

ORIGINAL
NEW APPLICATION



BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
ROBERT BURNS
SUSAN BITTER SMITH

JUL 30 2013

DOCKETED BY
NR

RECEIVED

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IN THE MATTER OF THE APPLICATION OF
SUNRISE WATER CO., AN ARIZONA
CORPORATION, FOR AUTHORITY TO INCUR
LONG-TERM DEBT FROM THE WATER
INFRASTRUCTURE FINANCE AUTHORITY OF
ARIZONA

DOCKET NO. W-02069A-13-0261

FINANCING APPLICATION

- 1 1. **Introduction.** As more fully set forth below, Sunrise Water Co, ("Sunrise" or the
2 "Company") hereby applies in accordance with A.R.S. § 40-301 *et. seq.*, for authority to be
3 obligated for up to \$755,000 in debt not previously approved by the Commission.
- 4 2. **Supporting Exhibits.** As more fully discussed below, Sunrise provides the
5 following exhibits in support of its application:
- 6 • **Exhibit A** – Project Budget.
 - 7 • **Exhibit B** – 2012 Balance Sheet.
 - 8 • **Exhibit C** – 2012 Income Statement.
 - 9 • **Exhibit D** – Debt Service Coverage.
 - 10 • **Exhibit E** – Certificate of Resolution.
 - 11 • **Exhibit F** – Form of Public Notice.
- 12 3. **Company Description.** Sunrise is a public service corporation engaged in
13 providing water services in Maricopa County pursuant to a certificate of public convenience and
14 necessity granted by the Arizona Corporation Commission (the "Commission") to Sunrise. The
15 Company presently provides utility service to approximately 145 water customers.
- 16 4. **Principal Office.** The Company's principal business office is located at 9098 W.
17 Pinnacle Peak Rd., Peoria, AZ 85383, and its telephone number is 623-972-6133.

1 5. **Authorized Representative.** The person authorized to receive notices and
2 communications regarding this application is:

3 Marvin Collins
4 Manager
5 Sunrise Water Co,
6 90928 W. Pinnacle Peak Rd.
7 Peoria, AZ 85383,
8 Telephone: 623-972-6133
9 Facsimile: 623-566-8925
10 E-mail:mcollins@jdcwater.com

11 **All discovery, data requests, and other requests for information concerning this**
12 **Application should be directed to Mr. Collins, with a copy to undersigned counsel for the**
13 **Company.**

14 6. **Purpose of Borrowing.** The purpose of the borrowing is to construct
15 improvements at the Well No. 2 Booster Pumping Station Site and the Well No. 4 Booster
16 Pumping Site. The planned improvements at Well No. 2 include construction of new facilities at
17 the existing well, including those required for arsenic treatment, and replacement of five small
18 booster pumps with two larger booster pumps equipped with variable frequency drives. The
19 Well No. 4 improvements consist of the installation of a second water storage tank. The projects
20 include all required engineering, permitting, construction and related services to complete the
21 projects.

22 7. **Description of Lender.** The Water Infrastructure Finance Authority of Arizona
23 (“WIFA”) is an independent agency of the state of Arizona and is authorized to finance the
24 construction, of water utility infrastructure. At its June 19, 2013, Board of Directors meeting,
25 WIFA added Sunrise’s proposed well-improvement project to its Drinking Water Project Priority
26 List.

27 8. **Project Budget.** Exhibit A is a copy of Sunrise’s project budget for the well
28 improvements that will be funded by the WIFA borrowing.

29 9. **Proposed Interest Rate.** Sunrise expects to borrow these funds from WIFA at a
30 rate of 4.5%, not to exceed 6.5%.

1 10. **Financing Term.** The Company expects that the financing term will not exceed
2 20 years.

3 11. **Debt Security.** The proposed debt will be secured.

4 12. **Financing Costs.** There are no expected financing costs or issuance expenses.
5 No person is expected to receive any fees as a result of this transaction.

6 13. **Other Borrowing Terms.** The Company will file a copy with the Commission
7 of all executed documents associated with the authorized financing.

8 14. **Financial Statements.** **Exhibit B** is a copy of the Company's 2012 balance
9 sheet. **Exhibit C** is a copy of the Company's 2012 income statement.

10 15. **Debt Service Coverage.** **Exhibit D** derives Sunrise's pro-forma Debt Service
11 Coverage Ratio ("DSC"). The Company has no debt at this time. After giving effect to the
12 WIFA borrowing, the Company's DSC would be 6.44. Based on this ratio, the Company should
13 be able to adequately cover its expected debt payments from operating cash flow until on-going
14 and future rate cases gradually incorporate the aforementioned investment into rate base.

