

ORIGINAL

NEW APPLICATION



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1 Steve Wene, State Bar No. 019630
2 MOYES SELLERS & HENDRICKS LTD.
3 1850 N. Central Ave., Suite 1100
4 Phoenix, Arizona 85004
5 Telephone: 602-604-2141
6 e-mail: swene@law-msh.com

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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

9 GARY PIERCE, CHAIRMAN
10 PAUL NEWMAN
11 SANDRA D. KENNEDY
12 BOB STUMP
13 BRENDA BURNS

Arizona Corporation Commission

DOCKETED

AUG - 3 2011

DOCKETED BY	ne
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14 IN THE MATTER OF THE APPLICATION OF
15 CERBAT WATER COMPANY FOR
16 AUTHORITY TO INCUR LONG-TERM
17 DEBT

DOCKET NO. W-02391A-11-0309

FINANCE APPLICATION

18 Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F) Cerbat Water
19 Company ("Company" or "Applicant"), hereby files its application for authority to incur
20 debt to finance water system improvements.
21

PRELIMINARY STATEMENT

23 The Company is a public service corporation subject to regulation by the Arizona
24 Corporation Commission ("Commission") as a water utility. The Company holds a
25 Certificate of Convenience and Necessity ("CC&N") in the area of Kingman, Arizona.
26

27 The Company is applying to the Water Infrastructure Finance Authority ("WIFA")
28 for a loan to drill a new well, improve the existing well, and make related improvements.

1 The Company applied for the WIFA 2012 Drinking Water Revolving Fund Priority List
2 for a loan in the approximate amount of \$534,710.00. See Exhibit 1. Accordingly, the
3
4 Company is seeking authority from the Commission to finance an amount up to
5 \$534,710.00 for the repairs to the existing well and drilling of a new well.

6 **INFORMATION REQUESTED ON APPLICATION FORM**
7

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

9 Cerbat Water Company
10 Rick Neal
11 7219 W. Sahara Ave., Ste. 120
12 Las Vegas, Nevada 89117
13 Telephone: 702-256-4006
14 Facsimile:

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

16 Steve Wene
17 Moyes Sellers & Hendricks Ltd.
18 1850 North Central Ave., Suite 1100
19 Phoenix, Arizona 85004
20 Telephone: (602) 604-2189
21 Facsimile: (602) 274-9135

22 **3. Financing Description.**

23 If the Commission authorizes the proposed debt, the Company will request that
24 WIFA lend the Company \$534,710.00. Although the Company is on the loan priority
25 list, WIFA does not offer finance terms until the Commission authorizes water providers
26 like the Company to incur debt. The Company understands that the Commission and
27 WIFA have a standard working arrangement to accommodate WIFA's loan practices.

28 The Commission staff may want to contact the following WIFA staff person:

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

1
2
3 **4. Proceeds Statement.**

4 Gross proceeds will be \$534,710.00. WIFA has a combined interest and fee rate
5 structure, so there are no issuance expenses. This means that the Company will net
6 \$534,710.00 from the proposed loan.

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

8 The plant to be acquired includes a new well and related pumping and electrical
9 equipment.

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

11 The proposed financing is: (a) within the Company's corporate powers, (b)
12 compatible with the public interest; (c) compatible with sound financial practices; and
13 (d) compatible with the proper performance by the applicant of service as a public service
14 corporation and will not impair the Company's ability to perform that service.

15 **7. Service Fees.**

16 Under WIFA's combined interest and fee rate structure, the Company anticipates
17 paying a fixed interest rate of prime plus 2% multiplied by a subsidy rate index set by
18 WIFA. WIFA may offer the Company an 85% subsidy rate, so the effective interest rate
19 could be Prime + 2% x 85%. This below-market rate loan is reasonable for the
20 Commission to approve.

