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Transcript Exhibit(s)

Docket #(s): W-02168A-17-0042

Arizona Corporation Commission

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Exhibit #: S-1 ; A-1

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MEMORANDUM

DOCKET CONTROL

2017 MAR 20 A 11: 23
Arizona Corporation Commission

TO: Docket Control

FROM: Elijah O. Abinah
Acting Director
Utilities Division

DOCKETED

MAR 20 2017

DATE: March 20, 2017

DOCKETED BY
GB

RE: TRUXTON CANYON WATER COMPANY, INC. - STAFF'S SUMMARY OF TESTIMONY (DOCKET NO. W-02168A-17-0042)

The Commission, by Procedural Order dated March 1, 2017, stated "It is further ordered that Staff shall file a short summary stating its position on the issues raised in the Company's application on or before March 20, 2017." Presented herewith is a summary of Staff's testimony concerning its recommendations for Truxton Canyon Water Company, Inc.'s ("Truxton" or "Company") emergency rate increase proceeding.

Staff witness Crystal Brown will address Staff's recommendations concerning the Minimum DSC Surcharge (i.e. Base Rates Surcharge), the Water Infrastructure Finance Authority's ("WIFA") loan surcharge and surcharge mechanism. Staff witness Dorothy Hains will address Staff's engineering analysis and recommendations on the allocations and plant in the attached engineering memorandum.

MINIMUM DSC SURCHARGE (I.E. BASE RATES SURCHARGE) RECOMMENDATIONS

1. Staff recommends approval of the Company proposed \$92,437 base rate increase.
2. Staff recommends allocating 30 percent of the \$92,437 increase to the five meters that serve water to the Valley Vista Property Owners Association ("VVPOA") golf course and 70 percent to the other customers.
3. Staff recommends approval of the application using Staff's recommended \$5.50 monthly surcharge for 3/4-inch metered customers (residential)¹ and \$1,249.15 monthly surcharge for six inch metered customers serving water to the golf course² as shown on Schedule CSB-1 (Step 6 and Step 9).

WIFA LOAN SURCHARGE AND SURCHARGE MECHANISM

1. Staff recommends that the Commission authorize the Company to obtain a 20-year amortizing loan from the Water Infrastructure Finance Authority ("WIFA"), for an amount not to exceed \$310,432 conditioned upon the Company receiving approval of

¹ See Schedule CSB-1 Step 6.

² See Schedule CSB-1 Step 9



emergency base rates in the instant case to finance capital improvements discussed in the Company's application and the Staff recommended surcharge mechanism.

2. Staff further recommends approval of the Staff recommended surcharge mechanism. Staff's illustrative surcharge calculation is shown on Schedule CSB-2.
3. Staff further recommends that within 10 days of closing on the loan, the Company file an application to implement the surcharge. Staff further recommends that the calculation of the surcharges included with the application be calculated based upon the actual terms of the WIFA loan and actual number of customers at the time of the loan closing. Staff further recommends that the total revenue needed to pay the debt service, reserve, and taxes be allocated using a 30 percent allocation to the five meters that serve water to the VVPOA golf course and 70 percent allocation to the other customers. Such surcharges may result in a \$1.79 surcharge for a 3/4-inch residential customer as shown on Schedule CSB-2 Step 10B and a \$407.06 surcharge for a 6-inch golf course meter as shown Schedule CSB-2 Step 11C.
4. Staff further recommends that the surcharge request be effective on the first of the month following the month in which the Company files its application to implement the surcharge, but no earlier than 30 days after the filing. Staff recommends the surcharge becomes effective without further action of the Commission unless Staff files an objection or request for additional time to analyze the proposed surcharges within thirty days of the filing.
5. Staff further recommends that approval of the loan and surcharge be rescinded if the Company has not drawn funds from the loan within one year of the date of the Decision resulting from this proceeding.

EOA:CSB:nr/BH

Originator: Crystal Brown

Truxton Canyon Water Company, Inc.
Docket No. W-02168A-17-0042
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On this 20th day of March, 2017, the foregoing document was filed with Docket Control as a Utilities Division Memorandum, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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By:



Nanisha Ross
Administrative Support Specialist

Line

No. **MINIMUM DSC (I.E. BASE RATE INCREASE) SURCHARGE**

1 **Step 1 - Revenue Increase**
2 \$92,437.00 Total Increase in Base Rates (Includes Taxes)
3
4 **Step 2 - Annual Surcharge Rev. Requ. for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course**
5 \$92,437.00 From Line 2
6 70% Multiplied by 70%
7 \$64,705.90
8
9 **Step 3 - Annual Surcharge Revenue Requirement for the 5 Meters Serving the Golf Course**
10 \$92,437.00 From Line 2
11 30% Multiplied by 30%
12 \$27,731.10
13

14 **Step 4 - Equivalent Bills for All Truxton's Customers EXCEPT the 5 Meters Serving the Golf Course**

Col A	Col B		Col C		Col D		Col E
Meter Size	NARUC Multiplier		Number of Customers		Number of Months in Year		Equivalent Bills Col B x C X D
5/8"x 3/4" Meter	1	x	0	x	12	=	-
3/4" Meter	1.5	x	953	x	12	=	17,154
1" Meter	2.5	x	4	x	12	=	120
1 1/2" Meter	5	x	0	x	12	=	-
2" Meter	8	x	4	x	12	=	384
3" Meter	15	x	0	x	12	=	-
4" Meter	25	x	0	x	12	=	-
6" Meter	50	x	0	x	12	=	-
			<u>961</u>				<u>17,658</u>

29 **Step 5 - Monthly Surcharge for the 5/8 x 3/4-Inch Meter Size Customers EXCEPT Golf Course**

30
31 \$64,705.90 Total Annual Surcharge Revenue Requirement (from Step 2)
32 17,658 Divided by: Total Number of Equivalent Bills (from Step 4)
33 \$3.66 Monthly Surcharge for 5/8 x 3/4-Inch Customers
34

35 **Step 6 - Monthly Surcharge for All Meter Size Customers EXCEPT those serving Golf Course**

Col A	Col B		Col C		Col D
Meter Size	NARUC Multiplier		5/8" x 3/4" Customers' Surcharge		Surcharge by Meter Size Col B x C
5/8"x 3/4" Meter	1	x	\$3.66	=	\$3.66
3/4" Meter	1.5	x	\$3.66	=	\$5.50
1" Meter	2.5	x	\$3.66	=	\$9.16
1 1/2" Meter	5	x	\$3.66	=	\$18.32
2" Meter	8	x	\$3.66	=	\$29.32
3" Meter	15	x	\$3.66	=	\$54.97
4" Meter	25	x	\$3.66	=	\$91.61
6" Meter	50	x	\$3.66	=	\$183.22

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54 **Step 7 - Equivalent Bills for the 5 Meters Serving the Golf Course**

55	Col A	Col B		Col C		Col D		Col E
56	Meter Size	NARUC Multiplier		Number of Customers		Number of Months in Year		Equivalent Bills Col B x C X D
59	5/8"x 3/4" Meter	1	x	0	x	12	=	-
60	3/4" Meter	1.5	x	1	x	12	=	18
61	1" Meter	2.5	x	0	x	12	=	-
62	1½" Meter	5	x	0	x	12	=	-
63	2" Meter	8	x	2	x	12	=	192
64	3" Meter	15	x	0	x	12	=	-
65	4" Meter	25	x	1	x	12	=	300
66	6" Meter	50	x	1	x	12	=	600
67				<u>5</u>				<u>1,110</u>

68

69 **Step 8 - Monthly Surcharge for the 5/8 x 3/4-Inch Golf Course Meter Size Customers**

70 \$27,731.10 Total Annual Surcharge Revenue Requirement (from Step 3)
 71 1,110 Divided by: Total Number of Equivalent Bills (from Step 7)
 72 \$24.98 Monthly Surcharge for 5/8 x 3/4-Inch Customers

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75 **Step 9 - Monthly Surcharge for All Meter Sizes for the Golf Course**

76	Col A	Col B		Col C		Col D
77	Meter Size	NARUC Multiplier		5/8" x 3/4" Customers' Surcharge		Surcharge by Meter Size Col B x C
80	5/8"x 3/4" Meter	1	x	\$24.98	=	\$24.98
81	3/4" Meter	1.5	x	\$24.98	=	\$37.47
82	1" Meter	2.5	x	\$24.98	=	\$62.46
83	1½" Meter	5	x	\$24.98	=	\$124.91
84	2" Meter	8	x	\$24.98	=	\$199.86
85	3" Meter	15	x	\$24.98	=	\$374.74
86	4" Meter	25	x	\$24.98	=	\$624.57
87	6" Meter	50	x	\$24.98	=	\$1,249.15

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90 **Step 10 - Verify Annual Surcharge Revenue for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course**

91	Col A	Col B		Col C		Col D		Col E
92	Meter Size	Number of Customers		Number of Months in Year		Surcharge by Meter Size		Annual Surcharge Rev Col B x C X D
95	5/8"x 3/4" Meter	0	x	12	x	\$3.66	=	-
96	3/4" Meter	953	x	12	x	\$5.50	=	62,859
97	1" Meter	4	x	12	x	\$9.16	=	440
98	1½" Meter	0	x	12	x	\$18.32	=	-
99	2" Meter	4	x	12	x	\$29.32	=	1,407
100	3" Meter	0	x	12	x	\$54.97	=	-
101	4" Meter	0	x	12	x	\$91.61	=	-
102	6" Meter	0	x	12	x	\$183.22	=	-
103		<u>961</u>						<u>64,706</u> (from Step 2)

