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NEW APPLICATION

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AZ CORP COMMISSION
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10 Attorneys for Liberty Utilities (Bella Vista Water) Corp.

Arizona Corporation Commission

DOCKETED

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BEFORE THE ARIZONA CORPORATION COMMISSION

11 IN THE MATTER OF THE APPLICATION
12 OF LIBERTY UTILITIES (BELLA VISTA
13 WATER) CORP., AN ARIZONA
14 CORPORATION, FOR AUTHORITY TO
15 ISSUE EVIDENCE OF INDEBTEDNESS IN
16 AN AMOUNT NOT TO EXCEED
17 \$4,700,000.

DOCKET NO: W-02465A-15-0370

APPLICATION (FINANCING)

18 Pursuant to A.R.S. §§ 40-301 and 40-302, Liberty Utilities (Bella Vista Water)
19 Corp. ("Liberty Bella Vista"), an Arizona public service corporation, hereby applies for
20 authority from the Arizona Corporation Commission ("Commission") to issue evidence of
21 indebtedness in a total amount not to exceed \$4,700,000 on the terms and conditions set
22 forth below. In support of this Application, Liberty Bella Vista states as follows:

23 A. General Background.

24 1. Liberty Bella Vista is a public service corporation providing water service to
25 approximately 9,357 customers in Maricopa County, Arizona.

26 2. Liberty Bella Vista's present rates and charges for utility service were
approved by the Commission in Decision No. 72251 (April 7, 2011) using a test year
ending March 31, 2009. Liberty Bella Vista is filing a rate case seeking new rates
simultaneous with this Application using a test year ending December 31, 2014.

1 3. Liberty Bella Vista's business office is located at 12725 W. Indian School
2 Road, Suite D-101, Avondale, Arizona 85392 and its telephone number is (623) 935-
3 9367. Liberty Bella Vista's primary management contact is its President Matthew
4 Garlick.

5 4. Mr. Garlick is the person responsible for overseeing and directing the
6 conduct of this Application. His mailing address is 12725 W. Indian School Road,
7 Suite D-101, Avondale, Arizona 85392; his telephone number is (623) 298-3763; and his
8 email address is matthew.garlick@libertyutilities.com. **All discovery, data requests and
9 other requests for information concerning this Application should be directed to
10 Mr. Garlick, with a copy by e-mail to undersigned counsel at jay@shapslawaz.com
11 and whitney@shapslawaz.com, and to Liberty's Assistant General Counsel at
12 todd.wiley@libertyutilities.com.**

13 5. Financial statements for the twelve-month period ending December 31, 2014,
14 are attached as **Exhibit 1**.

15 6. Statements projecting Liberty Bella Vista's estimated financial performance,
16 for the next five years, are attached as **Exhibit 2**.

17 **B. Purposes of Financing.**

18 7. Liberty Bella Vista seeks Commission approval of long-term debt financing
19 contemplated herein for the purpose of rebalancing Liberty Bella Vista's capital structure
20 from its present structure of 89.68 percent equity and 10.32 percent debt to a capital
21 structure of 70 percent equity and 30 percent debt.

22 8. Liberty Bella Vista's capital structure is presently 89.68-10.32. If this
23 application is approved, Liberty Bella Vista will borrow the amount necessary to achieve
24 a capital structure consisting of 70 percent equity and 30 percent debt. This amount is
25 currently estimated to be \$4.7 million. In addition, Liberty Bella Vista will enter into loan
26 agreements every six months as necessary to maintain a capital structure consisting of

1 70 percent equity and 30 percent debt. However, at no time will the total debt amount
2 exceed \$4,700,000.

3 **C. Terms and Conditions of Financial Transactions.**

4 9. The lender will be Liberty Utilities Co. ("Liberty Utilities"). Liberty Utilities
5 is an affiliate of Liberty Bella Vista. The term sheet for the proposed debt financing is
6 attached hereto as **Exhibit 3**. Liberty Utilities will provide the subject financing at a fixed
7 rate per annum that is equal to the average of the 10-year U.S. Treasury rate as published
8 on Bloomberg Financial Markets for the prior 30 days plus an interest rate spread to be
9 equal to the indicative 10-year spread on Liberty Utilities' most recent private placement
10 financing. The maturity date for the debt financing from Liberty Utilities shall be ten (10)
11 years after closing. Liberty Utilities will not earn a profit or return on loans made to
12 Liberty Bella Vista under the authority sought in this Application.

13 **D. Effects of Financial Transactions.**

14 10. Liberty Bella Vista's pro forma balance sheet for the period ending
15 December 31, 2014 is attached as **Exhibit 4**. The pro forma balance sheet reflects the
16 impact of the debt infusion that is the subject of this Application. As noted above, Liberty
17 Bella Vista's pro forma capital structure will be 30 percent debt and 70 percent common
18 equity.

