

NEW APPLICATION



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ORIGINAL



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2011 JUL 25 P 4

AZ CORP COMMISSION  
DOCKET CONTROL

P.O. Box 10  
Rimrock, AZ 86335  
928-592-9211

Arizona Corporation Commission  
DOCKETED

JUL 25 2011

July 25, 2011

DOCKETED BY  
nr

Arizona Corporation Commission  
Docket Control  
1200 West Washington  
Phoenix, AZ 85007

W-04254A-11-0296

RE: Emergency Rate Case

Currently Montezuma Rimrock Water Company, LLC (MRWC) provides water to approximately 200 customers that does not meet the United States Environmental Protection Agency's (EPA) arsenic standards. In order to meet the EPA drinking water standards, MRWC must construct and install an arsenic treatment system. MRWC must comply with the Consent Order # DW-36-10 from the Arizona Department of Environmental Quality (ADEQ) requiring that the arsenic treatment system be installed and approved by April 2012. MRWC lacks the funds to purchase and construct an arsenic treatment system. MRWC filed a financing application requesting authorization to borrow a total of \$165,000 in debt financing from the Water Infrastructure Finance Authority (WIFA). The Arizona Corporation Commission staff approved of the WIFA loan for the amount of \$165,000. WIFA requires that an Environmental Impact Statement (EIS) be submitted thus suspending the loan request. An EIS would further delay the project for possibly up to two years and at a cost of over \$100,000 to its customers. MRWC requested an amendment to Decision No. 71317 allowing MRWC to seek funding from a private lending institution.

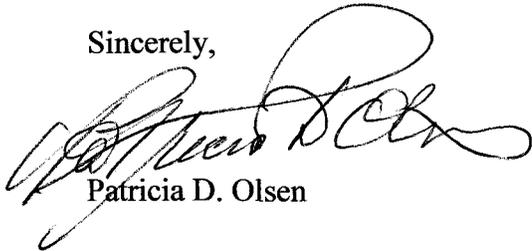
MRWC has sought funding from private financial institutions only to be informed that the company's current cash flow is inadequate for the Debt Service Coverage. Attached are letters received from private lending institutions with respect to financial assistance. In order to meet the minimum cash flow requirements, MRWC must increase its revenues by \$37,536. MRWC is requesting an emergency rate case to increase the cash flow requirements so that it may obtain funding from a private lending institution.

Previously, Staff recommended an arsenic remediation surcharge mechanism (ARSM) to provide the debt financing on a WIFA loan that would establish the methodology and conditions for setting an arsenic surcharge to provide funds for the loan's interest and principal payments. MRWC requests that the previously recommended ARSM be initiated. The ARSM would be set at \$37,536 per year in order to meet the cash flow requirements and thus provide the \$165,000

debt service of the loan. MRWC requests that an emergency rate charge of \$15.64 be applied to each of its customers.

On Jun 15, 2009, the ACC Staff Report detailing costs and estimates for the construction of the arsenic treatment system is attached and still applies.

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia D. Olsen", written in a cursive style. The signature is positioned above the printed name.

Patricia D. Olsen



BEFORE THE DIRECTOR OF THE ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

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In the Matter of: )  
Montezuma Rimrock Water Company, LLC ) AMENDMENT # 1 TO  
located at P. O. Box 10, Rimrock , Yavapai ) CONSENT ORDER  
County, Arizona 86335 )  
Public Water System Number 13-071 )  
Docket No. DW-36-10

To: Montezuma Rimrock Water Company, LLC (MRWC), an Arizona Limited Liability Company, in its capacity as owner and/or operator of MRWC located at P. O. Box 10, Rimrock, Yavapai County, Arizona 86335.

FACTS

In a letter dated March 24, 2011, Montezuma Rimrock Water Company, LLC requested an extension of time to complete the installation of the arsenic treatment system as approved by ADEQ's issuance of the Approval to Construct (ATC) on June 11, 2010. This request was based on circumstances outlined in the March 24, 2011 letter and efforts made by Montezuma Rimrock Water Company to comply with the Consent Order.

The Director of the Arizona Department of Environmental Quality ("ADEQ") and Montezuma Rimrock Water Company, LLC agree to amend Consent Order DW-36-10 as follows:

Section III (C) of the Compliance Schedule is amended to:  
Notwithstanding the disposition of funding, MRWC shall complete construction of the approved arsenic treatment system and submit an administratively complete application for an Approval of Construction (AOC) for the treatment system described in Section III (B) no later than April 7, 2012.

Initials P.O.

1 The effective date of the Compliance Schedule shall be the date Amendment #1 to Consent Order DW-  
2 36-10 is signed by ADEQ and Montezuma Rimrock Water Company, LLC. If such signatures occur on  
3 different dates, the later date shall be the effective date of the Compliance Schedule.  
4

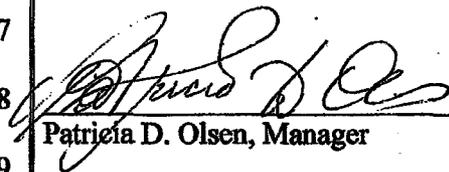
5 EXECUTED this 2nd day of June, 2011.

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7 \_\_\_\_\_  
8 Michael A. Fulton, Director  
9 Water Quality Division  
10 Arizona Department of Environmental Quality

11 The undersigned, on behalf of MRWC, hereby acknowledges that she has read the foregoing  
12 Amendment #1 to Consent Order DW- 36-10 in its entirety, agrees with the statements made therein,  
13 consents to its entry and issuance by the Arizona Department of Environmental Quality, agrees that  
14 MRWC will abide by the same and waive any right to appeal therefrom.

