

ORIGINAL NEW APPLICATION



BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

Arizona Corporation Commission DOCKETED

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COMMISSIONERS

- Marc Spitzer, Chairman
William A. Mundell
Jeff Hatch-Miller
Mike Gleason
Kristin K. Mayes

AZ CORP COMMISSION DOCUMENT CONTROL

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF PALO VERDE UTILITIES COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.

Docket No. SW-03575A- SW-03575A-04-0767 W-03576A-04-0767

IN THE MATTER OF THE APPLICATION OF SANTA CRUZ WATER COMPANY FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.

Docket No. W-03576A- APPLICATION FOR EXTENSIONS OF CERTIFICATES OF CONVENIENCE AND NECESSITY

Santa Cruz Water Company, L.L.C. ("Santa Cruz") and Palo Verde Utilities Company, L.L.C. ("Palo Verde") (hereinafter sometimes collectively referred to as the "Applicants"), through undersigned counsel, hereby apply to the Arizona Corporation Commission ("Commission") for approval of an extension of their respective Certificates of Convenience and Necessity ("CC&Ns"), as detailed more fully herein.

The CC&N extensions are necessary at this time to assure that adequate water and wastewater facilities are in place and that service is available for the residents and businesses that will soon be located within the extension area. The Applicants are qualified and prepared to provide the necessary facilities and service to the extension area. In support of this Application, Santa Cruz and Palo Verde state as follows:

- 1. Santa Cruz is an Arizona public service corporation authorized to provide water service within portions of Pinal County, Arizona. Santa Cruz received CC&Ns from the Commission in Decision No. 61943 (September 17, 1999), Decision No. 66394 (October 6, 2003) and Decision No. 67240 (September 15, 2004). Santa Cruz currently serves approximately 3,367 water customers.

1 2. Palo Verde is an Arizona public service corporation authorized to provide
2 wastewater service within portions of Pinal County, Arizona. Palo Verde received CC&Ns from
3 the Commission in Decision No. 61943 (September 17, 1999), Decision No. 66394 (October 6,
4 2003) and Decision No. 67240 (September 15, 2004). Palo Verde currently serves approximately
5 3,296 wastewater customers.

6 3. The additional area is comprised of approximately 4,900 acres, including several
7 projected master planned communities (the "CC&N extension area"). The identity of the master
8 planned communities and their approximate number of lots are set forth in Exhibit 1, attached
9 hereto and by this reference incorporated herein.

10 4. All of the developers with projects located in the CC&N extension area have
11 requested that the Applicants provide water and wastewater service to their projects. The
12 Applicants will provide the Commission with copies of executed extension agreements as they
13 become available.

14 5. The legal description for the CC&N extension area is set forth in Exhibit 2,
15 attached hereto and by this reference incorporated herein.

16 6. The management contact for each Santa Cruz and Palo Verde is:
17
18 Ms. Cindy Liles
19 Vice President and Chief Financial Officer
20 Global Water Management
21 22601 North 19th Avenue, Suite 210
22 Phoenix, Arizona 85027
23 (623) 580-9600

24 7. The operators of record for Santa Cruz and Palo Verde are as follows:

<u>Name of Utility</u>	<u>Certification</u>	<u>Name</u>	<u>Operator ID</u>	<u>Phone Number</u>
Santa Cruz	Treatment	Jeff Lemley	20649	(520) 510-9240
Santa Cruz	Distribution	Jeff Lemley	20649	(520) 510-9240
Palo Verde	Wastewater	Jose Millanes	11728	(602) 620-0457
Palo Verde	Collection	Jeff Lemley	20649	(520) 510-9240

ROSHKA HEYMAN & DEWULF, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 The Applicants' field operations and management personnel are located at:

2 Palo Verde Utilities Company Water Reclamation Campus
3 41265 West Hiller Road,
4 Maricopa, Arizona 85239
5 (520) 568-1593

6 8. The Applicants' attorneys are:

7 Roshka Heyman & DeWulf, PLC
8 One Arizona Center
9 400 East Van Buren Street, Suite 800
10 Phoenix, Arizona 85004
11 (602) 256-6100

12 All data requests or other requests for information should be directed to:

13 Raymond S. Heyman
14 Michael W. Patten
15 Roshka Heyman & DeWulf, PLC
16 One Arizona Center
17 400 East Van Buren Street, Suite 800
18 Phoenix, Arizona 85004

19 With a copy to:

20 Ms. Cindy Liles
21 Vice President and Chief Financial Officer
22 Global Water Management
23 22601 North 19th Avenue, Suite 210
24 Phoenix, Arizona 85027

25 9. Certificates of Good Standing for Santa Cruz Water Company and Palo Verde
26 Utilities Company are attached hereto as Exhibit 3, and by this reference incorporated herein.

27 10. The customers located in the CC&N extension area will receive water, wastewater
and reclaimed water service subject to Applicants' current rates and charges for utility service,
which were approved by the Commission in Decision No. 61943 (September 17, 1999).

11. Maps indicating the Applicants' (i) present CC&Ns and the CC&N extension area;
and (ii) current and preliminary master plans for water, wastewater and reclaimed water, are
attached hereto as Exhibit 4 and by these references incorporated herein.

