

NEW APPLICATION

1 SHAPIRO LAW FIRM, P.C.
2 Jay L. Shapiro (No. 014650)
3 1819 E. Morten Avenue, Suite 280
4 Phoenix, Arizona 85020
5 Telephone (602) 559-9575
6 jay@shapslawaz.com

7 LIBERTY UTILITIES
8 Todd C. Wiley (No. 015358)
9 14920 W. Camelback Rd.
10 Litchfield Park, Arizona 85340
11 Todd.Wiley@LibertyUtilities.com

12 Attorneys for Liberty Utilities (Entrada Del Oro Sewer) Corp.

BEFORE THE ARIZONA CORPORATION COMMISSION

13 IN THE MATTER OF THE APPLICATION
14 OF LIBERTY UTILITIES (ENTRADA DEL
15 ORO SEWER) CORP., AN ARIZONA
16 CORPORATION, FOR AUTHORITY TO
17 ISSUE EVIDENCE OF INDEBTEDNESS IN
18 AN AMOUNT NOT TO EXCEED
19 \$2,200,000.

DOCKET NO: SW-04316A-21-

APPLICATION (FINANCING)

20 Pursuant to A.R.S. §§ 40-301 and 40-302, Liberty Utilities (Entrada Del Or Sewer)
21 Corp. (“Liberty EDO” or “Company”), an Arizona public service corporation, hereby
22 applies for authority from the Arizona Corporation Commission (“Commission”) to issue
23 evidence of indebtedness in a total amount not to exceed \$2,200,000 on the terms and
24 conditions set forth below.¹ In support of this Application, Liberty EDO states as follows:

25 ¹ On September 30, 2021, Liberty EDO and Liberty Utilities (Gold Canyon Sewer) Corp. (“Liberty Gold Canyon”)
26 filed rate applications with the Commission (see Liberty EDO Docket No. SW-04316A-21-0325 and Liberty Gold
Canyon Docket No. SW-02519A-21-0326). Liberty Gold Canyon also is filing a financing application concurrently
with this financing application by Liberty EDO. Further, Liberty EDO is concurrently filing a separate application to
transfer its assets to Liberty Gold Canyon under Ariz. Rev. Stat. § 40-285. In turn, Liberty EDO and Liberty Gold
Canyon intend to file motions to consolidate the two rate applications, the two financing applications and the 40-285
docket into one proceeding.

1 **A. General Background.**

2 1. Liberty EDO is a public service corporation providing sewer service to
3 approximately 365 customers in Pinal County, Arizona.

4 2. Liberty EDO's present rates and charges for utility service were approved by
5 the Commission in Decision No. 76019 (March 22, 2017) using a test year ending
6 October 31, 2015. On September 30, 2021, Liberty EDO filed a rate case seeking new rates
7 using a test year ending December 31, 2020 (Docket No. SW-04316A-21-0325).

8 3. Liberty EDO's business office is located at 14920 W. Camelback Rd.,
9 Litchfield Park, Arizona 85340 and its telephone number is (623) 935-9367. The
10 Company's primary management contact is its President, Matthew Garlick.

11 4. The person responsible for overseeing and directing the conduct of this
12 Application is Jill Schwartz, Director, Regulatory Shared Services. Her mailing address is
13 602 S Joplin Ave, Joplin, MO 64801; her telephone number is (573) 352-0045; and her
14 email address is Jill.Schwartz@LibertyUtilities.com. **All discovery, data requests and
15 other requests for information concerning this Application should be directed to
16 Ms. Schwartz, with a copy by e-mail to undersigned counsel at jay@shapslawaz.com
17 and whitney@shapslawaz.com, and Todd C. Wiley at
18 Todd.Wiley@LibertyUtilities.com and Judy.JenkinsHitchye@LibertyUtilities.com.**

19 5. Financial statements for the twelve-month period ending December 31, 2020
20 are attached as **Exhibit 1.**

21 6. Statements projecting Liberty EDO's estimated financial performance, for the
22 next five years, are attached as **Exhibit 2.**

23 **B. Purposes of Financing.**

24 7. Liberty EDO seeks Commission approval of long-term debt financing
25 contemplated herein for the purpose of rebalancing the Company's current approved capital
26 structure of 60 percent equity and 40 percent debt to a capital structure of 54 percent equity

1 and 46 percent debt.

