

**ORIGINAL**

**NEW APPLICATION**



0000172991

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@law-msh.com

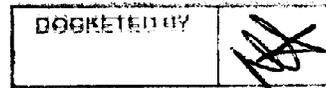
**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

10 DOUG LITTLE - CHAIRMAN  
 11 BOB STUMP  
 12 BOB BURNS  
 13 TOM FORESE  
 14 ANDY TOBIN

Arizona Corporation Commission  
**DOCKETED**

AUG 19 2016



15 **IN THE MATTER OF THE**  
 16 **APPLICATION OF CLEAR SPRINGS**  
 17 **UTILITY COMPANY, INC., FOR**  
 18 **AUTHORITY TO INCUR LONG-TERM**  
 19 **DEBT**

DOCKET NO. W-01689A-16-0288

**WATER DIVISION**  
**FINANCE APPLICATION**

20 Clear Springs Utility Company, Inc. ("Clear Springs" or "Company") hereby files  
 21 an application to finance improvements to its water system.

**INFORMATION REQUESTED ON APPLICATION FORM**

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

25 Clear Springs Utility Company, Inc.  
 26 Attn: Bonnie O'Connor  
 27 Southwestern Utility Management  
 28 P.O. Box 85160  
 2015 N. Forbes Blvd., Ste. 107  
 Tucson, Arizona 85745

RECEIVED  
 AZ CORP COMMISSION  
 DOCKET CONTROL  
 2016 AUG 19 P 3:15

1 Telephone: 520-623-5172 ext. 7  
2 Facsimile: 520-792-0377

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

4 Steve Wene  
5 Moyes Sellers & Hendricks Ltd.  
6 1850 North Central Ave., Suite 1100  
7 Phoenix, Arizona 85004  
8 Telephone: (602) 604-2189  
9 Facsimile: (602) 274-9135  
10 swene@law-msh.com

11 **3. Data Request Responses.**

12 The responses to the data request are set forth in Attachment A.

13 **4. Consistency with A.R.S. § 40-301 et seq.**

14 The proposed financing is: (a) within the Company's corporate powers,  
15 (b) compatible with the public interest; (c) compatible with sound financial practices;  
16 (d) compatible with the proper performance by the applicant of service as a public service  
17 corporation and will not impair the Company's ability to perform that service; and (e) the  
18 financing is not reasonably chargeable to operative expenses or to income because the  
19 proceeds are being used to make major capital improvements.

20 **4. Proceeds Statement and Service Fees.**

21 Gross proceeds will be \$586,002. There is a \$5,000 origination fee. The  
22 Company will net \$581,002 from the proposed loan. Under CoBank's terms, the  
23 Company anticipates paying a fixed interest rate of approximately 5.25%. This market  
24 rate loan is reasonable for the Commission to approve.

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

26 A copy of standard loan agreement is set forth in Attachment B.

27 **10. Customer Notice.**

28 The Commission's required notice will be timely published in a newspaper of  
general circulation in the Company's service area. The Company will file with the

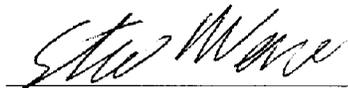
1 Commission a copy of the actual notice published and an affidavit stating when it was  
2 published.

3 **REQUEST FOR APPROVAL**

4 As set forth in this Application, the Company requests that the Commission  
5  
6 authorize the financing described herein.

7 DATED this 19<sup>th</sup> day of August, 2016.

8 **MOYES SELLERS & HENDRICKS LTD.**

9  
10  
11 

12 Steve Wene

13  
14 **Original and 13 copies filed this**  
15 **19<sup>th</sup> day of August, 2016, with:**

16 Docket Control  
17 Arizona Corporation Commission  
18 1200 West Washington  
19 Phoenix, Arizona 85007

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# **Attachment A**

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## ATTACHMENT A

**1.1** – Provide audited financial statements for the Company’s most recent fiscal year end to include, but not limited to, balance sheets, income statements, reconciliation of retained earnings (membership capital or equity), cash flow statements, footnotes, disclosures, and any other pertinent documentation including a schedule of general and administrative costs, and all management and accountants opinion letters. Un-audited financial statements will suffice if audited statements are not routinely generated. If the financial statements provided are not for the fiscal year immediately preceding the calendar year in which the current financing approval application is docketed, indicate when the more recent financial statements are expected to be available and provide them as soon as they become available.

**Response 1.1** - See Exhibit 1.1 (Company’s most-recent annual report).

**1.2** – Provide the name and address of the lender or debt placement agent, and the expected terms of the planned financing, including but not limited to, loan amount, inception date, maturity date, interest rate (for variable interest rates state the basis upon which the rate is dependent and the time interval or frequency the changes are implemented), numerical covenants such as debt service coverage (“DSC”), times interest earned coverage (“TIER”), cash coverage ratio (“CCR”), equity-to-total capital ratio, etc. For amortizing loans, provide an amortization schedule showing the scheduled payments for principal and interest for the full duration of the loan.

**Response 1.2.1** - The lender is CoBank, and the contact information is set forth below:

CoBank, ACB  
Attn: Bryan Ervin  
6340 S. Fiddlers Green Circle  
Greenwood Village, Colorado 80111-1914  
303-740-4377

1 **Response 1.2.2** - If the Commission authorizes the proposed debt, the Company will  
2 request that CoBank lend the Company \$586,002 at a fixed rate of approximately 5.25%  
3 for a 20-year term. Consistent with industry practice, CoBank cannot offer the actual  
4 finance terms until the Commission authorizes water providers like the Company to incur  
5 debt. To assist in the loan analysis, a copy of the proposed loan agreement set forth in  
6 Attachment B.

7 **Response 1.2.3** - Regarding the numerical covenants, the Debt Service Coverage  
8 requirement is 1.00.

9 **Response 1.2.4** – The amortization schedule will be developed following Commission  
10 approval of the loan.

11  
12 **1.3** – Provide an explanation of the proposed use of the financing proceeds. If the  
13 proceeds of the financing are for funding multiple projects/uses or a construction work  
14 plan (“CWP”), provide a detailed list of the projects/uses or a copy of the CWP and the  
15 associated cost and the expected funding dates for each. Also provide a copy of any  
16 independent external engineering review of the CWP.

17 **Response 1.3** - *See* Opinion of Probable Cost set forth in Exhibit 1.3.

18  
19 **1.4** – If interim funding is to be utilized for the projects in the CWP, identify the source  
20 of all elements of this expected interim funding and when the interim funding is expected  
21 to be retired and replaced with permanent funding from this new financing arrangement.

22 **Response 1.4** - Not applicable.

23  
24 **1.5** – Provide the balances, if any, of “Advances in Aid of Construction” and  
25 “Contributions in Aid of Construction,” as of the end of the Company’s most recent fiscal  
26 year.

27 **Response 1.5** – *See* Exhibit 1.1 (Company’s most-recent annual report).

1 **1.6** – Provide proof of notice of this matter duly published within newspapers of general  
2 circulation within the Company’s service territory, as specified in the finance application  
3 form at <http://www.azcc.gov/divisions/utilities/forms.asp>. Identify any other method  
4 (e.g., direct mail) used to provide customer notice of the financing application, provide a  
5 copy of the notice and specify the date the notice was provided to customers and provide  
6 an affidavit attesting to the provision of the supplemental or alternate notice method.

7 **Response 1.6** – The notice of this application will be provided pursuant to the instruction  
8 of the court.

9  
10 **1.7** – Provide the number of customers currently served by rate class, and a brief  
11 description of each class of customers (residential, commercial, etc.).

12 **Response 1.7-** See Exhibit 1.1 (most recent Company annual report).

13  
14 **1.8** – Provide a schedule detailing all financing approvals obtained by the Arizona  
15 Corporation Commission (“Commission”) that remain in effect and indicate docket  
16 numbers, amounts approved, amounts drawn and any balances not yet drawn. For any  
17 balances not yet drawn, provide an explanation of why the funds have not been drawn  
18 and how the Company intends to utilize this currently available borrowing capacity.

19 **Response 1.8** – Currently, the Company has the following loans:

20  
21

<b>Loan</b>	<b>Decision No.</b>	<b>Amount Approved</b>	<b>Amount Taken</b>	<b>Current Balance</b>	<b>Maturity Date</b>
WIFA Loan 1	62583 May 2000	\$80,000	\$80,000	\$30,004	Aug. 2017
WIFA Loan 2	68443 Feb 2006	\$40,640	\$40,640	\$24,814	May 2022
WIFA Loan 3	74037 Aug 2013	\$426,249	\$154,794	\$154,794	Nov 2035
Annece Loan 1	75590 Jun 2016	\$70,000	\$70,000	\$70,000	Jun 2036

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28 The Company was unable to borrow the approved amount for WIFA Loan 3 because

1 WIFA did not approve certain improvements authorized by the Commission. The  
2 Company has not yet drawn the full amount of WIFA Loan 3 because the project is still  
3 ongoing.

4  
5 **1.9** – If not clearly identified with the financial statements and footnotes of the financial  
6 statements provided in response to 1.1, provide a complete list of all long-term debt  
7 obligations (including capital leases). For each obligation provide: the lender’s name and  
8 contact information, the initial loan amount, the current outstanding (unpaid) balance, the  
9 inception date, the maturity date(s), the annual interest rate (for variable interest rates  
10 state the basis upon which the rate is dependent and the time interval or frequency the  
11 changes are implemented), the numerical covenants such as DSC, TIER, CCR, equity-to-  
12 total capital ratio, etc. For amortizing loans, provide and amortization schedule showing  
13 the scheduled payments for principal and interest. Also, provide any other information  
14 pertinent for gaining an essential understanding of the Company’s debt obligations.

15 **Response 1.9** – The Company’s debt obligations are noted in Response 1.8.

16  
17 **1.10** – If any of the proceeds from the newly proposed debt will be used to retire existing  
18 long-term or short-term debt, identify the specific loans, amounts and anticipated dates  
19 for the refunding.

20 **Response 1.10** – The Company does not intend to refinance any loans.

21  
22 **1.11** – Provide a certificate of resolution from the board of directors authorizing the filing  
23 of this application.

24 **Response 1.11** – The Company is owned entirely by Potable Products Management  
25 Company, LLC. The manager of Potable Products authorized the application filing.

26  
27 **1.12** – Provide financial information projecting the Company’s estimated financial  
28 performance (cash flows, operating income) for each of the next five years, identifying

1 all significant assumptions (e.g., rate increases, customer/sales grow, inflation, etc.)

2 **Response 1.12** – The Company has filed a rate case. See Docket No. W-01689A-16-  
3 0187. The Company hereby incorporates the Rate Application filed in that case in  
4 response to this question. The Company is providing pro forma balance sheet, income  
5 statement, tax calculations, and a depreciation expense schedule set forth in Exhibit 1.12.  
6 The Company anticipates that this loan will be repaid through a surcharge mechanism,  
7 which is calculated in Exhibit 1.12 as well. The Company believes the projections will  
8 remain the same for five years.

9  
10 **1.13** – If the Company has a revolving line-of-credit facility (“LOC”), provide the  
11 following: the execution date, the termination date, the maximum borrowing capacity, the  
12 balance for each of the most recent 12 months, the name of the lender, the basis and term  
13 for the interest rate charged (e.g., LIBOR plus 2.0 percent), a detailed explanation of any  
14 fees other than interest (e.g., a commitment fee) and an explanation of any changes the  
15 Company anticipates to the line-of-credit during the next five years.

16 **Response 1.13** - Not applicable.

17  
18 **1.14** – If applicable, provide the Company’s most recent credit agency(ies) financial  
19 review(s).

20 **Response 1.14** – The Company does not possess this information.

21  
22 **1.15** – Provide the Commission decision number and date for the Company’s most recent  
23 general rate case and state the date of the test year end used in that rate case.

24 **Response 1.15** – Decision No. 74037 (Aug. 16, 2013) (Test Year ending Dec. 31, 2010).

25  
26 **1.16** – Identify any additional financing authorizations the Company contemplates  
27 seeking from the Commission in the next five years.

28 **Response 1.16** – None.

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**1.17 – For a financing application by an electric provider in which the funds will be used for projects in a CWP that has not been previously reviewed by the Commission, provide the following information in the spreadsheet provided.....**

**Response 1.17 – Not Applicable.**

# **EXHIBIT 1.1**

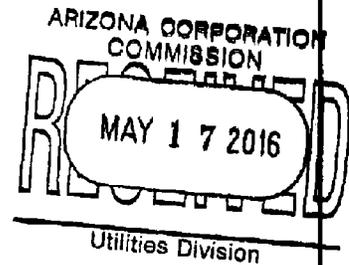
**ARIZONA CORPORATION COMMISSION**

**UTILITIES DIVISION**

**ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY**

WS-01689A

Clear Springs Utility Company, Inc.  
PO Box 85160  
Tucson, AZ 85754



Please click here if pre-printed Company name on this form is not your current Company name or dba name is not included.