15 DATED this 2 day of June, 2011.

16 MONTEZUMA RIMROCK WATER COMPANY, LLC

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18 \_\_\_\_\_  
19 Patricia D. Olsen, Manager  
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**ORIGINAL** of the foregoing Consent Order was sent certified mail, return receipt requested, this 2<sup>nd</sup> day of June, 2011, to:

Patricia D. Olsen, Manager  
Montezuma Rimrock Water Co, LLC  
P. O. Box 10  
Rimrock, Arizona 86335

**COPY** of the foregoing Consent Order was filed this 2<sup>nd</sup> day of June, 2011, with:

Arizona Department of Environmental Quality  
Office of Administrative Counsel  
Attention: Hearing Administrator  
1110 West Washington Street  
Phoenix, Arizona 85007-2935

**COPIES** of the foregoing Consent Order were sent by regular/interdepartmental mail, this 2<sup>nd</sup> day of June, 2011, to the following:

Douglas C. Fitzpatrick, Attorney  
49 Bell Rock Plaza - Suite A  
Sedona, Arizona 86351

Marcia Colquitt, ADEQ Unit Manager Water Quality Enforcement Unit  
Vivian Burns, ADEQ Case Manager Water Quality Enforcement Unit  
Vivian Adams, ADEQ Drinking Water Section

Yavapai County Community Health Services  
Robert Resendes, Director  
1090 Commerce Drive  
Prescott, AZ 86305

Steve Olea  
Utilities Division  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007-2996

Patrick Chan EES-WTR-6  
USEPA Region IX  
75 Hawthorne Street  
San Francisco, California 941



704 South Main Street • Cottonwood, Arizona 86326 • Phone: 928/634-8880 • Fax: 928/634-6668

June 10, 2011

Patricia Olsen  
Montezuma Rimrock Water Company, LLC  
4615 E Goldmine Rd  
Rimrock, AZ 86335

RE: \$165,000 term loan request

Dear Ms. Olsen,

In reviewing your company's financials there does not appear to be sufficient cash flow to debt service your loan request.

Typically, we like to see a debt service ratio of 1.25%.

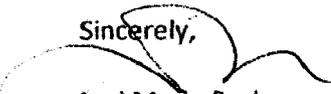
As an example:

Loan amount of \$165,000  
Amortized over 10 years  
Interest rate of 7.5%  
Estimated annual loan payments would be around \$23,503.

The income reported on your 2010 tax returns shows a net loss for the year and so there is no reported income to support this loan request. In order to meet the minimum cash flow requirements based on this example and your current negative cash flow you would need to increase your revenues by \$37,536 to support this request.

Please contact me at your convenience to discuss.

Sincerely,

  
Lori Marie Barlow  
Vice President



770 North Water Street/Milwaukee WI 53202-3593

www.mibank.com

Montezuma Rimrock Water Company LLC  
2126 S. Tombaugh Way  
Flagstaff, AZ 86001

02/25/2011

Dear Ms. Patricia Olsen,

On 02/24/2011 we received your completed application for credit in the amount of \$165,000.00. After reviewing your application we must inform you that we have denied your request. Factors leading to the denial of your application include:

- > Inadequate Debt Service Coverage
- > Historic Losses
- > Insufficient Collateral

We appreciate you taking your time and interest in applying for a loan through M&I Bank. Should you have any questions regarding this matter, please contact Donald Hallahan at (623) 445-2985.

Sincerely,

Cory Hoffmann  
Business Credit Center

cc: Donald Hallahan

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning the creditor is:

Federal Reserve Consumer Help Center, PO Box 1200, Minneapolis, MN 55480, 1-888-851-1920

Once the arsenic treatment system is placed into operation, the Company is anticipating that Well #3 (at 15 GPM with an arsenic level at 43 ppb) will be placed on a standby mode and/or will operate by blending the sources. The Company will further evaluate its options of Well #3 when the arsenic treatment project is completed and in operation.

### Financing Application

The Company has filed a financing application to assist in funding the arsenic treatment project. The Company is requesting WIFA financing approval in the amount of \$165,000 for the arsenic project as follows:

1. Arsenic treatment system at 160 GPM	\$ 81,746
- Adedge treatment - adsorption media	
2. Grading and concrete slab at Well #1	\$ 5,816
3. Plumbing modifications & upgrade electrical	\$ 6,812
4. Water line interconnection with Well #1 & Well #4	\$ 42,870
- 2,500 feet of 4-inch PVC pipe	
5. New pump house, 10' x 20'	\$ 5,907
6. Radio telemetry	\$ 8,158
6. Engineering (8.3%)	\$ 13,691
	<hr/>
Total:	\$165,000

Staff concludes that the arsenic treatment project is appropriate and the cost estimate totaling \$165,000 is reasonable.

### Arizona Department of Environmental Quality ("ADEQ") Compliance

#### Compliance

According to an ADEQ Compliance Status Report, dated August 18, 2008, ADEQ reported major deficiencies due to unresolved arsenic maximum contaminant level ("MCL") issues. As a result, ADEQ cannot determine if the Company's system, PWS #13-071 is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

On December 17, 2008, ADEQ issued a Notice of Violation ("NOV") to the Company for distribution of water in excess of the MCL for arsenic. The NOV required the Company to submit documentation describing the measures that will be taken to resolve the arsenic exceedance. On February 11, 2009, the Company notified ADEQ that the Company is currently working with WIFA and the Commission for financing approval for the construction of the arsenic treatment project.