2 8. If this Application is approved, Liberty EDO will borrow the amount necessary
3 to achieve a capital structure consisting of 54 percent equity and 46 percent debt. This
4 amount is currently estimated to be \$2,200,000. Liberty EDO will enter into additional loan
5 agreements every six months as necessary to maintain a capital structure consisting of
6 54 percent equity and 46 percent debt. However, at no time will the total debt amount
7 exceed \$2,200,000.

8 **C. Terms and Conditions of Financial Transactions.**

9 9. The lender will be Liberty Utilities Co. (“Liberty Utilities”). Liberty Utilities
10 is an affiliate of Liberty EDO. The term sheet for the proposed debt financing is attached
11 hereto as **Exhibit 3**. Liberty Utilities will provide the subject financing at the 15-year U.S.
12 Treasury rate plus a 160-basis point credit spread based on Liberty Utilities’ most recent
13 private placement financing. The maturity date for the debt financing from Liberty Utilities
14 shall be 15 years after closing. Liberty Utilities will not earn a profit or return on loans
15 made to Liberty EDO under the authority sought in this Application.

16 **D. Effects of Financial Transactions.**

17 10. Liberty EDO’s pro forma balance sheet for the period ending
18 December 31, 2020 is attached as **Exhibit 2**. The pro forma balance sheet reflects the
19 impact of the debt infusion that is the subject of this Application. As noted above, the
20 Company’s pro forma capital structure will be 46 percent debt and 54 percent common
21 equity.

22 11. The Company’s ratios are shown in **Exhibit 2**, lines 66-79. The DSCR and
23 TIER calculations, as shown on Exhibit 2, were calculated using a weighted average of the
24 15-year U.S. Treasury rate plus a 160-basis point credit spread.

25
26

1 12. The loan proceeds will be issued for lawful purposes, as discussed herein, and
2 the execution of loan agreements with Liberty Utilities and the undertaking of the
3 obligations set forth therein are within the Company's corporate powers. A Corporate
4 Resolution authorizing the contemplated transaction will be filed as a supplement to this
5 Application.

6 13. The approvals sought herein are compatible with the public interest and with
7 the proper performance of Liberty EDO's duties as a public service corporation.

8 14. The financing contemplated herein will not impair Liberty EDO's ability to
9 perform its duties as a public service corporation providing wastewater utility service.

10 15. Liberty EDO intends to request consolidation of this financing application
11 with other proceedings, as noted above. The Company will seek permission to notify its
12 customers of all proceedings at the same time if consolidation is granted. Proof of
13 publication and a true copy of the notice will be filed with the Commission as necessary.

14 Based on the foregoing, Liberty EDO respectfully requests the following:

15 A. That the Commission consider this Application as soon as practicable;

16 B. That the Commission enter an order approving this Application and
17 authorizing Liberty EDO to incur indebtedness in an amount not to exceed \$2,200,000 for
18 the purposes described above; and

19 C. That the Commission authorize Liberty EDO to take such other and further
20 action as may be necessary to effectuate the purposes of this Application, as may be
21 appropriate under the circumstances herein.

22 ...

23 ...

24 ...

25

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

RESPECTFULLY SUBMITTED this 2nd day of November, 2021.

SHAPIRO LAW FIRM, P.C.

By: /s/ Jay L. Shapiro
Jay L. Shapiro
1819 E. Morten Avenue, Suite 280
Phoenix, AZ 85020
jay@shaplawaz.com

and

LIBERTY UTILITIES

Todd C. Wiley
Vice President, Associate General Counsel
14920 W. Camelback Rd.,
Litchfield Park, AZ 85340

Attorneys for Liberty Utilities
(Entrada Del Oro Sewer) Corp.

