

NEW APPLICATION



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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

1 Steve Wene, No. 019630  
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4 Phoenix, Arizona 85004  
5 (602)-604-2189  
6 Attorneys for Antelope Run Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

MAY -7 2010

COMMISSIONERS

8 KRISTIN K. MAYES, CHAIRMAN  
9 GARY PIERCE  
10 PAUL NEWMAN  
11 SANDRA D. KENNEDY  
12 BOB STUMP

DOCKETED BY  
nr

W-02327A-10-0185

13  
14 CONSOLIDATED APPLICATION OF  
15 EAST SLOPE WATER COMPANY, INC.;  
16 INDIADA WATER COMPANY, INC.; and  
17 ANTELOPE RUN WATER COMPANY  
18 FOR AUTHORITY TO INCUR LONG-  
19 TERM DEBT

Docket No. W-02327A-10-

FINANCE APPLICATION

20 Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F), the East Slope  
21 Water Company, Indiada Water Company, and Antelope Run Water Company  
22 (“Companies” or “Applicants”), are jointly applying for authority to incur debt to finance  
23 water system improvements. This application is consolidated because the Companies are  
24 seeking to consolidate into one entity, the East Slope Water Company. Altogether, the  
25 Companies are jointly requesting authority to borrow no more than \$3,000,000.00 from  
26 WIFA to make system improvements to the proposed consolidated systems.  
27  
28

1 **INFORMATION REQUESTED ON APPLICATION FORM**

2 **1. Applicant's Name and Address.**

3  
4 Antelope Run Water Company  
5 Bonnie O'Connor  
6 P.O. Box 85160  
7 Tucson, Arizona 85754  
8 Telephone: (520) 623-5172  
9 Facsimile: (520) 792-0377

10 **2. Person Authorized to Receive Communications.**

11 Steve Wene, Esq.  
12 Moyes Sellers & Sims Ltd.  
13 1850 North Central Ave., Suite 1100  
14 Phoenix, Arizona 85004  
15 Telephone: (602) 604-2189  
16 Facsimile: (602) 274-9135

17 **3. Financing Description.**

18 If the Commission authorizes the proposed debt, then the Companies, consolidated  
19 as East Slope Water Company, will seek to finalize with WIFA a \$3,000,000 loan for 20  
20 to 30 years through the Drinking Water Revolving Fund. WIFA does not offer finance  
21 terms until the Commission authorizes water providers like the Companies to incur debt.  
22 The Companies understand that the Commission and WIFA have a standard working  
23 arrangement to accommodate WIFA's loan practices. Accordingly, Commission staff  
24 may want to contact the following WIFA staff person:

25 Angie Valenzuela  
26 Senior Loan Officer  
27 Water Infrastructure Finance Authority  
28 1110 W. Washington Street, Suite 290  
Phoenix, Arizona 85007

29 **4. Proceeds Statement.**

30 Gross proceeds will be \$3,000,000. WIFA has a combined interest and fee rate  
31 structure, so there are no issuance expenses. This means that the Companies will net  
32 \$3,000,000.00 from the proposed loan.

1 **5. Plant to be Acquired Using Net Proceeds.**

2 The proceeds will be used to interconnect the systems and make other reasonable  
3 improvements as identified in the Opinion of Probable Costs set forth in Exhibit 1.  
4

5 **6. Consistency with A.R.S. § 40-301 et seq.**

6 The proposed financing is: (a) within the Companies' corporate powers; (b)  
7 compatible with the public interest; (c) compatible with sound financial practices; (d)  
8 compatible with the proper performance by the applicant of service as a public service  
9 corporation; and (e) will not impair the Companies' ability to perform that service.

10 **7. Service Fees.**

11 WIFA does not charge service fees. Under WIFA's combined interest and fee rate  
12 structure, the Companies anticipate paying a fixed interest rate of prime plus 2%  
13 multiplied by a subsidy rate index set by WIFA.

14 **8. Documents to be executed in the matter.**

15 There are no documents to be executed in the matter at this time.

16 **9. Pro Forma Balance Sheet and Income Statement.**

17 A pro forma balance sheet is attached as Exhibit 2. A pro forma income  
18 statement is attached as Exhibit 3.

19 **10. Customer Notice.**

20 The Commission required notice will be inserted in the customers' next bill. The  
21 Company will file with the Commission a copy of the actual notice sent and an affidavit  
22 stating when it was sent to the customers.

