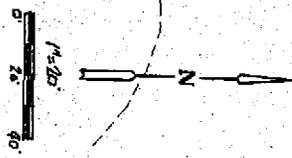
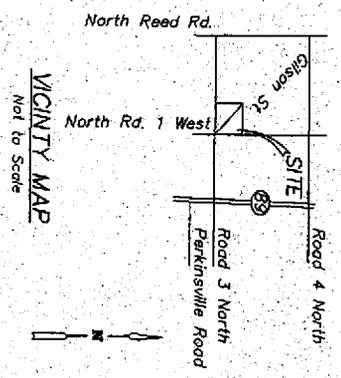
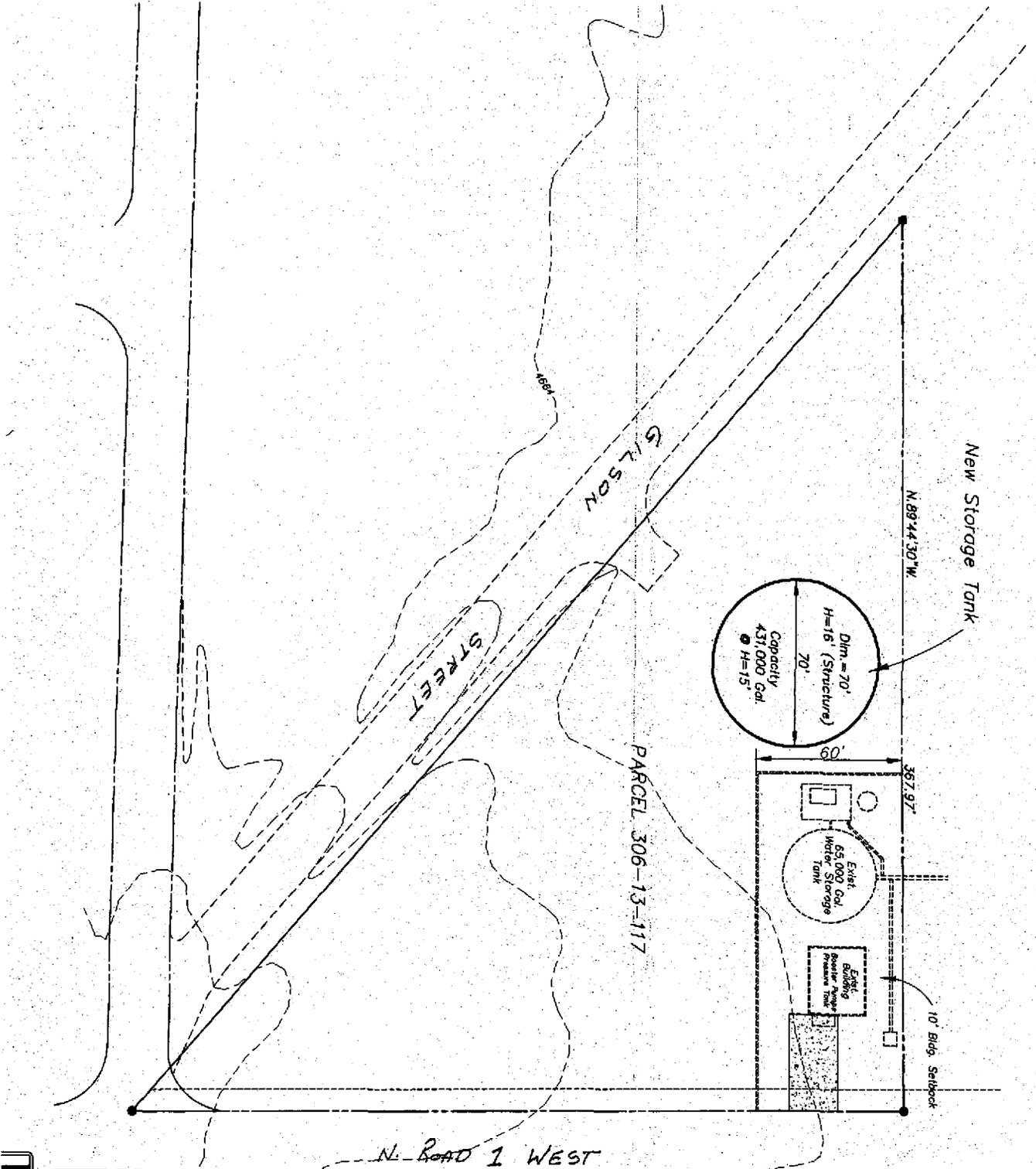
(2)