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112 Step 11 - Verify Annual Surcharge Revenue for 5 Meters Serving the Golf Course

113	Col A	Col B		Col C		Col D		Col E
114				Number of		Surcharge		Annual
115		Number of		Months in		by		Surcharge Rev
116	Meter Size	Customers		Year		Meter Size		Col B x C X D
117	5/8"x 3/4" Meter	0	x	12	x	\$24.98 =		-
118	3/4" Meter	1	x	12	x	\$37.47 =		450
119	1" Meter	0	x	12	x	\$62.46 =		-
120	1½" Meter	0	x	12	x	\$124.91 =		-
121	2" Meter	2	x	12	x	\$199.86 =		4,797
122	3" Meter	0	x	12	x	\$374.74 =		-
123	4" Meter	1	x	12	x	\$624.57 =		7,495
124	6" Meter	1	x	12	x	\$1,249.15 =		14,990
125		<u>5</u>						<u>27,731</u> (from Step 3)

Line No.	WIFA LOAN SURCHARGE	
1	Loan Amount:	\$310,432
2	Term:	20 Years
3	Interest Rate	5.25%
4		
5	Step 1 - Principal and Interest Components of the Annual Surcharge Revenue	
6	\$9,019.23	Principal (From Loan Amortization Schedule)
7	\$16,082.71	Plus: Interest (From Loan Amortization Schedule)
8	\$25,101.94	Debt Service Component of the Annual Surcharge Revenue
9		
10	Step 2 - Gross Revenue Conversion Factor	
11	1.639147015	From Testimony or Staff Report or Decision, Schedule XXX-1, Col. B, Line 7
12		
13	Step 3 - Find the Incremental Income Tax Factor	
14	1.63915	minus 1 = 0.63915
15		
16	Step 4 - Annual Income Tax Component of Surcharge Related To Principle	
17	0.63915	Incremental Income Tax Factor (from Step 3)
18	\$9,019.23	Multiplied by: Annual Principal Payment on Loan from Step 1 (Note: Interest Expense is tax deductible)
19	\$5,764.61	Annual Income Tax Component Related to the Principle
20		
21	Step 5 - Annual Income Tax Component of Surcharge Related to Depreciation Expense	
22	0.63915	Incremental Income Tax Factor (from Step 3)
23	\$ 17,338	Depreciation Expense
24	\$11,081.33	Annual Income Tax Component of Surcharge Related to Depreciation Expense
25		
26	Step 6 - Net Annual Income Tax Component of Surcharge	
27	\$5,764.61	Annual Income Tax Component Related to the Principle (from Step 4)
28	(\$11,081.33)	Less: Annual Income Tax Component of Surcharge Related to Depreciation Expense (from Step 5)
29	(\$5,316.71)	Net Annual Income Tax Component of Surcharge Revenue
30		
31	Step 7 - Debt Reserve Component of the Annual Surcharge Revenue	
32	\$25,101.94	Annual Interest and Principal Payments on the Loan (from Step 1)
33	20%	Multiplied by: One-fifth of Annual Principal and Interest Payment
34	\$5,020.39	Debt Reserve Component of the Annual Surcharge Revenue for first five years
35		
36	Step 8A - Annual Surcharge Revenue Requirement Needed for the Loan Including Reserve Fund	
37	\$0.00	Net Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
38	\$25,101.94	Plus: Debt Service Component of the Annual Surcharge Revenue (from Step 1)
39	\$5,020.39	Plus: Annual Reserve Fund Deposit (from Step 7)
40	\$30,122.32	Total Annual Surcharge Revenue Requirement for the Loan
41		
42	Step 8B - Annual Surcharge Rev. Requ. for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course	
43	\$30,122.32	From Line 42
44	70%	Multiplied by 70%
45	\$21,085.63	
46		
47	Step 8C - Annual Surcharge Revenue Requirement for the 5 Meters Serving the Golf Course	
48	\$30,122.32	From Line 42
49	30%	Multiplied by 30%
50	\$9,036.70	
51		
52		

53 **Step 9 - Equivalent Bills for All Truxton's Customers EXCEPT the 5 Meters Serving the Golf Course**

54	Col A	Col B		Col C		Col D		Col E
55							Number of	Equivalent
56	NARUC		Number of		Months in		Bills	
57	Meter Size	Multiplier		Customers		Year	=	Col B x C X D
58	5/8"x 3/4" Meter	1	x	0	x	12	=	-
59	3/4" Meter	1.5	x	953	x	12	=	17,154
60	1" Meter	2.5	x	4	x	12	=	120
61	1½" Meter	5	x	0	x	12	=	-
62	2" Meter	8	x	4	x	12	=	384
63	3" Meter	15	x	0	x	12	=	-
64	4" Meter	25	x	0	x	12	=	-
65	6" Meter	50	x	0	x	12	=	-
66					<u>961</u>			<u>17,658</u>

68 **Step 10A - Monthly Surcharge for the 5/8 x 3/4-Inch Meter Size Customers EXCEPT Golf Course**

69
70 \$21,085.63 Total Annual Surcharge Revenue Requirement for the Loan (from Step 8B)
71 17,658 Divided by: Total Number of Equivalent Bills (from Step 9)
72 \$1.19 Monthly Surcharge for 5/8 x 3/4-Inch Customers
73

74 **Step 10B - Monthly Surcharge for All Meter Size Customers EXCEPT Golf Course**

75	Col A	Col B		Col C		Col D	
76	NARUC		5/8" X 3/4"		Surcharge by		
77	Meter Size	Multiplier		Customers'	Meter Size		
78				Surcharge	Col B x C		
79	5/8"x 3/4" Meter	1	x	\$1.19	=	\$1.19	
80	3/4" Meter	1.5	x	\$1.19	=	\$1.79	
81	1" Meter	2.5	x	\$1.19	=	\$2.99	
82	1½" Meter	5	x	\$1.19	=	\$5.97	
83	2" Meter	8	x	\$1.19	=	\$9.55	
84	3" Meter	15	x	\$1.19	=	\$17.91	
85	4" Meter	25	x	\$1.19	=	\$29.85	
86	6" Meter	50	x	\$1.19	=	\$59.71	

87
88 **GOLF COURSE SURCHARGE CALCULATIONS**

89 **Step 11A - Equivalent Bills for the 5 Meters Serving the Golf Course**

90	Col A	Col B		Col C		Col D		Col E
91							Number of	Equivalent
92	NARUC		Number of		Months in		Bills	
93	Meter Size	Multiplier		Customers		Year	=	Col B x C X D
94	5/8"x 3/4" Meter	1	x	0	x	12	=	-
95	3/4" Meter	1.5	x	1	x	12	=	18
96	1" Meter	2.5	x	0	x	12	=	-
97	1½" Meter	5	x	0	x	12	=	-
98	2" Meter	8	x	2	x	12	=	192
99	3" Meter	15	x	0	x	12	=	-
100	4" Meter	25	x	1	x	12	=	300
101	6" Meter	50	x	1	x	12	=	600
102					<u>5</u>			<u>1,110</u>

104 **Step 11B - Monthly Surcharge for the 5/8 x 3/4-Inch Meter Size Golf Course Customers**

105 \$9,036.70 Total Annual Surcharge Revenue Requirement for the Loan (from Step 8C)
106 1,110 Divided by: Total Number of Equivalent Bills (from Step 9)
107 \$8.14 Monthly Surcharge for 5/8 x 3/4-Inch Customers
108
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112 **Step 11C - Monthly Surcharge for All Meter Size Golf Course Customers**

113	Col A	Col B		Col C		Col D
114				5/8" X 3/4"		Surcharge by
115		NARUC		Customers'		Meter Size
116	Meter Size	Multiplier		Surcharge	=	Col B x C
117	5/8"x 3/4" Meter	1	x	\$8.14	=	\$8.14
118	3/4" Meter	1.5	x	\$8.14	=	\$12.21
119	1" Meter	2.5	x	\$8.14	=	\$20.35
120	1½" Meter	5	x	\$8.14	=	\$40.71
121	2" Meter	8	x	\$8.14	=	\$65.13
122	3" Meter	15	x	\$8.14	=	\$122.12
123	4" Meter	25	x	\$8.14	=	\$203.53
124	6" Meter	50	x	\$8.14	=	\$407.06

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126 **REVENUE VERIFICATION**

127 **Step 12 - Verify Annual Surcharge Revenue for All Truxton's Customers EXCEPT 5 Meters Serving Golf Course**

128	Col A	Col B		Col C		Col D		Col E
129				Number of		Surcharge		Annual
130		Number of		Months in		by		Surcharge Rev
131	Meter Size	Customers		Year		Meter Size		Col B x C X D
132	5/8"x 3/4" Meter	0	x	12	x	\$1.19	=	-
133	3/4" Meter	953	x	12	x	\$1.79	=	20,484
134	1" Meter	4	x	12	x	\$2.99	=	143
135	1½" Meter	0	x	12	x	\$5.97	=	-
136	2" Meter	4	x	12	x	\$9.55	=	459
137	3" Meter	0	x	12	x	\$17.91	=	-
138	4" Meter	0	x	12	x	\$29.85	=	-
139	6" Meter	0	x	12	x	\$59.71	=	-
140		<u>961</u>						<u>21,086</u> (from Step 8B)

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142 **Step 13 - Verify Annual Surcharge Revenue for 5 Meters Serving the Golf Course**

