

ORIGINAL

OPEN MEETING AGENDA ITEM



0000130706

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

RECEIVED

2011 OCT 25 P 4: 28

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

OCT 25 2011

DOCKETED BY	
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14 IN THE MATTER OF THE APPLICATION  
15 OF CERBAT WATER COMPANY FOR  
16 APPROVAL OF A RATE INCREASE

Docket No. W-02391A-10-0218  
Docket No. W-02391A-11-0166  
Docket No. W-02391A-11-0309

17 IN THE MATTER OF STAFF'S REQUEST  
18 FOR COMMISSION ISSUANCE OF AN  
19 ORDER TO SHOW CAUSE FOR THE  
20 FAILURE OF CERBAT WATER COMPANY  
21 TO COMPLY WITH COMMISSION RULES  
22 AND REGULATIONS

**AMENDMENT TO CLARIFY  
PROPOSED USES OF LOAN  
PROCEEDS**

23 IN THE MATTER OF THE APPLICATION  
24 OF CERBAT WATER COMPANY FOR  
25 AUTHORITY TO INCUR LONG-TERM  
26 DEBT

27 As directed by the Arizona Corporation Commission, Cerbat Water Company  
28 ("Company" or "Cerbat"), hereby amends its Finance Application to clarify proposed  
uses of loan proceeds.

1 **Summary of Financing Request**

2 Cerbat is proposing to use the requested \$386,646 of WIFA loan proceeds as set  
3 forth in Attachment 1. Cerbat is requesting \$186,646 to pay the vendors who performed  
4 work on the Company's well between June 2009 and August 2011. The Company is  
5 requesting the additional \$200,000 to fund the construction of a new 8" well and make  
6 the related improvements to the booster pump, electric plant, and storage tank.  
7  
8

9 As the Commission is aware, the Cerbat's lone well failed several times since June  
10 2009 and needed significant component replacement each time. Gilbert Pump and  
11 Equipment Company performed work on the well in June 2009, and again in December  
12 2009 when an electric pump was installed as well. At that time, the Company also  
13 incurred costs from UNS Electric Service, Inc. to establish electric service to power the  
14 well. Empire Pump Corporation performed work on the well in December 2010. In  
15 conjunction with Empire Pump Corporation, Henderson Electric Motors and Mertens  
16 Heavy Equipment Repair LLC also performed work on the well in December 2010.  
17 Weber Group, LC performed work on the well in June 2011. Weber Group, LC  
18 performed work on the well in August 2011. Supporting invoices for the well repairs are  
19 set forth in Attachment 2.  
20  
21  
22

23 The Company seeks to incur an additional \$200,000 of debt to drill a new 8" well  
24 and make the related improvements to the booster pump, electric plant, and storage tank  
25 to allow the system to operate more efficiently with redundant water supplies and  
26 additional storage.  
27  
28

1 Based upon quotes from professionals who the Company believes will be  
2 employed to perform the work, Cerbat estimates that it needs \$200,000 to drill an 8" well  
3 and make the other improvements described below. Regarding the well, based upon  
4 discussions with hydrologists and engineers, the Company believes drilling an 8" well  
5 rather than a 6" well is prudent because the larger pump will be able to pull more water  
6 even if the aquifer yield is lower than anticipated and the cost to drill an 8" well is not  
7 significantly higher.  
8

9  
10 The booster improvement is essential to having the system operate effectively.  
11 Unless the Company makes the booster improvements, the Company will have  
12 significantly higher electric service costs and booster pump repairs will be needed  
13 continuously. The reason is that the existing booster has a 400 gpm pump and the new  
14 well will have a pump approximately 1/4 that size. This is the reason the Company is  
15 proposing to connect 100,000 gallon water storage tank, which ADEQ recommends, and  
16 enclose the booster motors. These improvements would fall within the \$200,000 worth  
17 of improvements requested.  
18  
19

20  
21 Accordingly, the Company believes that the Commission should authorize Cerbat  
22 to incur debt for an amount up to \$386,646 for paying the vendors, drilling a new well,  
23 and making the booster and related improvements.  
24

### 25 **Financing and Rates**

26 The Company believes that it can make the necessary and reasonable  
27 improvements and pay the vendors for previous well improvements if the Commission  
28 authorizes the Company to enter into a loan agreement with WIFA for \$386,646.69. In

1 fact, this can be structured so that the customers actually pay less than they would under  
2 the proposal in the Recommended Opinion and Order (“ROO”).  
3

4 Under the ROO, an average residential customer would pay \$26.87 for 4,569  
5 gallons of water plus \$12.54 in the R&M Surcharge, resulting in a \$39.41 water bill. In  
6 contrast, the Company offers two Alternative approaches.  
7

8 In Alternative 1, the Commission would authorize a WIFA loan in the amount of  
9 approximately \$389,000<sup>1</sup> and incorporate the debt service into base rates. This would  
10 increase proposed revenue from \$18,052 in the ROO (about 17%) to \$38,052 or about  
11 35.45%, and no surcharge would be required. This operating margin will provide  
12 sufficient cash flow. The revenue increase will provide a 25.34% operating margin. The  
13 Debt Service Cover Ratio will be 1.70 and the Interest Coverage Ratio 2.02 *See*  
14 Attachment 3 (Schedule C-1 – Revenues and Expenses, Schedule H-3 – Proposed Rates  
15 for Alternative 1, and Debt Coverage Ratio Schedule). The result would be that the  
16 customer would pay less per month than they currently pay due to the surcharge.  
17  
18  
19