19 11. Liberty Bella Vista will have a Debt Service Coverage Ratio ("DSCR") of
20 10.81 and a Times Interest Earned Ratio ("TIER") of 2.66 if the maximum requested
21 indebtedness were incurred. The ratios will be higher as long as the amount of debt
22 incurred remains less than the maximum value requested. The DSCR and TIER
23 calculations, as shown on **Exhibit 5**, were calculated using the current U.S. Treasury rate
24 as published on Bloomberg Financial Markets for the prior 30 days plus an interest rate
25 spread to be equal to the indicative 10-year spread on Liberty Utilities' most recent private
26 placement financing.

1 12. The loan proceeds will be issued for lawful purposes, as discussed herein,
2 and the execution of loan agreements with Liberty Utilities and the undertaking of the
3 obligations set forth therein are within Liberty Bella Vista's corporate powers.
4 A Corporate Resolution authorizing the contemplated transaction is attached as **Exhibit 6**.

5 13. Liberty Bella Vista will file true and correct copies of all debt instruments
6 issued with Docket Control within thirty (30) days from the date of issuance.

7 14. The approvals sought herein are compatible with the public interest and with
8 the proper performance of Liberty Bella Vista's duties as a public service corporation.

9 15. The financing contemplated herein will not impair Liberty Bella Vista's
10 ability to perform its duties as a public service corporation providing wastewater utility
11 service.

12 16. Liberty Bella Vista intends to consolidate this financing application with
13 Liberty Bella Vista's rate application filed on October 28, 2015. As such, Liberty Bella
14 Vista will seek permission to notify its customers of both applications at the same time if
15 consolidation is granted. Proof of publication and a true copy of the notice will be filed
16 with the Commission as necessary.

17 Based on the foregoing, Liberty Bella Vista respectfully requests the following:

18 A. That the Commission consider this Application at the same time and in the
19 same proceedings as Liberty Bella Vista's concurrently filed rate application;

20 B. That the Commission enter an order approving this Application and
21 authorizing Liberty Bella Vista to incur indebtedness in an amount not to exceed
22 \$4,700,000 for the purposes described above; and

23 C. That the Commission authorize Liberty Bella Vista to take such other and
24 further action as may be necessary to effectuate the purposes of this Application, as may
25 be appropriate under the circumstances herein.

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RESPECTFULLY SUBMITTED this 2nd day of November, 2015.

SHAPIRO LAW FIRM, P.C.

By: 
Jay L. Shapiro
1819 E. Morten Avenue, Suite 280
Phoenix, AZ 85020

and

LIBERTY UTILITIES

Todd C. Wiley
Assistant General Counsel
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Attorneys for Liberty Utilities
(Bella Vista Water) Corp.

ORIGINAL and fifteen (15) copies
of the foregoing were delivered
this 2nd day of November, 2015, to:

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

By: 

EXHIBIT 1

Liberty Utilities (Bella Vista Water) Corp.
 Test Year Ended December 31, 2014
 Comparative Balance Sheets

