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June 22, 2004

SW-04265A-04-0439

Ms. Carol O'Brien
Property Appraiser/Financial Analyst
Centrally Valued Properties
Arizona Department of Revenue
1600 West Monroe
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED
JUN 2 2 2004
DOCKETED BY CAR

Dear Ms. O'Brien

Thank you for checking my property tax computations for Woodruff Utility Company and Woodruff Water Company. Indeed, you are correct that I did not multiply the three average of revenue by two in determining the full cash value. Thus the property tax computations are in error.

I have corrected the property tax computations. I have also corrected the pages that rely on the property tax expense in the Certificate of Convenience and Necessity ("CC&N") filing. These pages consist of the projected Balance Sheet, (Schedule 1), the projected Income Statement, (Schedule 2) and the projected Cash Flow Statement (Schedule 3), as well as the Attachments (projected Balance Sheet and Income Statement) called for by the Arizona Corporation Commission filing requirements for a CC&N.

I will submit these revised schedules and attachments to the Arizona Corporation Commission.

In the property tax computations, I did not assume any plant to consist of Construction Work in Progress ("CWIP"), and therefore omitted the CWIP from the computations.

The service area is located in Pinal County (just to the west of Coolidge), hence the use of the statewide property tax rate of 12.18%.

In reviewing your computation of property taxes, it appears that you used the same revenues for both the wastewater and water. The wastewater is a separate utility and company, as is the water utility, and have separate revenues. The revenues for the wastewater utility, Woodruff Utility Company are $121, 603, $453,713, $880,237, $1,306,640, and $1,727,293 for the projected years 1 through 5 respectively. The revenues for the water utility, Woodruff Water Company are $102,600, $378,440, $773,145, $1,078,729, and $1,433,609 for years 1 through 5 respectively.

I am attached the following to you to show that I have revised the property tax computation.

Woodruff Utility Company
Income Statement (Revised), showing total revenues (labeled as Schedule 2).
Computation of Property Tax (Revised), (labeled as Schedule 2b),
Listing of Plant (labeled as Schedule 1a, Summary Page), and
Plant and Accumulated Depreciation (labeled as Schedules 1a, Pages 1 through 5).

Also enclosed are the following for:

Woodruff Water Company
Income Statement (revised), showing total revenues (labeled as Schedule 2).
Computation of Property Tax (revised), (labeled as Schedule 2b),
Listing of Plant (labeled as Schedule 1.1 Summary Page), and
Plant and Accumulated Depreciation (labeled as Schedules 1a, Pages 1 through 5).

Again, thank you for checking my computations.

If you have any questions, please contact me.

Sincerely,

Ronald L. Kozoman, CPA

Copy to Docket Control, Arizona Corporation Commission
Copy to Norm James, Fennamore Craig Law Firm (With enclosures)
Copy to Karl Polen, Jr., Pivotal Group

ATTACHMENT C

PROFORMA BALANCE SHEET (SEWER)

Woodruff Utility Company

	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS					
Current Assets					
Cash	$ 33,930	$ 214,900	$ 160,618	$ 754,819	$ 1,541,553
Accounts Receivable	0	0	0	0	0
Other	0	0	0	0	0
Total Current Assets	$ 33,930	$ 214,900	$ 160,618	$ 754,819	$ 1,541,553
Fixed Assets					
Utility Plant	$ 8,811,280	$ 10,018,780	$ 12,253,280	$ 13,460,780	$ 14,668,280
(Less) Accumulated Depreciation	(66,905)	(280,145)	(615,891)	(1,074,033)	(1,623,730)
Net Plant in Service	$ 8,744,375	$ 9,738,635	$ 11,637,389	$ 12,386,747	$ 13,044,550
Total Assets	$ 8,778,305	$ 9,953,535	$ 11,798,007	$ 13,141,565	$ 14,586,103
LIABILITIES AND CAPITAL					
Current and Accrued Liabilities					
Accounts Payable	0	0	0	0	0
Notes Payable	0	0	0	0	0
Accrued Taxes	0	0	0	0	0
Accrued Interest	0	0	0	0	0
Other	0	0	0	0	0
Total Current and Accred Liabilities	0	0	0	0	0

ATTACHMENT C

PROFORMA BALANCE SHEET (SEWER)

