

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 LEA MARQUEZ PETERSON – Chairwoman
4 SANDRA D. KENNEDY
5 JUSTIN OLSON
6 ANNA TOVAR
7 JIM O’CONNOR

8 IN THE MATTER OF THE APPLICATION
9 OF MESCAL LAKES WATER SYSTEM,
10 INC. FOR APPROVAL OF A FINANCING
11 APPLICATION.

12 DOCKET NO. W-02472A-22-____
13 **FINANCING APPLICATION**

14 Pursuant to Arizona Revised Statutes (“A.R.S.”) 40-285, 40-301, and 40-302,
15 Mescal Lakes Water Systems, Inc. (“Mescal Lakes” or “Company”) hereby submits this
16 Application for authorization to borrow \$1,263,189 to finance construction of utility
17 plant (“Finance Application”). In support of this Finance Application, Mescal Lakes
18 states as follows:

19 **BACKGROUND**

20 1. Mescal Lakes is currently a Class “E” water utility, but will be a Class “D”
21 water utility at proposed rates. Mescal Lakes provides water utility service to
22 approximately 526 customers near Benson located in Cochise County, Arizona pursuant
23 to multiple Certificates of Convenience and Necessity issued by the Arizona Corporation
24 Commission.

25 2. Mescal Lakes’ business address is 6808 N. Dysart Rd, Suite 116,
26 Glendale, AZ 85307. Mescal Lakes’ mailing address, phone number, and e-mail
27 contact for Paul Kauffman the primary management contact, is:

28 Mescal Lakes Water Systems, Inc.
Paul Kauffman
6808 N Dysart Rd, Suite 116
Glendale, AZ 85307
Telephone: 623-233-1612
E-mail: pkauffman@hearthstonecompany.com

1 3. Paul Kauffman is the person responsible for overseeing and directing the
2 conduct of this Application, in conjunction with outside legal counsel, Ms. Meghan
3 Grabel. Ms. Grabel’s contact information is as follows:

4 Meghan H. Grabel
5 Osborn Maledon, P.A.
6 2929 N. Central Avenue, 21st Floor
7 Phoenix, AZ 85012
8 Telephone: 602-640-9399
9 E-mail: mgrabel@omlaw.com

10 All parties should please direct copies of all notices, filings, discovery, data
11 requests and similar requests, and other papers related to this Application to Mr.
12 Kauffman and Ms. Grabel.

13 4. Mescal Lakes’ current rates were established in Decision No. 61732 (June
14 4, 1999), and became effective on July 1, 1999.

15 **APPLICATION**

16 5. Small, private water companies generally face many short-term and long-
17 term challenges to maintain the integrity of their water systems while providing safe,
18 reliable drinking water to their customers. At the same time, water loss must be kept to
19 a minimum, preferably under 10%. These challenges often result in financial strain on
20 these companies. Mescal Lakes is no different than other private water companies when
21 addressing these challenges and financial strain.

22 6. The primary driver of this financing application (“Application”) is Mescal
23 Lakes’ need to add storage capacity and to replace all water meters in the system.
24 Mescal Lakes also intends to use the requested funds for: adding a new booster at well
25 site 1, adding SCADA systems for wells sites 2, 3 and 4, installing a new distribution
26 line and valves, and adding a pressure reducing valve.

27 7. Mescal Lakes, as a public service corporation, is responsible for providing
28 safe and reliable water to its customers. The grant of the authority requested herein will
enable the Company to put the utility in the best position possible to provide these

1 services.

2 8. Given the utility's present financial constraints, it must finance these
3 infrastructure projects. It is sound financial practice to finance these projects through a
4 lender such as the Water Infrastructure Financing Authority of Arizona ("WIFA") or
5 through our parent company, whichever offers terms that are the most cost-effective and
6 least onerous for the utility and its customers. In either case, financing is required
7 because the infrastructure projects need to be completed and Mescal Lakes cannot afford
8 to pay out for it without borrowing funds.

9 9. In order to continue providing safe and reliable water to its customers, the
10 Company needs to complete the work as stated in this Application but does not have the
11 funds to do so. The financing will not impair the ability of Mescal Lakes to provide
12 services. Therefore, it is in the public interest for the Commission to approve the
13 Company's Finance Application.

14 10. As described above, Mescal Lakes has identified six system improvement
15 and upgrade projects. While Mescal Lakes has done a good job of maintaining the
16 integrity of its water system, there are numerous upgrades and improvements that need
17 to be done to maintain this integrity. The aforementioned projects can be completed
18 with a loan and would provide immediate benefit to the water system and its customers.
19 Thus, this financing would assist, rather than impair, Mescal Lakes' ability to perform
20 the services of a public service company.

21 11. Mescal Lakes requires a loan to improve its current operations to meet the
22 increased demands of its customers and mitigate water loss because the Company does
23 not have the available revenue and/or monies to make these improvements. The
24 improvements will provide a benefit to the Company for a long period of time and, as
25 such, are not properly chargeable as operating expenses or to income.

26 12. No person will receive a fee in connection with the issuance of placement
27 of the financing.

28 13. Any financing that the Company enters will be reasonable and the result of

1 an arms-length transaction.

2 14. Mescal Lakes' response to Commission Staff's Standard Initial Financing
3 Data Request is attached to this Application as **Attachment A**.

4 15. Pursuant to A.R.S. § 40-302, a sample copy of the public notice that will
5 be mailed to customers and placed on the Company's website is attached to this
6 Application as **Attachment B**.

7 WHEREFORE, based on this Application, Mescal Lakes respectfully requests
8 that the Commission:

- 9 1. Authorize Mescal Lakes to borrow an amount not to exceed in the
10 aggregate \$1,263,189 outstanding at any one time, exclusive of interest and charges;
11 2. Authorize Mescal Lakes to engage in any transactions and sign any
12 documents necessary to implement the authorization requested in this Application; and
13 3. Grant any such other and further relief as may be appropriate.

14 RESPECTFULLY SUBMITTED this 18th day of May, 2022.

15 OSBORN MALEDON, PA

16 By: 

17 Meghan H. Grabel
18 Elias Ancharski
19 2929 North Central Ave. 21st Floor
20 Phoenix, Arizona 85012
21 Attorneys for Mescal Lakes Water
22 Systems, Inc.

23 Copy efiled this 18th day of May,
24 2022, with:

25 <https://efiling.azcc.gov>
26 ARIZONA CORPORATION COMMISSION
27 1200 West Washington Street
28 Phoenix, Arizona 85007

Copy of the foregoing emailed this 18th day
of May, 2022 to:

Robin Mitchell, Esq.
Legal Division Chief Counsel/Division Director
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

1 Elijah Abinah
2 Director, Utilities Division
3 Arizona Corporation Commission
4 1200 W. Washington Street
5 Phoenix, Arizona 85007

6 *Patricia D. Palmer*
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Attachment A

Mescal Lakes Water Systems, Inc.

Docket No. **W-02472A-22-_____**

Application for Approval of Financing

May 18, 2022

Arizona Corporation Commission Staff's Standard Initial Financing Data Request

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

Response: **There are no audited financial statements. Test Year financial statements are provided as Exhibit 1.**

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

Response: **The loan amounts were calculated using a 20-year term at 5.00% interest (although the actual surcharge may increase or decrease depending on the interest rate awarded). The surcharge amount was calculated to consistently generate a Debt Service Coverage Ratio of 1.25. The proposed loan will be obtained from either the Water Infrastructure Finance Authority of Arizona ("WIFA") or through the Company's parent, depending upon whichever offers terms that are the most cost-effective and least onerous for the utility and its customers. The loan amortization schedule for the duration of the loan is attached as Exhibit 2.**

1.3 – Provide an explanation of the proposed use of the financing proceeds. If the proceeds of the financing are for funding multiple projects/uses or a construction work plan ("CWP"), provide a

detailed list of the projects/uses or a copy of the CWP and the associated cost and the expected funding dates for each. Also provide a copy of any independent external engineering review of the CWP.

