**Questions from Beaver Valley HOA**

**1. Was $38,000,000 going to Beaver Valley?**

Neither the Arizona Corporation Commission (ACC or Commission) nor the Arizona Department of Environmental Quality (ADEQ) is aware of $38,000,000 being awarded to a non-tribal public water system in Arizona or what it would be awarded for - so we cannot speak to this.

**2. Did Jakes Corner receive this money instead of Beaver Valley and if so how can money going to one community be given to another?**

Again neither agency has any information about $38 million in federal funds being awarded or earmarked for any non-tribal water system in Arizona.

Authorized and awarded funding cannot be moved between water systems. It must be used for what was requested and authorized, at the system for which it was requested.

Mr. Armstead originally applied to the Water Infrastructure Finance Authority (WIFA) for the loan a $807,686 for Jakes Corner Water System (AZ0404029) with 20 service connections. He received Commission approval to apply for financing in the amount of $89,640 for storage tanks, 2 booster pumps/VFDs and some ancillary equipment.  The funds from this loan can only be used for the specific projects at Jakes Corner WS as listed in Decision No. 77410 and nothing else.  [https://docket.images.azcc.gov/0000199670.pdf](about:blank)

Mr. Armstead also applied to the Water Infrastructure Finance Authority (WIFA) for the loan and it is our understanding that WIFA did award Jakes Corner 100% forgivable principal on this loan in accordance with its WIFA policy. Eligibility for forgivable principal includes factors such as being a disadvantaged community and the need to solve a public health or significant drinking water compliance issue. The link to WIFA’s forgivable principal webpage is [https://www.azwifa.gov/programs/at/forgivable-principal](about:blank)

Mr. Armstead also requested approximately $1.4 million for improvements to the Arroyo Water Co (AZ0404083) with 120 service connections. The Commission granted approval to apply for financing in the amount of $227,038 in Decision No. 77458 for similar improvements as required at Jakes Corner.  Again, Mr. Armstead applied to WIFA and the awarded funds from this loan can only be used for the specific projects listed in the decision. [https://docket.images.azcc.gov/0000200116.pdf](about:blank)

**3. Does Mike Armstead own Jakes Corner Water System, Arroyo Water Company and Beaver Valley Water Company?**

According to ADEQ records Jakes Corner, Arroyo Water and Beaver Valley are owned by Management Systems LLC. The ACC ECORP records are provided below: [https://ecorp.azcc.gov/PublicBusinessSearch/PublicBusinessInfo?entityNumber=L19787709](about:blank)

[https://ecorp.azcc.gov/PublicBusinessSearch/PublicBusinessInfo?entityNumber=02309350](about:blank)

[https://ecorp.azcc.gov/PublicBusinessSearch/PublicBusinessInfo?entityNumber=21849911](about:blank)

**4. Why has Mike Armstead not yet received the funding he needs for Beaver Valley improvements?**

According to ACC staff, processing of the ACC rate case application has been suspended, at Mr. Armstead’s request pending filing for a concurrent financing application.  On this issue, the ball is in Mr. Armstead’s court.  ACC staff can’t move forward until he provides his proposal including detailed engineering costs and plans for improvements he seeks to pursue.  Once he has done so, Commission staff will review the request and make the appropriate recommendations for the Commission to consider as they did with both Jakes Corner and Arroyo Water.  ACC staff can’t estimate how long that review will take but will complete the review as quickly as they can based on the completeness of the submittal.

[https://edocket.azcc.gov/Docket/DocketDetailSearch?docketId=23451#docket-detail-container2](about:blank#docket-detail-container2)

**5. Has the Beaver Valley HOA slowed Mr. Armstead down or interfered in any way with his intended improvements?**

ACC staff are not aware of any potential impact any dispute with the HOA may or may not be having on Mr. Armstead completing the rate case and financing applications. Once the Commission approves debt authorization and rate case or surcharge, Mr. Armstead can pursue funding for the authorized amount from any variety of funding sources.

Once funding has been secured, engineering plans, specifications, design reports and approval to construct applications & fees must be developed, submitted and approved to and by ADEQ before construction can begin. Note: there may be other agencies involved depending on the requests including the Arizona Department of Water Resources for wells, Army Corps of Engineers for any watercourse improvements or alterations, etc…

**6. What is the process to obtain a loan to rebuild a water treatment plant?**

Owners are free to make any investments they need to make in their systems at any time using their own equity. However, when they are unable to fund the capital project costs themselves and need financial assistance (e.g., loans, grants), they need Commission approval (debt authorization and rate case approval) before being able to pledge the assets of the utility to secure a loan.

**7. How long does it typically take?**

How long the full process takes depends largely on the owner.  From the Commission’s perspective, the ACC prefers to process these applications in conjunction with rate case applications. That way the ACC can make sure the company’s rate structure is sufficient to pay for the loan.  The timeline for processing the applications also depends on the amount of the revenues requested.  For Beaver Valley, had the case not been suspended waiting for the financing application, it would have been processed in 120 days. [https://edocket.azcc.gov/Docket/DocketDetailSearch?docketId=23451#docket-detail-container2](about:blank#docket-detail-container2)

**8. Can Mike Armstead decide to build anything he wants and then bill it back to the community?**

It depends on what he is building and how it is being paid for.  He cannot change rates outside of a rate case, cannot charge a surcharge, or seek financing for improvements without Commission approval.  In addition, any modifications or improvements to the water system, require ADEQ review and approval.

**9. Is Mr. Armstead able to get grants to fund the water system improvements he seeks at Beaver Valley?**

Eligibility for grants or forgivable principal are awarded based on the individual funding agency criteria. Factors includes things such as:

1. Is the community median household income less than the state MHI average and by how much?
2. Is the community designated as “disadvantaged”?
3. Is the project designed to fix a water quality problem such as exceedances in arsenic, nitrate, or uranium?