ORIGINAL NEW APPLICATION

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Attorneys for Southern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF SOUTHERN SUNRISE WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN COCHISE COUNTY, ARIZONA.	DOCKET NO. W-20454-06-0248 **APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY**

Pursuant to A.R.S. § 40-282 and A.A.C. R14-2-402, Southern Sunrise Water Company ("Applicant" or "Company"), an Arizona corporation, hereby applies to the Arizona Corporation Commission ("Commission") for an Order granting Applicant a new Certificate of Convenience and Necessity ("CC&N") to provide water utility service in certain defined portions of Cochise County, Arizona. The requested CC&N includes the areas previously served by the Cochise Water Company, Miracle Valley Water Company and Horseshoe Ranch Water Company (collectively "Southern McLain Systems").

INTRODUCTION

I. Background.

Applicant comes before the Commission after an extraordinary process involving the Southern McLain Systems, and the Commission's efforts to help these water utility systems find a new owner/operator with the financial resources, managerial structure and technical experience to provide adequate and reliable water utility service to existing customers in Cochise County. The Southern McLain Systems are part of a larger group of affiliated water utility companies that also include the Mustang Water Company, Crystal Water Company, Sierra Sunset Water

Company and Coronado Estates Water Company ("Northern McLain Systems") (collectively referred to as the "McLain Water Systems"). Those water systems not included in this proceeding are being addressed in a separate CC&N application concurrently filed by the Applicant's affiliate, Northern Sunrise Water Company ("NSWC").[1] *See In the Matter of the Application of Northern Sunrise Water Company for a Certificate of Convenience and Necessity to Provide Water Utility Service in Cochise County, Arizona.*

The troubled history surrounding the McLain Water Systems is well-chronicled in Commission Decision No. 68412 (January 23, 2006). Previous ownership allowed these systems to fall into a state of serious disrepair, and numerous violations cited by the Arizona Department of Environmental Resources ("ADEQ") brought into question the potential for risk to the health and safety of customers being served by them. Property and sales taxes associated with these systems were not paid for almost 15 years, and water utility service was being extended to customers outside of the CC&N boundaries of these systems in violation of Arizona law. Ultimately, the previous owners filed for Chapter 13 bankruptcy relief under Title 11 of the United States Bankruptcy Code. *See In re Johnny A. McLain, et al.*, Case No. 4-03-bk-04125 TUC-EWH.

On October 22, 2004, the Bankruptcy Court for the District of Arizona tentatively approved a Purchase and Sale Agreement (the "Agreement") executed by Algonquin Water Resources, Inc. ("Algonquin"), which provided for the purchase of the water utility assets included in the McLain Bankruptcy Estate. Cochise County is the creditor-in-interest. On March 20, 2006, the Bankruptcy Court for the District issued an Order confirming the sale to Algonquin for an aggregate purchase price of $696,752.14. This amount was equal to the fair value rate bases of the McLain Water Systems as determined by the Commission. *See* Decision No. 68412. A copy of Bankruptcy Court order is attached hereto as **Exhibit 1**.

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[1] Applicant has concurrently filed a Motion to Consolidate the NSWC CC&N Application with this and other proceedings.

II. Issuance of New CC&N to Two Separate Entities.

Before the closing of the transaction already approved by the Bankruptcy Court can take place, certain other matters required to legally facilitate the transfer of assets must be finalized. Algonquin is required, among other things, to obtain Commission approval for: 1) the issuance of all CC&Ns necessary to provide water utility service to customers of the McLain Water Systems; and 2) the sale and transfer of a public service corporation's assets as required by A.R.S. § 40-285. This Application addresses the first issue. Applicant is jointly filing a separate application with NSWC for Commission approval to transfer the McLain Water Systems assets, based on geographic location, to two separate entities with distinct CC&Ns ("Joint Application"). *See In the Matter of the Joint Application of Northern Sunrise Water Company and Southern Sunrise Water Company for the Approval of Sale and Transfer of Water Utility Assets, and Cancellation of Certificates of Convenience and Necessity.*

Algonquin chose to consolidate the three water utility systems that make up the Southern McLain Systems into one CC&N based on their geographical location and system configuration. Applicant must, among other things, construct new water storage facilities, add pressure tanks and booster stations, increase current well capacity, replace existing mains and valves, and map the existing water systems so that the Company can add operational automation to ensure safe and reliable operation. Applicant will need to invest a significant amount of capital in order to bring the McLain Water Systems into compliance with state and federal regulations. *See* Summary record (prepared by the ADEQ) of the compliance history of the McLain Water Systems, attached hereto as **Exhibit 2**; *See also* Decision No. 68412 at ¶ 19. Algonquin has determined that the most efficient and equitable way to begin the monumental task of improving the McLain Water Systems is to consolidate them into two new public service corporations. This issue is addressed in more detail in the Joint Application. *See* Joint Application at p 6.

III. New Water Utility Service Rates and Charges.

Because of the reorganization and subsequent investment in capital improvements, a new rate structure is required and the Commission must make findings as are typical in any application for a new CC&N. In this case, that means new rates must be calculated to take into account the fair value of the Southern McLain Systems assets as established in Decision No. 68412 ($604,725)[2], the cost of new infrastructure and other capital improvements that must be added almost immediately ($321,900), and costs associated with the participation in the process that lead to the acquisition of the McLain Water Systems assets ("Acquisition Costs") ($235,281). Applicant's proposed fair value rate base is approximately $1,162,006 as shown in **Exhibit 7**, attached hereto and further discussed below. Applicant's proposed rates are shown in **Exhibit 8**, attached hereto and further discussed below.

On January 6, 2006, the Arizona Small Utilities Association of Arizona ("ASUA") filed an emergency application for interim rates as the interim manager of the McLain Water Systems.[3] On March 28, 2006, Administrative Law Judge Rodda issued a recommended opinion and order ("ROO") that, among other things:

1) grants interim rate relief subject to the filing of an application for a permanent rate increase no later than March 15, 2007, using a 2006 test year;

2) approves a System Improvement Surcharge (SIS) as a means to collect revenue in order to pay debts and make relevant improvements;

3) requires any future owner of the Southern McLain Systems to maintain a separate bank account in which all revenue derived from the SIS must be deposited; and

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[2] This is not the exact figure established in Decision No. 68412 due to the allocation of land value and land rights for each separate water system.

[3] *In the Matter of the Application for Emergency Interim Rate Relief for Miracle Valley Water Company, Inc., Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Sierra Sunset Water Company and Coronado Estates Water Company, Owned by Johnny A. McLain*; Docket No. W-01646A-06-0010 et al.

4) requires any future owner to apply the SIS funds on a pro-rata basis to each of the systems to correct water outages as they occur, pay debts to local vendors and make system improvements.

These particular recommended conditions raise concerns for the Applicant as each bears upon this request to establish new CC&Ns for the Southern McLain Systems. For one thing, under Section 9.2 of the Agreement, all regulatory approvals and transfers shall be approved without the imposition of any restrictions, conditions, or obligations that are unacceptable to Algonquin in its sole discretion. 2006 also represents too early a test year upon which to establish permanent rates. Applicant asserts that, under its proposal to immediately upgrade the water systems within the first year of operation, at least twelve months of data is needed to establish proper operating revenues and expenses that are more reflective of normal operating conditions. Therefore, Applicant is willing to stipulate in this proceeding to file a rate application with the Commission by June 30, 2008, using a 2007 test year.

In addition, several of the proposed conditions related to the SIS appear designed to "run with the plant" and bind future owners irrespective of the basis upon which the transfer of the McLain Water System occurs. Such conditions are impractical given the new CC&N and rate structure proposed herein. Furthermore, the SIS has been proposed because the McLain Water Systems do not have an ability to raise additional capital to make necessary improvements. *See* ROO at ¶ 17. By approving this CC&N application, Northern Sunrise Water Company's CC&N application and the Joint Application, the Commission will forego the need for the SIS. Therefore, Applicant asserts that in moving forward and approving this Application, the Commission specifically exempt Applicant from any condition imposed in the ASUA emergency rate application that run with the plant and bind future owners.

Applicant is a fit and proper entity to provide water service to customers in Cochise County. Algonquin is a utility holding company that owns and operates several water and

wastewater companies in Arizona.[4] Applicant maintains that by granting the CC&N and rate structure requested herein, the Commission will: 1) address immediate health and safety concerns by providing some of the approvals and assurances necessary in Applicant's efforts to bring the water utility systems into regulatory compliance; 2) allow for the Applicant to begin the immediate repair and improvement of these systems to ensure reliable operation for present and future customers; and 3) ensure proper regulation of water utility service in the subject portions of Cochise County, in the public interest, through continued Commission oversight.

APPLICATION

In support of this Application, Applicant states as follows:

1. Applicant is a public service corporation formed for the purpose of providing water utility service in Cochise County, Arizona. The proper name, address and corporate structure for Applicant are attached hereto as **Exhibit 3**.

2. Applicant's Articles of Incorporation and Bylaws are attached hereto as **Exhibit 4**.

3. The area covered by this Application will contain approximately 845 existing connections.

4. The list and approximate cost of individual water infrastructure equipment upgrades and new facilities required immediately to bring this operations up to some minimum standard are attached hereto as **Exhibit 5**.

5. Applicant's management contact is Greg Sorensen, Algonquin Water Resources of America, Inc., whose business address is 12725 West Indian School Road, Suite D101, Avondale, Arizona 85323. The telephone number is (623) 935-9429.

6. Applicant's operator certified by the ADEQ is Larry Diaz. His business address is 4055 Campus Drive, Sierra Vista, AZ 85635. His telephone number is 520-548-5470.

7. Applicant's attorneys are Fennemore Craig, whose address is 3003 North Central

[4] Bella Vista Water Company, Litchfield Park Service Company; Gold Canyon Sewer Company, Black Mountain Sewer Corporation and Rio Rico Utilities.

Avenue, Suite 2600, Phoenix, Arizona 85012-2913. The individual attorney responsible for this application is Jay L. Shapiro. Mr. Shapiro's telephone number is (602) 916-5366. **All Data Requests or other Requests for Information should be directed to Greg Sorensen, with a copy to Mr. Shapiro's attention, on behalf of Southern Sunrise Water Company.**

8. A description of existing water infrastructure in the Southern McLain Systems known to Applicant at this time, as documented by the Commission Staff in its Reconstruction Cost New Less Depreciation ("RCND") Study, is attached hereto as **Exhibit 6**.

9. The total estimated cost of: 1) existing Southern McLain Systems assets; 2) immediate capital improvements to repair existing water utility infrastructure; and 3) Acquisition Costs as a regulatory asset, is attached hereto as **Exhibit 7** (Ratebase Schedule).

10. A copy and description of the new tariff rate schedule and statement of charges is attached hereto as **Exhibit 8**.

11. A map indicating the area requested by this Application ("Service Area"), and legal descriptions for all relevant properties, are attached hereto as **Exhibit 9**. However, as stated, the previous owners of the McLain Water Systems have connected new customers without seeking amendment of the CC&Ns. Accordingly, the area covered by this CC&N requests will not likely include every customer served by the existing systems. Applicant will continue to ascertain the location of customers and provide subsequent legal descriptions to Staff so the CC&N maps can be updated.

12. The manner of capitalization and methods of financing employed by Applicant will include a combination of paid-in shareholder capital contributions, and advances and/or contributions through line extension agreements, as appropriate. Should the Applicant require debt to finance system improvements, a financing application will be filed with the Commission.

13. A general Statement of Financial Condition for Algonquin Power Income Fund, the parent of Algonquin Water Resources of America, Inc., Applicant's parent, is attached hereto as **Exhibit 10**.

14. Construction of infrastructure improvements and new facilities is estimated to commence within 90 days of receipt of all necessary government approvals.

15. The estimated numbers of customers to be served in each of the first five years of water utility service to the Service Area is as follows:

Estimated Number of Residential Customers

1st Year	845
2nd Year	850
3rd Year	860
4th Year	870
5th Year	880

16. Applicant's estimated annual operating revenue and operating expenses for each of the first five years of operation in the new area covered by this Application, is as follows:

Operating Expenses		Operating Revenue	
1st Year	345,006	1st Year	479,876
2nd Year	355,045	2nd Year	482,965
3rd Year	361,962	3rd Year	488,644
4th Year	368,986	4th Year	494,323
5th Year	376,107	5th Year	500,002

17. The plant cost projections by year for the next five (5) years, as more particularly described in **Exhibit 11**, is as follows:

Plant Cost Projection

1st Year	$321,900
2nd Year	$326,000
3rd Year	$330,100
4th Year	$334,200
5th Year	$338,300

18. Applicant shall obtain all appropriate city, county and/or state agency approvals required to provide water utility service in the requested area.

19. ADEQ Approvals to Construct issued for facilities to be constructed in the Service Area will be provided t0 the Commission as soon as Applicant receives them. Getting these approvals on terms and conditions acceptable to the Applicant is an essential precondition. As an example; given that the systems are currently out of compliance with prevailing ADEQ regulations and are hence liable to enforcement action at any time an understanding respecting a program and a schedule to bring them to compliance concurrent with the transfer of the request permits and authorizations is imperative.

20. Notice of this Application will be given as required by the Commission.

21. For the reasons stated herein, Applicant maintains that this Application is in the public interest and should be granted. There is a present need for regulated water utility service in Cochise County to ensure the public health, and foster orderly growth.

WHEREFORE, Applicant respectfully requests the following:

A. That the Commission proceeds to consider and act upon this Application as timely as possible and to schedule a hearing, if necessary, on this matter;

B. That upon completion of said hearing that the Commission enter an Order approving application for a new Certificate of Convenience and Necessity, which shall include the Service Area requested by this Application as shown in **Exhibit 9**; and further include direction to Commission Staff to accept and include in the CC&N authorized herein, post-decision requests by Applicant to amend the CC&N boundaries to include legal description for any customers currently being served by the McLain Water System who are not specifically included in this CC&N order.

C. That the Commission make a fair value finding as shown in **Exhibit 7** and approve the new tariff schedule and rate design as shown in **Exhibit 8**;

D. That in approving this Application, the Commission specifically exempt Applicant from any conditions imposed on any future owner of the McLain Water Systems that are established in the emergency rate application filed by ASUA, Docket No. W-01646A-06-0010 *et*

al.; and

E. That the Commission grant such other and further relief as may be appropriate under the circumstances herein.

DATED this 13th day of April, 2006.

FENNEMORE CRAIG, P.C.

By: _____
Jay I. Shapiro
Patrick J. Black
Attorneys for Southern Sunrise Water Company

ORIGINAL and 13 copies delivered this 13th day of April, 2006, to:

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EXHIBIT

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ORDERED.

Dated: March 20, 2006

EILEEN W. HOLLOWELL
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT

DISTRICT OF ARIZONA

In re: Johnny A. McLain and Linda M. McLain, husband and wife, Debtors.	(Chapter 11 Case) No. 4:03-bk-04125-EWH **ORDER CONFIRMING SALE TO ALGONQUIN WATER RESOURCES OF AMERICA, INC.**

Algonquin Water Resources of America, Inc. ("Algonquin") agreed to purchase the estate's interests in various water company assets (the "Property") and as described in a Purchase and Sale Agreement dated July 7, 2004 (the "Agreement") filed with this Court by creditor Cochise County on August 3, 2004 (DE 133). Cochise County sought this Court's approval of the sale of the Property by its *Motion and Application by Cochise County to Authorize and Approve: 1) Sale of Water Companies Free and Clear of Liens; (2) Authorize the Payment of Closing Costs and a Payment to Creditors at Closing in Accordance with Confirmed Plan; and (3) Operation of the Water Companies by Purchaser, Pending Closing, If Acceptable to the Arizona Corporation Commission and the Purchaser* (the "Sale Motion") (DE 130). The Sale Motion was filed by Cochise County pursuant to its *First Amended Liquidating Plan of Reorganization* (the "Plan") (DE 126), confirmed by this Court's August 4, 2004 *Order Confirming as Modified Herein First Amended Liquidating Plan of Reorganization Filed June 2, 2004 by Creditor Cochise County* (the "Confirmation Order") (DE 135).

COPY AMENDED

LEWIS AND ROCA LLP
LAWYERS

At the hearing, Algonquin committed to promptly file its application for issuance of Certificates of Convenience and Necessity ("CC&Ns") and transfer to Algonquin of the Property.

Section 9.2 of the Agreement provides:

> 9.2 Transfer Approval: A condition for the sale and purchase is approval by the Arizona Corporation Commission of the sale and purchase and the approval by the Arizona Corporation Commission of the transfer to Purchaser or the issuance to Purchaser of all Certificates of Convenience and Necessity for the Water Companies. Approval of the Purchaser's acquisition must also be obtained, to the satisfaction of the Purchaser, from all other governmental bodies and agencies having jurisdiction over the Water Companies and/or the transfer to Purchaser of all other permits, certificates, licenses or other authorizations necessary for the operation of all plants, facilities, and equipment comprising the Water Companies. All such transfers shall be approved without the imposition of any restrictions conditions, or obligations that are unacceptable to Purchaser in its sole discretion.

The Court set a Status Hearing to monitor the process of compliance with the conditions precedent to the Closing. No one objected to the setting of the status hearing.

Good cause appearing from the entire record before this Court.

IT IS ORDERED:

1. The prior sale to Algonquin under the Agreement is confirmed at a Purchase Price of $696,752.14.

2. The Court will conduct a status hearing in this case concerning the progress toward the Closing on April 25, 2006 at 11:30 a.m. Interested parties may appear by telephone in accordance with this Court's procedures.

DATED_____, 2006.

United States Bankruptcy Judge
District of Arizona

GRANTED

LEWIS AND ROCA LLP
LAWYERS

APPROVED AS TO FORM:

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GRANTED

EXHIBIT

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Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
Cochise Water	02-011	NOV	N/A	9/7/99	9/14/99	30 Days	10/14/99	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 30 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	Revised MSSP submitted on 9/5/02. Letter of review documenting deficiencies was sent out on 9/10/02. No further written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information. However, no written response or submittal has been received by ADEQ-SRO to close or address this item since the Consent Order.
Cochise Water	02-011	NOV	N/A	9/7/99	9/14/99	30 Days	10/14/99	A.A.C.R18-4-115 (A) A water supplier shall protect water system from contamination caused by backflow through unprotected cross connections by requiring the installation and periodic testing of backflow prevention assemblies. Required backflow prevention assembles shall be installed as close as practicable to the service connection. User facilities constructed after August 8, 1991 shall conform to this requirement at the time of placement in to service. User facilities constructed prior to August 8, 1001 shall conform to this requirement by July 1, 1994. This public water system has no backflow prevention assembly program in place. A.A.C.R-4-115 requires that all water suppliers extablish a backflow prevention assembly program to protect their public water systems from contamination caused by backflow or backsiphonage.	Within 30 days provide a backflow prevention plan.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
Cochise Water	02-011	NOV	N/A	9/7/99	9/14/99	45 Days	10/29/99	A.A.C.-4-503 (A) The minimum storage capacity for a 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.	Within 45 days of receipt of this notice install a minimum of an additional 50,000 gallons of storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information.
Cochise Water	02-011	NOV	N/A	10/25/01	11/1/01	60 Days	12/31/01	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	Revised MSSP submitted on 9/5/02. Letter of review and inadequacies was sent out on 9/10/02. No further written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information.
Cochise Water	02-011	NOV	N/A	10/25/01	11/1/01	120 Days	3/1/02	**A.A.C. R18-4-503(A) Failure to provide the required minimum storage capacity for a community water system.** The water system currently has only a single 10,000 gallon storage tank at one of the wells. The minimum water storage requirement for this system is 100,000 gallons. An additional 90,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 90,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item before Consent Order, P-163-02 was implemented. See Consent Order P-163-02 for further information.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	11/22/02	30 Days	12/22/02	Findings of Fact (A)(1): Water Supplier has not submitted an approvable written Microbiological Site Sampling Plan (MSSP) to ADEQ. During the most recent inspection of this system by ADEQ conducted on October 17, 2001, the ADEQ	Within 30 calendar days of the effective date of this Consent Order, Water Supplier shall submit to ADEQ an approvable Microbiological Site Sampling	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								inspector was informed by the Water Supplier that there was no MSSP.	Plan (MSSP)[III(A)].	
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	11/22/02	60 Days	1/23/03	Findings of Fact (A)(2): Water Supplier has not provided the required minimum water storage capacity for this system. This system currently has a single 10,000 gallon storage tank. To correct this deficiency, Water Supplier and ADEQ have mutually agreed that a 160,000 gallon storage tank shall be installed. This storage capacity was documented in previous correspondence from ADEQ to Water Supplier on July 15, 2002.	Within 60 calendar days of the effective date of this Consent Order, Water Supplier shall submit to ADEQ a complete application for an Approval to Construct (ATC) for installation of a 160,000 gallon storage tank [III(B)].	Item submitted to ADEQ Tech Review Unit (TRU) in Phoenix on 12/10/02, and an ATC was issued on 1/14/03. However, no documentation was submitted to SRO by the RP to clear this item. Item technically satisfied but proper documentation required to close.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	1/15/03 Date of ATC for the Storage Tank	45 Days	3/1/03	Findings of Fact (A)(2): Water Supplier has not provided the required minimum water storage capacity for this system. This system currently has a single 10,000 gallon storage tank. To correct this deficiency, Water Supplier and ADEQ have mutually agreed that a 160,000 gallon storage tank shall be installed. This storage capacity was documented in previous correspondence from ADEQ to Water Supplier on July 15, 2002.	Within 45 calendar days of the issuance of an ATC by ADEQ for the required storage tank, Water Supplier shall issue a written Notice to Proceed to the chosen contractor to begin construction. A copy of the written Notice to Proceed shall be provided to ADEQ when it is issued [III(C)].	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	1/15/03 Date of ATC for the Storage Tank	180 Days	7/14/03	Findings of Fact (A)(2): Water Supplier has not provided the required minimum water storage capacity for this system. This system currently has a single 10,000 gallon storage tank. To correct this deficiency, Water Supplier and ADEQ have mutually agreed that a 160,000 gallon storage tank shall be installed. This storage capacity was documented in previous correspondence from ADEQ to Water Supplier on July 15, 2002.	Within 180 calendar days of issuance of an ATC by ADEQ for the required storage tank, Water Supplier shall submit to ADEQ a complete application for an Approval of Construction (AOC) for the storage tank [III(D)].	Package was received by ADEQ-SRO on 8/22/03. The submittal for an AOC was materially deficient and/or incomplete and the AOC process was suspended. Documentation listing all essential application components missing from the application for an AOC was sent to Mr. McLain's engineer on September 8, 2003. The engineer has informed ADEQ-SRO that on several occasions he provided copies to Mr. McLain of the September 8, 2003, correspondence asking Mr. McLain for direction. At the RP's request, a copy was hand delivered to the system owner on 3/5/04. No further responses have been received to close or address this item.
Cochise Water	02-011	Consent Order	P-163-02	11/22/02	11/22/02	Every 30 days until	2/22/03 3/22/03	Standard requirement of the Consent Order.	Water Supplier agrees to submit a written status report to ADEQ every thirty (30)	Only two written status reports have been submitted, the first and second.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
						CO is cleared.	4/22/03 5/22/03 6/22/03 7/22/03 8/22/03 9/22/03 10/22/03 11/22/03 12/22/03 1/22/04 2/22/04 3/22/04		calendar days beginning thirty (30) days from the effective date of this Consent Order, until termination of this Consent Order. Each written status report shall describe what measures have been taken under Section III, of this Consent Order, and shall certify when compliance with the requirements of Section III of this Order has been achieved. Each report shall be accompanied by evidence of compliance including, as appropriate, submittal of documents, photographs or copies of any other supporting information that Water Supplier deems necessary.	No further reports have been received to date.
Cochise Water	02-011	Consent Order NOV	24592	3/6/03	3/10/03	30 Days	4/09/03	**Administrative Order P-163-02 - Section III(C)** **Within 45 calendar days of the issuance of an ATC by ADEQ for the required storage tank, Water Supplier shall issue a written Notice to Proceed to the chosen contractor to begin construction. A copy of the written Notice to Proceed shall be provided to ADEQ when is issued.** The Notice to Proceed was due by February 28, 2003. To date, the Notice to Proceed has not been received by this office.	Within 30 calendar days of receipt of this Notice, please submit a copy of the Notice to Proceed to SRO.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	Consent Order NOV	24592	3/6/03	3/10/03	30 Days	4/09/03	**Administrative Order P-163-02 - Section IV(A)** **Water Supplier agrees to submit a written status report to ADEQ every thirty (30) calendar days beginning thirty (30) days from the effective date of this Consent Order, until termination of this Consent Order.** The Water Supplier has failed to submit their third written status report, due by February 20, 2002.	Within 30 calendar days of receipt of this Notice, please submit the third written status report and keep submitting written status reports by the 20th of each month until the termination of this Consent Order.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	NOV	25486	6/13/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** There was no water pressure at 6686 Calle de la Naranja at the time of this inspection on May 19. The customer at this address (Mrs. White) reported on and off water service with very low or no pressure for several weeks before this inspection, with the problem getting worse the week before	Within 30 calendar days of receipt of this Notice, please submit a written report on why there was no water pressure at this service connection and the measures taken to correct the situation.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								(approximately May 9 through 18) this inspection. The customer called back late on May 20 to say the water service was back on.		
Cochise Water	02-011	NOV	25486	6/13/03	7/9/03	45 Days	8/23/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to construction of a an extension to an existing public water system.** A new two-inch water line extension was installed along the west side of Calle Mango from Perry Lane to Hereford Road adding at least six new service connections to the water system without an ATC.	Within 45 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package for this project prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us.	This project was submitted to ADEQ's Tech Review Unit on 12/8/03. The ATC has not been issued due to deficiencies in the submitted project package which have not been addressed by Mr. McLain. Further, a copy was not submitted to ADEQ-SRO as required to address this time.
Cochise Water	02-011	NOV	25486	6/13/03	7/9/03	90 Days	10/7/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an extension to an existing public water system.** The new water line along Calle Mango was placed in service without an AOC.	Within 90 calendar days of receipt of this Notice, please submit a proper AOC package with an Engineer's Certificate of Completion for this water line extension to the Southern Regional Office.	No written response or submittal has been received by ADEQ-SRO to close or address this item. The ATC for the line noted above has not been issued.
Cochise Water	02-011	NOV	27340	9/22/03	9/29/03	1 Day	9/30/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an alteration of an existing public water system which affects it treatment, capacity, water quality, flow, distribution, or operational performance** The new 160,000-gallon water storage tank, pressure tank, and water pumps in ADEQ project #20020601 are in use without an AOC	Within 1 calendar days of receipt of this Notice, please submit a written response verifying that the water system has stopped using the above facility and has completely isolated the above facility from use until an AOC is obtained.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	NOV	27340	9/22/03	9/29/03	30 Days	10/29/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an alteration of an existing public water system which affects it treatment, capacity, water quality, flow, distribution, or operational performance** The new 160,000-gallon water storage tank, pressure tank, and water pumps in ADEQ project #20020601 are in use without an AOC.	Within 30 calendar days of receipt of this Notice, please submit an approvable AOC package for this project as requested in the September 8, 2003, Comprehensive Request for Additional Information letter to the project engineer and submit it to the Southern Regional Office.	Package was received by ADEQ-SRO on 8/22/03. The submittal for an AOC was materially deficient and/or incomplete and the AOC process was suspended. Documentation listing all essential application components missing from the application for an AOC was sent to Mr. McLain's engineer on September 8, 2003. The engineer has informed ADEQ-SRO that on several occasions he provided copies to Mr. McLain of the September 8,