1 12. The Applicants' balance sheet and profit and loss information for the 12-month
2 period ending December 31, 2003, is attached hereto as Exhibit 5, and by this reference
3 incorporated herein.

4 13. The estimated number of customers to be served by Santa Cruz and Palo Verde in
5 each of the first five years of water and wastewater utility service is depicted in Exhibit 6, attached
6 hereto and by this reference incorporated herein.

7 14. Applicants' estimated annual operating revenue and operating expenses for each of
8 the first five (5) years of operation in the CC&N extension area are set forth in Exhibit 7, attached
9 hereto and by this reference incorporated herein

10 15. The Applicants' total estimated costs to construct utility facilities to serve
11 customers in the CC&N extension area are approximately \$1,520 per service connection for Santa
12 Cruz and \$3,170 per service connection for Palo Verde.

13 16. The facilities needed to serve the CC&N extension area will be constructed as
14 needed to provide service to customers. The estimated starting and completion dates for the
15 construction of facilities are not known at this time, although construction for the majority of these
16 projects will commence within the next nine (9) months. Applicants' existing facilities presently
17 have some additional available capacity to serve initial hookups in the extension area.

18 17. The cost of the construction of facilities needed to serve the CC&N extension area
19 will be paid for primarily by shareholder equity and advances in aid of construction.

20 18. The Applicants are in the process of amending their Franchise with the City of
21 Maricopa to include the CC&N extension area.

22 19. Copies of the approvals to construct facilities in the CC&N extension area that are
23 issued by the Arizona Department of Environmental Quality ("ADEQ") will be provided to the
24 Commission when they are obtained by the Applicants.

25 20. All necessary and required notice provisions will be provided by the Applicants.
26 Proof of publication of any such notice will be filed with the Commission.

27

1 21. This Application is in the public interest and should be granted because, among
2 other things, there is a pressing need for water and wastewater service in western Pinal County.
3 Because of the proximity of their existing facilities, expertise of the personnel and financial
4 stability, Santa Cruz and Palo Verde are in the best position to extend and provide service to the
5 CC&N extension area. Existing Santa Cruz and Palo Verde customers will benefit because the
6 cost of providing water and wastewater service will be spread over a larger customer base and
7 economies of scale will provide additional efficiencies in Applicants' operations.

8 22. The CC&N extensions also provide public benefit because Santa Cruz and Palo
9 Verde advocate and employ the use of reclaimed water. Palo Verde has instituted a policy
10 requiring developers to provide reclaimed water retention structures and reclaimed water
11 distribution systems, and use of reclaimed water for all community open spaces, schoolyards,
12 homeowner association irrigation and lakes within the CC&N extension area.

13 23. Applicants, to the best of their knowledge and belief, are currently in compliance
14 with all regulatory requirements applicable to their provision of water and wastewater service.

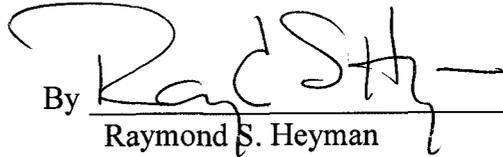
15 WHEREFORE, Santa Cruz and Palo Verde respectfully request that the Commission:

- 16 A. Schedule a hearing on this Application as soon as possible;
- 17 B. Issue an Order:
- 18 (i) finding that it is in the public interest to include the CC&N extension area in
19 the CC&Ns of Santa Cruz and Palo Verde; and
- 20 (ii) ordering that the CC&Ns of Santa Cruz and Palo Verde be extended to
21 include the CC&N extension area; and
- 22 C. Grant any such other and further relief as may be appropriate under the
23 circumstances herein.
- 24
- 25
- 26
- 27

ROSHKA HEYMAN & DEWULF, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 RESPECTFULLY submitted this 25th day of October 2004.
2

3 ROSHKA HEYMAN & DEWULF, PLC
4

5
6 By 

7 Raymond S. Heyman
8 Michael W. Patten
9 One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

10 Original + 15 copies of the foregoing
11 filed this 25th day of October 2004, with:

12 Docket Control
13 ARIZONA CORPORATION COMMISSION
14 1200 West Washington
Phoenix, Arizona 85007

15 Copies of the foregoing hand-delivered/mailed
16 this 25th day of October 2004, to:

17 Chairman Marc Spitzer
18 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

19 Commissioner William A. Mundell
20 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

21 Commissioner Jeff Hatch-Miller
22 Arizona Corporation Commission
1200 West Washington
23 Phoenix, Arizona 85007

24 Commissioner Mike Gleason
25 Arizona Corporation Commission
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26 Phoenix, Arizona 85007
27

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1 Commissioner Kristin K. Mayes
2 Arizona Corporation Commission
3 1200 West Washington
4 Phoenix, Arizona 85007

5 Lyn Farmer, Esq.
6 Chief Administrative Law Judge
7 Hearing Division
8 Arizona Corporation Commission
9 1200 West Washington
10 Phoenix, Arizona 85007

11 Christopher C. Kempley
12 Chief Counsel, Legal Division
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

16 Ernest G. Johnson, Esq.
17 Director, Utilities Division
18 Arizona Corporation Commission
19 1200 West Washington
20 Phoenix, Arizona 85007