20 In Alternative 2, the Commission would authorize a WIFA loan amount of  
21 approximately \$389,000 for the purposes described above and keep ROO rates. Then the  
22 Commission would authorize a debt surcharge to pay for the annual debt service of the  
23 WIFA Loan. The surcharge would amount to \$10.85, which is lower than the surcharge  
24 currently in place. *See* Attachment 4 (WIFA Loan Surcharge Computation). Again, both  
25  
26  
27

---

28 <sup>1</sup> The Company utilized a \$389,000 loan amount to perform its analysis. However, the precise amount the Company is seeking to borrow is \$386,646.00. The Company believes the difference is immaterial, but it is willing to have any conforming changes made to the final order.

1 alternatives result in increases that would be less than the \$12.54 surcharge now in place.

2 *See Attachment 5.*

3  
4 In sum, the Company believes that it can make the necessary improvements and  
5 pay the vendors owed with a WIFA loan for \$386,646.69. This would be in the public  
6 interest because the vendors would receive payment soon and the debt would be paid  
7 over a 20 year period.  
8

9 DATED this 25<sup>th</sup> day of October, 2011.

10  
11 **MOYES SELLERS & HENDRICKS LTD.**

12  
13   
14 \_\_\_\_\_  
15 Steve Wene

16 **Original and 13 copies filed this**  
17 **25<sup>th</sup> day of October, 2011, with:**

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

22   
23 \_\_\_\_\_

# **ATTACHMENT 1**

REQUEST FOR FINANCING TOTALS

<b>REPAIRS</b>		Total Requested
UNS ELECTRIC (UNISOURCE)	\$ 8,344.00	
MERTENS	\$ 15,561.00	
GILBERT	\$ 67,662.00	
EMPIRE	\$ 22,818.00	
HENDERSON	\$ 5,058.00	
WEBER	\$ 23,954.00	
WEBER	\$ 43,249.00	
<b>REPAIRS SUBTOTAL</b>	<b>\$ 186,646.00</b>	<b>\$ 186,646.00</b>
<b>WELL CONSTRUCTION &amp; RELATED IMPROVEMENTS</b>		
CIVIL (RAY STADLER)	\$ 4,000.00	
HYDROLOGY	\$ -	
BOOSTER IMPORVEMENTS	\$ 23,300.00	
DRILLING COSTS (BROWN DRILLING)	\$ 55,335.00	
TEST PUMPING	\$ 26,700.00	
SAMPLING (MOHAVE ENV. LABS)	\$ 3,325.00	
PUMP (SHORT ENTERPRISES)	\$ 33,584.00	
PAD & DISCHARGE PIPING (WALKER ELECTRIC)	\$ 5,000.00	
ELECTRICAL EQUIPMENT (WALKER ELECTRIC)	\$ 18,000.00	
ADEQ FEES	\$ 2,500.00	
<b>IMPROVEMENT TOTAL</b>	<b>\$ 171,744.00</b>	<b>\$ 171,744.00</b>
Additional Professional Services (engineer, hydrologist, inspector, etc.) and contingency	\$ 28,256.00	\$ 28,256.00
<b>Total funding requested</b>		<b>\$ 386,646.00</b>

# **ATTACHMENT 2**

# STATEMENT

PAGE: 1

RETURN THIS PORTION WITH PAYMENT  
GILBERT PUMP & EQUIPMENT CO.



**PUMP & EQUIPMENT CO.**  
1475 EAST ELWOOD STREET  
P.O. BOX 20218  
PHOENIX, AZ 85036-0218  
(602) 276-5599

CLAUDE K. NEAL FAMILY TRUST  
7313 E CONCHO DR  
SUITE B  
ATTN MARC NEAL  
Kingman, AZ 86401

STATEMENT DATE	10/15/2010
ACCOUNT NO	CLA200

STATEMENT DATE	10/15/2010
ACCOUNT NO	CLA200

AMOUNT  
ENCLOSED \$

CONTACT:

CHECK ITEMS  
BEING PAID

DATE	REFERENCE	CHARGE	CREDIT	BALANCE	STATEMENT DATE	CHECK NO
6/30/2009	0084053-IN	13,532.84			0084053-IN	
8/18/2009			500.00			
8/24/2009			1,000.00			
1/7/2010			5,000.00			
3/9/2010			2,500.00			
7/15/2010			178.88			
8/9/2010			1,751.55	2,602.41		2,602.41
12/14/2009	0084789-IN	47,542.63			0084789-IN	
12/23/2009			2,000.00	45,542.63		45,542.63
8/31/2010	AUG0005-FC	722.18		722.18	AUG0005-FC	722.18
9/30/2010	SEP0006-FC	733.01		733.01	SEP0006-FC	733.01
				49,600.23		49,600.23

PLEASE PAY

BY

YOUR ACCOUNT WITH US IS SERIOUSLY PAST DUE.  
REMIT TODAY SO THAT WE MAY CONTINUE TO SERVE YOU.