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										2003, correspondence from ADEQ-SRO asking for direction. At the RP's request, a copy was hand delivered to the system owner on 3/5/04. No further responses have been received.
Cochise Water	02-011	NOV Due to a violation of a Consent Order require-ment.	27811	12/2/03	12/5/03	30 Days	1/4/04	**Administrative Order P-163-02 - Section III(D) Within 180 calendar days of issuance of an ATC by ADEQ for the required storage tank, Water Supplier [Cochise Water] shall submit to ADEQ a complete application for an Approval of Construction (AOC) for the storage tank.** The AOC application package was due to ADEQ by July 14, 2003. The AOC application package was submitted on August 26, 2003, and was deemed incomplete with a Comprehensive Request for Additional Information Letter sent out on September 8, 2003. To date no reply has been received. This item in the consent order required a "complete application for an AOC for the storage tank".	Within 30 calendar days of receipt of this Notice, please submit a complete response to the September 8, 2003, Comprehensive Request for Additional Information Letter for the new storage tank.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	NOV	27811	12/2/03	12/5/03	30 Days	1/4/04	**A.A.C. R18-4-114 Failure to provide a certified operator of the proper type and grade to operate a water distribution system.** This water system requires a grade two water distribution operator, the current operator is only certified as a grade one water distribution operator.	Within 30 calendar days of receipt of this Notice, please submit evidence that a state certified grade two water distribution system operator has been hired and is supervising the operation of this system.	No written response or submittal has been received by ADEQ-SRO from the system owner to close or address this item. A grade two distribution operator was hired, but he resigned shortly thereafter since he had not been paid.
Cochise Water	02-011	NOV	27811	12/2/03	12/5/03	30 Days	1/4/04	**A.A.C. R18-5-104(A)(2) Failure to ensure that the operator in direct responsible charge of the facility is certified for the class of facility at which the operator works, and at or above the grade of the facility for which the operator works.** This water system requires a grade two water distribution operator, the current operator is only certified as a grade one water distribution operator.	Within 30 calendar days of receipt of this Notice, please submit evidence that a state certified grade two water distribution system operator has been hired and is supervising the operation of this system.	No written response or submittal has been received by ADEQ-SRO from the system owner to close or address this item. A grade two distribution operator was hired, but he resigned shortly thereafter since he claimed he had not been paid.
Cochise Water	02-011	NOV	27811	12/2/03	12/5/03	30 Days	1/4/04	**A.A.C. R18-4-502(B) Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** From September 2, 2003, to November 11, 2003, the operating water pressure at 6686 Calle de la Naranja fell below 20 psi 70 times. During these times the operating	Within 30 calendar days of receipt of this Notice, please submit a written report explaining why these pressure recordings were experienced at this service connection, how the water system will eliminate these low system pressures, and a complete engineering pressure and flow	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								pressure range was between 24 and zero psi. The list of dates and times of low pressure readings are included in the attached Inspection Summary.	analysis of the current Cochise water system both with and without the storage tank and with different well combinations of the wells on and pumping to the system.	
Cochise Water	02-011	NOV	30136	4/16/04	4/20/04	30	5/20/04	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** A complaint was received on March 31, 2004, stating that there was a leak along Jaxel Road which had not been fixed and had been leaking for at least three days. A site inspection was conducted on April 7, 2004, and found that the leak still had not been fixed. A follow-up field visit on April 8, 2004, confirmed that the water main continued to leak in spite of it being reported to Mr. McLain a number of times over the last few days according to several other customer complaints received by ADEQ-SRO.	Within 30 calendar days of receipt of this Notice, please submit documentation that the violation (s) never occurred, or documentation that the leak on the Jaxel Road has been properly repaired, the main disinfected, and that an additional one-time monthly microbiological test from this main has been taken to show that there is no microbiological contamination of this main. The one time sample must be taken from across the road at either service connection 260 or 265, as marked on the service meter boxes. Both the regular and the additional monthly microbiological tests must be submitted to SRO. Appropriate documentation includes: invoices, photographs, logs, laboratory analyses, sealed engineering plans, technical drawings, permits or any other document (s) necessary to establish compliance.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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Cochise Water	02-011	NOV	30164	4/19/04	4/20/04	30	5/20/04	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** From November 17, 2003, to March 28, 2004, the operating water pressure at 6686 Calle de la Naranja fell below 20 psi 89 times with the pressure dropping to zero several times. The list of dates and times of low pressure readings are included in the attached Inspection Summary.	Within 30 calendar days of receipt of this Notice, please submit documentation that the violation (s) never occurred, or a written report explaining why these pressure recordings were experienced at this service connection, how the water system will eliminate these low system pressures in the future, and a complete engineering pressure and flow analysis of the current Cochise Water System with and without the storage tank connected and with different combinations of the wells on and pumping to the system. Appropriate documentation includes: invoices, photographs, logs, laboratory analyses, sealed engineering plans, technical drawings, permits or any other document (s) necessary to establish compliance.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise Water	02-011	CO-NOV	30196	4/20/04	4/22/04	30	5/22/04	**Administrative Order P-163-02 - Section III(A)** **Within 30 calendar days of the effective date of this Consent Order, Water Supplier shall submit to ADEQ an approvable Microbiological Site Sampling Plan (MSSP).** The effective date of the Consent Order was November 22, 2002. The MSSP was due no later than December 23, 2002. To date, we have not received an approvable MSSP.	Within 30 calendar days of receipt of this Notice, please submit documentation that the violation (s) never occurred, or an approvable MSSP to ADEQ-SRO.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Cochise	02-011	CO-	30196	4/20/04	4/22/04	30	5/22/04	**Administrative Order P-163-02 - Section IV(A)**	Within 30 calendar days of receipt of	No written response or submittal has

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Water		NOV						**Water Supplier agrees to submit a written status report to ADEQ every thirty (30) calendar days beginning thirty (30) days from the effective date of this Consent Order, until termination of this Consent Order.** Mr. McLain (The Water Supplier) has failed to submit the past 14 monthly written status reports beginning with the one due on February 22, 2003.	this Notice, please submit documentation that the violation (s) never occurred, or a written status report to cover the period from January 22, 2003, to April 22, 2004, and continue to submit a written status report by the 22nd of every month until the Consent Order is terminated.	been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	21340	10/23/01	11/1/01	60 Days	12/31/01	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	MSSP dated September 3, 2002, was received on September 9, 2002, but was incomplete. This was returned to Mr. McLain. No further written response or submittal has been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-114 Failure to provide a certified operator of the proper type and grade to operate a water distribution system.** Mr. McLain holds a grade one water distribution certification. This system is classified as a grade two water distribution system.	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator or the current operator has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-503(A) Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The system requires a minimum storage capacity of 60,000	Within 90 calendar days of receipt of this Notice, please submit documentation that the 38,000 gallon storage tank has been placed in operation with an automatic fill system and a properly engineered pressure	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Horse

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								gallons. The system currently has two storage tanks with a combined capacity of 29,000 gallons. The system includes a third storage tank with a capacity 38,000 gallons, but this tank is not connected to the water system in a way that allows it to function.	tank and multi-pump booster station.	
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** The 38,000 gallon storage tank has not been in operation since it was installed on this water system several years ago. The water outages in December 2002, and January 2003, were investigated. It was found that the operator was keeping the two active storage tanks no more than 25-percent full of water. During peak system demand periods these tanks were drained introducing air into the booster pump feed line causing the loss of one of the two booster pumps. The booster pumps are manually switched and service was not restored until customers called in to complain about being out of water and the operator manually switched to the good booster pump.	Within 90 calendar days of receipt of this Notice, please submit documentation that the 38,000 gallon storage tank has been placed in operation with an automatic fill system and a properly engineered pressure tank and multi-pump booster station.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Horseshoe Ranch Water	02-048	NOV	23944	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water distribution system under all conditions of flow.** ADEQ has received numerous written complaints this past year from system customers documenting no water or very low water pressure. As a result, a chart pressure recorder was installed on the system. Pressure readings below 20 psi were recorded on the mornings of December 24, 2002 for four hours, January 1, 2003 for a total of three hours, and January 2, 2003 for one hour.	Within 90 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure tanks and booster pumps, and a design laying out how to connect the 38,000 gallon storage tank with a pressure tank and booster pumps to the system to provide a minimum of 20 psi at all times. The design and plans must also include an automatic top fill method for the 38,000 gallon storage tank from the Cochise Water service connection, a water level	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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									indicator for the 38,000 gallon storage tank, and moving the fill lines from the bottom of the two smaller storage tanks to their tops along with automatic controls for all booster pumps.	
Coronado Water	02-013	NOV	22518 Case merged with 23734	10/23/01	10/28/01	60 Days	12/27/01	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	MSSP was submitted on 1/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	22518 Case merged with 23734	10/23/01	10/28/01	60 Days	12/27/01	A.A.C. R18-4-116 (A) Failure to develop and keep an adequate emergency operations plan. The water system has not developed an emergency operations plan.	Within 60 days of receipt of this Notice, please submit an adequate emergency operations plan.	EOP was submitted on 1/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	22518 Case merged with 23734	10/23/01	10/28/01	120 Days	2/25/2002	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. An additional 80,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 80,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-115(E)(2)(a) Failure to install a required backflow prevention assembly in accordance with manufacturer's**	Within 30 calendar days of receipt of this Notice, please submit documentation that the K&N RV Park backflow assembly has	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								specifications. The RPA backflow assembly for the K&N RV Park was installed at ground level and not at the correct height as required.	been installed at the proper height.	
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-115(F)** **Failure to test a required backflow prevention assembly at least annually or as directed by ADEQ.** During the inspection, Mr. McLain stated that he has not required backflow testing of any of the backflow assemblies on this water system. There are two RPA backflow assemblies on this system; one at the K&N RV Park and another at the Texaco Mini-Mart. The water system was unable to produce any testing records for either backflow device.	Within 30 calendar days of receipt of this Notice, please submit test results showing that all backflow assemblies have been properly tested.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an emergency operation plan.	Within 30 calendar days of receipt of this Notice, please submit a complete Emergency Operations Plan (EOP) for review and comment.	EOP was submitted on 1/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	30 Days	3/6/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system does not have a microbiological site sampling plan.	Within 30 calendar days of receipt of this Notice, please submit a complete Microbiological Site Sampling Plan (MSSP) for review and comment.	MSSP was submitted on 11/5/03. A letter of review was sent out on 1/16/04 listing the deficiencies found in the plans. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	60 Days	4/5/03	**A.A.C. R18-4-114** ***Failure to provide a certified operator of the proper type and grade to operate a water distribution system.*** Mr. McLain holds a grade one water distribution certification. This system is classified as a grade two water distribution system.	Within 60 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator or the current operator has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	90 Days	5/5/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.**	Within 90 calendar days of receipt of this Notice, please submit engineering plans to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk,	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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								The 20,000-gallon water storage tank and the pressure pump for the distribution system has been out of operation for at least a year and were not in operation at the time of this inspection. The storage tank is structurally beyond repair and needs to be replaced. The pressure tank has also been repeatedly patched, is undependable and is in need of replacement before it fails again.	1110 West Washington Street, Phoenix, Arizona 85007, for the replacement of the storage tank with a storage tank of at least 100,000 gallons in capacity.	
Coronado Water	02-013	NOV	23734	1/17/03	2/4/03	90 Days	5/5/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The 20,000-gallon water storage tank has failed and not been replaced. There was no water storage capacity on the system at the time of this inspection. The system requires a minimum storage capacity of 100,000 gallons.	Within 90 calendar days of receipt of this Notice, please submit an engineering report and analysis from a state registered professional engineer analyzing system pressure requirements and sizing the replacement pressure tank and pressure pumps.	An engineering report was received by ADEQ-SRO on or about 9/2/03 with no cover letter and/or written explanation. The RP's engineer submitted the engineering report instead of the RP as the NOV required. The report should have been submitted by the RP. While there are a few minor information errors in the report's Introduction, the report itself essentially fulfills this requirement. The RP should have submitted a cover letter transmitting this report. Item technically satisfied but proper documentation required to close. This report does support the stated NOV violation for this item and the size requirement for a minimum storage tank capacity of 100,000 gallons.
Miracle Valley Water	02-023	NOV	21323	10/28/01	11/08/01	60 Days	1/7/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

MIR. UA

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								the inspector was told that there was no sampling plan as required by this rule.		
Miracle Valley Water	02-023	NOV	21323	10/28/01	11/08/01	60 Days	1/7/02	A.A.C. R18-4-505 (B) Failure to obtain an Approval to Construct (ATC) from ADEQ prior to construction of an extension to an existing public water system. A water line extension to a new subdivision has been added to the water system without an ATC being issued for it.	Within 60 days of receipt of this Notice, please submit a complete Approval to Construct package for the line extension in accordance with A.A.C. R18-4-505 (B) .	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	21323	10/28/01	11/08/01	120 Days	3/8/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. A minimum of 70,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 70,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	30 Days	8/8/03	**A.C.C.R18-4-104(N)(2)** **Failure to notify the department no later than 24 hours after the occurrence of the loss of a water supply due to major component failure.** The pressure tank for Miracle Valley ruptured on May 11, 2003, and was replaced late on May 14, 2003. During this time the sole approved water source for this system was not in operation. The water system operator has not reported on this emergency.	Within 30 calendar days of receipt of this Notice, please submit notification of the water outage and discuss replacement of the pressure tank, including actions taken and any other pertinent information regarding this event. The water system must report *all emergencies listed in* R18-4-104(N) within 24 hours after the occurrence. Also, submit a revised emergency operations plan for this water system for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	30 Days	8/8/03	**R18-4-505(B)(1)(d)** **Failure to submit a water quality analysis for a new source of water that includes: Microbiological, physical, radiochemical, inorganic, organic, and volatile organic and volatile chemicals before the water source is placed**	Within 30 calendar days of receipt of this Notice, please submit evidence that the well has been physically disconnected from the water system until all source approval testing samples have been taken,	A picture was sent to ADEQ-SRO on or about 8/25/03, with a comment of 'Proof of physical separation between new source and Miracle Valley water system' with no signature or cover

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								into service. Miracle Valley water connected a new well to this water system without submiting source approval data for the new water source.	analyzed by an approved laboratory, and submitted to ADEQ for approval of this source.	letter. A review letter was sent out on 8/27/03 to Mr. McLain stating that this was an incomplete submittal. No further written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** During the water outage of May 11 to May 14 the approved Emergency Operation Plan (EOP) for the water system was not followed resulting in no water for several days and the connection of an unapproved water source to the system.	Within 30 calendar days of receipt of this Notice, please submit an approvable revision of the EOP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	60 Days	9/7/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to making an alteration which will affect treatment, capacity, water quality, flow, distribution, or operation performance of a public water system.** Failure to obtain an Approval to Construct (ATC) from ADEQ prior to connecting a new source to the water system.	Within 60 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include design plans for the well site including storage and pressure tanks along with an engineering analysis sizing both tanks and the booster pumps such that the system will provide a minimum of 20 psi at all times.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	60 Days	9/7/03	**A.A.C. R18-4-502(B)** **Failure to maintain a pressure of at least 20 pounds per square inch at ground level at all points in the potable water *distribution system* under all conditions of flow.** During the water emergency, there was no system pressure until the unapproved source was connected. After the unapproved source was connected, the western half of the system had insufficient pressure with only five psi.	Within 60 calendar days of receipt of this Notice, please submit a report on water system pressure throughout the distribution system that demonstrates at least 20 psi is being maintained. This report should be submitted as part of the ATC application for the new well, storage tanks, and booster pumps.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Miracle Valley Water	02-023	NOV	25485	7/3/03	7/9/03	120 Days	11/6/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an alteration of an existing**	Within 120 calendar days of receipt of this Notice, please submit a proper AOC package for the new well, storage and	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								public water system which affects it treatment, capacity, water quality, flow, distribution, or operational performance. The new well was placed into operation without an AOC from the department.	pressure tanks, and booster pumps to the Southern Regional Office.	
Mustang Water	02-054	NOV	**20556 Case merged with 25845**	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	**20556 Case merged with 25845**	10/23/01	11/5/01	120 Days	3/5/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. A minimum of 20,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 20,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	30 Days	9/6/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an Emergency Operation Plan (EOP).	Within 30 calendar days of receipt of this Notice, please submit an approvable EOP to the Southern Regional Office for review and comments.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	30 Days	9/6/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system has not developed a Microbiological Site	Within 30 calendar days of receipt of this Notice, please submit an approvable MSSP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								Sampling Plan (MSSP).		
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	120 Days	12/5/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The water system has no storage tank. The minimum size storage tank for this water system is 20,000-gallons.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us regarding the design and installation of the required storage tank. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure and storage tanks, booster pumps, any potential additional well(s), and a design layout showing how the system will provide a minimum of 20 psi at all times and meet the storage tank requirement.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	120 Days	12/5/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to construction of a an extension to an existing public water system.** The water system has an unapproved interconnection with the Crystal Water Company.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Mustang Water	02-054	NOV	25845	7/14/03	8/7/03	120 Days	12/5/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an extension to an existing public water system.** The water system has an unapproved interconnection with the Crystal Water Company.	Within 120 calendar days of receipt of this Notice, please submit a complete Approval to Construct package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona , with a copy to us. The	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
									ATC application package should include as-built plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement. The AOC violation cannot be closed out until an ATC has been issued by the department and a complete AOC package including an Engineer's Certificate of Completion has been submitted to our office in Tucson for review and issuance of an AOC.	
Crystal Water	02-074	NOV	**20541 Case merged with** 25847	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	**20541 Case merged with** 25847	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-116 (A) Failure to develop and keep an adequate emergency operations plan. The water system has not developed an emergency operations plan.	Within 60 days of receipt of this Notice, please submit a adequate emergency operations plan.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	**20541 Case merged with** 25847	10/23/01	11/5/01	120 Days	3/5/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. An additional 20,000 gallons of water storage capacity	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 20,000 gallons of water storage	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								is required.	capacity.	
Crystal Water	02-074	NOV	25847	7/17/03	8/7/03	30 Days	9/6/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an Emergency Operation Plan (EOP).	Within 30 calendar days of receipt of this Notice, please submit an approvable MSSP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	25847	7/17/03		30 Days	9/6/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system has not developed a Microbiological Site Sampling Plan (MSSP).	*Within 30 calendar days of receipt of this* Notice, please submit an approvable EOP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	25847	7/17/03		120 Days	12/5/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The water system has no storage tank. The minimum size storage tank for this water system is 20,000-gallons.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us regarding the design and installation of the required storage tank. The ATC application package should include plans and an engineering analysis of system *pressure requirements, sizing of* all pressure and storage tanks, booster pumps, any potential additional well(s), and a design layout showing how the system will provide a minimum of 20 psi at all times and meet the storage tank requirement.	The ADEQ Technical Review Unit (TRU) database shows that this project was first proposed and received by ADEQ-TRU on 2/29/96, but that the project was never approved. The project was still built by the RP without an approval. The project file has since been archived and the reviewer is no longer with ADEQ. The current TRU database shows that a project titled 'Mustang/Crystal Wtr Sys IMPR' was received on 12/18/03 (TRU # 20030636, LTF 31780). This project has been in substantive review suspension since 1/7/04. No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	25847	7/17/03		120 Days	12/5/03	**A.A.C. R18-4-505(B)** **Failure to obtain an Approval to Construct from ADEQ prior to construction of a an extension to an existing public water system.** The water system has an unapproved interconnection with	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager,	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								the Mustang Water Company.	Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should include plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement.	
Crystal Water	02-074	NOV	25847	7/17/03		120 Days	12/5/03	**A.A.C. R18-4-507(A)** **Failure to obtain an Approval of Construction from ADEQ prior to operation of an extension to an existing public water system.** The water system has an unapproved interconnection with the Mustang Water Company.	Within 120 calendar days of receipt of this Notice, please submit a complete Approval to Construct package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona , with a copy to us. The ATC application package should include as-built plans for the interconnection along with an approved Arizona Corporation Commission interconnection agreement. The AOC violation cannot be closed out until an ATC has been issued by the department and a complete AOC package including an Engineer's Certificate of Completion has been submitted to our office in Tucson for review and issuance of an AOC.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Crystal Water	02-074	NOV	28581	3/1/03	3/3/04	30 Days	4/2/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** The distribution main along Black Road has a water leak across from 301 West Black Road. At the time of this inspection, a surface flow of about one gallon per minute was observed with the water flowing on the ground. The homeowner at 301 W Black Road noted that this leak had been on-going since last summer.	Within 30 calendar days of receipt of this Notice, please submit documentation that the two leaks on the Black Road water main have been repaired, the main disinfected, and that an additional one-time monthly microbiological test from this main has been taken to show that there is no microbiological contamination of this main. Both the regular and the additional monthly microbiological test must be submitted.	On April 7, 2004, a letter from Mr. McLain's attorney, Steve Wene, was received with only the requested microbiological testing results attached. A response was sent back on April 16, 2004, detailing that we await a complete response from Mr. McLain to include objective, independent verification of compliance regarding fixing the water main leaks and main disinfection.
Crystal Water	02-074	NOV	28581	3/1/03	3/3/04	30 Days	4/2/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or**	Within 30 calendar days of receipt of this Notice, please submit documentation that the two leaks on the Black Road water	On April 7, 2004, a letter from Mr. McLain's attorney, Steve Wene, was received with only the requested

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								distribution of a water supply. The distribution main along Black Road (50-yards east of Appaloosa Place) had another water leak. At the time of this inspection, a surface flow of between two to three gallons a minute was observed with the water flowing down the road for several hundred yards.	main have been repaired, the main disinfected, and that an additional one-time monthly microbiological test from this main has been taken to show that there is no microbiological contamination of this main. Both the regular and the additional monthly microbiological test must be submitted.	microbiological testing results attached. A response was sent back on April 16, 2004, detailing that we await a complete response from Mr. McLain to include objective, independent verification of compliance regarding fixing the water main leaks and main disinfection.
Crystal Water	02-074	NOV	28581	3/1/03	3/3/04	90 Days	6/1/03	**A.A.C. R18-4-124** **Failure to maintain and keep in proper operating condition a facility used in the production, treatment, or distribution of a water supply.** The two-inch PVC water distribution main along Camino de Mesa is not properly buried and has been uncovered in the roadside drainage channel for a distance of several hundred yards. The exposed section of line shows that this part of the distribution system was buried only two feet below the surface at about the same level of the road drainage channel (instead of the minimum three-feet as required by A.C.C.R18-4-502(A) and ADEQ Engineering Bulletin #10), and only a few feet into the drainage channel embankment.	Within 90 calendar days of receipt of this Notice, please submit documentation that the complete length of this line as been properly buried at a depth of at least three feet below the bottom of the drainage channel.	In the April 5, 2004, letter from Mr. McLain's attorney, Steve Wene, it states that "Mr. McLain is now in the process of reaffirming with the excavator that the main was buried deeper than three feet.", and that "The compliance documentation is due no earlier than June 7, 2004." In the response sent back on April 16, 2004, it was noted "that Mr. McLain's complete response on reburying the two-inch PVC distribution main. . . is due no later than early June, 2004".
Sierra Sunset Water	02-055	NOV	**20548 Case merged with** 25846	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-202 (C) Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ. The water company has not developed a written microbiological site sampling plan for this system. The sampling plan was requested during the inspection and the inspector was told that there was no sampling plan as required by this rule.	Within 60 days of receipt of this Notice, please submit a microbiological site sampling plan for this system.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	**20548 Case merged**	10/23/01	11/5/01	60 Days	1/4/02	A.A.C. R18-4-116 (A) Failure to develop and keep an adequate emergency	Within 60 days of receipt of this Notice, please submit a adequate	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
			with 25846					operations plan. The water system has not developed an emergency operations plan.	emergency operations plan.	
Sierra Sunset Water	02-055	NOV	**20548 Case merged with** 25846	10/23/01	11/5/01	120 Days	3/5/02	A.A.C. R18-4-503 (A) Failure to provide the required minimum storage capacity for a community water system. An additional 15,000 gallons of water storage capacity is required.	Within 120 days of receipt of this Notice, please submit an approvable compliance schedule for the installation of the required additional 15,000 gallons of water storage capacity.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	25846	7/14/03	7/15/03	30 Days	8/14/03	**A.A.C. R18-4-116(A)** **Failure to develop and keep an adequate emergency operations plan.** The water system has not developed an Emergency Operation Plan (EOP).	Within 30 calendar days of receipt of this Notice, please submit an approvable EOP to the Southern Regional Office for review and comments.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	25846	7/14/03	7/15/03	30 Days	8/14/03	**A.A.C. R18-4-202(C)** **Failure to collect total coliform samples at a site which is representative of water throughout the distribution system according to a written site sampling plan that has been approved by ADEQ.** The water system has not developed a Microbiological Site Sampling Plan (MSSP).	Within 30 calendar days of receipt of this Notice, please submit an approvable MSSP to the Southern Regional Office for review and comment.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
Sierra Sunset Water	02-055	NOV	25846	7/14/03	7/15/03	120 Days	11/12/03	**A.A.C. R18-4-503(A)** **Failure to provide the required minimum storage capacity for a community water system or a noncommunity water system that serves a residential population or a school.** The water system has no storage tank. The minimum size storage tank for this water system is 15,000-gallons.	Within 120 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us regarding the design and installation of the required storage tank. The ATC application package should include plans and an engineering analysis of system pressure requirements, sizing of all pressure and storage tanks, booster pumps,	No written response or submittal has been received by ADEQ-SRO to close or address this item.