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24
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26
27

1

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EXHIBIT 1

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Developer/Development

Number of Lots

L&R Contracting, Inc., Trap King, LLP, Sue Flores, Pro Active Remarketing LLC, Sean Aldrous and Guy Gedeon	322
Cook/El Dorado, L.L.C., Little/El Dorado, L.L.C., and William P. Gore and Margie L. Gore	2,205
Maricopa – Casa Grande Highway 813, L.C. and Western Pinal Industrial Park, L.C.	4,322
JNAN, LLC	2,240
Pitaco Farms Limited Partnership	2,240
Desert Sunrise, L.L.C. and Maricopa 240, L.L.C.	1,680
Mace Holdings, L.L.C., Maricopa 32, L.L.C., and Maricopa 400, L.L.C.	2,240
Kruse Farms	1,680

2

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****SANTA CRUZ WATER COMPANY, LLC*****

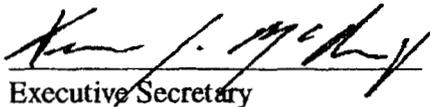
a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 15th day of June 2001.

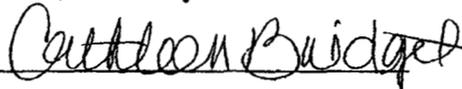
I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 3rd Day of August, 2004, A. D.




Executive Secretary

By 

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****PALO VERDE UTILITIES COMPANY, LLC*****

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 15th day of June 2001.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 3rd Day of August, 2004, A. D.



Brian C. McNeil
Executive Secretary

By *Catherine Bridget*

3

EXHIBIT "3"
LEGAL DESCRIPTION

COMMENCING AT THE NORTHWEST CORNER OF SECTION 30, TOWNSHIP 4 SOUTH, RANGE 4 EAST, GILA & SALT RIVER BASE & MERIDIAN, PINAL COUNTY, ARIZONA, SAID NORTHWEST CORNER OF SAID SECTION 30 BEING THE TRUE POINT OF BEGINNING;

THENCE EASTERLY ALONG THE NORTH LINE OF SAID SECTION 30 AND CONTINUING EASTERLY ALONG THE NORTH LINE OF SECTION 29, TOWNSHIP 4 SOUTH, RANGE 4 EAST, TO THE NORTHEAST CORNER OF SAID SECTION 29;

THENCE SOUTHERLY ALONG THE EASTERLY LINES OF SAID SECTION 29 AND SECTION 32, TOWNSHIP 4 SOUTH, RANGE 4 EAST, TO THE SOUTHEASTERLY CORNER OF SAID SECTION 32;

THENCE EASTERLY ALONG THE NORTH LINE OF SECTION 4, TOWNSHIP 5 SOUTH, RANGE 4 EAST, TO THE NORTHEAST CORNER OF SAID SECTION 4;

THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAID SECTION 4 TO THE EAST QUARTER CORNER THEREOF;

THENCE WESTERLY ALONG THE EAST-WEST MIDSECTION LINE OF SAID SECTION 4 TO THE CENTER OF SAID SECTION 4;

THENCE SOUTHERLY ALONG THE NORTH-SOUTH MIDSECTION LINE OF SAID SECTION 4 TO THE SOUTH QUARTER CORNER THEREOF;

THENCE EASTERLY ALONG THE COMMON EAST-WEST SECTION LINE BETWEEN SAID SECTION 4 AND SECTION 9, TOWNSHIP 5 SOUTH, RANGE 4 EAST TO THE SOUTHEASTERLY CORNER OF SAID SECTION 4;

THENCE CONTINUING EASTERLY ALONG THE NORTH LINE OF SECTION 10, TOWNSHIP 5 SOUTH, RANGE 4 EAST TO THE NORTH QUARTER CORNER OF SAID SECTION 10;

THENCE SOUTHERLY ALONG THE NORTH-SOUTH MIDSECTION LINE OF SAID SECTION 10 TO THE SOUTH QUARTER CORNER OF SAID SECTION 10;

THENCE WESTERLY ALONG THE SOUTH LINE OF SAID SECTION 10 TO THE SOUTHWEST CORNER OF SAID SECTION 10;

THENCE NORTHWESTERLY ALONG A LINE DESCRIBED AS FOLLOWS:
BEGINNING AT THE COMMON SOUTHERLY SECTION CORNER BETWEEN
THE AFOREMENTIONED SECTIONS 9 AND 10, THENCE NORTHWESTERLY
ON A LINE TOWARDS THE NORTH QUARTER CORNER OF SAID SECTION 9
TO A POINT, SAID POINT BEING DESCRIBED AS THE INTERSECTION OF SAID
NORTHWESTERLY LINE AND AN EAST-WEST LINE LYING 1397.53 FEET
SOUTH, AND PARALLEL TO THE NORTH LINE OF SAID SECTION 9;

THENCE WESTERLY ALONG THE LINE WHICH LIES 1397.53 FEET
SOUTHERLY OF THE NORTH LINE OF SECTION 9 TO THE WEST LINE OF
SAID SECTION 9;

