NEW APPLICATION

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AZ CORP COMMISSION
DOCKET CONTROL

ARIZONA CORPORATION COMMISSION

ORIGINAL

W-01557A-15-0080

Arizona Corporation Commission
DOCKETED
MAR 04 2015
DOCKETED BY

FINANCING APPLICATION

LAKE VERDE WATER COMPANY INC
UTILITY NAME

NEW APPLICATION
DOCKET NO(S)

W-01557A

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance.

IN ORDER TO PROCESS YOUR APPLICATION
PLEASE FORWARD THE ORIGINAL
AND THIRTEEN COPIES OF THE
APPLICATION PLUS
THREE PACKETS OF THE SUPPORTING
DOCUMENTATION TO:

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL CENTER
1200 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007

W-01557A

APPLICATION FOR FINANCE

February 23, 2015

ATTN: ARIZONA CORPORATION COMMISSION
1200 WEST WASHINGTON ST.
PHOENIX, ARIZONA 85007

FROM: LAKE VERDE WATER COMPANY (PWS) PERMIT #13-038
738 SOUTH PARKS DRIVE, CAMP VERDE, ARIZONA, 86322
[PHONE 928-567-9170, Fax 928-567-6351,]
E-MAIL: DBMCDONALD78@GMAIL.COM

Authorized person on behalf of Lake Verde Water Company to receive notice and communications regarding this application is:

Dugan Lee Mc Donald
President, Lake Verde Water Company
738 South Parks Drive
Camp Verde, Arizona 86322

Lake Verde Water Company is seeking a loan through Waster infrastructure Finance Authority of Arizona in the amount of $500,000.00 dollars, payable over 20.00 years at a rate of 4.5% or the prevailing rate prescribed by the Drinking Water Revolving Fund at the time of commitment. [A copy of the Cost estimate from the 2010 study requested by ADEQ. And conducted by Narasimhan Consulting Services, Inc. is attached herewith and is made a portion hereof by this reference]

Gross proceeds should equal net proceeds no agent other than WIFA will be used in procuring the loan.

The purpose of the loan is to finance the engineering, procurement, installation and operation of treatment plant to reduce Nitrates and Arsenic below the Maximum Contaminant level prescribed by the EPA and Arizona Department of Environmental Quality. Lake Verde Water Company received a notice of Violation from ADEQ, and is responding in good faith to the demands of the Arizona Corporation Commission office, The Office of Attorney General and the Superior Court of Arizona. Regarding both contaminants.

Lake Verde Water Company will provide necessary Corporate Resolutions to authorize the debt to WIFA.

Lake Verde Water Company, in the interest of the health and well fair of the public is requesting this loan. As Lake Verde Water Company does not currently comply with the parameters of the Safe Drinking Water Act.

Lake Verde Water Company has not contracted with an agent, or agency. There are no fees or commissions expected in this financing agreement. All documents executed in this financing will be provided.

Thank you for your consideration.

Dugan Lee Mc Donald
President, Lake Verde Water Company.

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PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER AUTHORIZING THE ISSUANCE OF A LOAN BY LAKE VERDE WATER COMPANY

Lake Verde Water Company tiled an Application with the Arizona Corporation Commission known herein and hereafter as the "Commission" for an order authorizing Lake Verde Water to issue $500,000.00 of Debt. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's office in Camp Verde, AZ. The purpose of the loan is to finance the installation and operation of a water treatment facility to lower Arsenic and Nitrate levels to the standards required by Arizona Department of Environmental Quality.

Intervention in Commission proceedings on the application shall be permitted to any person entitled by law to intervene and have a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon application 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 the Applicant**

The granting of motion to intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

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COMPANY NAME LAKE VERDE WATER COMPANY

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	$ 16,858.00	$ 16,709.00
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	$ 16,858.00	$ 16,709.00
	OPERATING EXPENSES		
601	Salaries and Wages	$	$
610	Purchased Water		
615	Purchased Power	1996.60	1948.88
618	Chemicals		
620	Repairs and Maintenance		
621	Office Supplies and Expense	146.89	1464.19
630	Outside Services	7725.33	4259.33
635	Water Testing	1235.43	1668.59
641	Rents		2100.00
650	Transportation Expenses		1583.45
657	Insurance – General Liability	1191.75	671.00
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	5741.38	8211.03
403	Depreciation Expense	4428.00	4303.00
408	Taxes Other Than Income		
408.11	Property Taxes	724.62	846.53
409	Income Tax		
	TOTAL OPERATING EXPENSES	$ 23,190.00	$ 27,056.00
	OPERATING INCOME/(LOSS)	$ (6332.00)	$ (10347.00)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	$	$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	$	$
	NET INCOME/(LOSS)	$ (6332.00)	$ (10347.00)

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COMPANY NAME LAKE VERDE WATER COMPANY INC.