6 EA	8" GVB & C	500.00	3,000.00
4 EA	Fire Hydrant Complete	3,000.00	12,000.00
1 EA	Engineering Design	4,000.00	4,000.00
1 EA	Construction Staking	3,500.00	3,500.00
1 EA	Taxes	L.S.	8,424.00
1 EA	Permit/Fees	L.S.	<u>7,491.00</u>
		Total	128,715.00
		20% Contingency	154,458.00
		Grand Total with 20% Contingency	855,193.00

Yours Truly,



Dennis F. Keogh, P.E., R.L.S.
ta



SHEET 1 OF 1

PROPOSED FOR
JG ODOYAMA
NEW STORAGE TANK SITE
PLAN

APPALOOSA WATER CO.

APPALOOSA ENGINEERING, INC.
 1200 S. CENTRAL AVE. • CENTRAL, ALABAMA 36827

DATE 05/11/11
BY [Signature]

SCALE 1" = 40'

PROJECT NO. 11050

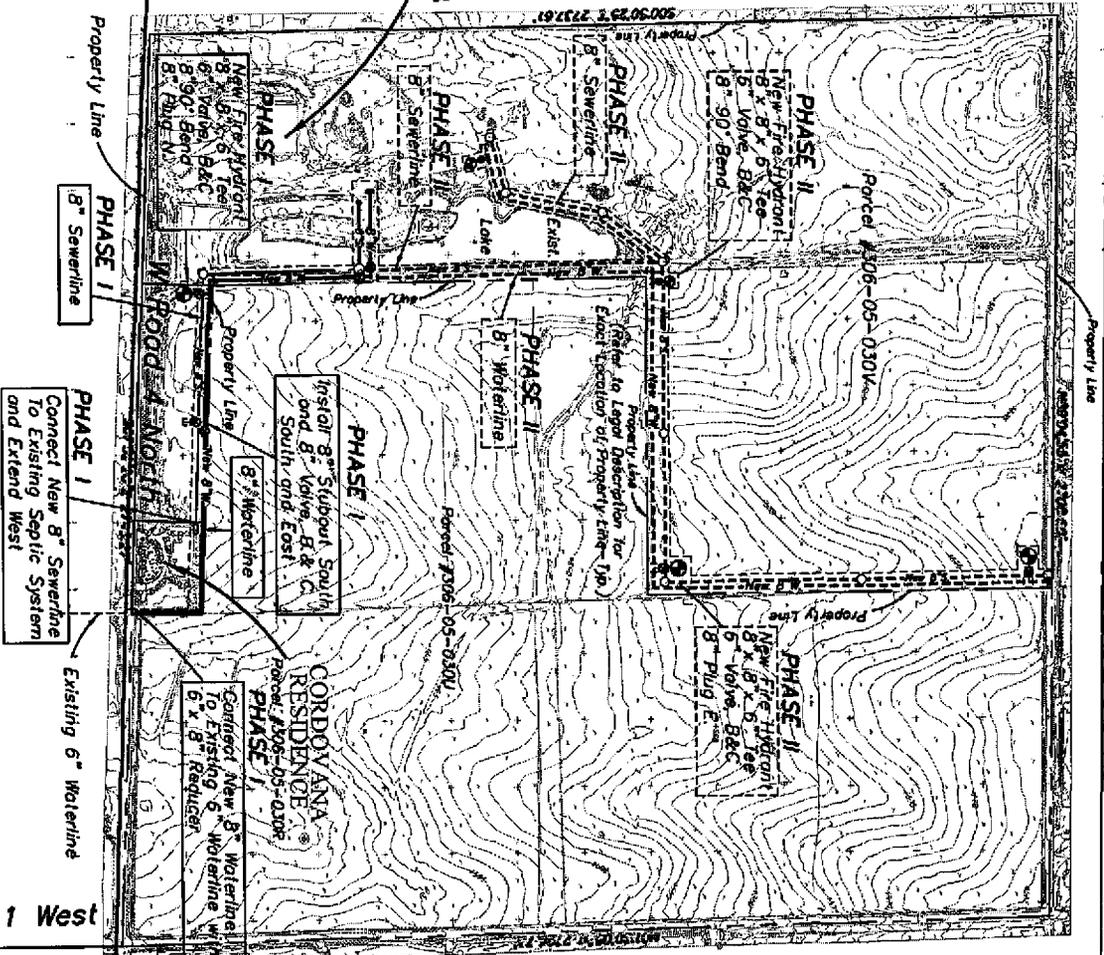
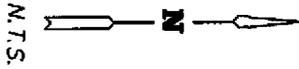
DATE 05/11/11