Response: The following table contains the Company's cost estimates and description of each of the proposed projects. The CWP is also attached as Exhibit 3.

Project No.	Description	Estimated Cost
1	Water meter replacement – entire system	\$ 489,448
2	Install new 50,000-gallon storage tank	165,721
3	Booster pump at Well site 1 (75 GPM)	247,380
4	Installation of SCADA at well sites 2, 3 and 4	77,549
5	New 6” distribution line	187,706
6	Pressure reducing valves – two 6-inch	95,385
Total		\$ 1,263,189

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

Response: No interim funding will be used.

1.5 - Provide the balances, if any, of “Advances in Aid of Construction” and “Contributions in Aid of Construction,” as of the end of the Company’s most recent fiscal year.

Response: The balances for AIAC and CIAC as of the Test Year end are \$124,421 and \$484,892, respectively.

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

Response: The Utility Division’s finance application form does not require publication of notice in a newspaper of general circulation, but allows a utility to choose to either mail the public notice to its customers or publish the notice in a newspaper of general circulation. As it has done in the past, Mescal Lakes will comply with this requirement by mailing a copy of the notice to its customers. It will also post the notice on its website. A copy of the notice is attached to the Application as Attachment B.

1.7 - Provide the number of customers currently served by rate class, and a brief description of each class of customers (residential, commercial, etc.).

Response: Mescal Lakes provides water utility service to approximately 526 customers. The following table detail the breakdown of the customers currently served by rate class and meter size.

Meter Size	Customer Class	Number of Connections
5/8 x 3/4-inch	Residential	507
5/8 x 3/4-inch	Commercial	8
5/8 x 3/4-inch	Other Non-Res	1
3/4-inch	Residential	3
1-inch	Residential	4
1-inch	Commercial	1
2-inch	Residential	1
2-inch	Other Non-Res	1
Total Average Customers		526

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

Response: Mescal Lakes does not have any current financing approvals.

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

Response: Mescal Lakes does not currently have any long-term debt.

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

Response: Mescal Lakes will not use the proposed loan to retire any existing debt.

1.11 - Provide a certificate of resolution from the board of directors authorizing the filing of this application.

Response: A resolution from the Board of Directors authorizing the filing of this application is attached as Exhibit 4.

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

Response: The following financial projections including the proposed surcharge revenue and surcharge amounts are attached as Exhibit 5:

- § Plant summary
- § 5-year projected income statements
- § Property tax projections
- § Surcharge Calculation

Mescal Lakes followed Staff's normal calculation but could not attain the 1.25 DSC ratio over the five-year projection period without adding an extra \$20,000 to the calculated surcharge amount. This may be driven by the large amount of depreciation expense resulting from the loan plant additions or the large loan amount. As a result, the 5-year projected income statements have removed the impacts of cost and revenue increases to demonstrate how the 1.25 DSC ratio cannot be sustained over the long run without the additional \$20,000 added to the calculated surcharge amount.

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

Response: Mescal Lakes does not have a revolving line of credit.

1.14 - If applicable, provide the Company's most recent credit agency(ies) financial review(s).

Response: Not applicable.

1.15 - Provide the Commission decision number and date for the Company's most recent general rate case and state the date of the test year end used in that rate case.

Response: The prior rate case used a Test Year end of December 31, 1998 and resulted in Decision No. 61732.

1.16 - Identify any additional financing authorizations the Company contemplates seeking from the Commission in the next five years.

Response: Mescal Lakes does not anticipate filing another financing within the next five years provided the entirety of the proposed loan in this case is approved.

Exhibit 1

BALANCE SHEET

Acct. No.		Balance at Beginning of Test Year 10/1/20	Balance at End of Test Year 9/30/21
ASSETS			
CURRENT AND ACCRUED ASSETS			
131	Cash	\$ 24,790	\$ 22,630
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	7,515	728
151	Plant Material and Supplies		
162	Prepayments	12,300	-
174	Miscellaneous Current and Accrued Assets	1,050	-
190	Deferred Income Taxes	33,141	35,246
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 78,796	\$ 58,604
FIXED ASSETS			
101	Utility Plant in Service	\$ 1,325,931	\$ 1,373,516
103	Property Held for Future Use		
105	Construction Work In Progress	-	2,824
108	Accumulated Depr - Utility Plant ("AD-UP")	(996,769)	(1,027,222)
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility ("AD-NU")		
	TOTAL FIXED ASSETS	\$ 329,162	\$ 349,118
	TOTAL ASSETS	\$ 407,958	\$ 407,722

BALANCE SHEET CONTINUED

Acct. No.		Balance at Beginning of Test Year 10/1/20	Balance at End of Test Year 9/30/21
LIABILITIES			
CURRENT LIABILITIES			
231	Accounts Payable	\$ 3,796	\$ 27,642
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	25,364	27,141
236	Accrued Taxes	9,802	9,766
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	552	2,172
	TOTAL CURRENT LIABILITIES	\$ 39,514	\$ 66,721
LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$ -	\$ -
DEFERRED CREDITS			
252	Advances in Aid of Construction	\$ 140,732	\$ 124,421
271.1	Gross Contributions in Aid of Construction	484,892	484,892
272	Less: Amortization of Contributions	(238,687)	(255,853)
281	Accumulated Deferred Income Tax	-	-
	TOTAL DEFERRED CREDITS	\$ 386,937	\$ 353,460
	TOTAL LIABILITIES	\$ 426,451	\$ 420,181
CAPITAL ACCOUNTS			
201	Common Stock Issued	\$ 100	\$ 100
211	Paid in Capital in Excess of Par Value	159,638	159,638
215	Retained Earnings	(178,231)	(172,197)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ (18,493)	\$ (12,459)
	TOTAL LIABILITIES AND CAPITAL	\$ 407,958	\$ 407,722

TEST YEAR INCOME STATEMENT

Acct. No.	Operating Revenue	Test Year Oct 20 - Sept 21
461	Metered Water Revenue	\$ 219,504
474	Other Water Revenue	3,418
	Total Revenues	\$ 222,922
	Operating Expenses	
601	Salaries and Wages	\$ -
610	Purchased Water	-
615	Purchased Power	17,937
618	Chemicals	1,017
620.1	Repairs and Maintenance	8,098
620.2	Office Supplies and Expense	2,376
630	Contractual Services	-
632	Contractual Services - Accounting	6,190
633	Contractual Services - Legal	586
634	Contractual Services - Management Fees	130,913
635	Contractual Services - Water Testing	1,278
636	Contractual Services - Other	-
640	Rents	-
650	Transportation Expenses	3,900
657	Insurance - General Liability	1,978
665	Regulatory Commission Exp	240
666	Regulatory Commission Exp - Rate Case	-
670	Bad Debt Expense	1,530
675	Miscellaneous Expense	271
403	Depreciation Expense	23,742
408	Taxes Other Than Income	-
408.11	Property Taxes	11,469
409	Income Taxes	14,615
427.1	Customer Security Deposit Interest	519
	Total Operating Expenses	\$ 226,659
	Operating Income / (Loss)	\$ (3,737)
	Other Income / (Expense)	
419	Interest and Dividend Income	\$ -
421	Other Income	522
426	Miscellaneous Non-Utility Expenses	
427	Interest Expense	
	Total Other Income / (Expense)	\$ 522
	Net Income / (Loss)	\$ (3,215)

Exhibit 2

Amount Requested \$ 1,263,189
Down Payment: -
Amount Financed: \$ 1,263,189
Number of years: 20 **Compounding Periods:** 12
Interest rate (r): 5.00% **APR:** 5.12%

