ARIZONA CORPORATION COMMISSION

FINANCING APPLICATION

Inscription Canyon Water Company

W-02824A
DOCKET NUMBER

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application, please call (602) 542-4251 for ACC Small Water Ombudsman assistance.

IN ORDER TO PROCESS YOUR APPLICATION PLEASE FORWARD THE ORIGINAL PLUS ONE COPY OF THE **APPLICATION** TO:

ARIZONA CORPORATION COMMISSION DOCKET CONTROL CENTER
1200 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007

OR YOU MAY USE THE COMMISSION'S EFILING PORTAL TO SUBMIT YOUR DOCUMENTS ELECTRONICALLY. VISIT THIS WEBSITE FOR MORE INFORMATION: http://www.azcc.gov/eFileforUtilitiesInstruction.asp

Inscription Canyon Water Company
Docket No. **TBD- W-02824A**

Application for Approval of Financing
2/1/2026

Exact Legal Name: Inscription Canyon Water Company	Address of the Principle Business Office: 302 W Willis St., Suite 203 Prescott AZ 86301
E-mail Address: armstrongmark039@gmail.com	Contact Phone Number: 480-330-8695
Name of Authorized Representative: Mark Armstrong	

Statement that demonstrates why the financing is within the corporate powers of the applicant:

The capacity to manage debt in accordance with the needs of the business is facilitated by article #4 of the corporate bylaws:

4. Sureties and Bonds: In case the Board of Directors shall so require, any Officer, employee or agent of the Corporation shall execute to the Corporation a bond in such sum and with such surety or sureties as the Board of Directors may direct, conditioned upon the faithful performance of his duties to the Corporation, including responsibility for negligence and for the accounting for all property, funds or securities of the Corporation which may come into his hands.

Statement that demonstrates why the financing is compatible with the public interest:

The company has infrastructure that has been installed and operated over a 25 year period. Some of the major operating components have been replaced using saved operating income, but the capacity to do that as a regulated non-profit company is limited. As the member population continues to grow, replacement/upgrading of some key infrastructure such as wells, pumps, valves and control equipment becomes a necessity, and the cost of such improvement exceeds the cash generation capacity of the operating company. The last rate case the company attempted did not suffice for some of these larger items. The member/owners of the company expect reliable and safe water supply without interruption or shortage. There is also concern over the ability to contribute to the effort to fight natural fire, as the capacity to provide water to government agencies is limited and subject to power interruption.
It is in the public interest to ensure that we are able to replace the aging infrastructure to ensure that we are positioned to continue to provide safe and reliable service.

Statement that demonstrates why the financing is compatible with sound financial practices:

The company has the capacity to service a planned level of debt as it currently has no short term or long -term obligations other than Advances and contributions in aid of construction, which are predominately non-cash

Statement that demonstrates why the financing is compatible with the proper performance by the applicant of service as a public service corporation and will not impair its ability to perform that service:

The financing will facilitate a number of capital improvements that were deemed important in an engineering study conducted by Civiltec Engineering Corp. (attached in Docket filing) These improvements were aimed at facilitating the ability to meet future capacity and resiliency requirements as well as more robust residential and natural fire protection.

Statement that demonstrates why the purposes of the financing are not reasonably chargeable to operative expenses or to income:

All Operating, maintenance and administrative costs are currently paid by operating income. These costs consume the majority of cash generated. Therefore, incremental funds are required to facilitate the performance of additional capital improvements (capacity, fire safety and resiliency), and some high-cost component replacements. The nature of the projects that need to be completed will provide benefits to the customers over a long period of time and as such are reasonable to be funded through long-term debt.

If applicable Name of Person Receiving a fee in connection with the issuance or placement of the financing: **None**

If applicable a demonstration that such fees do not exceed customary fees for such service in an arms-length transaction and are reasonable: **N/A**

Inscription Canyon Water Company
Docket No. **TBD- W-02824A**

Application for Approval of Financing
2/1/2026
Arizona Corporation Commission Staff Standard Initial Financing Data Request

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

We do not have audited statements but please see the attached, un-audited statements for the 2025 fiscal year. They will be the same statements that will be contained in our annual report to the ACC. (2025 Year end statements attached with Docket filing)

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.

Not yet determined. We will evaluate which lender that will provide the best terms. Options include CoBank, the Water Infrastructure Finance Authority of Arizona, or a private institution.

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.

The projects proposed as part of this application were generated from an engineering review conducted by Civiltec Engineering in 2021 with emphasis on future capacity security and resiliency. The documentation generated from this review may be found at https://icwc.info/wp-content/uploads/2022/07/FINAL-IC-WC-TRR-PHASE-1-REPORT-FOR-WEBSITE-SEALED-7-6-2022.pdf . A copy of the document is also included with this submission.

Commented [BB1]: I would include the report as an attachment. Makes it easier for all who are evaluating the request, and makes it part of the permanent record since this link may only be active for a limited time.

Project #1 – Replacement of ICR well #1. This well is 25 years old and is the original well in this development. It was rehabilitated in 2024 to the extent that it could be without damage. The well provides approximately 50% of the water supplied to Inscription Canyon, the Preserve and

Whispering Canyon. The screening in the well is scaled and failing due to corrosion over time. This project would be done in close proximity to the existing well site, at a time of year where any capacity interruption could be made up with well #2. The installation, using a pitless adapter, would utilize the existing delivery piping and electrical equipment. The estimated cost of this project is $375K. It would take approximately 8 months to obtain permits, engineering, equipment and installation/test. This is also critical to the fire capacity for Inscription and Whispering Canyon developments.