SCALE 1" = 40'

PROJECT NO. 11050

DATE 05/11/11

WINDMILL FARMS
 NURSERY



PHASE I
 Connect New 8" Sewerline
 To Existing Septic System
 and Extend West

Existing 6" Waterline

N Road 1 West

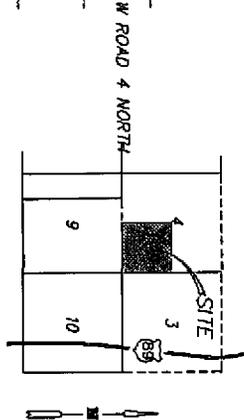
W Road 4 North

SHEET 1 OF 1

**PHASE I
 PRELIMINARY
 WATERLINE EXTENSION
 FOR
 APPALDOOSA
 WATER COMPANY**

ESTIMATED QUANTITIES

- PHASE I**
 WATERLINE 1,930 L.F.
 SEWERLINE 1,500 L.F.
- PHASE II**
 WATERLINE 3,010 L.F.
 SEWERLINE 3,760 L.F.



APPALDOOSA WATER CO. PHASE I PRELIMINARY WATERLINE EXTENSION FOR APPALDOOSA WATER CO.	PREPARED FOR APPALDOOSA WATER CO.
DATE: JAN. 2010 SHEET NO. 1 OF 1	DRAWN BY: RUDY CHECKED BY: RUDY SCALE: AS SHOWN PROJECT NO.: 10030

Appaloosa Water Company W-03443A

The installation of a new storage tank, the boundary and topographical survey of storage tanks, site and water line extension, upgrading of existing tank, electric generator system and staking of new tank and water line work will put Appaloosa Water Company in compliance with Arizona Administration Code, Title 18, Chapter 5, Section 503.

An increase in the current rate will facilitate this need and will not encumber any assets of the company.

Appaloosa Water Company W-03443A

Expected assets to be acquired : New storage tank and water lines
Electric generator system.

EXHIBIT “B”

APPALOOSA WATER COMPANY
FINANCIAL REVIEW AND ANALYSIS

Appaloosa Water Company a small water utility company with 265 customers has had complaints of inadequate and/or non-provision of services. In order to achieve service the Company and customers desire, certain steps to correct any inadequacies need to be taken. The Company has had consultations on how to provide the necessary services and to plan for and provide for any possible future growth of the company.

The findings for this company were compiled with historical income statements and balance sheets. Recommendations are based on the Company's size and the limited availability of funding for the project. It is found that in order for this company to be in compliance with ADEQ and for the future growth consultants for the company have the following recommendations: current equipment be upgraded; a new 500,000 gallon storage tank; the boundary and topographical survey; site and water line extension; electric generator system, staking and labor.

The compliance related issues with ADEQ along with any anticipation of future growth for this company clearly indicates the requirement for this project. The company in order to complete this project will have to take on long-term debt. The long-term debt of \$1,595,668 includes the consolidation of the current long-term debt the company has.

The interest on the debt at 4.5% will carry an interest expense to the company of approximately \$60,000 per year. If the Company can procure the loan at a lessor rate of interest it will considerably benefit the customers by reducing the rate increase. The company's historical earnings before depreciation and interest are positive. For the consideration of long-term debt the forecasted revenues based on rate increase of customers cost will insure the earnings before interest and depreciation continue a positive cash flow. The Company's recurring expenses have not experienced any significant fluctuations. Balance Sheet items are based on historical amounts and with the acquisition of new long-term debt the worth of the company is not understated nor overstated.