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan	NONE			
Dollar Amount Issued	$	$	$	$
Amount Outstanding	$	$	$	$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	$	$	$	$
Current Year Principle	$	$	$	$

Meter Deposit Balance at Test Year End $ _____

Meter Deposits Refunded During the Test Year $ _____

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COMPANY NAME LAKE VERDE WATER CO

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	7590.00	7590.00	—
302	Franchises			
303	Land and Land Rights	10,000	—	10,000
304	Structures and Improvements			
307	Wells and Springs	5016.00	5016.00	—
311	Pumping Equipment	20875.00	19940.50	934.50
320	Water Treatment Equipment			
320.1	Water Treatment Plants			
320.2	Solution Chemical Feeders			
330	Distribution Reservoirs and Standpipes			
330.1	Storage Tanks			
330.2	Pressure Tanks			
331	Transmission and Distribution Mains	19032.00	18882.50	149.50
333	Services			
334	Meters and Meter Installations	955.00	955.00	—
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	380.00	380.00	—
340.1	Computers & Software	1925.00	1925.00	—
341	Transportation Equipment	1894.00	1894.00	—
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment	1263.00	1263.00	—
346	Communication Equipment	461.00	461.00	—
347	Miscellaneous Equipment	312.00	312.00	—
348	Other Tangible Plant			
	TOTALS	69703.00	58619.00	11084.00

This amount goes on the Balance Sheet Acct. No. 108 _____

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COMPANY NAME LAKE VERDE WATER CO

BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	$ 5155.44	$ 2986.00
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	1985.61	1321.00
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	$ 7141.05	$ 4307.00
	FIXED ASSETS		
101	Utility Plant in Service	$ 63632.00	$ 63632.00
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(52563.00)	(56866.00)
121	Non-Utility Property Intangible Assets	55090.00	55090.00
122	Accumulated Depreciation – Non Utility	(48761.00)	(51928.00)
	TOTAL FIXED ASSETS	$ 17398.00	$ 928.00
	TOTAL ASSETS	$ 24539.05	$ 14235.00

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

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COMPANY NAME LAKE VERDE WATER CO

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITES		
231	Accounts Payable	$ 740.00	$ 670.00
232	Notes Payable (Current Portion)	2747.00	2747.00
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes	1281.00	1435.00
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	$ 4768.00	$ 4852.00
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	$	$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	$	$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	$	$
	TOTAL LIABILITIES	$ 4768.00	$ 4852.00
	CAPITAL ACCOUNTS		
201	Common Stock Issued	$ 90,000.00	$ 90000.00
211	Paid in Capital in Excess of Par Value	19,200.00	19,200.00
215	Retained Earnings	(89429.00)	(99817.00)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	$	$
	TOTAL LIABILITIES AND CAPITAL	$ 24539.00	$ 14235.00

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3.2.1 Adsorption Contactors

The adsorption contactors should be designed such that the hydraulic loading rate should be between 6 to 8 gpm/ft^2, and the empty bed contact time should be around 2.5 minutes. Based on the design flow and arsenic level, it is determined that the two 2.5-foot diameter, epoxy coated, carbon steel pressure vessel with granular iron media should be used as adsorption contactors. Out of two vessels, one vessel will be in operation and other will be standby. Each pressure vessel should have a side shell height of 5 feet with a semi-elliptical top and bottom heads, each approximately 0.75 feet high. The total height of each pressure vessel will be approximately 6.5 feet. Based on water quality, it is assumed that the arsenic breakthrough will occur at 35,000 Bed Volumes (BVs), therefore, at 40% well utilization rate, contactor media will have to be replaced every 150 days.