ORIGINAL was e-Filed
this 2nd day of November, 2021, with:

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

By: /s/ Whitney Birk

EXHIBIT 1

Liberty Utilities (Entrada Del Oro Sewer) Corp.
 Test Year Ended December 31, 2020
 Comparative Balance Sheets

Exhibit
 Schedule E-1
 Page 1
 Witness: Cifuentes

Line No.		Test Year Ended 12/31/2020	Year Ended 12/31/2019	Year Ended 12/31/2018
1	ASSETS			
2	Plant In Service	\$ 3,534,672	\$ 3,487,388	\$ 3,482,836
3	Non-Utility Plant	-	-	-
4	Construction Work in Progress	458,924	38,405	8,586
5	Property Held for Future Use	824,900	824,900	824,900
6	Less: Accumulated Depreciation	(1,727,000)	(1,607,209)	(1,491,820)
7	Net Plant	\$ 3,091,496	\$ 2,743,483	\$ 2,824,503
8				
9	CURRENT ASSETS			
10	Cash and Equivalents	\$ 8,704	\$ 4,148	\$ 6,883
11	Restricted Cash	-	-	-
12	Accounts Receivable, Net	44,348	38,908	37,669
13	Inter-Company Receivable	500,702	596,114	374,012
14	Other Receivables	-	-	-
15	Notes Receivable	-	-	-
16	Materials and Supplies Inventory	-	-	-
17	Prepayments	7,498	3,777	5,282
18	Deposits	1,000	1,000	1,000
19	Miscellaneous Current and Accrued Assets	-	-	-
20	Total Current Assets	\$ 562,252	\$ 643,947	\$ 424,846
21				
22	OTHER ASSETS			
23	Deferred Regulatory Assets	\$ 2,500	\$ 10,008	\$ 40,005
24	Other Deferred Debits	-	-	-
25	Deferred Debits	\$ 2,500	\$ 10,008	\$ 40,005
26				
27	TOTAL ASSETS	\$ 3,656,247	\$ 3,397,438	\$ 3,289,354
28				
29				
30	LIABILITIES AND STOCKHOLDER EQUITY			
31				
32	Stockholder's Equity	\$ 2,624,733	\$ 2,567,493	\$ 2,286,856
33				
34	Long-Term Debt	\$ -	\$ -	\$ -
35				
36	CURRENT LIABILITIES			
37	Accounts Payable	\$ -	\$ -	\$ -
38	Current Portion of Long-Term Debt	-	-	-
39	Payables to Associated Companies	-	-	-
40	Security Deposits	(160)	-	-
41	Customer Meter Deposits, Current	-	-	-
42	Current Portion of AIAC	-	-	-
43	Accrued Taxes	-	-	-
44	Accrued Interest	-	-	-
45	Miscellaneous Current and Accrued Liabilities	123,407	12,290	7,569
46	Total Current Liabilities	\$ 123,247	\$ 12,290	\$ 7,569
47				
48	DEFERRED CREDITS			
49	Customer Meter Deposits, less current	\$ 6,340	\$ 9,770	\$ 5,190
50	Advances in Aid of Construction - Tax Gross-up	-	-	-
51	Advances in Aid of Construction	-	-	-
52	AIAC in-progress	43,816	17,009	10,000
53	Accumulated Deferred Investment Tax Credits	8,266	9,919	-
54	Accumulated Deferred Income Taxes	(84,526)	(148,587)	52,356
55	Deferred Regulatory Liabilities - Tax	-	-	-
56	Contributions In Aid of Construction - Tax Gross-up	-	-	-
57	Contributions In Aid of Construction	1,013,252	1,013,252	1,013,252
58	Accumulated Amortization	(85,869)	(85,869)	(85,869)
59	CIAC in-progress	-	-	-
60	Other Deferred Credits	6,987	2,162	-
61	Total Deferred Credits	\$ 908,267	\$ 817,655	\$ 994,929
62				
63	Total Liabilities & Common Equity	\$ 3,656,247	\$ 3,397,438	\$ 3,289,354
64				
65				
66				
67	SUPPORTING SCHEDULES:			
68	Work papers			

Liberty Utilities (Entrada Del Oro Sewer) Corp.
 Test Year Ended December 31, 2020
 Comparative Income Statements