Woodruff Utility Company

	Year 1	Year 2	Year 3	Year 4	Year 5
Long-Term Debt					
Deferred Credits					
Advances in Aid of Construction	$ 500,000	$ 500,000	$ 1,388,743	$ 3,058,981	$ 3,830,132
Contribution in Aid of Construction, Net of Amortization	148,500	444,975	737,380	1,021,715	1,300,000
Accumulated Deferred Income Tax	-	-	-	-	-
	-	-	-	-	-
Total Deferred Credits	$ 648,500	$ 944,975	$ 2,126,123	$ 4,080,696	$ 5,130,132
CAPITAL ACCOUNT					
Common Stock	8,261,280	8,261,280	8,761,280	8,761,280	8,761,280
Preferred	0	0	0	0	0
Paid in Capital	0	0	0	0	0
Retained Earnings	(131,475)	(141,463)	54,160	299,589	694,692
	-	-	-	-	-
Total Capital	$ 8,129,805	$ 8,119,817	$ 8,815,440	$ 9,060,869	$ 9,455,972
TOTAL LIABILITIES AND CAPITAL	$ 8,778,305	$ 9,064,792	$ 10,941,563	$ 13,141,565	$ 14,586,103

PROFORMA INCOME STATEMENT (SEWER)
Woodruff Utility Company

Revised

	Year One	Year Two	Year Three	Year Four	Year Five
Flat Rate Revenues	$ 111,630	$ 412,260	$ 792,336	$ 1,172,292	$ 1,549,812
Measured Revenues	9,973	41,453	87,901	134,348	177,481
Establishment Charges					
Other Operating Revenue					
Total Operating Revenue	$ 121,603	$ 453,713	$ 880,237	$ 1,306,640	$ 1,727,293
OPERATING EXPENSES:					
Salaries and Wages	$ 68,500	$ 70,555	$ 72,672	$ 74,852	$ 77,097
Purchased Sewer Treatment					
Sludge Removal Expense	3,000	3,090	3,183	3,278	3,377
Purchased Power for Pumping Equipment	12,906	52,714	108,670	182,626	236,431
Sewage Treatment and Testing	16,000	20,180	24,365	28,556	32,753
Repairs and Maintenance	2,000	6,000	9,000	12,000	15,000
Office Supplies Expense	3,709	13,863	26,762	39,661	52,551
Outside Services	54,800	56,444	58,137	59,881	61,678
Rents	6,000	6,180	6,365	6,556	6,753
Transportation Expense	3,500	3,605	3,713	3,825	3,939
General Insurance	4,000	4,120	4,244	4,371	4,502
Depreciation	65,405	207,215	323,652	439,977	525,482
Health and Life Insurance					
Income Taxes	50	50	11,370	150,744	239,743
Property Tax	6,583	13,508	29,091	53,330	79,366
Taxes Other than Property & Income					
Miscellaneous Expenses	7,000	7,060	7,122	7,185	7,251
Total Operating Expense	$ 253,454	$ 464,584	$ 688,346	$ 1,066,844	$ 1,345,923
OPERATING INCOME OR LOSS	$ (131,850)	$ (10,871)	$ 191,890	$ 239,796	$ 381,371
OTHER INCOME / EXPENSE					
Interest Income	375	884	3,732	5,633	13,732
Other Income					
Other Expense					
Interest Expenses					
TOTAL OTHER INCOME / EXPENS	375	884	3,732	5,633	13,732
NET INCOME (LOSS)	$ (131,475)	$ (9,987)	$ 195,623	$ 245,429	$ 395,102

Woodruff Utility Company
Projected Balance Sheets
For the Years Ended

Exhibit
Schedule 1
Page 1
Witness: Kozoman
Revised

Line No.		Beginning of Year	Label	1st year Changes	Year 1	Year 2	Year 3	Year 4	Year 5
3	**Assets**								
5	Utility Plant	-	(a)	8,811,280	8,811,280	10,018,780	12,253,280	13,460,780	14,668,280
6	Accumulated Depreciation	-	(b)	(66,905)	(66,905)	(280,145)	(615,891)	(1,074,033)	(1,623,730)
8	Cash	25,000		8,930	33,930	214,900	160,618	754,819	1,541,553
11	**Total Assets**	$ 25,000		$ 8,753,305	$ 8,778,305	$ 9,953,535	$ 11,798,007	$ 13,141,565	$ 14,586,103
13	Equity and Liabilities			-					
15	**Equity**								
17	Common Stock	25,000	(d)	8,236,280	8,261,280	8,261,280	8,761,280	8,761,280	8,761,280
18				-					
19	Retained Earnings		(e)	(131,475)	(131,475)	(141,463)	54,160	299,589	694,692
20	**Total Equity**	$ 25,000		$ 8,104,805	$ 8,129,805	$ 8,119,817	$ 8,815,440	$ 9,060,869	$ 9,455,972
22	**Liabilities & Deferred Credits**			-					
23	Advances in Aid of Construction		(f)	500,000	500,000	1,388,743	2,245,186	3,058,981	3,830,132
24	Contributions in Aid of			-					
25	Construction		(g)	150,000	150,000	452,500	757,000	1,059,500	1,362,000
26	Less: Amortization		(h)	(1,500)	(1,500)	(7,525)	(19,620)	(37,785)	(62,000)
27	Customer Deposits		(i)	-					
29	Long-Term Debt			-					
31	**Total Liabilities and**								
32	**Deferred Credits**	-		648,500	648,500	1,833,718	2,982,566	4,080,696	5,130,132
35	**Total Equity & Liab.**	$ 25,000		$ 8,753,305	$ 8,778,305	$ 9,953,535	$ 11,798,007	$ 13,141,565	$ 14,586,103