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
									any potential additional well(s), and a design layout showing how the system will provide a minimum of 20 psi at all times and meet the storage tank requirement.	
McLain Operator Horseshoe Ranch Water	02-046	NOV	24042	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-5-109(B)(1)** **Operation of a facility in a manner that violates federal or state law.** Mr. McLain holds a grade one water distribution certification violating A.A.C. R18-4-118, which requires at least a grade two operator.	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr. McLain, or that Mr. McLain has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Horseshoe Ranch Water	02-046	NOV	24042	2/10/03	2/12/03	90 Days	5/13/03	**A.A.C. R18-5-109(B)(6)** **Operation of a facility in a manner which endangers the public health, safety, or welfare.** ADEQ has received numerous written complaints this past year from system customers documenting no water or very low water pressure. As a result, a chart pressure recorder was installed on the system. Pressure readings below 20 psi were recorded on the mornings of December 24, 2002 for four hours, January 1, 2003 for a total of three hours, and January 2, 2003 for one hour. Operating a water system with less than 20 psi pressure at all times and at all flow conditions is prohibited by A.A.C. R18-4-502(A).	Within 90 calendar days of receipt of this Notice, please submit an Approval to Construct (ATC) package prepared by an Arizona Registered Professional Engineer to Aolad Hossain, P.E., Manager, Engineering Technical Review Desk, 1110 West Washington Street, Phoenix, Arizona 85007, with a copy to us. The ATC application package should includ plans and an engineering analysis of system pressure requirements, sizing of all pressure tanks and booster pumps, and a design laying out how to connect the 38,000 gallon storage tank with a pressure tank and booster pumps to the system to provide a minimum of 20 psi at all times. The design and plans must also include an automatic top fill method for the 38,000 gallon storage tank from the Cochise Water service connection, a water level indicator for the 38,000 gallon storage tank, and moving the fill lines from the bottom of the two smaller storage tanks to their tops along with automatic controls for all booster pumps.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator	02-023	NOV	25674	6/30/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-5-109(B)(6)** **Operation of a facility in a manner which endangers the**	Within 30 calendar days of receipt of this Notice, please submit a written report	No written response or submittal has been received by ADEQ-SRO to close

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System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
Miracle Valley Water								**public health, safety, or welfare.** *Mr. McLain failed to maintain a pressure of at least 20* pounds per square inch at ground level at all points in this distribution system under all conditions of flow during the water outage of May 11, 2003 through May 14, 2003, in violation of A.C.C. R18-4-502(B).	covering how the water system will maintain proper pressure and customer service in the future.	or address this item.
McLain Operator Miracle Valley Water	02-023	NOV	25674	6/30/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-5-109(B)(6) Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain connected an unapproved water well without first getting source approval in violation of A.A.C.R18-4-505(B) and A.A.C.R18-4-505(B)(1)(d)(i).	Within 30 calendar days of receipt of this Notice, please submit a written report and proof that the all testing requirements for this unapproved source have been submitted to a state-approved lab.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Miracle Valley Water	02-023	NOV	25674	6/30/03	7/9/03	90 Days	10/07/03	**A.A.C. R18-5-109(B)(1) Operation of a facility in a manner that violates federal or state law.** Mr. McLain holds a grade one water distribution certification violating A.C.C. R18-4-114, which requires at least a grade two operator for this water system.	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr. McLain, or that Mr. McLain has obtained the required water distribution certification.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Cochise Water	02-011	NOV	25737	7/3/03	7/9/03	30 Days	8/8/03	**A.A.C. R18-5-109(B)(6) Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain failed to maintain a pressure of at least 20 pounds per square inch at ground level at all points in this distribution system under all conditions of flow in violation of A.C.C. R18-4-502(B). There was no water pressure at 6686 Calle de la Naranja at the time of this inspection on May 19. The customer at this address (Mrs. White) reported on and off water service with very low or no pressure for several weeks before this inspection, with the problem getting worse the week before (approximately May 9 through 18) this inspection. The customer called back late on May 20 to say the water service was back on.	Within 30 calendar days of receipt of this Notice, please submit a written report covering how the water system will maintain proper pressure and customer service in the future.	No written response or submittal has been received by ADEQ-SRO to close or address this item.
McLain Operator Cochise Water	02-011	NOV	25737	7/3/03	7/9/03	90 Days	10/07/03	**A.A.C. R18-5-109(B)(6) Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain holds a grade one water distribution certification violating A.C.C. R18-4-114, which requires at least a grade	Within 90 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr.	No written response or submittal has been received by ADEQ-SRO to close or address this item.

Compliance Status of McLain Water Companies as of April 30, 2004

System Name	System ID	Document Type	Case ID	Document Date	Date Received	Compliance Time Frame	Compliance Due Date	Violation	Documenting Compliance	Status
								two operator for this water system.	McLain, or that Mr. McLain has obtained the required water distribution certification.	
McLain Operator Coronado Water	02-013	NOV	30081	4/8/04	4/10/04	30 Days	5/10/04	**A.A.C. R18-5-109(B)(6)** **Operation of a facility in a manner which endangers the public health, safety, or welfare.** Mr. McLain holds a grade one water distribution certification violating *A.C.C. R18-4-114, which requires at least a* certified grade two operator for this water system.	Within 30 calendar days of receipt of this Notice, please submit documentation that either the water system has hired a certified grade two water distribution operator to operate and oversee Mr. McLain, or that Mr. McLain has obtained the required water distribution certification.	NOV just issued as a follow up to cover all of McLain's Grade Two Systems.

EXHIBIT

3

Exhibit 3

Name:	Southern Sunrise Water Company Inc.
Address:	4055 Campus Drive Sierra Vista, Arizona 85635

Form of Organization: Arizona Corporation

President:	Ian Robertson 2845 Bristol Circle Oakville, Ontario, Canada L6H 7H7
Secretary:	Peter Kampian 2845 Bristol Circle Oakville, Ontario, Canada L6H 7H7

EXHIBIT

4

BYLAWS
OF
SOUTHERN SUNRISE WATER COMPANY INC.

ARTICLE I
Articles of Incorporation

Section 1.01. Reference to Articles. Any reference herein made to the corporation's articles shall be deemed to refer to its articles of incorporation and all amendments thereto as of any given time on file with the Arizona Corporation Commission (or any successor to its functions).

Section 1.02. Seniority. The articles shall in all respects be considered senior and superior to these bylaws, with any inconsistency to be resolved in favor of the articles, and with these bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

ARTICLE II
Corporation Offices

Section 2.01. Known Place of Business. The known place of business of the corporation in the State of Arizona shall be the office of its statutory agent unless otherwise designated in the articles or as provided in Section 2.02 hereof. The corporation may have such other offices, either within or outside of the State of Arizona, as the board of directors may designate or as the business of the corporation may require from time to time.

Section 2.02. Changes. The board of directors may change the corporation's known place of business or its statutory agent from time to time by filing a statement with the Arizona Corporation Commission pursuant to applicable law.

ARTICLE III
Shareholders

Section 3.01. Annual Meetings. An annual meeting of the shareholders shall be held on March 31 each year, or on such other date as may be determined by the board of directors from time to time, commencing with the year 2007, at a time and place as determined by the board of directors, or in the absence of action by the board, as set forth in the notice given, or waiver signed, with respect to such meeting pursuant to Section 3.03 below. At the annual meeting, shareholders shall elect a board of directors and transact such other business as may be properly brought before the meeting. If for any reason any annual meeting is not held during the period set forth above, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings (including the election of directors) may be conducted. The failure to hold an annual meeting during the period set forth above shall not affect the validity of any corporate action. Any director elected at any annual meeting, deferred annual meeting or special meeting shall continue in office until the election of his successor, subject to his earlier resignation pursuant to Section 7.01 below or his removal by the shareholders pursuant to Section 4.10 below.

Section 3.02. Special Meetings. Special meetings of the shareholders may be held whenever and wherever called for by the chairman of the board, the president or the board of directors, the written demand of the holders of not less than ten percent (10%) of all issued and outstanding shares of each voting group of the corporation entitled to vote at any such meeting, or as otherwise required by state law. Any written demand by shareholders shall state the purpose or purposes of the proposed meeting, and business to be transacted at any such meeting shall be confined to the purposes stated in the notice thereof, and to such additional matters as the chairman of the meeting may rule to be germane to such purposes.

Section 3.03. Notices. Not less than ten (10) nor more than sixty (60) days before the date of any meeting of the shareholders and at the direction of the person or persons calling the meeting, the secretary of the corporation, or any other officer of the corporation or other person directed by the board of directors, shall cause a written notice setting forth the date, time and place, and, with respect to special meetings only, a description of the purpose or purposes for which the meeting is called, to be delivered to each shareholder of record at his last address as it appears on the corporation's records on the applicable record date; provided that notice may be communicated orally if it is reasonable to do so under the circumstances. Notice may be communicated in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier, and shall be deemed given and effective as provided by law.

Section 3.04. Waiver of Notice. Any shareholder may waive call or notice of any annual, deferred annual or special meeting (and any adjournment thereof) at any time before, during which, or after it is held. Attendance of a shareholder at any such meeting in person or by proxy shall: (i) waive objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waive objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented. No call or notice of a meeting of the shareholders shall be necessary if each shareholder waives the same in writing or by attendance.

Section 3.05. Shareholders of Record. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders (and at any adjournment of such meeting), or shareholders entitled to consent to corporate action without a meeting or shareholders entitled to receive payment of any dividend, or for any other lawful action, the board of directors may fix in advance a record date which shall not be more than seventy (70) days before the date of such meeting or any such other action.

If no record date is fixed by the board of directors for determining shareholders entitled to notice of, and to vote at, a meeting of shareholders, the record date shall be at 4:00 in the afternoon on the day before the day on which notice is given, or, if notice is waived, at the commencement of the meeting. If no record date is fixed for determining shareholders entitled to express written consent to corporate action without a meeting, the record date shall be the time of the day on which the first written consent is served upon an officer or director of the corporation.

A determination of shareholders of record entitled to notice of, and to vote at, a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting; and provided further that the board of directors shall fix a new record date for any meeting adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

Section 3.06. Shareholder List for Meeting. After fixing a record date for a meeting, the corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and shall show the address of and number of shares held by each shareholder. The shareholders' list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office, the office of the corporation's transfer agent if specified in the meeting notice or at another place identified in the meeting notice in the city where the meeting will be held. A shareholder, his agent or his attorney, on written demand, may inspect and, subject to Arizona law, copy the list during regular business hours and at his expense during the period it is available for inspection. The corporation shall make the shareholders' list available at the meeting, and any shareholder, his agent or his attorney may inspect the list at any time during the meeting or any adjournment thereof. The corporation's refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

Section 3.07. Proxies. Any shareholder entitled to vote may vote by proxy at any meeting of the shareholders (and at any adjournment thereof) which is specified in such proxy, provided that the proxy is executed in writing by such shareholder or his duly authorized attorney-in-fact. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise specifically provided thereon. The burden of proving the validity of any undated, irrevocable or otherwise contested proxy at a meeting of the shareholders shall rest with the person seeking to exercise the proxy. A telegram, cablegram or facsimile appearing to have been transmitted by a shareholder or by his duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

Section 3.08. Voting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles, these bylaws or by statute, each issued and outstanding share of the corporation (specifically excluding shares held in the treasury of the corporation) represented at any meeting of the shareholders in person or by a proxy given pursuant to Section 3.07 above, shall be entitled to one vote on each matter submitted to a vote of the shareholders at such meeting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles or by applicable law, any question submitted to the shareholders shall be resolved by a majority of the votes cast thereon, provided that such votes constitute a majority of the quorum of that particular meeting whether or not such quorum is then present. Except as otherwise provided in the corporation's articles, directors shall be elected by a plurality of the votes cast at an election, provided that a quorum has been formed at the meeting, whether or not a quorum is then present. Voting shall be by ballot on any question as to which a ballot vote is demanded before the voting

begins, by any person entitled to vote on such question; otherwise, a voice vote shall suffice. No ballot or change of vote shall be accepted after the polls have been declared closed following the ending of the announced time for voting.

Section 3.09. Voting of Shares by Certain Holders. Shares of the corporation held by another corporation may be voted by such corporation's officer, agent or proxy as its bylaws may prescribe, or in the absence of such bylaw provision, by any other person designated by resolution of its board of directors, and such officer, agent or other person so designated may vote such corporation's shares in this corporation in person or by proxy appointed by him.

Shares held by an administrator, executor, legal representative, guardian, conservator or other legal representative may be voted by such representative, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee, other than a trustee in bankruptcy, may be voted by such representative, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver, trustee in bankruptcy or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do is contained in an appropriate order of the court by which such receiver or trustee was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

If shares stand in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or tenants by community property or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the corporation is given a written instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, his act binds; (ii) if more than one votes, the act of the majority so voting binds all; and (iii) if more than one votes, but the vote is evenly split on any particular matter, each faction may vote the shares in question proportionally.

Section 3.10. Quorum. At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares of the corporation issued, outstanding and entitled to vote at the meeting shall constitute a quorum of the shareholders for all purposes. In the absence of a quorum, any meeting may be adjourned from time to time by its chairman, without notice other than by announcement at the meeting, until a quorum is formed. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. Once a quorum has been formed at any meeting, the shareholders from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure of enough shareholders to leave less than a quorum. If an adjournment is for

more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.11. Election Inspectors. The board of directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting shall, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there are more than one) shall determine the number of shares outstanding, the authenticity, validity and effect of proxies and the number of shares represented at the meeting in person and by proxy; the election inspector(s) shall receive and count votes, ballots and consents and announce the results thereof; the election inspector(s) shall hear and determine all challenges and questions pertaining to proxies and voting; and, in general, the election inspector(s) shall perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

Section 3.12. Organization and Conduct of Meetings. Each meeting of the shareholders shall be called to order and thereafter chaired by the chairman of the board of directors if there is one; or, if not, or if the chairman of the board is absent or so requests, then by the president; or if both the chairman of the board and the president are unavailable, then by such other officer of the corporation or such shareholder as may be appointed by the board of directors. The corporation's secretary shall act as secretary of each meeting of the shareholders; in his absence the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector(s), if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies shall be accepted. If directors are to be elected, a tabulation of the proxies so filed shall, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) before the closing of the election polls. Absent a showing of bad faith on his part, the chairman of a meeting shall, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer portions thereof).

Section 3.13. Shareholder Approval or Ratification. The board of directors may submit any contract or act for approval or ratification of the shareholders, either at a duly constituted meeting of the shareholders or by unanimous written consent to corporate action without a meeting pursuant to Section 3.15 below. If any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting or by such unanimous written consent, the same shall be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of the shareholders.

Section 3.14. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting and similar matters shall be deemed waived if no objection is made at the meeting.

Section 3.15. Action by Shareholders Without a Meeting. Any action required or permitted to be taken at a meeting of the shareholders of the corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the shareholders of the corporation at a duly convened meeting.

Section 3.16. Meetings by Alternative Communications. The board of directors may permit any or all of the shareholders to participate in any annual or special meeting of shareholders or conduct the meeting through use of any means of communication by which all of the shareholders participating may simultaneously hear each other during the meeting. If the board elects to permit participation by such means of communication, the notice of the meeting shall specify how a shareholder may participate in the meeting by such means of communication. The participation may be limited by the board of directors to specified locations or means of communication. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE IV
Board of Directors

Section 4.01. Membership. The board of directors shall be comprised of not less than one (1) nor more than five (5) members who need not be shareholders of the corporation or residents of the State of Arizona. The directors shall be elected at each annual meeting of the shareholders. The board of directors shall have the power to increase or decrease its size within the aforesaid limits and to fill any vacancies that may occur in its membership in the interval between the annual meetings of the shareholders, whether resulting from an increase in the size of the board or otherwise. Each director elected by the shareholders or the board of directors shall hold office until his successor is duly elected and qualified; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the board of directors, if not already filled, or substitute another person to fill the vacancy, in which case the term of office of the person elected by the board of directors shall forthwith terminate.

Section 4.02. General Powers. All corporate powers shall be exercised by or under the authority of and the business and affairs of the corporation shall be managed under the direction of the board of directors.

Section 4.03. Regular Meetings. A regular annual meeting of the board of directors shall be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders' meeting or at such other place as the directors elected at the shareholders' meeting may have been informed of at or before the time of their election. Additional regular meetings may be held at regular intervals on such dates and at such places and times as the board of directors may determine.

Section 4.04. Special Meetings. Special meetings of the board of directors may be held whenever and wherever called for by the chairman of the board, the president, or the number of directors that would be required to constitute a quorum.

Section 4.05. Notices. No notice need be given of regular meetings of the board of directors. Notice of the date, time and place of any special meeting shall be given to each director in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier addressed to him at his latest address appearing on the corporation's records, and shall be given at least two days before the meeting. Notice must be in writing unless oral notice is reasonable under the circumstances. Any person who has given notice hereunder may make an affidavit that notice was given, which shall be conclusive that notice was so given.

Section 4.06. Waiver of Notice. Any director may waive call or notice of any meeting (and any adjournment thereof) at any time before, during which, or after it is held. A director's attendance or participation in a meeting waives any required notice to him of the meeting unless the director at the beginning of the meeting or promptly on his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. No call or notice of a meeting of directors shall be necessary if each of them waives the same in writing or by attendance. Any meeting, once properly called and noticed (or as to which call and notice have been waived) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance.

Section 4.07. Quorum. A quorum for the transaction of business at any meeting or adjourned meeting of the board of directors shall consist of a majority of the directors then in office, except that when a vacancy or vacancies exist in the board, a majority of the directors then in office shall constitute a quorum. Once a quorum has been formed at any meeting, the directors from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure from the meeting of enough directors to leave less than a quorum.

Section 4.08. Voting. Any matter submitted to a meeting of the board of directors shall be resolved by a majority of the votes cast thereon. Voting rights of members of the board of directors may be altered by separate agreement entered into by all shareholders of the corporation.

Section 4.09. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the board of directors, a majority of a full board of directors may exercise the powers of the board of directors.

Section 4.10. Removal. Any director may be removed from the board of directors, with or without cause, subject only to limitations provided by law.

Section 4.11. Executive Committee. The board of directors, by resolution adopted by a majority of the full board, may name one or more of its members as an executive committee. An executive committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation while the board is not in session,

subject to such limitations as may be included in the board's resolution; provided, however, that an executive committee shall not have the authority of the board of directors in reference to the following matters: (i) the authorization of distributions; (ii) the approval or submission to shareholders of any action that requires shareholder approval under applicable law; (iii) the filling of vacancies on the board of directors or on any committee of the board of directors; (iv) the amendment of the articles of incorporation; (v) the adoption, amendment or repeal of the bylaws; (vi) approval of a plan of merger not requiring shareholder approval; (vii) authorization or approval of a reacquisition of shares, except according to a formula or method prescribed by the board of directors; (viii) authorization or approval of the issuance, sale or contract for sale of shares or determination of the designation and relative rights, preferences and limitations of a class or series of shares, except that the board of directors may authorize the executive committee or an executive officer of the corporation to do so within limits specifically prescribed by the board of directors; and (ix) fixing the compensation of directors for serving on the board or on any committee of the board of directors. Any member of the executive committee may be removed, with or without cause, by the board of directors. If any vacancy occurs in the executive committee, it shall be filled by the board of directors. The board of directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 4.12. Other Committees. The board of directors, from time to time, by resolution adopted by a majority of the full board, may appoint other standing or temporary committees from its membership and vest such committees with such powers as the board may include in its resolution; provided, however, that such committees shall be restricted in their authority as specifically set forth with respect to the executive committee in Section 4.11 above.

Section 4.13. Tenure of Committee Members. Except in the case of resignation, disqualification, removal or the inability to serve for any reason, each member of any committee established under this Article IV shall hold office until the next regular annual meeting of the board of directors and until his successor is elected and qualified.

Section 4.14. Meetings of Committees. Regular meetings of committees established under this Article IV may be held without notice on such days and at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon notice to other members of the committee in the manner provided in Section 4.04 for special meetings of the board of directors.

Section 4.15. Quorum of Committee Members. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 4.16. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors or of any committee at which action is taken on any matter shall be deemed to have assented to the action taken unless: (i) the director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the director delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00

p.m. on the next business day after the meeting. The right of dissent or abstention shall not be available to a director who voted in favor of the action.

Section 4.17. Compensation. By resolution of the board of directors, each director may be paid his expenses, if any, of attendance at each meeting of the board of directors or of any committee, and may be paid a fixed sum for attendance at each such meeting and/or a stated salary as a director or committee member. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefrom.

Section 4.18. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the board of directors or of any committee thereof may be taken without a meeting if the action is taken by the all of the directors or committee members. The action shall be evidenced by one or more written consents describing the action taken and signed by all directors or committee members. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the directors or committee members of the corporation at a duly convened meeting.