Please list current Company name including dba here:

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**ANNUAL REPORT**

**Water & Wastewater**

**FOR YEAR ENDING**

**12 31 2015**

**FOR COMMISSION USE**

**ANN 04-05 15**

5-18-16

**COMPANY INFORMATION**

<b>Company Name (Business Name)</b>	<u>Clear Springs Utility Company, Inc.</u>		
<b>Mailing Address</b>	<u>PO Box 85160</u>		
	<small>(Street)</small>		
<u>Tucson</u>	<u>AZ</u>	<u>85754</u>	
<small>(City)</small>	<small>(State)</small>	<small>(Zip)</small>	
<u>(520) 623-5172</u>	<u>(520) 792-0377</u>		
<small>Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>	
<b>Email Address</b>	<u>info@southwesternutility.com</u>		
<b>Local Office Mailing Address</b>	<u>PO Box 85160</u>		
	<small>(Street)</small>		
<u>Tucson</u>	<u>AZ</u>	<u>85754</u>	
<small>(City)</small>	<small>(State)</small>	<small>(Zip)</small>	
<u>(520) 623-5172</u>	<u>(520) 792-0377</u>		
<small>Local Office Telephone No. (Incl Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>	
<b>Email Address</b>	<u>info@southwesternutility.com</u>		

**MANAGEMENT INFORMATION**

<input checked="" type="checkbox"/> <b>Management Contact:</b>	<u>Southwestern Utility Management, Inc.</u>		
	<small>(Name)</small>		<small>(Title)</small>
<u>PO Box 85160</u>	<u>Tucson</u>	<u>AZ</u>	<u>85754</u>
<small>(Street)</small>	<small>(City)</small>	<small>(State)</small>	<small>(Zip)</small>
<u>(520) 623-5172</u>	<u>(520) 792-0377</u>		
<small>Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>	
<b>Email Address</b>	<u>info@southwesternutility.com</u>		
<b>On Site Manager:</b>	<u>Matthew England</u>		
	<small>(Name)</small>		
<u>PO Box 85160</u>	<u>Tucson</u>	<u>AZ</u>	<u>85754</u>
<small>(Street)</small>	<small>(City)</small>	<small>(State)</small>	<small>(Zip)</small>
<u>(520) 623-5172</u>	<u>(520) 792-0377</u>		
<small>Telephone No. (Include Area Code)</small>	<small>Fax No. (Include Area Code)</small>	<small>Cell No. (Include Area Code)</small>	
<b>Email Address</b>	<u>info@southwesternutility.com</u>		

**Statutory Agent:** Bonnie O'Connor  
 (Name)

PO Box 85160                      Tucson                      AZ                      85754  
 (Street)                                      (City)                                      (State)                                      (Zip)

(520) 623-5172                      (520) 792-0377                      \_\_\_\_\_  
 Telephone No. (Include Area Code)                      Fax No. (Include Area Code)                      Cell No. (Include Area Code)

**Attorney:**                      N/A  
 (Name)

\_\_\_\_\_  
 (Street)                                      (City)                                      (State)                                      (Zip)

\_\_\_\_\_  
 Telephone No. (Include Area Code)                      Fax No. (Include Area Code)                      Cell No. (Include Area Code)

Email Address \_\_\_\_\_

**OWNERSHIP INFORMATION**

Check the following box that applies to your company:

Sole Proprietor (S)                       C Corporation (C) (Other than Association/Co-op)

Partnership (P)                       Subchapter S Corporation (Z)

Bankruptcy (B)                       Association/Co-op (A)

Receivership (R)                       Limited Liability Company

Other (Describe) Qualified Subchapter S Subsidiary (Qsub)

**COUNTIES SERVED**

Check the box below for the county/ies in which you are certificated to provide service:

APACHE                       COCHISE                       COCONINO

GILA                       GRAHAM                       GREENLEE

LA PAZ                       MARICOPA                       MOHAVE

NAVAJO                       PIMA                       PINAL

SANTA CRUZ                       YAVAPAI                       YUMA

STATEWIDE

COMPANY NAME: Clear Springs Utility Company, Inc.

**WATER UTILITY PLANT IN SERVICE**

Acct. No.	Description	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	\$ 1,625		\$ 1,625
302	Franchises			-
303	Land & Land Rights	210		210
304	Structures & Improvements	29,015	28,587	428
307	Wells & Springs	186,615	180,158	6,457
311	Pumping Equipment	235,775	198,582	37,193
320	Water Treatment Equipment			-
320.1	Water Treatment Plants			-
320.2	Solution Chemical Feeders	5,150	4,747	403
330	Distribution Reservoirs and Standpipes	16,011	16,011	-
330.1	Storage Tanks	145,423	113,226	32,197
330.2	Pressure Tanks			-
331	Transmission and Distribution Mains	355,402	331,289	24,113
333	Services	125,518	98,747	26,772
334	Meters and Meter Installations	101,942	80,976	20,965
335	Hydrants	12,214	10,110	2,104
336	Backflow Prevention Devices			-
339	Other Plant and Misc. Equipment			-
340	Office Furniture and Equipment			-
340.1	Computers & Software			-
341	Transportation Equipment			-
343	Tools, Shop and Garage Equipment			-
344	Laboratory Equipment			-
345	Power Operated Equipment			-
346	Communications Equipment			-
347	Miscellaneous Equipment			-
348	Other Tangible Plant			-
	<b>TOTALS</b>	<b>\$ 1,214,901</b>	<b>\$ 1,062,433</b>	<b>\$ 152,468</b>

Total Accumulated Depreciation amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME: Clear Springs Utility Company, Inc.

**WATER UTILITY CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1 X 2)
301	Organization	\$ 1,625		\$ -
302	Franchises	-		-
303	Land & Land Rights	210	N/A	-
304	Structures & Improvements	29,015	3.33%	15
307	Wells & Springs	186,615	3.33%	245
311	Pumping Equipment	235,775	12.50%	14,315
320	Water Treatment Equipment	-	20.00%	
320.1	Water Treatment Plants	-		
320.2	Solution Chemical Feeders	5,150	20.00%	115
330	Distribution Reservoirs and Standpipes	16,011	2.22%	
330.1	Storage Tanks	145,423	2.22%	3,228
330.2	Pressure Tanks	-		
331	Transmission and Distribution Mains	355,402	2.00%	7,075
333	Services	125,518	3.33%	4,151
334	Meters and Meter Installations	101,942	8.33%	2,722
335	Hydrants	12,214	2.00%	47
336	Backflow Prevention Devices	-	6.67%	
339	Other Plant and Misc. Equipment	-	6.67%	
340	Office Furniture and Equipment	-	6.67%	
340.1	Computers & Software	-	33.33%	
341	Transportation Equipment	-	20.00%	
343	Tools, Shop and Garage Equipment	-	5.00%	
344	Laboratory Equipment	-	10.00%	
345	Power Operated Equipment	-	5.00%	-
346	Communications Equipment	-	10.00%	-
347	Miscellaneous Equipment	-	10.00%	-
348	Other Tangible Plant	-	10.00%	-
	<b>SUBTOTAL</b>	1,214,901		31,914
	<b>LESS CIAC Amortization</b>			(2,615)
	<b>TOTALS *</b>	\$ 1,214,901		\$ 29,299

\* This amount goes on the Comparative Statement of Income and Expense Acct. No. 403

Company Name: Clear Springs Utility Company, Inc.

**WATER UTILITY BALANCE SHEET**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 12,739	\$ 20,902
134	Working Funds		
135	Temporary Cash Investments	25,735	29,216
141	Customer Accounts Receivable	8,317	418
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 46,791	\$ 50,536
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 1,214,543	\$ 1,214,901
103	Property Held for Future Use		
105	Construction Work In Progress		
108	Accumulated Depreciation - Utility Plant	(1,040,521)	(1,062,433)
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 174,022	\$ 152,468
	<b>TOTAL ASSETS</b>	\$ 220,813	\$ 203,004

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

Company Name: Clear Springs Utility Company, Inc.

**WATER UTILITY BALANCE SHEET (CONTINUED)**

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$ 7,634	\$ 31,878
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	9,860	11,524
236	Accrued Taxes	795	786
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 18,289	\$ 44,188
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ 66,359	\$ 59,571
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	\$ 107,865	\$ 79,850
255	Accumulated Deferred Investment Tax Credits		
271	Gross Contributions in Aid of Construction	312,887	312,887
272	Less: Amortization of contributions	(240,646)	(243,261)
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$ 180,106	\$ 149,476
	<b>TOTAL LIABILITIES</b>	\$ 264,754	\$ 253,235
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 1,000	\$ 1,000
211	Paid in Capital in Excess of Par Value	1,839,934	1,839,934
215	Retained Earnings	(1,884,875)	(1,891,165)
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ (43,941)	\$ (50,231)
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 220,813	\$ 203,004

Company Name: Clear Springs Utility Company, Inc.

**WATER COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 213,089	\$ 186,088
462	Surcharge Revenue		
474	Other Water Revenues	5,108	4,381
	<b>TOTAL REVENUES</b>	<b>\$ 218,197</b>	<b>\$ 190,469</b>
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$ -	\$ -
610	Purchased Water		
615	Purchased Power	29,785	23,945
618	Chemicals	997	1,221
620	Repairs and Maintenance	13,061	20,951
621	Office Supplies & Expense	5,755	3,708
630	Outside Services	97,187	122,860
635	Water Testing	9,129	6,907
641	Rents		1,113
650	Transportation Expenses	4,068	3,197
657	Insurance - General Liability		1,101
659	Insurance - Health and Life		
665	Regulatory Expenses - Rate Case Expense	3,178	
675	Miscellaneous Expense	2,469	931
403	Depreciation Expense	30,329	29,299
408	Taxes Other Than Income		
408.11	Property Taxes	11,603	17,263
409	Income Tax	50	
427.2	Customer Security Deposit Interest	403	454
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 208,014</b>	<b>\$ 232,950</b>
	<b>OPERATING INCOME/(LOSS)</b>	<b>\$ 10,183</b>	<b>\$ (42,481)</b>
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$ 158	\$ 1,296
421	Non-Utility Income	-	79
427	Interest Expense	(4,619)	(4,156)
434	Extraordinary Deductions		
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	<b>\$ (4,461)</b>	<b>\$ (2,781)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ 5,722</b>	<b>\$ (45,262)</b>

Company Name: Clear Springs Utility Company, Inc.

**WASTEWATER UTILITY PLANT IN SERVICE**

Acct. No.	Description	Original Cost (OC)	Accumulated Depreciation (AD)	OCLD (OC less AD)
351	Organization	\$ -	\$ -	\$ -
352	Franchises			-
353	Land & Land Rights	4,654		4,654
354	Structures & Improvements	9,504	9,504	-
355	Power Generation Equipment			-
360	Collection Wastewaters - Force	278,544	269,490	9,054
361	Collection Wastewaters - Gravity			-
362	Special Collecting Structures			-
363	Services to Customers	9,880	5,162	4,718
364	Flow Measuring Devices			-
365	Flow Measuring Installations			-
370	Receiving Wells			-
371	Pumping Equipment	70,744	53,694	17,050
380	Treatment and Disposal Equipment	487	311	176
381	Plant Wastewaters			-
382	Outfall Wastewater Lines			-
389	Other Plant and Misc Equipment			-
390	Office Furniture and Equipment			-
390.1	Computers and Software			
391	Transportation Equipment			-
393	Tools, Shop and Garage Equip.	3,173	2,956	217
394	Laboratory Equipment			-
395	Power Operated Equipment			-
398	Other Tangible Plant			-
	<b>TOTALS</b>	<b>\$ 376,986</b>	<b>\$ 341,117</b>	<b>\$ 35,868</b>

Total Accumulated Depreciation amount goes on the Balance Sheet Acct. No. 108

Company Name: Clear Springs Utility Company, Inc.

**WASTEWATER UTILITY CALCULATION OF DEPRECIATION EXPENSE**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1X2)
351	Organization	\$ -		\$ -
352	Franchises	-		
353	Land & Land Rights	4,654		
354	Structures & Improvements	9,504	3.33%	-
355	Power Generation Equipment	-	5.00%	-
360	Collection Wastewaters - Force	278,544	2.00%	250
361	Collection Wastewaters - Gravity	-	2.00%	-
362	Special Collecting Structures	-	2.00%	-
363	Services to Customers	9,880	2.00%	198
364	Flow Measuring Devices	-	10.00%	-
365	Flow Measuring Installations	-	10.00%	-
370	Receiving Wells	-	3.33%	-
371	Pumping Equipment	70,744	12.50%	3,041
380	Treatment and Disposal Equipment	487	5.00%	24
381	Plant Wastewaters	-	5.00%	-
382	Outfall Wastewater Lines	-	5.00%	-
389	Other Plant and Misc Equipment	-	3.33%	-
390	Office Furniture and Equipment	-	6.67%	-
390.1	Computers and Software			
391	Transportation Equipment	-	20.00%	-
393	Tools, Shop and Garage Equip.	3,173	5.00%	109
394	Laboratory Equipment	-		-
395	Power Operated Equipment	-		-
398	Other Tangible Plant	-		-
	<b>TOTALS</b>	<b>\$ 376,986</b>		<b>\$ 3,621</b>

CIAC Ammortization (1,204)

Net Depreciation Exp \$ 2,417

Depreciation Expense amount goes on the Comparative Statement of Income and Expense Acct. No. 403.

Company Name: Clear Springs Utility Company, Inc.

**WASTEWATER UTILITY BALANCE SHEET**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 6,082	\$ -
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	2,839	102
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	16,619	16,619
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 25,540	\$ 16,721
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 375,981	\$ 376,986
103	Property Held for Future Use	495	495
105	Construction Work In Progress		
108	Accumulated Depreciation - Utility Plant	(337,496)	(341,117)
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 38,980	\$ 36,363
	<b>TOTAL ASSETS</b>	\$ 64,520	\$ 53,084

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

Company Name: Clear Springs Utility Company, Inc.

**WASTEWATER UTILITY BALANCE SHEET (CONTINUED)**

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$ 821	\$ 15,735
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	4,190	2,980
236	Accrued Taxes	223	191
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 5,234	\$ 18,906
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ -	\$ -
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Gross Contributions in Aid of Construction	132,017	132,017
272	Less: Amortization of contributions	(87,656)	(88,859)
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$ 44,361	\$ 43,158
	<b>TOTAL LIABILITIES</b>	\$ 49,595	\$ 62,064
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ -	\$ -
211	Paid in Capital in Excess of Par Value	797,825	797,825
215	Retained Earnings	(782,900)	(806,805)
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ 14,925	\$ (8,980)
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 64,520	\$ 53,084

Company Name: Clear Springs Utility Company, Inc.

**WASTEWATER UTILITY COMPARATIVE STATEMENT OF INCOME  
AND EXPENSE**

<b>Acct. No.</b>	<b>OPERATING REVENUES</b>	<b>PRIOR YEAR</b>	<b>CURRENT YEAR</b>
521	Flat Rate Revenues	\$ -	\$ -
522	Measured Revenues	45,715	44,770
536	Other Wastewater Revenues	960	1,440
	<b>TOTAL REVENUES</b>	\$ 46,675	\$ 46,210
	<b>OPERATING EXPENSES</b>		
701	Salaries and Wages	\$ -	\$ -
710	Purchased Wastewater Treatment		
711	Sludge Removal Expense		
715	Purchased Power	365	2,174
718	Chemicals		
720	Materials and Supplies	1,252	2,688
731	Contractual Services - Professional	11,420	33,025
735	Contractual Services - Testing	128	3,380
736	Contractual Services - Other		
740	Rents		742
750	Transportation Expenses		2,132
755	Insurance Expense	2,887	1,101
765	Regulatory Commission Expense		
775	Miscellaneous Expense	954	3,567
403	Depreciation Expense	1,851	2,417
408	Taxes Other Than Income		
408.11	Property Taxes	3,207	4,791
409	Income Taxes		
427.2	Customer Security Deposit Interest		122
	<b>TOTAL OPERATING EXPENSES</b>	\$ 22,064	\$ 56,139
	<b>OPERATING INCOME/(LOSS)</b>	\$ 24,611	\$ (9,929)
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$ -	\$ -
421	Non-Utility Income		
427	Interest Expense		
434	Extraordinary Deductions		
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	\$ -	\$ -
	<b>NET INCOME/(LOSS)</b>	\$ 24,611	\$ (9,929)

Company Name: Clear Springs Utility Company, Inc.

