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AZ CORP COMMISSION  
BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

**DOCKETED**

DEC 12 2005

COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
MARC SPITZER  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES

DOCKETED BY *AM*

IN THE MATTER OF THE APPLICATION )  
OF ARIZONA WATER COMPANY, AN )  
ARIZONA CORPORATION, FOR AN )  
ORDER AUTHORIZING THE ISSUANCE )  
AND SALE OF \$25,000,000 OF )  
ADDITIONAL GENERAL MORTGAGE )  
BONDS IN ONE OR MORE FINANCINGS. )

DOCKET NO. W-01445A-05-0886

APPLICATION FOR AUTHORITY TO  
SELL ADDITIONAL GENERAL  
MORTGAGE BONDS

ARIZONA WATER COMPANY, a public service corporation (hereinafter referred to as "Applicant"), respectfully submits the following application for authority to issue additional series of General Mortgage Bonds in one or more financings:

Applicant is an Arizona corporation that owns and operates a water utility business in various municipalities and other areas in Cochise, Coconino, Gila, Maricopa, Navajo, Pima, Pinal, and Yavapai Counties in Arizona in accordance with Certificates of Convenience and Necessity heretofore granted by the Arizona Corporation Commission (hereinafter referred to as the "Commission"). A certified copy of the Articles of Incorporation of Applicant is on file with the Commission in Docket No. U-1445.

1 II

2 The principal place of business of Applicant is 3805 North Black Canyon  
3 Highway, Phoenix, Arizona 85015.

4 III

5  
6 Applicant proposes to issue and sell, in one or more financings, additional series  
7 of its General Mortgage Bonds in an aggregate principal amount not to exceed  
8 \$25,000,000. Such additional series of bonds will be issued under and secured by the  
9 lien of Applicant's Indenture to National Boulevard Bank of Chicago and Marshall A.  
10 Warshauer, as Trustees, dated April 1, 1963, as supplemented and amended (the  
11 "Indenture").

12 A copy of the Indenture is on file with the Commission in Docket No. U-1445.

13 IV

14 Applicant has heretofore issued the following General Mortgage Bonds:

15	<u>Series No.</u>	<u>Principal Amount</u>	<u>Percentage</u>	<u>Due Date</u>	<u>Amount Retired</u>	<u>Amount Outstanding</u>
16	A	\$1,500,000	5-1/2%	April 1, 1998	\$1,500,000	--
17	B	\$1,100,000	8-5/8%	June 1, 1994	\$1,100,000	--
18	C	\$1,500,000	10-1/2%	Sept 1, 1995	\$1,500,000	--
19	D	\$2,000,000	8-1/2%	July 1, 1997	\$2,000,000	--
20	E	\$2,000,000	8-1/4%	Oct 1, 1998	\$2,000,000	--
21	F	\$2,000,000	11%	July 1, 1995	\$2,000,000	--
22	G	\$2,000,000	9-1/2%	Feb 1, 2004	\$2,000,000	--
23	H	\$3,000,000	16.75%	July 1, 1995	\$3,000,000	--
24	I	\$4,000,000	9.25%	Aug 1, 2006	\$3,600,000	\$400,000
25	J	\$6,000,000	9.13%	Mar 1, 2015	--	\$6,000,000
26	K	\$15,000,000	8.04%	April 1, 2031	--	\$15,000,000

27 All of said bonds were issued under and secured by the lien of the Indenture.

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V

As of October 31, 2005, Applicant's short-term loan indebtedness aggregated \$7,900,000. Applicant believes and therefore alleges that its short-term loan indebtedness will be in excess of \$10,000,000 on December 31, 2005.

VI

Applicant proposes to apply the proceeds from the issuance and sale of the additional series of bonds for the purpose of retiring the outstanding Series I bonds and short-term loan indebtedness referenced in paragraph V, above, acquiring property for the construction, completion, extension or improvement of Applicant's facilities, or for the reimbursement of moneys actually expended from Applicant's treasury for such purposes. Each such additional bond series issuance will be effected through the use of offering documents, bond purchase agreements, and other customary and usual documents and instruments in addition to the Indenture.

VII

The money to be procured by the sale of the additional series of bonds is reasonably required for purposes detailed in paragraph VI, above. The application of such money is not, in whole or in part, reasonably chargeable to operating expenses or to income.