143	Col A	Col B		Col C		Col D		Col E
144				Number of		Surcharge		Annual
145		Number of		Months in		by		Surcharge Rev
146	Meter Size	Customers		Year		Meter Size		Col B x C X D
147	5/8"x 3/4" Meter	0	x	12	x	\$8.14	=	-
148	3/4" Meter	1	x	12	x	\$12.21	=	147
149	1" Meter	0	x	12	x	\$20.35	=	-
150	1½" Meter	0	x	12	x	\$40.71	=	-
151	2" Meter	2	x	12	x	\$65.13	=	1,563
152	3" Meter	0	x	12	x	\$122.12	=	-
153	4" Meter	1	x	12	x	\$203.53	=	2,442
154	6" Meter	1	x	12	x	\$407.06	=	4,885
155		<u>5</u>						<u>9,037</u> (from Step 8C)

MEMORANDUM

DATE: March 7, 2017

TO: Crystal Brown
Executive Consultant III

FROM: Dorothy Hains, P. E.
Utilities Engineer

RE: Truxton Canyon Water Company
Application for Emergency Rate Surcharge
Docket No. W-02168A-17-0042

I. Background

On February 17, 2017, Truxton Canyon Water Company ("Truxton" or "Company") filed an application for an emergency rate surcharge with the Arizona Corporation Commission ("ACC" or "Commission") requesting authorization to incur long term debt in an amount of \$248,944 ("Financing Application") and a surcharge to increase water service rates by \$92,437. Proceeds from the loan would be used to fund the Hualapai 1 Well Conversion to convert the existing natural gas operated well pump to an electric operated well pump.

The Company owns and operates a water system ("System") that consists of three active wells, one 155 gallons per minute ("GPM") arsenic treatment plant, 580,000 gallons of storage capacity and a distribution system. The Company also owns four inactive wells and one inactive 20,000 gallon storage tank. Arizona Department of Environmental Quality ("ADEQ") regulates the System under the Public Water System Identification ("PWS") No. 08-035. The Company served approximately 960 metered customers in 2015; the majority of which were residential.

II. Compliance

A. ADEQ Compliance Status

ADEQ regulates the water system operated by Truxton under ADEQ Public Water System ("PWS") ID No. 08-035. According to the ADEQ Drinking Water Compliance Status Report, dated October 21, 2016, the Truxton system has major deficiencies in monitoring and reporting for the reasons listed below and ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code ("A.A.C."), Title 18, Chapter 4.

- (1) Arsenic: Truxton is required to test arsenic at its Entry Points to the Distribution System quarterly; Truxton has not complied with this requirement.
- (2) Disinfection Byproducts Stage 1 and Stage 2: There are deficiencies for this monitoring requirement.

B. ACC Compliance Status

A check of the Commission's Utilities Division Compliance Section database indicated that Truxton there is one delinquent compliance item for Truxton. In Decision No. 74833 the Commission ordered Truxton to be in full compliance with ADEQ by March 28, 2016 (per status check dated March 8, 2017). As noted above, Truxton is not in full compliance with ADEQ.

C. Arizona Department of Water Resources ("ADWR") Compliance Status

Truxton is not located in any Active Management Area ("AMA") as designated by ADWR, and is not subject to AMA reporting and conservation rules. Staff received an ADWR compliance status report dated October 13, 2016, in which ADWR reported that it has determined that this water system is currently compliant with departmental requirements governing water providers and/or community water systems.

III. Hualapai 1 Well Conversion

A. Proposed Project

Truxton would use the proposed loan to fund the construction of the improvements at the Hualapai 1 Well and well site. The improvements include (1) replacing the existing natural gas operated well pump with an electric operated well pump; (2) purchasing two used natural gas operated on-site generators; (3) completing an electric power line extension to the well site; (4) installing a new 6-foot tall chain link fence around the Well and well site; (5) completing an on-site wiring and electric equipment installation; and (6) completing on-site plumbing to support installation of the new pumping facilities.

B. Engineering Cost Estimates

Table 1 lists the Company's proposed plant additions and associated cost estimates and Staff's recommended adjustments.

Table 1. Estimate Engineering Cost for Hualapai 1 Well Conversion

	Plant Item	Company's Estimate (\$)	Staff's Estimates (\$)
1	New Well Pump and Motor¹		
	ADEQ Permit fee (Tax free)	N/A	800

	Labor to mobilize/demobilize material and equipment to job site by vendor	2,500	2,500
	Labor cost of pulling existing nature gas operated pump out of well and set new electric well pump @ 960' depth in well by vendor	14,400	14,400
	One Goulds 12CMC pump (12" with 14 stage, 1,000 GPM) by vendor	18,825	18,825
	one 300-HP Vertical Hollo shaft	31,293	31,293
	Premium efficient, inventor duty fabricated well head (material/labor) by vendor	8,905	8,905
	Tax (5.4275%)	4,120.75	4,120.75
	subtotal	80,044	80,844
	Contingency (10%) ²	N/A	8,084
	Engineering/Administration/Legal fee (15%)	N/A	12,126
	total	80,044	101,054
2	Used Emergency Generators³		
	Two used natural gas powered generators (35 KVA)	35,000	8,000 ⁶
	subtotal	35,000	8,000
	Contingency (10%)	N/A	800
	Engineering/Administration/Legal fee (15%)	N/A	1,200
	total	35,000	10,000
3	Permanent Power⁴		
	Offsite Power Line	150,000	N/A
	1.9 mile 3 phase power line extending from US Highway 66 @ south of Valle Vista Subdivision		165,000 ⁵
	subtotal	150,000	165,000
	Contingency (10%)	N/A	1,650
	Engineering/Administration/Legal fee (15%)	N/A	2,475
	total	150,000	169,125
4	New Fencing⁴	5,000	
	550' long 6' tall chain link fence with a gate (estimated by Staff)		11,503
	subtotal	5,000	11,503
	Contingency (10%)	N/A	1,150
	Engineering/Administration/Legal fee (15%)	N/A	1,725
	total	5,000	14,378
5	On-site Electric⁴	9,200	
	Control Panel Installation	N/A	3,000
	Electric Power Line upgrade	N/A	5,000

	subtotal	9,200	8,000
	Contingency (10%)	N/A	800
	Engineering/Administration/Legal fee (15%)	N/A	1,200
	total	9,200	10,000
6	On-site Piping	4,700	4,700
	subtotal	4,700	4,700
	Contingency (10%)	N/A	470
	Engineering/Administration/Legal fee (15%)	N/A	705
	total	4,700	5,875
	Total	248,944	310,432

Notes:

1. Per conversation with Drill Tech Inc. (the Vendor), no new concrete footing will be needed.
2. Based on the Response to Data Request No. STF 1.4, the Company suggested 10 contingency costs. Staff is recommending 15 percent be added to cover Engineering and Legal fees.
3. Based on the Response to Data Request No. STF 1.17 and 1.18, the Company cost estimate assumes the installation of two used nature gas operated 35 KVA portable generators and no warranty.
4. The Company did not provide any information to support its estimated cost.
5. Staff's cost estimate is based on a quote provided by Mohave Electric Cooperative on December 13, 2016.
6. Staff's estimate is based on \$4,000 per generator for a total cost of \$8,000.

Staff concludes that the cost estimates listed in Table 1 as adjusted by Staff are reasonable. Staff concludes that the proposed infrastructure improvements are appropriate. However, no "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

IV. Allocation

Based on the Hualapai 1 Well's monthly pumping data provided by Truxton, Staff concludes that approximately one-third of Walapai 1 Well's total pumping capacity will be needed to serve the Golf Course.

V. Summary

Conclusions

1. A check of the Commission's Utilities Division Compliance Section database indicated that Truxton is not considered to be in compliance. Truxton has not complied with Decision No. 74833, in which the Commission ordered Truxton to be in full compliance with ADEQ by March 28, 2016 (per status check dated March 8, 2017).

2. ADEQ has reported that the Truxton system has major deficiencies in monitoring and reporting. ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4.
3. ADWR has reported that Truxton is currently compliant with departmental requirements governing water providers and/or community water systems.
4. Staff concludes that the cost estimates listed in Table 1 as adjusted by Staff are reasonable. Staff concludes that the proposed infrastructure improvements are appropriate. However, no "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

ORIGINAL



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AZ CORP COMMISSION
DOCKET CONTROL

2017 FEB 17 4:04



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

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 **COMMISSIONERS**

9 TOM FORESE - CHAIRMAN
10 BOB BURNS
11 DOUG LITTLE
12 ANDY TOBIN
13 BOYD DUNN

Arizona Corporation Commission

DOCKETED

FEB 17 2017

DOCKETED BY
GB

14 **IN THE MATTER OF THE**
15 **APPLICATION OF TRUXTON CANYON**
16 **WATER COMPANY, INC., FOR**
17 **EMERGENCY RATE SURCHARGE**

DOCKET NO. W-02168A-17-0042

EMERGENCY RATE
SURCHARGE
APPLICATION

18 Truxton Canyon Water Company, Inc. ("Truxton" or "Company") hereby files this
19 Emergency Rate Application ("Application"). The application has two components: (1) a
20 Water Infrastructure Finance Authority ("WIFA") loan surcharge to pay the debt service
21 on the proposed \$248,944 loan; and (2) a surcharge to increase the water service rates by
22 \$92,437 to meet WIFA's 1.2 Debt Service Coverage ("DSC") requirement.

23 **SUBSTANTIVE APPLICATION REQUIREMENTS**

24 **1. Conditions Constitute an Emergency**

25 An emergency rate application is warranted when a utility company undergoes a
26 sudden hardship, becomes insolvent, or its ability to maintain service pending a
27
28

1 permanent rate determination is in serious doubt.