**SUPPLEMENTAL FINANCIAL DATA**  
**Long-Term Debt**

	<b>LOAN #1</b>	<b>LOAN #2</b>	<b>LOAN #3</b>	<b>LOAN #4</b>
Date Issued	6/1/2001	5/23/2006		
Source of Loan	WIFA	WIFA		
ACC Decision No.	62583	68443		
Reason for Loan	System Improvements	System Improvements		
Dollar Amount Issued	\$ 80,000	\$ 40,640	\$ -	\$ -
Amount Outstanding	\$ 33,433	\$ 26,138	\$ -	\$ -
Date of Maturity	6/1/2021	5/1/2026		
Interest/Fee Rate	3.75% & 3.00%	3.38% & 3.00%	%	%
Current Year Interest/Fees	\$ 2,437	\$ 1,733	\$ -	\$ -
Current Year Principal	\$ 4,873	\$ 1,911	\$ -	\$ -

Meter Deposit Balance at Test Year End \$ 9,726

Meter Deposits Refunded During the Test Year \$ 1,276

Company Name: Clear Springs Utility Company, Inc.	
Name of System:	ADEQ Public Water System Number: 02-008

**WATER UTILITY PLANT DESCRIPTION**

**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-603877	30	180	800	16	4	1964
55-502128	50	300	700	16	6	1982

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

<b>BOOSTER PUMPS</b>	
Horsepower	Quantity
20.0	2

<b>FIRE HYDRANTS</b>	
Quantity Standard	Quantity Other
73	

<b>STORAGE TANKS</b>	
Capacity	Quantity
100,000	1

<b>PRESSURE TANKS</b>	
Capacity	Quantity
5,000	3

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.		
Name of System:	ADEQ Public Water System Number:	02-008

**WATER UTILITY PLANT DESCRIPTION (CONTINUED)**

<b>MAINS</b>		
Size (in inches)	Material	Length (in feet)
2	Galvanized	200
2	PVC	1,036
3	AC	10,698
3	PVC	360
4	AC	3,020
4	PVC	3,339
5		
6	AC	29,495
6	PVC	3,040
8	AC	5,650
8	PVC	180
10	AC	6,985
12	AC	200

<b>CUSTOMER METERS</b>	
Size (in inches)	Quantity
5/8 x 3/4	538
3/4	6
1	17
1 1/2	7
2	3
Comp. 3	
Turbo 3	1
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

**For the following three items, please list the utility owned assets in each category.**

**TREATMENT EQUIPMENT:**

Two chlorinators

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**STRUCTURES:**

1313 Treasure Rd Building

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**OTHER:**

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*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.	
Name of System: Well #3	ADEQ Public Water System Number: 02-048

**WATER UTILITY PLANT DESCRIPTION**

**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-603879	5	25	442	6	2	1966

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

<b>BOOSTER PUMPS</b>	
Horsepower	Quantity

<b>FIRE HYDRANTS</b>	
Quantity Standard	Quantity Other

<b>STORAGE TANKS</b>	
Capacity	Quantity

<b>PRESSURE TANKS</b>	
Capacity	Quantity
1,500	1

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.

Name of System: Well #3

ADEQ Public Water System Number:

02-048

**WATER UTILITY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	1,500
5		
6		
8		
10		
12		

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 x 3/4	6
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

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STRUCTURES:

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OTHER:

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*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.	
Name of System: Well #6	ADEQ Public Water System Number: 02-049

**WATER UTILITY PLANT DESCRIPTION**

**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-588414	7.5	40	505	8	2	2001

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS	
Horsepower	Quantity
5.0	1

FIRE HYDRANTS	
Quantity Standard	Quantity Other
N/A	

STORAGE TANKS	
Capacity	Quantity
12,000	1

PRESSURE TANKS	
Capacity	Quantity
3,000	1

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.

Name of System: Well #6

ADEQ Public Water System Number:

02-049

**WATER UTILITY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	240
5		
6	AC	4,700
8		
10		
12		

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 x 3/4	19
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

**For the following three items, please list the utility owned assets in each category.**

**TREATMENT EQUIPMENT:**

Chlorinator

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**STRUCTURES:**

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**OTHER:**

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*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.	
Name of System: Well #7	ADEQ Public Water System Number: 02-050

**WATER UTILITY PLANT DESCRIPTION**

**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-603880	3	18	560	6	2	1969

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

<b>BOOSTER PUMPS</b>	
Horsepower	Quantity
5.0	1

<b>FIRE HYDRANTS</b>	
Quantity Standard	Quantity Other
N/A	

<b>STORAGE TANKS</b>	
Capacity	Quantity
1,000	1

<b>PRESSURE TANKS</b>	
Capacity	Quantity
85	1

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.

Name of System: Well #7

ADEQ Public Water System Number:

02-050

**WATER UTILITY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6	AC	1,800
8		
10		
12		

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 x 3/4	9
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

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STRUCTURES:

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OTHER:

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*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.	
Name of System: Well #9	ADEQ Public Water System Number: 02-051

**WATER UTILITY PLANT DESCRIPTION**

**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-603882	5	25	675	8/6	2	1970

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

<b>BOOSTER PUMPS</b>	
Horsepower	Quantity
5.0	1

<b>FIRE HYDRANTS</b>	
Quantity Standard	Quantity Other
N/A	

<b>STORAGE TANKS</b>	
Capacity	Quantity
12,500	1

<b>PRESSURE TANKS</b>	
Capacity	Quantity
1,000	1

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.

Name of System: Well #9

ADEQ Public Water System Number:

02-051

**WATER UTILITY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6	AC	4,200
8		
10		
12		

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 x 3/4	10
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

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STRUCTURES:

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OTHER:

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*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.  
 Name of System: Township ADEQ Public Water System Number: 02-008

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2015**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)*	GALLONS PURCHASED (Thousands)
JANUARY	516	1,733	2,866	-
FEBRUARY	514	1,446	1,451	-
MARCH	514	1,678	3,188	-
APRIL	514	2,112	2,991	-
MAY	513	3,391	4,371	-
JUNE	508	2,965	3,717	-
JULY	509	2,951	3,683	-
AUGUST	507	2,753	3,794	-
SEPTEMBER	504	2,456	2,858	-
OCTOBER	501	2,256	3,204	-
NOVEMBER	504	2,314	2,768	-
DECEMBER	508	1,593	2,153	-
<b>TOTALS</b>		27,648	37,044	-

\* This system experienced several leaks and a line break during 2015.

What is the level of arsenic for each well on your system? <0.001 & 0.001 mg/l  
 (If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 500 GPM for 2 hours

If system has chlorination treatment, does this treatment system chlorinate continuously?

YES NO N/A

Is the water utility located in an ADWR Active Management Area (AMA)?

YES NO

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

YES NO

If Yes, please provide the GPCPD amount: \_\_\_\_\_

**Note: If you are filing for more than one system, please provide separate data sheets for each system.**



Company Name: Clear Springs Utility Company, Inc.  
 Name of System: Well #6 ADEQ Public Water System Number: 02-049

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2015**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	18	64	67	-
FEBRUARY	18	57	63	-
MARCH	18	78	87	-
APRIL	18	72	48	-
MAY	18	129	134	-
JUNE	18	143	147	-
JULY	18	151	154	-
AUGUST	18	124	131	-
SEPTEMBER	18	77	81	-
OCTOBER	18	90	98	-
NOVEMBER	18	64	69	-
DECEMBER	18	35	52	-
<b>TOTALS</b>		1,084	1,131	-

What is the level of arsenic for each well on your system? <0.001 mg/l  
 (If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? N/A GPM for      hours

If system has chlorination treatment, does this treatment system chlorinate continuously?  
 YES                      NO                      N/A

Is the water utility located in an ADWR Active Management Area (AMA)?  
 YES                      NO

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?  
 YES                      NO

If Yes, please provide the GPCPD amount: \_\_\_\_\_

**Note: If you are filing for more than one system, please provide separate data sheets for each system.**

Company Name: Clear Springs Utility Company, Inc.  
 Name of System: Well #7 ADEQ Public Water System Number: 02-050

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2015**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	7	26	28	-
FEBRUARY	7	22	24	-
MARCH	7	21	23	-
APRIL	7	37	38	-
MAY	7	33	40	-
JUNE	7	41	37	-
JULY	7	44	46	-
AUGUST	7	40	42	-
SEPTEMBER	7	28	29	-
OCTOBER	7	35	37	-
NOVEMBER	7	38	39	-
DECEMBER	7	26	28	-
<b>TOTALS</b>		391	411	-

What is the level of arsenic for each well on your system?       N/A       mg/l  
*(If more than one well, please list each separately.)*

If system has fire hydrants, what is the fire flow requirement?       N/A       GPM for        hours

If system has chlorination treatment, does this treatment system chlorinate continuously?

YES                      NO                      N/A

Is the water utility located in an ADWR Active Management Area (AMA)?

YES                      NO

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

YES                      NO

If Yes, please provide the GPCPD amount: \_\_\_\_\_

*Note: If you are filing for more than one system, please provide separate data sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.  
 Name of System: Well #9 ADEQ Public Water System Number: 02-051

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2015**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	8	37	39	-
FEBRUARY	8	41	41	-
MARCH *	8	47	37	-
APRIL *	8	74	61	-
MAY *	9	53	53	-
JUNE *	9	73	49	-
JULY	9	55	59	-
AUGUST	9	61	63	-
SEPTEMBER	9	36	42	-
OCTOBER	9	33	36	-
NOVEMBER	9	26	30	-
DECEMBER	9	22	23	-
<b>TOTALS</b>		558	533	-

\* Meter malfunctioning and ultimately replaced.

What is the level of arsenic for each well on your system?       N/A       mg/l  
 (If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement?       N/A       GPM for        hours

If system has chlorination treatment, does this treatment system chlorinate continuously?

YES                      NO                      N/A

Is the water utility located in an ADWR Active Management Area (AMA)?

YES                      NO

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

YES                      NO

If Yes, please provide the GPCPD amount: \_\_\_\_\_

**Note: If you are filing for more than one system, please provide separate data sheets for each system.**

Company Name: Clear Springs Utility Company, Inc.  
 Name of System: ADEQ Public Water System Number: 02-008

**WATER UTILITY SHUTOFFS / DISCONNECTS**

<b>MONTH</b>	<b>Termination without Notice R14-2-410.B</b>	<b>Termination with Notice R14-2-410.C</b>	<b>OTHER</b>
JANUARY	-	2	-
FEBRUARY	-	4	-
MARCH	-	1	-
APRIL	-	-	-
MAY	-	2	-
JUNE	-	-	-
JULY	-	9	-
AUGUST	-	1	-
SEPTEMBER	-	-	-
OCTOBER	-	3	-
NOVEMBER	-	-	-
DECEMBER	-	-	-
<b>TOTALS</b>	-	22	-

OTHER (description):

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Company Name: Clear Springs Utility Company, Inc.  
 Name of System: Well #6 ADEQ Public Water System Number: 02-049

**WATER UTILITY SHUTOFFS / DISCONNECTS**

<b>MONTH</b>	<b>Termination without Notice R14-2-410.B</b>	<b>Termination with Notice R14-2-410.C</b>	<b>OTHER</b>
JANUARY	-	-	-
FEBRUARY	-	-	-
MARCH	-	-	-
APRIL	-	-	-
MAY	-	-	-
JUNE	-	-	-
JULY	-	-	-
AUGUST	-	-	-
SEPTEMBER	-	-	-
OCTOBER	-	-	-
NOVEMBER	-	-	-
DECEMBER	-	-	-
<b>TOTALS</b>	-	-	-

OTHER (description):

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Company Name: Clear Springs Utility Company, Inc.

Name of System: Well #7

ADEQ Public Water System Number:

02-050

**WATER UTILITY SHUTOFFS / DISCONNECTS**

<b>MONTH</b>	<b>Termination without Notice R14-2-410.B</b>	<b>Termination with Notice R14-2-410.C</b>	<b>OTHER</b>
JANUARY	-	-	-
FEBRUARY	-	1	-
MARCH	-	-	-
APRIL	-	-	-
MAY	-	-	-
JUNE	-	-	-
JULY	-	-	-
AUGUST	-	-	-
SEPTEMBER	-	-	-
OCTOBER	-	-	-
NOVEMBER	-	-	-
DECEMBER	-	-	-
<b>TOTALS</b>	-	1	-

OTHER (description):

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Company Name: Clear Springs Utility Company, Inc.  
 Name of System: Well #9 ADEQ Public Water System Number: 02-051

**WATER UTILITY SHUTOFFS / DISCONNECTS**

<b>MONTH</b>	<b>Termination without Notice R14-2-410.B</b>	<b>Termination with Notice R14-2-410.C</b>	<b>OTHER</b>
JANUARY	-	-	-
FEBRUARY	-	-	-
MARCH	-	-	-
APRIL	-	-	-
MAY	-	-	-
JUNE	-	-	-
JULY	-	-	-
AUGUST	-	-	-
SEPTEMBER	-	-	-
OCTOBER	-	-	-
NOVEMBER	-	-	-
DECEMBER	-	-	-
<b>TOTALS</b>	-	-	-

OTHER (description):

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Company Name: Clear Springs Utility Company, Inc.	
Name of System:	Wastewater Inventory Number (if applicable):

**WASTEWATER UTILITY PLANT DESCRIPTION**

**TREATMENT FACILITY**

<b>TYPE OF TREATMENT</b>  (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Aerobic Lagoon Anaerobic Lagoon
<b>DESIGN CAPACITY OF PLANT</b> (Gallons Per Day)	300,000 GPD

**LIFT STATION FACILITIES**

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
SW Corner Ford Road & Allen St.	2	7.5	500	2,000
Stand-by back-up pump 220V 3 phase	1	5	200	
Stand-by 110 Volt pump	1	5	160	

**FORCE MAINS**

Size	Material	Length (Feet)
4-inch		
6-inch		
8-inch	AC	1,200

**MANHOLES**

Type	Quantity
Standard	160
Drop	

**CLEANOUTS**

Quantity
11

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.