Exhibit
 Schedule E-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended 12/31/2014	Year Ended 12/31/2013	Year Ended 12/31/2012	
ASSETS				
PLANT				
2	Plant In Service	\$ 36,398,520	\$ 32,107,169	\$ 31,599,485
3	Non-Utility Plant	-	-	-
3	Construction Work in Progress	710,297	380,433	252,316
4	Property Held for Future Use	-	-	-
4	Accumulated Depreciation	(14,658,832)	(13,813,696)	(13,330,233)
5	Net Plant	<u>\$ 22,449,985</u>	<u>\$ 18,673,906</u>	<u>\$ 18,521,568</u>
CURRENT ASSETS				
8	Cash and Equivalents	\$ 3,806	\$ 39,076	\$ 9,832
9	Restricted Cash	774,303	571,984	421,317
10	Net Accounts Receivable	706,932	717,432	624,151
11	Inter-Company Receivable	30,000	30,000	30,000
12	Notes Receivable	-	-	-
13	Materials	-	-	-
14	Prepayments	1,855	5,173	8,177
15	Other Current Assets	-	-	-
16	Total Current Assets	<u>\$ 1,516,896</u>	<u>\$ 1,363,666</u>	<u>\$ 1,093,477</u>
OTHER ASSETS				
19	Debt Reserve	\$ 199,561	\$ 199,561	\$ 199,561
20	Other Deferred Debits	26,876	153,822	269,034
21	Other Non-Current Assets	-	-	-
22	Deferred Debits	<u>\$ 226,437</u>	<u>\$ 353,383</u>	<u>\$ 468,595</u>
24	TOTAL ASSETS	<u>\$ 24,193,318</u>	<u>\$ 20,390,954</u>	<u>\$ 20,083,640</u>
LIABILITIES AND STOCKHOLDER EQUITY				
Stockholder's Equity				
29	Stockholder's Equity	<u>\$ 8,610,275</u>	<u>\$ 8,410,238</u>	<u>\$ 7,719,554</u>
Long-Term Debt				
31	Long-Term Debt	<u>\$ 852,649</u>	<u>\$ 991,372</u>	<u>\$ 1,115,613</u>
CURRENT LIABILITIES				
34	Accounts Payable	\$ -	\$ -	\$ -
35	Current Portion of Long-Term Debt	138,093	188,173	134,338
36	Payables to Associated Companies	2,222,279	(50,751)	188,790
37	Customer Security Deposits	15,077	133,208	157,800
38	Customer Meter Deposits, Current	54,448	-	-
39	Current Portion of AIAC	110,000	-	-
40	Accrued Taxes	38,714	466,360	468,084
41	Accrued Interest	23,280	24,045	26,233
42	Other Current Liabilities	1,253,617	153,113	160,330
43	Total Current Liabilities	<u>\$ 3,855,508</u>	<u>\$ 914,148</u>	<u>\$ 1,135,576</u>
DEFERRED CREDITS				
46	Customer Meter Deposits, less current	\$ 353,707	\$ 216,837	\$ 312,735
47	Advances in Aid of Construction	9,218,045	9,145,498	9,129,093
48	Accumulated Deferred Income Taxes	426,432	-	-
49	Contributions In Aid of Construction	561,284	1,060,616	994,093
50	Accumulated Amortization	(342,382)	(347,754)	(323,023)
51	Other Deferred Credits	657,800	-	-
52	Total Deferred Credits	<u>\$ 10,874,886</u>	<u>\$ 10,075,197</u>	<u>\$ 10,112,898</u>
54	Total Liabilities & Common Equity	<u>\$ 24,193,318</u>	<u>\$ 20,390,954</u>	<u>\$ 20,083,640</u>

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

A-3

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Liberty Utilities (Bella Vista Water) Corp.
 Test Year Ended December 31, 2014
 Comparative Income Statements

Exhibit
 Schedule E-2
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended 12/31/2014	Prior Year Ended 12/31/2013	Prior Year Ended 12/31/2012
1	Revenues			
2	Metered Water Revenue	\$ 4,563,347	\$ 4,808,579	\$ 4,787,629
3	Unmetered Water Revenue	-	-	-
4	Other Water Revenue	94,478	114,613	126,528
5	Total Revenues	\$ 4,657,825	\$ 4,923,191	\$ 4,914,157
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Water	3,021	1,791	2,027
9	Purchased Power	556,214	600,274	624,023
10	Chemicals	17,963	16,139	26,743
11	Fuel for Power Production	-	-	-
12	Repairs and Maintenance	-	-	-
13	Office Supplies and Expense	39,361	40,098	48,207
14	Outside Services	-	-	-
15	Contractual Services - Professional	1,242,194	1,047,141	1,178,325
16	Contractual Services - Testing	89,695	32,696	21,079
17	Contractual Services - Other	638,020	949,720	804,212
18	Water Testing	-	-	-
19	Rents	6,162	12,646	6,731
20	Transportation	105,295	95,691	116,713
21		-	-	-
22	Insurance	45,568	70,342	63,233
23	Regulatory Commission Expense	121,568	115,212	111,302
24	Materials and Supplies	63,090	54,801	64,357
25	Miscellaneous	152,340	121,547	111,172
26	Depreciation	1,152,110	807,947	801,722
27	Taxes Other Than Income	-	-	-
28	Property Taxes	205,848	191,308	185,260
29	Income Tax	-	-	-
30				
31	Total Operating Expenses	\$ 4,438,450	\$ 4,157,354	\$ 4,165,108
32	Operating Income	\$ 219,375	\$ 765,837	\$ 749,050
33	Other Income (Expense)			
34	Interest and Dividend Income	-	-	-
35	AFUDC Income	57,346	10,644	-
36	Miscellaneous Non-Utility Expenses	(849)	(1,811)	-
37	Interest Expense	(75,834)	(83,987)	(92,524)
38				
39	Total Other Income (Expense)	\$ (19,337)	\$ (75,154)	\$ (92,524)
40	Net Profit (Loss)	\$ 200,037	\$ 690,684	\$ 656,526

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
 A-2

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Liberty Utilities (Bella Vista Water) Corp.
 Test Year Ended December 31, 2014
 Comparative Statements of Cash Flows