**APPALOOSA WATER COMPANY W-03443A
FORECASTED STATEMENT OF PROFIT AND LOSS**

	2007	2008	2009	2010
SALES				
WATER SALES	162,489	136,307	131,153	190,464
TOTAL SALES	162,489	136,307	131,153	190,464
COST OF GOODS	0	0	0	0
GROSS PROFIT	162,489	136,307	131,153	190,464
OPERATING EXPENSES				
BANK	60	60	60	60
INSURANCE	4,200	4,200	4,200	4,200
OFFICE SUPPLIES	2,304	2,304	2,304	2,304
PAYROLL EXPENSES	3,060	3,060	3,060	3,060
SALARIED EMPLOYEES	40,000	40,000	40,000	40,000
POSTAGE	2,160	2,160	2,160	2,160
PROFESSIONAL FEES	22,776	22,776	22,776	22,776
RENT	9,672	9,672	9,672	9,672
MANAGEMENT	5,328	5,328	5,328	5,328
WATER ANALYSIS	3,480	3,480	3,480	3,480
SECURITY	264	264	264	264
DUES	516	516	516	516
SUPPLIES	480	480	480	480
UTILITIES	16,836	16,836	16,836	16,836
TOTAL OPERATING EXP	111,136	111,136	111,136	111,136
EARNINGS BEFORE TAX,INT,DEP	51,353	25,171	20,017	79,328
INTEREST	0	0	0	60,000
DEPRECIATION	53,577	53,340	55,759	89,967
NET INCOME (LOSS)	(2,224)	(28,169)	(35,742)	(70,639)

**APPALOOSA WATER COMPANY W-03443A
BALANCE SHEET**

	2007	2008	2009	2010
ASSETS				
CURRENT ASSETS	277,102	276,156	288,195	288,195
TOTAL CURRENT ASSETS	277,102	276,156	288,195	288,195
FIXED ASSETS				
PLANT & EQUIPMENT				855,193
PLANT & EQUIPMENT	1,326,484	1,326,484	1,454,509	1,454,509
LESS ACCUMULATED DEPRECIATION	270,370	323,710	379,469	453,593
TOTAL FIXED ASSETS	1,056,114	1,002,774	1,075,040	1,856,109
TOTAL ASSETS	1,333,216	1,278,930	1,363,235	2,144,304
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITES	11,211	3,825	6,758	6,758
PAYROLL TAXES PAYABLE	765	765	765	765
TOTAL CURRENT LIABILITIES	11,976	4,620	7,523	7,523
LONG TERM DEBT	607,655	602,240	740,475	1,595,668
TOTAL LONG TERM DEBT	607,655	602,240	740,475	1,595,668
TOTAL LIABILITIES	619,631	606,860	747,998	1,603,191
STOCKHOLDERS EQUITY				
ADDITIONAL PAID IN CAPITAL	804,471	804,471	804,471	804,471
COMMON STOCK	2,000	2,000	2,000	2,000
RETAINED EARNINGS(ACCUMULATED DEFICIT)	(92,886)	(134,371)	(191,234)	(265,358)
TOTAL STOCKHOLDERS EQUITY	713,585	672,100	615,237	539,113
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	1,333,216	1,278,930	1,363,235	2,144,304

EXHIBIT “C”

AFFIDAVIT OF PUBLICATION

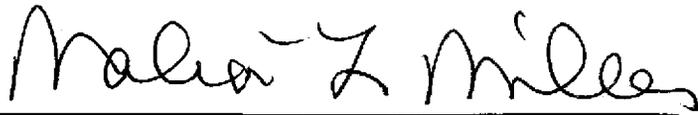
STATE OF ARIZONA)
County of Yavapai) ss.

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,

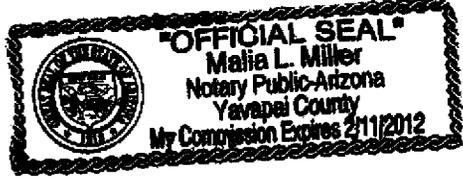
**PUBLIC NOTICE OF AN APPLICATION FOR AN ORDER
AUTHORIZING THE ISSUANCE OF A DEBT INSTRUMENT
BY APPALOOSA WATER COMPANY**

has, to the personal knowledge of affidavit, been published in the news paper aforesaid, according to law, on 30 day of JAN, 2010 to 30 day of JAN, 2010 both inclusive without change, interruption or omission, amounting in all 1 insertions, made on the following dates:
JAN 30, 2010

By: _____ 
Dated this 30 Day of JAN, 2010

By: _____ 
Notary Public

My commission expires:



**PUBLIC NOTICE OF
AN APPLICATION FOR AN ORDER
AUTHORIZING THE ISSUANCE OF
A DEBT INSTRUMENT**

BY APPALOOSA WATER COMPANY

Appaloosa Water Company ("Company") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$855,193.00 (gross proceeds) of a debt instrument. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Chino Valley, Arizona.

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 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. R14-3-105, except that all Motions To Intervene must be filed on, or before, the 15th day after this notice.

1TC PUB Jan 30, 2010