Exhibit
 Schedule E-2
 Page 1
 Witness: Cifuentes

Line No.	Account Description	Test Year Ended 12/31/2020	Prior Year Ended 12/31/2019	Prior Year Ended 12/31/2018
1	Revenues			
2	Sewer Revenues	\$ 454,853	\$ 398,357	\$ 368,311
3	Reclaimed Water Revenues	-	-	-
4	Other Sewer Revenues	670	4,556	3,377
5	Total Revenues	\$ 455,523	\$ 402,912	\$ 371,688
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Water	3,035	2,182	1,942
9	Purchased Wastewater Treatment	-	-	-
10	Sludge Removal	5,794	2,429	2,298
11	Purchased Power	17,667	19,620	17,933
12	Fuel for Power Production	-	-	-
13	Chemicals	1,734	-	-
14	Materials and Supplies	1,324	767	419
15	Contractual Services - Accounting	1,770	3,445	1,397
16	Contractual Services - Legal	695	251	-
17	Contractual Services - Management	58,114	61,148	39,519
18	Contractual Services - Testing	22,306	17,124	15,210
19	Contractual Services - Other	51,344	14,663	11,189
20	Equipment Rent	-	-	-
21	Building Rent	445	404	519
22	Transportation Expense	191	765	33
23	Insurance - Auto	-	-	-
24	Insurance - General Liability	1,145	1,616	4,220
25	Regulatory Commission Expense	-	-	-
26	Miscellaneous Expense	17,158	18,895	19,152
27	Depreciation and Amortization	130,019	150,293	134,487
28	Bad Debt Expense	2,863	1,566	1,796
29	Taxes Other Than Income	-	-	-
30	Property Taxes	17,584	16,459	15,841
31	Income Taxes	62,409	(202,596)	52,356
32	Total Operating Expenses	\$ 395,596	\$ 109,033	\$ 318,311
33	Operating Income	\$ 59,927	\$ 293,879	\$ 53,377
34	Other Income (Expense)			
35	Interest and Dividend Income	-	65	40
36	AFUDC Income	154	-	-
37	Miscellaneous Non-Utility Expenses	(2,428)	(1,374)	(594)
38	Interest Expense	(414)	(361)	(223)
39				
40	Total Other Income (Expense)	\$ (2,687)	\$ (1,670)	\$ (776)
41	Net Profit (Loss)	\$ 57,240	\$ 292,209	\$ 52,601

RECAP SCHEDULES:
 A-2

Liberty Utilities (Entrada Del Oro Sewer) Corp.
 Test Year Ended December 31, 2020
 Comparative Statements Of Cash Flows

Exhibit
 Schedule E-3
 Page 1
 Witness: Cifuentes

Line No.		Test Year Ended 12/31/2020	Prior Year Ended 12/31/2019	Prior Year Ended 12/31/2018
1	Cash Flows from Operating Activities			
2	Net Income	\$ 57,240	\$ 292,209	\$ 52,601
3	Adjustments to reconcile net income to net cash			
4	provided by operating activities:			
5	Depreciation and Amortization	130,019	150,293	134,487
6	Depreciation and Amortization Adjustments	(10,228)	(34,904)	(16,311)
7	Changes in Certain Assets and Liabilities:			
8	Accounts Receivable	(5,440)	(1,239)	(5,806)
9	Other Receivables			
10	Materials and Supplies Inventory			
11	Prepaid Expenses	(3,721)	1,505	1,235
12	Deferred Regulatory Assets/Liabilities			
13	Deferred Income Taxes	64,061	(200,943)	52,356
14	Receivables/Payables to Associated Co.	95,412	(222,102)	(254,516)
15	Accounts Payable			
16	Interest Payable			
17	Customer Meter and Security Deposits	(3,590)	4,580	12,420
18	Taxes Payable			
19	Other assets and liabilities	121,797	46,799	30,115
20	Rounding	2	1	(1)
21	Net Cash Flow provided by Operating Activities	\$ 445,552	\$ 36,199	\$ 6,581
22	Cash Flow From Investing Activities:			
23	Capital Expenditures	(467,803)	(34,371)	(10,852)
24	Plant Held for Future Use			-
25	Changes in Special Funds			-
26	Net Cash Flows from Investing Activities	\$ (467,803)	\$ (34,371)	\$ (10,852)
27	Cash Flow From Financing Activities			
28	Change in Restricted Cash			
29	Proceeds from Long-Term Debt			
30	Net receipt of contributions in aid of construction			
31	Net receipts of advances in aid of construction	26,807	7,009	5,000
32	Repayments of Long-Term Debt			
33	Distributions		(11,572)	
34	Deferred Financing Costs			
35	Paid in Capital			
36	Net Cash Flows Provided (Used) by Financing Activities	\$ 26,807	\$ (4,563)	\$ 5,000
37	Increase(decrease) in Cash and Cash Equivalents	4,556	(2,735)	729
38	Cash and Cash Equivalents at Beginning of Year	4,148	6,883	6,154
39	Cash and Cash Equivalents at End of Year	\$ 8,704	\$ 4,148	\$ 6,883