21 **8. Documents to be Executed in this Matter.**

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

23
24 **9. Pro Forma Balance Sheet and Income Statement.**

25 The Company has an ongoing rate application, which contains a balance sheet and
26 income statement. See Rate Application, Docket No. W-02391A-10-0218. Due to
27 financial constraints, the Company does not have the resources to have professionals
28 generate additional pro forma documentation, but believes that Staff independently
determines these financial statements.

1
2 **10. Customer Notice.**

3 The Commission's required notice will be timely published in a newspaper of
4 general circulation in the Kingman area. The Company will file with the Commission a
5 copy of the actual notice published and an affidavit stating when it was published.

6 **REQUEST FOR APPROVAL**

7 As set forth in this Application, the Company requests that the Commission
8 authorize the financing described herein.
9

10 DATED this 3rd day of August, 2011.

11 **MOYES SELLERS & HENDRICKS LTD.**

12
13 
14 _____
Steve Wene

15
16 **Original and 13 copies filed this**
17 3rd day of August, 2011, with:

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

21 
22 _____
23
24
25
26
27
28

EXHIBIT 1

DRINKING WATER APPLICATION
Water Infrastructure Finance Authority of Arizona (WIFA)
Project Financial Assistance Priority List Application

SECTION 1: APPLICATION INFORMATION

APPLICATION NUMBER: DW-028-2012 | Print

- 1.1 Applicant: Cerbat Water Company Job Title: Manager
- 1.2 Contact Names: First Rick Middle Initial: _____ Last: Neal
- 1.3 Address: 7252 Concho Drive, Suite A City: Kingman State: AZ Zip: 86401
- 1.4 Phone: (702) 256-4006 Fax: (702) 256-2522 E-Mail: rick@cerbatwater.com
- 1.5 County in Which Project is Located: Mohave
- 1.6 Number of Connections to System: 1080 Population Served by the System: 2136
- 1.7 Average Monthly Residential Fee (Base + Use): \$0.00
- 1.8 Existing Debt (principal only) Payable by System Users: \$0.00
- 1.9 Median Household Income: \$32,521.00
- 1.10 ADEQ System Identification Number (PWS #): AZ0408341
- 1.11 Are you ACC Regulated? Yes No
- 1.12 Has this project received prior year WIFA funding?
 Yes, request is for a multi-year construction project that received assistance from WIFA in a previous funding cycle
 Yes, request is to construct a project that received pre-design or design financial or technical assistance from WIFA in a previous funding cycle
 Yes, request is for additional financial assistance to offset actual costs or justified overruns
 No
- 1.13 Is your company registered with the E-Verify Program? Yes No
(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)

SECTION 2: PROPOSED DRINKING WATER FINANCIAL ASSISTANCE PROJECT

- 2.1 Project Title/Name: Well Purchase, Repairs to Well Pump, Backup Well
- 2.2 Type of loan required during this funding cycle? Design \$335,710.00 and/or Construction \$199,000.00

2.3 Briefly summarize below the problem *(Mail or upload any supporting documentation)*

The problem with the Cerbat Water Company is a combination of no backup system for the primary well and lack of customer based revenue due to no rate increases since 2002. As stated, the Cerbat Water System has only one well servicing its customers. There have been two well pump failures since November of 2009. When the last well failure occurred, the pump motor was replaced with a much more energy efficient electric motor versus the previous natural gas system. The well is currently running and repaired, however the previous repairs have yet to be paid. The cost for the repairs is \$110,000.

The Claude K. Neal Family Trust currently owns the Assets for the Cerbat Water System. The Arizona Corporation Commission (ACC) is requiring those assets be transferred to the Cerbat Water Company prior to the application consideration by the ACC. The base value for the assets to be transferred including the well and the equipment for the well is \$335,710.