# STATEMENT

PAGE 1

RETURN THIS PORTION WITH PAYMENT  
GILBERT PUMP & EQUIPMENT CO.



**PUMP & EQUIPMENT CO.**  
1475 EAST ELWOOD STREET  
P.O. BOX 20216  
PHOENIX, AZ 85036-0216  
(602) 278-5599

CLAUDE K. NEAL FAMILY TRUST  
7313 E CONCHO DR  
SUITE B  
ATTN MARC NEAL  
Kingman, AZ 86401

CONTACT:

STATEMENT DATE  
5/3/2011

ACCOUNT NUMBER  
CIA201

STATEMENT DATE  
5/3/2011

ACCOUNT NUMBER  
CLA201

MONTHLY  
FINANCIAL STATEMENT

DATE PRINTED  
5/10/2011

DATE	REFERENCE	CHARGE	CREDIT	BALANCE	REFERENCE	BALANCE
3/22/2011	85770DM-DM	17,706.36		17,706.36	85770DM-DM	17,706.36
3/31/2011	MAR0003-FC	177.06		177.06	MAR0003-FC	177.06
4/30/2011	APR0003-FC	178.83		178.83	APR0003-FC	178.83
				18,062.25		
				18,062.25		

PLEASE PAY  
JUST AN OVER-SIGHT? WE WOULD APPRECIATE BRINGING  
YOUR ACCOUNT CURRENT. THANKS FOR YOUR BUSINESS

## ROSHKA DEWULF & PATTEN

ROSHKA DEWULF & PATTEN, PLC  
ATTORNEYS AT LAW  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET  
SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

May 4, 2011

Via E-Mail and U. S. Mail

Mr. Steven L. Wene  
Moyes Sellers Ltd.  
1850 North Central Avenue, #1100  
Phoenix, Arizona 85004

Dear Steve:

As requested, below is a summary of what Cerbat Water and the Neal Family Trust owes UNS Electric, including past due charges, late fees and necessary deposits.

Account No. [REDACTED] (Neal Family Trust)

Total deposit required \$8,722.00  
Deposit paid \$0.00

Usage:	\$ 6,316.91
Deposit Installments (billed):	\$ 2,906.00
Late Fees:	\$ 276.54
<b>Amount Due:</b>	<b>\$ 9,499.45</b>

Account No. [REDACTED] (Cerbat Water)

Total Deposit required \$2,500.00  
Deposit paid \$416.00 to date

Usage:	\$ 2,027.18
Deposit Installments (billed):	\$ 416.00
Late Fee:	\$ 34.21
Return item fee:	\$ 18.95
<b>Amount Due</b>	<b>\$ 2,496.34</b>

We also have attached the most recent invoices for each entity. As Jason Gellman noted in last week's call, we trust that the surcharge proposed by Cerbat Water will provide for timely payment of these amounts.

ROSHKA DEWULF & PATTEN

Mr. Steve Wene

May 4, 2011

Page 2

Please let me know if you have any questions.

Sincerely,



Michael W. Patten

MWP:mi  
Attachments

**Delinquent Account**

Account:   
 Bill Date: 4-12-2011   
 Customer Name: CERBAT WATER COMPANY   
 Service Address: CHERUM/ CACTUS WREN   
 KINGMAN AZ 86409

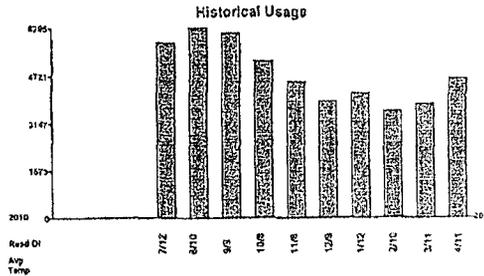
Previous Balance	Payments/Credits	Charges/Deductions	Current Balance	Delinquent Amount	DUE DATE	AMOUNT DUE
1,976.66	796.28	1,315.96	2,496.34	\$1,180.38	4-25-2011	\$2,496.34

Your account is delinquent in the amount of \$1,180.38 which is due immediately.  
 Payment: \$796.28 on 04/06/2011 - Thank You!

**UNSC - Large General Service (Service No. 7698420185)**

Electric Charges for Period 03-12 - 04-11

<b>DELIVERY SERVICES</b>	
Customer Charge	16.00
Billing Demand Charge per kW 35 @\$12.14	424.90
Delivery Charge kWh 4,622 @\$0.003871	17.89
<b>POWER SUPPLY CHARGES</b>	
Base Power Supply Charge 4,622 @\$0.064326	297.31
PPFAC - kWh 4,622 @\$0.000768	3.55
<b>GREEN ENERGY CHARGES</b>	
Renewable Energy Standard Tariff	38.43
DSM Surcharge - kWh 4,622 @\$0.000995	4.60
<b>TAXES AND ASSESSMENTS</b>	
State Sales Tax	53.09
County Sales Tax	2.01
ACC Assessment	1.81
Total Electric Service Charges	859.59
Returned Item Fee (including taxes)	10.71
Returned Item Fee (including taxes)	10.71
Late Payment Fee (including taxes)	18.95
<b>Total Charges</b>	<b>899.96</b>