Exhibit
 Schedule E-3
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended <u>12/31/2014</u>	Prior Year Ended <u>12/31/2013</u>	Prior Year Ended <u>12/31/2012</u>
1			
2			
3	Cash Flows from Operating Activities		
4	Net Income	\$ 200,037	\$ 690,684
5	Adjustments to reconcile net income to net cash		\$ 656,526
6	provided by operating activities:		
7	Depreciation and Amortization	1,152,110	807,947
8	Depreciation and Amortization Adjustments	(301,602)	(349,215)
9	Changes in Certain Assets and Liabilities:		
10	Accounts Receivable	10,500	(93,281)
11	Restricted Cash	(202,319)	(150,667)
12	Materials and Supplies Inventory		
13	Prepaid Expenses	3,318	3,004
14	Deferred Debits/Credits	1,211,178	115,212
15	Receivables/Payables to Associated Co.	2,273,030	(239,541)
16	Accounts Payable		(346,043)
17	Interest Payable	(765)	(2,188)
18	Customer Meter and Security Deposits	73,187	(120,490)
19	Taxes Payable	(427,646)	(1,724)
20	Other assets and liabilities	1,100,504	(7,217)
21	Rounding	1	(1)
22	Net Cash Flow provided by Operating Activities	\$ 5,091,534	\$ 652,523
23	Cash Flow From Investing Activities:		\$ 801,132
24	Capital Expenditures	(4,621,215)	(635,801)
25	Plant Held for Future Use		(1,165,265)
26	Changes in Special Funds		
27	Net Cash Flows from Investing Activities	\$ (4,621,215)	\$ (635,801)
28	Cash Flow From Financing Activities		\$ (1,165,265)
29	Change in Restricted Cash		
30	Proceeds from Long-Term Debt	(188,803)	(70,406)
31	Net receipt of contributions in aid of construction	(499,332)	66,523
32	Net receipts of advances in aid of construction	182,547	16,405
33	Repayments of Long-Term Debt		551,448
34	Distributions		(357,794)
35	Deferred Financing Costs		
36	Paid in Capital		
37	Net Cash Flows Provided by Financing Activities	\$ (505,588)	\$ 12,522
38	Increase(decrease) in Cash and Cash Equivalents	(35,269)	29,244
39	Cash and Cash Equivalents at Beginning of Year	39,076	9,832
40	Cash and Cash Equivalents at End of Year	\$ 3,807	\$ 39,076

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 43 SUPPORTING SCHEDULES:
 44 Workpapers
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RECAP SCHEDULES:
 A-5

EXHIBIT 2

Sierra Vista - Water	Act / For 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020
2015	2015	2016	2017	2018	2019	2020
Jan	Annual	Annual	Annual	Annual	Annual	Annual
Company	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
8500 - Bella Vista	365	365	365	365	365	365
Water						

FINANCIAL STATEMENTS

Income Statement

Energy/Steam Sales						
Waste Disposal Fees						
Utility Sales and Distribution - Water and Wastew	4,628,386	4,841,087	4,843,412	4,851,685	4,859,982	4,874,260
Utility Sales and Distribution - Energy						
Utility Sales and Distribution - Gas						
Other Revenue						
Revenue - Gross	4,628,386	4,841,087	4,843,412	4,851,685	4,859,982	4,874,260
Regulated Electricity Purchased						
Regulated Gas Purchased						
Non Regulated Fuel for Generation						
Energy Cost						
Revenue - Net	4,628,386	4,841,087	4,843,412	4,851,685	4,859,982	4,874,260
Liberty - Operations - Non Labour	1,291,496	1,033,947	1,408,951	1,408,951	1,408,951	1,408,951
Operating Costs	448,526	518,018	518,018	518,018	518,018	518,018
Repair and Maintenance	4,408	6,045	6,045	6,045	6,045	6,045
Utility/Consumable Costs	609,866	654,778	654,778	654,778	654,778	654,778
Administration-Site	228,695	(144,893)	230,111	230,111	230,111	230,111
Administration-Corporate (Includes Test Year Infl	-	-	-	-	-	-
Liberty - Operations - Labour	1,065,689	1,165,569	1,165,569	1,165,569	1,165,569	1,165,569
Liberty - Customer Care - Non Labour	9,199	9,110	9,110	9,110	9,110	9,110
Liberty - Customer Care - Labour	252,347	261,946	261,946	261,946	261,946	261,946
Liberty - Admin - Non Labour	3,000	6,000	6,000	6,000	6,000	6,000
Liberty - Admin - Labour	339,060	361,897	361,897	361,897	361,897	361,897
Expenses (Excluding Admin)	2,960,790	2,838,471	3,213,475	3,213,475	3,213,475	3,213,475
Other Income Before EBITDA	3,325	6,650	6,650	6,650	6,650	6,650
Operating Profit	1,670,922	2,009,267	1,636,587	1,644,860	1,653,158	1,667,436
Business Group Admin	90,590	87,434	87,679	89,432	91,221	93,502
Business Services Admin	103,970	107,353	119,933	123,219	126,627	130,167
Business Group Profit	194,560	194,786	207,612	212,651	217,848	223,669
Executive Admin	68,657	78,681	81,834	85,296	89,034	93,252
Corporate Services Admin	41,365	50,953	52,410	54,178	56,028	57,998
Other Admin	110,023	129,634	134,244	139,474	145,062	151,250
Expenses (Including Admin)	3,265,372	3,162,891	3,555,330	3,565,600	3,576,385	3,588,394
EBITDA	1,363,014	1,678,196	1,288,082	1,286,085	1,283,597	1,285,867
Depreciation	1,100,485	1,157,497	1,183,000	1,206,248	1,270,609	1,312,316
Amortization	51,351	-	-	-	-	-
Depreciation & Amortization	1,151,836	1,157,497	1,183,000	1,206,248	1,270,609	1,312,316
EBIT	211,178	520,699	105,081	79,837	12,988	(26,449)
Interest Expense	158,769	149,719	159,600	172,369	235,481	249,167
AFUDC - Debt (Gain) / Loss	(840)	(1,680)	(1,680)	(1,680)	(1,680)	(1,680)
Acquisition Costs	-	-	-	-	-	-
(Gain) / Loss on Foreign Exchange	-	-	-	-	-	-
(Gain) / Loss on Derivative Financial Instrument	-	-	-	-	-	-
(Gain) / Loss on Fixed Asset Disposal	-	-	-	-	-	-
Other (Income) and Expenses						
Earnings Before Tax	53,249	372,661	(52,839)	(90,851)	(220,814)	(273,936)