15 16. **Corporate Powers.** **Exhibit E** is a copy of a resolution by Sunrise's stockholders
16 authorizing the proposed borrowing.

17 17. **Compliance.** The purpose of the WIFA borrowing is to increase water supplies
18 to satisfy expected customer growth, while complying with the new EPA arsenic requirements
19 Sunrise currently has no outstanding compliance issues with the Commission, the Arizona
20 Department of Environmental Quality, or the Arizona Department of Water Resources.

21 18. **Compatibility.** The proposed transaction is needed to fund the construction of
22 new well facilities, including those required for arsenic treatment. The new borrowing will be
23 provided by WIFA at competitive rates with no underwriting costs or fees. Therefore, the
24 requested financing approval is compatible with

- 25 • the public interest;
- 26 • sound financial practices; and

- 1 • the proper performance by Sunrise of service as a public service corporation (and will
2 not impair the Company's ability to perform that service).

3 19. **Public Notice.** Exhibit F is a copy of the notice that Sunrise intends to publish in
4 a newspaper of general circulation in its service areas. Sunrise will file proof of publication after
5 the publication.

6 20. **Prompt Approval.** Sunrise requests prompt approval of this financing
7 application.

8 21. **Requested Relief.** As more fully set forth in this Application, Sunrise asks that
9 the Commission approve its request under A.R.S. § 40-301 *et. seq* to incur up to \$755,000 in new
10 long-term debt.

11 Respectfully submitted on July 30, 2013 by:

12
13 
14

15 Craig A. Marks
16 Craig A. Marks, PLC
17 10645 N. Tatum Blvd
18 Suite 200-676
19 Phoenix, Arizona 85028
20 (480) 367-1956
21 Craig.Marks@azbar.org
22 Attorney for Sunrise Water Company
23

24 **Original and 13 copies filed**
25 on July 30, 2013, with:

26
27 Docket Control
28 Arizona Corporation Commission
29 1200 West Washington
30 Phoenix, Arizona 85007
31

32
33
34 By:

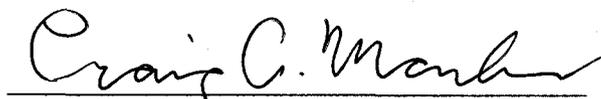
35 
Craig A. Marks

Exhibit A

SUNRISE WATER CO.

Cost Estimate - System Improvements

Company estimates a total construction cost of \$783,500.

Project Description	Estimated Cost
Well No. 2 Improvements	
Engineering (Complete)	\$ 28,500
Permitting and Construction Services	9,000
Arsenic Treatment Well #2	
Arsenic Treatment Equipment (two vessel absorptive media)	225,000
Piping and Installation	56,000
Electrical & Controls	5,000
Total Arsenic Treatment	<u>286,000</u>
Replace Booster Pumps Well #2	
Two (2) Skid Mounted Pumps with VFD and Piping	46,000
Electrical	15,000
Total Booster Pumps	<u>61,000</u>
Total Well No. 2 Improvements	<u>\$ 384,500</u>
Well No. 4 Improvements	
Engineering, Permitting and Construction Services	\$ 20,000
Second Storage Tank At Well #4 BPS Site	
250,000 Gallon Steel Tank	275,000
Tension Ring Foundation	18,000
Piping	20,000
Total Storage Tank¹	<u>313,000</u>
Total Well No. 4 Improvements	<u>\$ 333,000</u>
Contingencies	\$ 66,000
Total Estimated Cost	<u><u>\$ 783,500</u></u>

¹ Sunrise is considering constructing a tank of up to 400,000 gallons in size. Should the larger tank be constructed, the estimated cost is estimated to increase by \$174,000. Sunrise is not requesting debt financing for the additional cost.

