

**ANNUAL REPORT**

Of

Company Name:   
96 Bel Aire Pl., Ste 140

Mailing Address: Sierra Vista AZ  
85635

Docket No.: WS-02672A  
For the Year Ended:

RECEIVED  
APR 13 2018  
ARIZONA CORP COMMISSION  
UTILITIES DIVISION - DIRECTOR'S OFFICE

**WATER UTILITY**

To

Arizona Corporation Commission

**Due on April 15th**

Email: [rdefuente@azcc.gov](mailto: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:   
Application Date:

4-16-18

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

1. For the Calendar Year Ended: 12/31/17

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: ROBERT JONGEWARD  
Telephone No. : AS ABOVE  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Email: \_\_\_\_\_

7. Ownership: S-CORPORATION

8. Counties Served: COCHISE

Utility Plant in Service (Water)							
Account No.	Description	Beginning Year Original Cost	Current Year Additions	Current Year Retirements	Adjusted Original Cost	Accumulated Depreciation	OC/LD (OC less AD)
301	Organization	50,000			50,000	32,604	17,396
302	Franchises						
303	Land and Land Rights						
304	Structures and Improvements		8,135		8,135	203	7,932
305	Collecting & Improving Reservoirs						
306	Lake, River, Canal Intakes						
307	Wells and Springs	22,342	10,961		33,303	10,555	22,748
308	Infiltration Galleries						
309	Supply Mains						
310	Power Generation Equipment						
311	Pumping Equipment	64,677			64,677	5,724	58,953
320	Water Treatment Equipment						
320.1	Water Treatment Plants						
320.2	Solution Chemical Feeders						
320.3	Point-of-Use Treatment Devices						
330	Distribution Reservoirs and Standpipes						
330.1	Storage Tanks						
330.2	Pressure Tanks	18,471			18,471	7,759	10,712
331	Transmission and Distribution Mains						
333	Services						
334	Meters and Meter Installations						
335	Hydrants						
336	Backflow Prevention Devices						
339	Other Plant and Misc. Equipment						
340	Office Furniture and Equipment						
340.1	Computer & Software						
341	Transportation Equipment						
342	Stores Equipment						
343	Tools, Shop and Garage Equipment						
344	Laboratory Equipment						
345	Power Operated Equipment						
346	Communication Equipment						
347	Miscellaneous Equipment						
348	Other Tangible Plant						
	<b>Totals</b>				174,586	56,845	117,741

**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.

Cloud Nine Water Company, Inc.  
 Annual Report  
 Depreciation Expense for the Current Year (Water)  
 12/31/17

Depreciation Expense for the Current Year (Water)								
Account No.	Description	Beginning Year Original Cost	Current Year Additions	Current Year Retirements	Adjusted Original Cost	Fully Depreciated/Non-depreciable Plant	Depreciation Percentages	Depreciation Expense
301	Organization	50,000			50,000		2.5%	1,250
302	Franchises							
303	Land and Land Rights							
304	Structures and Improvements		8,135		8,135		5%	203
305	Collecting & Improving Reservoirs							
306	Lake, River, Canal Intakes							
307	Wells and Springs	22,342	10,961		33,303		var.	1,168
308	Infiltration Galleries							
309	Supply Mains							
310	Power Generation Equipment							
311	Pumping Equipment	64,677			64,677		var.	3,645
320	Water Treatment Equipment							
320.1	Water Treatment Plants							
320.2	Solution Chemical Feeders							
320.3	Point-of-Use Treatment Devices							
330	Distribution Reservoirs and Standpipes							
330.1	Storage Tanks							
330.2	Pressure Tanks	18,471			18,471		4%	739
331	Transmission and Distribution Mains							
333	Services							
334	Meters and Meter Installations							
335	Hydrants							
336	Backflow Prevention Devices							
339	Other Plant and Misc. Equipment							
340	Office Furniture and Equipment							
340.1	Computer & Software							
341	Transportation Equipment							
342	Stores Equipment							
343	Tools, Shop and Garage Equipment							
344	Laboratory Equipment							
345	Power Operated Equipment							
346	Communication Equipment							
347	Miscellaneous Equipment							
348	Other Tangible Plant							
	<b>Subtotal</b>							<b>7,005</b>

Contribution(s) in Aid of Construction (Gross)  
 Less: Non Amortizable Contribution(s)  
 Fully Amortized Contribution(s)  
 Amortizable Contribution(s)  
 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  
 12/31/17