THENCE SOUTHERLY ALONG THE WEST LINE OF SAID SECTION 9 TO THE
INTERSECTION OF THE WEST LINE OF SAID SECTION 9 AND THE
NORTHERLY RIGHT-OF-WAY LINE OF THE UNION PACIFIC RAILROAD;

THENCE NORTHWESTERLY ALONG THE UNION PACIFIC RAILROAD RIGHT-
OF-WAY TO THE INTERSECTION OF SAID RAILROAD RIGHT-OF-WAY AND
THE WEST LINE OF SECTION 6, TOWNSHIP 5 SOUTH, RANGE 4 EAST;

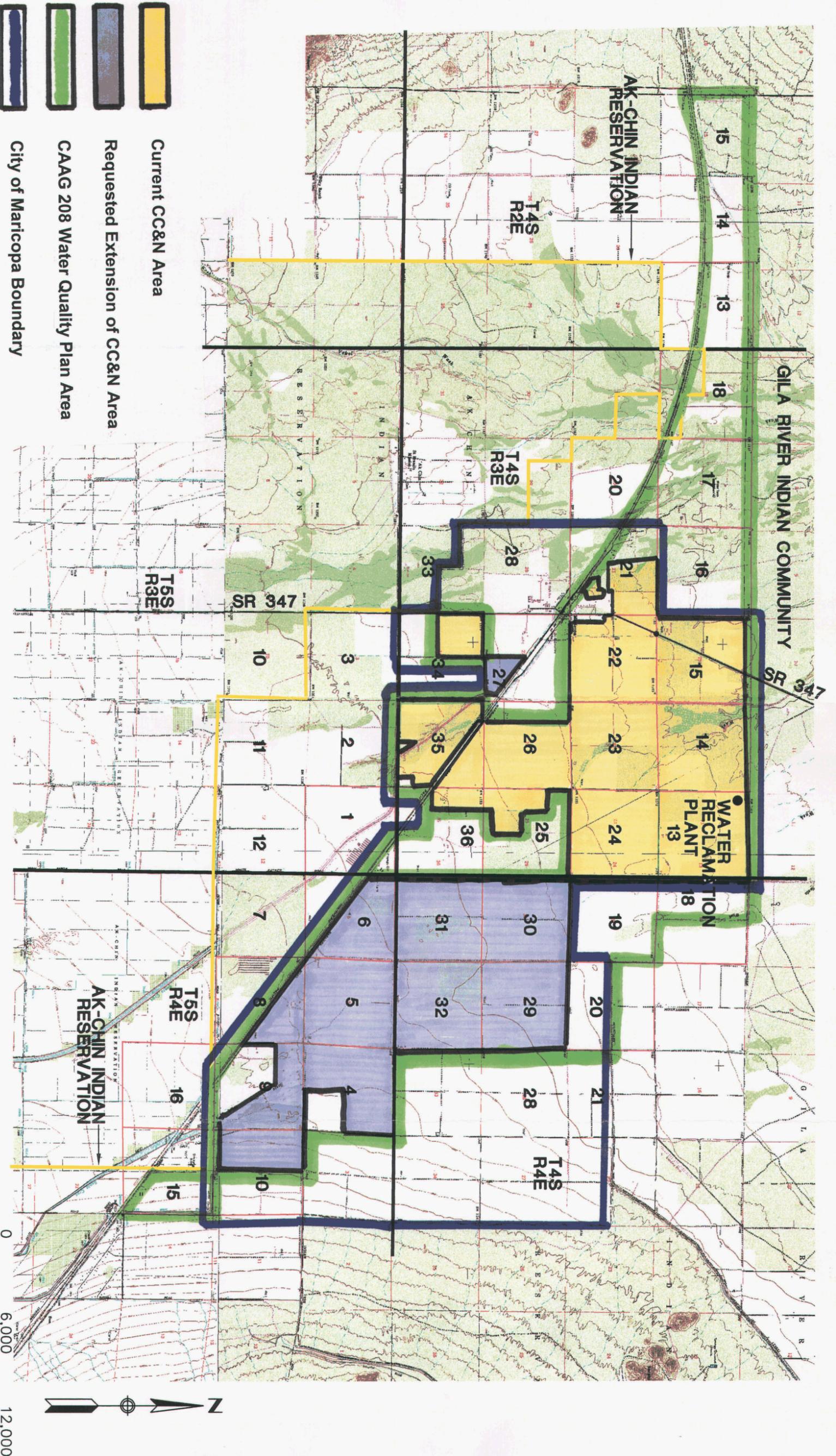
THENCE NORTHERLY ALONG THE WEST LINE OF SAID SECTION 6 TO THE
NORTHWEST CORNER THEREOF;

THENCE CONTINUING NORTHERLY ALONG THE WEST LINES OF SECTIONS
31 AND 30, TOWNSHIP 4 SOUTH, RANGE 4 EAST, TO THE NORTHWEST
CORNER OF SAID SECTION 30 AND THE TRUE POINT OF BEGINNING.

CC&N EXPANSION CONTAINS 4900 ACRES, MORE OR LESS.