40

41

42 SUPPORTING SCHEDULES:

43 Work papers

44 E1

45 E-2

RECAP SCHEDULES:

A-5

EXHIBIT 2

Liberty Utilities (Entrada Del Oro Sewer) Corp.
Current and Projected Balance Sheets (Unaudited)

Page 1

Line No.	Proforma Ended 12/31/2020	Projected Year Ended 12/31/2021	Projected Year Ended 12/31/2022	Projected Year Ended 12/31/2023	Projected Year Ended 12/31/2024	Projected Year Ended 12/31/2025
1	ASSETS					
2	\$ 3,534,672	\$ 5,246,025	\$ 5,784,875	\$ 6,323,725	\$ 6,323,725	\$ 6,323,725
3	-	-	-	-	-	-
4	458,924	-	-	-	-	-
5	824,900	-	-	-	-	-
6	(1,727,000)	(1,896,557)	(2,056,941)	(2,237,714)	(2,425,283)	(2,612,852)
7	\$ 3,091,496	\$ 3,349,468	\$ 3,727,934	\$ 4,086,011	\$ 3,898,442	\$ 3,710,873
8						
9	CURRENT ASSETS					
10	\$ 8,704	\$ 176,904	\$ 340,589	\$ 221,697	\$ 406,131	\$ 589,735
11	-	-	-	-	-	-
12	44,348	44,348	44,348	44,348	44,348	44,348
13	500,702	500,702	500,702	500,702	500,702	500,702
14	-	-	-	-	-	-
15	-	-	-	-	-	-
16	-	-	-	-	-	-
17	7,498	7,498	7,498	7,498	7,498	7,498
18	1,000	1,000	1,000	1,000	1,000	1,000
19	-	-	-	-	-	-
20	\$ 562,252	\$ 730,452	\$ 894,137	\$ 775,244	\$ 959,679	\$ 1,143,283
21						
22	OTHER ASSETS					
23	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
24	-	-	-	-	-	-
25						
26						
27	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
28						
29	\$ 3,656,247	\$ 4,082,420	\$ 4,624,571	\$ 4,863,756	\$ 4,860,621	\$ 4,856,656
30						
31	LIABILITIES AND STOCKHOLDER EQUITY					
32						
33	\$ 1,417,356	\$ 1,671,590	\$ 1,976,868	\$ 2,116,678	\$ 2,126,110	\$ 2,135,094
34						
35	\$ 1,207,377	\$ 1,423,947	\$ 1,683,999	\$ 1,803,096	\$ 1,811,131	\$ 1,818,784
36						
37	CURRENT LIABILITIES					
38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39	-	-	-	-	-	-
40	-	-	-	-	-	-
41	(160)	(160)	(160)	(160)	(160)	(160)
42	-	-	-	-	-	-
43	-	-	-	-	-	-
44	-	-	-	-	-	-
45	-	-	-	-	-	-
46	123,407	123,407	123,407	123,407	123,407	123,407
47	\$ 123,247	\$ 123,247	\$ 123,247	\$ 123,247	\$ 123,247	\$ 123,247
48						
49	DEFERRED CREDITS					
50	\$ 6,340	\$ 6,340	\$ 6,340	\$ 6,340	\$ 6,340	\$ 6,340
51	-	-	-	-	-	-
52	-	-	-	-	-	-
53	43,816	43,816	43,816	43,816	43,816	43,816
54	8,266	8,266	8,266	8,266	8,266	8,266
55	(84,526)	(5,387)	(5,387)	(5,387)	(5,387)	(5,387)
56	-	-	-	-	-	-
57	-	-	-	-	-	-
58	1,013,252	1,013,352	1,013,352	1,013,352	1,013,352	1,013,352
59	(85,869)	(174,026)	(200,848)	(224,214)	(248,458)	(272,702)
60	-	-	-	-	-	-
61	6,987	(28,725)	(25,083)	(21,440)	(17,797)	(14,155)
62	\$ 908,267	\$ 863,636	\$ 840,457	\$ 820,734	\$ 800,132	\$ 779,531
63						
64	\$ 3,656,247	\$ 4,082,420	\$ 4,624,571	\$ 4,863,755	\$ 4,860,620	\$ 4,856,656
65						
66	46%	46%	46%	46%	46%	46%
67	54%	54%	54%	54%	54%	54%
68						
69	\$ 252,354	\$ 268,010	\$ 277,657	\$ 283,844	\$ 281,392	\$ 278,868
70	\$ 122,336	\$ 130,805	\$ 140,452	\$ 122,794	\$ 114,424	\$ 111,901
71						
72	3.120%	3.120%	3.120%	3.120%	3.120%	3.120%
73						
74	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
75	37,670	44,427	52,541	56,257	56,507	56,746
76	\$ 37,670	\$ 44,427	\$ 52,541	\$ 56,257	\$ 56,507	\$ 56,746
77						
78	6.70	6.03	5.28	5.05	4.98	4.91
79	3.25	2.94	2.67	2.18	2.02	1.97
80						
81	* Proforma and projected Equity and Debt for 2020-2025 adjusted to achieve 46% debt and 54% equity in capital structure.					