LOAN AMORTIZATION SCHEDULE

Period	Loan Payment (1)	Beginning Principal (2)	Payments		Ending Principal [(2) - (4)] (5)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)	
1	\$ 8,336.49	\$ 1,263,189.00	\$ 5,263.29	\$ 3,073.20	\$ 1,260,115.80
2	8,336.49	1,260,115.80	5,250.48	3,086.01	1,257,029.79
3	8,336.49	1,257,029.79	5,237.62	3,098.86	1,253,930.93
4	8,336.49	1,253,930.93	5,224.71	3,111.78	1,250,819.15
5	8,336.49	1,250,819.15	5,211.75	3,124.74	1,247,694.41
6	8,336.49	1,247,694.41	5,198.73	3,137.76	1,244,556.65
7	8,336.49	1,244,556.65	5,185.65	3,150.84	1,241,405.81
8	8,336.49	1,241,405.81	5,172.52	3,163.96	1,238,241.85
9	8,336.49	1,238,241.85	5,159.34	3,177.15	1,235,064.70
10	8,336.49	1,235,064.70	5,146.10	3,190.39	1,231,874.32
11	8,336.49	1,231,874.32	5,132.81	3,203.68	1,228,670.64
12	8,336.49	1,228,670.64	5,119.46	3,217.03	1,225,453.61
13	8,336.49	1,225,453.61	5,106.06	3,230.43	1,222,223.18
14	8,336.49	1,222,223.18	5,092.60	3,243.89	1,218,979.29
15	8,336.49	1,218,979.29	5,079.08	3,257.41	1,215,721.88
16	8,336.49	1,215,721.88	5,065.51	3,270.98	1,212,450.90
17	8,336.49	1,212,450.90	5,051.88	3,284.61	1,209,166.29
18	8,336.49	1,209,166.29	5,038.19	3,298.30	1,205,867.99
19	8,336.49	1,205,867.99	5,024.45	3,312.04	1,202,555.96
20	8,336.49	1,202,555.96	5,010.65	3,325.84	1,199,230.12
21	8,336.49	1,199,230.12	4,996.79	3,339.70	1,195,890.42
22	8,336.49	1,195,890.42	4,982.88	3,353.61	1,192,536.81
23	8,336.49	1,192,536.81	4,968.90	3,367.58	1,189,169.23
24	8,336.49	1,189,169.23	4,954.87	3,381.62	1,185,787.61
25	8,336.49	1,185,787.61	4,940.78	3,395.71	1,182,391.90
26	8,336.49	1,182,391.90	4,926.63	3,409.86	1,178,982.05
27	8,336.49	1,178,982.05	4,912.43	3,424.06	1,175,557.98
28	8,336.49	1,175,557.98	4,898.16	3,438.33	1,172,119.65
29	8,336.49	1,172,119.65	4,883.83	3,452.66	1,168,667.00
30	8,336.49	1,168,667.00	4,869.45	3,467.04	1,165,199.95
31	8,336.49	1,165,199.95	4,855.00	3,481.49	1,161,718.47
32	8,336.49	1,161,718.47	4,840.49	3,495.99	1,158,222.47
33	8,336.49	1,158,222.47	4,825.93	3,510.56	1,154,711.91
34	8,336.49	1,154,711.91	4,811.30	3,525.19	1,151,186.72
35	8,336.49	1,151,186.72	4,796.61	3,539.88	1,147,646.84

Amount Requested \$ 1,263,189
Down Payment: -
Amount Financed: \$ 1,263,189
Number of years: 20 **Compounding Periods:** 12
Interest rate (r): 5.00% **APR:** 5.12%

LOAN AMORTIZATION SCHEDULE

Period	Loan Payment (1)	Beginning Principal (2)	Payments		Ending Principal [(2) - (4)] (5)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)	
36	8,336.49	1,147,646.84	4,781.86	3,554.63	1,144,092.22
37	8,336.49	1,144,092.22	4,767.05	3,569.44	1,140,522.78
38	8,336.49	1,140,522.78	4,752.18	3,584.31	1,136,938.47
39	8,336.49	1,136,938.47	4,737.24	3,599.24	1,133,339.23
40	8,336.49	1,133,339.23	4,722.25	3,614.24	1,129,724.98
41	8,336.49	1,129,724.98	4,707.19	3,629.30	1,126,095.68
42	8,336.49	1,126,095.68	4,692.07	3,644.42	1,122,451.26
43	8,336.49	1,122,451.26	4,676.88	3,659.61	1,118,791.65
44	8,336.49	1,118,791.65	4,661.63	3,674.86	1,115,116.80
45	8,336.49	1,115,116.80	4,646.32	3,690.17	1,111,426.63
46	8,336.49	1,111,426.63	4,630.94	3,705.54	1,107,721.08
47	8,336.49	1,107,721.08	4,615.50	3,720.98	1,104,000.10
48	8,336.49	1,104,000.10	4,600.00	3,736.49	1,100,263.61
49	8,336.49	1,100,263.61	4,584.43	3,752.06	1,096,511.56
50	8,336.49	1,096,511.56	4,568.80	3,767.69	1,092,743.87
51	8,336.49	1,092,743.87	4,553.10	3,783.39	1,088,960.48
52	8,336.49	1,088,960.48	4,537.34	3,799.15	1,085,161.32
53	8,336.49	1,085,161.32	4,521.51	3,814.98	1,081,346.34
54	8,336.49	1,081,346.34	4,505.61	3,830.88	1,077,515.46
55	8,336.49	1,077,515.46	4,489.65	3,846.84	1,073,668.62
56	8,336.49	1,073,668.62	4,473.62	3,862.87	1,069,805.75
57	8,336.49	1,069,805.75	4,457.52	3,878.96	1,065,926.79
58	8,336.49	1,065,926.79	4,441.36	3,895.13	1,062,031.66
59	8,336.49	1,062,031.66	4,425.13	3,911.36	1,058,120.31
60	8,336.49	1,058,120.31	4,408.83	3,927.65	1,054,192.65
61	8,336.49	1,054,192.65	4,392.47	3,944.02	1,050,248.63
62	8,336.49	1,050,248.63	4,376.04	3,960.45	1,046,288.18
63	8,336.49	1,046,288.18	4,359.53	3,976.95	1,042,311.23
64	8,336.49	1,042,311.23	4,342.96	3,993.52	1,038,317.70
65	8,336.49	1,038,317.70	4,326.32	4,010.16	1,034,307.54
66	8,336.49	1,034,307.54	4,309.61	4,026.87	1,030,280.66
67	8,336.49	1,030,280.66	4,292.84	4,043.65	1,026,237.01
68	8,336.49	1,026,237.01	4,275.99	4,060.50	1,022,176.51
69	8,336.49	1,022,176.51	4,259.07	4,077.42	1,018,099.09
70	8,336.49	1,018,099.09	4,242.08	4,094.41	1,014,004.68

Amount Requested \$ 1,263,189
Down Payment: -
Amount Financed: \$ 1,263,189
Number of years: 20 **Compounding Periods:** 12
Interest rate (r): 5.00% **APR:** 5.12%