Section 4.19. Meetings by Alternative Communications. The board of directors may permit any or all of the directors to participate in any regular or special meeting by or conduct the meeting through use of any means of communication by which all of the directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE V
Officers - General

Section 5.01. Elections and Appointments. The board of directors shall elect or appoint a president, a secretary and a treasurer, and may choose a chairman of the board, one or more vice presidents or such other officers as the board of directors shall determine. The regular election or appointment of officers shall take place at each annual meeting of the board of directors, but elections of officers may be held at any other meeting of the board. A person elected or appointed to any office shall continue to hold that office until the election or appointment of his successor, subject to action earlier taken pursuant to Section 5.04 or 7.01 below. The same individual may simultaneously hold more than one office in the corporation.

Section 5.02. Additional Appointments. In addition to the officers contemplated in Section 5.01 above, the board of directors may elect or appoint other corporate or divisional officers or agents with such authority to perform such duties as may be prescribed from time to time by the board of directors, by the president or, in the case of assistant officers (as, for example, one or more assistant secretaries), by the superior officer of any person so elected or appointed. Each of such persons (in the order designated by the board) shall be vested with all of the powers and charged with all of the duties of his superior officer in the event of such superior officer's absence or disability.

Section 5.03. Bonds and Other Requirements. The board of directors may require any officer to give bond to the corporation (with sufficient surety, and conditioned for the faithful

performance of the duties of his office), to make reports to the board and to comply with such other conditions as may from time to time be required of him by the board.

Section 5.04. Removal; Delegation of Duties. The board of directors may remove an officer of the corporation at any time with or without cause or temporarily delegate his powers and duties to any other officer or to any director. Such removal or delegation shall be without prejudice to the contract rights, if any, of the person so removed or whose powers and duties have been delegated. Election or appointment of an officer or agent, even if for a specified term, shall not of itself create contract rights.

Section 5.05. Compensation. The compensation of officers may be fixed from time to time by the board of directors or (except as to the president's own) left to the discretion of the president. No officer shall be prevented from receiving compensation by reason of the fact that he also is a director of the corporation.

ARTICLE VI
Specific Officers

Section 6.01. Chairman of the Board. The board of directors may elect a chairman to serve as a general executive officer of the corporation, and, if specifically designated as such by the board, as the chief executive officer of the corporation. If elected, the chairman shall preside at all meetings of the board of directors and be vested with such other powers and duties as the board may from time to time delegate to him.

Section 6.02. President and Vice President. Unless otherwise specified by resolution of the board of directors, the president shall be the chief executive officer of the corporation. The president shall supervise the business and affairs of the corporation and the performance by all of its other officers of their respective duties, subject to the control of the board of directors (and of its chairman, if the chairman has been specifically designated as chief executive officer of the corporation). One or more vice presidents may be elected by the board of directors to perform such duties as may be designated by the board or be assigned or delegated to them by the chief executive officer. Any one of the vice presidents as authorized by the board shall be vested with all of the powers and charged with all of the duties of the president in the event of his absence or inability to act. Except as may otherwise be specifically provided in a resolution of the board of directors, the president or any vice president shall be a proper officer to sign, on behalf of the corporation, any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the corporation. The president or any vice president may represent the corporation at any meeting of the shareholders of any other corporation in which this corporation then holds shares, and may vote this corporation's shares in such other corporation in person or by proxy appointed by him, provided that the board of directors may from time to time confer the foregoing authority upon any other person or persons.

Section 6.03. Secretary. The secretary shall keep the minutes of meetings of the shareholders, board of directors and any committee, and all unanimous written consents of the shareholders, board of directors and any committee of the corporation, and shall see that all notices are duly given in accordance with the provisions of these bylaws or as required by law,

and in case of his absence or refusal or neglect to do so, notices may be served by any person so directed by the president. The secretary shall be custodian of the corporate seal and corporate records, shall have the authority to authenticate the corporate records and, in general, shall perform all duties incident to the office. Except as may otherwise be specifically provided in a resolution of the board of directors, the secretary and each assistant secretary shall be a proper officer to take charge of the corporation's stock transfer books and to compile the shareholder list pursuant to Section 3.06 above, and to impress the corporation's seal on any instrument signed by the president, any vice president or any other duly authorized person, and to attest to the same.

Section 6.04. Treasurer. The treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall cause all money and other valuable effects to be deposited in the name and to the credit of the corporation in such depositories, subject to withdrawal in such manner as may be designated by the board of directors. He shall render to the president, the directors and the shareholders at proper times an account of all his transactions as treasurer and of the financial condition of the corporation. The treasurer shall be responsible for preparing and filing such financial reports, financial statements and returns as may be required by law.

ARTICLE VII
Resignations and Vacancies

Section 7.01. Resignations. Any director, committee member or officer may resign from his office at any time by written notice delivered to the corporation. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date or event. The acceptance of a resignation shall not be required to make it effective.

Section 7.02. Vacancies. If the office of any director, committee member or officer becomes vacant by reason of his death, resignation, disqualification, removal or otherwise, the shareholders or the board of directors may choose a successor to hold office for the unexpired term as provided in Section 4.01 and Section 5.01, as the case my be.

ARTICLE VIII
Seal

The board of directors may provide for a seal of the corporation, which shall have inscribed thereon the name of the corporation and the state and year of its incorporation.

ARTICLE IX
Certificates Representing Shares

Section 9.01. Form. Shares of the corporation may but need not be represented by certificates. If certificates are issued, each certificate representing shares of the corporation shall be in such form as may from time to time be prescribed by the board of directors, shall be consecutively numbered, and shall exhibit such information as may be required by applicable law. If certificates are not issued, then every holder of uncertificated shares shall be entitled to receive a certificate that complies with applicable law on request to the corporation.

Section 9.02. Signatures and Seal. All certificates issued for shares of the corporation (whether new, re-issued, or transferred) shall bear the manual or facsimile signatures of one or more officers designated by the board of directors or, in the absence of board designation by the president, a vice president, or the secretary, and also may bear an impression or facsimile of the corporation's corporate seal, if any. If the person who signed either manually or in facsimile a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 9.03. Ownership. The corporation shall be entitled to treat the registered owner of any share as the absolute owner thereof and, accordingly, shall not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may be expressly provided by applicable law.

Section 9.04. Transfers. Transfers of shares of the corporation may be made on the stock transfer books of the corporation only at the direction of the person named in the certificate (or by his duly authorized attorney-in-fact) and upon the surrender of such certificate properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the corporation (or its transfer agent) may require. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation or bylaws of the corporation, or by any amendment thereof, by applicable law or by an agreement among the shareholders or between shareholders and the corporation. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 9.05. Lost Certificates. In the event of the loss, theft or destruction of any certificates representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a new certificate, and cause the same to be delivered to the owner of the shares represented thereby, provided that the owner shall have submitted such evidence showing, or an affidavit reciting, the circumstances of the alleged loss, theft or destruction, and his ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent, and further provided that a bond of indemnity, with or without surety, shall have been provided in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable), unless the board of directors waives the requirement of a bond.

ARTICLE X
Dividends

Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's articles or as may otherwise be binding upon the corporation, the board of directors may from time to time declare and the corporation may pay dividends on shares of the corporation outstanding on the dates of record fixed by the board, to be paid in cash, in property, or in shares of the corporation on or as of such payment or distribution dates as the board may prescribe.

ARTICLE XI
Amendments

These bylaws may be altered, amended, supplemented, repealed or temporarily or permanently suspended, in whole or in part, or new bylaws may be adopted, at any duly constituted meeting of the board of directors or the shareholders or, alternatively, by unanimous written consent to corporate action without a meeting of the board of directors or the shareholders, as the case may be, pursuant to these bylaws and applicable law. The shareholders in amending or repealing a particular bylaw may provide expressly that the board of directors may not amend or repeal that bylaw.

ARTICLE XII
Indemnification and Insurance

Section 12.01. Indemnification. To the fullest extent permitted by Arizona law as amended from time to time, the corporation shall indemnify and advance expenses to each person to whom indemnification and advancement of expenses may be offered under such law.

Section 12.02. Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of Arizona law.

ARTICLE XIII
General Provisions

Section 13.01. Construction. As used in these bylaws, the masculine includes the feminine and the neuter as the context requires.

Section 13.02. Books and Records. The books and records of the corporation shall be kept at such places within or outside of Arizona as the board of directors may from time to time determine.

Certificate of Adoption

The undersigned secretary does hereby certify that the foregoing bylaws were adopted by the board of directors of Southern Sunrise Water Company Inc., pursuant to a unanimous written consent of the board of directors dated as of March 22, 2006.

By: _____
Peter Kamplan, Secretary

DATED as of March 22, 2006.

BOARD OF DIRECTORS:

CONSENT IN LIEU OF
ORGANIZATIONAL MTG OF BOD
SOUTHERN SUNRISE WATER

Chris Jarratt

Ian Robertson

David Kerr

AZ CORPORATION COMMISSION
FILED

MAR 22 2006

FILE NO. 1272124-7

ARTICLES OF INCORPORATION
OF
SOUTHERN SUNRISE WATER COMPANY INC.

The undersigned incorporator hereby adopts the following Articles of Incorporation:

I. NAME

The name of the corporation is Southern Sunrise Water Company Inc.

II. AUTHORIZED CAPITAL

The corporation shall have authority to issue one hundred (100) shares of common stock.

III. PURPOSE AND INITIAL BUSINESS

The corporation is organized for the purpose of transacting all lawful business for which corporations may be organized under the laws of the State of Arizona, as amended from time to time. The corporation initially intends to conduct in the State of Arizona the business of providing water utility service.

IV. INITIAL BOARD OF DIRECTORS

The initial Board of Directors shall consist of three (3) members, who shall serve as directors until their successors are elected and qualified, and whose names and addresses are as follows:

Chris Jarratt
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

Ian Robertson
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

David Kerr
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

V. STATUTORY AGENT

Algonquin Water Services, LLC, an Arizona limited liability company, whose business address is 12725 West Indian School Road, Suite D101, Avondale, Arizona 85323, is hereby appointed the initial statutory agent for the corporation for the State of Arizona.

1272124-7

VI. KNOWN PLACE OF BUSINESS

The street address of the corporation's known place of business is as follows:

4055 Campus Drive
Sierra Vista, Arizona 85635

VII. INCORPORATOR

The name and address of the incorporator are as follows:

Peter Kampian
2845 Bristol Circle
Oakville, Ontario, Canada L6H 7H7

VIII. *ELIMINATION OF DIRECTOR LIABILITY*

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, no director of the corporation shall be liable to the corporation or its shareholders for monetary damages for any action taken or any failure to take any action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of a director of the corporation occurring prior to such repeal, amendment or modification.

IX. INDEMNIFICATION

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, the corporation shall indemnify and advance expenses to any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer or director of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other entity. The foregoing indemnification and advancement of expenses shall be mandatory in all circumstances in which the same are permitted by law. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any matter giving rise to indemnification and advancement of expenses occurring prior to such repeal, amendment or modification.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation this 21st day of March, 2006.

Peter Kampian

1272124-7

CONSENT OF STATUTORY AGENT
OF
SOUTHERN SUNRISE WATER COMPANY INC.

The undersigned, having been named in the Articles of Incorporation of Southern Sunrise Water Company Inc, an Arizona corporation, as its statutory agent for the State of Arizona, hereby confirms that it has been notified of the appointment and that it accepts the appointment.

DATED: March 21st, 2006.

ALGONQUIN WATER SERVICES, LLC,
an Arizona limited liability company

By: _____
Name: Peter Kampian
Title: Manager

12725 West Indian School Road
Suite D101
Avondale, Arizona 85323

1775438.1/10577.002

COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL
Executive Director

DAVID RABER
Director, Corporations Division

March 28, 2006

NANCY MOORMAN
3003 N CENTRAL AVE SUITE 2600
PHOENIX, AZ 85012-2913

RE: SOUTHERN SUNRISE WATER COMPANY INC.
File Number: -1272124-7

We are pleased to notify you that your Articles of Incorporation were filed on March 22, 2006.

You must publish a copy of your Articles of Incorporation. The publication must be in a newspaper of general circulation in the county of the known place of business in Arizona (as filed with the Commission) for three (3) consecutive publications. A list of newspapers is available on the Commission web site. An affidavit from the newpaper, evidencing such publication, must be delivered to the Commission for filing within NINETY (90) DAYS from the date of this letter. Make sure the newspaper publishes the corporation documents using the exact name filed with the Commission.

All corporations transacting business in Arizona are required to file an Annual Report with the Commission, on the anniversary of the date of incorporation. Each year, a preprinted Annual Report form will be mailed to the corporation's known place of business approximately two months prior to the due date of the report. Should the report fail to arrive, contact the Commission. It is imperative that corporations notify the Commission immediately (in writing) if they change their corporate address, statutory agent or agent address. Address change orders must be executed (signed) by a corporate officer. Postal forwarding orders are not sufficient.

The Commission strongly recommends that you periodically check Commission records regarding the corporation. The Commission web site www.cc.state.az.us/corp contains information specific to each corporation of record and is a good general source of information.

If you have questions or need of further information, please contact us at (602) 542-3135 in Phoenix, (520) 628-6560 in Tucson, or Toll Free (Arizona residents only) at 1-800-345-5819.

Sincerely,

Linda Johnson
Examiner
Corporations Division

CF:04
REV. 01/2004

Certificate No. 1 For 100 Shares Issued to Algonquin Water Resources of America, Inc., a Delaware corporation

Transferred from Original Issue 03 /22 /20 06

No. Original Certificate	No. Original Shares	No. Of Shares Transferred

Dated _____, 20____ Receipt acknowledged _____

NUMBER 1

INCORPORATED UNDER THE LAWS OF

ARIZONA

SHARES 100

SOUTHERN SUNRISE WATER COMPANY INC.

The Corporation is authorized to issue one hundred (100) shares of Common Stock.

This Certifies that ALGONQUIN WATER RESOURCES OF AMERICA, INC., a Delaware corporation ---------- *is the owner of*

One Hundred (100) Common ---------- *fully paid and non-assessable Shares of the Capital Stock of the above named Corporation transferable only on the books of the Corporation by the holder hereof in person or by duly authorized Attorney upon surrender of this Certificate properly endorsed.*

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this 22nd *day of* March *20* 06

Peter Kampian [redacted] SECRETARY

Ian Robertson PRESIDENT

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EXHIBIT

5

Cochise Water Company
Proposed Capital Improvements

Naranja Well Site	
Project Description	**Cost**
Add meters to wells	$10,000
Construct a minimum 6 ft. high chain link fence with barbed wire 800 L.F.	$12,000
Construct 12 ft wide chain link gate	$800
Repair 5 hp booster pump	$500
Rebuild Electrical Control and wiring system	$10,000
Replace Air Compressor and controls on Pressure Tank	$1,000
Replace Guages on Booster and Transfer Pumps	$1,000
Replace check valves on booster and transfer pumps	$500
Build concrete pads to mount booster and transfer pumps	$1,000
Install well pump high level shut off level contoller to storage tank	$5,000
Install low level sensor in storage tank for booster & transfer pump shut off	$5,000
Install telemetry system to start and stop transfer pumps filling Horseshoe storage	$10,000
Add sampling taps to wells	$500
Survey property to establish property boundaries of well site	$1,000
Remove old storage tank and trash and grade well site	$5,000
Total	**$63,300**
Jaxell Road Well site	
Add Meter to well	$3,500
Add additional booster pump	$3,500
Survey property to establish property boundaries of well site	$1,000
Total	**$8,000**
Long Term Improvements	
Add additional Storage at Naranja	
Develop more well capacity at Naranja or elsewhere	
Add chlorination to both sites	
Build equipment storage facility at Naranja and remove building at Horseshoe Ranch.	
Replace Distribution system	
Reconnect customers that are being served directly off transmission line	

Horseshoe Ranch Water Company
Proposed Capital Improvements

Main Storage and Presure Tank Site

Project Description	Cost
Replace 3 inch meter measuring transfer flow from Cochise	$3,000
Replace fence with a minimum 6 ft. high chain link fence with barbed wire 200 L.F.	$3,000
Construct 12 ft wide chain link gate	$800
Replace 2 - 7.5 hp booster pumps	$5,000
Rebuild Electrical Control and wiring system	$10,000
Replace 3,000 gallon pressure tank	$13,000
Design and construct interconnection with Bella Vista south system	$10,000
Repair doors on storage building	$1,000
Add air relief valve to tranmission line from Cochise and grade and secure site	$6,000
Survey property to establish property boundaries of storage & well sites	$1,000
Total	**$52,800**

Long Term Improvements

Redisign entire main storage and booster site. Add storage capacity
Determine if 38,000 gallon storage tank at secondary site is necessary. Either rebuild it or remove and sell land
Add chlorination to both sites
Build equipment storage facility at Naranja and remove building at Horseshoe Ranch.
Abandon Sanks well and dispose of land
Replace Distribution system

Miracle Valley Water Company Proposed Capital Improvements	
Main Well Site	
Project Description	**Cost**
Add meter to well	$3,500
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	$6,000
Construct 12 ft wide chain link gate	$800
Add two 7.5 hp booster pumps	$5,000
Rebuild Electrical Control and wiring system	$10,000
Add storage tank Minimum 150,000 gallons	$150,000
Replace 5,000 gallon pressure tank	$20,000
Add sampling tap to well	$500
Survey property to establish property boundaries of two well sites	$2,000
Total	**$197,800**
Note: If it is determined that the existing well site has no room for storage, construct storage and pressure tank at site two and pipe well to that site. Then develop second well	
Long Term Improvements	
Add chlorination	
Add additional storage and well capacity	
Replace Distribution system	

EXHIBIT

6

Exhibit 5

MIRACLE VALLEY WATER COMPANY, INC. RCN & RCND

Background of Water System

Miracle Valley Water Company, Inc. received its Certificate of Convenience and Necessity on August 12, 1959. The area being served is located approximately 12 miles southeast of Sierra Vista on Highway 92 in Miracle Valley. The Certificated area serves the southern half of Section 31, Township 23S, Range 22E. The area served is comprised of modest homes on medium and large sized residential lots. The roads are unimproved dirt and gravel.

Description of System

This system currently serves approximately 255 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-023. The system consists of one active well site and one well site which has electrical power to it but no approval for use on the system. In addition, Mr. McLain contends that the second well site belongs to the Cochise Water system. The active well site consists of a pressure tank and a well. The well is fenced in a 12 ft x 12 ft area. A 5,000 gallon pressure tank is located outside the fenced area. There is no flow meter. There is no storage tank or booster pumps. The well pump was replaced in 2004. It is reported that there are 9,650 ft of 3 inch diameter and 14,750 ft. of 4 inch diameter distribution piping. The second well site has a well with a pump in it, but the well has never received Arizona Department of Environmental Quality ("ADEQ") approval. There is also a large steel vessel which was moved to the site to someday be used as storage. There is a chain link fence surrounding the site, but it is in disrepair. According to the assessor office records, there appears to be more than one piece of land belonging to the water system.

This system is in very poor condition. There is no storage tank or booster pumps. This requires the well pump to cycle on and off frequently which causes premature failure of the well pump. The pressure tank is in poor condition and it is dangerous and should not be in service. The electrical panels need replacement. The system has frequent line breaks. There are low pressure problems. There are poor or nonexistent records of where the distribution system is installed. Much of the system was installed without ADEQ approval.

Plant Condition

The system has only one well and one pressure tank. Storage tanks and booster pumps will have to be added. It is unknown whether there is enough room for a storage tank at well site 1. The well site will have to be completely redesigned and rebuilt to new standards. Well site 2 will have to completely rebuilt. A large portion of the distribution system will have to be replaced.

Acct. No.	Acct. Name	Plant Items for Miracle Valley Water Company	Year Installed	Unit Cost	Staff's RCN	Service Life	RCND
301	Organization						
303	Land & Land Rights						
		12' x 12' Site 1					
		100' x 100' Site 2			$2,500.00		$2,500.00
304	Structures & Improvements						
		Fence 45' LF Site 1	1959	$15.05	$677.25	30	$0.00
		3' Wide Gate	1959		$257.00	30	$0.00
		Fence 388 LF Site 2	1959	$15.05	$5,839.40	30	$0.00
		12" Wide Gate	1959		$767.00	30	$0.00
307	Wells & Springs						
		Well 1, 16" x 650' Site 1	1959	$80.00	$52,000.00	30	$0.00
		Well 2 8" x 305' Sub. Site 2		$40.00	$12,200.00	30	$0.00
311	Pumping Equipment						
		Well 1, 50-Hp sub. @ 300 gpm Site 1	2005		$6,855.00	8	$6,855.00
		Electrical panels	1959		$5,000.00	8	$0.00
		Well Site 2		not used	$0.00	8	$0.00
330	Distribution Reservoirs						
		5,000 gallon pressure tank	1959	Damaged	$20,000.00	50	$0.00
		(6' dia x 22 ft L)					
331	Trans. & Distrib. Mains						
		2" - 3", 9,650 ft.	1959	$3.96	$38,214.00	50	$3,057.12
		4", 14,750 ft.	1959	$5.37	$79,207.50	50	$6,336.60
333	Services						
		3/4", 228 each (Use 253)	1959	$355.00	$89,815.00	30	$0.00
		2", 2 each	1959	$600.00	$1,200.00	30	$0.00
334	Meters						
		5/8" x 3/4", 127 each (Use 152)	1959	$85.00	$12,920.00	12	$0.00
		3/4", 101 each	1959	$165.00	$16,665.00	12	$0.00
		2", 2 each	1959	$915.00	$1,830.00	12	$0.00
					$345,947.15		$18,748.72

Exhibit 6

HORSESHOE RANCH WATER COMPANY RCN & RCND

Background of Water System

Horseshoe Ranch Water Company received its Certificate of Convenience and Necessity on August 3, 1973. The area being served is located approximately 8 miles south of Sierra Vista on Highway 92 at Hereford Road in Cochise County. The Certificated area serves part of the northwest quarter of Section 17, Township 23S, Range 21E. The area served is comprised of two platted subdivisions of approximately 40 acres each. Another 40 acres area is comprised of various size parcels of land. Horseshoe Ranch subdivision consists of 68 mobile home lots. Circle S Ranch Estates consists of 76 residential lots. The roads in the two subdivisions are paved. The remainder of the roads are dirt.

Description of System

This system currently serves approximately 220 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-048. The system has no wells and receives its water through 5,600 Lineal Feet of 4 inch diameter transmission main from Cochise Water. The water from the Cochise Water system enters the main storage and booster site through a 2-inch meter. The main site consists of a 22,000 gallon and a 10,000 gallon storage tank, a 3,000 gallon pressure tank, a 7.5 hp and 5 hp booster pumps and a 20' x 28 'brick shed. The area is fenced. A second fenced site contains a 38,000 gallon storage tank which was installed in 1989. A third site contains a dry well. There is approximately 35,000 feet of distribution piping. Much of the distribution system installed outside of the two subdivisions is undersized PVC. There are low pressure problems.

Plant Condition

The storage tanks at the main storage site appear to be in satisfactory condition, but need to be drained, inspected, and coated. The pressure tank should be inspected and possibly replaced. The electrical wiring at the site is old and needs replacement. There were piping leaks at the booster pumps during the inspection. The 38,000 gallon storage tank needs to be drained, inspected and refurbished. The only way this tank will provide improved pressure for the customers at the highest elevations is if the distribution piping is reconfigured and a pressure tank and booster pumps are installed to serve the upper zone. The dry well site is not used and useful. Much of the distribution system installed in the unsubdivided areas is undersized and poorly installed and will have to be replaced.