- 2.4 Briefly summarize below the Solution
- The solution to the Cerbat Water Company problem is four fold as follows:
- 1) Obtain a WIFA loan to purchase the well from the Trust. (Cost - \$335,710)
 - 2) Obtain a WIFA loan to pay for the repairs to the well. (Cost - \$110,000)
 - 3) Obtain a WIFA loan to pay for a backup well in case of primary well failure. (Cost - \$89,000)
 - 4) Finally, a rate increase application has been submitted to the ACC for increased customer based revenue to covet the repayment of the WIFA loan.

- 2.5 Project Purpose: *(Select only one)*
 - Assist Non-Compliant Systems to Achieve Compliance
 - Assist Compliant Systems to Meet Future Reqmnts
 - Assist Compliant Systems to Maintain Compliance
 - Other Assistance Not Compliance Related

SECTION 3: EXISTING CONDITIONS AND PROJECT BENEFITS

3.1 Select Type(s) of Needs to be Funded

- | | | |
|--|---|---|
| <input type="checkbox"/> Planning and Design Only | <input type="checkbox"/> Treatment-Bacteriological | <input type="checkbox"/> Treatment-Surface Water |
| <input type="checkbox"/> Treatment-Nitrate | <input type="checkbox"/> Treatment-Arsenic | <input type="checkbox"/> Treatment-Radionuclides |
| <input type="checkbox"/> Treatment-Organic Chemical(s) | <input type="checkbox"/> Treatment-Primary Standard [Metals(s)] | <input type="checkbox"/> Treatment-DBP |
| <input type="checkbox"/> Treatment-Other | <input checked="" type="checkbox"/> Transmission and Distribution | <input checked="" type="checkbox"/> Source |
| <input type="checkbox"/> Storage | <input checked="" type="checkbox"/> Purchase of System(s) | <input checked="" type="checkbox"/> Restructuring |
| <input type="checkbox"/> Land Acquisition | | |

3.2 Select Expected Project Benefit(s)

- Compliance - Existing Requirements
 Compliance - New Requirements
 Expand Service
 Reduce Public Health Risks

3.3 Water System Improvement

- Proposed Project addresses deficiencies identified by ADEQ

3.4 Consolidation and Regionalization

- Interconnecting the physical facilities of two or more existing facilities.
 Extending service to existing areas currently served by another facility.
 Consolidating the operations of existing multiple facilities.
 Consolidating the ownership of existing multiple facilities.

3.5 Water and Energy Efficiency Index

- 50 to 100% of total project costs are for water or energy efficiency components or environmentally innovative approaches.
 10% to 49% of project costs are for water or energy efficiency components or environmentally innovative approaches.
 less than 10% of the project costs are for any water or energy efficiency components or environmentally innovative approaches.

Project's green components

Converting the natural gas motor to electric motor. The utility savings for operation of the electric motor is 25-30% less than that of the natural gas motor.

The old motor was a CAT 3406 250 HP Natural Gas Motor. The new motor is a Yaskawa electric 3-phase induction 350 HP which is NEMA MG1 Certified.

3.6 System Compliance *must mail or upload supporting documents

- Notice of violations and/or consent orders from regulatory agency *
 In compliance

SECTION 4: READINESS TO PROCEED INDICATORS

4.1 Debt Authorization (For more information, see WIFA Debt Authorization Guidance Document)

- Yes No Unknown
 If yes, enter authorization date: _____ [mm/dd/yyyy]
 (mail or upload copy of official governing body debt authorization resolution or election results)

4.2 Project Design (Select only one)

- Completed
 Engineer Selected
 Date of Completion Unknown
 Scheduled for Completion
 Enter anticipated completion date: _____ [mm/dd/yyyy]

4.3 Applicable Plan and Specification Approvals (Select only one)

- Obtained (mail or upload approval notification)
 Date of Approval Unknown
 Not Applicable (use textbox below to explain)
 Scheduled to Obtain Permits
 If scheduled, enter anticipated permit(s) date: _____ [mm/dd/yyyy]
 If not applicable, then explain: _____