LOAN AMORTIZATION SCHEDULE

Period	Loan Payment (1)	Beginning Principal (2)	Payments		Ending Principal [(2) - (4)] (5)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)	
71	8,336.49	1,014,004.68	4,225.02	4,111.47	1,009,893.21
72	8,336.49	1,009,893.21	4,207.89	4,128.60	1,005,764.61
73	8,336.49	1,005,764.61	4,190.69	4,145.80	1,001,618.81
74	8,336.49	1,001,618.81	4,173.41	4,163.08	997,455.73
75	8,336.49	997,455.73	4,156.07	4,180.42	993,275.31
76	8,336.49	993,275.31	4,138.65	4,197.84	989,077.47
77	8,336.49	989,077.47	4,121.16	4,215.33	984,862.14
78	8,336.49	984,862.14	4,103.59	4,232.90	980,629.24
79	8,336.49	980,629.24	4,085.96	4,250.53	976,378.71
80	8,336.49	976,378.71	4,068.24	4,268.24	972,110.47
81	8,336.49	972,110.47	4,050.46	4,286.03	967,824.44
82	8,336.49	967,824.44	4,032.60	4,303.89	963,520.55
83	8,336.49	963,520.55	4,014.67	4,321.82	959,198.73
84	8,336.49	959,198.73	3,996.66	4,339.83	954,858.90
85	8,336.49	954,858.90	3,978.58	4,357.91	950,500.99
86	8,336.49	950,500.99	3,960.42	4,376.07	946,124.93
87	8,336.49	946,124.93	3,942.19	4,394.30	941,730.63
88	8,336.49	941,730.63	3,923.88	4,412.61	937,318.02
89	8,336.49	937,318.02	3,905.49	4,431.00	932,887.02
90	8,336.49	932,887.02	3,887.03	4,449.46	928,437.56
91	8,336.49	928,437.56	3,868.49	4,468.00	923,969.56
92	8,336.49	923,969.56	3,849.87	4,486.62	919,482.95
93	8,336.49	919,482.95	3,831.18	4,505.31	914,977.64
94	8,336.49	914,977.64	3,812.41	4,524.08	910,453.56
95	8,336.49	910,453.56	3,793.56	4,542.93	905,910.62
96	8,336.49	905,910.62	3,774.63	4,561.86	901,348.76
97	8,336.49	901,348.76	3,755.62	4,580.87	896,767.89
98	8,336.49	896,767.89	3,736.53	4,599.96	892,167.94
99	8,336.49	892,167.94	3,717.37	4,619.12	887,548.82
100	8,336.49	887,548.82	3,698.12	4,638.37	882,910.45
101	8,336.49	882,910.45	3,678.79	4,657.69	878,252.75
102	8,336.49	878,252.75	3,659.39	4,677.10	873,575.65
103	8,336.49	873,575.65	3,639.90	4,696.59	868,879.06
104	8,336.49	868,879.06	3,620.33	4,716.16	864,162.90
105	8,336.49	864,162.90	3,600.68	4,735.81	859,427.09

Amount Requested \$ 1,263,189
Down Payment: -
Amount Financed: \$ 1,263,189
Number of years: 20 **Compounding Periods:** 12
Interest rate (r): 5.00% **APR:** 5.12%

LOAN AMORTIZATION SCHEDULE

Period	Loan Payment (1)	Beginning Principal (2)	Payments		Ending Principal [(2) - (4)] (5)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)	
106	8,336.49	859,427.09	3,580.95	4,755.54	854,671.55
107	8,336.49	854,671.55	3,561.13	4,775.36	849,896.20
108	8,336.49	849,896.20	3,541.23	4,795.25	845,100.94
109	8,336.49	845,100.94	3,521.25	4,815.23	840,285.71
110	8,336.49	840,285.71	3,501.19	4,835.30	835,450.41
111	8,336.49	835,450.41	3,481.04	4,855.44	830,594.96
112	8,336.49	830,594.96	3,460.81	4,875.68	825,719.29
113	8,336.49	825,719.29	3,440.50	4,895.99	820,823.30
114	8,336.49	820,823.30	3,420.10	4,916.39	815,906.91
115	8,336.49	815,906.91	3,399.61	4,936.88	810,970.03
116	8,336.49	810,970.03	3,379.04	4,957.45	806,012.58
117	8,336.49	806,012.58	3,358.39	4,978.10	801,034.48
118	8,336.49	801,034.48	3,337.64	4,998.84	796,035.64
119	8,336.49	796,035.64	3,316.82	5,019.67	791,015.96
120	8,336.49	791,015.96	3,295.90	5,040.59	785,975.37
121	8,336.49	785,975.37	3,274.90	5,061.59	780,913.78
122	8,336.49	780,913.78	3,253.81	5,082.68	775,831.10
123	8,336.49	775,831.10	3,232.63	5,103.86	770,727.24
124	8,336.49	770,727.24	3,211.36	5,125.12	765,602.12
125	8,336.49	765,602.12	3,190.01	5,146.48	760,455.64
126	8,336.49	760,455.64	3,168.57	5,167.92	755,287.72
127	8,336.49	755,287.72	3,147.03	5,189.46	750,098.26
128	8,336.49	750,098.26	3,125.41	5,211.08	744,887.18
129	8,336.49	744,887.18	3,103.70	5,232.79	739,654.39
130	8,336.49	739,654.39	3,081.89	5,254.60	734,399.79
131	8,336.49	734,399.79	3,060.00	5,276.49	729,123.31
132	8,336.49	729,123.31	3,038.01	5,298.47	723,824.83
133	8,336.49	723,824.83	3,015.94	5,320.55	718,504.28
134	8,336.49	718,504.28	2,993.77	5,342.72	713,161.56
135	8,336.49	713,161.56	2,971.51	5,364.98	707,796.58
136	8,336.49	707,796.58	2,949.15	5,387.34	702,409.24
137	8,336.49	702,409.24	2,926.71	5,409.78	696,999.46
138	8,336.49	696,999.46	2,904.16	5,432.32	691,567.13
139	8,336.49	691,567.13	2,881.53	5,454.96	686,112.18
140	8,336.49	686,112.18	2,858.80	5,477.69	680,634.49

Amount Requested \$ 1,263,189
Down Payment: -
Amount Financed: \$ 1,263,189
Number of years: 20 **Compounding Periods:** 12
Interest rate (r): 5.00% **APR:** 5.12%

LOAN AMORTIZATION SCHEDULE

Period	Loan Payment (1)	Beginning Principal (2)	Payments		Ending Principal [(2) - (4)] (5)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)	
141	8,336.49	680,634.49	2,835.98	5,500.51	675,133.98
142	8,336.49	675,133.98	2,813.06	5,523.43	669,610.55
143	8,336.49	669,610.55	2,790.04	5,546.44	664,064.10
144	8,336.49	664,064.10	2,766.93	5,569.55	658,494.55
145	8,336.49	658,494.55	2,743.73	5,592.76	652,901.79
146	8,336.49	652,901.79	2,720.42	5,616.06	647,285.72
147	8,336.49	647,285.72	2,697.02	5,639.46	641,646.26
148	8,336.49	641,646.26	2,673.53	5,662.96	635,983.30
149	8,336.49	635,983.30	2,649.93	5,686.56	630,296.74
150	8,336.49	630,296.74	2,626.24	5,710.25	624,586.49
151	8,336.49	624,586.49	2,602.44	5,734.04	618,852.44
152	8,336.49	618,852.44	2,578.55	5,757.94	613,094.50
153	8,336.49	613,094.50	2,554.56	5,781.93	607,312.58
154	8,336.49	607,312.58	2,530.47	5,806.02	601,506.56
155	8,336.49	601,506.56	2,506.28	5,830.21	595,676.35
156	8,336.49	595,676.35	2,481.98	5,854.50	589,821.84
157	8,336.49	589,821.84	2,457.59	5,878.90	583,942.95
158	8,336.49	583,942.95	2,433.10	5,903.39	578,039.55
159	8,336.49	578,039.55	2,408.50	5,927.99	572,111.56
160	8,336.49	572,111.56	2,383.80	5,952.69	566,158.87
161	8,336.49	566,158.87	2,359.00	5,977.49	560,181.38
162	8,336.49	560,181.38	2,334.09	6,002.40	554,178.98
163	8,336.49	554,178.98	2,309.08	6,027.41	548,151.57
164	8,336.49	548,151.57	2,283.96	6,052.52	542,099.05
165	8,336.49	542,099.05	2,258.75	6,077.74	536,021.31
166	8,336.49	536,021.31	2,233.42	6,103.07	529,918.24
167	8,336.49	529,918.24	2,207.99	6,128.50	523,789.74
168	8,336.49	523,789.74	2,182.46	6,154.03	517,635.71
169	8,336.49	517,635.71	2,156.82	6,179.67	511,456.04
170	8,336.49	511,456.04	2,131.07	6,205.42	505,250.62
171	8,336.49	505,250.62	2,105.21	6,231.28	499,019.34
172	8,336.49	499,019.34	2,079.25	6,257.24	492,762.10
173	8,336.49	492,762.10	2,053.18	6,283.31	486,478.79
174	8,336.49	486,478.79	2,026.99	6,309.49	480,169.29
175	8,336.49	480,169.29	2,000.71	6,335.78	473,833.51

