

ORIGINAL

NEW APPLICATION



0000148270

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@lawms.com

2013 SEP 30 P 3:48

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, CHAIRMAN

GARY PIERCE

BRENDA BURNS

SUSAN BITTER-SMITH

BOB BURNS

Arizona Corporation Commission

DOCKETED

SEP 30 2013

DOCKETED BY

NR

IN THE MATTER OF THE APPLICATION
OF TRUXTON CANYON WATER
COMPANY, INC. FOR AUTHORITY TO
INCUR LONG-TERM DEBT.

DOCKET NO. W-02168A-13-0332

FINANCE APPLICATION

Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F), Truxton Canyon

Water Company, Inc. (“Company” or “Applicant”), hereby files its application for
authority to incur debt to finance water system improvements.

PRELIMINARY STATEMENT

The Company is a public service corporation subject to regulation by the Arizona
Corporation Commission (“Commission”) as a water utility. The Company holds a
Certificate of Convenience and Necessity (“CC&N”) in Mohave County, Arizona.

The Company is seeking to borrow an amount not to exceed \$1,819,208.00 to pay
for the cost of acquiring and installing plant to treat and blend water to resolve arsenic

1 compliance issues and the acquisition of wells and pipeline currently owned by the
2 Claude K. Neal Family Trust ("Trust"). The Company has applied to the Water
3 Infrastructure Finance Authority ("WIFA") for a loan to make the requisite equipment
4 improvements. See Exhibit 1. WIFA placed the Company on its Drinking Water
5 Revolving Fund Priority List for a loan in the amount of \$1,819,208.00. See *id.*

6
7 **INFORMATION REQUESTED ON APPLICATION FORM**
8

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

10 Truxton Canyon Water Company, Inc.
11 Attn: Rick Neal
12 3001 Westwood Drive
13 Las Vegas, NV 89109
14 (702) 256-4006 Phone
(702)256-2522 Fax

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

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

21 **3. Financing Description.**

22 If the Commission authorizes the proposed debt, the Company will request that
23 WIFA lend the Company an amount not to exceed \$1,819,208.00. Although the
24 Company is on the loan priority list, WIFA does not offer finance terms until the
25 Commission authorizes water providers like the Company to incur debt. The Company
26 understands that the Commission and WIFA have a standard working arrangement to
27 accommodate WIFA's loan practices. The Commission staff may want to contact the
28 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 an amount not to exceed \$1,819,208.00. WIFA has a
8 combined interest and fee rate structure, so there are no issuance expenses. This means
9 that the Company will net an amount not to exceed \$1,819,208.00 from the proposed
10 loan.

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

12 The proceeds will be used primarily to install equipment to carry out the blending
13 plan set forth in Exhibit 2 and acquire the wells and pipeline owned by the Trust.

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

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

19 **7. Service Fees.**

20 WIFA does not charge service fees. Under WIFA's combined interest and fee rate
21 structure, the Company anticipates paying a fixed interest rate of prime plus 2%
22 multiplied by a subsidy rate index set by WIFA. WIFA may offer the Company an 80%
23 subsidy rate, so the effective interest rate could be Prime + 2% x 80%. This below-
24 market rate loan is reasonable for the Commission to approve.

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

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

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

28

1 A Company pro forma balance sheet is attached as Exhibit 3. A Company pro
2 forma income statement is attached as Exhibit 4.

3 **10. Customer Notice.**

4 The Commission's required notice will be provided to customers pursuant to
5 Commission rules and the Company will file with the Commission a copy of the actual
6 notice sent and an affidavit stating when it was sent to the customers.

7 **REQUEST FOR APPROVAL**

8 As set forth in this Application, the Company requests that the Commission
9 authorize the financing described herein.
10

11 DATED this 30th day of September, 2013.

12 **MOYES SELLERS & HENDRICKS**

13
14 
15 _____
Steve Wene

16
17
18 Original and 13 copies of the foregoing
filed this 30th day of September, 2013, with:

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

23
24 
25 _____
26
27
28

EXHIBIT 1

**Arizona's Drinking Water Revolving Fund
2014 Funding Cycle - Priority List for Drinking Water Revolving Fund
August 2013**

