

NEW APPLICATION



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Arizona Corporation Commission

DOCKETED

MAR 17 2017

4 LIBERTY UTILITIES  
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DOCKETED BY

7 Attorneys for Liberty Utilities (Litchfield Park Water & Sewer) Corp.  
8

9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10  
11 IN THE MATTER OF THE APPLICATION  
OF LIBERTY UTILITIES (LITCHFIELD  
12 PARK WATER & SEWER) CORP., AN  
ARIZONA CORPORATION, FOR  
13 AUTHORITY TO (1) ISSUE EVIDENCE OF  
INDEBTEDNESS IN AN AMOUNT NOT TO  
14 EXCEED \$30,000,000; AND (2)  
ENCUMBER ITS REAL PROPERTY AND  
15 PLANT AS SECURITY FOR SUCH  
INDEBTEDNESS.  
16

DOCKET NO: W-01427A-17-

W-01427A-17-0077

**APPLICATION (FINANCING)**

17 Pursuant to A.R.S. §§ 40-301 and 40-302, Liberty Utilities (Litchfield Park Water  
18 & Sewer) Corp. ("Liberty Litchfield Park" or "Company"), an Arizona public service  
19 corporation, hereby applies for authority from the Arizona Corporation Commission  
20 ("Commission") to issue evidence of indebtedness in a total amount not to exceed  
21 \$30,000,000 on the terms and conditions set forth below. Liberty Litchfield Park  
22 addresses both water and wastewater systems in this Application, which is being filed  
23 under both Company numbers, W-01427A (water) and SW-01428A (wastewater).

24 In support of this Application, Liberty Litchfield Park states as follows:

25 **A. General Background.**

26 1. Liberty Litchfield Park is a public service corporation providing utility

1 service to approximately 18,500 water and 17,600 wastewater service connections in  
2 portions of Maricopa County, Arizona.

3 2. Liberty Litchfield Park's present rates and charges for utility service were  
4 approved by the Commission in Decision No. 74437 (April 18, 2014) using a test year  
5 ending December 31, 2012.

6 3. The Company's business office is located at 12725 W. Indian School Road,  
7 Suite D-101, Avondale, Arizona 85392 and its telephone number is (623) 935-9367.  
8 The Company's primary management contact is its President, Matthew Garlick.

9 4. Mr. Garlick is the person responsible for overseeing and directing the  
10 conduct of this Application. His mailing address is 12725 W. Indian School Road,  
11 Suite D-101, Avondale, Arizona 85392; his telephone number is (623) 298-3763; and his  
12 email address is Matthew.Garlick@LibertyUtilities.com. **All discovery, data requests**  
13 **and other requests for information concerning this Application should be directed to**  
14 **Mr. Garlick, with a copy by e-mail to undersigned counsel at Jay@shapslawaz.com**  
15 **and Whitney@shapslawaz.com, and to Liberty Utilities Co.'s General Counsel**  
16 **(Western Region) at Todd.Wiley@LibertyUtilities.com.**

17 5. Financial statements for the twelve-month period ending December 31, 2016  
18 are attached as **Exhibit 1**.

19 6. Statements projecting the Company's estimated financial performance,  
20 for the next five years, are attached as **Exhibit 1**.

21 **B. Purposes of Financing.**

22 7. Liberty Litchfield Park seeks Commission approval of long-term debt  
23 financing contemplated herein for the purpose of rebalancing the Company's capital  
24 structure from its present structure of 100 percent equity to a capital structure of 70 percent  
25 equity and 30 percent debt. If this application is approved, the Company will borrow the  
26 amount necessary to achieve a capital structure consisting of 70 percent equity and

1 30 percent debt. This amount is currently estimated to be \$30,000,000. In addition, the  
2 Company will enter into additional loan agreements every six months as necessary to  
3 maintain a capital structure consisting of 70 percent equity and 30 percent debt. However,  
4 at no time will the total debt amount exceed \$30,000,000.