Current Income Taxes	21,300	149,064	(21,136)	(36,340)	(88,325)	(109,574)
Future Income Taxes						
Income Taxes	21,300	149,064	(21,136)	(36,340)	(88,325)	(109,574)
Net Income	31,949	223,596	(31,703)	(54,511)	(132,488)	(164,362)
Balance Sheet						
Cash	1,134,664	1,134,664	1,134,664	1,134,664	1,134,664	1,134,664
Short Term Investments	-	-	-	-	-	-
Accounts Receivables	648,963	648,963	648,963	648,963	648,963	648,963
Prepaid Expenses	(318)	(318)	(318)	(318)	(318)	(318)
Supplies and Consumables Inventory	-	-	-	-	-	-
Current Portion of Notes Receivables	-	-	-	-	-	-
Income Tax Receivable	-	-	-	-	-	-
Current Portion of Regulatory Assets	-	-	-	-	-	-
Current Portion of Derivative Assets	-	-	-	-	-	-
Current Assets	1,783,309	1,783,309	1,783,309	1,783,309	1,783,309	1,783,309
Utility Plant	37,166,918	37,945,038	38,721,158	39,447,278	42,148,398	42,864,863
Accumulated Depreciation	(15,416,935)	(16,574,432)	(17,757,432)	(18,963,680)	(20,234,289)	(21,546,605)
Construction Work In Progress	-	-	-	-	-	-
Cost of Removal	-	-	-	-	-	-
Net Plant	21,749,983	21,370,606	20,963,726	20,483,599	21,914,109	21,318,259
Intangible Assets Cost	-	-	-	-	-	-
Accumulated Depreciation-Intangible	-	-	-	-	-	-
Other Intangibles	-	-	-	-	-	-
Net Intangible Assets	-	-	-	-	-	-
Restricted Cash	-	-	-	-	-	-
Intercompany Accounts	(2,981,439)	(2,981,439)	(2,981,439)	(2,981,439)	(2,981,439)	(2,981,439)
Long Term Assets	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Future non-current income tax asset	-	-	-	-	-	-
Deferred Financing Costs	-	-	-	-	-	-
Regulatory Assets	-	-	-	-	-	-
Derivative Assets	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Other Non Current Assets	(2,981,439)	(2,981,439)	(2,981,439)	(2,981,439)	(2,981,439)	(2,981,439)
Assets	20,551,854	20,172,477	19,765,597	19,285,469	20,715,980	20,120,129
Accounts Payable	62,958	62,958	62,958	62,958	62,958	62,958
Accrued Liabilities	348,960	348,960	348,960	348,960	348,960	348,960
Distributions Payable	-	-	-	-	-	-
Dividends Payable	-	-	-	-	-	-
Current portion of long term debt	147,623	147,623	147,623	147,623	147,623	147,623
Current Portion of Derivative Liabilities	-	-	-	-	-	-
Current Portion of Other Long-term Liabilities	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-
Current Portion of AIAC	110,000	110,000	110,000	110,000	110,000	110,000
Current Portion Preferred Series C	-	-	-	-	-	-
Current Liabilities	669,541	669,541	669,541	669,541	669,541	669,541
Long Term Liabilities	928,739	1,150,127	1,529,195	1,875,593	3,656,921	3,328,357
Convertible Debentures	-	-	-	-	-	-
Other Long Term Liabilities	-	-	-	-	-	-
Advances in Aid of Construction	9,238,919	9,238,919	9,238,919	9,238,919	9,238,919	9,238,919
Long Term Meter Deposits	373,285	373,285	373,285	373,285	373,285	373,285
Pension Obligation	-	-	-	-	-	-
Contingent Consideration	-	-	-	-	-	-
Regulatory Liabilities	-	-	-	-	-	-
Future non-current income tax liability	426,432	426,432	426,432	426,432	426,432	426,432
Derivative Liabilities	-	-	-	-	-	-
Deferred Credits	699,400	699,400	699,400	699,400	699,400	699,400
Preferred Series C	-	-	-	-	-	-

