

ORIGINAL  
NEW APPLICATION



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AZ CORP COMMISSION  
DOCKET CONTROL

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8  
9 **COMMISSIONERS**

10 SUSAN BITTER-SMITH, CHAIRMAN

11 BOB STUMP

12 BOB BURNS

13 TOM FORESE

14 DOUG LITTLE

Arizona Corporation Commission  
**DOCKETED**

JAN 29 2015

DOCKETED BY nr

15 IN THE MATTER OF THE APPLICATION  
16 OF TIERRA BUENA WATER COMPANY,  
17 INC. FOR AUTHORITY TO INCUR LONG-  
18 TERM DEBT

DOCKET NO. W-02076A-15-0024  
**FINANCE APPLICATION**

19 Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F), Tierra Buena Water  
20 Company, Inc. ("Company"), hereby files its application for authority to incur debt to  
21 finance water system improvements.  
22

23 **PRELIMINARY STATEMENT**

24 The Company is a public service corporation subject to regulation by the Arizona  
25 Corporation Commission ("Commission") as a water utility. The Company holds a  
26 Certificate of Convenience and Necessity ("CC&N") in Maricopa County, Arizona and  
27 serves approximately 127 customers serving a population of 320 persons.  
28

1  
2 The Company has applied to the Water Infrastructure Finance Authority  
3 (“WIFA”) for a loan to construct plant to remediate arsenic issues and make related  
4 improvements. The Company applied for the WIFA 2015 Drinking Water Revolving  
5 Fund Priority List for a loan in the amount of \$899,506.00. See Attachment 1.  
6  
7 Accordingly, the Company is seeking authority from the Commission to finance an  
8 amount up to \$899,506.00 for the improvements identified in Attachment 2 (Opinion of  
9 Probable Cost).  
10

11 **INFORMATION REQUESTED ON APPLICATION FORM**  
12

13 **1. Applicant’s Name and Address.**

14 Robert L. Prince  
15 Tierra Buena Water Company  
16 6808 N. Dysart Road, Suite 112  
17 Glendale, Arizona 85307  
18 Phone 623-935-1100  
19 Cell 602-672-9481  
20 Fax 623-935-7321  
21 [bobprince@vuwco.com](mailto:bobprince@vuwco.com)

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

23 Steve Wene  
24 Moyes Sellers & Hendricks Ltd.  
25 1850 North Central Ave., Suite 1100  
26 Phoenix, Arizona 85004  
27 Telephone: (602) 604-2189  
28 Facsimile: (602) 274-9135  
[swene@law-msh.com](mailto:swene@law-msh.com)

**3. Financing Description.**

If the Commission authorizes the proposed debt, the Company will request that WIFA lend the Company \$899,506.00. Although the Company is on the loan priority

1 list, WIFA does not offer finance terms until the Commission authorizes water providers  
2 like the Company to incur debt. The Company understands that the Commission and  
3 WIFA have a standard working arrangement to accommodate WIFA's loan practices.

4 The Commission staff may want to contact the following WIFA staff person:

5 Angie Valenzuela  
6 Senior Loan Officer  
7 Water Infrastructure Finance Authority  
8 1110 W. Washington Street, Suite 290  
9 Phoenix, Arizona 85007

9 **4. Proceeds Statement.**

10 Gross proceeds will be \$899,506.00. WIFA has a combined interest and fee rate  
11 structure, so there are no issuance expenses. This means that the Company will net  
12 \$899,506.00 from the proposed loan.