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

6 8. The lender will be Liberty Utilities Co. ("Liberty Utilities"). Liberty Utilities  
7 is an affiliate of Liberty Litchfield Park. The term sheet for the proposed debt financing is  
8 attached hereto as **Exhibit 2**. Liberty Utilities will provide the subject financing at an  
9 interest rate equal to the United States 10 Year Treasury bond rate plus 145 basis points.  
10 The maturity date for the debt financing from Liberty Utilities shall be ten (10) years after  
11 closing. Liberty Utilities will not earn a profit or return on loans made to Liberty  
12 Litchfield Park under the authority sought in this Application.

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

14 9. Liberty Litchfield Park's pro forma balance sheet for the period ending  
15 December 31, 2016 is attached as **Exhibit 1**. The pro forma balance sheet reflects the  
16 impact of the debt infusion that is the subject of this Application. As noted above, the  
17 Company's pro forma capital structure will be 30 percent debt and 70 percent common  
18 equity.

19 10. The Company will have a Debt Service Coverage Ratio ("DSCR") of 11.87  
20 and a Times Interest Earned Ratio ("TIER") of 9.43 if the maximum requested  
21 indebtedness were incurred. The ratios will be higher as long as the amount of debt  
22 incurred remains less than the maximum value requested. The DSCR and TIER  
23 calculations, as shown on **Exhibit 1**, were calculated using the current US 10 Year  
24 Treasury bond rate of 2.49 percent plus 145 basis points.

25 11. The loan proceeds will be issued for lawful purposes, as discussed herein,  
26 and the execution of loan agreements with Liberty Utilities and the undertaking of the

1 obligations set forth therein are within the Company's corporate powers. A Corporate  
2 Resolution authorizing the contemplated transaction is attached as **Exhibit 3**.

3 12. Liberty Litchfield Park will file true and correct copies of all debt  
4 instruments issued with Docket Control within thirty (30) days from the date of issuance.

5 13. The approvals sought herein are compatible with the public interest and with  
6 the proper performance of the Company's duties as a public service corporation.

7 14. The financing contemplated herein will not impair the Company's ability to  
8 perform its duties as a public service corporation providing water and wastewater utility  
9 service.

10 15. Liberty Litchfield Park intends to request consolidation of this financing  
11 application with the Company's rate applications filed on February 28, 2017. As such,  
12 Liberty Litchfield Park will seek permission to notify its customers of the rate and  
13 financing applications at the same time if consolidation is granted. Proof of publication  
14 and a true copy of the notice will be filed with the Commission as necessary.

15 Based on the foregoing, Liberty Litchfield Park respectfully requests the following:

16 A. That the Commission consider this Application at the same time and in the  
17 same proceedings as the Company's rate applications;

18 B. That the Commission enter an order approving this Application and  
19 authorizing Liberty Litchfield Park to incur indebtedness in an amount not to exceed  
20 \$30,000,000 for the purposes described above; and

21 C. That the Commission authorize Liberty Litchfield Park to take such other  
22 and further action as may be necessary to effectuate the purposes of this Application, as  
23 may be appropriate under the circumstances herein.

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RESPECTFULLY SUBMITTED this 17th day of March, 2017.

SHAPIRO LAW FIRM, P.C.

By: \_\_\_\_\_

Jay L. Shapiro  
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and

LIBERTY UTILITIES

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Attorneys for Liberty Utilities  
(Litchfield Park Water & Sewer) Corp.

ORIGINAL and fifteen (15) copies  
of the foregoing were delivered  
this 17th day of March, 2017, to:

