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Attorneys for Lago Del Oro Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF LAGO DEL ORO WATER COMPANY, AN ARIZONA CORPORATION, FOR AUTHORITY TO: (1) ISSUE EVIDENCE OF INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED $3,900,000 IN CONNECTION WITH THE PURCHASE OF EQUITY; AND (2) ENCUMBER REAL PROPERTY AND PLANT AS SECURITY FOR SUCH INDEBTEDNESS.	DOCKET NO: W-01944A-13-0242 **AMENDMENT TO APPLICATION**

On July 10, 2013 Lago Del Oro Water Company ("LDO") applied with the Arizona Corporation Commission ("Commission") for authority to (1) issue evidence of indebtedness in an amount not to exceed $3,900,000, and (2) encumber its real property and utility plant as security for such indebtedness. LDO hereby amends its application to reflect updated loan terms and conditions provided by the likely lender, Wells Fargo.

Wells Fargo's Preliminary Term Sheet is attached as **Exhibit A**. Wells Fargo has represented that it will provide the subject financing at an interest rate of prime plus 0.25 percent. As provided in the term sheet, LDO expects to hedge the variable interest by acquiring an interest rate swap, which is anticipated to yield a fixed interest rate not to exceed 6 percent. The proposed loan maturity is 7 years. Loan payments will be made monthly based on a 10 year amortization period with a balloon payment of principal due at maturity.

Attached as **Exhibit B** is a Summary Financial Analysis reflecting the updated loan terms. The analysis indicates that LDO's pro forma capital structure is 41.1 percent debt and 58.9 percent equity. With the proposed new debt, LDO will have a Debt Service Coverage Ratio (DSCR) of 1.48 assuming principal payment over the 10 year amortization period and a DSCR of 1.12 considering principal payment over the 7 year loan maturity.

RESPECTFULLY SUBMITTED this 9th day of October, 2013.

FENNEMORE CRAIG, P.C.

By ______________________
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ORIGINAL and thirteen (13) copies
of the foregoing were delivered
this 9th day of October, 2013, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

COPY of the foregoing was emailed/mailed
this 9th day of October, 2013, to:

Jane Rodda, ALJ
Hearing Division
Arizona Corporation Commission
400 West Congress
Tucson, AZ 85701

COPY of the foregoing was hand-delivered
this 9th day of October, 2013, to:

Robin Mitchell, Esq.
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

By: Lela Robertson

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Preliminary Term Sheet

FOR DISCUSSION PURPOSES ONLY-
NOT A COMMITMENT TO LEND

LENDER:	Wells Fargo Bank, National Association ("Wells Fargo")
BORROWER(S):	Lago Del Oro Water Company
GUARANTOR(S):	N/A
TYPE OF CREDIT:	Term Loan
PURPOSE:	To refinance acquisition of equipment and other fixed assets
LOAN AMOUNT:	$3,900,000
FACILITY FEE(S):	None
MATURITY DATE:	7 years following closing
COLLATERAL:	Pledge of all allowable Borrower assets including revenue pledge. Negative pledge on plant assets/infrastructure.. Wells Fargo's security interests to be first priority except as approved by Wells Fargo.
INTEREST RATE:	Prime plus 0.25% or LIBOR plus 2.25% With LIBOR the rate shall be for fixed rate terms of one or three months. All rates as defined and determined by Wells Fargo, with rounding upward as Wells Fargo requires.
REPAYMENT TERMS:	Interest payable monthly; Principal payable monthly. Principal installments are based on a 120 - month amortization of principal, with any remaining balance due at the Maturity Date. Because the principal installments are based on an amortization period longer than the term of the facility, there will be a balloon payment of principal due at the Maturity Date.
PREPAYMENT:	Principal may be prepaid at any time and without penalty, except that for any portion bearing interest that is fixed for a fixed rate term, a minimum prepayment amount may apply and any prepayment prior to the end of the fixed rate term may be subject to a prepayment fee. Prepayments of principal to be applied on the most remote principal installment or installments then unpaid.

Prepayment shall not alter Borrower's obligations under any interest rate swap or other derivative transaction, which would remain in effect, subject to the terms thereof (including any provision that may require a reduction or early termination of the transaction in the event of such prepayment and the payment by Borrower of fees for any such reduction or early termination).

INTEREST RATE PROTECTION: To hedge the variable interest expense of this credit facility, Borrower may acquire an interest rate swap or other swap transaction, provided that the terms, conditions and provider of the swap are acceptable to Wells Fargo and each party to the swap and each of Borrower's credit support providers satisfy all eligibility, suitability and other requirements under the Commodity Exchange Act and CFTC regulations.

Any swap with Wells Fargo shall be secured and guaranteed by the same collateral and guarantors, if any, securing and guaranteeing the credit facility.