2 As the Commission and Staff are well aware, Truxton relies heavily upon two very
3
4 old diesel engines to pump water to meet the local golf course water demand during the
5 summer months. These engines are more than 50 years old and parts are no longer
6 available. Somehow, the Company was able to extend the life of these engines through
7 the summer of 2016, but this will not be possible this coming season. Therefore, the
8 Company has submitted a financing application with the Commission seeking to borrow
9 \$248,944 to install electric motors, purchase electric generators, and extend power lines
10 to the well site. Truxton believes that unless the diesel engines are replaced with electric
11 power, it will not be able to meet the golf course water demand this summer.
12

13
14 Staff has reviewed the financing application and 2015 financial data and has
15 informed Truxton that the Company does not generate enough revenue to pay for the
16 proposed loan or meet the WIFA's DSC requirement of 1.2. Truxton agrees with Staff.
17 Therefore, the Company is filing this Application to implement two surcharges to service
18 the proposed debt and generate enough revenue to meet the 1.2 DSC.
19
20

21 **2. Requested Amount of Emergency Funds**

22 2.1 *WIFA Loan Surcharge.* Truxton believes \$23,658 per year will be
23 necessary to pay the debt service, reserve, and other costs associated with the loan and
24 surcharge. *See Attachment 1.*
25

26 2.2 *Minimum DSC Surcharge.* As noted above, WIFA requires proposed
27 borrowers have a minimum amount of revenue to offer the agency some security that the
28 debt will be paid. In 2015, Truxton lost more than \$90,000. Accordingly, the Company

1 needs an annual revenue increase of \$92,437 to meet WIFA's minimum 1.2 DSC
2 requirement. To be clear, without this requirement, the Company would only be seeking
3 the WIFA Loan Surcharge. Nevertheless, based upon communications with Staff and
4 WIFA, this revenue increase is necessary. The Company therefore is seeking a Minimum
5 DSC Surcharge to increase annual revenues by \$92,437 as well.
6

7 **3. Emergency Rate Charges to Customers**

8
9 3.1 *WIFA Loan Surcharge.* The Company believes the typical residential
10 customer using a 3/4 inch meter will pay a monthly WIFA Loan Surcharge of \$1.27.
11

12 3.2 *Minimum DSC Surcharge.* Foremost, the Company understands that
13 allocating the \$92,437 in a surcharge among its customers is a subjective endeavor.
14 Truxton is proposing this surcharge be split 70/30 between the Valley Vista Property
15 Owners Association ("VVPOA") golf course and the other customers. This means the
16 Minimum DSC Surcharge applicable to the five meters that serve water to the golf course
17 would be \$1,078.40 per month.¹ The other 962 customer accounts would pay \$2.40 per
18 month.²
19
20

21 Truxton is not taking a strong position on this matter, but it believes this proposal
22 is appropriate for the following reasons. First, the Hualapai Well water production is
23 almost exclusively dedicated to providing water to the Valley Vista Property Owners
24 Association ("VVPOA") golf course in the summer months. Second, the Hualapai Well
25

26
27
28 ¹ \$92,437 x .7 = \$64,706. \$64,706 / 12 mo. = \$5,392. \$5,392 / 5 meters = \$1,078 / mo.

² \$92,437 x .3 = \$27,731. \$27,731 / 12 mo. = \$2,311. \$2,311 / 962 meters = \$2.40 / mo.

1 does benefit the other customers as a redundant water source throughout the year. Third,
2 Truxton is sensitive to VVPOA's financial constraints. Fourth, VVPOA currently pays
3 the lowest rate commodity rate (\$1.20 per 1,000 gallons) of all Company customers.
4 Finally, nearly all of the Company's customers are also VVPOA members who pay the
5 costs to operate and maintain the golf course and other community amenities.
6

7
8 Knowing the Commission and Staff need to consider impacts upon all customers,
9 Truxton is offering an alternative approach for consideration - a 50/50 split between the
10 VVPOA golf course and the other customers. This means the Minimum DSC Surcharge
11 applicable to the five meters serving water to the golf course would be \$770.40 per
12 month.³ The other 962 customer accounts would pay a Minimum DSC Surcharge of
13 \$4.00 per month.⁴ Truxton could support this approach as well.
14

15 **4. Mechanism to Recover the Emergency Funds**

16
17 Truxton believes two temporary surcharges should be set until the Company
18 undergoes a permanent rate case.
19

20 **5. Description of System Repairs**

21 Again, Truxton is converting the pumping equipment from diesel to electric
22 power. The Company will purchase one electric motor. The Company also will need to
23 have power lines extended to the well site and purchase an electric generator to serve as a
24 backup power supply. The Company has also proposed purchasing two generators if the
25

26
27
28 ³ \$92,437 x .5 = \$46,219. \$46,219 / 12 mo. = \$3,852. \$3,852 / 5 meters = \$770.40 / mo.

⁴ \$92,437 x .3 = \$46,219. \$46,219 / 12 mo. = \$3,852. \$3,852 / 962 meters = \$4.00 / mo.

1 Commission or Staff believes the cost of running a power line to the well site is cost
2 prohibitive. A description of the work is set forth in Truxton's Finance Application,
3
4 Docket No. W-02168A-16-0361. *See* Attachment 2.

5 **6. Repair Estimate**

6 The Company's project estimate is set forth in Attachment 2.

7
8 **7. Certification of Mailing**

9 The Company is mailing the applicable notice as required. The certification of
10 mailing shall be late filed.

11
12 **8. Notice of the Application to Customers**

13 *See* Attachment 3.

14 **ADMINISTRATIVE INFORMATION**

15
16 **9. Applicant's Name and Address.**

17 Truxton Canyon Water Company, Inc.
18 Attn: Rick Neal
19 3001 Westwood Dr.
20 Las Vegas, NV 89109
(ph) 702-256-4006

21 **10. Person Authorized to Receive Communications.**

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

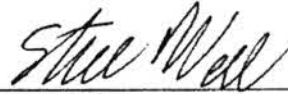
28 **REQUEST FOR APPROVAL**

As set forth in this Application, the Company requests that the Commission

1 authorize the emergency surcharges as described herein.

2 DATED this 17th day of February, 2017.

3
4 **MOYES SELLERS & HENDRICKS LTD.**

5
6 

7 Steve Wene

8
9 **Original and 13 copies filed this**
10 **17th day of February, 2017, with:**

11 Docket Control
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007

15
16 

ATTACHMENT 1

Truxton Canyon Water Company, Inc.
Company Calculation of Surcharge Amount for Proposed Loan

Line	Amount		
1	Annual Interest	\$ 12,278	
2	Annual Principal	7,437	
3	Reserve	3,943	
4	Total Annual Loan Payments	<u>\$ 23,658</u>	
5	Annual Surcharge Necessary		\$ 23,658
6	Surcharge Calculation per Customer:		
7	Number of 5/8 x 3/4-inch Customers		
8	Months in Year		<u>12</u>
9	Annual Bills		
10	Number of 3/4-inch Customers	953	
11	Months in Year	<u>12</u>	
12	Annual Bills		11,436
13	Meter Multiplier		<u>1.5</u>
14	Annual Equivalent Bills		<u>17,154</u>
15	Number of 1-inch Customers	4	
16	Months in Year	<u>12</u>	
17	Annual Bills		48
18	Meter Multiplier		<u>2.5</u>
19	Annual Equivalent Bills		<u>120</u>
20	Number of 2-inch Customers	2	
21	Months in Year	<u>12</u>	
22	Annual Bills		24
23	Meter Multiplier		<u>8</u>
24	Annual Equivalent Bills		<u>192</u>
25	Number of 6-inch Customers	2	
26	Months in Year	<u>12</u>	
27	Annual Bills		24
28	Meter Multiplier		<u>50</u>
29	Annual Equivalent Bills		<u>1,200</u>
30	Total Annual Equivalent Bills		18,666

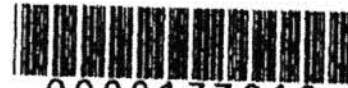
31	5/8 x 3/4-inch Surcharge Amount per Month	\$ 1.27	(Line 5 / Line 30)
32	3/4-inch Surcharge Amount per Month	1.90	(Line 31 times 1.5 MM) ¹
33	1-inch Surcharge Amount per Month	3.17	(Line 31 times 2.5 MM)
34	2-inch Surcharge Amount per Month	10.14	(Line 31 times 8 MM)
35	6-inch Surcharge Amount per Month	63.37	(Line 31 times 50 MM)

Line	Revenue Check:	Surcharge	Annual Bills	Total
37	5/8 x 3/4-inch meters	\$ 1.27	-	\$ -
38	3/4-inch meters	1.90	11,436	21,742
39	1-inch meters	3.17	48	152
40	2-inch meters	10.14	24	243
41	6-inch meters	63.37	24	1,521
42			<u>11,532</u>	<u>\$ 23,658</u>

43 ¹ MM = AWWA Meter Multiplier

ATTACHMENT 2

ORIGINAL NEW APPLICATION



0000173810

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

8 COMMISSIONERS

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

Arizona Corporation Commission

DOCKETED

OCT 05 2016

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W-02168A-16-0361

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

DOCKET NO. W-02168A-16-
FINANCE APPLICATION

19 Truxton Canyon Water Company, Inc. ("Truxton" or "Company") hereby files an
20 application to finance improvements to its water system.
21

22 INFORMATION REQUESTED ON APPLICATION FORM

23 1. Applicant's Name and Address.