36 (a) Plant Additions (See Schedule 1a)
37 (b) Depreciation Computations (See Schedule 1a)
38 (c) Change in cash (Please Schedule 3)
39 (d) Common Stock issuance and or repurchase. (See Schedule 1b)
40 (e) Profit or loss from operations (See Schedule 2)
41 (f) Advances in Aid of Construction (See Schedule 1c)
42 (g) Contributions in Aid of Construction (See Schedule 1e)
43 (h) Amortization of Contributions in Aid of Construction, if applicable (See Schedule 1e)
44 (i) Security deposits (2 times average bill)

Woodruff Utility Company
Projected Statements of Income
For the 12 Months Ended

Exhibit
Schedule 2
Page 1
Witness: Kozoman
Revised

Line No.				Year 1	Year 2	Year 3	Year 4	Year 5
3	**Total estimated Revenues**			$ 121,603	$ 453,713	$ 880,237	$ 1,306,640	$ 1,727,293
4	**Expenses**							
5	Pumping Power - All	1.20	per 1,000 gals	12,906	52,714	108,670	164,626	218,431
6	Wages			50,000	51,500	53,045	54,636	56,275
7	Payroll Burden			16,500	16,995	17,505	18,030	18,571
8	Permits (Not Caplitalized to Plant)			5,000	5,000	5,000	5,000	5,000
9	Licenses (Not Capitalized to Plant)			2,000	2,060	2,122	2,185	2,251
10	Enginnering (Not Capitalized to Plant)			2,000	2,060	2,122	2,185	2,251
11	Chemicals			6,000	9,000	12,000	15,000	18,000
12	Supplies			4,000	5,000	6,000	7,000	8,000
13	Repairs			2,000	6,000	9,000	12,000	15,000
14	Insurance (b)			4,000	4,120	4,244	4,371	4,502
15	Office Expense			1,000	3,000	5,000	7,000	9,000
16	Billing, Postage, Operations (a)(b)	1.50	Per Customer	2,709	10,863	21,762	32,661	43,551
17	Contract Labor			2,000	2,060	2,122	2,185	2,251
18	Rentals			3,000	3,090	3,183	3,278	3,377
19	Administrative Services			40,000	41,200	42,436	43,709	45,020
20	Solids Handling			3,000	3,090	3,183	3,278	3,377
21	Rentals			3,000	3,090	3,183	3,278	3,377
22	Recharge Site Maintenance						18,000	18,000
23	Depreciation net of Amortization of CIAC from schedules 1a and 1e			65,405	207,215	323,652	439,977	525,482
24	Vehicles (b)	$ 3,500		3,500	3,605	3,713	3,825	3,939
25	Legal & Accounting (b)	$ 10,000		10,000	10,300	10,609	10,927	11,255
26	Miscellenous Expenses (b) (e)	$ 4,800		4,800	4,944	5,092	5,245	5,402
27	Testing (d)			4,000	4,120	4,244	4,371	4,502
28	Income Taxes			50	50	11,370	150,744	239,743
29	Property Taxes (f)			6,583	13,508	29,091	53,330	79,366
30								
31	**Total Operating Expenses**			$ 253,454	$ 464,584	$ 688,346	$ 1,066,844	$ 1,345,923
32	**Operating income (loss)**			$ (131,850)	$ (10,871)	$ 191,890	$ 239,796	$ 381,371
33	Less:							
34	Interest (Expense) Income on Work. Cap. (c)			375	884	3,732	5,633	13,732
35	Interest Expense Long-term Debt (c)			-	-	-	-	-
36	**Net Income**			$ (131,475)	$ (9,987)	$ 195,623	$ 245,429	$ 395,102
37	Loss Carryforward Utilized in years in which income tax is $50 (State of Arizona Filing Fee)						$ 396,174	$ 634,845
38	(a) Per customer per month							
39	(b) Annual Inflation of:	3.00%						
40	(c) If Applicable							
41	(d) Based on Testing Cost of $5.00 Per Year Per Customer							
42	(e) Miscellaneous Expenses of $200 per month							
43	(f) See Property Tax Calculation							

