

ANNUAL REPORT

Of

Company Name: Cloud Nine Water Company, Inc.

96 Bel Aire Pl., Ste 140

Mailing Address: Sierra Vista AZ
85635

Docket No.: WS-02672A

For the Year Ended: 12/31/16

RECEIVED

APR 12 2017

ARIZONA CORP COMMISSION
UTILITIES DIVISION - DIRECTOR'S OFFICE

WATER UTILITY

To

Arizona Corporation Commission

Due on April 15th

Email: rdefuente@azcc.gov, mail or deliver the completed Annual Report to:

Arizona Corporation Commission
Compliance Section - Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Application Type:

Original Filing

Application Date:

2016

4-13-17

ARIZONA CORPORATION COMMISSION
WATER UTILITY ANNUAL REPORT
Cloud Nine Water Company, Inc.
A Class Utility

1. For the Calendar Year Ended: 12/31/16

2. Address: 96 BEL AIRE PL, STE 140
City: SIERRA VISTA State: AZ Zip Code: 85635

3. Telephone Number: 520-458 1311

4. Date of Original Organization of Utility: 9/30/91

5. Person to whom correspondence should be addressed concerning this report:

Name: ANDREW STOKES
Telephone No.: 415 497 2619
Address: AS ABOVE
City: _____ State: _____ Zip Code: _____
Email: _____

6. On-Site Manager:

Name: BOB JONGUEWARD
Telephone No.: AS ABOVE
Address: _____
City: _____ State: _____ Zip Code: _____
Email: _____

7. Ownership: S-CORPORATION

8. Counties Served: COCHISE

Cloud Nine Water Company, Inc.
 Annual Report
 Utility Plant in Service (Water)
 12/31/16

Utility Plant in Service (Water)				
Account No.	Description	Original Cost	Accumulated Depreciation	OCLD (OC less AD)
301	Organization	50,000	31,354	18,646 \$0
302	Franchises			0
303	Land and Land Rights			0
304	Structures and Improvements			0
305	Collecting & Improving Reservoirs			0
306	Lake, River, Canal Intakes			0
307	Wells and Springs	41,062	28,107	12,955 0
308	Infiltration Galleries			0
309	Supply Mains			0
310	Power Generation Equipment			0
311	Pumping Equipment	131,554	57,506	74,048 0
320	Water Treatment Equipment			
320.1	Water Treatment Plants			0
320.2	Solution Chemical Feeders			0
320.3	Point-of-Use Treatment Devices			0
330	Distribution Reservoirs and Standpipes			
330.1	Storage Tanks	58,755	58,755	0
330.2	Pressure Tanks			0
331	Transmission and Distribution Mains	238,05	238,05	0
333	Services			0
334	Meters and Meter Installations	315	315	0
335	Hydrants			0
336	Backflow Prevention Devices			0
339	Other Plant and Misc. Equipment			0
340	Office Furniture and Equipment			0
340.1	Computer & Software			0
341	Transportation Equipment			0
342	Stores Equipment			0
343	Tools, Shop and Garage Equipment			0
344	Laboratory Equipment			0
345	Power Operated Equipment			0
346	Communication Equipment			0
347	Miscellaneous Equipment			0
348	Other Tangible Plant			0
	Totals	305,491 \$0	197,842 \$0	105,649 \$0

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

Cloud Nine Water Company, Inc.
 Annual Report
 Depreciation Expense for the Current Year (Water)
 12/31/16

Depreciation Expense for the Current Year (Water)								
Account No.	Description	Original Cost	Current Year Additions	Adjusted Original Cost	Fully Depreciated/Non-depreciable Plant	Depreciable Plant	Depreciation Percentages	Depreciation Expense
301	Organization	50,000 \$0	—	50,000 \$0		50,000 \$0	2.5%	1,250 \$0
302	Franchises	0		0		0		0
303	Land and Land Rights	0		0		0		0
304	Structures and Improvements	0		0		0		0
305	Collecting & Improving Reservoirs	0		0		0		0
306	Lake, River, Canal Intakes	0		0		0		0
307	Wells and Springs	41062 0	—	41062 0	18720	22342 0	4%	894 0
308	Infiltration Galleries	0		0		0		0
309	Supply Mains	0		0		0		0
310	Power Generation Equipment	0		0		0		0
311	Pumping Equipment	63,177 0	63,377 ⁿ	131,554 0	48,405	83,149 0	varies	4415 0
320	Water Treatment Equipment	0		0		0		0
320.1	Water Treatment Plants	0		0		0		0
320.2	Solution Chemical Feeders	0		0		0		0
320.3	Point-of-Use Treatment Devices	0		0		0		0
330	Distribution Reservoirs and Standpipes	0		0		0		0
330.1	Storage Tanks	58,755 0	—	58,755 0	58,755	0		0
330.2	Pressure Tanks	0		0		0		0
331	Transmission and Distribution Mains	23,805 0	—	23,805 0	23,805	0		0
333	Services	0		0		0		0
334	Meters and Meter Installations	315 0	—	315 0	315	0		0
335	Hydrants	0		0		0		0
336	Backflow Prevention Devices	0		0		0		0
339	Other Plant and Misc. Equipment	0		0		0		0
340	Office Furniture and Equipment	0		0		0		0
340.1	Computer & Software	0		0		0		0
341	Transportation Equipment	0		0		0		0
342	Stores Equipment	0		0		0		0
343	Tools, Shop and Garage Equipment	0		0		0		0
344	Laboratory Equipment	0		0		0		0
345	Power Operated Equipment	0		0		0		0
346	Communication Equipment	0		0		0		0
347	Miscellaneous Equipment	0		0		0		0
348	Other Tangible Plant	0		0		0		0
	Subtotal	242,118 \$0	63,377 \$0	305,491 \$0	150,000 \$0	155,491 \$0		6,559 \$0