24 Truxton Canyon Water Company, Inc.
25 Attn: Rick Neal
26 3001 Westwood Dr.
27 Las Vegas, NV 89109
28 (ph) 702-256-4006
(fax) 702-256-2522

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

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

9 **3. Data Request Responses.**

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

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

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

18 **5. Proceeds Statement and Service Fees.**

19 Gross proceeds will be \$248,944. There is no origination fee. The Company will
20 net \$248,944 from the proposed loan. Under WIFA's terms, the Company anticipates
21 paying a fixed interest rate of approximately 5.25%. This market rate loan is reasonable
22 for the Commission to approve.

23 **6. Documents to be Executed in this Matter.**

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

25 **7. Customer Notice.**


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

1 **REQUEST FOR APPROVAL**

2 As set forth in this Application, the Company requests that the Commission
3
4 authorize the financing described herein.

5 DATED this 5th day of October, 2016.

6 **MOYES SELLERS & HENDRICKS LTD.**

7
8 
9 _____
10 Steve Wene

11
12 **Original and 13 copies filed this**
13 **5th day of October, 2016, with:**

14 Docket Control
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, Arizona 85007

18 
19 _____
20
21
22
23
24
25
26
27
28

Attachment A

1
2
3 **ATTACHMENT A**

4 **1.1 – Provide audited financial statements for the Company’s most recent fiscal year end**
5 **to include, but not limited to, balance sheets, income statements, reconciliation of**
6 **retained earnings (membership capital or equity), cash flow statements, footnotes,**
7 **disclosures, and any other pertinent documentation including a schedule of general and**
8 **administrative costs, and all management and accountants opinion letters. Un-audited**
9 **financial statements will suffice if audited statements are not routinely generated. If the**
10 **financial statements provided are not for the fiscal year immediately preceding the**
11 **calendar year in which the current financing approval application is docketed, indicate**
12 **when the more recent financial statements are expected to be available and provide them**
13 **as soon as they become available.**

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

15 **1.2 – Provide the name and address of the lender or debt placement agent, and the**
16 **expected terms of the planned financing, including but not limited to, loan amount,**
17 **inception date, maturity date, interest rate (for variable interest rates state the basis upon**
18 **which the rate is dependent and the time interval or frequency the changes are**
19 **implemented), numerical covenants such as debt service coverage (“DSC”), times interest**
20 **earned coverage (“TIER”), cash coverage ratio (“CCR”), equity-to-total capital ratio, etc.**
21 **For amortizing loans, provide an amortization schedule showing the scheduled payments**
22 **for principal and interest for the full duration of the loan.**

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

24 Water Infrastructure Finance Authority
25 Attn: Angie Valenzuela
26 100 North 15th Avenue, Suite 103
27 Phoenix, Arizona 85007
28 (ph) 602-364-1310
(fax) 602-364-1327

1 **Response 1.2.2** - If the Commission authorizes the proposed debt, the Company will
2 request that WIFA lend the Company \$248,944 at a fixed rate of approximately 5.25%
3 for a 20-year term. Consistent with industry practice, WIFA 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 is set forth in
6 Attachment B.

7 **Response 1.2.3** - Regarding the numerical covenants, the Debt Service Coverage
8 requirement is 1.20.

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).

28

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 Company will provide public notice in a timely fashion in the form
8 prescribed by the Commission. See Exhibit 1.6. However, the public notice requires
9 information, such as a docket number, that can only be determined after the financing
10 application is filed, so the notice will necessarily be late filed.

11
12 **1.7** – Provide the number of customers currently served by rate class, and a brief
13 description of each class of customers (residential, commercial, etc.).

14 **Response 1.7-** See Exhibit 1.1 (Company’s most recent annual report).

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

21 **Response 1.8** – Currently, the Company has to following loans issued to the Water
22 Division:

23

Loan	Decision No.	Amount Approved	Amount Taken	Current Balance	Maturity Date
WIFA Loan 1	920268-16 Apr 2016	\$350,950	\$350,950	\$350,950	Apr 2036

24
25
26
27

28 **1.9** – If not clearly identified with the financial statements and footnotes of the financial

1 statements provided in response to 1.1, provide a complete list of all long-term debt
2 obligations (including capital leases). For each obligation provide: the lender's name and
3 contact information, the initial loan amount, the current outstanding (unpaid) balance, the
4 inception date, the maturity date(s), the annual interest rate (for variable interest rates
5 state the basis upon which the rate is dependent and the time interval or frequency the
6 changes are implemented), the numerical covenants such as DSC, TIER, CCR, equity-to-
7 total capital ratio, etc. For amortizing loans, provide an amortization schedule showing
8 the scheduled payments for principal and interest. Also, provide any other information
9 pertinent for gaining an essential understanding of the Company's debt obligations.

10 **Response 1.9** – The Company's debt obligations are noted in Response 1.8.

11
12 **1.10** – If any of the proceeds from the newly proposed debt will be used to retire existing
13 long-term or short-term debt, identify the specific loans, amounts and anticipated dates
14 for the refunding.

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

16
17 **1.11** – Provide a certificate of resolution from the board of directors authorizing the filing
18 of this application.

19 **Response 1.11** – See Attachment 1.11.

20
21 **1.12** – Provide financial information projecting the Company's estimated financial
22 performance (cash flows, operating income) for each of the next five years, identifying
23 all significant assumptions (e.g., rate increases, customer/sales grow, inflation, etc.)

24 **Response 1.12** – The Company is providing pro forma balance sheet, income statement,
25 tax calculations, and a depreciation expense schedule set forth in Exhibit 1.12. The
26 Company anticipates that this loan will be repaid through a surcharge mechanism, which
27 is calculated in Exhibit 1.12 as well. The Company believes the projections will remain
28 the same for five years.

1
2 **1.13** – If the Company has a revolving line-of-credit facility (“LOC”), provide the
3 following: the execution date, the termination date, the maximum borrowing capacity, the
4 balance for each of the most recent 12 months, the name of the lender, the basis and term
5 for the interest rate charged (e.g., LIBOR plus 2.0 percent), a detailed explanation of any
6 fees other than interest (e.g., a commitment fee) and an explanation of any changes the
7 Company anticipates to the line-of-credit during the next five years.

8 **Response 1.13** - Not applicable.
9

10 **1.14** – If applicable, provide the Company’s most recent credit agency(ies) financial
11 review(s).

12 **Response 1.14** – The Company does not possess this information.
13

14 **1.15** – Provide the Commission decision number and date for the Company’s most recent
15 general rate case and state the date of the test year end used in that rate case.

16 **Response 1.15** – Decision No. 74835 (Nov. 14, 2014) (Test Year ending Jun. 30, 2011).
17

18 **1.16** – Identify any additional financing authorizations the Company contemplates
19 seeking from the Commission in the next five years.

20 **Response 1.16** – None.
21

22 **1.17** – For a financing application by an electric provider in which the funds will be used
23 for projects in a CWP that has not been previously reviewed by the Commission, provide
24 the following information in the spreadsheet provided.....

25 **Response 1.17** – Not Applicable.
26
27
28

EXHIBIT 1.1

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-02168A

Truxton Canyon Water Company
7313 E. Concho Dr., Ste. B
Kingman, AZ 86401

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:

ANNUAL REPORT

Water

FOR YEAR ENDING

12	31	2015
----	----	------

FOR COMMISSION USE

ANN 04	15
--------	----

COMPANY INFORMATION

Company Name (Business Name) Truxton Canyon Water Company

Mailing Address 3001 Westwood Drive
(Street)
Las Vegas NV 89117
(City) (State) (Zip)

702-256-4006 702-25-2522
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address Rick@truxtoncanyonwater.com

Local Office Mailing Address 7313 E. Concho Drive Suite B
(Street)
Kingman AZ 86401
(City) (State) (Zip)

928-757-2205
Local Customer Service Phone No. (Include Area Code) (1-800 or other long distance Customer Service Phone No.)

Email Address lynn@truxtonwatercompany.com Website address _____

MANAGEMENT INFORMATION

Regulatory Contact:

Management Contact; Rick Neal Manager
(Name) (Title)

3001 Westwood Drive Las Vegas NV 89019
(Street) (City) (State) (Zip)

702-256-4006 702-256-2522
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address rick@truxtoncanyonwater.com

On Site Manager; Mike Neal
(Name)

7313 E. Concho Suite B Kingman AZ 86401
(Street) (City) (State) (Zip)

928-757-2205
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address mike@truxtoncanyonwater.com

Statutory Agent:		Mike Neal	
		(Name)	
7313 E. Concho Drive Suite B	Kingman	AZ	86401
(Street)	(City)	(State)	(Zip)
928-757-2205			
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Attorney:		Steve Wene	
		(Name)	
1850 N. Central Ave. Suite 1100	Phoenix	AZ	85004
(Street)	(City)	(State)	(Zip)
602-623-7141			
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address		swenc@law-msh.com	

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

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

- | | | |
|-------------------------------------|-----------------------------------|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME **Truxton Canyon Water Company**

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights	20		20
304	Structures and Improvements	159	159	0
305	Collecting & Impounding Reservoirs			
306	Lake, River, Canal Intakes			
307	Wells and Springs	19,791	19,791	0
308	Infiltration Galleries			
309	Raw Water Supply Mains			
310	Power Generation Equipment			
311	Pumping Equipment	11,462	11,462	0
320	Water Treatment Equipment			
320.1	Water Treatment Plants			
320.2	Solution Chemical Feeders			
320.3	Point-of-Use Treatment Devices			
320.4	Arsenic Media			
330	Distribution Reservoirs and Standpipes			
330.1	Storage Tanks			
330.2	Pressure Tanks			
331	Transmission and Distribution Mains	865,257	384,418	480,830
333	Services	64,236	64,236	0
334	Meters and Meter Installations	206,069	141,206	64,863
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	406	406	0
340	Office Furniture and Equipment			
340.1	Computers & Software			
341	Transportation Equipment			
342	Stores Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	1,167,400	621,678	545,722