Name of System:

Wastewater Inventory Number (if applicable):

**WASTEWATER UTILITY PLANT DESCRIPTION (CONTINUED)**

**COLLECTION MAINS**

Size (in inches)	Material	Length (in feet)
4		
6	AC	1,225
6	PVC	3,730
8	AC	24,200
8	CLAY	56,000
12	AC	3,000
18		
21		
24		
30		

**SERVICES**

Size (in inches)	Material	Quantity
4	AC	391
6		
8		
12		
15		

**FOR THE FOLLOWING FIVE ITEMS, LIST THE UTILITY OWNED ASSETS IN EACH CATEGORY  
PER WASTEWATER SYSTEM**

<b>SOLIDS PROCESSING AND HANDLING FACILITIES</b>	
<b>DISINFECTION EQUIPMENT</b> (Chlorinator, Ultra-Violet, Etc.)	
<b>FILTRATION EQUIPMENT</b> (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	
<b>STRUCTURES</b> (Buildings, Fences, Etc.)	Fences around Sewer ponds
<b>OTHER</b> (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.	
Name of System:	Wastewater Inventory Number (if applicable):

**WASTEWATER FLOWS**

<b>MONTH/YEAR (Most Recent 12 Months)</b>	<b>NUMBER OF SERVICES</b>	<b>TOTAL MONTHLY SEWAGE FLOW</b>	<b>SEWAGE FLOW ON PEAK DAY</b>
January	368	1,230,996	49,748
February	366	1,229,028	62,536
March	367	1,339,312	76,972
April	365	1,253,012	57,090
May	364	1,185,016	50,306
June	363	1,044,020	88,082
July	363	1,225,094	76,949
August	361	1,377,356	145,314
September	358	1,374,974	99,072
October	361	1,264,204	58,027
November	361	1,239,498	99,430
December	357	1,394,646	75,634

**PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE**

**PER WASTEWATER SYSTEM**

<b>Method of Effluent Disposal</b> (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc)	Evaporation Ponds
<b>Groundwater Permit Number</b>	100824
<b>ADEQ Aquifer Protection Permit Number</b>	P100824
<b>ADEQ Reuse Permit Number</b>	
<b>EPA NPDES Permit Number</b>	

*Note: If you are filing for more than one system, please provide separate sheets for each system.*

Company Name: Clear Springs Utility Company, Inc.	
Name of System:	Wastewater Inventory Number (if applicable):

**WASTEWATER UTILITY SHUTOFFS / DISCONNECTS**

<b>MONTH</b>	<b>Termination without Notice R14-2-609.B</b>	<b>Termination with Notice R14-2-609.C</b>	<b>OTHER</b>
JANUARY	-	-	-
FEBRUARY	-	-	-
MARCH	-	1	-
APRIL	-	-	-
MAY	-	-	-
JUNE	-	-	-
JULY	-	4	-
AUGUST	-	1	-
SEPTEMBER	-	-	-
OCTOBER	-	-	-
NOVEMBER	-	-	-
DECEMBER	-	-	-
<b>TOTALS</b>	-	6	-

OTHER (description):

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**COMPANY NAME** Clear Springs Utility Company, Inc. **YEAR ENDING 12/31/15**

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar year 2015 was: \$ 14,769

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

VERIFICATION  
AND  
SWORN STATEMENT  
Taxes

RECEIVED  
MAY 09 2018  
AZ CORP COMM  
Director - Utilities

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	COCHISE
NAME (OWNER OR OFFICIAL) TITLE	Bonnie O'Connor, Manager
COMPANY NAME	Clear Springs Utility Company, Inc.

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2015

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

[Signature]  
SIGNATURE OF OWNER OR OFFICIAL

570-624-1460  
TELEPHONE NUMBER

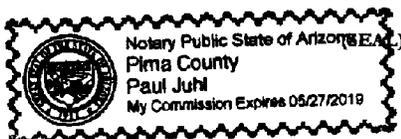
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

COUNTY NAME	Pima
MONTH/YEAR	May / 2018

THIS 4th

DAY OF



[Signature]  
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

5/27/2019

**VERIFICATION  
AND  
SWORN STATEMENT (WATER)  
Intrastate Revenues Only**

**RECEIVED**

MAY 09 2016

AZ CORP COMM  
Director - Utilities

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <b>COCHISE</b>
NAME (OWNER OR OFFICIAL) TITLE <b>Bonnie O'Connor, Manager</b>
COMPANY NAME <b>Clear Springs Utility Company, Inc.</b>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2015

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

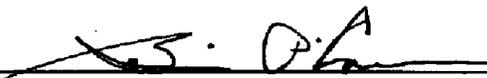
SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2015 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
<u>\$ 203,066</u>

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 12,597  
IN SALES TAXES BILLED, OR COLLECTED)

\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

  
\_\_\_\_\_  
SIGNATURE OF OWNER OR OFFICIAL  
570-624-1460  
\_\_\_\_\_  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME  
A NOTARY PUBLIC IN AND FOR THE COUNTY OF  
THIS 4th DAY OF

COUNTY NAME <u>Pima</u>
MONTH/YEAR <u>May/2016</u>

  
MY COMMISSION EXPIRES 5/27/2019

  
\_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION  
AND  
SWORN STATEMENT (SEWER)  
Intrastate Revenues Only**

**RECEIVED**

MAY 08 2016

AZ CORP COMM  
Director - Utilities

**VERIFICATION**

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

<small>COUNTY OF (COUNTY NAME)</small> <b>COCHISE</b>
<small>NAME (OWNER OR OFFICIAL) TITLE</small> <b>Bonnie O'Connor, Manager</b>
<small>COMPANY NAME</small> <b>Clear Springs Utility Company, Inc.</b>

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

<small>MONTH</small>	<small>DAY</small>	<small>YEAR</small>
12	31	2015

**HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.**

**SWORN STATEMENT**

**IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2015 WAS:**

Arizona Intrastate Gross Operating Revenues Only (\$)  \$ <u>49,266</u>
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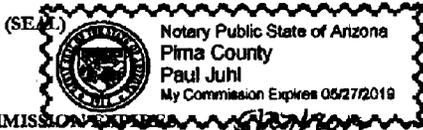
**(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 3,056  
IN SALES TAXES BILLED, OR COLLECTED)**

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

  
 \_\_\_\_\_  
SIGNATURE OF OWNER OR OFFICIAL  
570-624-1460  
 \_\_\_\_\_  
TELEPHONE NUMBER

**SUBSCRIBED AND SWORN TO BEFORE ME  
A NOTARY PUBLIC IN AND FOR THE COUNTY OF  
THIS 4th DAY OF**

<small>COUNTY NAME</small> <b>Pima</b>
<small>MONTH/YEAR</small> <b>May/2016</b>

(SEAL)  
  
 Notary Public State of Arizona  
 Pima County  
 Paul Juhl  
 My Commission Expires 05/27/2019

  
 \_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE (WATER)  
Intrastate Revenues Only**

**RECEIVED**

MAY 09 2016

AZ CORP COMM  
Director - Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	
COCHISE	
NAME (OWNER OR OFFICIAL)	TITLE
Bonnie O'Connor	Manager
COMPANY NAME	
Clear Springs Utility Company, Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2015

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2015 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 173,585

THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 10,768  
IN SALES TAXES BILLED, OR COLLECTED

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

  
SIGNATURE OF OWNER OR OFFICIAL

520-624-1460  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 4th DAY OF

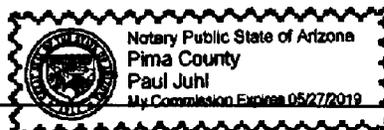
(SEAL)

MY COMMISSION EXPIRES

5/27/2019

NOTARY PUBLIC NAME	Paul Juhl
COUNTY NAME	Pima
MONTH/YEAR	May/2016

  
SIGNATURE OF NOTARY PUBLIC



**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE (SEWER)  
Intrastate Revenues Only**

**RECEIVED**  
MAY 09 2016  
AZ CORP COMM  
Director - Utilities

**VERIFICATION**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <b>COCHISE</b>	
NAME (OWNER OR OFFICIAL) <b>Bonnie O'Connor</b>	TITLE <b>Manager</b>
COMPANY NAME <b>Clear Springs Utility Company, Inc.</b>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2015

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2015 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES  <b>\$ 44,101</b>
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THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 2,736  
IN SALES TAXES BILLED, OR COLLECTED

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

  
SIGNATURE OF OWNER OR OFFICIAL

520-674-1460  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 4th DAY OF

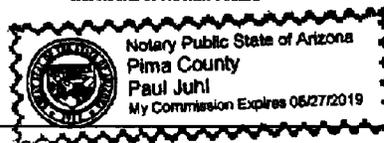
(SEAL)

MY COMMISSION EXPIRES

5/27/2019

NOTARY PUBLIC NAME <b>Paul Juhl</b>
COUNTY NAME <b>Pima</b>
MONTH/YEAR <b>May / 2016</b>

  
SIGNATURE OF NOTARY PUBLIC



# **EXHIBIT 1.3**

# Clear Springs Utility Company, Inc. - Water Division

## Opinion of Probable Cost

### New 100,000 Gallon Water Tank - Well 18

Item #	Description	Units	Quantity	Cost/Unit	Cost
<b>Construction Costs - Tank Installation</b>					
1	Mobilization	LS	1	\$ 9,500.00	\$ 9,500.00
2	Tank ring	LS	1	\$ 3,750.00	\$ 3,750.00
3	Gravel backfill	CU YD	120	\$ 35.00	\$ 4,200.00
4	New 100,000 gallon water tank	LS	1	\$ 187,500.00	\$ 187,500.00
5	Re-plumb well and fill line	LS	1	\$ 2,800.00	\$ 2,800.00
6	Re-plumb boosters and pressure tank	LS	1	\$ 8,400.00	\$ 8,400.00
7	New level probes	LS	1	\$ 5,000.00	\$ 5,000.00
8	Acid wash and fill tank	LS	1	\$ 5,600.00	\$ 5,600.00
9	Sales tax			4.60%	\$ 10,430.50
	<b>Subtotal</b>				<b>\$ 237,180.50</b>
<b>Construction Costs - Site Preparation</b>					
10	Over-excavation and recompaction of tank site	CU YD	600	\$ 15.00	\$ 9,000.00
11	Concrete pad for surface drainage	SQ FT	350	\$ 24.00	\$ 8,400.00
12	Sales tax			4.60%	\$ 800.40
	<b>Subtotal</b>				<b>\$ 18,200.40</b>
<b>Contractor Design</b>					
13	Geotechnical engineering				\$ 4,900.00
14	Civil engineering				\$ 12,200.00
15	Contract admin, inspections, ECC				\$ 3,445.00
	<b>Subtotal</b>				<b>\$ 20,545.00</b>
<b>Project Management, Administration, Legal, and Contingency</b>					
16	Project management, administration, and legal			12%	\$ 30,645.71
17	Engineering, design, permits, and contingency			15%	\$ 38,307.14
	<b>Subtotal</b>				<b>\$ 68,952.84</b>
	<b>TOTAL</b>				<b>\$ 344,878.74</b>

### Well 5 Repair

Item #	Description	Units	Quantity	Cost/Unit	Cost
<b>Installation of Pump and Motor</b>					
1	Mobilization	LS	1	\$ 750.00	\$ 750.00
2	Camera	LS	1	\$ 800.00	\$ 800.00
3	Pull pump and set pump	LF	441	\$ 6.00	\$ 2,646.00
4	Sounding tube	LS	1	\$ 400.00	\$ 400.00
5	150 GPM 30 HP pump	LS	1	\$ 3,210.00	\$ 3,210.00
6	30 HP 3 phase motor 460 V 60 hz	LS	1	\$ 3,519.00	\$ 3,519.00
7	4" column pipe	LF	147	\$ 12.28	\$ 1,805.16
8	4" check valves	EA	3	\$ 530.00	\$ 1,590.00
	<b>Subtotal</b>				<b>\$ 14,720.16</b>

**Installation of New Casing**

9	12"x .250 x 1/8" perforated casing	LF	200	\$	56.17	\$	11,234.00
10	12"x.250 blank casing	LF	480	\$	42.50	\$	20,400.00
11	Surface Seal - 20' of grout	LS	1	\$	2,950.00	\$	2,950.00
12	Labor to install casing	LS	1	\$	6,840.00	\$	6,840.00
	Subtotal					\$	41,424.00

**Miscellaneous and Sales Tax**

13	Security fence during construction	LS	1	\$	500.00	\$	500.00
14	ADWR permit	LS	1	\$	200.00	\$	200.00
15	Insulated connectors, tape, splice kits, pipe wrap	LS	1	\$	250.00	\$	250.00
16	Sales tax	LS	1	\$	2,263.78	\$	2,263.78
	Subtotal					\$	3,213.78

**Project Management, Administration, Legal, and Contingency**

17	Project management, administration, and legal				12%	\$	7,122.95
18	Engineering, design, permits, and contingency				15%	\$	8,903.69

Subtotal \$ 16,026.64

TOTAL \$ 75,384.58

**Fire Hydrant Replacement**

Item #	Description	Units	Quantity	Cost/Unit	Cost
	<b>Installation</b>				
1	Hydrant Replacement	EA	22	\$ 5,500.00	\$ 121,000.00
2	Sales tax			4.60%	\$ 5,566.00
	Subtotal				\$ 126,566.00

**Project Management, Administration, Legal, and Contingency**

3	Project management, administration, and legal				12%	\$	15,187.92
4	Engineering, design, permits, and contingency				15%	\$	18,984.90

Subtotal \$ 34,172.82

TOTAL \$ 160,738.82

**GRAND TOTAL**

**\$ 581,002.15**

# **EXHIBIT 1.12**

**Clear Springs Utility Company, Inc. - Water Division**  
**Balance Sheet as of 12/31/15**  
**Includes Proforma Adjustments for Financing**

Acct. No.	Assets	Test Year End Balance @ 12/31/2015	Loan Proforma Adjustments	Test Year End 12/31/15 Adjusted for Loan
<b>Current and Accrued Assets</b>				
131	Cash	\$ 20,902		\$ 20,902
134	Working Funds			
135	Temporary Cash Investments	29,216		29,216
141	Customer Accounts Receivable	418		418
146	Notes/Receivables from Assoc Co			-
151	Plant Material and Supplies			-
162	Prepayments			-
174	Misc Current and Accrued Assets			-
	<b>Total Current and Accrued Assets</b>	<b>\$ 50,536</b>	<b>\$ -</b>	<b>\$ 50,536</b>
<b>Fixed Assets</b>				
101	Utility Plant in Service	\$ 1,214,901	\$ 811,195	\$ 2,026,096
103	Property Held for Future Use			
105	Construction Work In Progress			
108	Accumulated Depreciation - Utility Plant	(1,062,433)		(1,062,433)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility			
	<b>Total Fixed Assets</b>	<b>\$ 152,468</b>	<b>\$ 811,195</b>	<b>\$ 963,663</b>
	<b>TOTAL ASSETS</b>	<b>\$ 203,004</b>	<b>\$ 811,195</b>	<b>\$ 1,014,199</b>

**Clear Springs Utility Company, Inc. - Water Division**  
**Balance Sheet as of 12/31/15 (continued)**  
**Includes Proforma Adjustments for Financing**

