

ORIGINAL

NEW APPLICATION



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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

NOV - 3 2011

DOCKETED BY	
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14 IN THE MATTER OF THE APPLICATION OF  
15 CLEAR SPRINGS UTILITY COMPANY, INC.  
16 FOR AUTHORITY TO INCUR LONG-TERM  
17 DEBT

Docket No. W-01689A -11-  
Docket No. **W-01689A-11-0401**

**FINANCE APPLICATION**

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

22 **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 Pearce, Cochise  
26 County, Arizona.  
27  
28

1 The Company is applying to the Water Infrastructure Finance Authority ("WIFA")  
2 for a loan to drill a new well, improve the existing well, and make related improvements.  
3  
4 The Company applied for the WIFA 2012 Drinking Water Revolving Fund Priority List  
5 for a loan in the approximate amount of \$511,000. See Attachment 1. Accordingly, the  
6 Company is seeking authority from the Commission to finance an amount up to \$511,000  
7 for the improvements identified in Attachment 2 (Opinion of Probable Cost).  
8

9 **INFORMATION REQUESTED ON APPLICATION FORM**

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

11 Clear Springs Utility Company, Inc.  
12 Attn: Bonnie O'Connor  
13 Southwestern Utility Management  
14 P.O. Box 85160  
15 Tucson, Arizona 85754  
16 Telephone: 520-623-5172 ext. 7  
Facsimile: 520-792-0377

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

18 Steve Wene  
19 Moyes Sellers & Hendricks Ltd.  
20 1850 North Central Ave., Suite 1100  
21 Phoenix, Arizona 85004  
Telephone: (602) 604-2189  
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 \$511,000. Although the Company is on the loan priority list,  
25 WIFA does not offer finance terms until the Commission authorizes water providers like  
26 the Company to incur debt. The Company understands that the Commission and WIFA  
27 have a standard working arrangement to accommodate WIFA's loan practices. The  
28 Commission staff may want to contact the following WIFA staff person:

1 Angie Valenzuela  
2 Senior Loan Officer  
3 Water Infrastructure Finance Authority  
4 1110 W. Washington Street, Suite 290  
5 Phoenix, Arizona 85007

6 **4. Proceeds Statement.**

7 Gross proceeds will be \$511,000. WIFA has a combined interest and fee rate  
8 structure, so there are no issuance expenses. This means that the Company will net  
9 \$511,000 from the proposed loan.

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

11 The plant to be acquired includes a new well and related pumping and electrical  
12 equipment.

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

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

18 **7. Service Fees.**

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

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

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

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

27 See Attachments 3 and 4.  
28

1 **10. Customer Notice.**

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

5 **REQUEST FOR APPROVAL**

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

9 DATED this 3<sup>rd</sup> day of November, 2011.

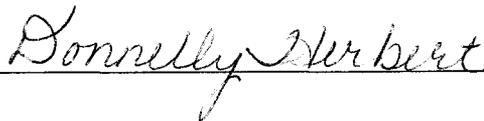
10 **MOYES SELLERS & HENDRICKS LTD.**

11  
12 

13  
14 Steve Wene

15  
16 **Original and 13 copies filed this**  
17 **3<sup>rd</sup> day of November, 2011, with:**