Meter	Unit of Measure	Next Read Date	Current Read Date	Prior Read Date	Days	Current Reading	- Prior Reading	= Reading Difference	x Multiplier	= Usage or Demand
SC16-12620	KWH	5-10	4-11	3-11	31	47977	43355	4622	1	4622
SC16-12620	KW	5-10	4-11	3-11	31	35.217			1	35.217

**Deposit (Service No. 7698420781)**

Deposit Installment Amount \$416.00

Para asistencia en Español, el número de teléfono se encuentra al reverso de esta página.

Please Return this portion with your payment to ensure proper credit to your account.

Please make payable to UNS Electric, Inc.  
 Write your ELECTRIC account number on front of check or money order.

UNSC Electric, Inc.  
 P.O. Box 80079  
 Prescott AZ 86304-8079

**Delinquent Account**

Account	DUE DATE	AMOUNT DUE	Contribution	Amount Paid
[REDACTED]	04-25-2011	\$2,496.34		

Y 02 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

#BWNMMYZ  
 CERBAT WATER COMPANY  
 CLAUDE K NEAL  
 7313 E CONCHO DR, B  
 KINGMAN AZ 86401

\*Warm Spirit Contribution  
 (Add one-time amount to share with a less fortunate neighbor. Visit ussaz.com to have a monthly pledge automatically added to your bill.)

UNSC Electric, Inc.  
 P.O. BOX 80079  
 PRESCOTT AZ 86304-8079

**Delinquent Account**

Account: **[REDACTED]**  
 Bill Date: 4-12-2011  
 Customer Name: NEAL FAMILY TRUST  
 Service Address: 3090 E CALLE BLANCA, WELL  
 KINGMAN AZ 86409

Previous Balance	Payments/Credits	Charges/Debts	Current Balance
6,221.81	0.00	3,277.64	9,499.45

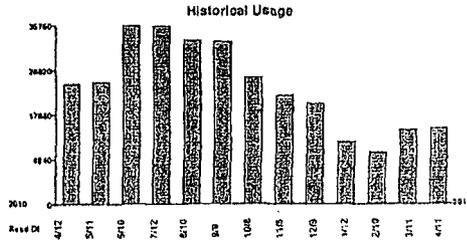
Delinquent Amount	DUE DATE	AMOUNT DUE
\$6,221.81	4-25-2011	\$9,499.45

Your account is delinquent in the amount of \$6,221.81 which is due immediately.

**Arizona Public Service (Service No. 0192741253)**

Electric Charges for Period 03-12 - 04-11

<b>DELIVERY SERVICES</b>	
Customer Charge	16.00
Billing Demand Charge per kW 105 @\$3.91	410.55
Delivery Charge kWh 15,120 @\$0.01643	248.62
<b>POWER SUPPLY CHARGES</b>	
Base Power Supply Charge 15,120 @\$0.053227	804.79
PPFAC - kWh 15,120 @\$0.000768	11.61
<b>GREEN ENERGY CHARGES</b>	
Renewable Energy Standard Tariff	125.72
DSM Surcharge - kWh 15,120 @\$0.000995	15.04
<b>TAXES AND ASSESSMENTS</b>	
State Sales Tax	107.96
County Sales Tax	4.09
ACC Assessment	3.66
Total Electric Service Charges	1,748.04
Late Payment Fee (including taxes)	76.60
<b>Total Charges</b>	<b>1,824.64</b>



Meter	Unit of Measure	Next Read Date	Current Read Date	Prior Read Date	Days	Current Reading	Prior Reading	= Reading Difference	x Multiplier	= Usage or Demand
TR9-10794	KWH	5-10	4-11	3-11	31	4412	4223	189	80	15120
TR9-10794	KW	5-10	4-11	3-11	31	1.317			80	105.360

**Deposit (Service No. 0192741253)**

Deposit Installment Amount \$1453.00

Para asistencia en Español, el número de teléfono se encuentra al reverso de esta página.

Please Return this portion with your payment to ensure proper credit to your account.

Please make payable to UNS Electric, Inc.  
 Write your ELECTRIC account number on front of check or money order.

UNS Electric, Inc.  
 P.O. Box 80079  
 Prescott AZ 86304-8079

**Delinquent Account**

Account	DUE DATE	AMOUNT DUE	Contribution	Amount Paid
[REDACTED]	04-25-2011	\$9,499.45		

#BWNMMYZ

|||||  
 B MARC NEAL  
 7313 E CONCHO DR, STE B  
 KINGMAN AZ 86401

Warm Spirit Contribution

(Add one-time amount to share with a less fortunate neighbor. Visit [www.az.gov](http://www.az.gov) to have a monthly pledge automatically added to your bill.)