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

14 The plant to be acquired includes a metered interconnection with Valley Utilities,  
15 the rehabilitation of Well 2, and an arsenic treatment facility. *See Attachment 2.*

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

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

21 **7. Service Fees.**

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

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

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

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

2 See Attachments 3 and 4.

3 **10. Customer Notice.**

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

8 **REQUEST FOR APPROVAL**

9 As set forth in this Application, the Company requests that the Commission  
10 authorize the financing described herein.  
11

12 DATED this 29<sup>th</sup> day of January, 2015.

13 **MOYES SELLERS & HENDRICKS LTD.**

14  
15   
16 \_\_\_\_\_  
17 Steve Wene

18  
19 **Original and 13 copies filed this**  
20 **29<sup>th</sup> day of January, 2015, with:**

21 Docket Control  
22 Arizona Corporation Commission  
23 1200 West Washington  
24 Phoenix, Arizona 85007

25   
26 \_\_\_\_\_

# **ATTACHMENT 1**

**Arizona's Drinking Water Revolving Fund  
2015 Funding Cycle - Priority List for Drinking Water Revolving Fund  
December 2014**

PPL Rank	Applicant	Population	County	Project Name	Project Number	Amount Requested / Probable Green Amount	Subsidy
1	<sup>1</sup> Cienega Water Company	140	La Paz	Fluoride Treatment and System Upgrades	006 2015	\$50,000.00	70%
2	<sup>3</sup> Monte Vista Water Company	85	Cochise	Arsenic Removal System and Well Site Improvements	008 2015	\$60,000.00	75%
3	<sup>4</sup> Harrisburg Utility Company, Inc.	959	La Paz	Water Storage Tank Replacement	007 2015	\$115,000.00	75%
4	<sup>1</sup> Sun Leisure Utility Company	100	Yuma	Uranium Treatment and Well Pump	021 2015	\$50,000.00	80%
5	<sup>1</sup> Cibola Mutual Water Co. Inc.	70	La Paz	TTHM Removal System	001 2015	\$90,000.00	80%
6	Tierra Buena Water Company Inc.	320	Maricopa	Arsenic Remediation	020 2015	\$899,506.00	85%
7	<sup>1, 2, 3</sup> Payson, Town of	15,430	Gila	CC Cragin Water Supply Project	027 2015	\$11,000,000.00 / Categorical \$2,184,000.00	75%
8	Truxton Canyon Water Company	2,202	Mohave	Arsenic Treatment, Transmission Replacement, & Well Electric Changeover	018 2015	\$259,800.00	85%
9	<sup>3</sup> Cordes Lakes Water Company	2,900	Yavapai	Water Loss Reduction Program	026 2015	\$200,000.00 / Categorical \$100,000.00	80%
10	Christopher Creek Haven	225	Gila	Storage Tank Replacement	015 2015	\$30,000.00	85%
11	<sup>1, 3, 4</sup> Williams, City of	3,145	Coconino	Water Supply / Water Sustainability & Storage	002 2015	\$3,500,000.00 / Categorical \$965,000.00	80%
12	<sup>1, 4</sup> Chino Valley, Town of	1,200	Yavapai	Water System Improvements & Purchase City of Prescott Water Distribution System in Chino Valley	004 2015	\$4,545,000.00	80%
13	<sup>1</sup> Yarnell Water Improvement Association	1,700	Yavapai	Repairs due to Yarnell Wildfire	011 2015	\$1,200,000.00	75%

# **ATTACHMENT 2**

**OPINION OF PROBABLE COSTS  
TIERRA BUENA WATER COMPANY**

**METERED INTER-CONNECTION WITH VALLEY UTILITIES:**

Inter-Connection materials and labor	\$40,664	
6 inch meter fee to Valley Utilities	\$5,025	
MCDOT Permit	\$240	
Administration and Legal Fees (2.5%)	\$1,148	
Project Management and Inspections (2.5%)	\$1,148	
Contingency (15%)	<u>\$6,889</u>	
<b>SUBTOTAL</b>		<b>\$55,115</b>

**WELL 2 REHABILITATION:**

Well 2 Rehab Materials and Labor	\$106,705	
Clear Creek & Associates Well Evaluation	\$17,491	
Well Video	\$2,000	
Purchased water from Valley Utilities	\$21,704	
Administration and Legal Fees (2.5%)	\$3,698	
Project Management and Inspections (2.5%)	\$3,698	
Contingency (15%)	<u>\$22,184</u>	
<b>SUBTOTAL</b>		<b>\$177,479</b>