Since the current level of our swap rates may be important to Borrower in selecting Wells Fargo as provider of the credit facility, a hedge for this Facility using a 7-year interest rate swap would have a Wells Fargo fixed rate of 2.32% (all-in rate of 4.57%). The above is indicative only and is based on market conditions existing as of approximately 9:57 PST on September 16, 2013. An actual swap rate may be higher or lower depending on market conditions at the time a swap is entered into.

Nothing herein is a recommendation, solicitation, commitment or offer for any swap, and Borrower acknowledges that Wells Fargo may be unable under CFTC regulations to recommend or offer Borrower a swap unless Wells Fargo determines the swap would be suitable.

If Borrower would like information about swaps or hedging with Wells Fargo, we can refer you to our swap specialists

COVENANTS & OTHER TERMS: Wells Fargo's usual and customary covenants and provisions, including any applicable prepayment fees, for credit of the kind, size and features above and such others as Wells Fargo determines may be needed during underwriting and due diligence.

- Mutually agreed upon levels of fixed charge coverage ratio and balance sheet leverage;
- Borrower to maintain minimum of $500,000 in cash and cash equivalents with Wells Fargo at all times;
- Limitation on pledge of assets;
- Restriction on mergers/acquisitions;
- Restriction on additional indebtedness;
- Borrower to maintain primary treasury management account(s) [lockbox collections] with Wells Fargo Bank;
- Borrower agrees to pay all reasonable out of pocket expenses incurred by the Bank in connection with initiating and

administering the loan, including, but not limited to closing, legal and administrative costs.

This Preliminary Term Sheet presentation is for discussion purposes only and is not intended to be and should not be construed as an offer, a commitment, nor agreement to lend, nor should it be construed as an attempt to establish all of the terms and conditions relating to any loan or credit facility described above. It is intended only to be indicative of certain terms and conditions around which credit approval may be sought, and if approved, how the loan documents might be structured, and shall not preclude negotiations over these or any other terms and conditions.

EXHIBIT B

Lago Del Oro Water Company
Docket No. W-01944A-13-0242
Amended - Application For Financing

Exhibit B

SUMMARY FINANCIAL ANALYSIS

Selected Financial Information

	[A][1] 12/31/2012		[B][2] Pro Forma		[C][3] Pro Forma	
Operating Income	$ (44,520)		$ (44,520)	$ 44,520	$ (44,520)	
Depreciation & Amort.	827,650		827,650		827,650	
Income Tax Expense	(14,956)		(14,956)	28.86%	(14,956)	
Interest Expense	0		226,014	160,792	221,425	
Repayment of Principal	0		293,562	$ 205,312	462,255	
DSC						
[1+2+3] ÷ [5+6]	#DIV/0!		1.48		1.12	
Capital Structure						
Short-term Debt	0	0.0%	293,562	3.1% [4]	462,255	4.9% [4]
Long-term Debt	0	0.0%	3,606,438	38.0%	3,437,745	36.2%
Common Equity	9,699,341	100.0%	5,591,549	58.9%	5,591,549	58.9%
Total Capital	$ 9,699,341	100.0%	$ 9,491,549	100.0%	$ 9,491,549	100.0%
Capital Structure (Inclusive of AIAC and Net CIAC)						
Short-term Debt	0	0.0%	293,562	2.9%	462,255	4.5%
Long-term Debt	0	0.0%	3,606,438	35.4%	3,437,745	33.8%
Common Equity	9,699,341	93.3%	5,591,549	54.9%	5,591,549	54.9%
Advances in Aid of Construction ("AIAC")	297,640	2.9%	297,640	2.9%	297,640	2.9%
Contributions in Aid of Construction ("CIAC") [5]	396,418	3.8%	396,418	3.9%	396,418	3.9%
Total Capital (Inclusive of AIAC and CIAC)	$10,393,399	100.0%	$10,185,607	100.0%	$10,185,607	100.0%
AIAC and CIAC Funding Ratio [6] (36+38)/(40)	6.7%		6.8%		6.8%	

[1] Column [A] is based on financial information for the year ended December 31, 2012.
[2] Column [B] is Column [A] modified to reflect issuance of the proposed $3,900,000 debt financing maturing in 5 years, amortized for 15 years at 6.0 percent per annum, and a $3.9 million equity draw down to rebalance the capital structure, net of an anticipated $207,792 operating loss.
[3] Column [C] is Column [B] modified to reflect full amortization of the proposed $3,900,000 loan over its 5-year term versus a 15-year amortization.
[4] Pro Forma Short-term Debt represents the first year principal repayment on the proposed loan.
[5] Net CIAC balance (i.e. less; accumulated amortization of contributions).
[6] Staff typically recommends that combined AIAC and Net CIAC funding not exceed 30 percent of total capital, inclusive of AIAC and Net CIAC, for private and investor owned utilities.