UNS Electric, Inc.  
 P.O. BOX 80079  
 PRESCOTT AZ 86304-8079

|||||

5/13/11

# Empire Pump Corporation, dba Duncan Pump

1820 S. 19th Avenue ♦ Phoenix, AZ 85009 ♦ (602) 254-6154 ♦ FAX (602) 254-2261  
AZ ROC #'s 216197, 216198 NV ROC # 0069972

## INVOICE

Job #: 16950

### Client Information

Date: December 21, 2010  
Name: Cerbat Water Co.  
Address: 7313 E. Concho Dr.  
Kingman, AZ 86401

Contact: Mike Neal  
Phone: 928-716-4788  
Contact: Marcus Neal  
Phone: 928-303-4213  
Email: ksar60@gmail.com

### Site Information

City: Kingman, AZ  
County: Mohave

### SERVICE

♦ Mob and demob to Kingman, AZ.....	\$	1,000.00
♦ Rig crew labor - 44.75 hours @ \$220.00 per hour.....	\$	9,845.00
♦ (1) M10LC-17: Oil lube; standard construction; rubber bowl bearings; 10 x 20 SU; full trim impellers.....	\$	9,116.00
♦ (1) Column 8" x .277" x 19'11" 3/4T W/C.....	\$	633.00
♦ Machine shop labor to assemble bowls and build motor bushing (6) hours @ \$75.00 per hour.....	\$	450.00
♦ Miscellaneous shop and field supplies.....	\$	200.00
♦ Shipping and handling.....	\$	331.19

<b>Sub-Total:</b>	\$	21,575.19
<b>Sales Tax @ 8.85%:</b>	\$	1,241.11
<b>Total:</b>	\$	22,816.30

Terms: Net 30 Days

*Thank you for your business.*

HENDERSON ELECTRIC MOTORS, INC  
 1414 ATHOL  
 HENDERSON, NV 89011

Phone: (702) 564-5575  
 Fax: (702) 564-8676

Sold To:  
 CASH CUSTOMER

Ship to:  
 CERBAT WATER  
 MIKE@ 928-757-2205

**Invoice**

Invoice Number:  
 91974

Invoice Date:  
 Jan 14, 2011

Page:  
 1

Customer PO	CHECK# 2617 & 2618	Terms	C.O.D.	Ship Date	1/14/11
ID	CASH CUSTOMER	Ship Method	Customer pickup	Due Date	1/14/11

Quantity	Description	Unit Price	Extension
	VASKAWA 350 HP, 1780 RPM, 5005TPH MODEL# B54-5005TPH SER# C071802901		
	DISASSEMBLE MOTOR. CLEAN AND INSPECT ALL PARTS AND FITS. NEED TO POWER WASH & OVER DRY STATOR DUE TO GREASE & DIRT BUILD UP. INSULATE WINDINGS. REPLACE BEARING		
1.00	WASH AND OVEN DRY STATOR WINDINGS	100.00	100.00
	ASSEMBLE MOTOR REPLACING DEFECTIVE PARTS AS NECESSARY, TEST AND PAINT.		
2.00	7326 THRUST BEARING, FLUSH GROUND.	1,515.00	3,030.00
1.00	6318 SHIELDED BALL BEARING	378.70	378.70
1.00	MISC. SHOP SUPPLIES	70.00	70.00
6.00	HYDRAULIC OIL ISO32 (PER GALLON)	24.25	145.50
14.00	LABOR TO REPAIR	74.99	1,049.86
	JOB# 15148		

I/We understand and agree that any credit granted shall be paid promptly and in accordance with terms and agreements, that the credit grantor may add one and one half percent (1 1/2%) per month to any balance owed, and in event of default to pay reasonable collection charges and/or attorney fees. The undersigned states that he/she is authorized to bind the principle to the terms herof.

Subtotal 4,774.06  
 Sales Tax 301.66  
**TOTAL 5075.72**

Received by \_\_\_\_\_ Date \_\_\_\_\_

Mertens Heavy Equipment Repair, LLC  
 4385 Baker Drive  
 Kingman, AZ 86409  
 928-757-2966 Fax 928-757-5423

5/13/11

4/29/2011

This statement reflects account activity between the dates 4/1/2011 and 4/29/2011.

# Statement of Account

Page 1

NEAL FAMILY TRUST  
 7313 E. CONCHO DR #B  
 KINGMAN, AZ 86401-

This is a current statement of your account. The total amount due is \$15,561.48.

## Payments

R.O. #	Date	Description	Purchase Order #	Check #	Payment
					Total Payments

## Open Charges

R.O. #	Date	Description	Purchase Order #	Charge
			Charges open before 4/1/2011	\$15,344.44
	4/29/2011	FINANCE CHARGE		\$217.04
Total Open Charges :				\$15,561.48

**PAST DUE**

You have charges over 60 days past due. Please contact us immediately.