**ARSENIC TREATMENT FACILITY:**

ATF Materials and Labor	\$624,904	
Purchased water from Valley Utilities	\$10,250	
Administration and Legal Fees (2.5%)	\$15,879	
Project Management and Inspections (2.5%)	<u>\$15,879</u>	
<b>SUBTOTAL</b>		<b><u>\$666,912</u></b>

<b>GRAND TOTAL</b>		<b><u>\$899,506</u></b>
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# **ATTACHMENT 3**

**TIERRA BUENA WATER COMPANY**  
**BALANCE SHEET AS OF 12/31/14**  
**INCLUDES PROFORMA ADJUSTMENTS FOR WIFA FINANCING**

Acct. No.	ASSETS	TEST YEAR END BALANCE AS OF 12/31/14	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/14 ADJUSTED FOR WIFA LOAN
	<b>CURRENT AND ACCRUED ASSETS</b>			
131	Cash	\$ 14,213		\$ 14,213
134	Working Funds			
135	Temporary Cash Investments			
141	Customer Accounts Receivable	4,696		4,696
146	Notes/Receivables from Associated Companies			
151	Plant Material and Supplies			
162	Prepayments	514		514
174	Miscellaneous Current and Accrued Assets		13,062	13,062
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$ 19,423</b>	<b>\$ 13,062</b>	<b>\$ 32,485</b>
	<b>FIXED ASSETS</b>			
101	Utility Plant in Service	\$ 560,310	\$ 899,506	\$ 1,459,816
103	Property Held for Future Use			
105	Construction Work in Progress	46,210		46,210
108	Accumulated Depreciation - Utility Plant	476,072	26,436	502,508
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility			
	<b>TOTAL FIXED ASSETS</b>	<b>\$ 130,448</b>	<b>\$ 873,070</b>	<b>\$ 1,003,518</b>
	<b>TOTAL ASSETS</b>	<b>\$ 149,871</b>	<b>\$ 886,132</b>	<b>\$ 1,036,003</b>

# **ATTACHMENT 4**

**TIERRA BUENA WATER COMPANY**  
**INCOME STATEMENT FROM JANUARY THROUGH DECEMBER OF 2014**  
**INCLUDES 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	\$ 88,073		\$ 88,073
461.1	Surcharge Revenue		113,405	113,405
460	Unmetered Water Revenue			
474	Other Water Revenues	657		657
	<b>TOTAL REVENUES</b>	<b>\$ 88,730</b>	<b>\$ 113,405</b>	<b>\$ 202,135</b>
	<b>OPERATING EXPENSES</b>			
601	Salaries and Wages	\$ 41,226		\$ 41,226
610	Purchased Water			
615	Purchased Power	12,045		12,045
618	Chemicals	1,082	4,300	5,382
620	Repairs and Maintenance	1,738	7,000	8,738
621	Office Supplies and Expense	575		575
630	Outside Services	2,268		2,268
635	Water Testing	2,927	1,200	4,127
641	Rents			
650	Transportation Expenses	2,523		2,523
657	Insurance - General Liability	5,225	1,000	6,225
659	Insurance - Health and Life			
666	Regulatory Commission Expense - Rate Case		15,000	15,000
675	Miscellaneous Expense	2,425		2,425
403	Depreciation Expense	8,692	31,303	39,995
408	Taxes Other Than Income	3,496		3,496
408.11	Property Taxes	4,074	5,103	9,177
409	Income Tax	369	1,438	1,807
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 88,665</b>	<b>\$ 66,344</b>	<b>\$ 155,009</b>
	<b>OTHER INCOME/EXPENSE</b>			
419	Interest and Dividend Income	\$ 1		\$ 1
421	Non-Utility Income			
426	Miscellaneous Non-Utility Expenses			
427	Interest Expense		40,722	40,722
	<b>TOTAL OTHER INCOME/EXP</b>	<b>\$ 1</b>	<b>\$ (40,722)</b>	<b>\$ (40,721)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ 66</b>	<b>\$ 6,339</b>	<b>\$ 6,405</b>