Amount Requested \$ 1,263,189
Down Payment: -
Amount Financed: \$ 1,263,189
Number of years: 20 **Compounding Periods:** 12
Interest rate (r): 5.00% **APR:** 5.12%

LOAN AMORTIZATION SCHEDULE

Period	Loan Payment (1)	Beginning Principal (2)	Payments		Ending Principal [(2) - (4)] (5)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)	
176	8,336.49	473,833.51	1,974.31	6,362.18	467,471.33
177	8,336.49	467,471.33	1,947.80	6,388.69	461,082.64
178	8,336.49	461,082.64	1,921.18	6,415.31	454,667.33
179	8,336.49	454,667.33	1,894.45	6,442.04	448,225.29
180	8,336.49	448,225.29	1,867.61	6,468.88	441,756.40
181	8,336.49	441,756.40	1,840.65	6,495.84	435,260.57
182	8,336.49	435,260.57	1,813.59	6,522.90	428,737.66
183	8,336.49	428,737.66	1,786.41	6,550.08	422,187.58
184	8,336.49	422,187.58	1,759.11	6,577.37	415,610.21
185	8,336.49	415,610.21	1,731.71	6,604.78	409,005.43
186	8,336.49	409,005.43	1,704.19	6,632.30	402,373.13
187	8,336.49	402,373.13	1,676.55	6,659.93	395,713.20
188	8,336.49	395,713.20	1,648.80	6,687.68	389,025.51
189	8,336.49	389,025.51	1,620.94	6,715.55	382,309.97
190	8,336.49	382,309.97	1,592.96	6,743.53	375,566.44
191	8,336.49	375,566.44	1,564.86	6,771.63	368,794.81
192	8,336.49	368,794.81	1,536.65	6,799.84	361,994.96
193	8,336.49	361,994.96	1,508.31	6,828.18	355,166.79
194	8,336.49	355,166.79	1,479.86	6,856.63	348,310.16
195	8,336.49	348,310.16	1,451.29	6,885.20	341,424.97
196	8,336.49	341,424.97	1,422.60	6,913.88	334,511.08
197	8,336.49	334,511.08	1,393.80	6,942.69	327,568.39
198	8,336.49	327,568.39	1,364.87	6,971.62	320,596.77
199	8,336.49	320,596.77	1,335.82	7,000.67	313,596.10
200	8,336.49	313,596.10	1,306.65	7,029.84	306,566.26
201	8,336.49	306,566.26	1,277.36	7,059.13	299,507.13
202	8,336.49	299,507.13	1,247.95	7,088.54	292,418.59
203	8,336.49	292,418.59	1,218.41	7,118.08	285,300.51
204	8,336.49	285,300.51	1,188.75	7,147.74	278,152.78
205	8,336.49	278,152.78	1,158.97	7,177.52	270,975.26
206	8,336.49	270,975.26	1,129.06	7,207.42	263,767.84
207	8,336.49	263,767.84	1,099.03	7,237.46	256,530.38
208	8,336.49	256,530.38	1,068.88	7,267.61	249,262.77
209	8,336.49	249,262.77	1,038.59	7,297.89	241,964.87
210	8,336.49	241,964.87	1,008.19	7,328.30	234,636.57

Amount Requested \$ 1,263,189
Down Payment: -
Amount Financed: \$ 1,263,189
Number of years: 20 **Compounding Periods:** 12
Interest rate (r): 5.00% **APR:** 5.12%

LOAN AMORTIZATION SCHEDULE

Period	Loan Payment (1)	Beginning Principal (2)	Payments		Ending Principal [(2) - (4)] (5)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)	
211	8,336.49	234,636.57	977.65	7,358.84	227,277.74
212	8,336.49	227,277.74	946.99	7,389.50	219,888.24
213	8,336.49	219,888.24	916.20	7,420.29	212,467.95
214	8,336.49	212,467.95	885.28	7,451.21	205,016.75
215	8,336.49	205,016.75	854.24	7,482.25	197,534.50
216	8,336.49	197,534.50	823.06	7,513.43	190,021.07
217	8,336.49	190,021.07	791.75	7,544.73	182,476.33
218	8,336.49	182,476.33	760.32	7,576.17	174,900.16
219	8,336.49	174,900.16	728.75	7,607.74	167,292.43
220	8,336.49	167,292.43	697.05	7,639.44	159,652.99
221	8,336.49	159,652.99	665.22	7,671.27	151,981.72
222	8,336.49	151,981.72	633.26	7,703.23	144,278.49
223	8,336.49	144,278.49	601.16	7,735.33	136,543.16
224	8,336.49	136,543.16	568.93	7,767.56	128,775.60
225	8,336.49	128,775.60	536.57	7,799.92	120,975.68
226	8,336.49	120,975.68	504.07	7,832.42	113,143.26
227	8,336.49	113,143.26	471.43	7,865.06	105,278.20
228	8,336.49	105,278.20	438.66	7,897.83	97,380.37
229	8,336.49	97,380.37	405.75	7,930.74	89,449.63
230	8,336.49	89,449.63	372.71	7,963.78	81,485.85
231	8,336.49	81,485.85	339.52	7,996.96	73,488.89
232	8,336.49	73,488.89	306.20	8,030.28	65,458.60
233	8,336.49	65,458.60	272.74	8,063.74	57,394.86
234	8,336.49	57,394.86	239.15	8,097.34	49,297.52
235	8,336.49	49,297.52	205.41	8,131.08	41,166.43
236	8,336.49	41,166.43	171.53	8,164.96	33,001.47
237	8,336.49	33,001.47	137.51	8,198.98	24,802.49
238	8,336.49	24,802.49	103.34	8,233.14	16,569.35
239	8,336.49	16,569.35	69.04	8,267.45	8,301.90
240	8,336.49	8,301.90	34.59	8,301.90	0.00
	<u>\$2,000,757.19</u>		<u>\$737,568.19</u>	<u>\$1,263,189.00</u>	