VIII

The specific terms of each additional series of bonds will be negotiated between Applicant and the purchaser(s) of each additional series of bonds, and effectuated through the use of the documents referenced in paragraph VI, above. Applicant respectfully represents that the prices to be received for each such additional series of bonds will be as high as prices can reasonably be expected for bonds of such character at the time of issuance, and the interest rate for each additional series of bonds will be as reasonable an interest rate as can be expected for bonds of such character at the time of issuance. Furthermore, Applicant respectfully requests that this matter be

1 expedited in order to achieve as early a closing as possible for the transactions  
2 contemplated by this application.

3 IX

4 There are attached hereto and by reference thereto made a part hereof the  
5 following exhibits:

6 Exhibit 1 – Balance sheet of Applicant as of September 30, 2005.

7 Exhibit 2 – Statement of Income and Retained Earnings for the twelve-month  
8 period ending September 30, 2005.

9 A certified copy of a resolution of the Board of Directors of Applicant authorizing  
10 the sale of the additional series of General Mortgage Bonds, the execution of the bond  
11 purchase agreements, one or more new supplemental indentures, and related  
12 documents, and the filing of this Application will be late-filed as Exhibit 3.

13 X

14 This Application is similar to the applications filed in Decision Nos. 63418,  
15 56839, 52984, 49641, and 46281, Applicant's five most recent applications for approval  
16 of long-term debt issuance. In view of the similarity of content and issues therein, and  
17 in consideration of Applicant's desire to expedite the closing of the sale of the additional  
18 series of bonds in an expeditious manner which will be advantageous to Applicant and  
19 its customers, Applicant submits that no hearing is necessary in this matter, and that  
20 summary approval is appropriate.

21 WHEREFORE, Applicant prays that the Commission, without a hearing, enter its  
22 Order:

23 1. Authorizing Applicant to issue and sell additional series of General  
24 Mortgage Bonds in one or more financings in an aggregate principal amount not to  
25 exceed \$25,000,000.

26 2. Authorizing Applicant to determine the precise amount and timing of the  
27 issuance and sale of each additional series of General Mortgage Bonds, the price and  
28 interest rate, and other material terms and provisions (including, but not limited to, if

1 any, the terms of redemption, repurchase, and similar provisions) of each additional  
2 series of General Mortgage Bonds in the manner and subject to the limitations set forth  
3 in this application; and

4 3. Finding that, in the opinion of the Commission, the money to be procured  
5 by the issuance and the sale of the additional series of General Mortgage Bonds is  
6 reasonably required to retire Applicant's Series I bonds; for repayment, in whole or in  
7 part, of Applicant's short-term loans; for the acquisition of property for the construction,  
8 completion, extension or improvement of Applicant's facilities, or for the reimbursement  
9 of the moneys actually expended from Applicant's treasury for such purposes; and  
10 further finding that such purposes are not, in whole or in part, reasonably chargeable to  
11 operating expenses or to income; and

12 4. Authorizing Applicant to do and perform any and all acts and things  
13 necessary or appropriate to effectuate, carry out and perform the foregoing.

14  
15 RESPECTFULLY SUBMITTED this 12th day of December, 2005.

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ARIZONA WATER COMPANY

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By: Robert W. Geake

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Robert W. Geake  
Vice President and General Counsel  
ARIZONA WATER COMPANY  
Post Office Box 29006  
Phoenix, AZ 85038-9006

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1 Original and thirteen (13) copies of the  
2 foregoing filed this 6th day of December, 2005:

3 Docket Control Division  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 A copy of the foregoing application mailed  
8 this 12th day of December, 2005 to:

9 Ernest G. Johnson  
10 Director  
11 Utilities Division  
12 ARIZONA CORPORATION COMMISSION  
13 1200 West Washington Street  
14 Phoenix, Arizona 85007

15 Lyn Farmer  
16 Chief Administrative Law Judge  
17 Hearing Division  
18 ARIZONA CORPORATION COMMISSION  
19 1200 West Washington Street  
20 Phoenix, Arizona 85007

21 By: Robert W. Geale  
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Exhibit 1

ARIZONA WATER COMPANY  
Comparative Balance Sheet  
at September 30, 2005

ASSETS

UTILITY PLANT

Gross Utility Plant  
Less Accumulated Depreciation  
Net Utility Plant

	Sept. 30, 2005	Sept. 30, 2004	Increase (Decrease)
Gross Utility Plant	\$ 245,807,708	\$ 218,569,225	\$ 27,238,483
Less Accumulated Depreciation	60,553,763	55,618,966	4,934,797
Net Utility Plant	185,253,945	162,950,259	22,303,686