4.4 Project Bids (Select only one)

- Solicited Project for Bidding
 Date of Solicit Unknown
 Scheduled to Solicit Bid(s)

If scheduled, enter anticipated bid award date: _____ [mm/dd/yyyy]

SECTION 5: REQUESTED AMOUNT AND CERTIFICATION/APPROVAL

5.1 Estimated Date WIFA Funding Required: 3/1/2011 [mm/dd/yyyy]

5.2 Estimated Financial Assistance Costs & Funding Source

Funding Source	Project Costs
Amount Funded Locally:	\$0.00
Amount Requested from WIFA:	\$534,710.00
Other Source: _____	\$0.00
Total Cost:	\$534,710.00

5.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

First Name	Last Name	Title
<u>CHRIS</u>	<u>HOPPER</u>	<u>Consultant</u>

5.4 File Attachments

Reference Name	Document Name	Original Name	Date Added
Last Page of Environmental Review	DOC-380001.PDF [84.46KB]	nvironmental.PDF	1/10/2011
Last Page of WIFA App	DOC-380002.pdf [41.28KB]	IFA.pdf	1/10/2011

Authorized Signature: _____

Date: _____

- Date of Approval Unknown
- Not Applicable (use textbox below to explain)
- Scheduled to Obtain Permits

If scheduled, enter anticipated permit(s) date: _____ [mm/dd/yyyy]

If not applicable, then explain: _____

4.4 Project Bids (Select only one)

- Solicited Project for Bidding
- Date of Solicit Unknown
- Scheduled to Solicit Bid(s)

If scheduled, enter anticipated bid award date: _____ [mm/dd/yyyy]

SECTION 5: REQUESTED AMOUNT AND CERTIFICATION/APPROVAL

5.1 Estimated Date WIFA Funding Required: 3/1/2011 [mm/dd/yyyy]

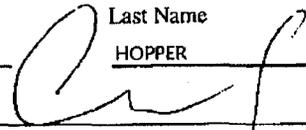
5.2 Estimated Financial Assistance Costs & Funding Source

Funding Source	Project Costs
Amount Funded Locally:	<u>\$0.00</u>
Amount Requested from WIFA:	<u>\$534,710.00</u>
Other Source: _____	<u>\$0.00</u>
Total Cost:	<u>\$534,710.00</u>

5.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

First Name _____ Last Name _____
 CHRIS _____ HOPPER _____

Title _____
 Consultant _____

Authorized Signature:  _____

Date: 1/10/2011

Environmental Review Checklist Drinking Water Projects

Please complete the following checklist to allow WIFA to determine the necessary environmental review requirements for the proposed project. Please contact Sara Konrad at (602) 364-1319 or skonrad@azwifa.gov with any questions. Once completed, please print it, sign the last page, and upload it to your e-Apps application.

Section 1. General Information

Applicant Name: Cerbat Water Company
 Project Contact: Rick Neal Phone Number: (702) 256-4006 Date: 1/10/2011 12:50:52 PM
 Project Title: DW-028-2012 - Well Purchase, Repairs to Well Pump, Backup Well
 Physical Location: KINGMAN, ARIZONA

Section 2. Categorical Exclusions

A project for which the answer to statements 1 is "yes" may be eligible for a Categorical Exclusion. However, if any of the statements from 1a. through 1e. is answered "yes," then the project is not eligible for a Categorical Exclusion. [A.A.C. R-18-15-106(B)]

- 1. Yes No The project relates to existing infrastructure systems and involves minor upgrading, minor expansion of system capacity, rehabilitation (including functional replacement) of the existing system and system components, or construction of new minor ancillary facilities adjacent to or on the same property as existing facilities.
- 1a. Yes No The project involves new or relocated discharges to surface water or groundwater.
- 1b. Yes No The project will likely result in the substantial increase in the volume or the loading of pollutant to the receiving water.
- 1c. Yes No The project will provide capacity to serve a population 30% greater than the existing population.
- 1d. Yes No A state or other regional growth plan or strategy does not support this project.
Answering "yes" indicates that the project is not supported.
- 1e. Yes No The project directly or indirectly involves or relates to upgrading or extending infrastructure systems primarily for the purposes of future development.