Acct. No.	LIABILITIES	Test Year End Balance @ 12/31/2015	Loan Proforma Adjustments	Test Year End 12/31/15 Adjusted for Loan
<b>Current Liabilities</b>				
231	Accounts Payable	\$ 31,878		\$ 31,878
232	Notes Payable (Current Portion)			-
234	Notes/Accounts Payable to Assoc Co			-
235	Customer Deposits	11,524		11,524
236	Accrued Taxes	786		786
237	Accrued Interest			-
241	Misc Current and Accrued Liabilities			-
	<b>Total Current Liabilities</b>	<b>\$ 44,188</b>	<b>\$ -</b>	<b>\$ 44,188</b>
<b>LONG-TERM DEBT (Over 12 Months)</b>				
224	Long-Term Notes and Bonds	\$ 59,571	\$ 811,195	\$ 870,766
<b>Deferred Credits</b>				
251	Unamortized Premium on Debt			
252.1	Advances in Aid of Construction	\$ 79,850		\$ 79,850
255	Accum Def Investment Tax Credits			-
271	Gross Contrib in Aid of Construction	312,887		312,887
272	Less: Amortization of contributions	(243,261)		(243,261)
281	Accumulated Deferred Income Tax			-
	<b>Total Deferred Credits</b>	<b>\$ 149,476</b>	<b>\$ -</b>	<b>\$ 149,476</b>
	<b>TOTAL LIABILITIES</b>	<b>\$ 253,235</b>	<b>\$ 811,195</b>	<b>\$ 1,064,430</b>
<b>CAPITAL ACCOUNTS</b>				
201	Common Stock Issued	\$ 1,000		\$ 1,000
211	Paid in Capital in Excess of Par Value	1,839,934		1,839,934
215	Retained Earnings	(1,891,165)		(1,891,165)
218	Proprietary Capital			-
	<b>TOTAL CAPITAL</b>	<b>\$ (50,231)</b>	<b>\$ -</b>	<b>\$ (50,231)</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$ 203,004</b>	<b>\$ 811,195</b>	<b>\$ 1,014,199</b>

**Clear Springs Utility Company, Inc. - Water Division**  
**Income Statement for 2015**  
**Includes Rate Case Proforma Adjustments and Financing**

Acct No.	Description	Actual for Test Year Ended 12/31/15	Rate Case Proforma Adjustments	REF #	Adjusted Test Year	Proposed Rate Increase and Loan Adjustment	Adjusted Test Year with Rate Increase and Loan
461	Metered Water Revenue	\$ 186,088	\$ (3,265)	1	\$ 182,823	\$ 120,000	\$ 302,823
461.1	Surcharge Revenue - 2016 WIFA	-			-	15,755	15,755
461.2	Surcharge Revenue - Annece	-			-	5,973	5,973
461.3	Surcharge Revenue - CoBank	-			-	59,049	59,049
474	Other Water Revenues	4,381			4,381		4,381
	<b>TOTAL OPERATING REVENUES</b>	<b>\$ 190,469</b>	<b>\$ (3,265)</b>		<b>\$ 187,204</b>	<b>\$ 200,777</b>	<b>\$ 387,981</b>
	<b>OPERATING EXPENSES</b>						
601	Salaries and Wages	\$ -	\$ -		\$ -		\$ -
610	Purchased Water	-			-		-
615	Purchased Power	23,945			23,945		23,945
618	Chemicals	1,222			1,222		1,222
620	Repairs and Maintenance	20,950			20,950		20,950
621	Office Supplies and Expense	3,708			3,708		3,708
630	Outside Services	122,860			122,860		122,860
635	Water Testing	6,907			6,907		6,907
641	Rents	1,113			1,113		1,113
650	Transportation Expenses	3,197			3,197		3,197
657	Insurance - General Liability	1,101			1,101		1,101
666	Rate Case Expense		6,750	2	6,750		6,750
670	Bad Debt Expense				-		-
675	Miscellaneous Expense	931			931		931
403	Depreciation Expense	29,299	283	3	29,582	27,686	57,267
408	Taxes Other Than Income	-			-		-
408.11	Property Taxes	17,263	(3,385)	4a	13,878	4,962	18,840
409	Income Tax	-	(8,033)	5a	(8,033)	19,317	11,284
427.4	Interest on Customer Deposits	454			454		454
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 232,950</b>	<b>\$ (4,384)</b>		<b>\$ 228,565</b>	<b>\$ 51,964</b>	<b>\$ 280,529</b>
	<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (42,481)</b>	<b>\$ 1,119</b>		<b>\$ (41,361)</b>	<b>\$ 148,813</b>	<b>\$ 107,452</b>
	<b>OTHER INCOME/(EXPENSE)</b>						
419	Interest and Dividend Income	\$ 1,296	\$ (1,204)	6	\$ 92		\$ 92
421	Non-Utility Income	80			80		80
426	Miscellaneous Non-Utility Expenses						-
427	Interest Expense - 01 & 06 WIFA loans	(4,157)			(4,157)		(4,157)
427	Interest Expense - 16 WIFA loan					(6,805)	(6,805)
427	Interest Expense - Annece loan					(3,096)	(3,096)
427	Interest Expense - Proposed CoBank loan					(30,359)	(30,359)
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	<b>\$ (2,781)</b>	<b>\$ (1,204)</b>		<b>\$ (3,985)</b>	<b>\$ (40,261)</b>	<b>\$ (44,246)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ (45,262)</b>	<b>\$ (85)</b>		<b>\$ (45,346)</b>	<b>\$ 108,553</b>	<b>\$ 63,206</b>

**Clear Springs Utility Company, Inc. - Water Division**  
**Income Statement for 2015**  
**Includes Rate Case Proforma Adjustments and Financing**

**Cash Flow Analysis:**

Net Income		\$ 63,206
Plus Depreciation Expense		57,267
Less Principal for 01 & 06 WIFA Loans		(6,784)
Less Principal for 16 WIFA Loan	\$ (5,096)	
Less Debt Service Reserve for 16 WIFA Loan	<u>(2,380)</u>	(7,476)
Less Principal for Anncee Loan		(2,231)
Less Principal for Proposed CoBank Loan	\$ (17,026)	
Less Reserve for Proposed CoBank Loan	<u>(7,897)</u>	<u>(24,923)</u>
<b>Cash Flow</b>		<b><u><u>\$ 79,059</u></u></b>

**Clear Springs Utility Company, Inc. - Water Division**  
**Property and Income Tax Calculations**  
**Includes Rate Case Proforma Adjustments and Financing**

<b>Calculation of Property Tax:</b>	<b>Company at Revised Proposed Rates</b>
1 Adjusted 2015 Test Year Revenue	\$ 187,204
2 Weight Factor	2
3 Subtotal	<u>\$ 374,408</u>
4 Company Recommended Revenue	387,981
5 Subtotal	<u>\$ 762,389</u>
6 Number of Years	3
7 Three Year Revenue Average	<u>\$ 254,130</u>
8 AZ Department of Revenue Multiplier	2
9 Revenue Base Value	<u>\$ 508,260</u>
10 Plus 10% of CWIP	-
11 Less: Net Book Value of Licensed Vehicles	-
12 Full Cash Value	<u>\$ 508,260</u>
13 Assessment Ratio	18.50%
14 Assessment Value	<u>\$ 94,028</u>
15 Composite Property Tax Rate from Application	20.0366%
16 Revised Projected Property Tax Expense	<u>\$ 18,840</u>
17 Adjusted Test Year Property Tax Expense	<u>13,878</u>
18 <b>Total Adjustment</b>	<b><u>\$ 4,962</u></b>

<b>Calculation of Income Tax:</b>	<b>Company at Revised Proposed Rates</b>
19 Company Recommended Revenue	\$ 387,981
20 Operating Expenses Excluding Income Taxes	(268,337)
21 Interest Expense	<u>\$ (44,418)</u>
22 Federal Taxable Income	75,226
23 Weighted Federal Tax Rate from Application	15.00%
24 Federal Income Tax at Proposed Revenue	<u>\$ 11,284</u>
25 Adjusted Test Year Income Tax Expense	<u>(8,033)</u>
26 <b>Total Adjustment</b>	<b><u>\$ 19,317</u></b>

**Clear Springs Utility Company, Inc. - Water Division**  
**Company Calculation of Surcharge Amount for Proposed Loan**

		<u>Amount</u>	
1	Annual Interest	\$ 30,359	
2	Annual Principal	17,026	
3	Reserve	7,897	
4	Incremental Property Tax on CoBank Loan	1,996	
5	Incremental Income Tax on CoBank Loan	1,771	
6	Total Annual Loan Payments	<u>\$ 59,049</u>	
7	<b>Annual Surcharge Necessary</b>		<b>\$ 59,049</b>
8	<b>Surcharge Calculation per Customer:</b>		
9	Number of 5/8 x 3/4-inch Customers		523
10	Months in Year	<u>12</u>	
11	Annual Bills		6,276
12	Number of 3/4-inch Customers	6	
13	Months in Year	<u>12</u>	
14	Annual Bills		72
15	Meter Multiplier	<u>1.5</u>	
16	Annual Equivalent Bills		108
17	Number of 1-inch Customers	13	
18	Months in Year	<u>12</u>	
19	Annual Bills		156
20	Meter Multiplier	<u>2.5</u>	
21	Annual Equivalent Bills		390
22	Number of 1.5-inch Customers	5	
23	Months in Year	<u>12</u>	
24	Annual Bills		60
25	Meter Multiplier	<u>5</u>	
26	Annual Equivalent Bills		300
27	Number of 2-inch Customers	1	
28	Months in Year	<u>12</u>	
29	Annual Bills		12
30	Meter Multiplier	<u>8</u>	
31	Annual Equivalent Bills		<u>96</u>
32	<b>Total Annual Equivalent Bills</b>		<b>7,170</b>

33	5/8 x 3/4-inch Surcharge Amount per Month	\$ 8.24	(Line 6 / Line 31)
34	3/4-inch Surcharge Amount per Month	12.35	(Line 32 times 1.5 MM) <sup>1</sup>
35	1-inch Surcharge Amount per Month	20.59	(Line 32 times 2.5 MM)
36	1.5-inch Surcharge Amount per Month	41.18	(Line 32 times 5 MM)
37	2-inch Surcharge Amount per Month	65.88	(Line 32 times 8 MM)

		<u>Surcharge</u>	<u>Annual Bills</u>	<u>Total</u>
38	<i>Revenue Check:</i>			
39	5/8 x 3/4-inch meters	\$ 8.24	6,276	\$ 51,687
40	3/4-inch meters	12.35	72	889
41	1-inch meters	20.59	156	3,212
42	1.5-inch meters	41.18	60	2,471
43	2-inch meters	65.88	12	791
44	Totals		<u>6,576</u>	<u>\$ 59,049</u>

45 <sup>1</sup> MM = AWWA Meter Multiplier

**Clear Springs Utility Company, Inc. - Water Division**  
**Utility Plant in Service and Depreciation Expense**

Acct. No.	Description	Original Cost @ Test Year End 12/31/15	Loan Proforma Adjustments	Test Year Including Loan Adjustments	Proposed Depreciation Rates	Fully or Non Depreciable Plant	Proposed Depreciation Expense
301	Organization	\$ 1,625	\$ -	1,625	-	1,625	\$ -
302	Franchises	-	-	-	-	-	-
303	Land & Land Rights	210	-	210	-	210	-
304	Structures & Improvements	29,015	1,425	30,440	3.3300%	28,565	62
307	Wells & Springs	186,615	76,033	262,648	3.3300%	179,255	2,777
309	Supply Mains	-	-	-	2.0000%	-	-
310	Power Generation Equipment	-	-	-	5.0000%	-	-
311	Pumping Equipment	235,776	91,619	327,395	12.5000%	121,259	25,767
320	Water Treatment Equipment	-	-	-	-	-	-
320.1	Water Treatment Plants	-	-	-	-	-	-
320.2	Solution Chemical Feeders	5,150	-	5,150	3.3300%	4,574	115
330	Distribution Reservoirs & Standpipes	16,011	-	16,011	2.2200%	16,011	-
330.1	Storage Tanks	145,423	368,813	514,236	2.2200%	-	11,416
330.2	Pressure Tanks	-	-	-	5.0000%	-	-
331	Transmission & Distrib. Mains	355,401	37,153	392,554	2.0000%	-	7,851
333	Services	125,519	-	125,519	3.3300%	-	4,180
334	Meters & Meter Installations	101,942	-	101,942	8.3300%	66,606	2,943
335	Hydrants	12,214	236,152	248,366	2.0000%	9,850	4,770
336	Backflow Prevention Devices	-	-	-	6.6700%	-	-
339	Other Plant & Misc Equipment	-	-	-	6.6700%	-	-
340	Office Furniture & Equipment	-	-	-	6.6700%	-	-
340.1	Computers & Software	-	-	-	20.0000%	-	-
341	Transportation Equipment	-	-	-	20.0000%	-	-
343	Tools, Shop & Garage Equip.	-	-	-	5.0000%	-	-
344	Laboratory Equipment	-	-	-	10.0000%	-	-
345	Power Operated Equipment	-	-	-	5.0000%	-	-
346	Communication Equipment	-	-	-	10.0000%	-	-
347	Miscellaneous Equipment	-	-	-	10.0000%	-	-
348	Other Tangible Plant	-	-	-	-	-	-
<b>TOTALS</b>		<b>\$ 1,214,901</b>	<b>\$ 811,195</b>	<b>\$ 2,026,096</b>		<b>\$ 427,955</b>	<b>\$ 59,882</b>
						Amortization of CIAC	(2,615)
						Total Depreciation Expense	<b>\$ 57,267</b>

**Note:** 2016 WIFA Loan  
 Anncee Loan  
 Proposed CoBank Loan  
 Total Plant additions

**Clear Springs Utility Company, Inc. - Water Division**  
**SUMMARY OF PROPOSED COBANK FINANCING**

	<b>FINANCED AMOUNT</b>	<b>ESTIMATED TERM IN YEARS</b>	<b>ESTIMATED INTEREST RATE</b>	<b>MONTHLY PAYMENT</b>
Loan principal	\$ 586,002	20	5.2500%	\$ 3,949
Reserve amount <sup>1</sup>				658
Number of Months in Year				<u>12</u>
Annual Cash Needed				\$ 55,282
Annual Amount of Interest				\$ 30,359
Annual Amount of Principal				17,026
Annual Reserve				7,897
Incremental Property Tax				1,996
Incremental Income Tax				<u>1,771</u>
Annual Cash Needed				<u><u>\$ 59,049</u></u>

**CSU Water CoBank Financing Summary**

	Projected Cost	Sales Tax @ 4.6%	Other Costs	Engineering/ Contingency @ 15%	Mgmt/Admin/ Legal @ 12%	Construction Costs	Origination Costs	Total Loan Amount	Plant Acct #
<b>Well #18 Storage</b>									
100,000 Gallon Storage tank	\$ 244,150	\$ 11,231	\$ 20,545	\$ 38,307	\$ 30,646	\$ 344,879	\$ 2,968	\$ 347,847	330.1
<b>Well #5 Improvements</b>									
Construction and Installation	\$ 56,144	\$ 2,264	\$ 950	\$ 8,904	\$ 7,123	\$ 75,385	\$ 649	\$ 76,033	307
<b>Fire Hydrant Replacement</b>									
22 Hydrants	\$ 121,000	\$ 5,566	\$ -	\$ 18,985	\$ 15,188	\$ 160,739	\$ 1,383	\$ 162,122	335
<b>Total Project Costs</b>	<b>\$ 421,294</b>	<b>\$ 19,061</b>	<b>\$ 21,495</b>	<b>\$ 66,196</b>	<b>\$ 52,957</b>	<b>\$ 581,002</b>	<b>\$ 5,000</b>	<b>\$ 586,002</b>	

# **Attachment B**

**CREDIT AGREEMENT**

THIS CREDIT AGREEMENT (this "Agreement"), dated as of \_\_\_\_\_, 2016 is entered into by and between xxxxx WATER COMPANY, INC., xxxxxx, Arizona, a corporation (the "Borrower"), and COBANK, ACB, a federally-chartered instrumentality of the United States ("Lender").