Contribution(s) in Aid of Construction (Gross) _____
 Less: Non Amortizable Contribution(s) _____
 Fully Amortized Contribution(s) _____
 Amortizable Contribution(s) _____ \$0
 Times: Proposed Amortization Rate _____
Amortization of CIAC

Less: Amortization of CIAC
DEPRECIATION EXPENSE

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

Cloud Nine Water Company, Inc.
 Annual Report
 Balance Sheet Assets
 12/31/16

Balance Sheet Assets				
	Assets		Balance at Beginning of Year (2016)	Balance at End of Year (2016)
Account No.	Current and Accrued Assets			
131	Cash		5,710	3,814
134	Working Funds			
135	Temporary Cash Investments			
141	Customer Accounts Receivable		2,169	3,818
146	Notes Receivable from Associated Companies			
151	Plant Material and Supplies			
162	Prepayments			
174	Miscellaneous Current and Accrued Assets			
	Total Current and Accrued Assets		7,879 \$0	7,632 \$0
Account No.	Fixed Assets			
101	Utility Plant in Service*		312,678	305,491 \$0
103	Property Held for Future Use			
105	Construction Work in Progress			
108	Accumulated Depreciation (enter as negative)*		(211,260)	(199,342)0
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility			
	Total Fixed Assets		101,418 \$0	105,649 \$0
	Total Assets		109,297 \$0	113,281 \$0

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

*Note these items feed automatically from AR3 UPIS Page 3

Cloud Nine Water Company, Inc.
 Annual Report
 Balance Sheet Liabilities and Owners Equity

Balance Sheet Liabilities and Owners Equity				
Account No.	Liabilities		Balance at Beginning of Year (2016)	Balance at End of Year (2016)
	Current Liabilities			
231	Accounts Payable			
232	Notes Payable (Current Portion)			
234	Notes Payable to Associated Companies		309,864	409,250
235	Customer Deposits			
236	Accrued Taxes		74	80
237	Accrued Interest			
242	Miscellaneous Current and Accrued Liabilities			
	Total Current Liabilities		309,938 \$0	409,330 \$0
	Long Term Debt			
224	Long Term Debt (Notes and Bonds)			
	Deferred Credits			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction			
255	Accumulated Deferred Investment Tax Credits			
271	Contributions in Aid of Construction			
272	Less: Amortization of Contributions			
281	Accumulated Deferred Income Tax			
	Total Deferred Credits		\$0	\$0
	Total Liabilities		\$0	\$0
	Capital Accounts			
201	Common Stock Issued		200,000	200,000
211	Other Paid-In Capital		3,503	3,503
215	Retained Earnings		(404,144)	(499,552)
218	Proprietary Capital (Sole Props and Partnerships)			
	Total Capital		(200,641) \$0	(296,049) \$0
	Total Liabilities and Capital		109,297 \$0	113,281 \$0

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

Note: Total liabilities and Capital must match total assets for the beginning and end of the year!