PPL Rank	Applicant	Population	County	Project Name	Project Number	Amount Requested / Probable Green Amount	Subsidy
1	*Cienega Water Company	140	La Paz	Fluoride Treatment and System Upgrades	003 2014	\$50,000.00	70%
2	*/**Holiday Water Company	550	Cochise	Water System Upgrades - Well, Storage & Distribution	017 2014	\$225,000.00	75%
3	*/**Monte Vista Water Company	85	Cochise	Arsenic Removal System	019 2014	\$40,000.00	80%
4	*Humboldt Water System	690	Yavapai	Water Treatment Facility	010 2014	\$300,000.00	80%
5	Truxton Canyon Water Company	2,136	Mohave	Arsenic Treatment, Transmission Replacement, & Well Electric Changeover	008 2014	\$1,819,208.00	80%
6	*Clear Springs Utility Company	1,180	Cochise	Clear Springs Utility Consolidation & Upgrades	004 2014	\$511,000.00	70%
7	*/**Somerton, City of	14,287	Yuma	Water Meter/MXU Retrofit	014 2014	\$912,000.00 / Categorical \$780,000.00	80%
8	*Sandario Water Company	1,000	Pima	Capital Improvements (Storage & Electrical)	005 2014	\$633,450.00	75%
9	*/**Yarnell Water Improvement Association	1,700	Yavapai	Emergency Repairs due to Yarnell Wildfire	020 2014	\$1,200,000.00	75%
10	*Granite Mountain Water Company	308	Yavapai	Well #5 Replacement & Tank #3 Addition	016 2014	\$196,032.40	75%
11	Sunrise Water Company	4,350	Maricopa	Arsenic Treatment, Booster Pumps & Storage Tank	013 2014	\$755,000.00	80%
12	Montezuma Rimrock Water Company LLC	450	Yavapai	Storage Tank Replacement	012 2014	\$108,000.00	80%
13	Appaloosa Water Company	630	Yavapai	Backup Generator	009 2014	\$60,000.00	80%
14	Clarkdale, Town of	4,026	Yavapai	Water System Security Improvements	001 2014	\$68,000.00	80%
15	**Empirita Water Company LLC	70	Cochise	New Pumps and Motors	018 2014	\$25,000.00	80%
16	Payson Water Company, Inc	1,148	Gila	Mesa del Caballo Supplemental Water Supply Project	002 2014	\$1,238,000.00	80%
17	**** Queen Creek, Town of	32,000	Maricopa	Acquisition of H2O, Inc Water Utility	011 2014	\$16,000,000.00	85%
18	**Apache Junction Water Utilities Community Facilities District	12,908	Pinal	Treatment Facility and Water Allocation Acquisition	021 2014	\$11,284,000.00	80%
19	Green Valley Domestic Water Improvement District	8,790	Pima	Water Storage Tank Upgrading	015 2014	\$800,000.00	85%

PPL Rank	Applicant	Population	County	Project Name	Project Number	Amount Requested / Probable Green Amount	Subsidy
20	San Luis, City of	25,505	Yuma	Well Upgrades, Interconnect and Filtration System	007 2014	\$2,800,000.00	85%
21	Litchfield Park Service Company	39,000	Maricopa	LPSCO Recharge Wells	006 2014	\$1,755,000.00	90%

Total: \$40,779,690.40

* Eligible for disadvantaged community designation

** New project on PPL

*** Eligible for Green Project Reserve

**** Board approved; subsidy locked in at time of board resolution

EXHIBIT 2

OPINION OF PROBABLE DESIGN/CONSTRUCTION COST

31-Dec-12

Truxton Canyon Water Company, Inc #6 Remediation For Arsenic Removal

Item No	Item Description	Unit	Quantity	Unit Price	Amount	Remarks																												
1	Treatment plant and rerouting well	LS	1		\$ 193,652.00																													
2	Electrical Controls and Instrumentation Changeover	LS	1		\$ 127,000.00																													
3	Replacing transmission line	LS	1 mile		\$ 98,556.00																													
Sub Total					\$ 419,208.00																													
<table style="width: 100%; border: none;"> <tr> <td style="width: 35%;"></td> <td style="width: 10%; text-align: right;">Subtotal</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">\$ 419,208.00</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Engineering, Bidding, and Permitting Services During Construction</td> <td></td> <td>20.00%</td> <td style="text-align: right;">\$ -</td> <td></td> <td></td> <td>Built into estimates</td> </tr> <tr> <td>Contingencies</td> <td></td> <td>30.00%</td> <td style="text-align: right;">\$ -</td> <td></td> <td></td> <td>Built into estimates</td> </tr> <tr> <td colspan="3" style="text-align: right;">Total Estimated Design/Construction Cost</td> <td style="text-align: right;">\$ 419,208.00</td> <td colspan="3"></td> </tr> </table>								Subtotal		\$ 419,208.00				Engineering, Bidding, and Permitting Services During Construction		20.00%	\$ -			Built into estimates	Contingencies		30.00%	\$ -			Built into estimates	Total Estimated Design/Construction Cost			\$ 419,208.00			
	Subtotal		\$ 419,208.00																															
Engineering, Bidding, and Permitting Services During Construction		20.00%	\$ -			Built into estimates																												
Contingencies		30.00%	\$ -			Built into estimates																												
Total Estimated Design/Construction Cost			\$ 419,208.00																															