23 **REQUEST FOR APPROVAL**

24 As set forth in this Application, the Companies request that the Commission  
25 authorize the financing described herein.  
26

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28 ////

1 DATED this 7<sup>th</sup> day of May, 2010.

2  
3 **MOYES SELLERS & SIMS LTD.**

4  
5 

6 Steve Wene

7 Attorneys for Antelope Run Water Company

8  
9 Original and 13 copies of the foregoing  
10 filed this 7<sup>th</sup> day of May, 2010, with:

11 Docket Control  
12 Arizona Corporation Commission  
13 1200 West Washington  
14 Phoenix, Arizona 85007

15   
16

# **EXHIBIT 1**

**EAST SLOPE WATER COMPANY**  
**OPINION OF PROBABLE COST**  
(Consolidated with Antelope Run Water Company and Indiada Water Company)

ITEM NO.	ITEM DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	EXTENDED PRICE	NOTES
	Zone 1 (currently East Slope main system) New Transmission and Distribution mains					
1	4 inch Class 200 PVC Pipe	28,000	LF	\$18.00	\$504,000.00	Replace old 2 inch distribution pipe between Camino Principal and Glenn rd.
2	New Transmission 6 Inch Class 200 PVC Pipe from	4,700	LF	\$28.00	\$131,600.00	Install to fill new 250,000 gallon storage tank
3	12 inch Class 200 PVC pipe	6500	LF	\$65.00	\$422,500.00	New interconnection line between East Slope and existing Antelope Run
4	Jack and Bore	300	LF	\$1,700.00	\$510,000.00	Jack and Bore under HWY 92 to interconnect Zone 1 to Zone 2
5	Well site 4 Improvements					
6	250,000 gallon storage tank	1	LS	\$1.00	\$250,000.00	New storage tank at well site 4
7	Onsite Generator 350 KW	1	LS	\$64,500.00	\$64,500.00	Backup power at well site 4
8	Booster pumps	2 @ 350 gpm	EA	\$877.00	\$1754.00	Replace old pumps at well site 4 to distribute water to the zone 1 East Slope system.
9	Fittings, valves, check valve and manifold set up	1	LS	\$15,000.00	\$15,000.00	This is for well site 1 only
10	Electrical	1	LS	\$45,000.00	\$45,000.00	Upgrade electrical at well site 1
	Subtotal				\$1,944,354.00	
	Zone 2 (currently Antelope Run water) Transmission and Distribution mains					
1	4 inch Class 200 PVC Pipe	2,500	LF	\$18.00	\$45,000.00	Replace old 2 inch distribution pipe throughout the system between Kachina trail and Poncho Trail
	Well site 3 and 5 Improvements					
2	150,000 gallon storage tank	1	LS	\$1.00	\$150,000.00	New storage tank at well site 3 and 5
3	Onsite Generator 350 KW	1	LS	\$64,500.00	\$64,500.00	Backup power at well site 3 and 5
4	Booster pumps	2 @ 350 gpm	EA	\$877.00	\$1754.00	Install new pumps to transfer water to Poncho Trail booster site
5	Fittings, valves, check valve and manifold set up	1	LS	\$15,000.00	\$15,000.00	This is for well site 3 and 5 only
6	Electrical	1	LS	\$45,000.00	\$45,000.00	Upgrade electrical at well site 3 and 5
	Poncho Trail Booster site					
7	50,000 gallon storage tank	1	LS	\$1.00	\$50,000.00	New storage tank at booster site from well site 3 and 5
8	Booster pumps	2 @ 350 gpm	EA	\$877.00	\$1754.00	Replace old pumps to distribute water to the system from this site.
9	Electrical	1	LS	\$45,000.00	\$45,000.00	Upgrade electrical at Poncho Trail booster site
10	Onsite Generator 350 KW	1	LS	\$64,500.00	\$64,500.00	Backup power at Poncho Trail booster site
11	Fittings, valves, check valve and manifold set up	1	LS	\$15,000.00	\$15,000.00	This is for Poncho Trail booster site only
	Subtotal				\$497,508.00	
	Zone 3 (currently Indiada water) Transmission and Distribution mains					
1	4 inch Class 200 PVC Pipe	1000	LF	\$18.00	\$18,000.00	Replace old 2 inch distribution pipe throughout the system
2	4 inch Class 200 PVC Pipe	10,000	LF	\$18.00	\$180,000.00	Replace old 3 inch distribution pipe throughout the system
3	6 inch Class 200 PVC pipe	500	LF	\$28.00	\$14,000.00	Upgrade the Interconnection line to a 6 inch on the existing Antelope run and Indiada water
	Subtotal				\$212,000.00	

	Total				\$2,653,862.00
	Administration and legal fees	Appx. 2% of Construction Cost			\$48,905.46
	Engineering Fees	5% of Construction Cost			\$132,693.10
	Survey, Geotech, etc	5% of Construction Cost			\$132,693.10
	Project inspection fees	1.2% of Construction Cost			\$31,846.34
			TOTAL		\$3,000,000.00