Section 3. Extraordinary Circumstances

[A.A.C. R-18-15-106(C)] If any of the following extraordinary circumstances apply to the project, it is not eligible for a Categorical Exclusion.

- 1. Yes No The project is known or expected to have potentially significant adverse environmental impacts on the quality of the human environment either individually or cumulatively over time.
- 2. Yes No The project is known or expected to have disproportionately high and adverse human health or environmental effects on any community, including minority, low-income, or federally-recognized Indian tribal communities.
- 3. Yes No The project is known or expected to significantly affect federally listed threatened or endangered species or their critical habitat.
- 4. Yes No The project is known or expected to significantly affect national natural landmarks or any property with nationally significant historic, architectural, prehistoric, archeological, or cultural value, including but not limited to, property listed on or eligible for the Arizona or National Registers of Historic Places. <http://azstateparks.com/SHPO/review.html>
- 5. Yes No The project is known or expected to significantly affect environmentally important natural resource areas such as:
 - 5a. Yes No wetlands
 - 5b. Yes No floodplains,
 - 5c. Yes No significant agricultural lands,

- 5d. Yes No aquifer recharge zones,
- 5e. Yes No wild and scenic rivers. <http://www.rivers.gov/wildriverslist.html>
- 5f. Yes No significant fish or wildlife habitat Complete the Arizona Game and Fish On-Line Environmental Review Tool at <http://www.azgfd.gov/hgis> and upload receipt to e-Apps.
- 5g. Yes No other environmentally important natural resource areas.
- 6. Yes No The project is known or expected to cause significant adverse air quality effects.
- 7. Yes No The project is known or expected to have a significant effect on the pattern and type of land use or growth and distribution of population, including altering the character of existing residential areas, or may not be consistent with state or local government, or federally-recognized Indian tribe approved land use or federal land management plans.
- 8. Yes No The project is known or expected to cause significant public controversy about a potential environmental impact of the proposed action.
- 9. Yes No The project is known or expected to be associated with providing financial assistance to a federal agency through an interagency agreement for a project that is known or expected to have potentially significant environmental impacts.
- 10. Yes No The project is known or expected to conflict with federal, state, or local government, or federally-recognized Indian tribe environmental, resource-protection, or land-use laws or regulations.

Section 4. Special conditions

- 1. Yes No The project is for planning purposes only and does not include design or construction.
**If yes, the project may be exempt from environmental review requirements.*
- 2. Yes No An Environmental Assessment under NEPA has been conducted for this project or earlier phases of this project.
**If yes, provide a copy of the Environmental Assessment.*

Section 5. Certification

Once completed, please print this document, sign below, and upload it to your eApps application.

I certify that the information provided is accurate and complete. I understand that any material misstatement or misleading statement herein is cause for denial or rescission of any approval or assistance received in connection with this application.

Authorized Signature _____ Date: _____
 Printed Name _____
 Title _____
 Company/Agency/Tribal Authority _____

- 5a. Yes No wetlands
- 5b. Yes No floodplains.
- 5c. Yes No significant agricultural lands.
- 5d. Yes No aquifer recharge zones.
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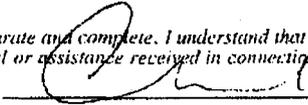
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Section 5. Certification

Once completed, please print this document, sign below, and upload it to your eApps application.

I certify that the information provided is accurate and complete. I understand that any material misstatement or misleading statement herein is cause for denial or rescission of any approval or assistance received in connection with this application.

Authorized Signature



Date: 1/10/21

Printed Name

CHRIS HOPPER

Title

CONSULTANT

Company/Agency/Tribal Authority

CERBAT WATER COMPANY