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

By: Whitney Eick

# **EXHIBIT 1**

**Liberty Utilities (Litchfield Park Water & Sewer) Corp.**  
Balance Sheet

Page 1

Line No.		Year Ended <u>12/31/2016</u>
1	<b><u>ASSETS</u></b>	
2	<b>PLANT</b>	
2	Plant In Service	\$ 193,407,427
3	Non-Utility Plant	-
3	Construction Work in Progress	19,354,567
4	Property Held for Future Use	17,217
4	Less: Accumulated Depreciation	<u>(51,411,507)</u>
5	Net Plant	<u>\$ 161,367,704</u>
6		
7	<b>CURRENT ASSETS</b>	
8	Cash and Equivalents	\$ 236,018
9	Restricted Cash	8,515,771
10	Net Accounts Receivable	4,226,002
11	Inter-Company Receivable	8,064,235
12	Notes Receivable	-
13	Materials	-
14	Prepayments	184,816
15	Other Current Assets	115,836
16	Total Current Assets	<u>\$ 21,342,677</u>
17		
18	<b>OTHER ASSETS</b>	
19	Deferred Finance Costs	\$ -
20	Other Deferred Debits	440,734
21	Other Non-Current Assets	-
22	Deferred Debits	<u>\$ 440,734</u>
23		
24	<b>TOTAL ASSETS</b>	<u><u>\$ 183,151,116</u></u>
25		
26	<b><u>LIABILITIES AND STOCKHOLDER EQUITY</u></b>	
27		
28	Stockholder's Equity	<u>\$ 74,699,443</u>
29		
30	Long-Term Debt	<u>\$ -</u>
31		
32	<b>CURRENT LIABILITIES</b>	
33	Accounts Payable	\$ 2,165
34	Current Portion of Long-Term Debt	-
35	Payables to Associated Companies	-
36	Security Deposits	492,166
37	Customer Meter Deposits, Current	-
38	Current Portion of AIAC	150,075
39	Accrued Taxes	-
40	Accrued Interest	-
41	Other Current Liabilities	19,821,631
42	Total Current Liabilities	<u>\$ 20,466,037</u>
43		
44	<b>DEFERRED CREDITS</b>	
45	Customer Meter Deposits, less current	\$ 431,822
46	Advances in Aid of Construction	19,211,290
47	Advances-in-Progress	1,130,963
48	Accumulated Deferred Income Taxes	5,097,787
49	Contributions In Aid of Construction	63,322,198
50	Accumulated Amortization	(10,589,447)
51	Contributions-in-Progress	1,427,423
52	Other Deferred Credits	7,953,601
53	Total Deferred Credits	<u>\$ 87,985,636</u>
54		
55	Total Liabilities & Common Equity	<u><u>\$ 183,151,116</u></u>

**Liberty Utilities (Litchfield Park Water & Sewer) Corp.**  
Income Statement

Line No.		Year Ended <u>12/31/2016</u>
1	<b>Revenues</b>	
2	Metered Water Revenues	\$ 13,053,234
3	Unmetered Water Revenues	-
4	Other Water Revenues	271,589
5	Flat Rate Revenue	11,185,850
6	Measured Revenues	119,212
7	Other Sewer Revenues	<u>726,006</u>
8	<b>Total Revenues</b>	<b>\$ 25,355,892</b>
9	<b>Operating Expenses</b>	
10	Salaries and Wages	\$ -
11	Purchased Water	13,324
12	Purchased Wastewater Treatment	22,433
13	Sludge Removal	265,063
14	Purchased Power	1,697,988
15	Chemicals	515,109
16	Fuel for Power Production	380
17	Materials and Supplies	250,232
18	Office Supplies and Expense	65,124
19	Contractual Services - Professional	4,120,275
20	Contractual Services - Testing	128,061
21	Contractual Services - Other	2,716,890
22	Rents	6,954
23	Transportation	95,352
24	Insurance - General Liability	105,134
25	Regulatory Commission Expense	105,001
26	Miscellaneous	483,875
27	Depreciation	2,872,703
28	Deferred Asset Amortization	10,826
29	Taxes Other Than Income	-
30	Property Taxes	1,110,517
31	Income Tax	-
32	<b>Total Operating Expenses</b>	<b>\$ 14,585,240</b>
33	<b>Operating Income</b>	<b>\$ 10,770,652</b>
34	<b>Other Income (Expense)</b>	
35	Interest and Dividend Income	(20,431)
36	AFUDC Income	398,758
37	Other Non-Utility Income	-
38	Interest Expense	(6,300)
39		
40	<b>Total Other Income (Expense)</b>	<b>\$ 372,028</b>
41	<b>Net Profit (Loss)</b>	<b>\$ 11,142,679</b>
42		
43	<u>Assuming an interest only loan of \$30.0 million.</u>	
44	Earnings Before Interest, Taxes, and Depreciation & Amortization (EBITDA)	\$ 14,026,208
45	Debt Service (Principal and Interest)	\$ 1,182,000
46	<b>Debt Service Coverage Ratio (DSCR)</b>	<b>11.87</b>
47		
48	Earnings Before Interest and Taxes (EBIT)	\$ 11,142,679
49	Interest	\$ 1,182,000
50	<b>Times Interest Earned Ratio (TIER)</b>	<b>9.43</b>
51		
52	<u>Assuming a 10-year amortizing loan of \$30.0 million.</u>	
53	Earnings Before Interest, Taxes, and Depreciation & Amortization (EBITDA)	\$ 14,026,208
54	Debt Service (Principal and Interest)	\$ 3,687,689
55	<b>Debt Service Coverage Ratio (DSCR)</b>	<b>3.80</b>
56		
57	Earnings Before Interest and Taxes (EBIT)	\$ 11,142,679
58	Interest	\$ 1,182,000
59	<b>Times Interest Earned Ratio (TIER)</b>	<b>9.43</b>