Exhibit 3

**MESCAL WATER SYSTEMS
CONSTRUCTION WORK PLAN**

EXHIBIT 3

% of Budget	8.00%	5.00%	5.00%	20.00%
Flat Amt \$	24,515	\$ -	\$ 20,000	\$ -

Project Description	Quantity	Unit	Unit Price	% of Tot	Budget	Engineering	Construction Management	Permits /Legal	Contingency	Total Cost	Acct
1 Water Meter Replacement											
5/8" x 3/4" residential meters	521	EA	\$ 575	35.06%	\$ 299,575	\$ 32,562	\$ 14,979	\$ 21,992	\$ 73,821	\$ 442,929	
3/4" commercial meters	4	EA	800	0.37%	3,200	348	160	235	789	4,731	
1" commercial meters	8	EA	800	0.75%	6,400	696	320	470	1,577	9,463	
2" commercial meters	4	EA	1,600	0.75%	6,400	696	320	470	1,577	9,463	
Sales Tax			4.90%	1.81%	15,463	1,681	773	1,135	3,810	22,863	
Total Water Meter Replacement				38.75%	\$ 331,038	\$ 35,982	\$ 16,552	\$ 24,301	\$ 81,575	\$ 489,448	334
2 Storage											
50,000 gallon storage tank	50,000	GAL	\$ 1.65	9.66%	\$ 82,500	\$ 8,967	\$ 4,125	\$ 6,056	\$ 20,330	\$ 121,978	
50,000 gallon foundation	1	LS	12,000	1.40%	12,000	1,304	600	881	2,957	17,742	
Fill line	40	LF	65	0.30%	2,600	283	130	191	641	3,844	
Tank probes / equipment	1	LS	6,500	0.76%	6,500	707	325	477	1,602	9,610	
Discharge line	50	LF	65	0.38%	3,250	353	163	239	801	4,805	
Sales Tax			4.90%	0.61%	5,236	569	262	384	1,290	7,741	
Total Storage				13.12%	\$ 112,086	\$ 12,183	\$ 5,604	\$ 8,228	\$ 27,620	\$ 165,721	330.1
3 75 GPM Booster at Well Site #1											
Grunfos 2CR15 skid package	1	LS	\$ 55,000	6.44%	\$ 55,000	\$ 5,978	\$ 2,750	\$ 4,038	\$ 13,553	\$ 81,319	
Bladder tank	1	LS	4,500	0.53%	4,500	489	225	330	1,109	6,653	
Electrical	1	LS	70,000	8.19%	70,000	7,609	3,500	5,139	17,249	103,497	
Plumbing	1	LS	5,000	0.59%	5,000	543	250	367	1,232	7,393	
SCADA	1	LS	25,000	2.93%	25,000	2,717	1,250	1,835	6,161	36,963	
Sales Tax			4.90%	0.91%	7,816	849	391	574	1,926	11,555	
Total Well Site #1 Booster				19.58%	\$ 167,316	\$ 18,186	\$ 8,366	\$ 12,283	\$ 41,230	\$ 247,380	311
4 SCADA at Well #3 & Well #2/4											
SCADA	2	LS	\$ 25,000	5.85%	\$ 50,000	\$ 5,435	\$ 2,500	\$ 3,670	\$ 12,321	\$ 73,926	
Sales Tax			4.90%	0.29%	2,450	266	123	180	604	3,622	
Total Well SCADA Systems				6.14%	\$ 52,450	\$ 5,701	\$ 2,623	\$ 3,850	\$ 12,925	\$ 77,549	346
5 Distribution Line - SE											
6" C900	1,365	LF	\$ 85	13.58%	\$ 116,025	\$ 12,611	\$ 5,801	\$ 8,517	\$ 28,591	\$ 171,546	
6" Valves	2	EA	2,500	0.59%	5,000	543	250	367	1,232	7,393	
Sales Tax			4.90%	0.69%	5,930	645	297	435	1,461	8,768	
Total Distribution Line - SE				14.86%	\$ 126,955	\$ 13,799	\$ 6,348	\$ 9,320	\$ 31,284	\$ 187,706	331
6 PRV											
6" PRV	2	EA	\$ 6,750	1.58%	\$ 13,500	\$ 1,467	\$ 675	\$ 991	\$ 3,327	\$ 19,960	
Vault & lid	2	EA	18,000	4.21%	36,000	3,913	1,800	2,643	8,871	53,227	
Excavation / plumbing / piping	2	LS	3,800	0.89%	7,600	826	380	558	1,873	11,237	
Pipe support & base	2	LS	1,000	0.23%	2,000	217	100	147	493	2,957	
Gauges & valves	2	LS	1,200	0.28%	2,400	261	120	176	591	3,548	
Sales Tax			4.90%	0.35%	3,014	328	151	221	743	4,456	
Total PRV				7.55%	\$ 64,514	\$ 7,012	\$ 3,226	\$ 4,736	\$ 15,897	\$ 95,385	331
Total Loan Amount Requested				100.00%	\$ 854,358	\$ 92,864	\$ 42,718	\$ 62,718	\$ 210,531	\$ 1,263,189	

Exhibit 4

**ACTION BY UNANIMOUS WRITTEN CONSENT OF
THE BOARD OF DIRECTORS
OF
MESCAL LAKES WATER SYSTEM, INC.**

May 10, 2022

The undersigned, being all of the members of the Board of Directors (the “**Board**”) of Mescal Lakes Water System, Inc., an Arizona corporation (the “**Company**”), do, by means of this Action By Unanimous Written Consent of the Board in lieu of a formal meeting, hereby approve and adopt the following recitals and resolutions (this “**Consent**”) as if at a meeting duly held for such purpose:

WHEREAS, the Board deems it in the best interest of the Company that the Company enter into a loan transaction in amount not to exceed \$1,263,189.00, on such terms and provisions as may be approved by the President of the Company;

NOW, THEREFORE, BE IT:

RESOLVED, that the Company is hereby authorized and empowered to enter into a loan transaction or transactions with lender, in an amount not to exceed one million two hundred sixty three thousand one hundred eighty nine dollars (\$1,263,189.00) (the “**Loan**”); and

RESOLVED, that the President is hereby authorized and empowered to act on behalf of the Company, to enter into the Loan on such terms and conditions the President may approve, including, without limitation, conferring the power to appoint a receiver, and to pledge, set over, transfer, assign, mortgage, hypothecate, grant security interests in, and otherwise encumber as security for the repayment of such Loan, any assets of the Company as may be required and agreed upon between the President and to execute and deliver on behalf of, and in the name of, the Company, the Company’s evidence(s) of indebtedness stating the Company’s promise and obligation to pay said principal sum(s), together with any other amounts which may be provided for in such instrument(s) evidencing said indebtedness and from time to time, when any obligation evidencing any of such Loan matures, to renew the Loan in whole or in part until the same are paid in full;

RESOLVED, that the President is authorized and empowered to execute on behalf of, and in the name of, the Company from time to time loan agreements, instruments granting a security interest in any assets of the Company, and supplements to each, together with any and all other security agreements, instruments and documents as may be required and agreed upon between such officer or person or which President may deem expedient in carrying out the intents and purposes of the Consent set forth herein, on such terms and conditions as approved by the President, such approval to be conclusively established by execution and delivery thereof;

RESOLVED, that all actions previously taken by the Company and its officers in connection with the matters contemplated by the foregoing resolutions be, and each of the same hereby is, adopted, ratified, confirmed and approved in all respects;

RESOLVED, that this Consent shall be filed in the records of the Company; and

RESOLVED, that this Consent shall be in addition to and supplementary of any and all other resolutions of the Board now or hereafter, and nothing contained herein shall be deemed to amend, revoke or modify any of such other consents or any of the authority therein contained.

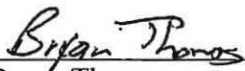
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This Consent may be executed in one or more counterparts, each of which shall constitute an original document, but all of which, taken together, shall constitute one document.


The undersigned, being all of the members of the Board of Directors the Company have adopted and executed this Consent as of the date first written above.



Paul Kauffman



Bryan Thomas



Morgan O'Brien

Exhibit 5

RATE CASE PLANT SUMMARY INCLUDING LOAN ADDITIONS						
Acct. No.	Description	Test Year End Plant Total	Additions From Loan Proceeds	Projected Plant In Service	Depr Rate	Loan Asset Depr Exp
301	Organization	\$ 104		\$ 104		
302	Franchises	250		250		
303	Land and Land Rights	9,063		9,063		
304	Structures and Improvements	35,144		35,144		
307	Wells and Springs	84,465		84,465		
311	Pumping Equipment	159,078	247,380	406,458	12.50%	30,922.50
320	Water Treatment Equipment	-		-		
320.1	Water Treatment Plants	-		-		
320.2	Solution Chemical Feeders	4,064		4,064		
330	Distribution Reservoirs and Standpipes	-		-		
330.1	Storage Tanks	135,340	165,721	301,061	2.22%	3,679.01
330.2	Pressure Tanks	1,852		1,852		
331	Transmission and Distribution Mains	710,169	283,091	993,260	2.00%	5,661.82
333	Services	144,809		144,809		
334	Meters and Meter Installations	84,234	489,448	573,682	8.33%	40,771.02
335	Hydrants	-		-		
336	Backflow Prevention Devices	853		853		
339	Other Plant and Misc. Equipment	-		-		
340	Office Furniture and Equipment	-		-		
340.1	Computer & Software	-		-		
341	Transportation Equipment	-		-		
343	Tools, Shop and Garage Equipment	-		-		
345	Power Operated Equipment	-		-		
346	Communication Equipment	4,091	77,549	81,640	10.00%	7,754.90
347	Miscellaneous Equipment	-		-		
348	Other Tangible Plant	-		-		
	TOTAL WATER PLANT	\$ 1,373,516	\$ 1,263,189	\$ 2,636,705		\$ 88,789