Balance Sheet Assets			
	Assets	Balance at Beginning of Year (2017)	Balance at End of Year (2017)
Account No.	<b>Current and Accrued Assets</b>		
131	Cash		
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	3,813	1,764
146	Notes Receivable from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	<b>Total Current and Accrued Assets</b>	<b>7,632</b>	<b>2,960</b>
Account No.	<b>Fixed Assets</b>		
101	Utility Plant in Service*	305,491	174,587
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation (enter as negative)*	(199,342)	(56,346)
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	<b>Total Fixed Assets</b>	<b>105,649</b>	<b>117,741</b>
	<b>Total Assets</b>	<b>113,281</b>	<b>120,701</b>

**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				
	Liabilities		Balance at Beginning of Year (2017)	Balance at End of Year (2017)
Account No.	<b>Current Liabilities</b>			
231	Accounts Payable			
232	Notes Payable (Current Portion)			
234	Notes Payable to Associated Companies		409,250	37,335
235	Customer Deposits			
236	Accrued Taxes		80	79
237	Accrued Interest			
242	Miscellaneous Current and Accrued Liabilities			
	<b>Total Current Liabilities</b>		409,330	37,414
	<b>Long Term Debt</b>			
224	Long Term Debt (Notes and Bonds)			
	<b>Deferred Credits</b>			
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			
	<b>Total Deferred Credits</b>			
	<b>Total Liabilities</b>			
	<b>Capital Accounts</b>			
201	Common Stock Issued		200,000	200,000
211	Other Paid-In Capital		3503	13,4961
215	Retained Earnings		(49,552)	(30,674)
218	Proprietary Capital (Sole Props and Partnerships)			
	<b>Total Capital</b>		(296,049)	83,287
	<b>Total Liabilities and Capital</b>		113,281	120,701

**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  
12/31/17

Water Comparative Income Statement			
Account No.	Calendar Year	Current Year 01/01/2017 - 12/31/2017	Last Year 01/01/2016 - 12/31/2016
	<b>Operating Revenue</b>		
461	Metered Water Revenue	12,103	13,649
460	Unmetered Water Revenue	96	134
462	Fire Protection Revenue		
469	Guaranteed Revenues (Surcharges)		
471	Miscellaneous Service Revenues	247	1,463
474	Other Water Revenue	457	623
	<b>Total Revenues</b>	<b>12,903</b>	<b>15,924</b>
	<b>Operating Expenses</b>		
601	Salaries and Wages		
604	Employee Pensions and Benefits		
610	Purchased Water	-	6,388
615	Purchased Power	10,260	13,368
618	Chemicals		
620	Materials and Supplies	-	520
620.1	Repairs and Maintenance	248	9,600
620.2	Office Supplies and Expense		
630	Contractual Services		
631	Contractual Services -Engineering		1,700
632	Contractual Services - Accounting	1,180	1,180
633	Contractual Services - Legal	45	135
634	Contractual Services - Management Fees		
635	Contractual Services - Water Testing	5,458	5,500
636	Contractual Services - Other		
640	Rents		
641	Rental of Building/Real Property		
642	Rental of Equipment		
650	Transportation Expenses		
657	Insurance - General Liability	1,609	1,582
657.1	Insurance - Health and Life		
665	Regulatory Commission Expense - Rate		
670	Bad Debt Expense		
675	Miscellaneous Expense	794	1,480
403	Depreciation Expense (From Schedule AR4)	7,005	6,559
408	Taxes Other Than Income		
408.11	Property Taxes	1,561	1,580
409	Income Taxes		
427.1	Customer Security Deposit Interest		
	<b>Total Operating Expenses</b>	<b>28,160</b>	<b>49,592</b>
	<b>Operating Income / (Loss)</b>	<b>(15,257)</b>	<b>(33,668)</b>
	<b>Other Income / (Expense)</b>		
419	Interest and Dividend Income		
421	Non-Utility Income		
426	Miscellaneous Non-Utility (Expense)		(52,588)
427	Interest (Expense)		
	<b>Total Other Income / (Expense)</b>	<b>-</b>	<b>(52,588)</b>
	<b>Net Income / (Loss)</b>	<b>(15,257)</b>	<b>(86,256)</b>

**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)  
 12/31/17

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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<i>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 <u>not</u> be listed. Input 0 or none if there is nothing to report for that cell.</i>
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Water Utility Plant Description	
Name of the System:	CLLOUD NINE WATER CO, INC.
ADEQ Public Water System Number:	

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 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.

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

\*\* 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	1/2	2	
			Compound L	1	

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

<b>TREATMENT EQUIPMENT:</b>	AUTO CHLORINATOR
<b>STRUCTURES:</b>	
<b>OTHER:</b>	

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.