**Liberty Utilities (Litchfield Park Water & Sewer) Corp.**  
Statement of Cash Flows

Page 3

Line No.		Year Ended 12/31/2016
1	Cash Flows from Operating Activities	
2	Net Income	\$ 11,142,679
3	Adjustments to reconcile net income to net cash	
4	provided by operating activities:	
5	Depreciation and Amortization	2,872,703
6	Depreciation and Amortization Adjustments	(936,337)
7	Changes in Certain Assets and Liabilities:	-
8	Accounts Receivable	33,979
9	Materials and Supplies Inventory	-
10	Prepaid Expenses	149,680
11	Deferred Debits/Credits	1,111,748
12	Receivables to Associated Co.	(4,532,994)
13	Accounts Payable	2,520
14	Interest Payable	-
15	Customer Meter and Security Deposits	98,043
16	Taxes Payable	-
17	Other assets and liabilities	18,752,343
18	Rounding	3
19	Net Cash Flow provided by Operating Activities	<u>\$ 28,694,367</u>
20	Cash Flow From Investing Activities:	
21	Capital Expenditures	(29,248,595)
22	Plant Held for Future Use	-
23	Changes in Special Funds	-
24	Net Cash Flows from Investing Activities	<u>\$ (29,248,595)</u>
25	Cash Flow From Financing Activities	
26	Change in Restricted Cash	(785,291)
27	Proceeds from Long-Term Debt	-
28	Net receipt of contributions in aid of construction	16,658,626
29	Net receipts of advances in aid of construction	(15,185,427)
30	Repayments of Long-Term Debt	-
31	Distributions	(2,032,862)
32	Deferred Financing Costs	-
33	Paid in Capital	2,032,861
34	Net Cash Flows Provided by Financing Activities	<u>\$ 687,907</u>
35	Increase(decrease) in Cash and Cash Equivalents	133,679
36	Cash and Cash Equivalents at Beginning of Year	102,339
37	Cash and Cash Equivalents at End of Year	<u><u>\$ 236,018</u></u>
38		
39		
40		