PROJECTED INCOME STATEMENTS						
Acct. No.	Operating Revenue	Test Year	Company Adjustments	For Rate Case		
				Company Rate Case Adjusted	Increase Requested	Company Proposed
461	Metered Water Revenue	\$ 219,504	\$ -	\$ 219,504	\$ 54,000	\$ 273,504
469	Guaranteed Revenues (Surcharges)			-		-
474	Other Water Revenue	3,418	-	3,418		3,418
	Total Revenue	\$ 222,922	\$ -	\$ 222,922	\$ 54,000	\$ 276,922
	Operating Expenses					
601	Salaries and Wages	\$ -	\$ -	\$ -		\$ -
610	Purchased Water	-	-	-		-
615	Purchased Power	17,937	-	17,937		17,937
618	Chemicals	1,017	-	1,017		1,017
620	Materials & Supplies	8,098	-	8,098		8,098
620.1	Repairs and Maintenance	2,376	-	2,376		2,376
620.2	Office Supplies and Expense	-	-	-		-
630	Contractual Services	-	-	-		-
631	Contractual Services - Engineering	-	-	-		-
632	Contractual Services - Accounting	6,190	90	6,280		6,280
633	Contractual Services - Legal	586	-	586		586
634	Contract Services - Management Fees	130,913	810	131,723		131,723
635	Contractual Services - Water Testing	1,278	-	1,278		1,278
636	Contractual Services - Other	-	-	-		-
640	Rents	-	-	-		-
650	Transportation Expense	3,900	-	3,900		3,900
657	Insurance	1,978	-	1,978		1,978
657.1	Regulatory Expense	240	-	240		240
665	Rate Case Expense	-	8,750	8,750		8,750
666	Bad Debt Expense	1,530	-	1,530		1,530
670	Miscellaneous Expense	271	-	271		271
675	Depreciation Expense	23,742	(9,250)	14,492		14,492
403	Taxes Other Than Income	-	-	-		-
408	Property Tax	11,469	647	12,116	978	13,094
408.1	Income Taxes	14,615	(11,827)	2,788	12,974	15,762
427.1	Customer Security Deposit Interest	519	-	519		519
	Total Operating Expenses	\$ 226,659	\$ (10,779)	\$ 215,880	\$ 13,952	\$ 229,831
	Operating Income / (Loss)	\$ (3,737)	\$ 10,779	\$ 7,042	\$ 40,048	\$ 47,091
	Other Income / (Expense)					
419	Interest and Dividend Income	\$ -	\$ -	\$ -	\$ -	\$ -
421	Other Income / (Expense)	522	-	522		522
427	Interest Expense	-	-	-		-
	Total Other Income / (Expense)	\$ 522	\$ -	\$ 522	\$ -	\$ 522
	Net Income / (Loss)	\$ (3,215)	\$ 10,779	\$ 7,564	\$ 40,048	\$ 47,613
	Add depreciation expense			14,492		14,492
	Less Principal on loan			-		-
	DSR Fund payments					
	Free Cash Flow			\$ 22,057	\$ 40,048	\$ 62,105
	Operating Margin (Op Inc / Rev)			3.16%		17.00%
	DSCR - EBITDA / (Prin + Int)					
	TIER (EBIT / Interest Exp)					

PROJECTED INCOME STATEMENTS						
		With Loan				
Acct. No.	Operating Revenue	Projected Year 1	Projected Year 2	Projected Year 3	Projected Year 4	Projected Year 5
461	Metered Water Revenue	\$ 273,504	\$ 273,504	\$ 273,504	\$ 273,504	\$ 273,504
469	Guaranteed Revenues (Surcharges)	137,149	137,149	137,149	137,149	137,149
474	Other Water Revenue	3,418	3,418	3,418	3,418	3,418
	Total Revenue	\$ 414,071	\$ 414,071	\$ 414,071	\$ 414,071	\$ 414,071
	Operating Expenses					
601	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
610	Purchased Water	-	-	-	-	-
615	Purchased Power	17,937	17,937	17,937	17,937	17,937
618	Chemicals	1,017	1,017	1,017	1,017	1,017
620	Materials & Supplies	8,098	8,098	8,098	8,098	8,098
620.1	Repairs and Maintenance	6,592	6,658	6,724	6,791	6,859
620.2	Office Supplies and Expense	-	-	-	-	-
630	Contractual Services	-	-	-	-	-
631	Contractual Services - Engineering	-	-	-	-	-
632	Contractual Services - Accounting	6,280	6,280	6,280	6,280	6,280
633	Contractual Services - Legal	586	586	586	586	586
634	Contract Services - Management Fees	131,723	131,723	131,723	131,723	131,723
635	Contractual Services - Water Testing	1,278	1,278	1,278	1,278	1,278
636	Contractual Services - Other	-	-	-	-	-
640	Rents	-	-	-	-	-
650	Transportation Expense	3,900	3,900	3,900	3,900	3,900
657	Insurance	1,978	1,978	1,978	1,978	1,978
657.1	Regulatory Expense	240	240	240	240	240
665	Rate Case Expense	8,750	8,750	8,750	8,750	8,750
666	Bad Debt Expense	1,530	1,530	1,530	1,530	1,530
670	Miscellaneous Expense	271	271	271	271	271
675	Depreciation Expense	75,475	100,335	96,227	90,373	88,175
403	Taxes Other Than Income	-	-	-	-	-
408	Property Tax	13,290	16,547	20,008	22,492	22,492
408.1	Income Taxes	18,113	11,583	12,233	13,584	14,672
427.1	Customer Security Deposit Interest	519	519	519	519	519
	Total Operating Expenses	\$ 297,576	\$ 319,230	\$ 319,299	\$ 317,348	\$ 316,305
	Operating Income / (Loss)	\$ 116,494	\$ 94,840	\$ 94,772	\$ 96,722	\$ 97,766
	Other Income / (Expense)					
419	Interest and Dividend Income	\$ -	\$ -	\$ -	\$ -	\$ -
421	Other Income / (Expense)	522	522	522	522	522
427	Interest Expense	(62,302)	(60,372)	(58,342)	(56,209)	(53,967)
	Total Other Income / (Expense)	\$ (61,780)	\$ (59,850)	\$ (57,820)	\$ (55,687)	\$ (53,445)
	Net Income / (Loss)	\$ 54,714	\$ 34,990	\$ 36,951	\$ 41,035	\$ 44,320
	Add depreciation expense	75,475	100,335	96,227	90,373	88,175
	Less Principal on loan	(37,735)	(39,666)	(41,695)	(43,829)	(46,071)
	DSR Fund payments	(20,008)	(20,008)	(20,008)	(20,008)	(20,008)
	Free Cash Flow	\$ 72,446	\$ 75,652	\$ 71,475	\$ 67,573	\$ 66,416
	Operating Margin (Op Inc / Rev)	28.13%	22.90%	22.89%	23.36%	23.61%
	DSCR - EBITDA / (Prin + Int)	1.48	1.23	1.27	1.33	1.35
	TIER (EBIT / Interest Exp)	2.17	1.77	1.84	1.97	2.09