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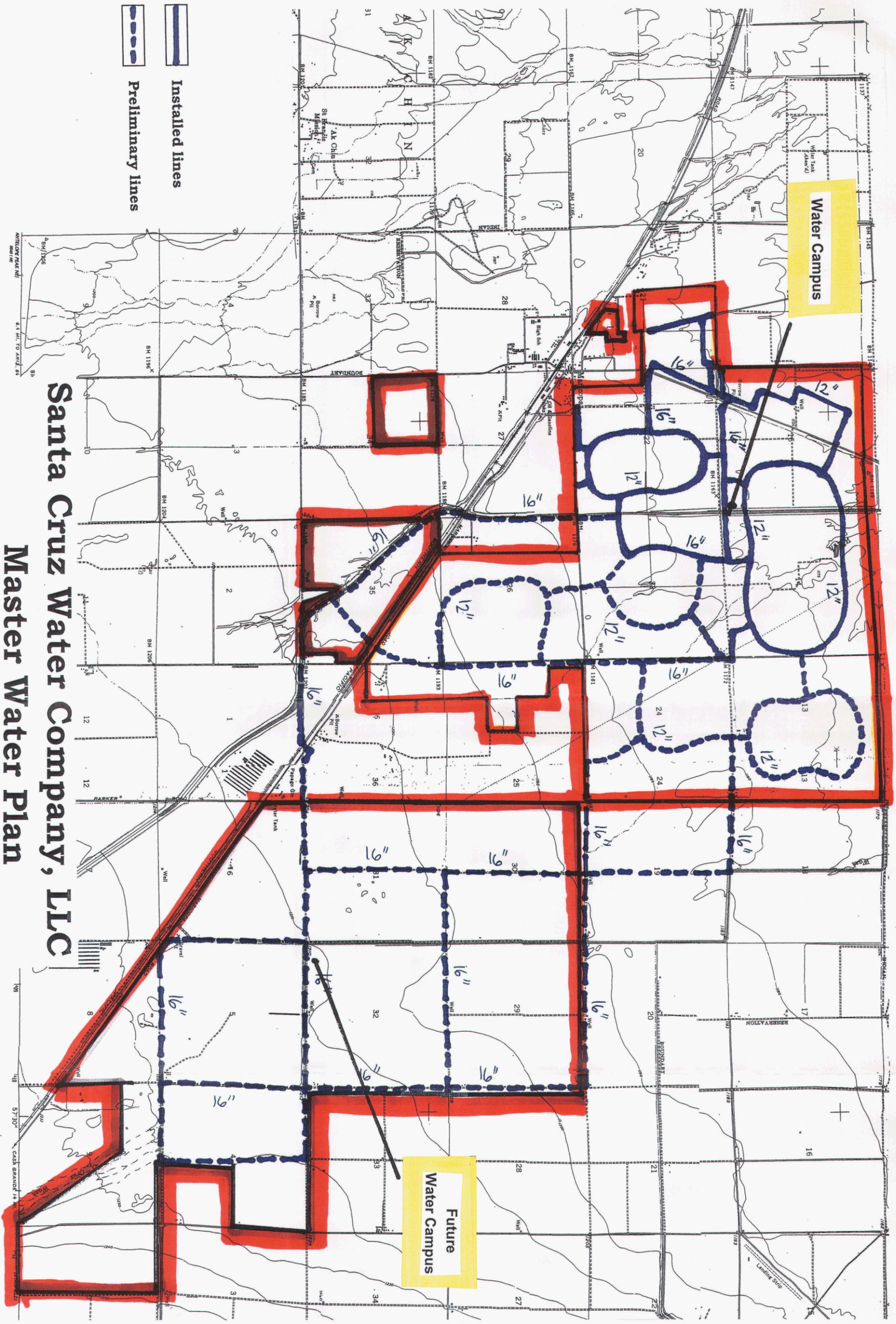
- Current CC&N Area
- Requested Extension of CC&N Area
- CAAG 208 Water Quality Plan Area
- City of Maricopa Boundary