One Stop Environmental Solutions

6708 Corsair Ave., Suite A • Prescott, AZ 86301 • Phone: 928-778-5335 • Fax: 928-778-5870 • ROC-A-206365 • ROC-B-249529

January 31, 2012

Mr. Rick Neal
Truxton Canyon Water Company
7219 W. Sahara Ave Suite 120
Las Vegas, NV 89117

Subject: Truxton Canyon Water Company
Arsenic Treatment System
Engineering Services

Dear Mr. Neil:

Pursuant to your request, Fann Environmental, LLC (FE) is pleased to submit this proposal to provide engineering services to prepare an Arsenic Treatment System for the Truxton Canyon Water Company. This proposal presents a brief description of the scope of work and estimated fees for our services.

Project Description

It is Fann Environmental, LLC's (FE) understanding that the Truxton Canyon Water System has determined that there is arsenic in the water system in excess of the new Federal Drinking Water Standards. The Final Arsenic Rule of the Safe Drinking Water Act regulations require that the maximum contaminant level of arsenic allowed in a domestic water system is 10 ppb. Water providers are seeking treatments that will reduce the level of arsenic to less than 8 ppb to allow for a safety factor in the treatment process. FE will utilize in its design, the use of a blending plan and an adsorption system that will treat a portion of the well water from the Hackberry Well Field. This water will then be blended back together and delivered to the distribution system at the Anteras Tank which also receives water from the Walapai 1 well that is in compliance.

Task 1 – On-site Investigation

FE proposes to review the existing site, talk with the system operators and locate the appropriate place for the arsenic treatment system. This review is required to gather all the information necessary to design the location and connections of the new arsenic treatment system. This information will be incorporated into the project drawings. The information collected will include the transmission main pipe size, type and location along with the best site location for the treatment system.

Task 2 – Design of Arsenic System

FE will begin the project of designing a location for the arsenic system by utilizing existing site features to create a site plan. Piping will be designed to connect the unit to the existing water transmission main from the Hackberry wells to the Anteras Tank. To protect the arsenic treatment system, a building will

need to be provided by Truxton Canyon. It is anticipated that the system will be designed to treat a portion of the water from the Hackberry wells and then blend it back into the transmission main. The arsenic system will be designed to be a manually operated system. This will assist in reducing construction costs by not having to provide electric actuated valving. The system will include the use of Sch 80 PVC and fiberglass tanks. FE will provide a cost review to determine the most cost effective media to utilize for the treatment system.

Absorption systems need to be backwashed on a monthly basis to keep the media from compacting and prevent the water from tunneling through the media. This will require a backwash/recycle system. FE would be proposing to provide a tank and pump to reintroduce the backwash water into the headworks of the treatment system. This would provide a zero water loss to the system.

Currently there are three wells that are in operation. These wells will need to be sampled for specific parameters to determine the best way the water can be treated. FE will provide Truxton Canyon a list of parameters that will need results. If requested, FE can provide the collection and analysis of the samples.

FE will prepare a design report for the project, project specifications (consisting of the material cut-sheets and equipment information and operations and maintenance manuals) and project plans. These documents will be sealed by a registered engineer in good standing in the State of Arizona. Permitting applications will be prepared for submittal to ADEQ to receive the "Approval to Construct".

Task 3 – ADEQ Permitting

FE has worked hard to establish a good working relationship with the ADEQ water permitting division. To assist in facilitating permitting of the project it is FE's standard practice to conduct a pre-submittal meeting with ADEQ to go over the project plans. Once this meeting is complete, any comments or concerns will be addressed before submitting to ADEQ for the "Approval to Construct".

Task 4 – Construction Site Inspection

During the construction of the project the design engineer will make two site visits to witness the construction methods and completed work. This will also be to work with the on-site construction personnel to gather all the information necessary to develop the as-builts and to verify the testing of the water system as it is being completed.