CURRENT ASSETS

Cash on Hand and in Banks  
Investments and Special Deposits  
Accounts Receivable  
Materials and Supplies  
Other

Total Current Assets

Cash on Hand and in Banks	742,557	1,815,162	(1,072,605)
Investments and Special Deposits	2,703	1,002,703	(1,000,000)
Accounts Receivable	3,058,618	2,883,558	175,260
Materials and Supplies	267,832	275,777	(7,945)
Other	448,271	405,845	42,426
Total Current Assets	4,520,181	6,383,045	(1,862,864)

DEFERRED DEBITS

TOTAL

DEFERRED DEBITS	\$ 6,931,208	\$ 5,882,995	\$ 1,048,213
TOTAL	\$ 196,705,334	\$ 175,216,299	\$ 21,489,035

LIABILITIES

CAPITALIZATION

Common Stock  
Capital Surplus  
Retained Earnings

Long-Term Debt  
Common Stock Equity

Total Capitalization

Common Stock	\$ 2,700,000	\$ 2,700,000	\$ 0
Capital Surplus	9,087,347	9,087,347	0
Retained Earnings	56,151,896	51,304,444	4,847,452
Long-Term Debt	67,939,243	63,091,791	4,847,452
Common Stock Equity	21,400,000	21,800,000	(400,000)
Total Capitalization	89,339,243	84,891,791	4,447,452

CURRENT LIABILITIES

Notes Payable  
Accounts Payable  
Accrued Expenses  
Other

Total Current Liabilities

Notes Payable	5,100,000	0	5,100,000
Accounts Payable	3,951,882	2,796,567	1,155,315
Accrued Expenses	3,575,301	3,772,975	(197,674)
Other	590,240	638,320	(51,920)
Total Current Liabilities	13,217,423	7,107,862	6,109,561

DEFERRED CREDITS

Advances for Construction  
Contributions in Aid of Construction  
Deferred Income Tax  
Other

Total Deferred Credits

Advances for Construction	43,139,243	38,664,509	4,474,734
Contributions in Aid of Construction	23,347,023	22,190,774	1,156,249
Deferred Income Tax	17,888,583	15,846,524	2,042,059
Other	9,773,819	6,514,839	3,258,980
Total Deferred Credits	94,148,668	83,216,646	10,932,022

TOTAL

TOTAL	\$ 196,705,334	\$ 175,216,299	\$ 21,489,035
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Exhibit 2

ARIZONA WATER COMPANY  
Comparative Statement of Income  
September 30, 2005

	12 MONTHS TO DATE		SEPTEMBER		9 Months to Date	
	2005	2004	2005	2004	2005	2004
OPERATING REVENUE	\$ 40,995,482	\$ 39,508,226	\$ 3,916,922	\$ 3,859,815	\$ 31,290,830	\$ 30,322,237
OPERATING EXPENSES						
Operation and Maintenance	19,755,421	18,317,018	1,683,786	1,569,236	15,019,567	13,892,425
Depreciation	5,249,006	4,661,266	445,417	398,413	4,001,453	3,610,907
Taxes Other Than Income Taxes	5,809,199	5,607,475	525,596	511,474	4,445,623	4,311,290
Income Taxes	3,282,332	3,377,634	449,175	524,389	2,791,199	2,982,119
Total Operating Expenses	34,095,958	31,963,393	3,103,974	3,003,512	26,257,842	24,796,741
OPERATING INCOME	6,899,524	7,544,833	812,948	856,303	5,032,988	5,525,496
OTHER (INCOME) AND DEDUCTIONS						
Other (Income) - Net	(3,667,576)	(408,752)	(38,173)	(172,443)	(344,470)	(399,390)
Interest on Long-Term Debt	1,821,633	1,858,633	149,233	152,316	1,364,683	1,392,433
Other Interest and Amortization	7,315	(85,089)	12,191	(7,959)	31,808	(69,463)
Total Other (Income) and Deductions	(1,838,628)	1,364,792	123,251	(28,086)	1,052,021	923,580
NET INCOME	8,738,152	6,180,041	889,697	884,389	3,980,967	4,601,916
Regular Common Dividends	3,890,700	3,642,300				
INCOME RETAINED	\$ 4,847,452	\$ 2,537,741				
Active Services	76,586	72,247				

SEPTEMBER 2005