Project#2 – Backup generators for well sites

The ICWC systems currently have backup power at boost stations on the Talking Rock side of the system. This is the pressurized portion of the system, and this would facilitate approximately 8 hours of service in the event of a prolonged grid outage if storage were at capacity. This time would be shortened if any fire response was required.

The ICR side of the system has a 350K gallon storage tank for gravity feed to the west side of Williamson Valley road. This would correspond to approximately 36 hours of service in a non-fire situation.

Once the storage tanks are depleted, there is no way to get more water, as the wells do not have backup power. This would be problematic for residents, cause the Talking Rock club operation to be curtailed, and would be very dangerous in the case of a multi-house or brush fire.

The ideal request would be to have backup generators capable of sustaining well operation to at least one well in each field, such that water could continue to be provided to the storage in both systems. A generator would also be required at the Magner boost station in ICR to get water up to the main storage tank in Whispering Canyon

Some consideration to having a trailered generator for the 2 wellfields has also been considered. This would reduce the original capital outlay.

The estimated cost for purchase, installation, electrical and start up services is $200K. This would be reduced by approximately $20K if the trailed option was selected. The project timing would be dependent on equipment lead time. This project could be done in parallel with other activities as it does not affect the ongoing operation until tie-in and testing. The desire would be to have at least some capability by the 2026 monsoon season.

Project #3 – Backflow prevention valve at Golf Course

Due to the topography of the system in Talking Rock Ranch, the golf course fill valve is at the low point of the system. In the event of a power interruption or other malfunction, the upper part of the system drains back into the golf course reservoir until pressure is re-established. This leaves a large part of the system, including the country club with no water pressure until the backup systems get established. The Civiltec study recommended a fail- closed shutoff valve for this at the entrance to the golf course reservoir. This would require power, a larger enclosure and piping changes in addition to the equipment and installation costs. This project would take approximately one month to complete and test and would need to be executed in the winter when the golf course was shut off. The estimated cost was $80K.

Project #4 – SCADA expansion

The remote monitoring and alarming capabilities for the company systems has been incrementally expanded over the past 3 years. It has rendered our time to respond and prevent to be much better that

in the past. Only some parts of the system are covered by this technology and the operation quality would greatly benefit by having the balance of the key system components instrumented. This project includes both hardware and programming for completion. It can be accomplished without system interruption. The estimated cost of this project is approximately $100K. It could theoretically be done in phases if required.

Project #5 – System Tie-in (across Willianson Valley road)

The current systems operated by ICWC span communities on both sides of Williamson Valley rd. One system is pressurized (due to topology) and the other is gravity fed. Each system has its own wellfield. Currently there is no connection between these two systems (they were added to the CC&R at different times) and they operate independently. They are operated by the same contracted resources and the books are consolidated and reported as such.

This project is really regarding system emergency backup and fire fighting capacity.

The proposal is to run a tie-in connection under Williamson Valley rd (that would normally be closed, that would facilitate water being able to flow in either direction in the case of a malfunction in either well system, or in the case of an extended fire fighting requirement. Having fire supply from wells on both systems is critical in the event of an approaching wildfire. This has been discussed with the CAFMA fire district.

This project could be accomplished without interruption to production. The cost and complexity would be dependent on the use of an existing sleeve and right of way under the road. Assuming that this is negotiable, (the sleeve exists), the cost of this project would be about $140K.

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.
Answer: N/A

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.
Answer: These will be provided as of December 31, 2025

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.

As this entity is a member owned, non – profit organization and not a municipality or improvement district, notice of the board of directors intention to apply for this financing will be made through email, USPS, the company website, inserts in the appropriate monthly billing package and presented at a member's meeting for hearing of opinions, objections and questions.

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

The current census of consumers is as follows: 1100 residential, 24 commercial (country club and irrigation), and 80 construction connections.

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.
Answer: N/A

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.

The company has no long term debt. The only long term relationship is a 100 year agreement to purchase water from wells on land owned by a third party. This defines the price of each 1000 gallons of water pumped and has an annual libor inflation increase. The agreement is in the beginning its second 25 year term.

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.
Answer: N/A

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

Please find attached

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.)
Answer: Due to the uncertainty of many of these variables, the company does not have the resources to estimate these items.

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.
Answer: N/A

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

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.

The company applied for a rate case in 2023 using 2022 as the test year, decision #79037, docket # W-21093A-22-0296 .

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

Answer: A rate case is contemplated for 2026 or 2027 based on the outcome of this application.

Attachment B

PUBLIC NOTICE OF Inscription Canyon Water Company's FINANCING APPLICATION DOCKET NO. TBD

On 2/25/2026, Inscription Canyon Water Company ("Company" or "Applicant") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing the Applicant to issue $900,000 of long-term debt. The purpose of the financing is to enable the completion of several critical equipment replacements and improvements to guaranty capacity and reliability for the future.. 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 Inscription Canyon Water Company, 302 W Willis St Suite 203, Prescott Az. 86301, 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-02824A**

Enter the full docket number, including the matter number

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. TBD** 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.C.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 TBD**,** and must send a copy of the motion to Inscription Canyon Water Company or its counsel. Contact information for the Applicant and other parties is available using the eDocket function and Docket No. **W-02824A**

Enter the full docket number, including the matter number

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 by contacting Carolyn Buck, ADA Coordinator, voice phone number at 602-542-3963, and email at cdbuck@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.