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

22 

# **ATTACHMENT 1**

# **Water Infrastructure Finance Authority**

## **SFY 2012 Drinking Water Intended Use Plan**



**Arizona Drinking Water State Revolving Fund**

**Attachment A**  
**Arizona's Drinking Water Revolving Fund**  
**SFY 2012 Funding Cycle – Project Priority List**

<b>PPL Rank</b>	<b>Applicant</b>	<b>Population</b>	<b>County</b>	<b>Project Title</b>	<b>Project Number</b>	<b>Amount Requested</b>	<b>Subsidy Rate</b>
1	Cienega Water Company	140	La Paz	Fluoride Treatment and System Upgrades	004 2012	\$50,000	75%
2	Verde Lee Water Company, Inc.	500	Greenlee	Titanium Arsenic Removal System	005 2012	\$165,000	75%
3	Gila Bend, Town of	1,980	Maricopa	Solar and R/O Facility Improvements	006 2012	\$2,572,008	80%
4	Lake Verde Water Co	204	Yavapai	Arsenic Mitigation	007 2012	\$450,000	80%
5	Nogales, City of	21,830	Santa Cruz	City of Nogales Automated Meter System Improvements	008 2012	\$2,500,000	70%
6	Sulger Water Company #2	50	Cochise	Well, Tank and Disinfection System Improvements	001 2012	\$120,000	80%
7	Orange Grove Water Co.	1,200	Yuma	Orange Grove Water Storage and Facility Upgrade	015 2012	\$200,000	75%
8	Pinetop Water Community Facilities District	3,000	Navajo	System Automation	030 2012	\$100,000	80%
9	Little Park Water Company	125	Yavapai	Motor Efficiency Program, SCADA Implementation	010 2012	\$25,000	80%
10	Eloy, City of	9,600	Pinal	Houser/Toltec Waterline Improvements	031 2012	\$1,865,000	75%
11	Indiada Water Company	150	Cochise	Water Line Replacement and System Interconnection	012 2012	\$327,379	85%
12	Cerbat Water Company	2,136	Mohave	Well Purchase, Repairs to Well Pump, Backup Well	028 2012	\$534,710	80%
13	Clear Springs Utility Company	1,180	Cochise	Clear Springs Utility Consolidation & Upgrades	011 2012	\$511,000	80%
14	East Slope Water Co.	2,877	Cochise	System Improvements (Storage, Booster Pumps, Well Improvements, Main Replacement)	014 2012	\$2,059,733	80%
15	Antelope Run Water Company	585	Cochise	Storage, Looping and Water Line Replacement	003 2012	\$612,887	80%
16	Litchfield Park Service Company	39,000	Maricopa	Airline Reservoir Solar Project / LPSC	018 2012	\$1,170,000	80%
17	Clarkdale, Town of	4,026	Yavapai	Twin 5s Water Main Replacement	013 2012	\$3,487,582	80%
18	Granite Mountain Water Company	225	Yavapai	Well #5 Replacement & Tank #3 Addition	017 2012	\$181,320	80%
19	Marana, Town of	12,000	Pima	Purchase of Tucson Water within Town of Marana	016 2012	\$40,000,000	85%
20	Sabrosa Water Company	100	Maricopa	Arsenic Treatment	019 2012	\$30,000	85%
21	Sandario Water Company	1,000	Pima	Capital Improvements (Storage, Pipe Replacement)	020 2012	\$780,000	80%

# **ATTACHMENT 2**

## Opinion of Probable Costs Clear Springs Utility Company

### COUNTRY WELL SITES STORAGE (Wells 3 & 7)

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST
5,000 gal tank Well 3	1	LS	\$3,780.00	\$3,780.00
Steel Tank Ring Well 3	40	LF	\$15.10	\$604.00
5HP boosters Well 3	1	EA	\$2,611.00	\$2,611.00
Facility piping & Plumbing Well 3	3	DAY	\$1,437.00	\$4,311.00
New Materials	1	LS	\$2,500.00	\$2,500.00
Electrical Well 3	1	LS	\$2,500.00	\$2,500.00
Electrical Rack Well 3	1	LS	\$1,200.00	\$1,200.00
Conc slabs Well 3	100	SF	\$7.42	\$742.00
ABC Well 3	3	CY	\$106.00	\$318.00
5,000 gal tank Well 7	1	LS	\$3,780.00	\$3,780.00
Steel Tank Ring Well 7	40	LF	\$15.10	\$604.00
ABC Well 7	2.5	CY	\$106.00	\$265.00
44 gal bladder tank Well 7	1	EA	\$700.00	\$700.00
Facility piping & Plumbing Well 7	3	DAY	\$1,437.00	\$4,311.00
New Materials	1	LS	\$2,500.00	\$2,500.00
Electrical Well 7	1	LS	\$2,500.00	\$2,500.00
Electrical Rack Well 7	1	LS	\$1,200.00	\$1,200.00
New 3 HP Booster	1	LS	\$2,611.00	\$2,611.00
Horiz tank removal Well 7	1	LS	\$1,500.00	\$1,500.00
Chain link fence Well 7	38	LF	\$37.50	\$1,425.00
<b>SUBTOTAL</b>				<b>\$39,962.00</b>
ATC application	1	LS	\$3,200.00	\$3,200.00
Engineering	—	—	10%	\$3,996.20
Administration & Legal Fees	—	—	5%	\$1,998.10
Project Management & Inspections	—	—	10%	\$3,996.20
Contingency	—	—	15%	\$5,994.30
Sales Tax	—	—	4.60%	\$1,838.25
			<b>SUBTOTAL</b>	<b>\$60,985.05</b>