Current	30-60 Days	60-90 Days	Over 90 Days
\$434.08	\$0.00	\$217.04	\$14,910.35

# Weber Group, L.C.

Invoice 0009711-IN

Page: Page 1 of 1

Sold To: CERBAT WATER COMPANY  
ATTN: ACCOUNTS PAYABLE  
7219 W. SAHARA  
SUITE 102  
LAS VEGAS, NV 89117

Date: 6/8/2011  
Job Number: 2011-152  
Completion Date: FINAL  
Salesperson: MIKE MULLIN  
Terms: NET 30 DAYS  
Customer P.O.: SIGNED QUOTES  
Sales Tax Code: AZ MOHKM

Description: KINGMAN WELL

DESCRIPTION	TX	Quantity	Price	Amount
KINGMAN WELL PER QUOTATION SIGNED ON 05-27-11 AND QUOTATION SIGNED ON 06-02-11.				
MOBILIZE/DEMOLIBIZE CRANE TRUCK, PUMP RIG, AND THREE MEN.	TX	1.00	3,000.00	3,000.00
PULL TURBINE PUMP FROM 900' AND 8" COLUMN PIPE - HRS. INCLUDES PER DIEM FOR THREE-MAN CREW FOR TWO NIGHTS.	TX	22.00	400.00	8,800.00
INSTALL PUMP TO 900' - HRS. INCLUDES TWO NIGHTS OF PER DIEM.	TX	18.50	400.00	7,400.00
CHANGE ORDER FOR PIPE AND SHIPPING: PICKUP & FIFTH WHEEL TRAILER - HRS. TRANSPORT PIPE FROM CHANDLER YARD TO KINGMAN SITE. INCLUDES LOADING AND UNLOADING.	TX	10.50	90.00	945.00
MATERIALS - NONTAXABLE	NT	1.00	1,258.05	1,258.05
MATERIALS - TAXABLE	TX	1.00	547.95	547.95
3 - 8" x .277 WALL x 20' T & C TAPER THREAD COLUMN PIPE @ 1,806.00				
FUEL SURCHARGE	TX	1.00	768.29	768.29

Net Invoice: 22,719.29

Sales Tax: 1,234.67

Invoice Total: 23,953.96

**Weber Group, L.C.**

Invoice 0009939-IN

Page: Page 1 of 2

Sold To: CERBAT WATER COMPANY  
 ATTN: ACCOUNTS PAYABLE  
 7219 W. SAHARA  
 SUITE 120  
 LAS VEGAS, NV 89117

Date: 8/18/2011  
 Job Number: 2011-234  
 Completion Date: FINAL  
 Salesperson: MIKE MULLIN  
 Terms: NET 30 DAYS  
 Customer P.O. SIGNED QUOTE  
 Sales Tax Code: AZ MOHKM

Description: CERBAT KINGMAN WELL

DESCRIPTION	TX	Quantity	Price	Amount
CERBAT KINGMAN WELL PER SIGNED QUOTE.				
LABOR:				
MOBILIZE/DEMOBILIZE THREE MEN, CRANE TRUCK, AND PUMP RIG.	TX	1.00	3,000.00	3,000.00
PULL TURBINE PUMP FROM 900' 8" COLUMN PIPE - HRS. INCLUDES PER DIEM FOR THREE-MAN CREW FOR TWO NIGHTS.	TX	26.50	400.00	10,600.00
MACHINE WORK NEEDED ON SUNDAY, 08-07-11. WORK WAS DONE BY LARON - KINGMAN, ARIZONA.	TX	1.00	1,360.00	1,360.00
CUSTOMER ASKED WEBER GROUP TO HAVE OUR ELECTRICAL CONTRACTOR COME TO THE SITE TO TROUBLESHOOT THE CONTROL PANEL. HYDRO CONTROLS RESPONDED ON 08-08-11. THEY FOUND THE SOFT STARTER PANEL WAS NOT WIRED PROPERLY TO RUN A WELL AND COULD HAVE CAUSED ADDITIONAL DAMAGE. ALL OF THE WIRING WAS PULLED AND REWIRED. THE CONTROLS WERE WIRED TO BE ABLE TO USE THE STOP/START BUTTON, AND A BACKSPIN TIMER WAS INSTALLED IN THE CIRCUIT FOR ADDITIONAL PROTECTION.	TX	1.00	1,148.57	1,148.57
PICKUP AND FIFTH WHEEL TRAILER-HRS. LOAD COLUMN PIPE IN CHANDLER, TRANSPORT REPLACEMENT COLUMN PIPE TO KINGMAN SITE, AND RETURN TO CHANDLER YARD.	TX	12.00	90.00	1,080.00

Continued

# Weber Group, L.C.

Invoice 0009939-IN

Page: Page 2 of 2

Sold To: CERBAT WATER COMPANY  
ATTN: ACCOUNTS PAYABLE  
7219 W. SAHARA  
SUITE 120  
LAS VEGAS, NV 89117

Date: 8/18/2011  
Job Number: 2011-234  
Completion Date: FINAL  
Salesperson: MIKE MULLIN  
Terms: NET 30 DAYS  
Customer P.O. SIGNED QUOTE  
Sales Tax Code: AZ MOHKM