Cloud Nine Water Company, Inc.
 Annual Report
 Water Comparative Income Statement
 12/31/16

Water Comparative Income Statement				
Account No.	Calendar Year	Current Year 01/01/2016 - 12/31/2016		Last Year 01/01/2015 - 12/31/2015
	Operating Revenue			
461	Metered Water Revenue	13,649		11,965
460	Unmetered Water Revenue	184		192
462	Fire Protection Revenue			
469	Guaranteed Revenues (Surcharges)			
471	Miscellaneous Service Revenues	1,468		
474	Other Water Revenue	623		655
	Total Revenues	15,924	\$0	12,812
	Operating Expenses			
601	Salaries and Wages			
604	Employee Pensions and Benefits			
610	Purchased Water	6,388		
615	Purchased Power	13,368		11,541
618	Chemicals			
620	Materials and Supplies	520		
620.1	Repairs and Maintenance	9,600		724
620.2	Office Supplies and Expense			
630	Contractual Services			
631	Contractual Services - Engineering	1,700		
632	Contractual Services - Accounting	1,180		
633	Contractual Services - Legal	135		
634	Contractual Services - Management Fees			
635	Contractual Services - Water Testing			
636	Contractual Services - Other			
635	Water Testing	5,500		4,605
640	Rents			
641	Rental of Building/Real Property			
642	Rental of Equipment			
650	Transportation Expenses			
657	Insurance - General Liability	1,582		1,356
657.1	Insurance - Health and Life			
665	Regulatory Commission Expense - Rate			
675	Miscellaneous Expense	1,480		1,775
403	Depreciation Expense (From Schedule AR4)	6,559		6,307
408	Taxes Other Than Income			
408.11	Property Taxes	1,580		1,656
409	Income Taxes			
	Total Operating Expenses	49,592	\$0	27,964
	Operating Income / (Loss)	(33,668)	\$0	(15,152)
	Other Income / (Expense)			
419	Interest and Dividend Income			
421	Non-Utility Income			
426	Miscellaneous Non-Utility (Expense) *	(52,588)		(204)
427	Interest (Expense)			
	Total Other Income / (Expense)	(52,588)	\$0	(204)
	Net Income / (Loss)	(86,256)	\$0	(15,356)

* Loss on Disposal.

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

Cloud Nine Water Company, Inc.
 Annual Report
 Supplemental Financial Data (Long-Term Debt)
 12/31/16

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 Amt. Issued				
Amount Outstanding				
Date of Maturity				
Interest Rate				
Current Year Interest				
Current Year Principal				

Meter Deposit Balance at Test Year End:	
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Meter Deposits Refunded During the Test Year:	
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List all bonds, notes, loans, and other types of indebtedness in which the proceeds were used in the provision of public utility service. Indebtedness incurred for personal uses by the owner of the utility should not be listed. Input 0 or none if there is nothing to report for that cell.

Water Utility Plant Description

Name of the System: **CLOUD NINE WATER COMPANY, INC**
 ADEQ Public Water System Number: **91-02-009**

WELLS

ADWR ID No *	Pump Horsepower	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Pump Motor Type **	Meter Size (inches)	Year Drilled	Arsenic Level (mg/L)
	40	250	400	4	?			
	30			4				

OTHER WATER SOURCES

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

BOOSTER PUMPS

Horsepower	GPM	Quantity
10		1
15		1
5		1

FIRE HYDRANTS

Type	Quantity
Standard ***	
Other	

STORAGE TANKS

Capacity	Material	Quantity
300000		1

PRESSURE/BLADDER TANKS

Capacity	Quantity
5000	2

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report. Copy and paste this sheet as many times as is necessary.

* Arizona Department of Water Resources ("ADWR") well identification number. For example 55-XXXXXX.

** Pump motor type, turbine or submersible.

*** A standard fire hydrant has two 2.5 inch hose connection nozzles with 7.5 threads per inch, and one 4.5 inch pumper connection nozzle with 4 threads per inch.

Water Utility Plant Description (Continued)				
MAINS			CUSTOMER METERS	
Sizes (inches)	Material	Length (feet)	Size (inches)	Quantity
2	4"	400	5/8 X 3/4	45
3		500	3/4	
4			1	
5			1 1/2	2
6			Compound 2	1
8			Turbine 2	
10			Compound 3	
12			Turbine 3	
			Compound 4	
			Turbine 5	
			Compound 6	
			Turbine 6	
			6+	

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

TREATMENT EQUIPMENT:	AUTO CHLORINATOR
-----------------------------	------------------

STRUCTURES:	
--------------------	--

OTHER:	
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Instructions: Fill out the Grey Cells with the relevent information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report. Copy and paste this sheet as many times as is necessary.

Water Use Data Sheet					
Name of the System:		0 CLOUD NINE WATER COMPANY			
ADEQ Public Water System Number:		0 91-02-009			
Month	Number of Customers	Gallons Sold (thousands) ¹	Gallons Pumped (thousands) ²	Gallons Purchased (thousands) ³	Estimated Gallons Authorized Use (thousands) ⁴
January			2151.7		
February			1065.3		
March			1407.2		
April			1490.5		
May			2236.9		
June			1780.5		
July			620.8		
August			-	1733.7	
September			2617.2		
October			2180.8		
November			2902.2		
December			2386.5		
Totals		0	20839.6 0	1733.7 0	0

If the system has fire hydrants, what is the fire flow requirements? GPM for hrs.