Acct. No.	Acct. Name	Plant Items for Horseshoe Ranch Water Company	Year Installed	Unit Cost	Staff's RCN	Service Life	Staff RCND
301	Organization						
303	Land & Land Rights						
		12' x 40 ' Main storage tank site			$3,000.00		$3,000.00
		3' x 20x14x 22.8" Sanks well site			$3,000.00		$3,000.00
		82'x75' storage site 3			$3,000.00		$3,000.00
		104-58-041B			$6,000.00		$6,000.00
304	Structures & Improvements						
		20' x 28' brick shed main site	1973		$16,342.00	30	$0.00
		188 L F Fence Main site	1973	$15.05	$2,829.40	30	$0.00
		12 ' Wide Gate	1973		$767.00	30	$0.00
		57 LF fence Sanks Well Site	1973	not used	$0.00	30	$0.00
		3" Wide Gate	1973	not used	$0.00	30	$0.00
		108 L.F fence site 3	1990	$15.05	$1,806.00	30	$903.00
		12 Wide Gate	1990		$767.00	30	$383.50
307	Wells & Springs						
		Interconnection to Cochise					
		5,600 LF 4" PVC	1990	$5.37	$30,072.00	50	$21,050.40
		Sanks well Abandon	1973	not used	$0.00		$0.00
311	Pumping Equipment						
		7-1/2-Hp booster pump Main site	2000		$2,500.00	8	$937.50
		5-Hp booster pumps, 2 each Main sit	2000		$1,500.00	8	$562.50
330	Distribution Reservoirs						
		38,000 gallon storage tank	1989	Needs Rep	$25,000.00	45	$16,111.11
		12' dia x 45' high site 3					
		22,000 gallon storage tank Main site	1973		$30,000.00	45	$8,666.67
		48.5' circum. X 16' high					
		10,000 gallon storage tank Main Site	1973		$20,000.00	45	$5,777.78
		30.5' circum. x 17' high					
		3,000 gallon pressure tank 5'dx20'L	1973		$13,000.00	20	$0.00
331	Trans. & Distrib. Mains						
		2"-PVC, 11,050 ft.	1973	$3.96	$43,758.00	50	$17,503.20
		3"-PVC, 11,600 ft.	1973	$4.95	$57,420.00	50	$22,968.00
		4"-AC & PVC, 10,150 ft.	1973	$5.37	$54,505.50	50	$21,802.20
333	Services						
		3/4", 192 each (Use 220)	1973	$355.00	$78,100.00	30	$0.00
334	Meters						
		5/8" x 3/4", 112 each (Use 220)	1973	$85.00	$18,700.00	12	$0.00
		3/4", 80 each	1973	$165.00		12	$0.00
335	Hydrants						
		Fire hydrant, 1 each	1973		$750.00	50	$300.00
					$412,816.90		$131,965.86

Exhibit 7

COCHISE WATER COMPANY RCN & RCND

Background of Water System

Cochise Water Company received its Certificate of Convenience and Necessity on October 31, 1962. The area being served is located approximately 8 miles south of Sierra Vista on Highway 92 at Hereford Road in Cochise County. The Certificated area serves the northeast quarter and southern half of Section 5 as well as the northern half and southeast quarter of Section 8, Township 23S, Range 21E. The area served is comprised of platted subdivisions which contain lots of various sizes from one acre to five acres as well as numerous un-subdivided parcels. All roads are unpaved gravel or dirt.

Description of System

This system currently serves approximately 370 customers and is regulated by the Arizona Department of Environmental Quality as Public Water System No. 02-011. The system has two main storage and production sites. The Naranja site consists of four wells, a 170,000 gallon storage tank, a 5,000 gallon pressure tank, two 5-hp booster pumps, two 10 hp transfer pumps to transfer water to the Horseshoe Ranch system. The area fence has been torn down. There is a 12,000 gallon storage tank that is not connected to the system. The Jaxel Road site consists of one well, one 10,500 gallon storage tank, one 1,000 gallon pressure tank, and one 5 hp booster pump. The area is fenced. There is approximately 100,000 feet of distribution piping. There are low pressure problems in some areas.

Plant Condition

The storage tanks, pressure tanks and booster pumps at the main Naranja production and storage site appear in satisfactory condition. It is 4.7 acres in size. The wells have had numerous outages. The wells were drilled as domestic wells with small diameter casings which makes them difficult to equip and maintain. New wells will most likely have to be drilled. The Jaxel Road site is in fair condition. Much of the distribution system is undersized and should be replaced over time.

Acct No.	Acct Name	Plant Items to Cochise Water Company	Year Built	Unit Cost	Staff's RCN	Service Life	RCND
301	Organization						
303	Land & Land Rights						
		620 ft x 330 ft Calle Naranja Wellsite lot 70 4.7 acres			$27,934.00		$27,934.00
		30 ft x 40 ft Jaxel Road Wellsite			$3,000.00		$3,000.00
		Hereford Road 6.81 acres			$74,362.50		$74,362.50
		Other Property			$6,000.00		$6,000.00
		Parcel 104-07-103			$60,832.00		$60,832.00
304	Structures & Improvements						
		(200X200) 788 ft. chain link Fence Naranja		Damaged	$11,859.40	30	$0.00
		12' Wide gate Naranja		Damaged	$767.00		$0.00
		128 ft. chain link Fence Jaxel Rd.	1973	$15.05	$1,926.40	30	$0.00
		12' Wide gate Jaxel Rd.	1973		$767.00		$0.00
307	Wells & Springs					30	
		Well 1, 8" x 154' 55-563118 Naranja	1997	$25.00	$3,850.00	30	$2,823.33
		Well 2, 6" x 142' 55-805546 Naranja	1960	$25.00	$3,550.00	30	$0.00
		Well 3, 6" x 161' 55-563117 Naranja	1997	$25.00	$4,025.00	30	$2,951.67
		Well 4, 8" x 408' 55-630887 Jaxel Rd.	1973	$25.00	$10,200.00	30	$0.00
311	Pumping Equipment						
		Well 1, 5-Hp Sub. @ 30 gpm	2005		$5,902.00	8	$5,902.00
		Well 2, 5-Hp Sub. @ 57 gpm	2005		$3,538.00	8	$3,538.00
		Well 3, 5-Hp Sub. @ 38 gpm	2004		$2,700.00	8	$2,362.50
		Well 4, 5 HP Sub. @ 60 gpm	2004		$2,700.00	8	$2,362.50
		Electrical panels	2004		$10,000.00	8	$8,750.00
		2-10-Hp booster pumps Naranja-Transfer to Horsesho	2005	$4,476.00	$8,952.00	8	$8,952.00
		2- 5-Hp booster pumps Booster for Cochise Naranja	2004	$1,500.00	$3,000.00	8	$2,625.00
		1- 5 Hp booster pump Jaxel Rd.	1997		$1,500.00	8	$0.00
330	Distribution Reservoirs						
		170,000 gallon storage tank Naranja	1973	Rebuilt 2004	$75,000.00	45	$75,000.00
		12,000 gallon storage tank Naranja 50.5 ft.Cir x 10' high		not used	$0.00	45	$0.00
		5,000 gallon pressure tank Naranja 6' Dia x 22'	2004		$20,000.00	20	$20,000.00
		1,000 gallon pressure Jaxel Rd. 4' Dia x 10'	1973		$5,500.00	20	$0.00
		10,500 gallon storage tank Jaxel Rd. 38' Cir x 12' high	1973		$20,000.00	45	$0.00
331	Trans. & Distrib. Mains						
		2"-PVC, 50,000 ft.	1973	$3.96	$198,000.00	50	$0.00
		4"-AC & PVC, 35,429 ft.	1973	$5.37	$190,253.73	50	$0.00
		6"-AC & PVC, 11,990 ft.	1973	$7.26	$87,047.40	50	$0.00
333	Services						$0.00
		3/4", 320 each (Use 368)	1973	$355.00	$130,640.00	30	$0.00
		1-1/2", 1 each	1973	$440.00	$440.00	30	$0.00
		3", 1 each	1973	$775.00	$775.00	30	$0.00
334	Meters						$0.00
		5/8" x 3/4", 315 each (Use 363)	1973	$85.00	$30,855.00	12	$0.00
		3/4", 5 each	1973	$165.00	$825.00	12	$0.00
		1-1/2", 1 each	1973	$415.00	$415.00	12	$0.00
		3", 1 each	1973	$1,420.00	$1,420.00	12	$0.00
					$1,008,536.43		$307,395.50

EXHIBIT

7

Southern Sunrise Water Company
Projected Balance Sheets
For the Years Ended

Exhibit 1
Schedule 1

Line No.		Beginning of Year	Label	1st year Changes	Year 1	Year 2	Year 3	Year 4	Year 5
1									
2									
3	**Assets**								
4									
5	Utility Plant	604,725	(a)	321,900	926,625	930,725	934,825	938,925	943,025
6	Accumulated Depreciation	-	(b)	(16,526)	(16,526)	(40,241)	(64,297)	(88,695)	(113,434)
7	Deferred Regulatory Assets	235,381		(11,769)	223,612	211,843	200,074	188,305	176,536
8	Cash	-		163,164	163,164	329,015	498,496	671,592	848,317
9									
10									
11	**Total Assets**	$ 840,106		$ 456,769	$ 1,296,875	$ 1,431,343	$ 1,569,098	$ 1,710,127	$ 1,854,444
12									
13	Equity and Liabilities			-					
14									
15	**Equity**								
16									
17	Common Stock, Net of	840,106	(d)	321,900	1,162,006	1,162,006	1,162,006	1,162,006	1,162,006
18									
19	Retained Earnings	-	(e)	134,869	134,869	265,237	399,301	537,051	678,497
20	**Total Equity**	$ 840,106		$ 456,769	$ 1,296,875	$ 1,427,243	$ 1,561,308	$ 1,699,057	$ 1,840,504
21									
22	**Liabilities & Deferred Credits**			-					
23	Advances in Aid of Construction		(f)	-	-	-	-	-	-
24	Contributions in Aid of			-					
25	Construction		(g)	-	-	-	-	-	-
26	Less: Amortization		(h)	-	-	-	-	-	-
27	Customer Deposits		(i)	-					
28	Refundable Meter Deposits		(j)	-	-	4,100	7,790	11,070	13,940
29	Long-Term Debt			-					
30									
31	**Total Liabilities and**								
32	**Deferred Credits**	-		-	-	4,100	7,790	11,070	13,940
33									
34									
35	**Total Equity & Liab.**	$ 840,106		$ 456,769	$ 1,296,875	$ 1,431,343	$ 1,569,098	$ 1,710,127	$ 1,854,444
36									
37									
38									
39	(a) Plant Additions (See Schedule 1a)								
40	(b) Depreciation Computations (See Schedule 1a)								
41	(c) Change in cash (Please Schedule 3)								
42	(d) Common Stock issuance and or repurchase. (See Schedule 1b)								
43	(e) Profit or loss from operations (See Schedule 2)								
44	(f) Advances in Aid of Construction (See Schedule 1c)								
45	(g) Contributions in Aid of Construction (See Schedule 1e)								
46	(h) Amortization of Contributions in Aid of Construction, if applicable (See Schedule 1e)								
47	(i) Security deposits (2 times average bill)								
48	(j) Unrefunded meter deposits (See Schedule 1d)								
49									

Southern Sunrise Water Company
Year 1 Adds

McClain Water Systems		SYSTEM			
		Miracle Valley Water Company	Horseshoe Ranch Water Company	Cochise Valley Water Company	Total
301	Organization				$ -
302	Franchises				-
303	Land and Land Rights				-
304	Structures and Improvements	6,800	4,800	12,800	24,400
305	Collecting and Impounding Rese	170,000	13,000	26,000	209,000
306	Lake, River and Other Intakes				-
307	Wells and Springs	2,500	1,000	2,500	6,000
308	Infiltration Galleries and Tun				-
309	Supply Mains				-
310	Power Generation Equipment				-
311	Pumping Equipment	15,000	15,000	16,500	46,500
320	Water Treatment Equipment				-
330	Distribution Reservoirs and St				-
331	Transmission and Distribution		16,000		16,000
331	Transmission and Distribution (AIAC)				-
333	Services				-
334	Meters and Meter Installations	3,500	3,000	13,500	20,000
335	Hydrants				-
335	Hydrants (AIAC)				-
336	Backflow Prevention Devices				-
339	Other Plant and Miscellaneous				-
340	Office Furniture and Equipment				-
341	Transportation Equipment				-
342	Stores Equipment				-
343	Tools, Shop and Garage Equipme				-
344	Laboratory Equipment				-
345	Power Operated Equipment				-
346	Communication Equipment				-
347	Miscellaneous Equipment				-
348	Other Tangible Plant				-
	Total	$ 197,800	$ 52,800	$ 71,300	$ 321,900

Southern Sunrise Water Company
RCND Plant

McClain Water Systems

		SYSTEM							
		Miracle Valley Water Company	Horseshoe Ranch Water Company	Cochise Valley Water Company				Spitzer Adjustment 68142	Total
301	Organization	$ -	$ -	$ -	$ -		$ -	$ -	$ -
302	Franchises							-	-
303	Land and Land Rights	5,057	30,342	348,179				(22,213)	361,364
304	*Structures and Improvements*		1,287					(193)	1,094
305	Collecting and Impounding Rese	-	-	-	-	-	-	-	-
306	Lake, River and Other Intakes							-	-
307	Wells and Springs		21,050	5,775				(3,446)	23,379
308	Infiltration Galleries and Tun							-	-
309	Supply Mains							-	-
310	Power Generation Equipment							-	-
311	Pumping Equipment	6,855	1,500	34,492				(2,292)	40,555
320	Water Treatment Equipment							-	-
330	Distribution Reservoirs and St		30,556					(4,583)	25,972
331	Transmission and Distribution	9,394	62,273	95,000				(14,561)	152,106
331	Transmission and Distribution (AIAC)							-	-
333	Services							-	-
334	*Meters and Meter Installations*							-	-
335	Hydrants		300					(45)	255
335	Hydrants (AIAC)							-	-
336	Backflow Prevention Devices							-	-
339	Other Plant and Miscellaneous							-	-
340	Office Furniture and Equipment							-	-
341	Transportation Equipment							-	-
342	Stores Equipment							-	-
343	Tools, Shop and Garage Equipme							-	-
344	Laboratory Equipment							-	-
345	Power Operated Equipment							-	-
346	Communication Equipment							-	-
347	Miscellaneous Equipment							-	-
348	*Other Tangible Plant*							-	-
	Total	$ 21,306	$ 147,308	$ 483,446			$ -	$ (47,334)	$ 604,725
	Spitzer Adjustment Percentage	5%	15%	5%	0%	0%	0%		

Land Adjustment	RCND	Factor	Allocated Amount	Total Land
Miracle Valley	$ 2,500	0.0122488	$ 2,557	$ 5,057
Horseshoe Water	15,000	0.0734928	15,342	30,342
Cochise Valley	172,129	0.8433476	176,050	348,179
Mustang Water	5,000	0.0244976	5,114	10,114
Crystal Water	2,500	0.0122488	2,557	5,057
Sierra Sunset	600	0.0029397	614	1,214
Coronado Estates	6,373	0.0312247	6,518	12,891
Total RCND	$ 204,102	1.0000000	$ 208,752	$ 412,853

Reconcilation of Rate Bases		
Amount per Decision 68412		696,752
Northern Sunrise Water	$ 91,992	
Southern Sunrise Water	$ 604,725	
		$ 696,718
Difference		$ 35

Southern Sunrise Water Company
Projected Incremental Income and Expenses
For the 12 Months Ended

Exhibit
Schedule 2

Line No.				Year 1	Year 2	Year 3	Year 4	Year 5
3	**Total estimated Revenues**			$ 479,876	$ 482,965	$ 488,644	$ 494,323	$ 500,002
4	**Variable Expenses**							
5	Pumping Power:	0.75	per 1,000 gals	$ 55,517	$ 55,845	$ 56,502	$ 57,159	$ 57,816
6	Purchased Water	0.20	per 1,000 gals	14,804	14,892	15,067	15,242	15,418
7	Repairs & Maint. (a)(b)	0.75	/month/customer	7,605	7,880	8,211	8,556	8,914
8	Insurance	1.35	/month/customer	13,689	14,183	14,780	15,401	16,045
9	Water Treatment & Testing (a)(b)	0.60	/month/customer	6,084	6,304	6,569	6,845	7,131
10	Billing, Postage, Operations, Insur (a)(b)	11.00	/month/customer	111,540	115,566	116,926	118,285	119,645
11	**Total Variable Expenses**			$ 209,239	$ 214,669	$ 218,056	$ 221,488	$ 224,969
12								
13	**Other Expenses**							
14	Depreciation net of Amortization of CIAC			$ 16,526	$ 23,715	$ 24,056	$ 24,398	$ 24,739
15	Amortization of Deferred Regulatory Assets			11,769	11,769	11,769	11,769	11,769
16	Office	$ 5,000	/year	5,000	5,304	5,463	5,627	5,795
17	Legal & Accounting	$ 10,000	/year	10,000	10,608	10,926	11,254	11,592
18	Miscellaneous (b)	$ 3,600	/year	3,600	3,818	3,933	4,051	4,172
19	Income Taxes			73,277	69,846	72,664	75,472	78,290
20	Property Taxes (c)			15,596	15,317	15,095	14,928	14,780
21								
22	**Total Other Expense**			$ 135,768	$ 140,376	$ 143,906	$ 147,498	$ 151,138
23								
24								
25	**Total Operating Expenses**			$ 345,006	$ 355,045	$ 361,962	$ 368,986	$ 376,107
26								
27	**Operating income (loss)**			$ 134,869	$ 127,920	$ 126,682	$ 125,337	$ 123,895
28	Less:							
29	Interest (Expense)Income on Work. Cap.			-	2,447	7,383	12,413	17,551
30	Interest Expense Long-term Debt			-	-	-	-	-
31	***Net Income***			$ 134,869	$ 130,367	$ 134,065	$ 137,749	$ 141,447
32								
33	(a) Based on per customer costs							
34	(b) Includes annual Inflation of:	3.00%		3.00%				
35	(c) ADOR Property Tax Calculation							
36								
37								
38								

Southern Sunrise Water Company
Schedule of Projected Revenues
For the Years Ended

Exhibit
Schedule 2a
Page 1

Line No.	Description	Rate	Detail	Amount		Year 1	Year 2	Year 3	Year 4	Year 5
1										
2	**Projected Customers / Residential 5/8 Inch Meter**									
3										
4						Year				
5						1	2	3	4	5
6	Estimated connections installed by year end									
7	(Cumulative)				845	845	855	865	875	885
8	Estimated connection installed during the year					-	10	10	10	10
9										
10	1/2 Year Convention for Revenue					845.00	850.00	860.00	870.00	880.00
11										
12	**Projected Revenue**									
13										
14	Annual gallonage delivered (in 1,000's)					74,022	74,460	75,336	76,212	77,088
15	Assuming average usage per month of:			7,300						
16	Daily Gallons					205,617	206,833	209,267	211,700	214,133
17	Residential:									
18	Monthly Mins.	$ 31.00	Minimum Charge			$ 314,340	$ 316,200	$ 319,920	$ 323,640	$ 327,360
19	Commodity Rev.	-	Gals. in minimum							
20		$ 2.00	Charge per/1,000							
21			up to	5,000	gals	101,400	102,000	103,200	104,400	105,600
22		$ 2.75	Charge per/1,000							
23			up to	10,000	gals	64,136	64,515	65,274	66,033	66,792
24		$ 3.90	over	10,000		-	-	-	-	-
25										
26	Establishment Fees at			$ 25.00		$ -	$ 250	$ 250	$ 250	$ 250
27	Total Revenue					$ 479,876	$ 482,965	$ 488,644	$ 494,323	$ 500,002
28										
29										
30										
31										
32										
33										

Southern Sunrise Water Company
Projected Cash Flows
For the Years Ended

Exhibit
Schedule 3

Line No.		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
3	**Cash from Operations**						
4	Beginning Cash Balance	$ -	$ -	$ 163,164	$ 329,015	$ 498,496	$ 671,592
6	Income from Operations		134,869	130,367	134,065	137,749	141,447
7	Add Depreciation expense		16,526	23,715	24,056	24,398	24,739
8	Add Amortization of Deferred Regulator Assets		11,769	11,769	11,769	11,769	11,769
9	**Total Cash From Operations**	$ -	$ 163,164	$ 165,851	$ 169,890	$ 173,916	$ 177,955
11	**Cash from Financing**						
13	Deposits (security) collected	$ -	$ -	$ -	$ -	$ -	$ -
14	Long-Term Debt	-	-	-	-	-	-
15	Common Equity	840,106	321,900	-	-	-	-
16	Advances in Aid of Const.	-	-	-	-	-	-
17	Contribution in Aid of Const.	-	-	-	-	-	-
18	Meter Deposits Collected	-	-	4,100	4,100	4,100	4,100
21	**Total Cash from Financing**	$ 840,106	$ 321,900	$ 4,100	$ 4,100	$ 4,100	$ 4,100
25	**Uses of Cash:**						
27	Purchase of Systems	$ 840,106	$ -	$ -	$ -	$ -	$ -
28	Long-term debt Repayment						
29	Advances Refunded	-	-	-	-	-	-
30	Meter Deposit Refunded	-	-	-	410	820	1,230
31	Deposit (Security) refunded						
32	Capital Improvements - Plant	-	321,900	4,100	4,100	4,100	4,100
34	**Total Cash Uses**	$ 840,106	$ 321,900	$ 4,100	$ 4,510	$ 4,920	$ 5,330
36	**Ending Cash Balance**	$ -	$ 163,164	$ 329,015	$ 498,496	$ 671,592	$ 848,317
39	Interest Income: Assuming Earning Equal to Inflation Factor on Average Cash Balance						
40	Average Cash Balance	$ -	$ 81,582	$ 246,090	$ 413,755	$ 585,044	$ 759,954
41	Interest Earned	$ -	$ 2,447	$ 7,383	$ 12,413	$ 17,551	$ 22,799

Southern Sunrise Water Company
Deferred Regulatory Assets
Legal and Other Expenses

		Year 1	Year 2	Year 3	Year 4	Year 5
Legal & Accounting Costs	$ 235,381					
Amortization Rate	5%					
Amortization		$ 11,769	$ 11,769	$ 11,769	$ 11,769	$ 11,769
Balance	$ 235,381	$ 223,612	$ 211,843	$ 200,074	$ 188,305	$ 176,536

Estimated Costs Incurred by Algonquin	$ 300,000
Amounts Allocated on Rate Base	$ 150,000
Amounts Allocated on Customers	$ 150,000

Rate Base

Factor Computation	Initial Plant	Factor	Allocation
Southern Sunrise Water	$ 604,725	0.867963076	$ 130,194
Northern Sunrise Water	91,992	0.132036924	$ 19,806
	$ 696,718	1.000000000	$ 150,000

Customer Count

Factor Computation	Initial Customers	Factor	Allocation
Southern Sunrise Water	845	0.70	$ 105,187
Northern Sunrise Water	360	0.30	$ 44,813
	1,205	1.000000000	$ 150,000

EXHIBIT

8

Southern Sunrise Water Company
REPRESENTATIVE RATE SCHEDULE

Exhibit
Schedule 4
Page 1
Witness: Bourassa

LINE NO.				PROPOSED RATES	
				MONTHLY MINIMUM	GALLONS IN MINIMUM
1	METER SIZE				
2	**Residential**				
3	MONTHLY MINIMUMS:				
4	5/8 x 3/4 And			$ 31.00	-
5	3/4			$ 46.50	-
6	1			$ 77.50	-
7	1 1/2			$ 155.00	-
8	2			$ 248.00	-
9	3			$ 496.00	-
10	4			$ 775.00	-
11	6			$ 930.00	-
12	8			$ 1,550.00	-
13					
26					
27	COMMODITY CHARGE PROPOSED RATES:				
28					
29	Residential 5/8 and 3/4 Inch				
30	Charge per 1,000 gallons for usage				
31	in excess of	0	gallons up to	5,000 gals	$ 2.00
32	over	5,001	gallons up to	10,000 gals	$ 2.75
33			over	10,000 gals	$ 3.90
34					
35	Residential 1 Inch and Larger				
36	Charge per 1,000 gallons for usage				
37	in excess of	0	gallons up to	25,000 gals	$ 2.00
38	over	25,001	gallons up to	45,000 gals	$ 2.75
39			over	45,000 gals	$ 3.90
40					
52					

Southern Sunrise Water Company
REPRESENTATIVE RATE SCHEDULE

Exhibit
Schedule 4
Page 2
Witness: Bourassa

Line No.