**RECITALS**

In consideration of the agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and Lender agree as follows:

**ARTICLE 1 Defined Terms; Accounting Principles.** Certain capitalized terms used in this Agreement bear the definitions given to them in this Agreement. References to accounting standards are to United States generally accepted accounting principles, consistently applied, or those required of the regulatory agency having jurisdiction over the Borrower, including but not limited to the system of accounts established by the United States Department of Agriculture acting through Rural Development or the Rural Utilities Service, or their predecessors ("RD/RUS"), if applicable or such other commission or body as may be agreeable to Lender (the "Accounting Standards").

**ARTICLE 2 The Facilities.**

**2.1 Promissory Note.** In the event the Borrower desires to borrow from Lender and Lender is willing to lend to the Borrower, or in the event the parties desire to consolidate any existing loans hereunder, the parties will enter into a promissory note (a "Promissory Note"). Each Promissory Note will set forth Lender's commitment to make a loan or loans to the Borrower, the amount of the loan(s), the purpose of the loan(s), the interest rate or rate options applicable to the loan(s), the repayment terms of the loan(s), and any other terms and conditions applicable to the particular loan(s). Each Promissory Note will also contain the Borrower's promise to make payments of interest on the unpaid principal balance of the loan(s), and fees and premiums, if any, and to repay the principal balance of the loan(s). Each loan will be governed by the terms and conditions contained in this Agreement and in the Promissory Note relating to that loan.

**2.2 Availability.** Loans will be made available on any day on which Lender and the Federal Reserve Banks are open for business (a "Business Day") upon the telephonic or written request of an authorized employee of the Borrower. Requests for loans must be received by 12:00 p.m. Denver, Colorado time on the date the loan is desired. Loans will be made available by wire transfer of immediately available funds. Wire transfers will be made to such account or accounts as may be authorized by the Borrower.

**2.3 Security.** The Borrower's obligations under this Agreement and each Promissory Note will be secured by a statutory first lien on all equity that the Borrower may now own or hereafter acquire or be allocated in Lender. In addition, except as otherwise provided in a Promissory Note or in a closing instruction letter signed by the parties (an "Instruction Letter"), the Borrower's obligations hereunder and under each Promissory Note will be:

(a) secured by a first priority lien (subject only to exceptions approved in writing by Lender) on all real and personal property of the Borrower, whether now existing or hereafter acquired. The Borrower agrees to take such steps, including, without limitation, the execution and recordation or filing, as applicable, of mortgages, deeds of trust, security agreements, intercreditor or parity agreements, pledge agreements, control agreements, financing statements, and amendments to any of the foregoing, and such other instruments and documents as Lender may require to enable Lender to obtain, perfect, and maintain a lien on such property, and the payment of any applicable mortgage recording, documentary stamp, or intangible taxes; and

(b) guaranteed by an unsecured or secured, limited or continuing guarantee of payment, in form and substance and from such parties as may be required by Lender from time to time. If Lender requires such guarantee(s) to be secured by a lien on the real and/or personal property of a guarantor (a "Guarantor"), Borrower will cause each Guarantor to take such steps, including, without limitation, the execution and recordation or filing, as applicable, of mortgages, deeds of trust, security agreements, pledge agreements, control agreements, financing statements, and amendments to any of the foregoing, and such other instruments and documents as Lender may require to enable Lender to obtain, perfect, and maintain a lien on such property, and the payment of any applicable mortgage recording, documentary stamp, or intangible taxes.

**2.4 Payments Generally.** The Borrower's obligation to repay each loan will be evidenced by a Promissory Note. Lender will maintain a record of all loans, the interest accrued thereon, and all payments made with respect thereto, and such record will, absent proof of manifest error, be conclusive evidence of the outstanding principal and interest on the loans. Payments under each Promissory Note will be made by wire transfer of immediately available funds, by check, or by automated clearing house (ACH) or other similar cash handling processes as specified by separate agreement between the Borrower and Lender. Wire transfers will be made to ABA No. 307088754 for advice to and credit of "CoBANK" (or to such other account as Lender may direct by notice). The Borrower will give Lender telephonic notice no later than 12:00 p.m. Denver, Colorado time on the day the Borrower intends to pay by wire of such intent, and funds received after 3:00 p.m. Denver, Colorado time will be credited on the next Business Day. Checks will be mailed to CoBANK, Department 167, Denver, Colorado 80291-0167 (or to such other place as Lender may direct by notice). Credit for payment by check will not be given until the later of the next Business Day after receipt of the check or the day on which Lender receives immediately available funds. If any installment of principal or interest is due on a date that is not a Business Day, then such installment will be due and payable on the next Business Day.

**2.5 Broken Funding Surcharge.** Notwithstanding the terms of any Promissory Note giving the Borrower the right to repay any loan prior to the date it would otherwise be due and payable, the Borrower agrees to provide three Business Days' prior written notice for any prepayment of a fixed rate balance and to pay to Lender a broken funding surcharge in the amount set forth below in the event the Borrower: (a) repays any fixed rate balance prior to the last day of its fixed rate period (whether such payment is made voluntarily, as a result of an acceleration, or otherwise); (b) converts any fixed rate balance to another fixed rate or to a variable rate prior to the last day of the fixed rate period applicable to such balance; or (c) fails to borrow any fixed rate balance on the date scheduled therefor. The surcharge will be in an amount equal to the greater of (1) the sum of: (i) the present value of any funding losses imputed by Lender to have been incurred as a result of such payment, conversion or failure; plus (ii) a per annum yield of 0.50% of the amount repaid, converted or not borrowed for the period such amount was scheduled to have been outstanding at such fixed rate, or (2) \$300.00. Any surcharge will be determined and calculated in accordance with methodology established by Lender, a copy of which will be made

available upon request. Notwithstanding the foregoing, in the event of a conflict between the provisions of this section and of the broken funding charge section of a forward fix agreement between Lender and the Borrower, the provisions of the forward fix agreement will control.

**2.6 Taxes; Change in Law.** Any payment by the Borrower to Lender will be made net of any taxes (other than income and similar taxes imposed on or measured by Lender's overall net income). If any change in any law, rule, regulation, code, ordinance, order or the like to which the Borrower is subject, including, without limitation, all laws relating to environmental protection, and taxes (collectively, "Laws"), increases the cost of making or maintaining any loan (or any associated commitment to lend), or reduces the amount received or receivable by Lender hereunder then, upon request, the Borrower will pay to Lender such additional amount as will compensate Lender for such additional costs incurred or reduction suffered.

### **ARTICLE 3 Conditions Precedent.**

**3.1 Conditions to Initial Promissory Note.** Lender's obligation to extend credit under the initial Promissory Note hereunder is subject to the condition precedent that Lender receive, in form and substance satisfactory to Lender, each of the following, except as otherwise provided in a Promissory Note or in an Instruction Letter:

(a) **This Agreement.** A duly executed copy of this Agreement, the other Loan Documents (as defined below), the Instruction Letter accompanying this Agreement, and all instruments and documents contemplated hereby and thereby.

(b) **Banking Service Agreements.** A duly completed and executed copy of any banking service agreement, including any agreement relating to the provision by Lender of cash management services, required by Lender from time to time. Lender will be entitled to rely on (and will incur no liability to the Borrower in acting on) any request or direction furnished in accordance with the terms thereof.

**3.2 Conditions to Each Promissory Note.** Lender's obligations to extend credit under each Promissory Note hereunder, including the initial Promissory Note, is subject to the condition precedent that Lender receive, in form and substance satisfactory to Lender, each of the following, except as otherwise provided in a Promissory Note or in an Instruction Letter:

(a) **Promissory Note.** A duly executed copy of the Promissory Note and all instruments and documents contemplated by the Promissory Note.

(b) **Instruction Letter.** Any and all items or requirements detailed in an Instruction Letter.

(c) **Evidence of Perfection.** Such evidence as Lender may require that it has duly perfected liens as required under this Agreement.

(d) **Evidence of Authority.** Such certified board resolutions, certificates of incumbency, and other evidence that Lender may require that the Promissory Note, all instruments and documents executed in connection therewith, and, in the case of the initial Promissory Note hereto, this Agreement, the other Loan Documents (as defined below) and all instruments and documents executed in connection herewith and therewith, including any security documents, have been duly authorized and executed.

(e) **Fees and Other Charges.** Any fees or other charges provided for herein, in the Promissory Note or in any invoice provided by Lender.

(f) **Insurance.** Such evidence as Lender may require that the Borrower is in compliance with Section 5.4 below.

(g) **Consents and Approvals.** Evidence as Lender may require that all regulatory and other consents and approvals referred to in Section 4.6 below have been obtained and are in full force and effect.

(h) **Opinion of Counsel.** An opinion of counsel to the Borrower (which counsel must be acceptable to Lender).

**3.3 Conditions to Each Loan.** Lender's obligation under each Promissory Note to make any loan to the Borrower thereunder is subject to the condition that no "Event of Default" (as defined in Section 8.1 below) or event that, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would ripen into an Event of Default (a "Potential Default") will have occurred and be continuing or would be caused by the making of such loan.

**ARTICLE 4 Representations and Warranties.** The execution by the Borrower of this Agreement and each Promissory Note hereunder, or any renewal or extension by Lender of any Promissory Note hereunder, will constitute a representation and warranty by the Borrower that:

**4.1 Instruction Letter; Loan Documents.** Each representation and warranty and all information set forth in any Instruction Letter and/or any of the Loan Documents (as defined below) and/or any other document submitted in connection with, or to induce Lender to enter into, such Promissory Note is correct in all material respects as of the date of such Promissory Note.

**4.2 Compliance; Legal Proceedings.** The Borrower and its subsidiaries and all property owned or leased or proposed to be acquired with the proceeds of any Promissory Note hereunder by the Borrower and/or its subsidiaries and all of its/their operations are in compliance with all applicable Laws and the terms of the Loan Documents and no Event of Default or Potential Default exists or is continuing. In addition, there are no pending legal, arbitration, or governmental actions or proceedings to which the Borrower or any subsidiary is a party or to which any of its or any subsidiaries' property is subject which, if adversely determined, might have a material adverse effect on the financial condition, operations, properties, profits, or business of the Borrower or any subsidiary, and to the best of the Borrower's knowledge, no such actions or proceedings are threatened or contemplated.

**4.3 Organization; Good Standing.** The Borrower (a) is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, (b) has the lawful power to own or lease its properties and to engage in the business it conducts or proposes to conduct, and (c) is duly qualified and in good standing in each jurisdiction where the property owned or leased by it or the nature of the business transacted by it makes such qualification necessary.

**4.4 Binding Agreement.** The Loan Documents constitute legal, valid, and binding obligations of the Borrower that are enforceable in accordance with their terms.

**4.5 Conflicting Agreements.** Neither this Agreement nor any Promissory Note, or other instrument or document securing or otherwise relating hereto or to any Promissory Note (each a "Loan

XXXXXXXXWATER COMPANY, INC.

XXXXXXX, Arizona

Agreement No. XXXXXXXSLA

**Document**” and collectively, at any time, the “**Loan Documents**”) conflicts with, or constitutes (with or without the giving of notice and/or the passage of time and/or the occurrence of any other condition) a default under, any other agreement to which the Borrower is a party or by which it or any of its property may be bound or affected, and does not conflict with any provision of its bylaws, articles of incorporation or other organizational documents.

**4.6 Consents and Approvals.** No consent, permission, authorization, order or license of any governmental authority or of any party to any agreement to which the Borrower is a party or by which it or any of its property may be bound or affected, is necessary in connection with the project, acquisition or other activity being financed by such Promissory Note, or the execution, delivery, performance or enforcement of any Loan Document, except as have been obtained and are in full force and effect.

**4.7 Budgets; Full Disclosure.** All budgets, projections, feasibility studies, and other documentation submitted by the Borrower to Lender in connection with, or to induce Lender to enter into, such Promissory Note are based upon assumptions that are reasonable and realistic, and as of the date of such Promissory Note, no fact has come to light, and no event has occurred, that would cause any assumption made therein to not be reasonable or realistic. No Loan Document or other certificate, statement, agreement, or document furnished to Lender in connection with this Agreement or any other Loan Document (a) contains any untrue statement of a material fact, or (b) fails to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. The Borrower is not aware of any Material Adverse Change that has not been disclosed in writing to Lender. A “**Material Adverse Change**” means any material adverse change, as reasonably determined by Lender, in the condition, financial or otherwise, operations, business, liabilities (actual or contingent) or properties of the Borrower or in its ability to perform its obligations hereunder, under any security instrument or document, or under any other Loan Document.

**4.8 Accurate Financial Information.** Each submission of financial information or documents relating to the Borrower will constitute a representation and warranty by the Borrower that such information and documents (a) are true and accurate in all material respects, and (b) do not fail to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

**4.9 ERISA.** The Borrower and its subsidiaries are in compliance in all material respects with the applicable provisions of the Employee Retirement Income Security Act of 1974, and the regulations and published interpretations thereunder from time to time (“**ERISA**”).

**4.10 Water Rights and System Condition.** The Borrower has water rights with such amounts, priorities and qualities as are necessary to service adequately the Borrower’s customers and members. The Borrower controls, owns, or has access to all such water rights free and clear of the interest of any third party and has not suffered or permitted any transfer or encumbrance of such water rights, has not abandoned such water rights, or any of them, and has not done any act or thing which would impair or cause the loss of any such water rights. The Borrower’s utility facilities reasonably meet present demand in all material respects, are constructed in a good and professional manner, are in good working order and condition, and comply in all material respects with all applicable law.