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

COMPANY NAME

Truxton Canyon Water Company

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			
302	Franchise			
303	Land and Land Rights	20	N/A	-
304	Structures and Improvements	159	3.33%	-
305	Collecting & Impounding Reservoirs			
306	Lake, River, Canal Intakes			
307	Wells and Springs	19,791	3.33%	-
308	Infiltration Galleries			
309	Raw Water Supply Mains			
310	Power Generation Equipment			
311	Pumping Equipment	11,462	12.50%	-
320	Water Treatment Equipment			
320.1	Water Treatment Plants			
320.2	Solution Chemical Feeders			
320.3	Point-of-Use Treatment Devices			
320.4	Arsenic Media			
330	Distribution Reservoirs and Standpipes			
330.1	Storage Tanks			
330.2	Pressure Tanks			
331	Transmission and Distribution Mains	865,257	2.00%	17,305
333	Services	64,236	3.33%	-
334	Meters and Meter Installations	206,069	8.33%	17,166
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	406	6.67%	-
340	Office Furniture and Equipment			
340.1	Computers & Software			
341	Transportation Equipment			
342	Stores Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	SUBTOTAL			
	LESS CIAC Amortization			
	TOTALS *	1,167,400		34,471

²This amount goes on the Comparative Statement of Income and Expense Acct. No. 403 _____

COMPANY NAME Truxton Canyon Water Company

WATER UTILITY BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 3,213.88	\$ 19,200.65
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	\$41,978	\$29,050
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments	13,368	7513
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 58,479.88	\$55,763.65
	FIXED ASSETS		
101	Utility Plant in Service	\$1,167,400.07	\$1,167,400.07
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation - Utility Plant	-540,356.88	\$606,079.65
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	\$627,243.19	\$561,320.42
	TOTAL ASSETS	\$685,723.07	\$617,084.07

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

COMPANY NAME Truxton Canyon Water Company

WATER UTILITY BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$ 32,400	\$22,850
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	455,825	455,825
235	Customer Deposits		
236	Accrued Taxes	796.83	-1940.95
237	Accrued Interest	64,935.97	43,094.66
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$552,364.14	\$519,828.71
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$ 882,678.36	\$882,678.36
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	63,429	63,429
272	Less: Amortization of Contributions	-63,429	-63,429
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$946,043.93	\$882,678.36
	TOTAL LIABILITIES	\$1,498,408.07	\$1,402,507.07
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 11,000	\$ 11,000
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	-823,685	-796,423
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$-812,685	\$-785,423
	TOTAL LIABILITIES AND CAPITAL	\$685,723.07	\$617,084.07

COMPANY NAME Truxton Canyon Water Company

WATER UTILITY COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 549,886	\$ 404,771.87
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$ 549,886	\$ 404,771.87
	OPERATING EXPENSES		
601	Salaries and Wages	\$122,742	\$136,110.31
610	Purchased Water	183,260	
615	Purchased Power	101,314	54,535.63
618	Chemicals	523	515.04
620	Repairs and Maintenance	23,012	34,003.44
621	Office Supplies and Expense	15,307	21,479.41
630	Outside Services	82,750	60,942.30
635	Water Testing	1080	2,680
641	Rents	5,678	7,423.49
650	Transportation Expenses	32,584	43,821.71
657	Insurance - General Liability	8,654	10,059.62
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case	4,387	36,565
675	Miscellaneous Expense		
403	Depreciation Expense	34,471	34,471
408	Taxes Other Than Income	44,037	36,250
408.11	Property Taxes	23,562	16,362.06
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$683,361	\$495,219.01
	OPERATING INCOME/(LOSS)	\$-133,475	\$-90,447.14
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$0	\$
	NET INCOME/(LOSS)	\$-(133,475)	\$-(90,447.14)

COMPANY NAME Truxton Canyon Water Company

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ _____

Meter Deposits Refunded During the Test Year \$ _____

COMPANY NAME Truxton Canyon Water Company	
Name of System:	ADEQ Public Water System Number: 08035

WATER UTILITY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
SS-624983	3HD	Not in use	300	12	1	1944
SS-624989	capped	N/A	260	16	N/A	1944

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
		12	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
500,000 gallons	1		
22,000 gallons	1		

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

COMPANY NAME **Truxton Canyon Water Company**

Name of System:

ADEQ Public Water System Number: 08035

WATER UTILITY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	82.00
5		
6	PVC	57,880
8	PVC	1,660
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	944
3/4	
1	4
1 1/2	
2	2
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	2
Bulk	2

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

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

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

COMPANY NAME: Truxton Canyon Water Company

Name of System:

ADEQ Public Water System Number: 08035

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-410.B	Termination with Notice R14-2-410.C	OTHER
JANUARY		0	
FEBRUARY		0	
MARCH		1	
APRIL		0	
MAY		0	
JUNE		0	
JULY		3	
AUGUST		0	
SEPTEMBER		5	
OCTOBER		2	
NOVEMBER		1	
DECEMBER		0	
TOTALS →		12	

OTHER (description):

COMPANY NAME _____ YEAR ENDING 12/31/2015

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2015 was: \$ 0

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- No Funds Available

**VERIFICATION
AND
SWORN STATEMENT**
Taxes

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)
NAME (OWNER OR OFFICIAL) TITLE
COMPANY NAME

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 OF OWNER OR OFFICIAL

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS DAY OF

COUNTY NAME	
MONTH	20__

(SEAL)

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES _____

**VERIFICATION
AND
SWORN STATEMENT
Taxes**

VERIFICATION

STATE OF NV
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) <u>CLARK</u>
NAME (OWNER OR OFFICIAL) TITLE: <u>TERESA NEAL - OFFICE MANAGER</u>
COMPANY NAME: <u>TRAVELER CONVENIENCE STORE COMPANY</u>

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.

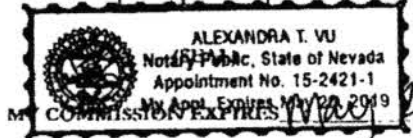
Teresa Neal
SIGNATURE OF OWNER OR OFFICIAL
702-252-4004
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 9 DAY OF

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



Alexandra T. Vu
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

VERIFICATION

STATE OF NV
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) <u>CLARK</u>
NAME (OWNER OR OFFICIAL) TITLE <u>TERESA NEAL - OFFICE MANAGER</u>
COMPANY NAME <u>TRUCKER CASH/IN UTILITY COMPANY</u>

**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>404,771.87</u>
--

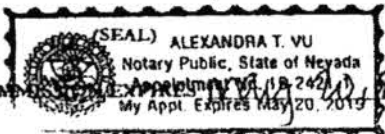
(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 35,447.01
IN SALES TAXES BILLED, OR COLLECTED)

****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.)**

Teresa Neal
SIGNATURE OF OWNER OR OFFICIAL
762-856-4000
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS 9 DAY OF

COUNTY NAME <u>Clark</u>
MONTH <u>June</u> YEAR <u>2016</u>

MY COMMISSION NO. 118242
 2019

Alexandra Vu
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE**
Intrastate Revenues Only

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <i>Clark</i>	
NAME (OWNER OR OFFICIAL) <i>TERESA WPAI</i>	TITLE <i>OFFICE MANAGER</i>
COMPANY NAME <i>TRACON CANYON WATER COMPANY</i>	

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 <i>\$ 292,643.90</i>

THE AMOUNT IN BOX AT LEFT INCLUDES \$ *35,447.01* IN SALES TAXES BILLED, OR COLLECTED)

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

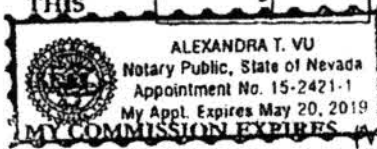
Teresa WPAI
SIGNATURE OF OWNER OR OFFICIAL

702-252-9006
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 9 DAY OF

NOTARY PUBLIC NAME <i>Alexandra Vu</i>	
COUNTY NAME <i>Clark</i>	
MONTH <i>June</i>	YEAR <i>2015</i>

 MY COMMISSION EXPIRES *May 20, 2019*

Alexandra Vu
NOTARY PUBLIC

EXHIBIT 1.3

Truxton Canyon Water Company, Inc.

Opinion of Probable Cost

Hualapai 1 Well Conversion

Item #	Description	Cost
1	New well and motor	\$80,044
2	Used generator	\$35,000
3	Permanent power	\$150,000
4	New fencing	\$5,000
5	Onsite electrical	\$9,200
6	Piping onsite	\$4,700
	TOTAL	\$248,944

EXHIBIT 1.6

**PUBLIC NOTICE OF TRUXTON CANYON WATER COMPANY'S
FINANCING APPLICATION
DOCKET NO. W-02168A-16-_____**

On September 23, 2016, ("Company" or "Applicant") Truxton Canyon Water Company, Inc. filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$248,944 of debt. The purpose of the financing is to improve the water storage tanks as well as install new meters and valves. The Commission may approve, disapprove, or approve the financing request with modifications. The Commission may act on the financing request with or without a hearing.