ASSETS	Actual 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
<b>CURRENT AND ACCRUED ASSETS</b>						
Cash	\$ 236,018	\$ 1,279,563	\$ 4,912,136	\$ 321,822	\$ 1,085,912	\$ 297,175
Restricted Cash	8,515,771	2,558,385	2,558,385	2,558,385	2,558,385	2,558,385
Temporary Cash Investments	-	-	-	-	-	-
Customer Accounts Receivable	4,226,002	4,294,365	4,859,244	5,157,909	5,169,148	4,916,159
Notes/Receivables from Associated Companies	8,064,235	-	8,000,000	8,000,000	10,000,000	4,000,000
Plant Materials and Supplies	-	-	-	-	-	-
Prepayments	184,816	184,816	184,816	184,816	184,816	184,816
Miscellaneous Current and Accrued Assets	115,836	115,836	115,836	115,836	115,836	115,836
<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$ 21,342,677</b>	<b>\$ 8,432,964</b>	<b>\$ 20,630,417</b>	<b>\$ 16,338,768</b>	<b>\$ 19,114,097</b>	<b>\$ 12,072,370</b>
<b>FIXED ASSETS</b>						
Utility Plant In Service	\$ 193,407,427	\$ 222,859,083	\$ 229,196,411	\$ 239,259,239	\$ 259,673,867	\$ 263,183,067
Property Held for Future Use	17,217	17,217	17,217	17,217	17,217	17,217
Construction Work in Progress	19,354,567	-	-	-	-	-
Accumulated Depreciation - Utility Plant	(51,411,507)	(57,188,797)	(64,677,055)	(72,583,708)	(81,010,863)	(89,746,141)
Non-Utility Property	-	-	-	-	-	-
Accumulated Depreciation - Non Utility	-	-	-	-	-	-
<b>TOTAL FIXED ASSETS</b>	<b>\$ 161,367,704</b>	<b>\$ 165,687,502</b>	<b>\$ 164,536,572</b>	<b>\$ 166,682,747</b>	<b>\$ 178,680,220</b>	<b>\$ 173,454,142</b>
Unamortized Debt Discount and Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Debits	440,734	440,734	440,734	440,734	440,734	440,734
Sinking Fund/Debt Reserve	181,728	908,642	1,635,556	2,362,469	3,089,383	3,089,383
<b>TOTAL ASSETS</b>	<b>\$ 183,151,116</b>	<b>\$ 174,742,929</b>	<b>\$ 186,516,365</b>	<b>\$ 185,107,805</b>	<b>\$ 200,597,521</b>	<b>\$ 189,056,629</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 2,165	\$ 2,165	\$ 2,165	\$ 2,165	\$ 2,165	\$ 2,165
Notes Payable (Current Portion)	-	-	-	-	-	-
Notes/Accounts Payable to Associated Companies	-	-	-	-	-	-
Security Deposits	492,166	492,166	492,166	492,166	492,166	492,166
Customer Meter Deposits, Current	-	-	-	-	-	-
Current Portion of Advances	150,075	150,075	150,075	150,075	150,075	150,075
Accrued taxes	-	-	-	-	-	-
Accrued Interest	-	-	-	-	-	-
Miscellaneous Current and Accrued Liabilities	19,821,631	10,954,691	-	-	17,414,628	7,414,628
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 20,466,037</b>	<b>\$ 11,599,097</b>	<b>\$ 644,406</b>	<b>\$ 644,406</b>	<b>\$ 18,059,034</b>	<b>\$ 8,059,034</b>
<b>LONG-TERM DEBT (Over 12 Months)</b>						
Long-Term Notes and Bonds	\$ -	\$ -	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
<b>DEFERRED CREDITS</b>						
Unamortized Premium on Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Meter Deposits	431,822	431,822	431,822	431,822	431,822	431,822
Advances in Aid of Construction	19,211,290	19,211,290	19,211,290	19,211,290	19,211,290	19,211,290
Advances-in-Progress	1,130,963	1,130,963	1,130,963	1,130,963	1,130,963	1,130,963
Accumulated Deferred Income Tax	5,097,787	5,097,787	5,097,787	5,097,787	5,097,787	5,097,787
Contributions in Aid of Construction	63,322,198	63,951,585	63,951,585	63,951,585	63,951,585	63,951,585
less: Amortization of Contributions	(10,589,447)	(11,795,766)	(13,286,916)	(14,778,066)	(16,269,216)	(17,760,366)
Contributions-in-Progress	1,427,423	1,427,423	1,427,423	1,427,423	1,427,423	1,427,423
Other Deferred Credits	7,953,601	7,953,601	7,953,601	7,953,601	7,953,601	7,953,601
<b>TOTAL DEFERRED CREDITS</b>	<b>\$ 87,985,636</b>	<b>\$ 87,408,704</b>	<b>\$ 85,917,554</b>	<b>\$ 84,426,404</b>	<b>\$ 82,935,254</b>	<b>\$ 81,444,104</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 108,451,672</b>	<b>\$ 99,007,801</b>	<b>\$ 116,561,960</b>	<b>\$ 115,070,810</b>	<b>\$ 130,994,288</b>	<b>\$ 119,503,138</b>
<b>CAPITAL ACCOUNTS</b>						
Common Stock Issued	\$ 78,200	\$ 78,200	\$ 78,200	\$ 78,200	\$ 78,200	\$ 78,200
Paid in Capital in Excess of Par Value	51,458,932	51,458,932	51,458,932	51,458,932	51,458,932	51,458,932
Retained Earnings	23,162,311	24,197,996	18,417,273	18,499,863	18,066,100	18,016,359
<b>TOTAL CAPITAL</b>	<b>\$ 74,699,443</b>	<b>\$ 75,735,128</b>	<b>\$ 69,554,405</b>	<b>\$ 70,036,994</b>	<b>\$ 69,603,232</b>	<b>\$ 69,553,491</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$ 183,151,116</b>	<b>\$ 174,742,929</b>	<b>\$ 186,516,365</b>	<b>\$ 185,107,805</b>	<b>\$ 200,597,520</b>	<b>\$ 189,056,629</b>
% Debt	0.00%	0.00%	30.01%	29.99%	30.12%	30.13%
% Equity	100.00%	100.00%	69.99%	70.01%	69.88%	69.87%