Does the system have chlorination treatment?

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 If yes, which AMA?

Does the Company have an ADWR Gallons Per Capita Per Day (GCPCPD) requirement?
 If yes, provide the GCPCPD amount:

If applicable, in the space below please provide a description for all un-metered water use along with amounts:

Instructions: Fill out the Grey Cells with the relevent information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

- 1 Gallons sold - Total gallons from customer meters.
- 2 Gallons pumped - Total gallons from pumped sources.
- 3 Gallons purchased - Total gallons purchased from other sources.
- 4 Estimated gallons authorized use - Total estimated gallons from authorized metered or unmetered use. Authorized use such as flushing (mains, services and hydrants) draining/cleaning tanks, process, construction, fire fighting, etc.

Cloud Nine Water Company, Inc.
 Annual Report
 Utility Shutoffs / Disconnects
 12/31/16

ADEQ System No. : 91-02-008 0

Utility Shutoffs / Disconnects			
Month	Termination without Notice R14-2-410.B	Termination with Notice R14-2-410.C	Other
January			
February			
March			1
April			
May			
June			
July			1
August			
September			
October			
November			
December			
Total	0	0	2

Other (description):

2x owner vacated property + requested shut-offs.

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

Cloud Nine Water Company, Inc.
Annual Report
Property Taxes
12/31/16

Property Taxes

Amount of actual property taxes paid during Calendar Year 2015 was

1,580.16

If no property taxes paid, explain why.

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

RECEIVED

APR 12 2017

ARIZONA CORP COMMISSION
UTILITIES DIVISION - DIRECTOR'S OFFICE

Verification and Statement (Taxes)

Verification: State of 0 CALIFORNIA I, the undersigned of the
(state name)

County of (county name): 0 MARIN
Name (owner or official) title: 0 ANDREW STOKES, SECRETARY
Company name: Cloud Nine Water Company, Inc.

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/16

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/official

415 497 2619

telephone no.

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

THIS _____ DAY OF _____
(county name)
(month) and (year)

MY COMMISSION EXPIRES _____
(date)

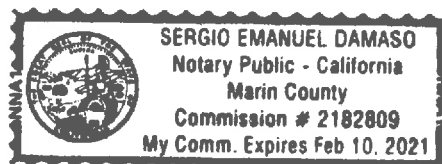
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA COUNTY OF MARIN
Subscribed and sworn to (or affirmed) before me on this 4 day of APRIL
20 17 by ANDREW STOKES

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

(Signature of Notary)

(signature of notary public)



Verification and Statement

Verification:

State of CALIFORNIA I, the undersigned of the
(state name)

County of (county name):

MARIN

Name (owner or official) title:

ANDREW STOKES, SECRETARY

Company name:

Cloud Nine Water Company, Inc.

RECEIVED
APR 12 2017
ARIZONA CORP COMMISSION
UTILITIES DIVISION - DIRECTOR'S OFFICE

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/16

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, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

16,986

(The amount in the box above includes

1,062

in sales taxes

billed or collected)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA COUNTY OF MARIN

Subscribed and sworn to (or affirmed) before me on this 4 day of APRIL

20 17 by ANDREW STOKES

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

[Signature]
(Signature of Notary)

[Signature]
signature of owner/official

8 415497 2019
telephone no.



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

(county name)

THIS _____ DAY OF

(month) and (year)

MY COMMISSION EXPIRES

(date)

(signature of notary public)

Verification and Statement (Residential Revenue)

RECEIVED

Verification:

State of CALIFORNIA I, the undersigned of the
(state name)

County of (county name):

MARIN
ANDREW STOKES, SECRETARY

Name (owner or official) title:

Company name:

Cloud Nine Water Company, Inc.

APR 12 2017

ARIZONA CORP COMMISSION
DIVISION - DIRECTOR'S OFFICE

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/16

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, 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 THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

6,956

(The amount in the box above includes

521 in sales taxes
billed or collected)

signature of owner/official

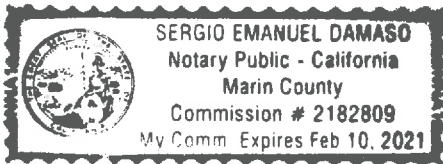
415 497 2819

telephone no.

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA COUNTY OF MARIN
Subscribed and sworn to (or affirmed) before me on this 4 day of APRIL
20 17 by ANDREW STOKES

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

(Signature of Notary)

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

(county name)

THIS _____

DAY OF _____

(month) and (year)

MY COMMISSION EXPIRES _____

(date)

(signature of notary public)