Santa Cruz Water Company
Palo Verde Utilities Company

Water Campus

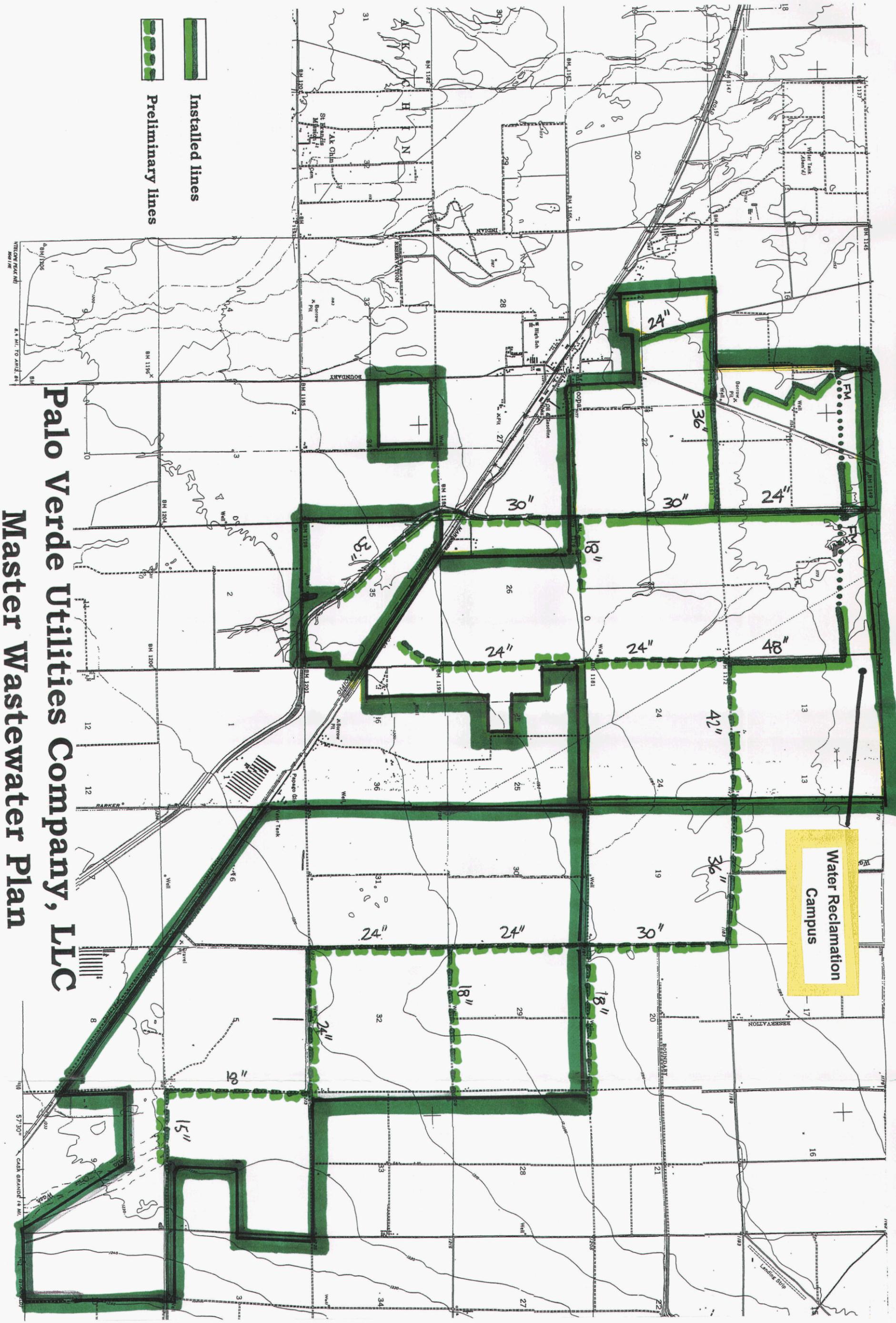
Future Water Campus

-  Installed lines
-  Preliminary lines



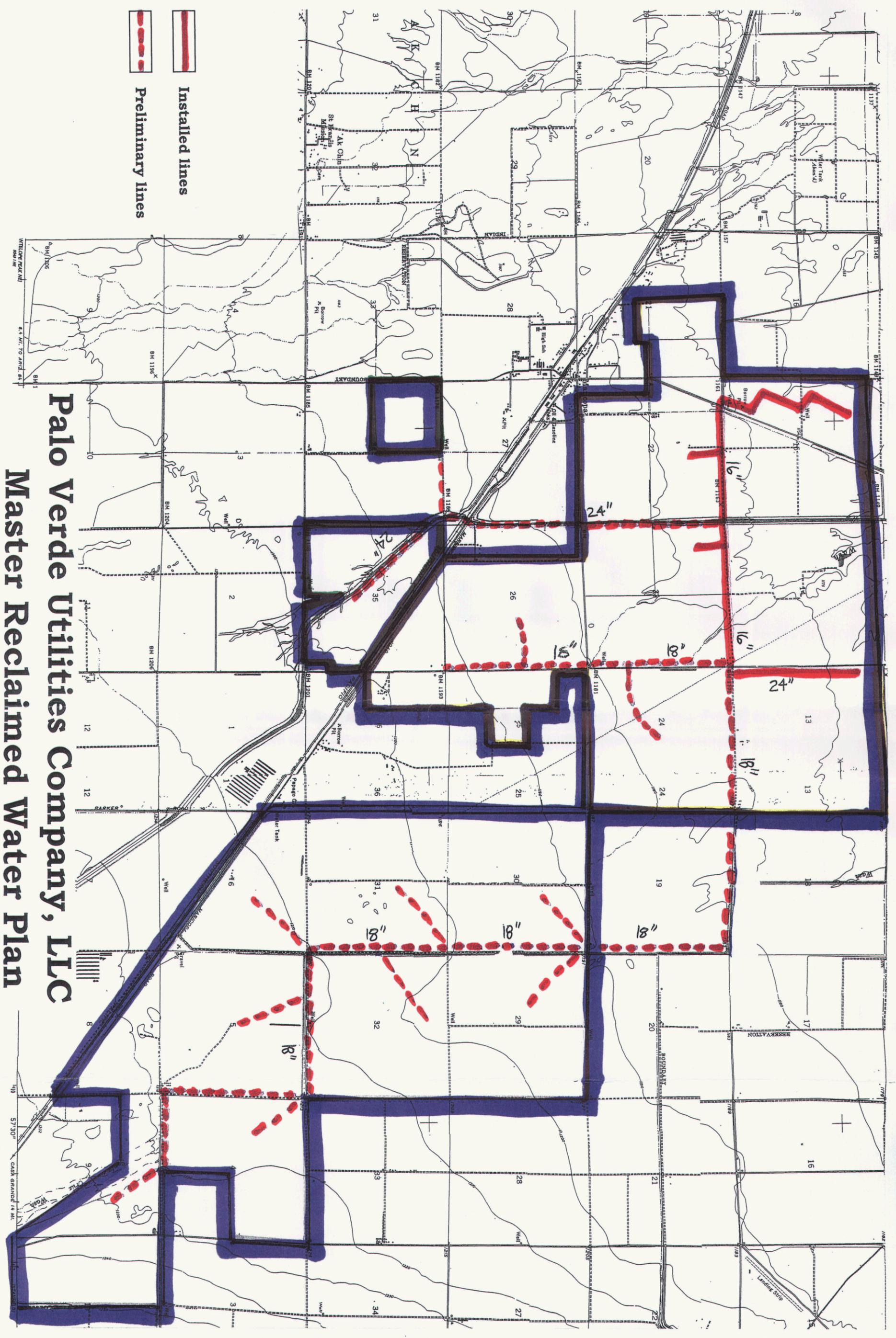
Santa Cruz Water Company, LLC Master Water Plan