PROPERTY TAX PROJECTIONS

	Adjusted Test Year	At Proposed Rates	Projected Year 1	Projected Year 2	Projected Year 3	Projected Year 4	Projected Year 5
Adjusted Test Year Revenue	\$ 222,922	\$ 222,922	\$ 222,922	\$ 222,922	\$ 276,922	\$ 414,071	\$ 414,071
Adjusted Test Year Revenue	222,922	222,922	222,922	276,922	414,071	414,071	414,071
Rate Case Proposed Revenues	222,922	276,922	276,922	414,071	414,071	414,071	414,071
Average of Three Years of Revenue	222,922	240,922	240,922	304,638	368,354	414,071	414,071
Average of Three Years of Revenue, times 2	\$ 445,844	\$ 481,844	\$ 481,844	\$ 609,276	\$ 736,709	\$ 828,141	\$ 828,141
Add:							
Construction Work in Progress at 10%	-	-	7,500	-	-	-	-
Deduct:							
Net Book Value of Transportation Equipment	-	-	-	-	-	-	-
Full Cash Value	\$ 445,844	\$ 481,844	\$ 489,344	\$ 609,276	\$ 736,709	\$ 828,141	\$ 828,141
Assessment Ratio	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Assessed Value	\$ 80,252	\$ 86,732	\$ 88,082	\$ 109,670	\$ 132,608	\$ 149,065	\$ 149,065
Property Tax Rate	15.0884%	15.0884%	15.0884%	15.0884%	15.0884%	15.0884%	15.0884%
Property Tax	\$ 12,109	\$ 13,086	\$ 13,290	\$ 16,547	\$ 20,008	\$ 22,492	\$ 22,492

SURCHARGE CALCULATION

Loan Amount	\$ 1,263,189	From Amortization Schedule
Term	20	
Interest Rate	5.00%	

Step 1 - Determine Principal and Interest

Principal	\$ 37,735	From Amortization Schedule
Interest	62,302	From Amortization Schedule
	<u>\$ 100,038</u>	Debt Service Component

Step 2 - Gross Revenue Conversion Factor

Revenue		1.0000
Arizona Income Tax	4.9000%	<u>(0.0490)</u>
Federal Taxable Income		0.9510
Federal Income Tax	21.0000%	<u>(0.1997)</u>
Operating Income		0.7513
Gross Revenue Conversion Factor		1.3310

Step 3 - Incremental Income Tax Factor ("IITF")

IITF	0.3310	Step 2 less 1
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Step 4 - Income Tax Component of Principal

IITF	0.3310	
Average 5-year principal	<u>\$ 41,799</u>	
	<u>\$ 13,837</u>	Income Tax Component of Principal

Step 5 - Income Tax Component of Depreciation Expense

IITF	0.3310	
Depreciation Expense	<u>\$ 88,789</u>	Loan assets Only
	<u>\$ 29,393</u>	Income Tax Component of Depreciation Expense

Step 6 - DSR Component of Surcharge

Principal and Interest	\$ 100,038	
DSR %	20%	
	<u>\$ 20,008</u>	DSR Component of Surcharge

Step 7 - Income Tax Component of DSR

IITF	0.3310	
DSR component	<u>\$ 20,008</u>	
	<u>\$ 6,623</u>	Income Tax Component of DSR

Step 8 - Income Tax Component of Surcharge

Income Tax	\$ 13,837	Principal component (Step 4)
Income Tax	(29,393)	Depreciation Expense Component (Step 5)
Income Tax	6,623	DSR Component (Step 7)
	<u>\$ (8,932)</u>	Income Tax Component of Surcharge

Step 9a - Add Income Tax Component to Debt Service Component

SURCHARGE CALCULATION

Income Tax	\$ (8,932)	Component of Surcharge (Step 8)
Principal and Interest	100,038	Step 1
DSR	20,008	Debt Service Reserve Component (Step 6)
	<u>\$ 111,113</u>	Revenue Requirement before Property Tax

Step 9b - Add Property Tax Component to Revenue Requirement

Change in Revenue	\$ 111,113	above
Change times 2	<u>\$ 222,226</u>	
Assessment rate	18.00%	
Assessed value	<u>\$ 40,001</u>	
Property Tax Rate	15.0884%	
Property Taxes on Surcharge	<u>\$ 6,035</u>	Revenue Requirement for Property Tax
Surcharge Per Calculations	\$ 117,149	
Additional Amount	<u>20,000</u>	Amount necessary to reach 1.25 DSC Ratio
Total Surcharge Revenue Required	<u><u>\$ 137,149</u></u>	

Step 10 - Equivalent Bills

Meter Size	Customers	NARUC Multiplier	Months	Equivalent Bills
5/8 x 3/4-inch	516	1	12	6,192
3/4-inch	3	1.5	12	54
1-inch	5	2.5	12	150
2-inch	2	8	12	<u>192</u>
Total Equivalent Bills				6,588

Step 11a - Monthly Surcharge for 5/8 x 3/4-inch Meters for Debt Service

Loan Revenue Requirement	\$ 117,141	
Equivalent bills	6,588	
Monthly Surcharge for Loan	<u>\$ 17.78</u>	5/8 x 3/4-inch monthly amount

Step 11b - Monthly Surcharge for 5/8 x 3/4-inch Meters for DSR Portion of Loan

DSR Surcharge Revenue Requirement	\$ 20,008	
Equivalent bills	6,588	
Monthly Surcharge for DSR	<u>\$ 3.04</u>	5/8 x 3/4-inch monthly amount

Step 12a - Monthly Debt Service Surcharge Amounts for Larger Meters

Meter Size	5/8" Surch	NARUC Multiplier	Surcharge
5/8 x 3/4-inch	\$ 17.78	1	\$ 17.78
3/4-inch	17.78	1.5	26.67
1-inch	17.78	2.5	44.45
1.5-inch	17.78	5	88.90
2-inch	17.78	8	142.25

SURCHARGE CALCULATION

Step 12b - Monthly Debt Service Reserve Surcharge Amounts for Larger Meters

Meter Size	5/8" Surch	NARUC Multiplier	Surcharge
5/8 x 3/4-inch	\$ 3.04	1	\$ 3.04
3/4-inch	3.04	1.5	4.56
1-inch	3.04	2.5	7.59
1.5-inch	3.04	5	15.18
2-inch	3.04	8	24.30

Step 13a - Proof of Revenue for Debt Service Portion of Surcharge

Meter Size	Customers	Surcharge	Months	Annual Revenue
5/8 x 3/4-inch	516	\$ 17.78	12	\$ 110,100
3/4-inch	3	26.67	12	960
1-inch	5	44.45	12	2,667
2-inch	2	142.25	12	3,414
	526			\$ 117,141

Step 13a - Proof of Revenue for Debt Service Portion of Surcharge

Meter Size	Customers	Surcharge	Months	Annual Revenue
5/8 x 3/4-inch	516	\$ 3.04	12	\$ 18,805
3/4-inch	3	4.56	12	164
1-inch	5	7.59	12	456
2-inch	2	24.30	12	583
	526			\$ 20,008

Attachment B

**PUBLIC NOTICE OF MESCAL LAKES WATER SYSTEMS, INC.’S
FINANCING APPLICATION
DOCKET NO. W-02472A-22-_____**

On May 18, 2022, Mescal Lakes Water Systems, Inc. (“Company” or “Applicant”) filed an Application with the Arizona Corporation Commission (“Commission”) for an order authorizing Applicant to issue \$1,263,189 of long-term debt. The purpose of the financing is to replace all of the meters on the system and install: 1) a new 50,000-gallon storage tank, 2) a booster pump at well site 1, 3) SCADA at well sites 2, 3, and 4, 4) a new 6-inch distribution line, and 5) pressure reducing 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 at Southwestern Utility Management’s website at <https://southwesternutility.com/utilities/mescal-lakes-water> 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-02472A-22-_____**.

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-02472A-22-_____** and may be submitted at any time as follows:

By Mail: Arizona Corporation Commission
 Consumer Service 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 June 27, 2022 and must send a copy of the motion to the Company or its counsel. Contact information for the Applicant and other parties is available using the eDocket function and Docket No. W-02472A-22-_____.

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: https://azcc.gov/docs/default-source/hearings-files/sample-residential-utility-customer-intervention-request.pdf?sfvrsn=a0a45223_2.

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 Carolyn D. Buck, at ADACoordinator@azcc.gov, voice phone number 602-542-2247. Requests should be made as early as possible to allow time to arrange the accommodation.