Liberty Utilities (Entrada Del Oro Sewer) Corp.
Current and Projected Income Statements (Unaudited)

Line No.		Actual Year Ended 12/31/2020	Projected Year Ended 12/31/2021	Projected Year Ended 12/31/2022	Projected Year Ended 12/31/2023	Projected Year Ended 12/31/2024	Projected Year Ended 12/31/2025
1	Revenues						
2	Sewer Revenues	\$ 454,853	\$ 475,647	\$ 485,700	\$ 495,752	\$ 497,239	\$ 498,731
3	Reclaimed Water Revenues	-	-	-	-	-	-
4	Other Sewer Revenues	670	670	670	670	670	670
5	Total Revenues	\$ 455,523	\$ 476,317	\$ 486,370	\$ 496,422	\$ 497,909	\$ 499,401
6	Operating Expenses						
7	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	3,035	3,035	3,035	3,065	3,096	3,127
9	Purchased Wastewater Treatment	-	-	-	-	-	-
10	Sludge Removal	5,794	5,981	5,981	6,101	6,223	6,347
11	Purchased Power	17,667	18,241	18,241	18,606	18,978	19,358
12	Fuel for Power Production	-	-	-	-	-	-
13	Chemicals	1,734	1,789	1,789	1,825	1,861	1,899
14	Materials and Supplies	1,324	1,324	1,324	1,350	1,377	1,405
15	Contractual Services - Accounting	1,770	1,770	1,770	1,806	1,842	1,879
16	Contractual Services - Legal	695	695	695	709	724	738
17	Contractual Services - Management	58,114	56,625	56,625	57,758	58,913	60,091
18	Contractual Services - Testing	22,306	22,306	22,306	22,752	23,207	23,671
19	Contractual Services - Other	51,344	51,344	51,344	52,371	53,419	54,487
20	Equipment Rent	-	-	-	-	-	-
21	Building Rent	445	-	-	-	-	-
22	Transportation Expense	191	191	191	195	199	203
23	Insurance - Auto	-	-	-	-	-	-
24	Insurance - General Liability	1,145	1,145	1,145	1,168	1,191	1,215
25	Regulatory Commission Expense	-	-	-	-	-	-
26	Miscellaneous	17,158	17,158	17,158	17,502	17,852	18,209
27	Depreciation and Amortization	130,019	137,205	137,205	161,050	166,968	166,968
28	Bad Debt Expense	2,863	1,048	1,092	1,095	1,099	1,102
29	Taxes Other Than Income	-	-	-	-	-	-
30	Property Taxes	17,584	25,655	26,016	26,276	26,539	26,805
31	Income Taxes	62,409	26,404	21,864	16,549	14,405	13,717
32							
33	Total Operating Expenses	\$ 395,596	\$ 371,917	\$ 367,782	\$ 390,176	\$ 397,890	\$ 401,218
34	Operating Income	\$ 59,927	\$ 104,400	\$ 118,587	\$ 106,246	\$ 100,020	\$ 98,183
35	Other Income (Expense)						
36	Interest and Dividend Income	-	-	-	-	-	-
37	AFUDC Income	154	154	154	154	154	154
38	Other Income (expense)	(2,428)	(2,428)	-	-	-	-
39	Interest Expense*	(414)	(44,427)	(52,541)	(56,257)	(56,507)	(56,746)
40							
41	Total Other Income (Expense)	\$ (2,687)	\$ (46,700)	\$ (52,386)	\$ (56,102)	\$ (56,353)	\$ (56,592)
42	Net Profit (Loss)	\$ 57,240	\$ 57,700	\$ 66,201	\$ 50,143	\$ 43,667	\$ 41,591
43							