Completed By: Keith Dojaquez, CCI 5-6-10  
Southwestern Utility Management, Inc

# **EXHIBIT 2**

**East Slope/Antelope Run/Indiada Consolidated Water Company**  
**Balance Sheet as of 12/31/09**  
**Including Proforma Adjustments for WIFA Financing**

Acct. No.	ASSETS	TEST YEAR END BALANCE @ 12/31/2009	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2009 ADJUSTED FOR WIFA LOAN
	<b>CURRENT AND ACCRUED ASSETS</b>			
131	Cash	\$ 10,461		\$ 10,461
134	Working Funds			
135	Temporary Cash Investments			-
141	Customer Accounts Receivable	(6,723)		(6,723)
146	Notes/Receivables from Associated Companies	15,114		15,114
151	Plant Material and Supplies	-		-
162	Prepayments			-
174	Miscellaneous Current and Accrued Assets	3,000		3,000
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$ 21,852</b>	<b>\$ -</b>	<b>\$ 21,852</b>
	<b>FIXED ASSETS</b>			
101	Utility Plant in Service	\$ 911,132	\$ 3,000,000	\$ 3,911,132
103	Property Held for Future Use			
105	Construction Work In Progress	2,854		2,854
108	Accumulated Depreciation - Utility Plant ("AD-UP")	(526,856)		(526,856)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility ("AD-NU")			
	<b>TOTAL FIXED ASSETS</b>	<b>\$ 387,130</b>	<b>\$ 3,000,000</b>	<b>\$ 3,387,130</b>
	<b>TOTAL ASSETS</b>	<b>\$ 408,982</b>	<b>\$ 3,000,000</b>	<b>\$ 3,408,982</b>

**East Slope/Antelope Run/Indiada Consolidated Water Company**  
**Balance Sheet as of 12/31/09 (continued)**  
**Includes Proforma Adjustments for WIFA Financing**

Acct. No.	LIABILITIES	TEST YEAR END BALANCE @ 12/31/2009	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2009 ADJUSTED FOR WIFA LOAN
	<b>CURRENT LIABILITIES</b>			
231	Accounts Payable	\$ 89,203		\$ 89,203
232	Notes Payable (Current Portion)			-
234	Notes/Accounts Payable to Associated Companies	35,114		35,114
235	Customer Deposits	27,723		27,723
236	Accrued Taxes	(19)		(19)
237	Accrued Interest			-
241	Miscellaneous Current and Accrued Liabilities			-
	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 152,021</b>	<b>\$ -</b>	<b>\$ 152,021</b>
	<b>LONG-TERM DEBT (Over 12 Months)</b>			
224	Long-Term Notes and Bonds	\$ 155,423	\$ 3,000,000	\$ 3,155,423
	<b>DEFERRED CREDITS</b>			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction	\$ 47,579		\$ 47,579
255	Accumulated Deferred Investment Tax Credits	-		
271	Gross Contributions in Aid of Construction			-
272	Less: Amortization of contributions			-
281	Accumulated Deferred Income Tax			-
	<b>TOTAL DEFERRED CREDITS</b>	<b>\$ 47,579</b>	<b>\$ -</b>	<b>\$ 47,579</b>
	<b>TOTAL LIABILITIES</b>	<b>\$ 355,023</b>	<b>\$ 3,000,000</b>	<b>\$ 3,355,023</b>
	<b>CAPITAL ACCOUNTS</b>			
201	Common Stock Issued	\$ 46,300		\$ 46,300
211	Paid in Capital in Excess of Par Value	38,996		38,996
215	Retained Earnings	(49,890)		(49,890)
218	Proprietary Capital (Sole Props and Partnerships)	\$ 18,553		18,553
	<b>TOTAL CAPITAL</b>	<b>\$ 53,959</b>	<b>\$ -</b>	<b>\$ 53,959</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$ 408,982</b>	<b>\$ 3,000,000</b>	<b>\$ 3,408,982</b>

# **EXHIBIT 3**

**East Slope/Antelope Run/Indiada Consolidated Water Company**  
**Income Statement from January through December of 2009**  
**Includes Proforma and WIFA Financing Adjustments**