Woodruff Utility Company
Schedule for the Computation of Projected
Property Taxes for the Years Ended

Exhibit
Schedule 2b
Page 1
Witness: Kozoman
Revised

Line No.		Year 1	Year 2	Year 3	Year 4	Year 5
1						
2						
3	Revenue Component 1	$ 121,603	$ 121,603	$ 121,603	$ 453,713	$ 880,237
4	Revenue Component 2	121,603	121,603	453,713	880,237	1,306,640
5	Revenue Component 3	121,603	453,713	880,237	1,306,640	1,727,293
6						
7	Average 3 years of revenue, multiplied by 2	$ 243,206	$ 464,613	$ 970,369	$ 1,760,393	$ 2,609,447
8	Add:					
9	Construction Work in Progress at 10%	0	0	0	0	0
10	Deduct:					
11	Book Value of Transportation Equipment	27,000	21,000	15,000	9,000	3,000
12						
13	Full Cash Value	$ 216,206	$ 443,613	$ 955,369	$ 1,751,393	$ 2,606,447
14						
15						
16	Times Assessment Ratio	25.00%	25.00%	25.00%	25.00%	25.00%
17						
18	Assessed Value	$ 54,052	$ 110,903	$ 238,842	$ 437,848	$ 651,612
19						
20	Property Tax Rate (State Wide Rate Used)	12.18%	12.18%	12.18%	12.18%	12.18%
21						
22	**Computed Property Tax**	$ 6,583	$ 13,508	$ 29,091	$ 53,330	$ 79,366
23						
24						
25						
26						

Woodruff Utility Company
Projected Cash Flows
For the Years Ended

Exhibit
Schedule 3
Page 1
Witness: Kozoman
Revised

Line No.		Year 0	1	2	3	4	5
1							
2							
3	**Cash from Operations**						
4	Beginning Cash Balance	$ -	$ 25,000	$ 33,930	$ 214,900	$ 160,618	$ 754,819
5							
6	Income from Operations		(131,475)	(9,987)	195,623	245,429	395,102
7	Add Depreciation expense		65,405	207,215	323,652	439,977	525,482
8							
9	**Total Cash From Operations**	$ -	$ (66,070)	$ 197,227	$ 519,274	$ 685,406	$ 920,584
10							
11	**Cash from Financing**						
12							
13	Deposits (security) collected	$ -	$ -	$ -	$ -	$ -	$ -
14	Long-Term Debt	-	-	-	-	-	-
15	Common Equity	25,000	8,236,280	-	500,000	-	-
16	Advances in Aid of Const.	-	500,000	900,000	900,000	900,000	900,000
17	Contribution in Aid of Const. (Hook-up Fees)	-	150,000	302,500	304,500	302,500	302,500
18	Meter Deposits Collected	-	-	-	-	-	-
19							
20							
21	**Total Cash from Financing**	$ 25,000	$ 8,886,280	$ 1,202,500	$ 1,704,500	$ 1,202,500	$ 1,202,500
22							
23							
24							
25	**Uses of Cash:**						
26							
27							
28	Long-term debt Repayment						
29	Advances Refunded	$ -	$ -	$ 11,257	$ 43,556	$ 86,206	$ 128,849
30	Meter Deposit Refunded	-	-	-	-	-	-
31	Deposit (Security) refunded						
32	Capital Improvements - Plant	-	8,811,280	1,207,500	2,234,500	1,207,500	1,207,500
33							
34	**Total Cash Uses**	$ -	$ 8,811,280	$ 1,218,757	$ 2,278,056	$ 1,293,706	$ 1,336,349
35							
36	**Ending Cash Balance**	$ 25,000	$ 33,930	$ 214,900	$ 160,618	$ 754,819	$ 1,541,553
37							
38							
39	Interest Income: Assuming Earning Equal to Inflation Factor on Average Cash Balance						
40	Average Cash Balance	$ 12,500	$ 29,465	$ 124,415	$ 187,759	$ 457,718	$ 1,148,186
41	Interest Earned	$ 375	$ 884	$ 3,732	$ 5,633	$ 13,732	$ 34,446