Exhibit B

Sunrise Water Co.
Year Ended December 31, 2012
Balance Sheet

Line No.		Per Books At <u>12/31/2012</u>	Adjustments Per <u>Dec. No. 71445</u>	Adjusted Year Ended <u>12/31/2012</u>
1	ASSETS			
2	PROPERTY PLANT AND EQUIPMENT			
3	101 Utility Plant In Service	\$ 11,907,971	\$ 287,858	\$ 12,195,829
4	103 Property Held for Future Use	-	-	-
5	105 Construction Work in Progress	12,711		12,711
6	108 Less: Accumulated Depreciation	(4,376,782)	(675,741)	(5,052,523)
7	Net Plant	<u>\$ 7,543,900</u>	<u>\$ (387,883)</u>	<u>\$ 7,156,017</u>
8				
9	CURRENT ASSETS			
10	131 Cash and Equivalents	\$ 135,284		\$ 135,284
11	132 Special Deposits	-		-
12	133 Other Special Deposits	700		700
13	141 Customer Accounts Receivable	34,464		34,464
14	146 Notes/Receivables from Associated Companies	105,659		105,659
15	151 Plant Materials and Supplies	-		-
16	162 Prepayments	127		127
17	174 Miscellaneous Current and Accrued Assets	-		-
18	Total Current Assets	<u>\$ 276,233</u>	<u>\$ -</u>	<u>\$ 276,233</u>
19				
20	DEFERRED DEBITS			
21	186 Deferred Debits	\$ -		\$ -
22				
23	TOTAL ASSETS	<u>\$ 7,820,133</u>	<u>\$ (387,883)</u>	<u>\$ 7,432,250</u>
24				
25	LIABILITIES AND STOCKHOLDERS' EQUITY			
26	CAPITAL ACCOUNTS			
27	201 Common Stock Issued	\$ 10,000		\$ 10,000
28	211 Paid in Capital	1,697,698		1,697,698
29	215 Retained Earnings	(1,413,615)	(402,523)	(1,816,138)
30	Total Capital	<u>\$ 294,083</u>	<u>\$ (402,523)</u>	<u>\$ (108,441)</u>
31				
32	LONG-TERM DEBT			
33	221 Bonds	-		-
34	224 Other Long-Term Debt	-		-
35	Total long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
36				
37	CURRENT LIABILITIES			
38	231 Accounts Payable	9,606		\$ 9,606
39	232 Notes Payable	-		-
40	234 Payable to Associated Companies	-		-
41	235 Customer Deposits	116,423		116,423
42	236 Accrued Taxes	17,067		17,067
43	237 Accrued Interest	-		-
44	241 Miscellaneous Current Liabilities	-		-
45	Total Current Liabilities	<u>\$ 143,097</u>	<u>\$ -</u>	<u>\$ 143,097</u>
46				
47	DEFERRED CREDITS			
48	252 Advances in Aid of Construction	\$ 6,028,254	\$ 167,336	\$ 6,195,590
49	271 Contributions in Aid of Construction	1,447,636		1,447,636
50	272 Accumulated Amortization CIAC	(92,936)	(152,696)	(245,632)
51	281 Accumulated Deferred Income Tax	-		-
52	Total Deferred Credits	<u>\$ 7,382,954</u>	<u>\$ 14,640</u>	<u>\$ 7,397,594</u>
53				
54	Total Liabilities & Common Equity	<u>\$ 7,820,133</u>	<u>\$ (387,883)</u>	<u>\$ 7,432,250</u>
55				

Exhibit C

Sunrise Water Co.
Year Ended December 31, 2012
Income Statement

Line No.		Year Ended <u>12/31/2012</u>
1	Revenues	
2	460 Unmetered Water Revenue	\$ -
3	461 Metered Water Revenues	1,414,789
4	471 Miscellaneous Service Revenue	12,439
5	474 Other Water Revenue	1,029
6		-
7	Total Revenues	<u>\$ 1,428,258</u>
8	Operating Expenses	
9	601 Salaries and Wages	389,251
10	603 Salaries and Wages - Officers and Directors	-
11	604 Employee Pension and Benefits	-
12	610 Purchased Water	-
13	615 Purchased Power	202,020
14	618 Chemicals	11,562
15	620 Repairs and Maintenance	20,720
16	621 Office Supplies Expense	44,163
17	630 Outside Services	27,520
18	632 Contractual Services - Accounting	-
19	633 Contractual Services - Legal	-
20	634 Contractual Services - Management Fees	-
21	635 Contractual Services - Testing	960
22	636 Contractual Services - Other	-
23	641 Rent - Buildings	-
24	642 Rent - Equipment	-
25	650 Transportation Expense	51,375
26	656 Insurance - Vehicle	-
27	657 Insurance - General Liability	12,568
28	658 Insurance - Workman's Compensation	-
29	659 Insurance - Other	51,033
30	660 Advertising Expense	-
31	666 Regulatory Commission Expense - Rate Case	-
32	667 Regulatory Expense - Other	2,377
33	668 Water Resource Conservation Expense	-
34	670 Bad Debt Expense	-
35	675 Miscellaneous Expense	152,628
36	403 Depreciation Expense	408,946
37	408 Taxes Other Than Income	-
38	408.11 Property Taxes	55,226
39	409 Income Tax	-
40	Total Operating Expenses	<u>\$ 1,430,349</u>
41	Operating Income	<u>\$ (2,091)</u>
42	Other Income (Expense)	
43	419 Interest and Dividend Income	\$ 10,689
44	421 Non-Utility Income	-
45	426 Miscellaneous Non-Utility Expenses	-
46	427 Interest Expense	-
47	Total Other Income (Expense)	<u>\$ 10,689</u>
48	Net Income (Loss)	<u><u>\$ 8,597</u></u>
49		
50		