Task 5 – As-built Drawing

The design engineer will review all the information gathered during the construction and compile the information into an as-built set of project plans. The testing data will be provided by the on-site construction personnel and reviewed for completeness. This information will be utilized to complete the Engineers Certificate of Completeness form. The as-built plans and ECC form will be sealed by a Professional Engineer registered in the State of Arizona. This package will then be submitted to ADEQ to obtain the "Approval of Construction".

Estimated Project Cost

FE proposes to provide the above described engineering and construction services for a lump sum amount of \$15,310.00. If there are any additional services that are requested, FE will bill for our services on a Time and Material basis, per our Standard Fee Schedule. We believe that barring unforeseen challenges the proposed cost is adequate to complete the entire scope of work.

Project Assumptions

The following assumptions are made for the design services associated with the Truxton Canyon Water System.

- ⌘ Building for the Arsenic Treatment System to be provided by Truxton. Size of the building will be based upon the system size.
- ⌘ Permitting for the building will be by others.
- ⌘ Electrical design is not anticipated for the building. Except for the recycle pump and controls.
- ⌘ No retention will be implemented.
- ⌘ We exclude all items not specifically included in our proposal
- ⌘ Agency review fees, permits and recording fees are not included.
- ⌘ SWPPP plan development work is excluded.
- ⌘ Flood Insurance Program (FEMA) work is excluded.
- ⌘ Section 404 Permit Applications not included.

If you have any questions please give me a call at (928) 778-5335.

Sincerely,
FANN ENVIRONMENTAL, LLC

Robert D. Upton, P.E.
Project Engineer

Attachments: Cost Fee Schedule

Approved by:

Signature

Date

Truxton Canyon Water Company
Kingman, Arizona
Arsenic Treatment Facility

Note: Bids shall include sales tax and all other applicable taxes and fees.

Item No.	Description	Qty	Unit	Unit Price	Extended Price
1	Materials and Equipment (tanks, media, pipe)	1	LS	\$ 134,700.00	\$ 134,700.00
2	Installation of piping and equipment	1	LS	\$ 26,000.00	\$ 26,000.00
3	Electrical	1	LS	\$ 17,100.00	\$ 17,100.00
TOTAL BID PRICE					\$ 177,800.00

Base Bid \$ _____ (In Numbers)

In Words _____ Dollars

In Words _____ Cents

EXHIBIT 3

Truxton Canyon Water Company
Balance Sheet as of 12/31/12
Includes Proforma Adjustments for WIFA Financing

Acct. No.	ASSETS	TEST YEAR END BALANCE @ 12/31/2012	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2012 ADJUSTED FOR WIFA LOAN
Current and Accrued Assets				
131	Cash	\$ 1,272		\$ 1,272
134	Working Funds			
135	Temporary Cash Investments			-
141	Customer Accounts Receivable	54,999		54,999
146	Notes/Receivables from Assoc Co			-
151	Plant Material and Supplies			-
162	Prepayments	17,916		17,916
174	Misc Current and Accrued Assets			-
	Total Current and Accrued Assets	\$ 74,187	\$ -	\$ 74,187
Fixed Assets				
101	Utility Plant in Service	\$ 1,167,400	\$ 1,819,208	\$ 2,986,608
103	Property Held for Future Use			
105	Construction Work In Progress			
108	Accumulated Depreciation - Utility Plant	(552,737)		(552,737)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility			
	Total Fixed Assets	\$ 614,663	\$ 1,819,208	\$ 2,433,871
	TOTAL ASSETS	\$ 688,850	\$ 1,819,208	\$ 2,508,058

Truxton Canyon Water Company
Balance Sheet as of 12/31/2012 (continued)
Includes Proforma Adjustments for WIFA Financing