Description: CERBAT KINGMAN WELL

DESCRIPTION	TX	Quantity	Price	Amount
INSTALL PUMP TO 900' - HRS. INCLUDES TWO NIGHTS PER DIEM.	TX	25.00	400.00	10,000.00
2 MEN ON STANDBY ON MONDAY, 08-08-11 - HRS.	TX	8.00	120.00	960.00
2 MEN ON STANDBY ON TUESDAY, 08-09-11, AND DRIVE HOME - HRS.	TX	11.00	120.00	1,320.00
ADDITIONAL PER DIEM TWO NIGHTS @ 200.00/NIGHT.	TX	2.00	200.00	400.00
MATERIALS - NONTAXABLE	NT	1.00	7,646.95	7,646.95
MATERIALS - TAXABLE	TX	1.00	2,593.20	2,593.20
15 - 8" x .277 x 20' T & C COLUMN PIPE @ 9,780.00 1 - TOP END PARTS INCLUDING: HEADSHAFT NUT, TUBE, AND NEW HEADSHAFT @ 460.15				
FUEL SURCHARGE	TX	1.00	1,203.26	1,203.26

Net Invoice: 41,311.98  
Sales Tax: 1,936.75  
Invoice Total: 43,248.73

# **ATTACHMENT 3**



Cerbat Water Company  
 Docket No.s W-02391A-10-0218, W-02391A-11-0166 & W-02391A-11-0309  
 Test Year Ended December 31, 2009

ALTERNATIVE 1  
 Prepared By: Bourassa

Debt Service Coverage Ratios at Proposed Revenues

Line			
<u>No.</u>			
1			
2	<u>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)</u>		
3	Net Income	\$	16,424
4	Plus: Interest Expense		20,423
5	Income Taxes		4,346
6	Depreciation & Amortization		13,141
7	EBITDA	\$	<u>54,334</u>
8	<u>Earnings before Interest and Taxes (EBIT)</u>		
9	Net Income	\$	16,424
10	Plus: Interest Expense		20,423
11	Income Taxes		4,346
12	EBIT	\$	<u>41,193</u>
13	Loan Amount:	\$	389,000
14	Term (years):		20
15	Interest Rate:		5.25%
16	Annual Interest Payment	\$	20,423
17	Annual Principal Payment		11,457
18	Total Principal and Interest Payment	\$	<u>31,879</u>
19	Debt Service Coverage Ratio (Line 7 divided by Line 18)		1.70
20	Interest Coverage Ratio (Line 12 divided by Line 16)		2.02

Cerbat Water Company  
 Docket No.s W-02391A-10-0218, W-02391A-11-0166 & W-02391A-11-0309  
 Test Year Ended December 31, 2009

ALTERNATIVE 1  
 Prepared by: Bourassa

PRESENT AND PROPOSED RATES

Line No.		Present Rates	Proposed Rates	Percent Change
1	<u>Monthly Usage Charge:</u>			
2	5/8 x 3/4 Inch	\$ 18.00	\$ 22.35	24.17%
3	3/4 Inch	18.00	22.35	24.17%
4	1 Inch	33.00	55.88	69.32%
5	1 1/2 Inch	70.00	111.75	59.64%
6	2 Inch	110.40	178.80	61.96%
7	3 Inch	207.00	357.60	72.75%
8	4 Inch	345.00	558.75	61.96%
9	6 Inch	690.00	1,117.50	61.96%
10	Standpipe			
11				
12				
13	<u>Commodity Rates:</u>			
14				
15	<u>All meter Sizes (Per 1,000 gallons)</u>			
16	0 - 5,000 gallons		\$ 1.65	
17	5,001 to 20,000 gallons		\$ 2.25	
18	Over 20,000 gallons		\$ 2.65	
19				
20	0 - 3,000 gallons			\$ 1.85
21	3,001 to 9,000 gallons			\$ 2.85
22	Over 9,000 gallons			\$ 3.85
23				
24	Standpipe (per 1,000 gallons)		\$ 2.65	\$ 3.85
25				

# **ATTACHMENT 4**

WIFA LOAN SURCHARGE COMPUTATION

Loan Amount: \$ 389,000  
 Term: 20 years  
 Interest Rate: 5.25%

**Step 1 - Find the Annual Principal Payment on Loan**

\$ 389,000 Total Amount of Loan  
0.0291 Table A, Conversion Factor Table, Column D  
 \$ 11,320 Annual Principal Payment

**Step 2 - Find the Annual Interest Payment on Loan**

\$ 389,000 Total Amount of Loan  
0.0518 Table A, Conversion Factor Table, Column C  
 \$ 20,150 Annual Interest Payment

**Step 3 - Gross-up the Principal Payment for Income Taxes**

\$ 11,320 Annual Principal Payment from Step 1  
1.2783 Tax Gross-up Factor  
 \$ 14,470 Annual Interest Payment

**Step 4 - Find the Annual Surcharge Requirement for the Loan**

\$ 20,150 Annual Interest Payment from Step 2  
\$ 14,470 Annual Principal Payment plus Taxes from Step 3  
 \$ 34,620 Revenue Requirement for Debt Service of the Loan

**Step 5 - Find the Equivalent Bills**

Col. A	Col. B	Col. C	Col. D	Col. E
Meter Size	NARUC Multiplier	No. of Customers	Number of Months in Year	Equivalent Bills Col. BxCxD
5/8 x 3/4 Inch	1		12	-
3/4 Inch	1.5	256	12	4,608
1 Inch	2.5	6	12	180
1 1/2 Inch	5		12	-
2 Inch	8		12	-
3 Inch	15		12	-
4 Inch	25		12	-
6 Inch	50		12	-
		<u>262</u>		<u>4,788</u>