3.2.2 Backwash Equalization Tank

The GIM is backwashed periodically (every 3 to 6 months), regardless of headloss through the contactors, at a backwash flow rate of 15 gpm/ft^2 for 15 minutes. The total backwash volume generated will be approximately 1,104 gallons. The headloss during backwash is generally around 15 psi. When media is installed in the contactors, it should to be conditioned or rinsed to remove iron fines. This process takes a slightly longer duration than a normal backwash operation. Rinsing should be performed at 8 gpm/ft^2 for 30 minutes. The total rinse volume generated will be approximately 1,178 gallons. A backwash tank 6-foot in diameter and 8-foot heigh should be provided to store either rinse or backwash effluent.

3.2.3 Disinfection

Disinfection of the groundwater is required for the removal or inactivation of microbial organisms that can harm the consumers. Disinfection also serves other useful purposes in water treatment, such as taste and odor control, prevention of algae growth, maintaining clean adsorption media, maintenance of distribution system water quality by controlling slime growth, water main sterilization, etc. The disinfection system can also be used to refresh water quality in the contactors after extended periods of shutdown, where microbial growth may have occurred. The adsorption contactors may need to be disinfected at a dose of 3 to 4 mg/L for 10 to 20 minutes to mitigate microbial growth within the contactors before returning the units to service.

3.3 Cost Estimate for the New ATF

Table 3 presents the total construction cost for the ATF project. It is estimated to be around $447,000. The annual operation and maintenance costs for the ATF is calculated to be around $24,000, as shown in Table 4.

Table 3: Estimated Construction Costs for LVWC ATF

Capital Costs Summary	35 GPM System
Adsorption System	
Contractors Cost + Media	$35,000
Piping (including manifold piping, control valves, flow meters, & backflow preventer)	$20,000
Arsenic System Installation Costs	$15,000
Foundation	$5,000
Residuals Handling System Costs (Backwash Equalization Tank)	$5,000
Acid System	$5,000
Backwash Decant Valves and Pipe	$5,000
Water Storage Tank	$20,000
Building (15' x 15')	$9,000
Transmission Line (2" HDPE Pipeline @ $ 30 / ft)	$158,400
Booster Station	$5,000
Yard Piping and Valves Allowance	$5,000
Electrical and Instrumentation & Controls	$20,000
Site Civil	$4,000
TOTAL ARSENIC FACILITIES COSTS	**$311,400**
CONTINGENCIES (10%)	$31,140
TOTAL ESTIMATED COSTS W/O TAXES	$342,540
Taxes, Insurance & Bonds (8.5%)	$29,116
TOTAL ESTIMATED COSTS W/ TAXES	**$371,656**
Engineering Design Fee, construction admin support, startup, and permitting	$75,000
TOTAL BUDGET	$447,000

Table 4: Estimated Annual O&M Costs at LVWC ATF

Operation and Maintenance Costs Summary	35 GPM System
Labor Cost - 8 hr/week of labor @ $30 per hour	$ 12,500
Media Replacement Cost	$ 4,000
Acid Cost	$ 1,250
Media Disposal Cost	$ 1,500
Power Cost	$ 600
Equipment Maintenance Cost	$ 4,000
Annual O&M Cost	$ 24,000

DRINKING WATER APPLICATION

Water Infrastructure Finance Authority of Arizona (WIFA)
Financial Assistance Project Priority List Application

W-01557A

SECTION 1: APPLICATION INFORMATION APPLICATION NUMBER: DW-030-2015 | Print

1.1 Applicant: Lake Verde Water Company INC Job Title: President

1.2 Contact Names: First Dugan Middle Initial: L Last: McDonald

1.3 Address: PO BOX 2777 City: Camp Verde State: AZ Zip: 86322

1.4 Phone: (928) 301-5964 Fax: (928) 567--6351 E-Mail: bmancos@gmail.com

1.5 County in Which Project is Located: Yavapai

1.6 Number of Connections to System: 68 ☐ N/A Population Served by the System: 68

1.7 Monthly Residential Fee (Base + Use) for 7,500 gallons: 24.00 ☐ N/A

1.8 Existing Debt (principal only) Payable by System Users: $0.00

1.9 Population of City or Town: 11,000 Median Household Income: $38,871.00

1.10 ADEQ System Identification Number (PWS #): 13-038
If this project involves an acquisition, please enter both systems' identification numbers.