How to View the Application and other Filings

Copies of the application are available from the Company at Southwestern Utility Management office located at 2015 N. Forbes Blvd., Ste. 107 Tucson, Arizona 85745 and for inspection during regular business hours at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, AZ 85007. All filings in this matter are also available via the Commission's website (www.azcc.gov) using the e-Docket function and Docket No. W-02168A-16-_____.

How Interested Persons May Participate

An interested person may participate in this matter by (1) providing written public comment, or (2) filing for intervention and becoming a formal party to the proceeding. Written public comments must refer to Docket No. W-02168A-16-_____ and may be submitted at any time as follows:

By Mail: Arizona Corporation Commission
Consumer Services Section
1200 West Washington Street
Phoenix, AZ 85007

On the Website: www.azcc.gov using the link "Submit a Public Comment".

Anyone requiring assistance may contact the Consumer Services Section at 1-800-222-7000 or 602-542-4251.

About Intervention

Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. Intervention entitles a person to participate as a party and if a hearing is held, to present sworn testimony and evidence and cross-examine witnesses. Persons who do not intervene will receive no further notice of the proceedings in this docket. The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that the person requesting intervention must file an original and 13 copies of a written motion to intervene with the Commission's Docket Control Center on or before October 3, 2016, and must send a copy of the motion to Truxton or

its counsel. Contact information for the Applicant and other parties is available using the eDocket function and Docket No. W-02168A-16-_____.

Each motion to intervene must include the Docket Number and contain the following:

1. The name, address, and telephone number of the person requesting intervention and of any person upon whom service of documents is to be made, if not the same person;
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Applicant, a member or shareholder of the Applicant, etc);
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing;
4. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case; and
5. Information and any appropriate documentation demonstrating compliance with Arizona Supreme Court Rules 31, 38, and 42, as applicable, unless the proposed intervenor is an individual representing himself or herself, or is represented by an attorney who is an active member of the Arizona State Bar.

A sample intervention request form is available at
<http://www.azcc.gov/divisions/utilities/forms/interven.pdf>.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its proceedings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, and may request this document in an alternative format, by contacting ADA Coordinator Shaylin Bernal, at SBernal@azcc.gov, voice phone number 602-542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

EXHIBIT 1.11

RESOLUTION NO. 2016-1
RESOLUTION OF THE TRUXTON CANYON WATER COMPANY, INC.
AUTHORIZING THE FINANCING APPLICATION

Recitals

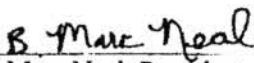
- A. Truxton Canyon Water Company, Inc. ("Company") is a public service corporation and duly organized and existing under the laws of the State of Arizona for the primary purpose of providing utility service to real property within the Company's service area as well as other purposes provided by law.
- B. The Company has the authority to borrow money and to accept financial assistance pursuant to Arizona Corporation Commission ("Commission") rules and orders.
- C. The Company Board of Directors ("Board") has complied with all applicable rules and held a meeting to authorize the filing of finance application with the Commission.

Resolution

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

- 1.0 The Recitals set forth above are incorporated herein.
- 2.0 The Board the Company President or Manager shall certify that at a meeting of the Board was properly and duly called in accordance with applicable law and held on the date designated below at which meeting at least a quorum of said Board was present and those present constituted a legally sufficient number qualified to act and transact matters and the following resolutions were adopted and the same have not been altered, amended or revoked.
- 3.0 The Company is authorized and empowered to file a financing application with the Commission consistent with the documents attached to this Resolution. The Company's Manager is hereby authorized and empowered to act on behalf of the Company and to enter into the loan with a lender under the terms authorized by the Commission.
- 4.0 The Manager is authorized and empowered to execute on behalf of, and in the name of, the Company from time to time documents as may be required to secure the approval of the financing application or other documents which Manager may deem expedient in carrying out the intents and purposes of the Resolutions set forth herein.

PASSED and APPROVED this 15 day of August, 2016.



B. Marc Neal, President

CERTIFICATION



Rick Neal, Manager

EXHIBIT 1.12

Truxton Canyon Water Company, Inc.
Balance Sheet as of 12/31/15
Includes Proforma Adjustments for Financing

Acct. No.	ASSETS	Year End Balance @ 12/31/2015	Loan Proforma Adjustments	Year End 12/31/15 Adjusted for Loan
Current and Accrued Assets				
131	Cash	\$ 19,201		\$ 19,201
134	Working Funds			
135	Temporary Cash Investments			-
141	Customer Accounts Receivable	29,050		29,050
146	Notes/Receivables from Assoc Co			-
151	Plant Material and Supplies			-
162	Prepayments	7,513		7,513
174	Misc Current and Accrued Assets			-
	Total Current and Accrued Assets	\$ 55,764	\$ -	\$ 55,764
Fixed Assets				
101	Utility Plant in Service	\$ 1,167,400	\$ 283,944	\$ 1,451,344
103	Property Held for Future Use			
105	Construction Work In Progress			
108	Accumulated Depreciation - Utility Plant	(656,149)		(656,149)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility			
	Total Fixed Assets	\$ 511,251	\$ 283,944	\$ 795,195
	TOTAL ASSETS	\$ 567,015	\$ 283,944	\$ 850,959

Truxton Canyon Water Company, Inc.
Balance Sheet as of 12/31/2015 (continued)
Includes Proforma Adjustments for Financing

Acct. No.	LIABILITIES	Year End Balance @ 12/31/2015	Loan Proforma Adjustments	Year End 12/31/15 Adjusted for Loan
Current Liabilities				
231	Accounts Payable	\$ 22,850		\$ 22,850
232	Notes Payable (Current Portion)			-
234	Notes/Accounts Payable to Assoc Co	455,825		455,825
235	Customer Deposits			-
236	Accrued Taxes	(1,941)		(1,941)
237	Accrued Interest	43,095		43,095
241	Misc Current and Accrued Liabilities			-
	Total Current Liabilities	\$ 519,829	\$ -	\$ 519,829
LONG-TERM DEBT (Over 12 Months)				
224	Long-Term Notes and Bonds	\$ -	\$ 283,944	\$ 283,944
Deferred Credits				
251	Unamortized Premium on Debt			
252.1	Advances in Aid of Construction	\$ 882,678		\$ 882,678
252.2	Meter Deposits			-
255	Accum Def Investment Tax Credits			-
271	Gross Contrib in Aid of Construction	63,429		63,429
272	Less: Amortization of contributions	(63,429)		(63,429)
281	Accumulated Deferred Income Tax			-
	Total Deferred Credits	\$ 882,678	\$ -	\$ 882,678
	TOTAL LIABILITIES	\$ 1,402,507	\$ 283,944	\$ 1,686,451
CAPITAL ACCOUNTS				
201	Common Stock Issued	\$ 11,000		\$ 11,000
211	Paid in Capital in Excess of Par Value			-
215	Retained Earnings	(846,492)		(846,492)
218	Proprietary Capital			-
	TOTAL CAPITAL	\$ (835,492)	\$ -	\$ (835,492)
	TOTAL LIABILITIES AND CAPITAL	\$ 567,015	\$ 283,944	\$ 850,959

Truxton Canyon Water Company, Inc.
Income Statement for 2015
Includes Proforma Adjustments For Financing

Acct No.	Description	Actual for Year Ended 12/31/15	Loan Proforma Adjustments	Proposed With Loan Adjustment
461	Metered Water Revenue	\$ 404,772		\$ 404,772
461.1	Surcharge Revenue	-	\$ 23,658	23,658
474	Other Water Revenues			-
	TOTAL OPERATING REVENUES	\$ 404,772	\$ 23,658	\$ 428,430
	OPERATING EXPENSES			
601	Salaries and Wages	\$ 136,110	-	\$ 136,110
610	Purchased Water	-		-
615	Purchased Power	54,536		54,536
618	Chemicals	515		515
620	Repairs and Maintenance	34,003		34,003
621	Office Supplies and Expense	21,479		21,479
630	Outside Services	60,942		60,942
635	Water Testing	2,680		2,680
641	Rents	7,424		7,424
650	Transportation Expenses	43,822		43,822
657	Insurance - General Liability	10,060		10,060
666	Rate Case Expense	36,565		36,565
670	Bad Debt Expense	-		-
675	Miscellaneous Expense	-		-
403	Depreciation Expense	34,471	12,698	47,169
408	Taxes Other Than Income	36,250		36,250
408.11	Property Taxes	16,362		16,362
409	Income Tax	-		-
427.1	Interest on Customer Deposits	-		-
	TOTAL OPERATING EXPENSES	\$ 495,219	\$ 12,698	\$ 507,917
	OPERATING INCOME/(LOSS)	\$ (90,447)	\$ 10,960	\$ (79,487)
	OTHER INCOME/(EXPENSE)			
419	Interest and Dividend Income	-	-	-
421	Non-Utility Income			-
426	Miscellaneous Non-Utility Expenses			-
427	Interest Expense		(12,278)	(12,278)
	TOTAL OTHER INCOME/(EXPENSE)	\$ -	\$ (12,278)	\$ (12,278)
	NET INCOME/(LOSS)	\$ (90,447)	\$ (1,318)	\$ (91,765)
			Net Income	\$ (91,765)
			Plus Depreciation Expense	47,169
			Less Principal for Loan	(7,437)
			Less Reserve for Loan	(3,943)
			Cash Flow	\$ (55,976)

Truxton Canyon Water Company, Inc.
Utility Plant in Service and Depreciation Expense