**Step 5 - Find the Monthly Surcharge**

\$ 34,620 Total Annual Surcharge Revenue Requirement  
4,788 Divided by: Total Number of Equivalent Bills  
 \$ 7.23 Monthly Surcharge for 5/8 x 3/4 Inch Customers

**Step 6 - Find the Monthly Surcharge for Remaining Meter Size Customers**

Col. A	Col. B	Col. C	Col. D
Meter Size	NARUC Multiplier	5/8x3/4 Inch Customers Surcharge	Surcharge by Meter Size Col. BxC
5/8 x 3/4 Inch	1	\$ 7.23	\$ 7.23
3/4 Inch	1.5	\$ 7.23	\$ 10.85
1 Inch	2.5	\$ 7.23	\$ 18.08
1 1/2 Inch	5	\$ 7.23	\$ 36.15
2 Inch	8	\$ 7.23	\$ 57.85
3 Inch	15	\$ 7.23	\$ 108.46
4 Inch	25	\$ 7.23	\$ 180.77
6 Inch	50	\$ 7.23	\$ 361.53

Cerbat Water Company  
Docket No.s W-02391A-10-0218, W-02391A-11-0166 & W-02391A-11-0309  
Test Year Ended December 31, 2009

ALTERNATIVE 2  
Prepared By: Bourassa

TABLE A  
Conversion Factor Table (Based on a 20-year Loan)

Line No.	Column A Annual Interest Rate	Column B Annual Payment Conversion Factor	Column C Annual Interest Conversion Factor	Column D Annual Principal Conversion Factor
1	3.50%	0.06960	0.03440	0.03520
2	3.75%	0.07110	0.03690	0.03420
3	4.00%	0.07270	0.03940	0.03330
4	4.25%	0.07430	0.04190	0.03240
5	4.50%	0.07590	0.04440	0.03160
6	4.75%	0.07750	0.04680	0.03070
7	5.00%	0.07920	0.04930	0.02990
8	5.25%	0.08090	0.05180	0.02910
9	5.50%	0.08250	0.05430	0.02930
10	5.75%	0.08430	0.05680	0.02750
11	6.00%	0.08600	0.05930	0.02670
12	6.25%	0.08770	0.06180	0.02590
13	6.50%	0.08950	0.06430	0.02520
14	6.75%	0.09120	0.06680	0.02450
15	7.00%	0.09300	0.06920	0.02380
16	7.25%	0.09480	0.07170	0.02310
17	7.50%	0.09670	0.07200	0.02240
18	7.75%	0.09850	0.07670	0.02180
19	8.00%	0.10010	0.07920	0.02110

# **ATTACHMENT 5**

Cerbat Water Company  
 Docket No.s W-02391A-10-0218, W-02391A-11-0166 & W-02391A-11-0309  
 Test Year Ended December 31, 2009

Prepared By: Bourassa

Alternative Rates Comparison

	Median Usage	Present Rates	Proposed Rates	Proposed Increase	% Increase	Proposed WIFA Surcharge	R&M Surcharge	Proposed Rate Including Surcharge	Overall % Increase
ROO	3/4 Inch 4,569	\$ 25.54	\$ 26.87	\$ 1.33	5.22%	\$ -	\$ 12.54 <sup>1</sup>	\$ 39.41	54.32%
Alternative 1	3/4 Inch 4,569	\$ 25.54	\$ 32.37	\$ 6.83	26.75%	\$ -	\$ -	\$ 32.37	26.75%
Alternative 2	3/4 Inch 4,569	\$ 25.54	\$ 26.87	\$ 1.33	5.22%	\$ 10.85 <sup>2</sup>	\$ -	\$ 37.72	47.69%

<sup>1</sup> Existing R&M Surcharge

<sup>2</sup> New WIFA Loan Surcharge - See WIFA Loan Surcharge Computation

Alternative 1 - Grant authorization for new WIFA Loan of \$389,000 to cover \$122,000 of Repairs and Maintenance cover by surcharge plus \$67,000 to cover main repair by Weber Group plus \$200,000 to fund the new well. Increase revenue increase from \$18,052 in ROO or about 17% to \$38,052 or about 35.45% and incorporated into base rates. No surcharges would be required. This operating margin will provide sufficient cash flow. The revenue increase will provide a 25.34% operating margin. The Debt Service Cover Ratio will be 1.70 and the Interest Coverage Ratio 2.02. (See Schedule C-1 - Revenues and Expenses, Schedule H-3 - Proposed Rates for Alternative 1, and Debt Coverage Ratio Schedule)

Alternative 2 - Grant authorization for new WIFA Loan of \$389,000 to cover \$122,000 of Repairs and Maintenance cover by surcharge plus \$67,000 to cover main repair by Weber Group plus \$200,000 to fund the new well. Keep ROO rates. Authorize debt surcharge to pay for the annual debt service of new WIFA loan (see WIFA Loan Surcharge Computation).