**4.11 Rate Matters.** The Borrower’s rates for the provision of water have been approved, if applicable, by any and all necessary governmental regulatory authorities, including, without limitation, each public service commission or public utilities commission that may have jurisdiction over the

XXXXXXXXWATER COMPANY, INC.

XXXXXXX, Arizona

Agreement No. xxxxxxxSLA

operations and rates of the Borrower. Further, there is no pending, and to the Borrower's knowledge, no threatened proceeding before any governmental authority, the objective or result of which is or could be to materially reduce or otherwise materially adversely change any of the Borrower's rates for the provision of water and/or waste water services, or otherwise have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Borrower.

**ARTICLE 5 Affirmative Covenants.** Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, the Borrower agrees to, and with respect to Sections 5.3, 5.4, 5.5, and 5.8, agrees to cause each subsidiary, if any, to:

**5.1 Reports and Notices.** Furnish to Lender:

(a) **Annual Financial Statements.** As soon as available, but in no event more than 120 days after the end of each fiscal year of the Borrower occurring during the term hereof, annual financial statements of the Borrower, prepared in a manner acceptable to Lender. Such financial statements will be prepared in reasonable detail acceptable to Lender.

(b) **Interim Financial Statements.** [To be determined].

(c) **Notice of Default.** Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default, including, without limitation, any error in the Borrower's financial information previously provided to Lender and the occurrence of any breach, default, event of default or event that, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would become a breach, default or event of default under any loan agreement, indenture, mortgage, or other credit or security agreement or instrument to which the Borrower is a party or by which it or any of its property may be bound or affected.

(d) **Notice of Litigation, Environmental Matters, Etc.** Promptly after becoming aware thereof, notice of: (1) the commencement of any action, suit or proceeding before any court, arbitrator or governmental department, commission, board, bureau, agency, or instrumentality having jurisdiction over the Borrower, that, if adversely decided, could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Borrower; (2) the receipt of any notice, indictment, pleading or other communication alleging a condition that may require the Borrower to undertake or to contribute to a clean-up or other response under any environmental Law, or that seeks penalties, damages, injunctive relief, criminal sanctions or other relief as a result of an alleged violation of any such Law, or that claims personal injury or property damage as a result of environmental factors or conditions; and (3) any matter that could have a material adverse effect on the Borrower, including any decision of any regulatory authority or commission.

(e) **Notice of Certain Events.** (1) Notice at least 30 days prior thereto, of any change in the Borrower's name or corporate structure; (2) notice at least 30 days prior thereto, of any change in the Borrower's organizational documents, which changes must be approved in writing by Lender in its reasonable discretion; (3) notice at least 30 days prior thereto, of any change in the principal place of business of the Borrower or the office where its records concerning its accounts are kept; and (4) as soon as available after any changes thereto, copies of the Borrower's organizational documents certified by the Borrower's Secretary or equivalent officer acceptable to Lender.

**5.2 Instruction Letter.** Comply with any and all requirements detailed in an Instruction Letter.

XXXXXXXXWATER COMPANY, INC.

XXXXXXX, Arizona

Agreement No. XXXXXXSLA

**5.3 Corporate Existence, Etc.** Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation, qualify and remain qualified to transact business in all jurisdictions where such qualification is required, and obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like that are material to the conduct of its business or required by any Law.

**5.4 Insurance.** Maintain insurance with reputable and financially sound insurance companies or associations, including self-insurance to the extent customary, acceptable to Lender in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as Lender may reasonably request. All such policies insuring any collateral for the Borrower's obligations to Lender will have additional insured, mortgagee and lender's loss payee clauses or endorsements, as applicable, in form and substance satisfactory to Lender. At Lender's request, the Borrower agrees to deliver to Lender such proof of compliance with this section as Lender may require.

**5.5 Property Maintenance.** Maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties useful or necessary to its business, and make all alterations, replacements, and improvements thereto as may from time to time be necessary in order to ensure that its properties remain in good working order and condition. If the Borrower is subject to a compliance order by a federal or state authority or is in default of this Agreement, the Borrower agrees that at Lenders request, which may not be made more than once a year, the Borrower will furnish to Lender a report on the condition of the Borrower's property prepared by a professional engineer satisfactory to Lender.

**5.6 Inspection.** Permit Lender or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to inspect and visit any of its properties, examine and make excerpts from its books and records, and to discuss its business affairs, finances and accounts with its officers, directors, employees, and independent certified public accountants and to conduct reviews of any collateral.

**5.7 Books and Records.** Maintain and keep proper books and records of account in which full, true and correct entries of all its dealings, business and financial affairs will be made in accordance with the Accounting Standards.

**5.8 Compliance With Laws.** Comply in all material respects with all Laws and any patron or member investment program applicable to the Borrower. In addition, the Borrower agrees to cause all persons occupying or present on any of its properties to comply in all material respects with all Laws relating to such properties.

**5.9 Further Assurances and Other Information.** From time to time and at its expense, execute and deliver such documents and do such other acts and things as Lender in its sole discretion may deem necessary or advisable from time to time in order to more fully carry out the provisions and purpose of the Loan Documents, including delivery of such other information regarding the condition or operations, financial or otherwise, of the Borrower as Lender may from time to time reasonably request, including, but not limited to, copies of all pleadings, notices and communications referred to in Section 5.1(d) above.

**5.10 Capital.** Maintain its status as an entity eligible to borrow from Lender and acquire equity in Lender in such amounts and at such times as Lender may from time to time require in accordance with its Bylaws and Capital Plan (as each may be amended from time to time), except that the

XXXXXXXXWATER COMPANY, INC.

XXXXXXX, Arizona

**Agreement No. xxxxxxxSLA**

maximum amount of equity that the Borrower may be required to purchase in connection with a loan may not exceed the maximum amount permitted by the Bylaws at the time the Promissory Note relating to such loan is entered into or such loan is renewed or refinanced by Lender. The rights and obligations of the parties with respect to such equity and any patronage or other distributions made by Lender will be governed by Lender's Bylaws and Capital Plan (as each may be amended from time to time).

**5.11 Delivery of Original Loan Documents.** If executed copies of any Loan Documents are delivered to Lender as provided in Article 3 above, immediately deliver to Lender the original executed versions of such Loan Documents.

**5.12 Indemnity for Taxes.** At all times indemnify and hold and save Lender harmless from and against any and all actions or causes of action, claims, demands, liabilities, loss, damage or expense of whatsoever kind and nature incurred by Lender as a result of the non-payment of any documentary stamp tax, intangible tax, interest or penalties associated therewith or any other local, state or federal assessment required to be paid, but not paid in conjunction with the indebtedness evidenced by the Loan Documents. The Borrower agrees to pay to Lender, its successors and assigns, all sums of money requested by Lender hereunder within ten days of such request, which Lender will or may advance, pay or cause to be paid, or become liable to pay, on account of or in connection with failure to pay as required by the regulations of the governmental authority so imposing said payment. Lender will be entitled to charge for any and all disbursements made by it in good faith, under the reasonable belief that it or the Borrower is or was liable for the amount so assessed. Any default by the Borrower in making any payments required under this covenant will constitute a payment Event of Default under the Loan Documents and Lender may, at its option, declare the entire amount of principal plus accrued interest thereon due and payable without notice or demand.

**5.13 ERISA.** The Borrower and its subsidiaries, for so long as this Agreement remains outstanding, will remain in compliance in all material respects with the applicable provisions of ERISA, the failure to comply with which has or may have a Material Adverse Effect on the Borrower.

**5.14 Water Rights and/or Supplies.** Maintain or procure water rights and/or supplies with such amounts, priorities and qualities as are necessary to service adequately the Borrower's customers and members. The Borrower will continue to control, own or have access to all such water rights and/or supplies free and clear of the interest of any third party, will not suffer or permit any transfer or encumbrance of such water rights and/or supplies, will not abandon such water rights and/or supplies, or any of them, and will not do any act or thing that would impair or cause the loss of any such water rights and/or supplies.

**ARTICLE 6 Negative Covenants.** Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, the Borrower will not:

**6.1 Other Indebtedness.** Create, incur, assume or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money (including trade or bankers' acceptances), letters of credit, or for the deferred purchase price of property or services (including leases that should be capitalized on the books of the lessee in accordance with the Accounting Standards), except for:

- (a) debt to Lender.
- (b) accounts payable to trade creditors incurred in the ordinary course of business.

XXXXXXXXWATER COMPANY, INC.

XXXXXXX, Arizona

Agreement No. xxxxxxxSLA

(c) current operating liabilities (other than for borrowed money) incurred in the ordinary course of business.

(d) purchase money security indebtedness provided that such indebtedness does not exceed \$xxxx.00.

(e) capitalized leases that do not, in an aggregate, exceed \$xx,000.00 at any one time .

(f) Evidence of the filing of a new rate case application within four years of closing Multiple Advance Term Promissory Note number 0xxxxxxxT01.

**6.2 Contingent Liabilities.** Assume, guarantee, become liable as a surety, endorse, contingently agree to purchase, or otherwise be or become liable, directly or indirectly (including, but not limited to, by means of a maintenance agreement, an asset or stock purchase agreement, or any other agreement designed to ensure any creditor against loss), for or on account of the obligation of any person or entity, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of the Borrower's business.

**6.3 Liens.** Create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal (collectively, "Liens"). The foregoing restrictions will not apply to:

(a) Liens in favor of Lender .

(b) Liens for taxes, assessments, or governmental charges that are not past due.

(c) pledges and deposits under workers' compensation, unemployment insurance, and social security Laws.

(d) pledges and deposits to secure the performance of bids, tenders, contracts (other than contracts for payment of money), and like obligations arising in the ordinary course of business as conducted on the date hereof.

(e) Liens imposed by Law in favor of mechanics, material suppliers, warehouses, and like persons that secure obligations that are not past due.

(f) easements, rights-of-way, restrictions, and other similar encumbrances that, in the aggregate, do not materially interfere with the occupation, use, and enjoyment of the property or assets encumbered thereby in the normal course of business or materially impair the value of the property subject thereto.

(g) purchase money Liens to secure indebtedness permitted hereunder.

**6.4 Transactions with Affiliates.** Enter into any transaction with any affiliate except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm's-length transaction with a person or entity that was not an affiliate.

XXXXXXXXWATER COMPANY, INC.

XXXXXXX, Arizona

Agreement No. XXXXXXXSLA

**6.5 Loans and Investments.** Make any loan or advance to, or make any investment in, or make any capital contribution to, or purchase or make any commitment to purchase any stock, bonds, notes or other securities of any person or entity, except for:

(a) securities or deposits issued, guaranteed or fully insured as to payment by the United States of America or any agency thereof.

(b) equity in, or obligation of, Lender.

**6.6 Dividends and Distributions.** Declare or pay any dividends or make any other distribution of assets to shareholders of the Borrower, or retire, redeem, purchase or otherwise acquire for value any capital stock or otherwise set apart any sum for any of the foregoing, except that as long as no Potential Default or Event of Default exists or would result therefrom (including, without limitation, under Article 7 hereof) the Borrower may, in any fiscal year, pay dividends to its shareholders.

**6.7 Mergers, Acquisitions, Etc.** Merge or consolidate with any other entity or acquire all or a material part of the assets of any other person or entity, or form or create any new subsidiary, or commence operations under any other name, organization, or entity, including any joint venture.

**6.8 Transfer of Assets.** Sell, transfer, lease, or otherwise dispose of any of its assets, except: (a) in the ordinary course of business; and (b) the sale, transfer or disposal of any obsolete or worn-out assets that are no longer necessary or required in the conduct of the Borrower's business.

**6.9 Change in Business.** Engage in any business activities or operations substantially different from or unrelated to the Borrower's present business activities or operations.

**ARTICLE 7 Financial Covenants.** Unless otherwise agreed to in writing by Lender, while this Agreement is in effect:

**7.1 Debt Service Coverage Ratio.** The Borrower and its consolidated subsidiaries, if any, will have at the end of each fiscal year of the Borrower a Debt Service Coverage Ratio (as defined below) for such year of not less than xxxx to 1.00. For purposes hereof, the term "**Debt Service Coverage Ratio**" means the ratio of: (a) net income (after eliminating any gain or loss on sale of assets or other extraordinary gain or loss), plus depreciation expense, amortization expense, interest expense, and non-cash management fee expenses, and interest expense, minus non-cash patronage, and non-cash income from subsidiaries and/or joint ventures, and grant income; to (b) all principal payments due within the period on all Long-Term Debt (as defined below) plus interest expense (all as calculated on no basis for the applicable period in accordance with the Accounting Standards). For purposes hereof, "**Long-Term Debt**" means, for the Borrower, on no basis, the sum of (1) all indebtedness for borrowed money, (2) obligations that are evidenced by notes, bonds, debentures or similar instruments, and (3) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with Accounting Standards or that are treated as operating leases under regulations applicable to them but that otherwise would be required to be capitalized under Accounting Standards, in each case having a maturity of more than one year from the date of its creation or having a maturity within one year from such date but that is renewable or extendible, at the Borrower's option, to a date more than one year from such date or that arises under a revolving credit or similar agreement that obligates the lender(s) to extend credit during a period of more than one year from such date, including all current maturities in respect of such indebtedness whether or not required to be paid within one year from the date of its creation.

**7.2 Total Debt to EBITDA.** The Borrower and its consolidated subsidiaries, if any, will have at the end of each fiscal year of the Borrower a Total Debt to EBITDA (each as defined below) ratio of not greater than xxx to 1.00 (all as determined in accordance with the Accounting Standards). For purposes hereof: (a) "Total Debt" means, for the Borrower, and its consolidated subsidiaries, if any, the sum of (1) all indebtedness for borrowed money, (2) obligations which are evidenced by notes, bonds, debentures or similar instruments, and (3) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with Accounting Standards or that are treated as operating leases under regulations applicable to them but that otherwise would be required to be capitalized under Accounting Standards; and (b) "EBITDA" means, for the Borrower, and its consolidated subsidiaries, if any, operating revenues minus operating expenses, plus depreciation, amortization expenses, and non-cash management fee expenses.

#### **ARTICLE 8 Default.**

**8.1** Each of the following will constitute an "Event of Default" hereunder:

(a) **Payment Default.** The Borrower should fail to make any payment to Lender when due.

(b) **Representations and Warranties.** Any representation, warranty, certification or statement of fact made at any time by the Borrower, herein or in any other Loan Document, or in any certificate, other instrument or statement furnished to Lender by or on behalf of the Borrower, will have been false or misleading in any material respect as of the time it was made or furnished.