### Well 16 STORAGE & BOOSTERS

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST
88,000 gal Storage Tank Well 16	1	LS	\$151,360.00	\$151,360.00
Steel Tank Ring Well 16	115	LF	\$15.10	\$1,736.50
ABC Well 16	38	CY	\$106.00	\$4,028.00
2-20HP boosters (420 gpm ea)	2	EA	\$4,080.00	\$8,160.00
conc booster slab	176	SF	\$7.42	\$1,305.92
Facility piping & Plumbing	11	DAY	\$1,437.00	\$15,807.00
Piping & Plumbing Materials	1	LS	\$3,500.00	\$3,500.00

Electric Rack	1	LS	\$4,500.00	\$4,500.00
Electical	1	LS	\$45,000.00	\$45,000.00
Chlorinator	1	LS	\$2,750.00	\$2,750.00
<b>SUBTOTAL</b>				<b>\$238,147.42</b>
ATC application	1	LS	\$2,650.00	\$2,650.00
Geotech Engineering & Testing	1	LS	\$3,000.00	\$3,000.00
Engineering	—	—	10%	\$23,814.74
Administration & Legal Fees	—	—	5%	\$11,907.37
Project Management & Inspections	—	—	10%	\$23,814.74
Contingency	—	—	15%	\$35,722.11
Sales Tax	—	—	4.60%	\$10,954.78
			<b>SUBTOTAL</b>	<b>\$350,011.17</b>

#### BACKUP POWER SOURCE

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST
Portable Backup Generator 100KW	1	EA	\$46,000.00	\$46,000.00
20'X20' Tuff Shed w/ garage door for secure storage of generator at Well 16	1	EA	\$13,727.00	\$13,727.00
20'x20'x8" Conc Slab for tuff shed	400	SF	\$7.42	\$2,968.00
ABC 20'x20' 4"	5	CY	\$106.00	\$530.00
Elec upgrades at Well 18 for hook-up	1	LS	\$5,000.00	\$5,000.00
<b>SUBTOTAL</b>				<b>\$68,225.00</b>
Contingency	—	—	15%	\$10,233.75
Sales Tax	—	—	4.60%	\$3,138.35
			<b>SUBTOTAL</b>	<b>\$81,597.10</b>

#### REPLACE BROKEN ISOLATION GATE VALVES

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST
Resilient Wedge Gate Valves 6"	3	EA	\$2,250.00	\$6,750.00
Resilient Wedge Gate Valves 8"	1	EA	\$3,500.00	\$3,500.00
Resilient Wedge Gate Valves 10"	1	EA	\$4,625.00	\$4,625.00
<b>SUBTOTAL</b>				<b>\$14,875.00</b>
Administration & Legal Fees	—	—	5%	\$743.75
Project Management & Inspections	—	—	14%	\$2,097.38
Sales Tax	—	—	4.60%	\$684.25
			<b>SUBTOTAL</b>	<b>\$18,400.38</b>

#### GRAND TOTAL

**\$510,993.70**

# **ATTACHMENT 3**

**Clear Springs Utility Company, Inc. - Water Division**  
**Balance Sheet as of 12/31/10**  
**Includes Proforma Adjustments for WIFA Financing**

Acct. No.	ASSETS	TEST YEAR END BALANCE AS OF 12/31/2010	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2010 ADJUSTED FOR WIFA LOAN
	<b>CURRENT AND ACCRUED ASSETS</b>			
131	Cash	\$ 28,832		\$ 28,832
134	Working Funds			
135	Temporary Cash Investments			
141	Customer Accounts Receivable	11,937		11,937
146	Notes/Receivables from Associated Companies	6,547		6,547
151	Plant Material and Supplies			
162	Prepayments			
174	Miscellaneous Current and Accrued Assets			
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$ 47,316</b>	<b>\$ -</b>	<b>\$ 47,316</b>
	<b>FIXED ASSETS</b>			
101	Utility Plant in Service	\$ 1,102,085	\$ 511,000	\$ 1,613,085
103	Property Held for Future Use			
105	Construction Work In Progress	23,000		23,000
108	Accumulated Depreciation - Utility Plant ("AD-UP")	(909,719)		(909,719)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility ("AD-NU")			
	<b>TOTAL FIXED ASSETS</b>	<b>\$ 215,366</b>	<b>\$ 511,000</b>	<b>\$ 726,366</b>
	<b>TOTAL ASSETS</b>	<b>\$ 262,682</b>	<b>\$ 511,000</b>	<b>\$ 773,682</b>

**Clear Springs Utility Company, Inc. - Water Division**  
**Balance Sheet as of 12/31/10 (continued)**  
**Includes Proforma Adjustments for WIFA Financing**