 Installed lines
 Preliminary lines



Palo Verde Utilities Company, LLC
Master Wastewater Plan

 Installed lines
 Preliminary lines



Palo Verde Utilities Company, LLC
Master Reclaimed Water Plan

5

EXHIBIT "5"

Santa Cruz Water Company, LLC
Balance Sheet at December 31, 2003

Acct. No.	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash & Working Funds	\$ 473,683	
124	Utility Investments		
141	Customer Accounts Receivable	119,714	
146	Notes/Receivables from Associated Companies	8,351	
151	Materials & Supply Inventory		
174	Other Current & Accrued Assets	<u>101,210</u>	
	TOTAL CURRENT AND ACCRUED ASSETS		\$ 702,958
	FIXED ASSETS		
101	Utility Plant in Service	\$ 5,953,702	
103	Property Held for Future Use		
105	Construction Work in Progress	1,445,427	
108	Accumulated Depreciation	196,233	
121	Non-Utility Property		
122	Accumulated Depreciation-NonUtility		
	TOTAL FIXED ASSETS		<u>\$ 7,202,896</u>
	TOTAL ASSETS		<u><u>\$ 7,905,854</u></u>
	LIABILITIES AND EQUITY		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 291,483	
232	Notes Payable		
235	Meter Deposits	159,807	
236	Accrued Taxes	6,245	
237	Accrued Interest	358	
241	Other Current & Accrued Liabilities	<u>805,386</u>	
	TOTAL CURRENT LIABILITIES		\$ 1,263,279
224	LONG-TERM DEBT(Over 12 months)		
	DEFERRED CREDITS		
252	Advances in Aid of Construction	\$ 2,121,895	
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	-	
272	Less: Amortization of Contributions	-	
281	Accumulated Deferred Income Taxes	<u>-</u>	
	TOTAL DEFERRED CREDITS		<u>\$ 2,121,895</u>
	TOTAL LIABILITIES		<u>\$ 3,385,174</u>
	EQUITY		
201	Common Stock Issues (Shareholders Equity)	\$ 3,939,476	
204	Preferred Stock Issues		
211	Other Paid in Capital		
215	Retained Earnings	581,204	
218	Proprietary Capital (for sole props, and partnerships)		
	TOTAL EQUITY		<u>\$ 4,520,680</u>
	TOTAL LIABILITIES AND EQUITY		<u><u>\$ 7,905,854</u></u>

Unaudited Financial Statements

SANTA CRUZ WATER COMPANY, LLC
STATEMENT OF INCOME AND EXPENSE
For the Year Ended December 31, 2003

Acct. No.			
	OPERATING REVENUE		
461	Res. & Comm. Revenue	\$	972,971
460	Unmetered Revenue		
474	Other Operating Revenue		106,395
	TOTAL OPERATING REVENUE	<u>\$</u>	<u>1,079,366</u>
	OPERATING EXPENSES		
601-603	Salaries & Wages	\$	181,213
610	Purchased Water		
615	Purchased Pumping Power		86,111
618	Chemicals		2,320
620	Materials & Supplies:repairs and maintenance		59,990
621	Office Supplies and Expense		26,600
630-636	Outside Services		108,297
635	Water Testing		
640	Rents		25,136
650	Transportation Expense		1,268
657	Insurance Expense-General Liability		22,432
659	Insurance Expense-Health and Life		11,332
665	Regulatory Commission Expense - per last rate case		
675	Misc. Operating Expenses		31,584
403	Depreciation Expense		157,658
408	Taxes other Than income; property tax		
408.11	Property Taxes		26,011
409	Income Tax		
	TOTAL OPERATING EXPENSE	<u>\$</u>	<u>739,952</u>
	OPERATING INCOME / (LOSS)	<u>\$</u>	<u>339,414</u>
	OTHER INCOME/EXPENSE		
419	Interest Income	\$	63
421	Other Income		2,306
426	Other Expense		
427	Interest Expense		
	TOTAL OTHER INCOME (EXPENSE)	<u>\$</u>	<u>2,369</u>
	NET INCOME / (LOSS)	<u>\$</u>	<u>341,783</u>

Palo Verde Utilities Company, LLC
Balance Sheet at December 31, 2003

Acct.
No.