Exhibit D

Sunrise Water Co.
Year Ended December 31, 2012
Analysis of Proposed Financing

Line No.		Year Ended <u>12/31/2012</u>		Pro Forma with Proposed <u>Financing</u>	
	<u>Financial Data</u>				
1	Operating Income	\$ (2,091)		\$ (2,091)	
2	Depreciation & Amortization	408,946		408,946	
3	Income Tax Expense	-		-	
	<u>Loan Terms</u>				
4	Total Debt	-		\$ 755,000	
5	Amortization Period (Years)	n/a		20	
6	Interest Rate	n/a		5.5%	
	<u>Debt Service</u>				
7	Interest Expense	-		\$ 41,525	
8	Repayment of Principal	-		21,653	
9	Total Debt Service	-		\$ 63,178	
	<u>Financing Ratios</u>				
10	TIER [1 + 3] / [5]	n/a		(0.05)	
11	DSC [1 + 2 + 3] / [9]	n/a		6.44	
	<u>Capital Structure</u>				
12	Long-Term Debt	\$ -	0.0%	\$ 755,000	72.0%
13	Common Equity	294,083	100.0%	294,083	28.0%
14	Total Capital	\$ 294,083		\$ 1,049,083	

Exhibit E

Borrowing Resolutions of Sunrise Water Co.

Date: July 29, 2013

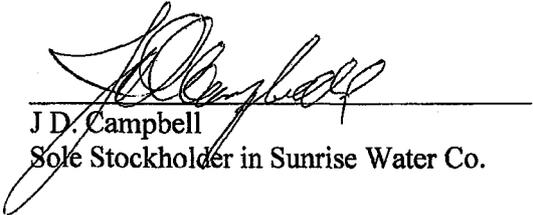
THIS IS TO CERTIFY that the undersigned stockholders of Sunrise Water Co., an Arizona corporation ("Company") duly organized and existing under the laws of the State of Arizona, hereby adopt the following Resolutions and certify that the same have not been altered, amended or revoked.

RESOLVED THAT Company is hereby authorized and empowered to enter into a loan transaction with the Water Infrastructure Finance Authority of Arizona ("Lender") and borrow pursuant thereto, from time to time on behalf of, and in the name of, Company from Lender such sums of money not exceeding in the aggregate at any one time the principal sum of Seven Hundred and Fifty-five Thousand Dollars (\$755,000).

RESOLVED FURTHER, that for action of the Lender in reliance thereon, the Company certifies and delivers to the said Lender a copy of these Resolutions, and that these Resolutions shall remain in full force and effect until written notice of their repeal shall have been received by Lender and until all indebtedness which may have been incurred as aforesaid shall have been paid and satisfied.

WE FURTHER CERTIFY that the authority conferred is not inconsistent with the Laws of the State of Arizona or the Company's Articles of Incorporation.

IN WITNESS WHEREOF, the stockholders of Company have hereunto set their hands officially on July 29, 2013.



J.D. Campbell
Sole Stockholder in Sunrise Water Co.

Exhibit F

Public Notice of an Application for an Order

Authorizing the issuance of \$755,000 long term debt by Sunrise Water Co. ("Sunrise").

Sunrise filed an Application on July__, 2013, with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$755,000 of long term debt in order to finance the construction of water system facilities. The Application is available for inspection during regular business hours at the offices of the Commission in Phoenix, Arizona and the Company's offices at 9098 W. Pinnacle Peak Rd., Peoria, AZ 85383. The Application has been assigned Docket No. W-02069A-13-_____.

Intervention in the Commission's proceedings on the Application shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon the Company and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervener and of any person upon whom service of documents is to be made if different than the intervener.
2. A short statement of the proposed intervener's interest in the proceeding.
3. Whether the proposed intervener desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R-14-3-105, except that all Motions to Intervene must be filed on or before the 15th day after this notice.