	Growth Factor	Actual 2016	Projected[1] 2017	Projected[1] 2018	Projected[1] 2019	Projected[1] 2020	Projected[1] 2021
<b>OPERATING REVENUES</b>							
Water Revenue	3.0%	\$ 13,053,234	\$ 13,444,831	\$ 14,479,176	\$ 15,021,505	\$ 15,037,774	\$ 13,504,367
Other Water Revenues	2.0%	271,589	277,021	282,561	288,213	293,977	299,857
Sewer Revenues	3.0%	11,305,062	11,644,214	13,985,589	15,221,431	15,258,506	15,259,619
Other Sewer Revenues	2.0%	726,006	400,000	408,000	416,160	424,483	432,973
<b>TOTAL REVENUES</b>		<b>\$ 25,355,892</b>	<b>\$ 25,766,066</b>	<b>\$ 29,155,327</b>	<b>\$ 30,947,308</b>	<b>\$ 31,014,741</b>	<b>\$ 29,496,815</b>
<b>OPERATING EXPENSES</b>							
Salaries and Wages	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchased Water	0.0%	13,324	13,324	13,324	13,324	13,324	13,324
Purchase Wastewater Treatment	0.0%	22,433	22,433	22,433	22,433	22,433	22,433
Sludge Removal	2.5%	265,063	271,689	278,482	285,444	292,580	299,894
Purchased Power	5.0%	1,697,988	1,762,887	1,872,032	1,965,633	2,063,915	2,167,111
Chemicals [2]	2.5%	515,109	772,987	792,312	812,120	832,423	853,233
Fuel for Power Production	2.5%	380	389	399	409	419	430
Materials and Supplies	2.5%	250,232	256,488	262,900	269,472	276,209	283,114
Office Supplies and Expense	2.5%	65,124	66,752	68,421	70,131	71,884	73,681
Contractual Services - Professional	2.0%	4,120,275	4,202,681	4,286,735	4,372,469	4,459,919	4,549,117
Contractual Services - Testing	2.5%	128,061	131,263	134,544	137,908	141,355	144,889
Contractual Services - Other	3.0%	2,716,890	2,798,397	2,882,349	2,968,819	3,057,884	3,149,620
Rents	2.5%	6,954	7,127	7,306	7,488	7,675	7,867
Transportation	2.5%	95,352	97,736	100,179	102,683	105,251	107,882
Insurance - General Liability	2.5%	105,134	107,763	110,457	113,218	116,049	118,950
Regulatory Commission Expense		105,001	-	140,000	140,000	140,000	-
Miscellaneous		483,875	483,875	483,875	483,875	483,875	483,875
Depreciation and Amortization		2,872,703	5,219,693	5,997,108	6,415,503	6,936,005	7,244,128
Amortization of Deferred Regulatory Assets		-	-	-	-	-	-
Taxes Other Than Income		1,110,517	1,186,428	1,231,329	1,315,003	1,404,859	1,488,732
Property Taxes (computed 2017-2021)		-	-	-	-	-	-
Bad Debt Expense		-	-	-	-	-	-
Income Tax [3]		-	3,242,420	3,742,868	3,960,946	3,640,024	2,858,769
<b>TOTAL OPERATING EXP.</b>		<b>\$ 14,585,240</b>	<b>\$ 20,564,331</b>	<b>\$ 22,427,049</b>	<b>\$ 23,456,878</b>	<b>\$ 24,066,082</b>	<b>\$ 23,867,049</b>
<b>OPERATING INC. (LOSS)</b>		<b>\$ 10,770,652</b>	<b>\$ 5,101,735</b>	<b>\$ 6,728,277</b>	<b>\$ 7,490,430</b>	<b>\$ 6,948,659</b>	<b>\$ 5,629,766</b>
<b>OTHER INC./EXPENSE</b>							
Interest and Dividend Income		(20,431)	(20,431)	(20,431)	(20,431)	(20,431)	(20,431)
AFUDC Income		398,758	398,758	398,758	398,758	398,758	398,758
Miscellaneous Non-Utility Income		-	-	-	-	-	-
Interest Expense		(6,300)	(6,300)	(788,000)	(1,182,000)	(1,182,000)	(1,182,000)
<b>TOTAL OTHER INC. (EXP.)</b>		<b>\$ 372,028</b>	<b>\$ 372,028</b>	<b>\$ (409,672)</b>	<b>\$ (803,672)</b>	<b>\$ (803,672)</b>	<b>\$ (803,672)</b>
<b>NET INCOME/(LOSS)</b>		<b>\$ 11,142,679</b>	<b>\$ 5,473,763</b>	<b>\$ 6,318,605</b>	<b>\$ 6,686,758</b>	<b>\$ 6,144,987</b>	<b>\$ 4,826,094</b>
Return on Book Equity			7.23%	9.03%	9.55%	8.83%	6.94%
Interest [4]		\$ -	\$ -	\$ 788,000	\$ 1,182,000	\$ 1,182,000	\$ 1,182,000
Principal [4]		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Annual Debt Service (interest + principal)[4]</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 788,000</b>	<b>\$ 1,182,000</b>	<b>\$ 1,182,000</b>	<b>\$ 1,182,000</b>
Debt Service Coverage Ratio (DSCR)		N/A	N/A	20.90	15.12	14.83	13.31
Times Interest Earned Ratio (TIER)		N/A	N/A	13.77	10.01	9.28	7.50
[1] Projected Revenues							
Projected Water Revenue Increase Authorized (assume May 2018 effective date)		\$ -	\$ 1,022,597	\$ 1,533,896	\$ 1,533,896	\$ 1,533,896	\$ 1,533,896
Projected Sewer Revenue Increase Authorized (Assume May 2018 effective date)		\$ -	\$ 2,331,201	\$ 3,496,801	\$ 3,496,801	\$ 3,496,801	\$ 3,496,801
Projected Revenue Increase Authorized		\$ -	\$ 3,353,798	\$ 5,030,697	\$ 5,030,697	\$ 5,030,697	\$ 5,030,697
Annualized Effect on 2016 Revenues		\$ -	\$ 3,353,798	\$ 5,030,697	\$ 5,030,697	\$ 5,030,697	\$ 5,030,697
[2] Includes expected increase in chemicals of \$245,000 for treatment in 2017.							
[3] Imputed Income Taxes at effective federal and state tax rate of 37.2%.							
[4] Assuming an interest only loan of \$30.0 Million issued May 2018.							