1 COMMODITY CHARGE PROPOSED RATES (continued):
2
3 Irrigation meters
4 Charge per 1,000 gallons for usage
5 in excess of 0 gallons up to 45,000 gals $ 2.75
6 over 90,000 gals $ 3.90
7
8
9 OTHER
10
11
12
13 Standpipe or bulk water per
14 1,000 gallons $ 3.90
15
16
17
18 **HOOK-UP FEE**
19
20
21 All Builders / Developers are required to pay a hook-up fee of
22 $ - per lot, for connection to the system based on
23 a water connection of 5/8 x 3 /4 or 3/ 4 inch water meter.
24 Payments are listed for each Water Meter Size below:
25
26 Water
27 Meter Size
28 5/8 x 3/4 $ -
29 3/4 $ -
30 1 $ -
31 1 1/2 $ -
32 2 $ -
33 3 $ -
34 4 $ -
35 6 $ -
36
37

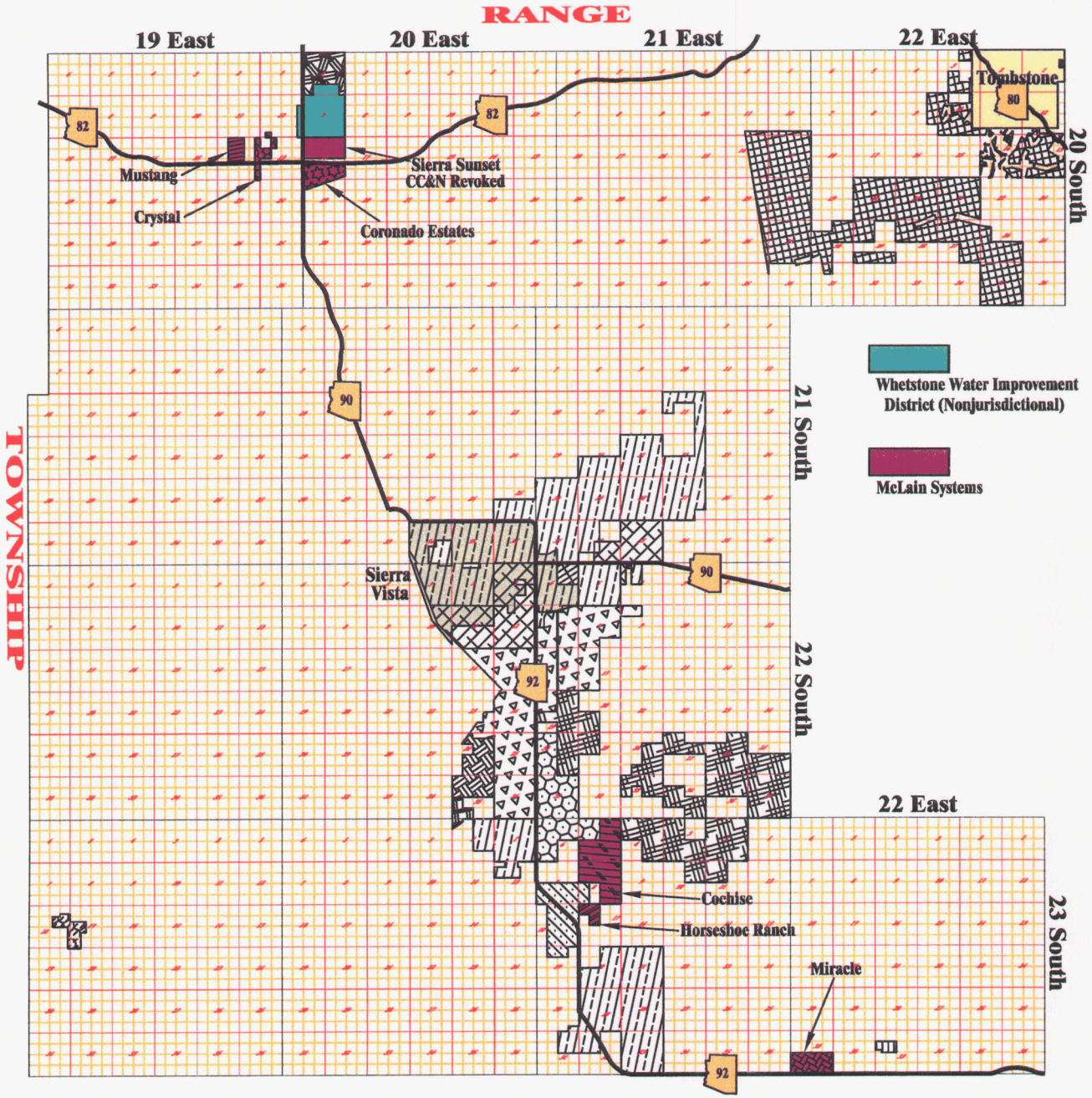
Southern Sunrise Water Company
REPRESENTATIVE RATE SCHEDULES
STATEMENT OF CHARGES

Exhibit
Schedule 5
Page 1
Witness: Bourassa

LINE NO.		Proposed
1	A. Establishment of Service per Rule R14-2-403.D	$ 25.00
2	Establishment of Service, after hours	$ 35.00
3	per rule R14-2-403.D.2	
4		
5	B. Re-establishment of Service per Rule 14-2-403.D	see (a)
6		
7	C. Reconnection of service per Rule R14-2-403.D.1	$ 35.00
8		
9	D. Charge for moving meter at customer request per	
10	Rule R14-2-405.B.5	@ Cost
11		
12	E. After hours service charge, per hour, R14-2-403.D	$ 50.00
13		
14	F. Minimum Deposit per Rule R-14-2-403.B	Cost
15		
16	H. Meter Reread per Rule R14-2-408	$ 5.00
17		
18	I. Charge for NSF Check per Rule R14-2-409.F.1	$ 15.00
19		
20	J. Late payment charge for delinquent bills	
21	as defined in Rule R14-2-409.C.1	1.50%
22		
23	K. Deferred Payment Finance Charge, R14-2-409.G	1.50%
24		
25	L. Service Line and Meter Installation per R14-12-405.B	
26	5/8 x 3/4 inch	$ 410.00
27	3/4 inch	$ 410.00
28	1 inch	$ 520.00
29	1 1/2 inch	$ 660.00
30	2 Inch - Turbo	$ 1,155.00
31	2 inch - Compound	$ 1,720.00
32	3 inch - Turbo	$ 1,625.00
33	3 Inch - Compound	$ 2,260.00
34	4 Inch - Turbo	$ 2,500.00
35	4 inch - Compound	$ 3,200.00
36	6 Inch - Turbo	$ 4,500.00
37	6 inch - Compound	$ 6,300.00
38	8 inch	$ 8,200.00
39		
40	M. Main Extension and additional facilities agreements,	
41	per Rule R14-2-406.B	@ COST (b)
42		
43	N. All Revenue related taxes will be charged customers.	
44		
45	RULES AND REGULATIONS	
46	* The Company has adopted the Rules and Regulation established by the Commission	
47	as the basis for its operating procedures. AAC R14-204-01 Through ACC R14-2-411	
48	will be controlling of Company procedures, unless specific Commission Orders	
49	provide otherwise.	
50	(a) Monthly minimum times months off the system	
51	(b) Cost to include parts, labor, overhead, and all applicable taxes, including income tax.	
52	(c) If meter is reading correct per rule.	
53		
54		

EXHIBIT

9



W-2327
Antelope Run Water Company

W-1445
Arizona Water Company

W-2465
Bella Vista Water Company, Inc.

W-2672
Cloud Nine Water Company, Inc.

W-1868
Cochise Water Company, Inc.

W-1629
Coronado Estates Water Company

W-2316
Crystal Water Company

W-1906
East Slope Water Company

W-1896
Holiday Water Company

W-2235
Horseshoe Ranch Water Company

W-2031
Indiada Water Company, Inc.

W-1961
Lucky Hills Water Company

W-1646
Miracle Valley Water Company, Inc.

W-2230
Mustang Water Company

W-1602
Nicksville Water Company, Inc.

W-1443
Palominas Development Company

W-1853
Parker Springs Water Company

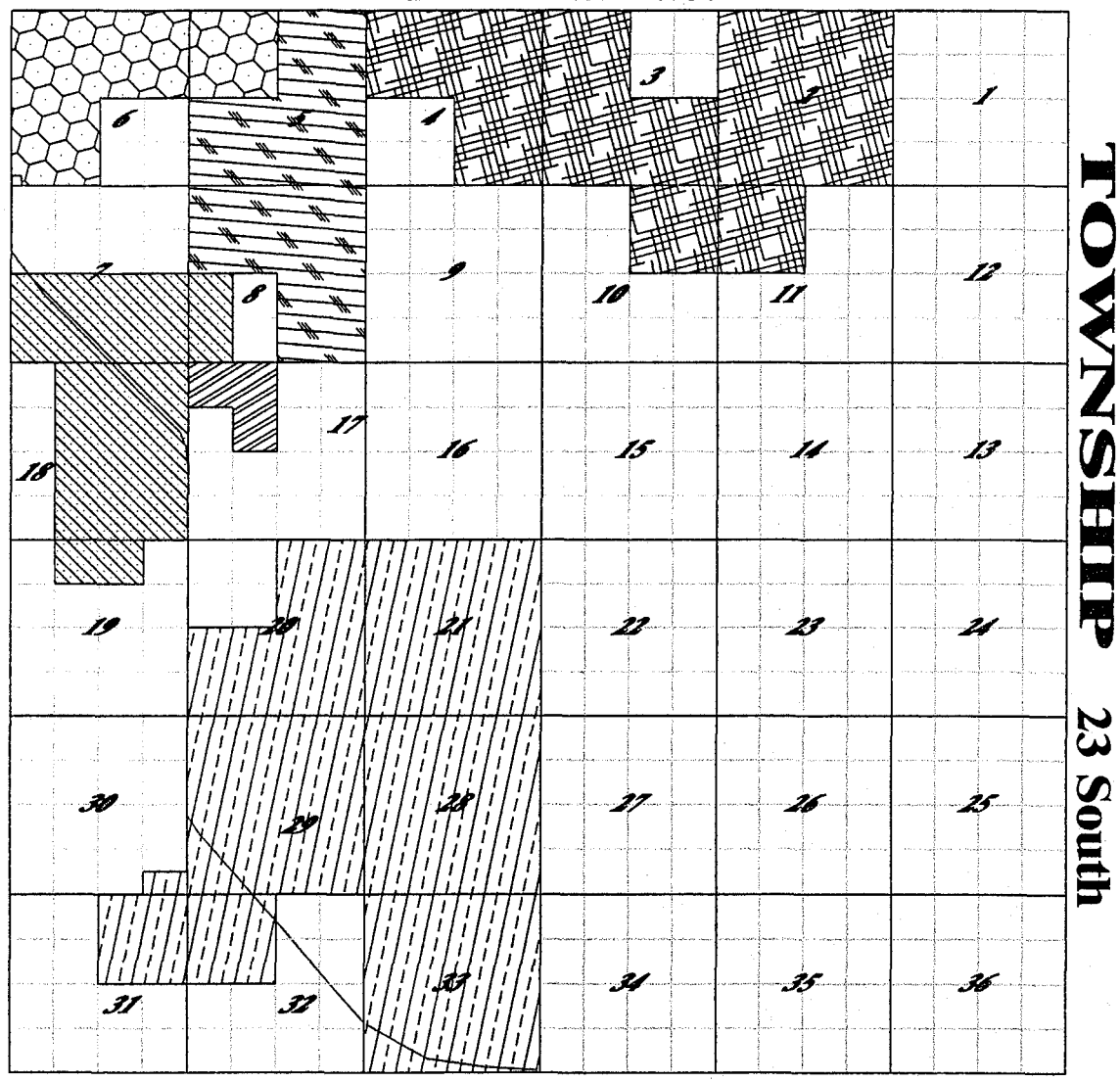
W-2208
Pueblo del Sol Water Company

W-2062
Southland Utilities Company, Inc.

W-2355
Sulger Water Company #2

COUNTY: *Cochise*

RANGE 21 East



W-2465 (6)
Bella Vista Water Company, Inc.

W-1868 (1)
Cochise Water Company, Inc.

W-1906 (2)
East Slope Water Company

W-2235 (1)
Horseshoe Ranch Water Company

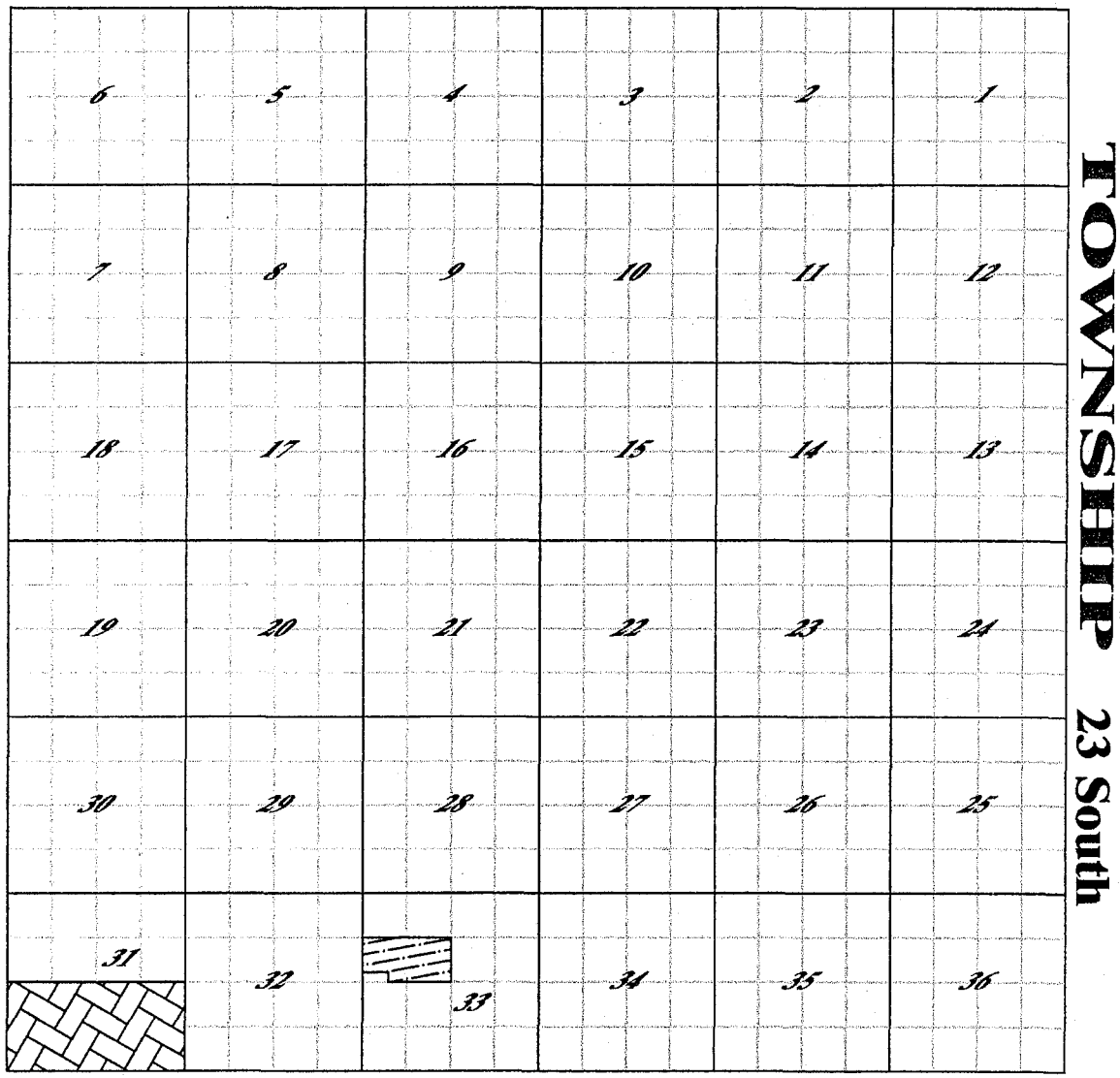
W-1602 (1)
Nicksville Water Company, Inc.

W-2062 (2)
Southland Utilities Company, Inc.

TR23S21E 12 JUN 1997

COUNTY: *Cochise*

RANGE 22 East



W-1646 (1)
Miracle Valley Water Company, Inc.

W-1443 (1)
Palominas Development Company

TR23S22E 12 OCT 1987

BE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF MIRACLE VALLEY WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE OPERATION OF A WATER SYSTEM IN THE AREA DESCRIBED HEREINAFTER.

DOCKET NO. U-1646 DECISION NO. 31741

OPINION AND ORDER

BY THE COMMISSION:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission sitting in Douglas, Arizona on May 21, 1959.

Applicants were represented by William Kimble, attorney, who presented testimony, both oral and documentary, and from the testimony, files and records in the matter, the Commission is of the opinion that applicants have complied with the statutes of Arizona and with the rules and regulations of the Commission for the issuance of a certificate of convenience and necessity.

The application was unopposed and in the opinion of the Commission, the application contemplates a service in the public interest.

It further appears that the application does not conflict with any other person or corporation furnishing a service of like character within the area sought to be certificated and that a need and demand has been established and exists for the proposed service supporting a finding of convenience and necessity therefore.

WHEREFORE, IT IS ORDERED that the application be, and it is hereby, approved and this order shall constitute and be a certificate of convenience and necessity as contemplated by the provisions of Section 40-281, A.R.S., authorizing applicant herein to construct, operate and maintain a public water system within the area described as the S½ of Section 31, Twp. 23 S., Range 22 E., G. & S. R. B. & M., Cochise County, Arizona, and to furnish a domestic and commercial water service in the area.

The rates and charges which are approved and which shall be charged as follows:

DOCKET NO. U-1646 DECISION NO. 31741

Applicants propose to charge a flat fee of $5.00 for the first 5,000 gallons of water consumed, and to charge an additional 20¢ for each 1,000 gallons in excess thereof.

All other rates and charges shall be in accordance with General Order U-4, Rules and Regulations for Domestic Water Companies, which became effective as of January 15, 1955.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, FRANCIS J. BYRNES, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 12th day of August, 1959.

Francis J. Byrnes
FRANCIS J. BYRNES
SECRETARY

Arizona Corporation Commission
DOCKETED
AUG 12 1959
DOCKETED BY L.F.

Copy mailed to the following —
Mr. William E. Rimble
Secretary
Docket.

COCHISE COCHISE ~~COCHISE~~

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF COCHISE WATER CO., A CORPORATION, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT AND OPERATE A WATER SYSTEM NEAR HEREFORD, COUNTY OF COCHISE, STATE OF ARIZONA, AND MORE PARTICULARLY DESCRIBED AS LOTS 1 AND 2 AND THE SOUTH HALF OF THE NORTHEAST QUARTER AND THE SOUTH HALF OF SECTION 5; AND THE EAST HALF AND THE NORTHWEST QUARTER OF SECTION 8, ALL IN TOWNSHIP 23 SOUTH, RANGE 21 EAST, G. & S. R. B. & M., COCHISE COUNTY, ARIZONA.

DOCKET NO. U-1868 DECISION NO. 34141

Arizona Corporation Commission DOCKETED OC 31 1962 DOCKETED BY el

OPINION AND ORDER

BY THE COMMISSION:

Notice having been given as provided by law, the above entitled matter came on for hearing on October 18, 1962, on application of COCHISE WATER CO., a corporation, for a certificate of convenience and necessity to serve water in the area hereinafter described. Said hearing was held in Tucson, Arizona.

Applicant was represented by its attorney, Dushan S. Vlahovich, who presented testimony, both oral and documentary, in support of the application. From the testimony presented, the Commission is of the opinion that there is a need and demand for such service and that there is no other person or corporation furnishing a like service in the area sought to be served. It further appears that applicant is financially able to operate the system, and that the granting of the application would be in the public interest. There was no appearance in opposition to the granting of the application.

WHEREFORE, IT IS ORDERED that the application be and the same is hereby approved, and applicant is by virtue of this order granted a certificate of convenience and necessity to operate a water system under the rules and regulations of this Commission in the area more particularly described as follows:

> Lots 1 and 2 and the South half of the Northeast quarter and the South half of Section 5; and the East half and the Northwest quarter of Section 8, all in Township 23 South, Range 21 East, G. & S. R. B. & M., Cochise County, Arizona.

PLATTED NOV 15 1962

It is further ordered that the following rates for water service submitted at the hearing are hereby approved:

$7.00 per 3,000 gallons, minimum	)	per calendar
$0.70 per 1,000 gallons thereafter	)	month

Above rates are per calendar month, said rates and charges are further to be at all times in accord with the rules and regulations of the Arizona Corporation Commission.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, FRANCIS J. BYRNES, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 31st day of October, 1962.

FRANCIS J. BYRNES

S. C. Corbett
Acting Secretary

[illegible] 11-2-62 to:
[illegible] S. Vlahovich
[illegible] Pres.
[illegible] San.
[illegible] Co. Bd. Sup.
[illegible]
[illegible]

BEFORE THE ARIZONA CORPORATION COMMISSION

AL FARON
Chairman
CHARLES H. GARLAND
Commissioner
RUSSELL WILLIAMS
Commissioner

IN THE MATTER OF THE APPLICATION OF MAURICE M. SINKS AND E. ELIZABETH SINKS, HUSBAND AND WIFE, DBA RANCH WATER CO., FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING THE CONSTRUCTION, OPERATION AND MAINTENANCE OF A DOMESTIC WATER UTILITY IN THE AREA DESCRIBED AS THE NORTH HALF (N½) OF THE NORTHWEST QUARTER (NW¼) AND THE SOUTHEAST QUARTER (SE¼) OF THE NORTHWEST QUARTER (NW¼) OF SECTION 17, TOWNSHIP 23 SOUTH, RANGE 21 EAST, G&SRB&M, COCHISE COUNTY, ARIZONA.

DOCKET NO. U-2235 DECISION NO. 43538

OPINION AND ORDER

BY THE COMMISSION:

The above-entitled and numbered matter came on for hearing before Chairman Al Faron sitting in Tucson, Arizona, on July 12, 1973.

Applicant was represented by its attorney, Sidney L. Kain, and there was no appearance in opposition to the application.

The transcript of said hearing has now been read by each Commissioner, and it is their opinion that based on the testimony presented, and the records and files in the matter, a need and demand does exist for such service, and the granting of the application would be in the public interest.

WHEREFORE, IT IS ORDERED that this order shall constitute and be a certificate of convenience and necessity, pursuant to §40-281, Arizona Revised Statutes, authorizing Applicant herein to construct, operate and maintain a public domestic water utility in the area described as the North Half (N½) of the Northwest Quarter (NW¼) and the Southeast Quarter (SE¼) of the Northwest Quarter (NW¼) of Section 17, Township 23 South, Range 21 East, G&SRB&M, Cochise County, Arizona.

IT IS FURTHER ORDERED that the rates approved and which shall apply for Applicant within the above described area are as follows:

DOCKET NO. U-2235 DECISION NO. 43538

$6.00 per month for the first 2,000 gallons of water used per month per customer

$1.00 per 1,000 gallons for all water used per month per customer in excess of of the first 2,000 gallons.

IT IS FURTHER ORDERED that all connections shall be metered at the time the initial service is installed.

IT IS FURTHER ORDERED that all other rates and charges shall be in compliance with Rules and Regulations Relating to the Operation of Domestic Water Utilities Companies, effective December 9, 1965.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, GEORGE M. DEMPSEY, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 3rd day of August, 1973.