(c) **Covenants.** The Borrower will default in the observance or performance of any covenant set forth in Article 5 (other than Sections 5.1(c), 5.1(d), 5.1(e)(1), and 5.1(e)(2) above), and such default continues for 30 days after written notice thereof will have been delivered to the Borrower by Lender.

(d) **Other Covenants and Agreements.** The Borrower will default in the observance or performance of Sections 5.1(c), 5.1(d), 5.1(e)(1), and 5.1(e)(2) or any other covenant or agreement contained herein or in any other Loan Document or will use the proceeds of any loan for any unauthorized purpose.

(e) **Cross Default.** The Borrower should, after any applicable grace period, breach or be in default under the terms of any other Loan Document (including, without limitation, any security instrument or document) or any other agreement between the Borrower and Lender, or between the Borrower and any Affiliate of Lender, including without limitation Farm Credit Leasing Services Corporation.

(f) **Other Indebtedness.** The Borrower should fail to pay when due any indebtedness to any other person or entity for borrowed money or any long-term obligation for the deferred purchase price of property (including any capitalized lease), or any other event occurs that, under any agreement or instrument relating to such indebtedness or obligation, has the effect of accelerating or permitting the acceleration of such indebtedness or obligation, whether or not such indebtedness or obligation is actually accelerated or the right to accelerate is conditioned on the giving of notice, the passage of time, or otherwise.

(g) **Judgments.** A judgment, decree, or order for the payment of money will have been rendered against the Borrower and either: (1) enforcement proceedings will have been commenced; (2) a Lien prohibited by this Agreement, any security instrument, or any other Loan Document, will have been

obtained; or (3) such judgment, decree, or order will continue unsatisfied and in effect for a period of 30 consecutive days without being vacated, discharged, satisfied, bonded, or stayed pending appeal.

**(h) Loan Document Unenforceable.** Any of the Loan Documents ceases to be a legal, valid, and binding agreement enforceable against the Borrower or any Guarantor, if any or is in any way terminated (except in accordance with its terms) or becomes or is declared ineffective or inoperative.

**(i) Revocation of Guaranty.** Any guaranty, suretyship, subordination agreement, maintenance agreement, or other agreement furnished in connection with the Borrower's obligations hereunder and under any Promissory Note will, at any time, cease to be in full force and effect, or will be revoked or declared null and void, or the validity thereof will be contested by the Guarantor, surety or other maker thereof, or the Guarantor will deny any further liability or obligations thereunder, or will fail to perform its obligations thereunder, or any representation or warranty set forth therein will be breached, or the Guarantor will breach or be in default under the terms of any other agreement with Lender (including any loan agreement or security agreement), or a default set forth in sections (f) through (h) will occur with respect to the Guarantor.

**(j) Insolvency, Etc.** The Borrower will: (1) become insolvent or will generally not, or will be unable to, or will admit in writing its inability to, pay its debts as they become due; or (2) suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (3) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property; or (4) have commenced against it any action or proceeding for the appointment of a trustee, receiver, or other custodian and such action or proceeding is not dismissed within 30 days of the date thereof, or a trustee, receiver, or other custodian is appointed for all or any part of its property; or (5) receive notice from any regulatory or governmental authority to the effect that such authority intends to replace the management of the Borrower or assume control over the Borrower; or (6) commence or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law of any jurisdiction.

**(k) Material Adverse Change.** Any Material Adverse Change occurs, as reasonably determined by Lender.

**8.2 Remedies.** Upon the occurrence and during the continuance of an Event of Default or Potential Default, Lender will have no obligation to extend or continue to extend credit to the Borrower and may discontinue doing so at any time without prior notice or other limitation. In addition, upon the occurrence and during the continuance of any Event of Default, Lender may, upon notice to the Borrower:

**(a) Termination and Acceleration.** Terminate any commitment and declare the unpaid principal balance of the loans, all accrued interest thereon, and all other amounts payable under this Agreement, each Promissory Note, and all other Loan Documents to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the loans and all such other amounts will become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Borrower.

**(b) Enforcement.** Proceed to protect, exercise, and enforce such rights and remedies as may be provided by this Agreement, any security instrument or document, any other Loan Document, or under Law. Each and every one of such rights and remedies will be cumulative and may be exercised from time to time, and no failure on the part of Lender to exercise, and no delay in exercising, any right or remedy will operate as a waiver thereof, and no single or partial exercise of any right or remedy will preclude any

future or other exercise thereof, or the exercise of any other right. Without limiting the foregoing, Lender may hold and/or set off and apply against the Borrower's obligations to Lender the proceeds of any equity in Lender, any cash collateral held by Lender, or any balances held by Lender for the Borrower's account (whether or not such balances are then due).

(c) **Application of Funds.** Lender may apply all payments received by it to the Borrower's obligations to Lender in such order and manner as Lender may elect in its sole discretion.

In addition to the rights and remedies set forth above and notwithstanding any Promissory Note: (1) upon the occurrence and during the continuance of an Event of Default, at Lender's option in each instance, the entire indebtedness outstanding hereunder and under each Promissory Note will bear interest from the date of such Event of Default until such Event of Default will have been waived or cured in a manner satisfactory to Lender at 2.00% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the applicable Promissory Note; and (2) after the maturity of any loan (whether as a result of acceleration or otherwise), the unpaid principal balance of such loan (including without limitation, principal, interest, fees and expenses) will automatically bear interest at 2.00% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the Promissory Note. All interest provided for herein will be payable on demand and will be calculated on the basis of a year consisting of 360 days.

#### **ARTICLE 9 Miscellaneous.**

**9.1 Amendments; Waivers; Etc.** No amendment, modification, or waiver of any provision of this Agreement or the other Loan Documents, and no consent to any departure by the Borrower herefrom or therefrom, will be effective unless approved by Lender and contained in a writing signed by or on behalf of Lender, and then such waiver or consent will be effective only in the specific instance and for the specific purpose for which given. In the event this Agreement is amended or restated, each such amendment or restatement will be applicable to all Promissory Notes hereto.

#### **ARTICLE 10 Expenses; Indemnification; Damage Waiver.**

**10.1 Costs and Expenses.** To the extent allowed by Law, the Borrower agrees to pay all reasonable out-of-pocket costs and expenses (including the fees and expenses of counsel retained or employed by Lender) incurred by Lender and any participants of Lender in connection with the origination, administration, collection and enforcement of this Agreement and the other Loan Documents, including, without limitation, all costs and expenses incurred in obtaining, perfecting, maintaining, determining the priority of, and releasing any security for the Borrower's obligations to Lender, and any stamp, intangible, transfer or like tax incurred in connection with this Agreement or any other Loan Document or the recording hereof or thereof.

**10.2 Indemnification.** The Borrower indemnifies Lender, its affiliates and its and their respective officers, directors, employees, agents and advisors (each an "Indemnitee") against, and holds each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including fees and expenses of employed or retained counsel) incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower arising out of or as a result of (a) the execution or delivery of any Loan Document, the performance or nonperformance by the Borrower of its obligations under any Loan Document or the consummation of the transactions contemplated thereby, including the use of the proceeds therefrom, (b) breach of representations, warranties or covenants of the Borrower under any Loan Document, or (c) any actual or prospective claim, litigation, investigation or

XXXXXXXXWATER COMPANY, INC.

XXXXXXX, Arizona

Agreement No. xxxxxxxSLA

proceeding relating to any of the foregoing, including any such items or losses relating to or arising under environmental Laws or pertaining to environmental matters, regardless whether any Indemnitee is a party thereto; provided that such indemnity will not, as to an Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

**10.3 Waiver of Consequential Damages.** To the fullest extent permitted by applicable Law, the Borrower will not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages arising out of, in connection with, or as a result of, any Loan Document, the transactions contemplated thereby or the use of the proceeds thereof.

**10.4 Notices.** All notices hereunder will be in writing and will be deemed to have been duly given when addressed to the party intended to receive the same at the address of such party set forth below (or such other address either party may specify by like notice), (a) upon delivery if personally delivered to a party at such address, (b) three days after the same is deposited in the United States mail as first class, certified mail, return receipt requested, postage paid, (c) one business day after the same has been deposited with Federal Express or another nationally recognized overnight courier service if designated for next-day delivery, and (d) upon delivery if sent by facsimile or electronic mail with confirmation of delivery of the same:

If to Lender, as follows:

For general correspondence purposes:  
P.O. Box 5110  
Denver, Colorado 80217-5110

For direct delivery purposes, when desired:  
6340 S. Fiddlers Green Circle  
Greenwood Village, Colorado 80111-1914

Attention: Credit Information Services  
Fax No.: (303) 224-6101

If to the Borrower, as follows:

XXXXXXXXWater Company, Inc.  
xxxxx XXXXXXX,  
Arizona xxxxxx

XXXXXXXXXXXXXXXXXX  
XXXXXXXX, Arizona xxxxx

Attention: Manager  
Fax No.:

**10.5 Effectiveness and Severability.** This Agreement will continue in effect until: (a) all indebtedness and obligations of the Borrower under this Agreement and the other Loan Documents have been paid or satisfied; (b) Lender has no commitment to extend credit to or for the account of the Borrower under any Promissory Note; and (c) either party sends written notice to the other party terminating this Agreement. Any provision of this Agreement or any other Loan Document that is prohibited or unenforceable in any jurisdiction will be ineffective to the extent of such prohibition or unenforceable without invalidating the remaining provisions hereof or thereof.

**10.6 Successors and Assigns.**

(a) **Successors and Assigns Generally.** This Agreement and the other Loan Documents will be binding upon and inure to the benefit of the Borrower and Lender and their respective successors and

XXXXXXXXWATER COMPANY, INC.

XXXXXXX, Arizona

Agreement No. XXXXXXXSLA

assigns, except that the Borrower may not assign or transfer its rights or obligations under this Agreement or the other Loan Documents without the prior written consent of Lender.

(b) **Participations, Etc.** From time to time, Lender may sell to one or more banks, financial institutions, or other lenders a participation in one or more of the loans or other extensions of credit made pursuant to this Agreement. However, no such participation will relieve Lender of any commitment made to the Borrower hereunder. In connection with the foregoing, Lender may disclose information concerning the Borrower and its subsidiaries, if any, to any participant or prospective participant, provided that such participant or prospective participant agrees to keep such information confidential. Patronage distributions in the event of a sale of a participation interest will be governed by Lender's Bylaws and Capital Plan (as each may be amended from time to time). A sale of a participation interest may include certain voting rights of the participants regarding the loans hereunder (including without limitation the administration, servicing, and enforcement thereof). Lender agrees to give written notification to the Borrower of any sale of a participation interest.

#### **10.7 Integration; Other Types of Credit; Counterparts.**

(a) **Integration.** The Loan Documents are intended by the parties to be a complete and final expression of their agreement. Each Promissory Note will be deemed to incorporate all of the terms and conditions of this Agreement as if fully set forth therein. Without limiting the foregoing, any capitalized term utilized in any Promissory Note (or in any amendment to this Agreement or Promissory Note) and not otherwise defined in the Promissory Note (or amendment) will have the meaning set forth herein or, if applicable, in the Accounting Standards. In the event the Accounting Standards are changed after the date hereof, then all such changes will be applicable hereto, unless Lender otherwise specifies in writing.

(b) **Other Types of Credit.** From time to time, Lender may issue letters of credit or extend other types of credit to or for the account of the Borrower. In the event the parties desire to do so under the terms of this Agreement, then the agreement of the parties with respect thereto may be set forth in a Promissory Note and this Agreement will be applicable thereto.

(c) **Counterparts.** This Agreement may be executed in counterparts, each of which will constitute an original, but all of which when taken together will constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic means will be as effective as delivery of a manually executed counterpart of this Agreement.

#### **10.8 Applicable Law; Submission to Jurisdiction; Service of Process; Waiver of Venue; Waiver of Jury Trial.**

(a) **Applicable Law.** Without giving effect to the principles of conflict of laws and except to the extent governed by federal law, the Laws of the State of Colorado, without reference to choice of law doctrine, will govern this Agreement, each Promissory Note and any other Loan Document for which Colorado is specified as the applicable law, and all disputes and matters between the parties to this Agreement, including all disputes and matters whatsoever arising under, in connection with or incident to the lending and/or leasing or other business relationship between the parties, and the rights and obligations of the parties to this Agreement or any other Loan Document by and between the parties for which Colorado is specified as the applicable law.

(b) **Submission to Jurisdiction; Service of Process.** The Borrower hereby irrevocably consents to the nonexclusive jurisdiction of any state or federal court in Denver, Colorado, and consents

XXXXXXXXWATER COMPANY, INC.

XXXXXXX, Arizona

Agreement No. xxxxxxxSLA

that Lender may effect any service of process in the manner and at the Borrower's address set forth herein for providing notice or demand; provided that nothing contained in this Agreement will prevent Lender from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any collateral or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction.

(c) **Waiver of Venue.** The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for the Borrower and Lender. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.

(d) **Waiver of Jury Trial.** The Borrower and Lender each hereby irrevocably waives any right it may have to a trial by jury in connection with any action directly or indirectly arising out of or relating to this Agreement or any other Loan Document. Each party hereto (1) certifies that no representative, administrative agent or attorney of any other person has represented, expressly or otherwise, that such other person would not, in the event of litigation, seek to enforce the foregoing waiver and (2) acknowledges that it and the other parties hereto have been induced to enter into this Agreement and other Loan Documents by, among other things, the mutual waivers and certifications in this section.

**10.9 USA Patriot Act Notice.** Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify, and record information that identifies the Borrower in accordance with the USA Patriot Act. The Borrower covenants and agrees it will not, and agrees to cause each of its subsidiaries not to, at any time, directly or indirectly be (a) a person with whom Lender is restricted from doing business under any Anti-Terrorism Law, (b) engaged in any business involved in making or receiving any contribution of funds, goods or services to or for the benefit of such a person or in any transaction that evades or avoids, or has the purpose of evading or avoiding, the prohibitions set forth in any Anti-Terrorism Law, or (c) otherwise in violation of any Anti-Terrorism Law (the Borrower will and will cause each of its subsidiaries to provide to Lender any certifications or information that Lender requests to confirm compliance by the Borrower and its subsidiaries with any Anti-Terrorism Law). "**Anti-Terrorism Law**" means any Law relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by the United States Treasury Department's Office of Foreign Asset Control, as any of the foregoing Laws may from time to time be amended, renewed, extended, or replaced.

**SIGNATURE PAGE FOLLOWS**

XXXXXXXXWATER COMPANY, INC.  
XXXXXXX, Arizona  
Agreement No. XXXXXXXSLA

**SIGNATURE PAGE TO CREDIT AGREEMENT**

IN WITNESS WHEREOF, the parties hereto, by their duly authorized officers, have executed this Agreement.

**CoBANK, ACB**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**XXXXXXXXWATER COMPANY, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_