Line No.	Actual 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
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# **EXHIBIT 2**

***Liberty Utilities Co. to Liberty Utilities (Litchfield Park Water & Sewer) Corp. Term Sheet***

Lender	Liberty Utilities Co.
Borrower	Liberty Utilities (Litchfield Park Water & Sewer) Corp.
Guarantor(s)	None
Type of Credit	Term Loan
Purpose	Any lawful purpose including, without limitation, achieving and maintaining a capital structure with a preferred blend of debt and equity.
Loan Amount	Maximum of US \$30 million
Maturity Date	Ten Years after Closing Date
Collateral	None
Interest Rate	Ten Year US Treasury plus 145 basis points. The rate shall be determined using the Treasury rate applicable 15 business days before the closing date.
Repayment Terms	Interest payments shall be made monthly at the end of the applicable period. <i>[Given interest rates current at the time of application, the payment would be approximately \$98,500.]</i> The principal balance shall be due and payable on or before the maturity date.
Prepayment	<p>Ten Year US Treasury plus 50 basis points make whole on early repayment.</p> <p>Lender acknowledges, and the parties hereto agree, that the loan holder has the right to maintain its investment in the loan free from repayment by Lender and that the provision for payment of a make-whole amount by Lender in the event that the loan is redeemed is intended to provide compensation for the deprivation of such right under such circumstances.</p> <p>“Make-whole amount” means, with respect to the loan, an amount equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the called principal of such loan over the amount of such called principal, provided that the make-whole amount may in no event be less than zero.</p>
Indicative Covenants	Borrower shall maintain a debt to capital ratio of no more than 65%.
Other Covenants	Standard and customary for transactions of this nature.
Expenses	Borrower and Lender to incur their own reasonable out-of-pocket costs and expenses incurred in connection with initiating and administering the loan, including, but not limited to, closing, legal, and administrative costs.