Acct. No.	LIABILITIES	TEST YEAR END BALANCE @ 12/31/2012	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2012 ADJUSTED FOR WIFA LOAN
Current Liabilities				
231	Accounts Payable	\$ 230,552		\$ 230,552
232	Notes Payable (Current Portion)	1,750		1,750
234	Notes/Accounts Payable to Assoc Co	455,825		455,825
235	Customer Deposits	5,618		5,618
236	Accrued Taxes	63,360		63,360
237	Accrued Interest			-
241	Misc Current and Accrued Liabilities			-
	Total Current Liabilities	\$ 757,105	\$ -	\$ 757,105
LONG-TERM DEBT (Over 12 Months)				
224	Long-Term Notes and Bonds	\$ -	\$ 1,819,208	\$ 1,819,208
Deferred Credits				
251	Unamortized Premium on Debt			
252.1	Advances in Aid of Construction	\$ 871,848		\$ 871,848
252.2	Meter Deposits			-
255	Accum Def Investment Tax Credits			-
271	Gross Contrib in Aid of Construction	63,429		63,429
272	Less: Amortization of contributions	(63,429)		(63,429)
281	Accumulated Deferred Income Tax			-
	Total Deferred Credits	\$ 871,848	\$ -	\$ 871,848
	TOTAL LIABILITIES	\$ 1,628,953	\$ 1,819,208	\$ 3,448,161
CAPITAL ACCOUNTS				
201	Common Stock Issued	\$ 11,000		\$ 11,000
211	Paid in Capital in Excess of Par Value			-
215	Retained Earnings	(951,103)		(951,103)
218	Proprietary Capital			-
	TOTAL CAPITAL	\$ (940,103)	\$ -	\$ (940,103)
	TOTAL LIABILITIES AND CAPITAL	\$ 688,850	\$ 1,819,208	\$ 2,508,058

EXHIBIT 4

Truxton Canyon Water Company
Income Statement from January through December 2012
Includes Rate Case Proforma Adjustments and WIFA Financing

Acct No.	Description	Actual for Test Year Jan - Dec 2012	Rate Case Proforma Adjustments	REF #	ADJUSTED TEST YEAR	Proposed Rate Increase and WIFA Adjustment	Adjusted Test Year with Rate Increase and WIFA Loan
461	Metered Water Revenue	\$ 317,771	\$ 1,674	1	\$ 319,445		\$ 619,445
	Metered Water Revenue - VVPOA	215,955	3,042	1	218,997	\$ 300,000	218,997
461.1	Surcharge Revenue	-			-	176,524	176,524
474	Other Water Revenues	15,495			15,495		15,495
	TOTAL OPERATING REVENUES	\$ 549,221	\$ 4,716		\$ 553,937	\$ 476,524	\$ 1,030,461
	OPERATING EXPENSES						
601	Salaries and Wages	\$ 104,118	\$ -		\$ 104,118		\$ 104,118
610	Purchased Water	147,409			147,409		147,409
615	Purchased Power	77,582			77,582		77,582
618	Chemicals	1,838			1,838		1,838
620	Repairs and Maintenance	37,480			37,480		37,480
621	Office Supplies and Expense	17,720			17,720		17,720
630	Outside Services	266,283			266,283		266,283
635	Water Testing	4,846			4,846		4,846
641	Rents	6,600			6,600		6,600
650	Transportation Expenses	42,123			42,123		42,123
657	Insurance - General Liability	7,716			7,716		7,716
666	Rate Case Expense	14,615			14,615		14,615
670	Bad Debt Expense				-		-
675	Miscellaneous Expense	8,172			8,172		8,172
403	Depreciation Expense	34,471			34,471	41,960	76,430
408	Taxes Other Than Income	15,912			15,912		15,912
408.11	Property Taxes	16,240			16,240		16,240
409	Income Tax				-	24,191	24,191
427.4	Interest on Customer Deposits				-		-
	TOTAL OPERATING EXPENSES	\$ 803,125	\$ -		\$ 803,125	\$ 66,151	\$ 869,276
	OPERATING INCOME/(LOSS)	\$ (253,904)	\$ 4,716		\$ (249,188)	\$ 410,373	\$ 161,186
	OTHER INCOME/(EXPENSE)						
419	Interest and Dividend Income		\$ -		\$ -		\$ -
421	Non-Utility Income				-		-
426	Miscellaneous Non-Utility Expenses				-		-
427	Interest Expense				-	\$ (94,249)	(94,249)
	TOTAL OTHER INCOME/(EXPENSE)	\$ -	\$ -		\$ -	\$ (94,249)	\$ (94,249)
	NET INCOME/(LOSS)	\$ (253,904)	\$ 4,716		\$ (249,188)	\$ 316,125	\$ 66,937
	Net Income Before Income Taxes	\$ 93,115					
	AZ Income Tax Rate	6.9680%					
	AZ Income Tax		\$ 6,488				
	Federal Taxable Income	\$ 86,627					
	Federal Tax Rate for First \$50,000	15.00%	7,500				
	Federal Tax Rate for Second \$25,000	25.00%	6,250				
	Federal Tax Rate on \$11,627	34.00%	3,953				
	Total Proposed Income Tax		\$ 24,191				