ASSETS

CURRENT AND ACCRUED ASSETS

131	Cash & Working Funds	\$	237,917	
141	Customer Accounts Receivable		25,707	
151	Materials & Supply Inventory			
174	Miscellaneous Current & Accrued Assets		80,385	
	TOTAL CURRENT AND ACCRUED ASSETS	\$		344,009

FIXED ASSETS

101	Utility Plant in Service	\$	11,179,548	
103	Property Held for Future Use			
105	Construction Work in Progress		2,418,002	
108	Accumulated Depreciation		346,433	
121	Non-Utility Property			
122	Accumulated Depreciation-NonUtility		13,251,117	
	TOTAL FIXED ASSETS			13,251,117
	TOTAL ASSETS	\$		13,595,126

LIABILITIES AND EQUITY

CURRENT LIABILITIES

231	Accounts Payable	\$	137,257	
234	Notes / Accounts Payable to Associated Companies		938,052	
235	Customer Deposits			
236	Accrued Taxes			
237	Accrued Interest			
241	Miscellaneous Current & Accrued Liabilities		1,075,309	
	TOTAL CURRENT LIABILITIES	\$		1,075,309
224	Long - Term Debt (Over 12 months)			

DEFERRED CREDITS

252	Advances in Aid of Construction	\$	1,295,032	
255	Accumulated Deferred Investment Tax Credits			
271	Contributions in Aid of Construction			
272	Less: Amortization of Contributions			
281	Accumulated Deferred Income Taxes		1,295,032	
	TOTAL DEFERRED CREDITS			1,295,032

TOTAL LIABILITIES

EQUITY

201	Common Stock Issues (Shareholder Equity)	\$	11,336,555	
211	Other Paid in Capital			
215	Retained Earnings		(111,770)	
218	Proprietary Capital (for sole props, and partnerships)		11,224,785	
	TOTAL EQUITY			11,224,785
	TOTAL LIABILITIES AND EQUITY	\$		13,595,126

Unaudited Financial Statements

Palo Verde Utilities Company, LLC
Statement of Income and Expense
For the Year Ended December 31, 2003

Acct.
No.

OPERATING REVENUE

521	Flat Rate Revenues	\$ 494,967
522	Measured Revenues	
536	Other Wastewater Revenues	93,515
	TOTAL OPERATING REVENUE	<u>\$ 588,482</u>

Operating Expenses

701	Salaries and Wages	221,357
710	Purchased Wastewater Treatment	
711	Sludge Removal Expense	
715	Purchased Power	10,099
716	Fuel for Power Production	
718	Chemicals	6,788
720	Materials and Supplies	33,165
731	Contractual Services - Professional	77,860
735	Contractual Services - Testing	
736	Contractual Services - Other	
740	Rents	25,236
750	Transportation Expenses	806
755	Insurance Expense	18,957
765	Regulatory Commission Expense	
775	Miscellaneous Expense	6,103
403	Depreciation Expense	278,514
408	Taxes Other Than Income	
408.1	Property Taxes	32,374
409	Income Tax	

Total Operating Expenses	<u>\$ 711,259</u>
OPERATING INCOME / (LOSS)	<u>\$ (122,777)</u>

Other Income (Expense)

419	Interest Income	719
421	Non-Utility income	3
426	Miscellaneous Non-Utility Expense	
427	Interest Expense	

Total Other Income (Expense)	<u>\$ 722</u>
NET INCOME / (LOSS)	<u><u>\$ (122,055)</u></u>

Unaudited Financial Statements

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ROSHKA HEYMAN & DEWULF, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

EXHIBIT 6

	<u>Water¹</u>	<u>Wastewater²</u>
1 st year:	75	75
2 nd Year:	305	305
3 rd Year:	625	625
4 th Year:	920	920
5 th Year:	1,220	1,220

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¹ Served by Santa Cruz Water Company
² Served by Palo Verde Utilities Company

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EXHIBIT 7

Santa Cruz Water Company

	<u>Operating Revenue</u>	<u>Operating Expenses</u>
1 st Year:	\$ 21,273	\$ 9,733
2 nd Year:	\$125,305	\$ 60,410
3 rd Year:	\$373,838	\$187,760
4 th Year:	\$780,807	\$404,171
5 th Year:	\$1,341,791	\$707,939

Palo Verde Utilities Company

	<u>Operating Revenue</u>	<u>Operating Expenses</u>
1 st Year:	\$ 27,875	\$ 17,731
2 nd Year:	\$126,435	\$ 86,183
3 rd Year:	\$347,795	\$244,266
4 th Year:	\$722,980	\$520,140
5 th Year:	\$1,233,400	\$904,442