Acct. No.	Description	Original Cost @ Year End 12/31/15	Loan Proforma Adjustments	Year Including Loan Adjustments	Proposed Depreciation Rates	Fully or Non Depreciable Plant	Proposed Depreciation Expense
301	Organization					\$ -	\$ -
302	Franchises					-	-
303	Land and Land Rights	20		20		20	
304	Structures and Improvements	159	5,000	5,159	3.3300%	159	167
307	Wells and Springs	19,791	84,744	104,535	3.3300%	19,791	2,822
310	Power Generation Equipment	-	194,200	194,200	5.0000%	-	9,710
311	Electric Pumping Equipment	11,462		11,462	12.5000%	11,462	-
320	Water Treatment Equipment						
320.1	Water Treatment Plants				3.3300%		
320.2	Solution Chemical Feeders				20.0000%		
330	Distrib Reservoirs/Standpipes						
330.1	Storage Tanks				2.2200%		
330.2	Pressure Tanks				5.0000%		
331	Transmission and Distrib Mains	865,257		865,257	2.0000%		17,305
333	Services	64,236		64,236	3.3300%	64,236	-
334	Meters	206,069		206,069	8.3300%		17,166
335	Hydrants				2.0000%		
336	Backflow Prevention Devices				6.6700%		
339	Other Plant & Misc Equipment	406		406	6.6700%	406	
340	Office Furniture and Equip				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	Communications Equipment				10.0000%		
347	Miscellaneous Equipment				10.0000%		
348	Other Tangible Plant				5.0000%		
TOTALS		\$ 1,167,400	\$ 283,944	\$ 1,451,344		\$ 96,074	\$ 47,169
						Amortization of CIAC	
						Total Depreciation Expense	\$ 47,169

Truxton Canyon Water Company, Inc. Financing Summary

	Projected Cost	Plant Acct #	Total
Hualapai 1 Well Conversion			
New fencing	\$ 5,000	304	\$ 5,000
New well and motor	80,044	307	
Piping onsite	4,700	307	84,744
Used generator	35,000	310	
Permanent power	150,000	310	
Onsite electrical	9,200	310	194,200
Total Project Costs	\$ 283,944		\$ 283,944

Truxton Canyon Water Company, Inc.
SUMMARY OF PROPOSED WIFA FINANCING

	FINANCED AMOUNT	ESTIMATED TERM IN YEARS	ESTIMATED INTEREST RATE	MONTHLY PAYMENT
Loan principal	\$ 248,944	20	5.0000%	\$ 1,643
Reserve amount ¹				329
Number of Months in Year				12
Annual Cash Needed				<u>\$ 23,658</u>
Annual Amount of Interest				\$ 12,278
Annual Amount of Principal				7,437
Annual Reserve				3,943
Annual Surcharge Needed				<u>\$ 23,658</u>

Truxton Canyon Water Company, Inc.
Company Calculation of Surcharge Amount for Proposed Loan

Line	<u>Amount</u>		
1	Annual Interest	\$ 12,278	
2	Annual Principal	7,437	
3	Reserve	3,943	
4	Total Annual Loan Payments	<u>\$ 23,658</u>	
5	Annual Surcharge Necessary		\$ 23,658
6	Surcharge Calculation per Customer:		
7	Number of 5/8 x 3/4-inch Customers		
8	Months in Year	<u>12</u>	
9	Annual Bills		-
10	Number of 3/4-inch Customers	953	
11	Months in Year	<u>12</u>	
12	Annual Bills		11,436
13	Meter Multiplier	<u>1.5</u>	
14	Annual Equivalent Bills		17,154
15	Number of 1-inch Customers	4	
16	Months in Year	<u>12</u>	
17	Annual Bills		48
18	Meter Multiplier	<u>2.5</u>	
19	Annual Equivalent Bills		120
20	Number of 2-inch Customers	2	
21	Months in Year	<u>12</u>	
22	Annual Bills		24
23	Meter Multiplier	<u>8</u>	
24	Annual Equivalent Bills		192
25	Number of 6-inch Customers	2	
26	Months in Year	<u>12</u>	
27	Annual Bills		24
28	Meter Multiplier	<u>50</u>	
29	Annual Equivalent Bills		1,200
30	Total Annual Equivalent Bills		18,666

31	5/8 x 3/4-inch Surcharge Amount per Month	\$ 1.27	(Line 5 / Line 30)
32	3/4-inch Surcharge Amount per Month	1.90	(Line 31 times 1.5 MM) ¹
33	1-inch Surcharge Amount per Month	3.17	(Line 31 times 2.5 MM)
34	2-inch Surcharge Amount per Month	10.14	(Line 31 times 8 MM)
35	6-inch Surcharge Amount per Month	63.37	(Line 31 times 50 MM)

36	<i>Revenue Check:</i>	<u>Surcharge</u>	<u>Annual Bills</u>	<u>Total</u>
37	5/8 x 3/4-inch meters	\$ 1.27	-	\$ -
38	3/4-inch meters	1.90	11,436	21,742
39	1-inch meters	3.17	48	152
40	2-inch meters	10.14	24	243
41	6-inch meters	63.37	24	1,521
42		Totals	<u>11,532</u>	<u>\$ 23,658</u>

43 ¹ MM = AWWA Meter Multiplier

ATTACHMENT 3

PUBLIC NOTICE OF THE APPLICATION OF
TRUXTON CANYON WATER COMPANY, INC.
FOR AN EMERGENCY RATE INCREASE
DOCKET NO. W-02168A-17-0042

On January 13, 2017, Truxton Canyon Water Company or Company ("Company") filed with the Arizona Corporation Commission ("Commission") an Application for an emergency rate increase. The Company claims that it is entitled to emergency rate relief because it needs to replace diesel motors powering well and booster pumps with electric power motors and extend electric power to the well site. The Company estimates that it will incur \$248,944 in costs to alleviate the emergency condition. In addition, the Company needs to generate an additional \$92,437 per year to meet the debt service coverage requirement imposed by the prospective lender. The Company is requesting authorization to recover this amount in emergency rates by implementing two monthly surcharges: (1) a loan surcharge in the amount of \$1.27 per customer using a ¾ inch meter; (2) a debt service coverage surcharge in the amount of \$1,078.40 per month applicable to each of the five meters serving the Valley Vista Property Owners Association golf course and \$2.40 per month for all other customers.

The Commission's Utilities Division ("Staff") is in the process of reviewing and analyzing the Application. Neither Staff nor any intervenor(s) has yet made any recommendation regarding the Company's request. The Commission is not bound by the proposals made by the Company, Staff, or any intervenor(s), and the Commission may approve the amount of the request, modify the amount higher or lower, or deny the request.

If you have any questions concerning how the Application may affect your bill or have other substantive questions about the Application, you may contact the Company at: Truxton Canyon Water Company, Inc., 7313 Concho Drive, #2, Kingman, Arizona 86401, 702-256-4006, info@truxtoncanyonwater.com

How You Can View or Obtain a Copy of the Application

Copies of the Application are available from (Company to insert how and where available); at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, during regular business hours; and on the Commission's website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a full public hearing on this matter. The Commission's Hearing Division will schedule a procedural conference to occur within five business days of the filing of the Application in order to set a public hearing date and establish other procedural requirements.

The Company will provide notice of the hearing date by means of posting notice in a conspicuous location within the affected communities, emailing notice to customers, and/or posting on the Company's website (or by other appropriate means), to allow an opportunity for customers to attend the hearing and provide verbal public comment.

Public comments will be taken on the first day of the hearing. Written public comments may be submitted at any time by mailing a letter referencing Docket No. W-0218A-17-0015 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by submitting comments on the Commission's website (www.azcc.gov) using the "Submit a Public Comment for a Utility" function. If you require assistance, you may contact the Consumer Services Section during regular business hours at 602-542-4251 or 1-800-222-7000.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene. An interested person may be granted intervention if the outcome of the case will directly and substantially impact the person, and the person's intervention will not unduly broaden the issues in the case. Intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other parties' witnesses. **Intervention is not required if you want to appear at the hearing and provide public comment on the Application, or if you want to file written comments in the record of the case.**

To request intervention, you must file an **original plus one hard copy** (if the application is for a Class A or B utility, and original plus 13 hard copies are required) of a written request to intervene with Docket Control, 1200 West Washington Street, Phoenix, AZ 85007, no later than January 23, 2017. You also **must** serve a copy of the request to intervene on each party of record on the same day that you file the request to intervene with the Commission. **Information about what intervention means, including an explanation of the rights and responsibilities of an intervenor, is available on the Commission's website (www.azcc.gov) using the "Intervention in Utility Cases" link.** The link also includes sample intervention requests.

If you choose to request intervention, your request must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any person upon whom service of documents is to be made, if not yourself;
2. A reference to **Docket No. W-0218A-17-0042**.
3. A short statement explaining:
 - a. Your interest in the proceeding (e.g., a customer of the Company, etc.);
 - b. How you will be directly and substantially affected by the outcome of the case; and;
 - c. Why your intervention will not unduly broaden the issues in the case;
4. A statement certifying that you have served a copy of the request to intervene on the Company or its attorney and to all parties of record in the case; and
5. If you are not represented by an attorney who is an active member of the Arizona State Bar, and you are not representing yourself as an individual, sufficient information and any appropriate documentation to demonstrate compliance with Arizona Supreme Court Rules 31, 38, 39, and 42, as applicable.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that **all motions to intervene must filed on or before February 27, 2017.**

If you do not intervene in this proceeding, you may not receive any further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website (www.azcc.gov) using the e-Docket function. You may choose to subscribe to an RSS feed for this case using the e-Docket function.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shaylin Bernal, ADA Coordinator, voice phone number at 602-542-3931, and email at SABernal@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.