# **EXHIBIT 3**

**LIBERTY UTILITIES (LITCHFIELD PARK WATER & SEWER) CORP.**

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

**March 16, 2017**

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

**DEBT FINANCING**

**RESOLVED THAT** the Corporation is authorized to apply to the Arizona Corporation Commission seeking approval of the debt financing contemplated in the Corporation's Financing Application ("Application") to be filed with the Arizona Corporation Commission, in an amount necessary to rebalance and maintain the Corporation's capital structure at 30 percent debt and 70 percent equity on the terms set forth on the Term Sheet attached as Exhibit A;

**RESOLVED THAT** upon Arizona Corporation Commission approval the Corporation may obtain debt financing from Liberty Utilities Co. in an amount not to exceed \$30,000,000, at an interest rate equal to the 10-year U.S. Treasury rate as published on Bloomberg Financial Markets 15 days prior to closing plus 145 basis points (at the time of this resolution, the estimated interest rate is approximately 3.94%);

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

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

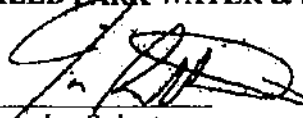
**RESOLVED THAT** the Corporation is authorized to execute, prepare and submit all proper filings and disclosures, and seek and obtain any and all necessary approvals in connection with the processing of the Financing Application; and

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



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

**LIBERTY UTILITIES (LITCHFIELD PARK WATER & SEWER) CORP.**

By:   
Name: Ian Robertson  
Title: Director

By:   
Name: Gregory Sorensen  
Title: Director

**EXHIBIT A**

***Liberty Utilities Co. to Liberty Utilities (Litchfield Park Water & Sewer) Corp. Term Sheet***

Lender	Liberty Utilities Co.
Borrower	Liberty Utilities (Litchfield Park Water & Sewer) Corp.
Guarantor(s)	None
Type of Credit	Term Loan
Purpose	Any lawful purpose including, without limitation, achieving and maintaining a capital structure with a preferred blend of debt and equity.
Loan Amount	Maximum of US \$30 million
Maturity Date	Ten Years after Closing Date
Collateral	None
Interest Rate	Ten Year US Treasury plus 145 basis points. The rate shall be determined using the Treasury rate applicable 15 business days before the closing date.
Repayment Terms	Interest payments shall be made monthly at the end of the applicable period. <i>[Given interest rates current at the time of application, the payment would be approximately \$98,500.]</i> The principal balance shall be due and payable on or before the maturity date.
Prepayment	<p>Ten Year US Treasury plus 50 basis points make whole on early repayment.</p> <p>Lender acknowledges, and the parties hereto agree, that the loan holder has the right to maintain its investment in the loan free from repayment by Lender and that the provision for payment of a make-whole amount by Lender in the event that the loan is redeemed is intended to provide compensation for the deprivation of such right under such circumstances.</p> <p>“Make-whole amount” means, with respect to the loan, an amount equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the called principal of such loan over the amount of such called principal, provided that the make-whole amount may in no event be less than zero.</p>
Indicative Covenants	Borrower shall maintain a debt to capital ratio of no more than 65%.
Other Covenants	Standard and customary for transactions of this nature.
Expenses	Borrower and Lender to incur their own reasonable out-of-pocket costs and expenses incurred in connection with initiating and administering the loan, including, but not limited to, closing, legal, and administrative costs.