Water Use Data Sheet							
Name of the System:		0 CLOUD NINE WATER CO, INC.					
ADEQ Public Water System Number:		0					
Month	Number of Customers	Gallons Sold (thousands) <sup>1</sup>	Gallons Pumped (thousands) <sup>2</sup>	Gallons Purchased (thousands) <sup>3</sup>	Estimated Gallons Authorized Use (thousands) <sup>4</sup>	Purchased Power Expense <sup>5</sup>	Purchased Power (kWh) <sup>6</sup>
January			1,134.6			\$ 813	5,930
February			959.1			4463	3,159
March			1,386.7			4529	3,672
April			1,430.1			4879	3,790
May			1,847.9			9963	4,623
June			1,974.9			11,003	5,102
July			1,955.1			11,273	6,693
August			1,555.6			11,59	4,570
September			1,605.2			11,018	5,265
October			1,265.0			11,059	4,389
November			1,161.1			9,526	3,583
December			1,608.1			9,769	3,746
Totals			17,938.4			710,260	54,572

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 (GPCPD) requirement?   
 If yes, provide the GPCPD 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, and other sold gallons such as Construction water.
- 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.
- 5 Enter the total purchased power costs for the power meters associated with this system.
- 6 Enter the total purchased kWh used by the power meters associated with this system.

Cloud Nine Water Company, Inc.  
 Annual Report  
 Utility Shutoffs / Disconnects  
 12/31/17

ADEQ System No. :	91-02-009
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Utility Shutoffs / Disconnects			
Month	Termination without Notice R14-2-410.B	Termination with Notice R14-2-410.C	Other
January			
February			
March			
April			1
May			
June			1
July			
August			
September			
October			
November			2
December			
<b>Total</b>			<b>4</b>

Other (description):

CUSTOMER REQUESTED SHUTOFFS
-----------------------------

<b>Instructions:</b> 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.
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Cloud Nine Water Company, Inc.  
Annual Report  
Property Taxes  
12/31/17

**Property Taxes**

Amount of actual property taxes paid during Calendar Year 2017 was

\$1,561.22

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.

Verification and Sworn Statement (Taxes)

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

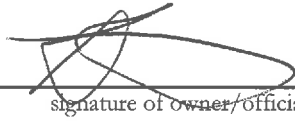
DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/17

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

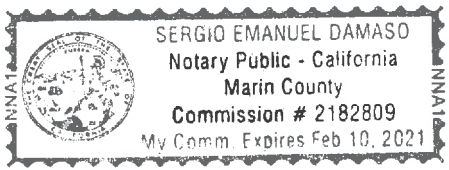
415-497-2619  
telephone no.


RECEIVED  
APR 13 2018  
ARIZONA CORP COMMISSION  
UTILITIES DIVISION - DIRECTOR'S OFFICE

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

THIS 11<sup>th</sup> DAY OF MARIN  
APRIL, 2018  
(month) and (year)

MY COMMISSION EXPIRES 02/10/2021  
(date)



  
(signature of notary public)

Verification and Sworn 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

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

FOR THE YEAR ENDING: 12/31/17

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.

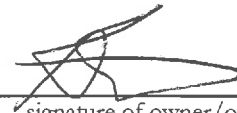
Sworn Statement: IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)  
13871  
(The amount in the box above includes  
988 in sales taxes  
billed or collected)

RECEIVED

APR 13 2018

ARIZONA CORP COMMISSION  
UTILITIES DIVISION - DIRECTOR'S OFFICE



signature of owner/official

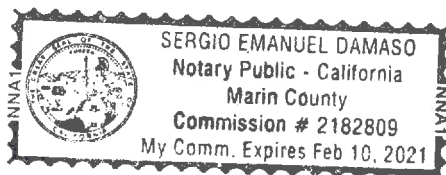
415 4972119

telephone no.

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

THIS 11<sup>th</sup> DAY OF MARIN  
APRIL, 2018  
(month) and (year)

MY COMMISSION EXPIRES 02/10/2021  
(date)



  
signature of notary public

**Verification and Sworn Statement (Residential Revenue)**

**Verification:**

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

County of (county name): MARIN  
Name (owner or official) title: ANDREW STOILES, 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: 12/31/17

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 (\$)

6,920

(The amount in the box above includes

519 in sales taxes  
billed or collected)

RECEIVED

APR 13 2018

ARIZONA CORP COMMISSION  
UTILITIES DIVISION - DIRECTOR'S OFFICE

signature of owner/official

415-497 2819

telephone no.

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

MARIN  
(county name)

THIS 11<sup>th</sup>

DAY OF APRIL, 2018  
(month) and (year)

MY COMMISSION EXPIRES 02/10/2021  
(date)



(signature of notary public)