Description	Actual for Test Year Ended 31-Dec-09	Proforma Adjustments Including WIFA Loan	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
<b>Operating Revenues:</b>					
461 Metered Water Revenue	\$ 281,796	\$ -	\$ 281,796	\$ 413,616	\$ 695,412
461.1 Surcharge Revenue	14,519	(14,519)	0		
474 Other Water Revenue	3,724		3,724		3,724
<b>Total Operating Revenue</b>	<b>\$ 300,040</b>	<b>\$ (14,519)</b>	<b>\$ 285,521</b>	<b>\$ 413,616</b>	<b>\$ 699,136</b>
<b>Operating Expenses:</b>					
601 Salaries & Wages	\$ (958)	\$ 958	\$ -		\$ -
610 Purchased Water	1,700	(1,700)	-		-
615 Purchased Power	72,314	-	72,314		72,314
618 Chemicals	792	-	792		792
620 Repairs & Maintenance	15,953	-	15,953		15,953
621 Office Supplies and Expense	13,078	-	13,078		13,078
630 Outside Services	126,817	-	126,817		126,817
635 Water Testing	8,008	-	8,008		8,008
641 Rental Expense	-	-	-		-
650 Transportation Expense	21,419	-	21,419		21,419
657 Insurance - General Liability	6,565	-	6,565		6,565
659 Insurance - Health and Life	-	-	-		-
666 Rate Case Expense	4,618	8,000	12,618		12,618
675 Miscellaneous Expense	229	-	229		229
403 Depreciation & Amortization	27,353	128,813	156,166		156,166
408 Property Taxes	(169)	169	-		-
408.1 Taxes Other Than Income	19,976	-	19,976		19,976
409 Income Taxes	7,521	(108,775)	(101,254)	165,488	64,234
<b>Total Operating Expenses</b>	<b>\$ 325,216</b>	<b>\$ 27,465</b>	<b>\$ 352,681</b>	<b>\$ 165,488</b>	<b>\$ 518,169</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (25,176)</b>	<b>\$ (41,984)</b>	<b>\$ (67,160)</b>	<b>\$ 248,128</b>	<b>\$ 180,968</b>
<b>Other Income/(Expense):</b>					
419 Interest Income	\$ -		\$ -	\$ -	\$ -
421 Non-Utility Income	-		-		-
426 Misc Non-Utility Expenses	-		-		-
427 Interest Expense	(1,550)	(147,965)	(149,515)		(149,515)
<b>Total Other Income/(Expense)</b>	<b>\$ (1,550)</b>	<b>\$ (147,965)</b>	<b>\$ (149,515)</b>	<b>\$ -</b>	<b>\$ (149,515)</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ (26,726)</b>	<b>\$ (189,949)</b>	<b>\$ (216,675)</b>	<b>\$ 248,128</b>	<b>\$ 31,453</b>

**East Slope/Antelope Run/Indiada Consolidated Water Company**  
**Utility Plant in Service and Depreciation Expense**  
**Includes Proforma Adjustments for WIFA Financing**

Acct. No.	Description	ORIGINAL COST @ TEST YEAR END 12/31/2009	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR INCLUDING WIFA ADJUSTMENTS	PROPOSED DEPRECIATION RATES	PROPOSED DEPRECIATION EXPENSE
301	Organization					
302	Franchises	\$ 2,180		\$ 2,180		
303	Land and Land Rights	1,194		1,194		\$ -
304	Structures and Improvements	2,014		2,014	3.3300%	67
307	Wells and Springs	103,027		103,027	3.3300%	3,431
310	Power Generation Equipment	-	218,738	218,738	5.0000%	10,937
311	Electric Pumping Equipment	365,545	158,556	524,101	12.5000%	65,513
320	Water Treatment Equipment	-		-		-
320.1	Water Treatment Plants	-		-	3.3300%	-
320.2	Solution Chemical Feeders	-		-	20.0000%	-
330	Distrib Reservoirs/Standpipes	3,167		3,167	3.6100%	114
330.1	Storage Tanks	26,421	508,693	535,114	2.2200%	11,880
330.2	Pressure Tanks	-		-	5.0000%	-
331	Transmission and Distrib Mains	311,056	2,114,013	2,425,069	2.0000%	48,501
333	Services	-		-	3.3300%	-
334	Meters	13,426		13,426	8.3300%	1,118
335	Hydrants	-		-	2.0000%	-
336	Backflow Prevention Devices	-		-	6.6700%	-
339	Other Plant & Misc Equipment	-		-	6.6700%	-
340	Office Furniture and Equip	15,119		15,119	6.6700%	1,008
340.1	Computers & Software	-		-	20.0000%	-
341	Transportation Equipment	67,983		67,983	20.0000%	13,597
343	Tools, Shop & Garage Equip.			-	5.0000%	-
344	Laboratory Equipment			-	10.0000%	-
345	Power Operated Equipment			-	5.0000%	-
346	Communications Equipment			-	10.0000%	-
347	Miscellaneous Equipment			-	10.0000%	-
348	Other Tangible Plant			-	5.0000%	-
	<b>TOTALS</b>	<b>\$ 911,132</b>	<b>\$ 3,000,000</b>	<b>\$ 3,911,132</b>		<b>\$ 156,166</b>