1.11 Is the system ACC regulated? ◉ Yes ○ No

1.12 Is this request for a project that received financial or technical assistance from WIFA in a previous funding cycle? ○ Yes ◉ No

1.13 Is your system registered with the E-Verify Program? ○ Yes ◉ No
(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)

SECTION 2: PROPOSED DRINKING WATER FINANCIAL ASSISTANCE PROJECT

2.1 Project Title/Name: Lake Verde Water Company Inc

2.2 Type of loan required during this funding cycle? ☑ Design $100,000.00 and/or ☑ Construction $400,000.00

2.3 Briefly summarize the problem below. *(Mail or upload any supporting documentation)*

Two wells owned by Lake Verde Water Company, Inc require treatment for MCL violations for Arsenic and Nitrates

2.4 Briefly summarize the solution below.

Install Arsenic Treatment System

2.5 Project Purpose: *(Select only one)*

- ◉ Assist Non-Compliant Systems to Achieve Compliance
- ○ Assist Compliant Systems to Meet Future Requirements
- ○ Assist Compliant Systems to Maintain Compliance
- ○ Other (Not Compliance Related)

SECTION 3: EXISTING CONDITIONS AND PROJECT BENEFITS

3.1 **Select Expected Project Benefit(s)**

☑ Compliance - Existing Requirements ☐ Compliance - Future Requirements ☐ Expanded Service
☐ Reduce Public Health Risks

3.2 **Water System Improvement**

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- [x] Proposed project addresses deficiencies identified by EPA, ADEQ or ADEQ-delegated agency.

3.3 **Consolidation and Regionalization**

- [ ] Project physically consolidates two or more public water systems into one public water system
- [ ] Project is the extension of service to areas currently not served by a public water system.
- [ ] Project consolidates the operations, management and/or ownership of two or more public water systems.

3.4 **Water and Energy Efficiency Index**

- [ ] 50 to 100% of total project costs are for water or energy efficiency components or environmentally innovative approaches.
- [ ] 10% to 49% of project costs are for water or energy efficiency components or environmentally innovative approaches.
- [ ] less than 10% of the project costs are for any water or energy efficiency components or environmentally innovative approaches.

Project's green components

3.5 **System Compliance** **must mail or upload supporting documents*

- (•) Notice of violations and/or consent orders from regulatory agency *
- ( ) In compliance

SECTION 4: READINESS TO PROCEED INDICATORS

4.1 **Debt Authorization?**
(For more information, see WIFA Debt Authorization Guidance Document)

( ) Yes (•) No
Enter authorization/expected authorization date: _____ [mm/dd/yyyy]
(mail or upload copy of official governing body debt authorization resolution, election results or ACC order)

4.2 **Project Design** *(Select only one)*

(•) Project is in planning stages ( ) Engineer has been selected ( ) Currently under design ( ) Ready for construction
Enter design completion/anticipated design completion date: _____ [mm/dd/yyyy]

4.3 **Applicable Plan and Specification Approvals** *(Select only one)*

- ( ) Approval to construct has been obtained
- ( ) Plans and specification have been submitted to permitting agency for approval
- (•) Design has not been completed
- ( ) Other or not applicable

Enter permit/anticipated permit(s) receipt date: _____ [mm/dd/yyyy]
If not applicable or if multiple permits are required, please explain:

4.4 **Project Bids** *(Select only one)*

(•) Project is not ready for bid ( ) Project is currently out for bid ( ) Bidding is complete
Enter bid/anticipated bid award date: date: _____ [mm/dd/yyyy]

4.5 **Project Construction**

When do you plan to begin project construction? If you may need to begin the project before the requested financial assistance is awarded, please provide details.

As soon as funds are avaiable. We are under a consent order

SECTION 5: REQUESTED AMOUNT AND CERTIFICATION/APPROVAL

5.1 Estimated Date WIFA Funding Required: 03/01/2016 [mm/dd/yyyy]

5.2 Estimated Financial Assistance Costs & Funding Source

Funding Source	Project Costs

W-01557A

Amount funded locally:	$0.00
Amount requested from WIFA for this project:	$500,000.00
Other source:	$0.00
Total:	**$500,000.00**

5.3 **As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.**

First Name	Last Name	Title
Dugan	McDonald	president

Authorized Signature: [signature] **Date:** 2/23/2015

Please mail it to:
Water Infrastructure Finance Authority of Arizona
1110 West Washington, Suite 290, Phoenix, Arizona 85007