GEORGE M. DEMPSEY
EXECUTIVE SECRETARY

transferred to horseshoe ranch Feb 3, 1988 dec # 55878

EXHIBIT

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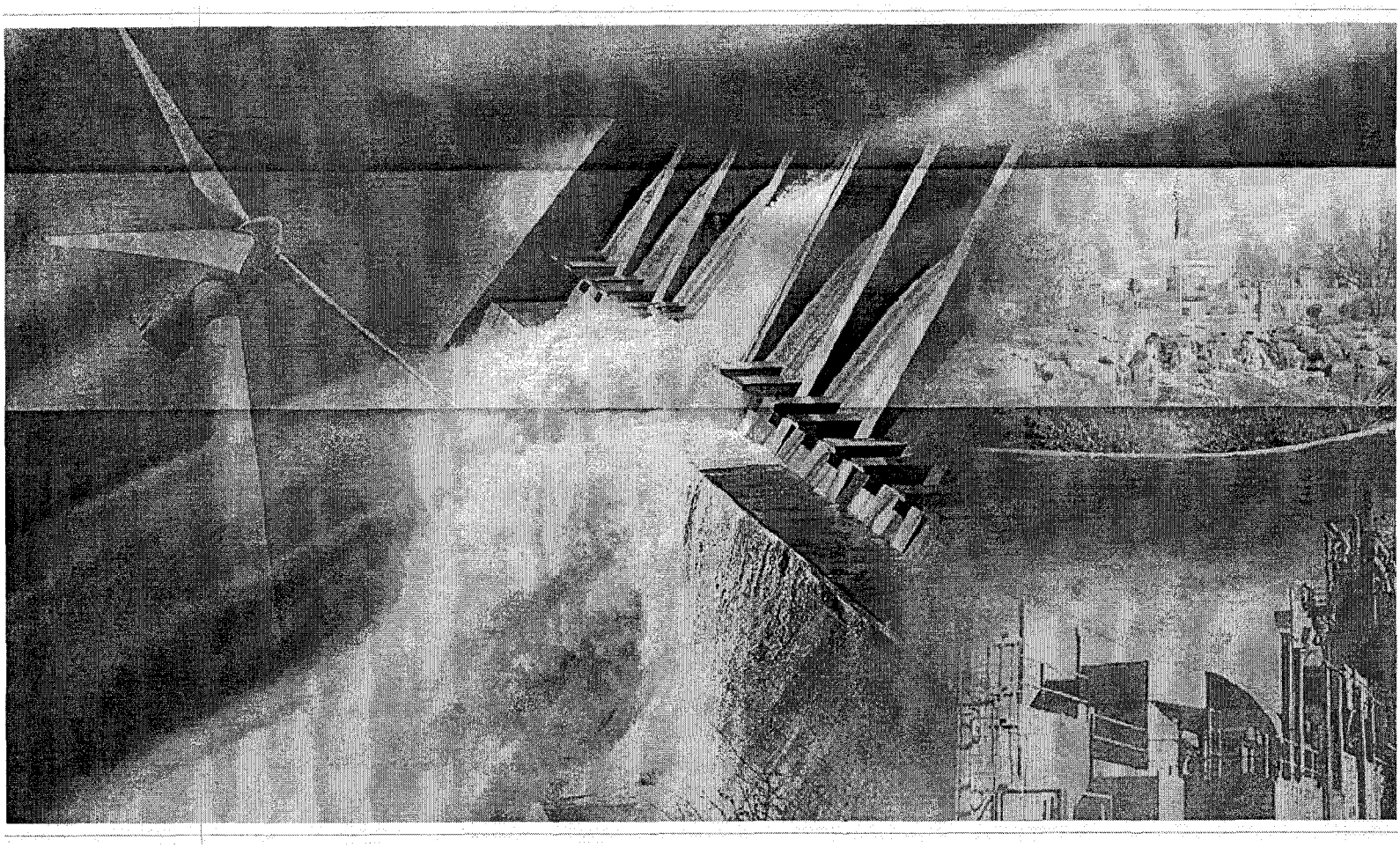

AUDITORS' REPORT
FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
2005

ALGONQUIN POWER
Income Fund

Auditors' Report

To the Unitholders of Algonquin Power Income Fund

We have audited the consolidated balance sheets of Algonquin Power Income Fund as at December 31, 2005 and 2004 and the consolidated statements of earnings and deficits and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

(signed) KPMG LLP

Toronto, Canada
March 7, 2006

Consolidated Balance Sheets

December 31, 2005 and December 31, 2004
(thousands of Canadian dollars)

	2005	2004
Assets		
Current assets		
Cash and cash equivalents	$ 11,363	$ 34,348
Accounts receivable	29,206	25,819
Prepaid expenses	1,918	2,060
Current portion of notes receivable (note 3)	2,791	2,589
Future income tax asset (note 11)	-	18
	45,278	64,834
Long-term investments (note 3)	57,489	48,561
Future non-current income tax asset (note 11)	7,719	6,425
Capital assets, net of accumulated amortization (note 4)	627,652	610,756
Intangible assets, net of accumulated amortization (note 5)	76,848	83,677
Restricted cash	3,458	3,728
Deferred costs (net of accumulated amortization of $2,425, (2004 - $1,383)	5,357	6,815
	$ 823,801	$ 824,796
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 28,585	$ 33,105
Due to Algonquin Power Group (note 12)	62	99
Cash distribution payable	10,677	10,677
Current portion of long-term liabilities (notes 7 and 9)	1,445	1,666
Current income tax liability	435	596
Future income tax liability (note 11)	1,143	1,449
	42,347	47,592
Long-term liabilities (notes 6 and 7)	157,002	120,085
Convertible debentures (note 8)	85,000	85,000
Other long-term liabilities (note 9)	10,435	8,960
Deferred credits	19,102	12,124
Future non-current income tax liability (note 11)	56,917	55,764
Unitholders' equity		
Trust units (note 10)	654,176	654,176
Deficit	(201,178)	(158,905)
	452,998	495,271
Commitments and contingencies (notes 2 and 13)		
Guarantees (note 20)		
Subsequent events (note 21)		
	$ 823,801	$ 824,796

See accompanying notes to the consolidated financial statements

Approved by the Trustees (signed) George Steeves (signed) Ken Moore

Consolidated Statements of Earnings and Deficit

For the years ended December 31, 2005 and December 31, 2004
(thousands of Canadian dollars except per trust unit)

	2005	2004
Revenue		
Energy sales	$ 136,038	$ 122,981
Waste disposal fees	13,031	14,086
Water reclamation and distribution	28,371	23,456
Other revenue	1,884	-
	179,324	160,523
Expenses		
Operating	106,691	94,640
Amortization of capital assets	27,325	26,730
Amortization of intangible assets	6,463	5,565
Management costs (note 12)	825	777
Administrative expenses	5,681	5,596
Withholding taxes	1,177	483
Gain on foreign exchange	(1,744)	(2,601)
	146,418	131,190
Earnings before undernoted	32,906	29,333
Interest expense	(16,379)	(12,440)
Interest, dividend and other income (note 17)	11,398	10,943
Write down of fixed assets and intangible assets (notes 4 and 5)	(3,533)	(1,932)
	(8,514)	(3,429)
Earnings before income taxes and minority interest	24,392	25,904
Current income taxes (note 11)	854	1,105
Future income taxes (note 11)	1,750	1,180
	2,604	2,285
Minority interest	-	817
Net earnings	21,788	22,802
Deficit, beginning of year	(158,905)	(118,337)
Cash distributions (note 15)	(64,061)	(63,370)
Deficit, end of year	$ (201,178)	$ (158,905)
Basic and diluted net earnings per trust unit (note 16)	$ 0.31	$ 0.33

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended December 31, 2005 and December 31, 2004
(thousands of Canadian dollars)

	2005	2004
Operating Activities		
Net earnings	$ 21,788	$ 22,802
Items not affecting cash		
Amortization of capital assets	27,325	26,730
Amortization of intangible assets	6,463	5,565
Other amortization	1,339	2,331
Minority interest	-	817
Distribution received in excess of equity income	208	(16)
Future income taxes	1,750	1,180
Write down of fixed and intangible assets	3,533	1,932
AirSource commitment fee (note 3)	3,228	500
Gain on foreign exchange	(2,023)	(2,460)
	63,611	59,381
Changes in non-cash operating working capital	(7,932)	7,204
	55,679	66,585
Financing Activities		
Cash distributions	(64,061)	(63,370)
Issue costs of trust units	-	(700)
Convertible debenture issue (note 8)	-	85,000
Expenses of convertible debenture issue (note 8)	205	(4,100)
Deferred costs	(1,154)	(2,305)
Increase in long-term liabilities	93,080	30,000
Decrease in long-term liabilities	(55,310)	(71,969)
Deferred credits	(290)	426
Other	317	(1,117)
	(27,213)	(28,135)
Investing Activities		
Decrease in restricted cash	270	235
Receipt of principal on notes receivable	9,697	21,988
Additions to capital assets	(15,912)	(17,336)
Acquisition of notes receivable	(16,241)	(13,917)
Acquisitions of operating entities net of cash acquired (note 2)	(28,952)	(15,159)
	(51,138)	(24,189)
Effect of exchange rate differences on cash and cash equivalents	(313)	(1,151)
Increase / (decrease) in cash and cash equivalents	(22,985)	13,110
Cash and cash equivalents, beginning of year	34,348	21,238
Cash and cash equivalents, end of year	$ 11,363	$ 34,348
Supplemental disclosure of cash flow information		
Cash paid during the year for interest expense	$ 15,753	$ 9,441
Cash paid during the year for income taxes	$ 871	$ 1,624
Non-cash		
Issue of trust units to retire convertible debentures of KMS	$ -	$ 16,663

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars except as noted and per trust unit)

Algonquin Power Income Fund (the "Fund") is an open-ended, unincorporated trust established pursuant to the Declaration of Trust dated September 8, 1997, as amended, under the laws of the Province of Ontario. The Fund's principal business activity is the ownership, directly or indirectly, of generating and infrastructure facilities, through investments in securities of subsidiaries including limited partnerships and other trusts. The activities of the subsidiaries may be financed through equity contributions, interest bearing notes and third party project debt as described in the notes to the financial statements. The revolving credit facility and the convertible debentures are direct obligations of the Fund.

The Trustees declare on a monthly basis, distributions to the Unitholders. Currently such distributions are $0.92 per unit on an annualized basis.

The Fund is managed by Algonquin Power Management Inc. ("APMI"), a company wholly owned by the four principal employees of APMI who provide management services for the Fund. A majority of the shareholders of APMI indirectly own Algonquin Airlink Limited Partnership which owns an aircraft the Fund charters. The shareholders of APMI own Algonquin Property LP which leases the corporate office to the Fund. Collectively, these entities are referred to as the Algonquin Power Group.

1. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in Canada and include the consolidated accounts of all of its subsidiaries. The Fund consolidates its proportionate share in the Valley Power Limited Partnership.

In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"). AcG-15 addresses the application of consolidation principles to certain entities that are subject to control on a basis of control other then ownership of voting interests. AcG-15 addresses when an enterprise should include the assets, liabilities and results of activities of such an entity in its consolidated financial statements. The Fund adopted AcG-15 on a retroactive basis. The adoption had no impact on net earnings or opening deficit.

All significant intercompany transactions and balances have been eliminated.

(b) Cash and cash equivalents

Cash and cash equivalents include cash deposited at banks and highly-liquid investments with original maturities of 90 days or less.

(c) Restricted cash

Cash reserves segregated from the Fund's cash balances are maintained in accounts administered by a separate agent and disclosed separately in these consolidated financial statements as the Fund cannot access this cash without the prior authorization of parties not related to the Fund.

(d) Capital assets

Capital assets, being land, facilities and equipment, are recorded at cost. Development costs, including the cost of acquiring or constructing facilities together with the related interest costs during the period of construction are capitalized. Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

The facilities and equipment, which include overhauls, are amortized on a straight-line basis over their estimated useful lives. For facilities these periods range from 15 to 40 years. Facility equipment is amortized over 2 to 10 years.

(e) Intangible assets

Power purchase contracts acquired are amortized on a straight-line basis over the remaining term of the contract. These periods range from 6 to 15 years from date of acquisition.

Customer relationships are amortized on a straight-line basis over 40 years.

(f) Impairment of long-lived assets

The Fund reviews capital assets and intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to expected future cash flows. If the carrying amount exceeds the expected future cash flows, the asset is written down to its fair market value.

(g) Notes receivable

Notes receivable are carried at cost. A provision for credit losses on notes receivable is charged to the statement of earnings and deficit to cover any losses of principal and accrued interest.

(h) Deferred costs

Deferred costs, which include the costs of arranging the credit facility, costs associated with the issuance of convertible debentures, costs associated with periodic customer rate reviews with the utility governing bodies for the water reclamation and distribution facilities, are amortized on a straight-line basis over the term of the expected benefit being 2 to 7 years.

(i) Long-term investments

Investments in which the Fund has significant influence but not control or joint control are accounted using the equity method. The Fund records its share in the income or loss of its investees in interest, dividend and other income in the consolidated statement of earnings and deficit. All other equity investments where the Fund does not have significant influence or control are accounted for under the cost method. Under the cost method of accounting, investments are carried at cost and are adjusted only for other-than-temporary declines in value, distributions of earnings and additional investments.

(j) Deferred credits

Certain of the water companies receive advances from developers for water and sewage main extensions. The amounts advanced are generally repaid over a period of 10 years based on 10% of the revenues generated by the housing/development in the area developed. Generally, advances not refunded within the specified period are not required to be repaid. The estimate of non-refundable amounts is credited against capital assets. The Fund also receives contributions in aid of construction with no repayment requirements in which the full amount is immediately treated as a capital grant and netted against capital assets.

Deferred water rights result from a hydroelectric generating facility which has a fifty-year water lease with the first ten years of the water lease requiring no payment. An average rate was estimated over the life of the lease and a deferral was booked based on this estimate which is being drawn down in the last forty years.

Commitment fees received associated with the financing to AirSource are amortized over the term of the financing facility, being 9 years (note 3).

(k) Recognition of revenue

Revenue derived from energy sales, which are mostly under long-term power purchase contracts, is recorded at the time electrical energy is delivered.

Water reclamation and distribution revenues are recorded when delivered to customers.

Revenue from waste disposal is recognized on actual tonnage of waste delivered to the plant at prices specified in the contract. Certain contracts include price reductions if specified thresholds are exceeded. Revenue for these contracts are recognized based on actual tonnage at the expected price for the contract year and any amount billed in excess of the expected rate is deferred.

Interest and dividend income from long-term investments is recorded as earned.

(l) Foreign currency translation

The Fund's United States subsidiaries and partnership interests are considered to be functionally integrated with the Canadian operations. All monetary assets and liabilities denominated in United States dollars are translated into Canadian dollars at year-end exchange rates, whereas non-monetary assets and liabilities are translated at the rate in effect at the transaction date. The revenues and expenses of these integrated operations are translated at the average rate of exchange in effect during the period. The foreign currency translation adjustment is reflected in the consolidated statement of earnings and deficit. Amortization of assets translated at historical exchange rates are translated at the same exchange rate as the assets to which they relate.

(m) Derivatives contracts

The Fund enters into forward contracts to hedge against possible fluctuations in its exposure to the US dollar. Gains and losses from these activities are reported as adjustments to the related revenue account as they are settled and no balance is carried on the consolidated balance sheet.

The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(n) Asset retirement obligations

The fair value of estimated asset retirement obligations is recognized in the consolidated balance sheets when identified and a reasonable estimate of fair value can be made. The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's estimated useful life and included in amortization expense on the consolidated statement of earnings and deficit. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the consolidated statement of earnings and deficit. Actual expenditures incurred are charged against the accumulated obligation.

(o) Income taxes

As the Fund is an unincorporated trust, it is entitled to deduct distributions to unitholders to the extent of its taxable income and consequently, it is expected that the Fund will not be liable for any material tax as this will be the responsibility of the individual unitholder. Any provision for income taxes will relate solely to the income taxes of the Fund's wholly owned subsidiaries.

Income taxes are accounted for using the asset and liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the year that includes the date of enactment or substantive enactment.

A valuation allowance is recorded against future tax assets to the extent that it is more likely than not the future tax asset will not be realized.

(p) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. During the years presented, management has made a number of estimates and valuation assumptions, including the useful lives and recoverability of capital assets and intangible assets, the recoverability

of notes receivable and long-term investments, the recoverability of future tax assets, the portion of aid-in construction payments that will not be repaid, and the fair value of financial instruments and derivatives. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

(q) Comparatives

Certain comparative amounts have been reclassified to conform with current year financial presentation.

2. Acquisitions

A) i) On March 11, 2005, the Fund purchased all the assets used in the operation of five water distribution and water reclamation facilities ("the systems") for cash consideration of $11.2 million (US $ 9.4 million). A deposit in the amount of $1.4 million (US $1.0 million) was paid in 2004. The systems, which in aggregate serve approximately 4,200 equivalent residential connections, are located in Texas and Illinois. The purchase and sale agreement provided for the acquisition of 3 additional assets, subject to regulatory approval, located in Missouri serving approximately 1,000 customers, for a purchase price of $4.6 million (US $3.8 million). On August 14, 2005, the Fund received approval from the regulator and completed the Missouri acquisitions. The Fund also incurred $0.4 million (US $0.3 million) of acquisition costs.

ii) On September 21, 2005, the Fund purchased the Beaver Falls Hydro Plant, a 2.5 MW hydro electric generating station located in Beaver Falls, New York, for cash consideration of $1.0 million (US $0.8 million). Electrical energy produced by the facility is sold to Niagara Mohawk under a power sales contract which expires in 2019. The Fund also incurred $0.1 million (US $0.1 million) of acquisition costs. The Fund has included $1.8 million (US $1.5 million) in deferred credits related to below market hydro rates in the power purchase agreement which will be amortized over the term of the agreement.

iii) On December 2, 2005, the Fund acquired the shares of Rio Rico Utilities Inc. ("Rio Rico") located in the Town of Rio Rico, Arizona, for $10.2 million (US $8.8 million), in the Infrastructure operating segment. The company owns and operates the potable water distribution and water reclamation utility assets. The Fund also incurred $0.2 million (US $0.2 million) of acquisition costs. The Fund will also pay to the vendor for additional customers connected with Rio Rico over the next three years. At December 31, 2005, Rio Rico services approximately 7,200 water and wastewater customers.

The acquisitions have been accounted for using the purchase method, with earnings from operations included since the date of acquisition. The consideration paid by the Fund has been allocated to net assets acquired as follows:

	Infrastructure	Hydroelectric	Total
Working capital	$ 609	$ -	$ 609
Fixed assets	19,647	2,910	22,557
Intangible assets	3,361	-	3,361
Future non-current income tax asset	3,369	-	3,369
Customer deposits	(154)	-	(154)
Deferred credits	(163)	(1,770)	(1,933)
Total purchase price	26,669	1,140	27,809
Less: cash acquired	(187)	-	(187)
Less: deposit paid in 2004	(1,368)	-	(1,368)
Cash consideration paid	$ 25,114	$ 1,140	$ 26,254

Intangible assets in infrastructure include customer relationships that are amortized over 40 years.

B) On September 30, 2004, the Fund acquired an interest in 12 landfill gas powered generating stations (the "LFG Facilities") representing approximately 36MW of installed capacity for total consideration of $11,374 (US $9,000). The majority of the LFG facilities were commissioned in the late 1990's. The electricity produced is sold to a number of large utilities pursuant to long-term power purchase agreements with an average termination date of 2011.

The acquisition has been accounted for using the purchase method, with earnings from operations included from the date of acquisition.

The consideration paid by the Fund has been allocated to net assets acquired as follows:

	Alternative Fuels
Working capital	$ 1,350
Capital assets	8,621
Intangible assets	1,746
Total purchase price	11,717
Less: cash acquired	(343)
Cash consideration paid	$ 11,374

Intangible assets represent the value of power purchase contracts acquired with the LFG facilities and are amortized over the remaining life of the contracts from date of acquisition ranging from 1 to 16 years.

C) In accordance with the purchase and sale agreements of Litchfield Park and Woodmark Utility Company additional amounts are required to be paid to the vendors for additional customers connected to the facilities. For Litchfield Park, these payments continue until 2008 and for Woodmark until 2007. The additional payments of $2,698 (2004-$3,783) are capitalized as part of the customer relationship intangible asset, gross of future income taxes of $1,627 (2004-$2,279).

	2005	2004
Litchfield Park	$ 2,584	$ 3,624
Woodmark	114	159
	$ 2,698	$ 3,783
In US$	$ 2,300	$ 2,944

3. Long-term investments

	2005	2004
Debt and equity interests, ranging in ownership between 12.1% to 32.4%, in four generating facilities.	$ 27,346	$ 30,556
A 45% partnership interest in the Algonquin Power (Rattle Brook) Partnership	3,719	3,787
A 50% partnership interest in Campbellford Limited Partnership	392	-
	31,457	34,343
Campbellford Note Note bearing interest of 9.9415% repayable in monthly blended installments (principal and interest) of $32, maturing February 28, 2015.	-	3,023
Across America Note Note bearing interest of 12.00% repayable in quarterly installments, (principal and interest) of US$ 635, maturing January 31, 2008.	6,185	8,004
Airsource Note Note bearing interest of 11.189% maturing September 30, 2014. Interest decreases to 10.739% after conversion. No principal payments until January 1, 2009.	20,481	5,512
Airlink Advance (note 12) Advance for expense reimbursement for business use of aircraft	1,212	-
Other	945	268
	28,823	16,807
	60,280	51,150
Less: current portion	2,791	2,589
	$ 57,489	$ 48,561

The above notes are secured by the underlying assets of the respective facilities.

On September 1, 2005, the principal on the Campbellford Note of $4,738 was repaid. On this date, consolidation of the Campbellford investment ceased and equity accounting commenced. The proceeds of $4,738 were allocated to reduce the existing note receivable and the existing investment in Campbellford. A prepayment fee is due as a result of the early prepayment and included in other above.

During 2005, the Fund has provided an additional $14,969 of financing to AirSource Power Fund I LP ("AirSource") for the construction of the wind farm in St. Leon and $15,395 in letters of credit. The total outstanding balance at December 31, 2005 was $20,481. The Fund received a $3,228 commitment fee in 2005, which has been deferred and is being amortized over the term of the financing facility being 9 years. The Fund's total commitment to AirSource is $74,400.

4. Capital assets

	2005		
	Cost	**Accumulated amortization**	**Net book value**
Land	$ 11,504	$ -	$ 11,504
Facilities	712,845	104,650	608,195
Equipment	14,584	6,631	7,953
	$ 738,933	$ 111,281	$ 627,652

Facilities include $90,296 (2004 - $89,889) of net assets under capital lease and $8,433 (2004 - $849) of construction in process. In addition, $11,329 (2004 - $18,557) of contributions received in aid of construction have been credited to facilities cost.

The Fund has entered into an agreement to sell steam from the Algonquin Power Energy-from-Waste facility to an industrial customer located in close proximity to the Algonquin Power Energy-from-Waste facility. To effect such sales, the Fund will incur the costs of certain additional steam generation and transmission assets. The Fund has committed to contractual arrangements to the project totaling approximately $9,800. The Fund has incurred amounts totaling $2,418 (2004 -$849) included in assets under construction. APC is entitled to 50% of the cashflow above 15% return on investment.

During 2005, the Fund wrote down the cost of both the capital asset and intangible asset related to the Crossroads facility located in New Jersey to its estimated fair value.

	2004		
	Cost	**Accumulated amortization**	**Net book value**
Land	$ 11,504	$ -	$ 11,504
Facilities	676,120	85,228	590,892
Equipment	12,623	4,263	8,360
	$ 700,247	$ 89,491	$ 610,756

During 2004, the Fund wrote off the cost of both the capital asset and intangible asset related to the Joliet facility located in Illinois. Management deemed that the facility was no longer economically viable.

5. Intangible assets

	2005		
	Cost	Accumulated amortization	Net book value
Power purchase contracts	$ 73,966	$ 25,234	$ 48,732
Customer relationships	29,109	1,167	27,942
Licenses and agreements	696	522	174
	$ 103,771	$ 26,923	$ 76,848

	2004		
	Cost	Accumulated amortization	Net book value
Power purchase contracts	$ 73,966	$ 11,417	$ 62,549
Customer relationships	21,423	528	20,895
Licenses and agreements	696	463	233
	$ 96,085	$ 12,408	$ 83,677

6. Revolving credit facility

In August 2005, the Fund renewed its revolving credit facility with a syndicate of Canadian banks. The credit facility matures August 30, 2007, and has a total credit limit of $145,000 and includes a $20,000 operating line. At December 31, 2005, $69,300 (2004 - $30,000) has been drawn on the revolving credit facility and no amount was outstanding on the operating line. In addition, the availability of the revolving credit facility has been reduced by $44,883 (2004- $30,878) for certain outstanding letters of credit. The terms of the credit agreement require the Fund to pay a standby charge of 0.30% on the unused portion of the revolving credit facility and maintain certain financial covenants. The facility is secured by a fixed and floating charge over all Fund entities.

7. Long-term liabilities

	2005	2004
Senior Debt Long Sault Rapids		
Interest at rates varying from 10.16% to 10.21% repayable in monthly blended installments of $402, maturing December, 2028.	$ 42,868	$ 43,310
Senior Debt Chute Ford		
Interest rate of 11.55% repayable in monthly blended installments of $64, maturing April, 2020.	5,335	5,473
Sanger Bonds		
California Pollution Control Finance Authority Variable Rate Demand Resource Recovery Revenue Bonds Series 1990A, payable monthly, maturing September, 2020. US $19,200. The effective interest rate for 2005 is 2.50%. (2004 - 1.29%).	22,385	23,109
Bella Vista Water Loans		
Water Infrastructure Financing Authority of Arizona Interest rates of 6.10% and 6.26% repayable in monthly and quarterly installments, maturing December, 2017 and March, 2020. The balance of these notes at December 31, 2005 was US $134 and US $1,802 respectively (2004 - US $141 and US $1,872).	2,257	2,422
Litchfield Park Service Company Bonds		
1999 and 2001 IDA Bonds. Interest rates of 5.87% and 6.71% repayable in semi-annual installments, maturing October 2023 and October 2031. The balance of these notes at December 31, 2005 was US $5,086 and US $8,339, respectively (2004 - US $5,254 and US $8,423).	15,653	16,462
Revolving credit facility (note 6)		
Revolving line of credit interest rate is equal to bankers acceptance or LIBOR plus 1.125 %. The effective rate of interest for 2005 was 4.16% (2004 - 4.56%).	69,300	30,000
Other	209	241
	$ 158,007	$ 121,017
Less: current portion	(1,005)	(932)
	$ 157,002	$ 120,085

Each of the facility level debt is secured by the respective facility with no other recourse to the Fund. The loans have certain financial covenants, which must be maintained on a quarterly basis. Non compliance with the covenants could restrict cash distributions to the Fund from specific facilities. Interest paid on the long-term liabilities was $9,588 (2004 - $12,000).

Principal payments due in the next five years and thereafter are:

2006	$ 1,005
2007	1,097
2008	70,503
2009	1,313
2010	1,440
Thereafter	82,649
	$ 158,007

8. Convertible debentures

In 2004, the Fund issued 85,000 convertible unsecured subordinated debentures at a price of $1 per debenture for gross proceeds of $85,000 and net proceeds of $81,105. The debenture issue costs of $3,895 are deferred and amortized over the term of the convertible debentures. The debentures are due July 31, 2011 and bear interest at 6.65% per annum, payable semi-annually in arrears on January 31 and July 31 each year. The convertible debentures are convertible into trust units of the Fund at the option of the holder at a conversion price of $10.65 per trust unit, being a ratio of approximately 93.8967 trust units per $1 principal amount of debentures in trust units or cash. The debentures may not be redeemed by the Fund prior to July 31, 2007. The Fund performed an evaluation of the embedded holder option and determined that its value was nominal and as a result the entire amount of the debenture is classified as a liability.