Non Current Liabilities	11,666,775	11,888,163	12,267,231	12,613,630	14,394,958	14,066,393
Liabilities	12,336,316	12,557,704	12,936,772	13,283,171	15,064,499	14,735,934
Contributed Capital	-	-	-	-	-	-
Common Shares	3,879,780	3,879,780	3,879,780	3,879,780	3,879,780	3,879,780
Partnership Contributions	-	-	-	-	-	-
Partnership Equity	-	-	-	-	-	-
Trust Units	-	-	-	-	-	-
Retained Earnings	7,529,196	7,908,506	7,862,317	7,778,116	7,563,953	7,296,667
Partnership Distributions	-	-	-	-	-	-
Offering Costs	-	-	-	-	-	-
Cash Distributions	(450,816)	(1,430,891)	(2,170,650)	(2,912,976)	(3,049,629)	(3,049,629)
Dividends Paid	(2,742,622)	(2,742,622)	(2,742,622)	(2,742,622)	(2,742,622)	(2,742,622)
Other Comprehensive Income	-	-	-	-	-	-
Shareholders Equity	8,215,538	7,614,773	6,828,825	6,002,299	5,651,481	5,384,195
Non Controlling interest	-	-	-	-	-	-
Total Equity	8,215,538	7,614,773	6,828,825	6,002,299	5,651,481	5,384,195
Total Liabilities and Equity	20,551,854	20,172,477	19,765,597	19,285,469	20,715,980	20,120,129
Balance Sheet Check	0	0	0	0	0	0
Cash Flow						
Net Income	(82,035)	129,857	(177,113)	(213,537)	(305,343)	(350,770)
Deprecation	1,100,485	1,157,497	1,183,000	1,206,248	1,270,609	1,312,316
Amortization	51,351	-	-	-	-	-
Pension	-	-	-	-	-	-
Deferred Taxes	-	-	-	-	-	-
Increase / (Decrease) in Current Liabilities	(948,611)	-	-	-	-	-
(Increase) / Decrease in Current Assets	60,141	-	-	-	-	-
Cash From Operating Activities	181,331	1,287,353	1,005,888	992,711	965,266	961,546
Increase / (Decrease) in Line of Credit	-	221,388	379,068	346,399	1,781,328	(328,565)
Increase / (Decrease) in 3rd Party Debt	-	-	-	-	-	-
Increase / (Decrease) in InterCo Debt	-	-	-	-	-	-
Cash Distributions	-	(980,075)	(739,759)	(742,325)	(136,654)	-
Dividends	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
(Decrease) / Increase in Other Long Term Liabilities	-	-	-	-	-	-
Environmental Remediation	-	-	-	-	-	-
Cash From Financing Activities	-	(758,687)	(360,691)	(395,927)	1,644,674	(328,565)
CapEx	-	(778,120)	(776,120)	(726,120)	(2,701,120)	(716,465)
(Increase) / Decrease in Other Long Term Assets	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Cash From Investing Activities	-	(778,120)	(776,120)	(726,120)	(2,701,120)	(716,465)
Cash Flow	181,331	(249,454)	(130,924)	(129,336)	(91,179)	(83,484)