* Projected interest expense based upon weighted cost of debt and debt levels in 2021-2025.

44
45
46
47
48

EXHIBIT 3

Liberty Utilities Co. to Liberty Utilities (Entrada Del Oro Sewer) Corp. Term Sheet

Lender	Liberty Utilities Co.
Borrower	Liberty Utilities (Entrada Del Oro Sewer) Corp.
Guarantor(s)	None
Type of Credit	Term Loan
Purpose	Any lawful purpose including, without limitation, achieving and maintaining a capital structure with a preferred blend of debt and equity.
Loan Amount	Maximum of US \$2.2 million
Maturity Date	Fifteen Years after Closing Date
Collateral	None
Interest Rate	Fifteen Year US Treasury plus a 160-basis point credit spread (or such other like term credit spread based on the most recent Liberty private debt placement). The rate shall be determined using the Treasury rate applicable on the closing date. Based on the 15-year US Treasury rate as of October 25, 2021 of 1.728%, the indicative all-in rate, including the credit spread, would be 3.328%.
Repayment Terms	Interest payments shall be made semi-annually. Based on an indicative rate noted above, the semi-annual interest payments would be \$36,608. The actual interest payments will be based on the amount borrowed and the then current 15-year US Treasury rate plus the applicable spread. The principal balance shall be due and payable on or before the maturity date.
Prepayment	<p>A make whole payment on early repayment will apply.</p> <p>Lender acknowledges, and the parties hereto agree, that the loan holder has the right to maintain its investment in the loan free from repayment by Lender and that the provision for payment of a make-whole amount by Lender in the event that the loan is redeemed is intended to provide compensation for the deprivation of such right under such circumstances. "Make-whole amount" means, with respect to the loan, an amount equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the called principal of such loan over the amount of such called principal, provided that the make-whole amount may in no event be less than zero.</p> <p>"Make-whole amount" means, with respect to the loan, an amount equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the called principal of such loan over the amount</p>

of such called principal, provided that the make-whole amount may in no event be less than zero.

Indicative Covenants

Borrower shall maintain a debt to capital ratio of no more than 46%.

Other Covenants

Standard and customary for transactions of this nature.

Expenses

Borrower and Lender to incur their own reasonable out-of-pocket costs and expenses incurred in connection with initiating and administering the loan, including, but not limited to, closing, legal, and administrative costs.