Acct. No.	LIABILITIES	TEST YEAR END BALANCE @ 12/31/2010	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2010 ADJUSTED FOR WIFA LOAN
	<b>CURRENT LIABILITIES</b>			
231	Accounts Payable	\$ 36,518		\$ 36,518
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Companies	81,615		81,615
235	Customer Deposits	6,287		6,287
236	Accrued Taxes	837		837
237	Accrued Interest			
241	Miscellaneous Current and Accrued Liabilities			
	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 125,257</b>	<b>\$ -</b>	<b>\$ 125,257</b>
	<b>LONG-TERM DEBT (Over 12 Months)</b>			
224	Long-Term Notes and Bonds	\$ 89,635	\$ 511,000	\$ 600,635
	<b>DEFERRED CREDITS</b>			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction	\$ 161,901		\$ 161,901
255	Accumulated Deferred Investment Tax Credits			
271	Gross Contributions in Aid of Construction	239,743		239,743
272	Less: Amortization of contributions	(229,556)		(229,556)
281	Accumulated Deferred Income Tax			
	<b>TOTAL DEFERRED CREDITS</b>	<b>\$ 172,088</b>	<b>\$ -</b>	<b>\$ 172,088</b>
	<b>TOTAL LIABILITIES</b>	<b>\$ 386,980</b>	<b>\$ 511,000</b>	<b>\$ 897,980</b>
	<b>CAPITAL ACCOUNTS</b>			
201	Common Stock Issued	\$ 1,000		\$ 1,000
211	Paid in Capital in Excess of Par Value	1,839,934		1,839,934
215	Retained Earnings	(1,965,232)		(1,965,232)
218	Proprietary Capital (Sole Props and Partnerships)			
	<b>TOTAL CAPITAL</b>	<b>\$ (124,298)</b>	<b>\$ -</b>	<b>\$ (124,298)</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$ 262,682</b>	<b>\$ 511,000</b>	<b>\$ 773,682</b>

# **ATTACHMENT 4**

**Clear Springs Utility Company, Inc. - Water Division**  
**Income Statement from January through December of 2010**  
**Including Proforma Adjustments for WIFA Financing**

Acct. No.	OPERATING REVENUES	ADJUSTED TEST YEAR WITH RATE INCREASE	WIFA LOAN PROFORMA ADJUSTMENTS	ADJUSTED TEST YEAR WITH RATE INCREASE & WIFA LOAN
461	Metered Water Revenue	\$ 263,454		\$ 263,454
461.1	Surcharge Revenue		\$ 80,651	80,651
474	Other Water Revenue	3,219		3,219
	<b>TOTAL OPERATING REVENUES</b>	<b>\$ 266,673</b>	<b>\$ 80,651</b>	<b>\$ 347,324</b>
	<b>OPERATING EXPENSES</b>			
601	Salaries and Wages	\$ -		\$ -
610	Purchased Water	-		-
615	Purchased Power	40,551		40,551
618	Chemicals	1,811		1,811
620	Repairs and Maintenance	12,168		12,168
621	Office Supplies & Expense	9,437		9,437
630	Outside Services	92,240		92,240
635	Water Testing	7,172		7,172
641	Rents	-		-
650	Transportation Expenses	6,938		6,938
657	Insurance - General Liability	3,443		3,443
659	Insurance - Health and Life	-		-
666	Regulatory Commsn Exp-Rate Case	10,000		10,000
675	Miscellaneous Expense	540		540
403	Depreciation Expense	28,545	47,068	75,613
408	Taxes Other Than Income	-		-
408.1	Property Taxes	11,577	1,537	13,114
409	Income Tax	8,066	1,094	9,160
427.4	Customer Deposit Interest	325		325
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 232,812</b>	<b>\$ 49,699</b>	<b>\$ 282,512</b>
	<b>OPERATING INCOME/(LOSS)</b>	<b>\$ 33,861</b>	<b>\$ 30,952</b>	<b>\$ 64,812</b>
	<b>OTHER INCOME/(EXPENSE)</b>			
419	Interest and Dividend Income	\$ 446		\$ 446
421	Non-Utility Income			-
426	Miscellaneous Non-Utility Exp			-
427	Interest Expense	3,376	29,343	32,719
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	<b>\$ (2,930)</b>	<b>\$ (29,343)</b>	<b>\$ (32,273)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ 30,931</b>	<b>\$ 1,609</b>	<b>\$ 32,539</b>