EXHIBIT 3

TERM SHEET

Lender	Liberty Utilities Co.
Borrower	Liberty Utilities (Bella Vista Water) Corp.
Guarantor(s)	None
Type of Credit	Term Loan
Purpose	Any lawful purpose including, without limitation, achieving and maintaining a capital structure with a preferred blend of debt and equity.
Loan Amount	Maximum of US \$4.7 million
Maturity Date	Ten Years after Closing Date
Collateral	None
Interest Rate	<p>Interest on the principal amount of each Note will accrue from and including the date of the borrowing or issuance thereof, but excluding the date of any repayment or termination thereof, at a fixed rate per annum that is equal to the average of the 10-year U.S. Treasury rate as published on Bloomberg Financial Markets for the prior 30 days plus [*] percent.</p> <p>*Spread to be equal to the indicative 10 year spread on Liberty Utilities Co.'s most recent private placement financing.</p>
Repayment Terms	Interest payments will be payable on a semi-annual basis. <i>[Given an estimated interest rate of 3.32% at the time of application, the semi-annual interest payment would be approximately \$78,020.00.]</i> The principal balance shall be due and payable on or before the maturity date.
Prepayment	<p>Ten Year US Treasury plus 50 basis points make whole on early repayment.</p> <p>Lender acknowledges, and the parties hereto agree, that the loan holder has the right to maintain its investment in the loan free from repayment by Lender and that the provision for payment of a make-whole amount by Lender in the event that the loan is redeemed is intended to provide compensation for the deprivation of such right under such circumstances.</p> <p>“Make-whole amount” means, with respect to the loan, an amount equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the called principal of such loan over the amount of such called principal, provided that the make-whole amount may in no event be less than zero.</p>
Indicative Covenants	Borrower shall maintain a debt to capital ratio of no more than 65%.
Other Covenants	Standard and customary for transactions of this nature.
Expenses	Borrower and Lender to incur their own reasonable out-of-pocket costs and expenses incurred in connection with initiating and administering the loan, including, but not limited to, closing, legal, and administrative costs.

EXHIBIT 4

Liberty Utilities (Bella Vista Water) Corp.
 Test Year Ended December 31, 2014
 Comparative Balance Sheets

Exhibit
 Schedule E-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended 12/31/2014	Year Ended 12/31/2013	Year Ended 12/31/2012	
ASSETS				
1	PLANT			
2	Plant In Service	\$ 36,398,520	\$ 32,107,169	\$ 31,599,485
3	Non-Utility Plant	-	-	-
3	Construction Work in Progress	710,297	380,433	252,316
4	Property Held for Future Use	-	-	-
4	Accumulated Depreciation	(14,658,832)	(13,813,696)	(13,330,233)
5	Net Plant	<u>\$ 22,449,985</u>	<u>\$ 18,673,906</u>	<u>\$ 18,521,568</u>
6	CURRENT ASSETS			
8	Cash and Equivalents	\$ 3,806	\$ 39,076	\$ 9,832
9	Restricted Cash	774,303	571,984	421,317
10	Net Accounts Receivable	706,932	717,432	624,151
11	Inter-Company Receivable	30,000	30,000	30,000
12	Notes Receivable	-	-	-
13	Materials	-	-	-
14	Prepayments	1,855	5,173	8,177
15	Other Current Assets	-	-	-
16	Total Current Assets	<u>\$ 1,516,896</u>	<u>\$ 1,363,666</u>	<u>\$ 1,093,477</u>
17	OTHER ASSETS			
19	Debt Reserve	\$ 199,561	\$ 199,561	\$ 199,561
20	Other Deferred Debits	26,876	153,822	269,034
21	Other Non-Current Assets	-	-	-
22	Deferred Debits	<u>\$ 226,437</u>	<u>\$ 353,383</u>	<u>\$ 468,595</u>
23	TOTAL ASSETS			
24		<u>\$ 24,193,318</u>	<u>\$ 20,390,954</u>	<u>\$ 20,083,640</u>
25	LIABILITIES AND STOCKHOLDER EQUITY			
26	LIABILITIES AND STOCKHOLDER EQUITY			
29	Stockholder's Equity	<u>\$ 6,720,712</u>	<u>\$ 8,410,238</u>	<u>\$ 7,719,554</u>
30	Long-Term Debt			
31		<u>\$ 2,742,212</u>	<u>\$ 991,372</u>	<u>\$ 1,115,613</u>
32	CURRENT LIABILITIES			
34	Accounts Payable	\$ -	\$ -	\$ -
35	Current Portion of Long-Term Debt	138,093	188,173	134,338
36	Payables to Associated Companies	2,222,279	(50,751)	188,790
37	Customer Security Deposits	15,077	133,208	157,800
38	Customer Meter Deposits, Current	54,448	-	-
39	Current Portion of AIAC	110,000	-	-
40	Accrued Taxes	38,714	466,360	468,084
41	Accrued Interest	23,280	24,045	26,233
42	Other Current Liabilities	1,253,617	153,113	160,330
43	Total Current Liabilities	<u>\$ 3,855,508</u>	<u>\$ 914,148</u>	<u>\$ 1,135,576</u>
44	DEFERRED CREDITS			
46	Customer Meter Deposits, less current	\$ 353,707	\$ 216,837	\$ 312,735
47	Advances in Aid of Construction	9,218,045	9,145,498	9,129,093
48	Accumulated Deferred Income Taxes	426,432	-	-
49	Contributions In Aid of Construction	561,284	1,060,616	994,093
50	Accumulated Amortization	(342,382)	(347,754)	(323,023)
51	Other Deferred Credits	657,800	-	-
52	Total Deferred Credits	<u>\$ 10,874,886</u>	<u>\$ 10,075,197</u>	<u>\$ 10,112,898</u>
53	Total Liabilities & Common Equity			
54		<u>\$ 24,193,318</u>	<u>\$ 20,390,954</u>	<u>\$ 20,083,640</u>