Total interest on the convertible debentures in 2005 was $5,653 (2004 - $2,555).

9. Other long-term liabilities

	2005	2004
Subsidy		
A portion of the revenue received by a subsidiary of the Fund for the sale of electricity was considered a subsidy. US $3,685.	$ 4,049	$ 3,942
Bonds Payable		
Obligation to the City of Sanger due October 1, 2011 at interest rates varying from 5.15% to 5.55%. US $1,205 (2004 – US $1,370).	1,405	1,649
Customer Deposits		
Each facility in the Infrastructure Division is obligated by its respective State Regulator to collect a deposit from each customer of its facilities when services are connected. The deposits are refundable when allowed under the facilities' regulatory agreement.	3,061	2,850
Capital Leases		
Obligation for equipment leases.	2,360	853
Other	-	400
	10,875	9,694
Less: current portion	(440)	(734)
	$ 10,435	$ 8,960

Principal payments due in the next five years and thereafter are:

2006	$ 440
2007	4,497
2008	404
2009	274
2010	275
Thereafter	4,985
	$ 10,875

Interest paid on other long-term liabilities was $315 (2004 – $440).

10. Trust units

Authorized trust units

The Declaration of Trust provides that an unlimited number of units may be issued. Each unit represents an undivided beneficial interest in any distribution from the Fund and in the net assets in the event of termination or wind-up. All units are the same class with equal rights and privileges.

Trust units are redeemable at the holder's option at amounts related to market prices at the time subject to a maximum of $250 in cash redemptions in any particular calendar month. Redemptions in excess of this amount shall be paid by way of a distribution in kind of a pro rata amount of certain of the Fund's assets, including the securities purchased by the Fund, but not to include the generating facilities.

Issued trust units

	Number of units	Amount
Balance as at December 31, 2003	67,887,612	$ 638,213
Issued pursuant to acquisition of the remaining 52.7% of the outstanding principal amount of convertible debentures of KMS Power Income Fund.	1,803,980	16,663
Issue costs		(700)
Balance as at December 31, 2005 and 2004	69,691,592	$ 654,176

11. Income taxes

The provision for income taxes in the consolidated statements of earnings represents an effective tax rate different than the Canadian enacted statutory rate of 33.61% (2004 – 33.66%). The differences are as follows:

	2005	2004
Earnings before income tax and minority interest	$ 24,392	$ 25,904
Less: income taxed directly in hands of unitholders, not the Fund	(35,163)	(36,090)
Earnings / (losses) of taxable entities	(10,771)	(10,186)
Computed income tax expense (recovery) at Canadian statutory rate	(3,620)	(3,429)
Increase (decrease) resulting from:		
Change in substantively enacted tax rate	1,259	-
Operating in countries with different income tax rates	223	996
Valuation allowances	9,191	6,090
Manufacturing and processing deduction	121	53
Large corporations tax, alternative minimum tax and state taxes	8	249
Unrealized foreign exchange rate difference	(680)	(828)
Other	(3,898)	(846)
Income tax expense	$ 2,604	$ 2,285

The tax effect of temporary differences at the Fund's subsidiaries that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2005 and 2004 are presented below:

	2005	2004
Future tax assets:		
Non-capital loss, debt restructuring charges and currently non-deductible interest carryforwards	$ 15,079	$ 14,626
Unrealized foreign exchange differences on US entity debt	17,330	15,109
Customer advances in aid of construction – difference between net book value and tax value	4,572	3,794
Total future tax assets	36,981	33,529
Less: Valuation allowance	(33,193)	(24,002)
	3,788	9,527
Future tax liabilities:		
Capital assets – differences between net book value and undepreciated capital cost	(39,690)	(43,495)
Intangible assets – difference between net book value and cumulative eligible capital	(12,759)	(15,678)
Other	(1,680)	(1,124)
Total future tax liabilities	(54,129)	(60,297)
Net future tax liability	$ (50,341)	$ (50,770)
Classified in the financial statements as:		
Future current income tax asset	$ -	$ 18
Future non-current income tax asset	7,719	6,425
Future current income tax liability	(1,143)	(1,449)
Future non-current income tax liability	(56,917)	(55,764)
	$ (50,341)	$ (50,770)

At December 31, 2005, the Fund itself has financing expenses and underwriters' fees of $4,665 (2004 - $9,148) which will be deductible by the Fund and which will reduce the ultimate amount taxable to the unitholders over the next four years. This will be offset by additions to the unitholders' taxable income since the Fund's capital assets have an accounting basis which exceeds their tax basis by $8,111 (2004 - $6,643). In addition, two trusts wholly owned by the Fund have capital assets with an accounting basis which exceeds their tax basis by $1,706 (2004 - $3,850).

12. Algonquin Power Group

In addition to the transactions described in note 3 with AirSource and note 4 with APC, the following related party transactions occurred:

APMI provides management services including advice and consultation concerning business planning, support, guidance and policy making and general management services. In 2005 and 2004, APMI was paid on a cost recovery basis for all costs incurred and charged $825 (2004-$777). APMI is also entitled to an incentive fee of 25% on all distributable cash generated in excess of $0.92 per trust unit. During 2005 and 2004 no incentive fees were earned by APMI.

The Fund has leased its head office facilities since 2001 from an entity owned by the shareholders of APMI on a net basis. Base lease costs for 2005 were $296 (2004 - $263) and additional rent representing operating cost was $198 (2004 - $120).

When appropriate for use in its operations the Fund utilizes chartered aircraft, including the use of an aircraft owned by an affiliate of APMI. The Fund entered into an agreement and remitted $1.3 million to the affiliate as an advance against expense reimbursement (including engine utilization reserves) for the Fund's business use of the aircraft. Under the terms of this arrangement, the Fund will have priority access to make use of the aircraft for a specified number of hours at a cost equal solely to the third party direct operating costs incurred when flying the aircraft; such direct operating costs do not provide the affiliate with any profit or return on or of the capital committed to the aircraft.

13. Contingencies

(a) Land and Water Leases

Certain of the operating entities have entered into agreements to lease either the land and/or the water rights for the hydroelectric generating facility or to pay in lieu of property tax an amount based on electricity production. The terms of these leases continue up to 2048. These payments typically have a fixed and variable component. The variable fee is generally linked to actual power production or gross revenue. The Fund incurred $2,394 during 2005 (2004 - $2,919) in respect of these agreements for the consolidated facilities.

(b) Contingencies

The Fund and its subsidiaries are involved in various claims and litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Fund's exposure to such litigation to be material to these financial statements.

14. Fair value of financial instruments and derivatives

The carrying amount of the Fund's cash and cash equivalents, accounts receivable, funds held in reserve, accounts payable and accrued liabilities, due to Algonquin Power Group and cash distribution payable, approximate fair market value.

The carrying amount of the Fund's long-term investments is dependant on the underlying operations and accordingly a fair value is not readily available. The Fund has long-term liabilities at fixed interest rates. The fair value of these long-term liabilities at current rates would be $160,284 (2004 - $121,931). The book value of these long-term liabilities is $158,007 (2004 - $121,017). The fair value of other long-term liabilities approximates their carrying value, with the exception of the Joliet subsidy which is not readily available.

Deferred credits include payments made by developers to the Infrastructure Division of which a portion based on revenue for the development in question needs to be paid back over time. These amounts do not bear interest and the amount to be repaid is uncertain and not determinable. The carrying value is estimated based on historical payment patterns.

The Fund has entered into foreign exchange contracts to manage its exposure to the US dollar as significant cash flows are generated in the US. The Fund sells specific amounts of currencies at predetermined dates and exchange rates which are matched with the anticipated operational cash flows. Contracts in place at December 31, 2005 amounted to US $97,808 until 2010 at a weighted average exchange rate of $1.34. The fair value of the outstanding futures contracts is $17,053 at December 31, 2005 (2004 – $16,600).

15. Cash distributions

Distributable income, is distributed monthly. Distributions are declared to unitholders of record on the last day of the month and are distributed 45 days after declaration. The monthly distribution for 2005 was $0.0766 per trust unit for each month for a total of $0.92 for 2005, the same as 2004.

16. Basic and diluted net earnings per trust unit

Net earnings per trust unit has been calculated using the weighted average number of units outstanding during the year. The weighted average number of units outstanding for 2005 was 69,691,592 (2004 – 68,821,431). The net earnings per trust unit for 2005 was $0.31 (2004 - $0.33). The effect of conversion of the convertible debentures into

trust units was not included in the computation of fully diluted net earnings per trust unit as the effect of conversion would be anti-dilutive.

17. Other income

Other income includes the following items:

	2005	2004
Interest income	$ 4,884	$ 2,846
Dividend income	3,470	2,928
Income from note receivable prepayment	-	3,634
Sale of gas collection partnership interest	1,204	-
Equity income	333	378
Other	1,507	1,157
	$ 11,398	$ 10,943

18. Segmented information

	2005	2004
Revenue		
Canada	$ 48,679	$ 51,725
United States	130,645	108,798
	$ 179,324	$ 160,523
Capital assets		
Canada	$ 309,669	$ 319,445
United States	317,983	291,311
	$ 627,652	$ 610,756
Intangible assets		
Canada	$ 25,260	$ 27,262
United States	51,588	56,415
	$ 76,848	$ 83,677

Revenues are attributable to the two countries based on the location of the underlying generating and infrastructure facilities.

Operational segments

The Fund identifies four business categories it operates in: hydro, natural gas cogeneration, alternative fuels and infrastructure assets. The operations and assets for these segments are outlined on the following page:

	Year ended December 31, 2005					
Revenue	**Hydro**	**Cogeneration**	**Alternative Fuel**	**Infrastructure**	**Admin**	**Total**
Energy sales	44,102	75,674	16,262	-	-	136,038
Waste disposal fees	-	-	13,031	-	-	13,031
Water reclamation and distribution	-	-	-	28,371	-	28,371
Other revenue	-	1,884	-	-	-	1,884
Total Revenue	44,102	77,558	29,293	28,371	-	179,324
Operating expenses	17,008	52,822	25,014	11,847	-	106,691
Operating profit	27,094	24,736	4,279	16,524	-	72,633
Other administration costs	(99)	-	(130)	(106)	(5,604)	(5,939)
Interest expense	(5,068)	(987)	(385)	(1,140)	(8,799)	(16,379)
Interest, dividend and other income	1,250	3,471	6,494	44	139	11,398
Write down of capital and intangible assets	-	(3,533)	-	-	-	(3,533)
Amortization of capital assets	(9,672)	(6,714)	(5,155)	(5,784)	-	(27,325)
Amortization of intangible assets	(1)	(3,429)	(2,336)	(697)	-	(6,463)
Earnings before income taxes and minority interest	13,504	13,544	2,767	8,841	(14,264)	24,392
Capital assets	276,850	91,591	93,072	166,139	-	627,652
Intangible assets	20	22,295	26,438	28,095	-	76,848
Capital expenditures	436	(120)	5,234	10,127	235	15,912
Acquisition of operating entities	1,140	-	-	27,812	-	28,952
Total assets	295,834	146,158	162,431	206,900	12,478	823,801

	Year ended December 31, 2004					
Revenue	**Hydro**	**Cogeneration**	**Alternative Fuel**	**Infrastructure**	**Admin**	**Total**
Energy sales	43,268	71,846	7,867	-	-	122,981
Waste disposal fees	-	-	14,086	-	-	14,086
Water reclamation and distribution	-	-	-	23,456	-	23,456
Total Revenue	43,268	71,846	21,953	23,456	-	160,523
Operating expenses	18,070	50,597	15,124	10,849	-	94,640
Operating profit	25,198	21,249	6,829	12,607	-	65,883
Other administration costs	(137)	-	(152)	(84)	(3,882)	(4,255)
Interest expense	(5,177)	(772)	(355)	(1,135)	(5,001)	(12,440)
Interest, dividend and other income	1,185	4,024	1,352	9	4,373	10,943
Write down of capital and intangible assets	-	-	(1,932)	-	-	(1,932)
Amortization of capital assets	(9,598)	(6,741)	(4,901)	(5,490)	-	(26,730)
Amortization of intangible assets	(1)	(2,849)	(2,212)	(503)	-	(5,565)
Earnings before income taxes and minority interest	11,470	14,911	(1,371)	5,404	(4,510)	25,904
Capital assets	285,860	90,868	94,562	139,466	-	610,756
Intangible assets	21	33,775	28,775	21,106	-	83,677
Capital expenditures	-	1,514	476	14,833	513	17,336
Acquisition of operating entities	-	-	11,374	3,785	-	15,159
Total assets	307,280	158,023	150,234	176,159	33,100	824,796

All energy sales are earned from contracts with large public utilities. The following utilities contributed more than 10% of these total revenues in either 2005 or 2004: Ontario Electricity Financial Corporation 7% (2004 – 10%), Hydro Québec 13% (2004-15%), Pacific Gas and Electric 12% (2004-15%), and Connecticut Light and Power 25% (2004-24%). The Fund has mitigated its credit risk to the extent possible by selling energy to these large utilities in various North American locations.

19. Joint venture investments

		Fund's Proportionate Share					
	Ownership Interest	Income / (loss) Before Income Tax Year ended December 31		Net Assets December 31		Cashflow Generated from Operations Year ended December 31	
		2005	**2004**	**2005**	**2004**	**2005**	**2004**
Valley Power Limited Partnership	50%	$ 152	$ 281	$ 8,463	$ 9,016	$ 746	$ 875
Campbellford Limited Partnership	50%	(94)	-	3,312	-	140	-
		$ 58	$ 281	$ 11,775	$ 9,016	$ 886	$ 875

20. Guarantees

In the normal course of operations, the Fund executes agreements that provide letters of credit to third parties to secure certain amounts of indebtedness or performance. At December 31, 2005, letters of credit outstanding amounted to $44,883 (2004 - $26,705).

21. Subsequent events

Subsequent to year end, the Fund drew an additional $26.4 million on its credit facility, of which, $22.9 million was used to fund the construction requirements of AirSource. In addition, Management reached an agreement with the Fund's senior lenders to increase its revolving credit facility by $30.0 million to bring the total to $175.0 million. There are no material changes to the terms and conditions of the Fund's revolving credit facility. This increase is effective until July 28, 2006.

EXHIBIT 11

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 1
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 0 Balance	Year 0 A/D Balance
1						
2						
3						
4	Account	Description	AIAC Spread	Depreciation Rate	Balance	A/D Balance
5	301	Organization		0.00%	$ -	$ -
6	302	Franchises		0.00%	-	-
7	303	Land and Land Rights		0.00%	361,364	-
8	304	Structures and Improvements		3.33%	1,094	-
9	305	Collecting and Impounding Rese		2.50%	-	-
10	306	Lake, River and Other Intakes		2.50%	-	-
11	307	Wells and Springs		3.33%	23,379	-
12	308	Infiltration Galleries and Tun		6.67%	-	-
13	309	Supply Mains		2.00%	-	-
14	310	Power Generation Equipment		5.00%	-	-
15	311	Pumping Equipment		12.50%	40,555	-
16	320	Water Treatment Equipment		3.33%	-	-
17	330	Distribution Reservoirs and St		2.22%	25,972	-
18	331	Transmission and Distribution		2.00%	152,106	-
19	331	Transmission and Distribution (AIAC)	100%	2.00%	-	-
20	333	Services		3.33%	-	-
21	334	Meters and Meter Installations		8.33%	-	-
22	335	Hydrants		2.00%	255	-
23	335	Hydrants (AIAC)	100%	2.00%	-	-
24	336	Backflow Prevention Devices		6.67%	-	-
25	339	Other Plant and Miscellaneous		6.67%	-	-
26	340	Office Furniture and Equipment		6.67%	-	-
27	341	Transportation Equipment		20.00%	-	-
28	342	Stores Equipment		4.00%	-	-
29	343	Tools, Shop and Garage Equipme		5.00%	-	-
30	344	Laboratory Equipment		10.00%	-	-
31	345	Power Operated Equipment		5.00%	-	-
32	346	Communication Equipment		10.00%	-	-
33	347	Miscellaneous Equipment		10.00%	-	-
34	348	Other Tangible Plant		0.00%	-	-
35					-	-
36						
37						
38						
39		Totals			$ 604,725	$ -
40						
41		Composite Rate with 1/2 yr convention				
42						
43						
44		Licenses, Taxes, Permits	0.00%			
45		Engineering and Contingency	0.00%			
46		Total				
47						

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 1
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Estimate	Engineering Permits, Etc.	Year 1 Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%	$ -		$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%	-		-	-	-	-	-
7	303	Land and Land Rights		0.00%	-		-	-	-	361,364	-
8	304	Structures and Improvements		3.33%	24,400	-	24,400	24,400	443	25,494	443
9	305	Collecting and Impounding Rese		2.50%	209,000	-	209,000	209,000	2,613	209,000	2,613
10	306	Lake, River and Other Intakes		2.50%	-	-	-	-	-	-	-
11	307	Wells and Springs		3.33%	6,000	-	6,000	6,000	878	29,379	878
12	308	Infiltration Galleries and Tun		6.67%	-	-	-	-	-	-	-
13	309	Supply Mains		2.00%	-	-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%	-	-	-	-	-	-	-
15	311	Pumping Equipment		12.50%	46,500	-	46,500	46,500	7,976	87,055	7,976
16	320	Water Treatment Equipment		3.33%	-	-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%	-	-	-	-	577	25,972	577
18	331	Transmission and Distribution		2.00%	16,000	-	16,000	16,000	3,202	168,106	3,202
19	331	Transmission and Distribution (AIAC)	100%	2.00%	-	-	-	-	-	-	-
20	333	Services		3.33%	-	-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	20,000	-	20,000	20,000	833	20,000	833
22	335	Hydrants		2.00%	-	-	-	-	5	255	5
23	335	Hydrants (AIAC)	100%	2.00%	-	-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%	-	-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%	-	-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%	-	-	-	-	-	-	-
27	341	Transportation Equipment		20.00%	-	-	-	-	-	-	-
28	342	Stores Equipment		4.00%	-	-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%	-	-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%	-	-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%	-	-	-	-	-	-	-
32	346	Communication Equipment		10.00%	-	-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%	-	-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%	-	-	-	-	-	-	-
35					-		-	-	-	-	-
39		Totals			$ 321,900	$ -	$ 321,900	$ 321,900	$ 16,526	$ 926,625	$ 16,526
41		Composite Rate with 1/2 yr convention							2.92%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 2
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 2 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	361,364	-
8	304	Structures and Improvements		3.33%		-	-	-	849	25,494	1,292
9	305	Collecting and Impounding Rese		2.50%		-	-	-	5,225	209,000	7,838
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	978	29,379	1,857
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	10,882	87,055	18,857
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	577	25,972	1,153
18	331	Transmission and Distribution		2.00%		-	-	-	3,362	168,106	6,564
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	1,837	24,100	2,670
22	335	Hydrants		2.00%		-	-	-	5	255	10
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 23,715	$ 930,725	$ 40,241
41		Composite Rate with 1/2 yr convention							4.17%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 3
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 3 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	361,364	-
8	304	Structures and Improvements		3.33%		-	-	-	849	25,494	2,141
9	305	Collecting and Impounding Rese		2.50%		-	-	-	5,225	209,000	13,063
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	978	29,379	2,835
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	10,882	87,055	29,739
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	577	25,972	1,730
18	331	Transmission and Distribution		2.00%		-	-	-	3,362	168,106	9,926
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	2,178	28,200	4,848
22	335	Hydrants		2.00%		-	-	-	5	255	15
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 24,056	$ 934,825	$ 64,297
41		Composite Rate with 1/2 yr convention							4.19%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 4
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 4 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	361,364	-
8	304	Structures and Improvements		3.33%		-	-	-	849	25,494	2,989
9	305	Collecting and Impounding Rese		2.50%		-	-	-	5,225	209,000	18,288
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	978	29,379	3,813
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	10,882	87,055	40,621
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	577	25,972	2,306
18	331	Transmission and Distribution		2.00%		-	-	-	3,362	168,106	13,289
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	2,520	32,300	7,368
22	335	Hydrants		2.00%		-	-	-	5	255	20
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 24,398	$ 938,925	$ 88,695
41		Composite Rate with 1/2 yr convention							4.22%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Plant
Projected Years

Exhibit
Schedule 1a
Page 5
Witness: Bourassa

Line No.	Account	Description	AIAC Spread	Depreciation Rate	Year 5 Estimate	Engineering Permits, Etc.	Gross Amt	Additions	Depreciation	Balance	A/D Balance
5	301	Organization		0.00%			$ -	$ -	$ -	$ -	$ -
6	302	Franchises		0.00%			-	-	-	-	-
7	303	Land and Land Rights		0.00%			-	-	-	361,364	-
8	304	Structures and Improvements		3.33%		-	-	-	849	25,494	3,838
9	305	Collecting and Impounding Rese		2.50%		-	-	-	5,225	209,000	23,513
10	306	Lake, River and Other Intakes		2.50%		-	-	-	-	-	-
11	307	Wells and Springs		3.33%		-	-	-	978	29,379	4,792
12	308	Infiltration Galleries and Tun		6.67%		-	-	-	-	-	-
13	309	Supply Mains		2.00%		-	-	-	-	-	-
14	310	Power Generation Equipment		5.00%		-	-	-	-	-	-
15	311	Pumping Equipment		12.50%		-	-	-	10,882	87,055	51,503
16	320	Water Treatment Equipment		3.33%		-	-	-	-	-	-
17	330	Distribution Reservoirs and St		2.22%		-	-	-	577	25,972	2,883
18	331	Transmission and Distribution		2.00%		-	-	-	3,362	168,106	16,651
19	331	Transmission and Distribution (AIAC)	100%	2.00%		-	-	-	-	-	-
20	333	Services		3.33%		-	-	-	-	-	-
21	334	Meters and Meter Installations		8.33%	4,100	-	4,100	4,100	2,861	36,400	10,229
22	335	Hydrants		2.00%		-	-	-	5	255	26
23	335	Hydrants (AIAC)	100%	2.00%		-	-	-	-	-	-
24	336	Backflow Prevention Devices		6.67%		-	-	-	-	-	-
25	339	Other Plant and Miscellaneous		6.67%		-	-	-	-	-	-
26	340	Office Furniture and Equipment		6.67%		-	-	-	-	-	-
27	341	Transportation Equipment		20.00%		-	-	-	-	-	-
28	342	Stores Equipment		4.00%		-	-	-	-	-	-
29	343	Tools, Shop and Garage Equipme		5.00%		-	-	-	-	-	-
30	344	Laboratory Equipment		10.00%		-	-	-	-	-	-
31	345	Power Operated Equipment		5.00%		-	-	-	-	-	-
32	346	Communication Equipment		10.00%		-	-	-	-	-	-
33	347	Miscellaneous Equipment		10.00%		-	-	-	-	-	-
34	348	Other Tangible Plant		0.00%		-	-	-	-	-	-
35							-	-	-	-	-
39		Totals			$ 4,100	$ -	$ 4,100	$ 4,100	$ 24,739	$ 943,025	$ 113,434
41		Composite Rate with 1/2 yr convention							4.25%		
44		Licenses, Taxes, Permits	0.00%			$ -					
45		Engineering and Contingency	0.00%			-					
46		Total				$ -					

Southern Sunrise Water Company
Projected Capital Financing
Projected Years Ended

Exhibit
Schedule 1b

Line No.		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	5 year Totals
1								
2								
3								
4								
5	Plant to be Constructed	$ 604,725	$ 321,900	$ 4,100	$ 4,100	$ 4,100	$ 4,100	$ 943,025
6								
7	Financing:							
8	Hydrants and Distrib. Lines Advanced		$ -	$ -	$ -	$ -	$ -	$ -
9								
10	Plant Installed with Customer Deposits (Advances)		-	4,100	4,100	4,100	4,100	16,400
11								
12	Contributions-in-aid of construction		-	-	-	-	-	-
13								
14	Common Equity Issued for Plant ConstructionOthe	840,106	321,900	-	-	-	-	1,162,006
15								
16	Common Equity Issued For Working Capital	-	-	-	-	-	-	-
17								
18	Debt Financing Issued for Plant Construction							
19								
20	Internal Cash Used for Plant Additions	-	-			-	-	
21								
22	Total Financing	$ 840,106	$ 321,900	$ 4,100	$ 4,100	$ 4,100	$ 4,100	$ 1,178,406