58 SUPPORTING SCHEDULES:

58 RECAP SCHEDULES:

59 A-3

59
60
61
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EXHIBIT 5

Liberty Utilities Corp. (Bella Vista) Pro Forma Ratios
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Debt Service Coverage Ratio	
2014 Net Income	\$ 172,604
Interest Expense	\$ 137,466
Depreciation and Amortization	\$ 1,175,263
Net Operating Income	\$ 1,485,333
Estimated Monthly Interest Payment	\$ 11,456
Estimated Annual Interest Payments	\$ 137,466
Debt Service Coverage Ratio	10.81

Times Interest Earned Ratio	
2014 Net Income	\$ 172,604
Interest Expense	\$ 137,466
Income Taxes	\$ 55,166
Earnings Before Interest and Taxes	\$ 365,236
Estimated Monthly Interest Payment	\$ 11,456
Estimated Annual Interest Payments	\$ 137,466
Times Interest Earned Ratio	2.66

EXHIBIT 6

LIBERTY UTILITIES (BELLA VISTA WATER) CORP.

**STATEMENT OF UNANIMOUS WRITTEN CONSENT TO ACTION TAKEN IN LIEU
OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS**

October 13, 2015

In lieu of a special meeting of the Board of Directors of Liberty Utilities (Bella Vista Water) Corp., an Arizona corporation (the "Corporation"), the undersigned, being all of the duly elected directors of the Corporation (the "Board"), acting in accordance with the authority contained in Arizona Revised Statutes §10-821, hereby adopt the following resolutions as actions of the Board, with the same force and effect as if such resolutions had been duly adopted at a meeting of the Board.

DEBT FINANCING

RESOLVED THAT the Corporation is authorized to apply to the Arizona Corporation Commission seeking approval of the debt financing contemplated in the Corporation's Financing Application ("Application") to be filed with the Arizona Corporation Commission, in an amount necessary to rebalance and maintain the Corporation's capital structure at 30 percent debt to 70 percent equity;

RESOLVED THAT the Corporation may obtain debt financing from Liberty Utilities Co. in an amount not to exceed \$4,700,000, at an interest rate equal to the average of the 10-year U.S. Treasury rate as published on Bloomberg Financial Markets for the prior 30 days plus a percent spread to be equal to the spread on Liberty Utilities Co.'s most recent private placement financing;

RESOLVED THAT the maturity date for the debt financing from Liberty Utilities Co. shall be ten (10) years after closing date;

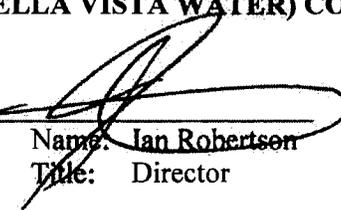
RESOLVED THAT that Liberty Utilities Co. will not earn a profit on such debt financing to the Corporation as sought in the Financing Application;

RESOLVED THAT the Corporation is authorized to execute, prepare and submit all proper filings and disclosures, and seek and obtain any and all necessary approvals in connection with the processing of the Financing Application; and

FURTHER RESOLVED THAT any two officers of the Corporation be, and each of them hereby is, authorized to sign such documents on behalf of the Corporation and to otherwise carry out the purposes and intent of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned, being all of the Directors of the Corporation, have executed this Statement of Unanimous Written Consent as of the date first written above.

LIBERTY UTILITIES (BELLA VISTA WATER) CORP.

By: 
Name: Ian Robertson
Title: Director

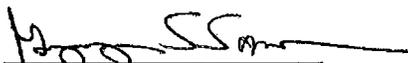
By: _____
Name: Gregory Sorensen
Title: Director

By: _____
Name: Richard Leehr
Title: Director

IN WITNESS WHEREOF, the undersigned, being all of the Directors of the Corporation, have executed this Statement of Unanimous Written Consent as of the date first written above.

LIBERTY UTILITIES (BELLA VISTA WATER) CORP.

By: _____
Name: Ian Robertson
Title: Director

By:  _____
Name: Gregory Sorensen
Title: Director

By: _____
Name: Richard Lehr
Title: Director

IN WITNESS WHEREOF, the undersigned, being all of the Directors of the Corporation, have executed this Statement of Unanimous Written Consent as of the date first written above.

LIBERTY UTILITIES (BELLA VISTA WATER) CORP.

By: _____
Name: Ian Robertson
Title: Director

By: _____
Name: Gregory Sorensen
Title: Director

By: 
Name: Richard Leehr
Title: Director