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BEFORE THE ARIZONA CORPORATION

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**IN THE MATTER OF THE
APPLICATION OF WATER
UTILITY OF GREATER
BUCKEYE, INC., AN ARIZONA
CORPORATION, FOR
AUTHORITY TO ISSUE DEBT.**

DOCKET NO. W-02451A-05-0615

**NOTICE OF COMPLIANCE FILING
PURSUANT TO DECISION NO. 68450**
(Equity Plan; Tier and Loan Document)

Water Utility of Greater Buckeye, Inc. ("WUGB") gives notice that pursuant to Decision No. 68450, it is filing this date:

1. Its plan to increase its equity to 40% as a compliance item, attached as Exhibit A. The Plan indicates WUGB should achieve a 40% equity level around May of 2007. (A 40% equity level is achieved by making approximately \$22,000 in additional principal payments to the highest cost loan, expending approximately \$55,000 of WUGB funds toward the improvements approved by Decision No. 68450 and increasing retained earnings by approximately \$15,000.)

2. Its demonstration that its TIER will increase to 1.0 or higher by December 31, 2006, as reflected in Exhibit B. (WUGB's Operating TIER as of December 31, 2005 was 2.55. WUGB's TIER is projected to be 1.35, as of December 31, 2006.)

EXHIBIT A

Water Utility of Greater Buckeye, Inc.
Total Capital Structure Projections

WIFA Loan #1 Principal Payment	WIFA Loan #2 Principal Payment	Garcia Loan Principal Payment	Garcia Additional Principal Payment*	Short-term Debt	%	Full WIFA Loan #2 Draw**	Long-term Debt	%	Additional Equity***	Equity	%	Total Capital	%
Mar-06				\$5,190	3.68%		\$83,474	59.25%		\$52,225	37.07%	\$140,889	100.00%
Apr-06	\$166		\$260	5,190	3.69%		83,048	59.12%		52,225	37.18%	140,463	100.00%
May-06	167		261	5,190	3.76%		80,620	58.41%		52,225	37.83%	138,035	100.00%
Jun-06	168		263	5,190	3.83%		78,189	57.66%		52,225	38.51%	135,604	100.00%
Jul-06	169		264	5,190	1.74%	\$114,500	190,256	63.81%	\$50,500	102,725	34.45%	298,171	100.00%
Aug-06	169		266	5,190	1.75%		187,821	63.51%		102,725	34.74%	295,736	100.00%
Sep-06	170		268	5,190	1.77%		185,383	63.21%		102,725	35.02%	293,298	100.00%
Oct-06	171		270	5,190	1.78%		182,942	62.90%		102,725	35.32%	290,857	100.00%
Nov-06	171	\$229	271	5,190	1.80%		180,270	62.55%		102,725	35.65%	288,185	100.00%
Dec-06	172	231	273	5,190	1.82%		177,594	62.20%		102,725	35.98%	285,509	100.00%
Jan-07	173	232	275	5,190	1.74%		174,915	58.73%	15,000	117,725	39.53%	297,830	100.00%
Feb-07	173	233	277	5,190	1.76%		172,231	58.35%		117,725	39.89%	295,146	100.00%
Mar-07	174	234	279	5,190	1.77%		169,544	57.97%		117,725	40.25%	292,459	100.00%
Apr-07	175	236	281	5,190	1.78%		168,853	57.87%		117,725	40.35%	291,768	100.00%
May-07	175	237	282	5,190	1.78%		168,158	57.77%		117,725	40.45%	291,073	100.00%
Jun-07	176	238	284	5,190	1.79%		167,459	57.67%		117,725	40.54%	290,374	100.00%
Jul-07	177	240	286	5,190	1.79%		166,756	57.57%		117,725	40.64%	289,671	100.00%
Aug-07	178	241	288	5,190	1.80%		166,050	57.46%		117,725	40.74%	288,965	100.00%
Sep-07	178	242	290	5,190	1.80%		165,339	57.36%		117,725	40.84%	288,254	100.00%
Oct-07	179	244	292	5,190	1.80%		164,625	57.25%		117,725	40.94%	287,540	100.00%
Nov-07	180	245	294	5,190	1.81%		163,906	57.15%		117,725	41.04%	286,821	100.00%
Dec-07	\$180	\$246	\$296	\$5,190	1.81%		\$163,183	57.04%		\$117,725	41.15%	\$286,098	100.00%
Total			\$22,000						\$65,500				

* Additional principal payments will be applied to the Garcia Loan to help increase the company equity to 40%.

** WIFA Loan #2 is estimated to be drawn in July 2006 when revised engineering plans are completed.

*** \$50,500 in additional equity is needed to construct the arsenic plant.

\$15,000 in additional equity is from retained earnings estimated for 2006 year end based on 2005 net income of \$11,018 and increased sales of 55% year over year.

EXHIBIT B

Water Utility of Greater Buckeye, Inc.
Times Interest Earned Ratio Analysis

Loan	2006	
	Balance 12/31/06	Proforma Interest Expense
Garcia Loan	\$37,051	\$3,103
WIFA Loan #1	47,685	2,287
WIFA Loan #2 *	114,040	7,529
Total	\$198,776	\$12,919

* The proforma Interest Expense includes the first year interest on the entire \$114,500 loan.

	Proforma	
	2005	2006 **
Operating Income	\$14,887	\$17,411
Interest Expense on Debt	5,845	12,919
TIER	2.55	1.35

** Operating Income for 2006 is based on the attached Pro Forma Income Statement.

Water Utility of Greater Buckeye, Inc.
Income Statement
Pro Forma December 31, 2006

	Actual 12/31/2005 *	2006 Pro Forma Adjustments	Pro Forma 12/31/2006
Water Sales	288,928.60	37,244.71 (A)	326,173.31
Other Operating Revenue	6,888.03		6,888.03
TOTAL OPERATING REVENUE	295,816.63	37,244.71	333,061.34
OPERATING EXPENSE			
Wages	55,828.29	8,932.53 (B)	64,760.82
Employee Benefits	6,158.17		6,158.17
IRA Contribution	564.64		564.64
Purchased Power	20,802.67	2,496.32 (C)	23,298.99
Repairs & Maintenance	6,468.09		6,468.09
Water Testing & Treat.	5,221.48	12,267.57 (D)	17,489.05
Outside Services	4,804.95		4,804.95
Management Fees	72,127.00	12,261.59 (E)	84,388.59
General Office & Admin.	3,309.11		3,309.11
Rent	2,882.00		2,882.00
General Insurance	3,492.12		3,492.12
Depreciation	65,750.25	8,762.55 (F)	74,512.80
Rate Case Expense	0.00		0.00
Bad Debts	2,061.01		2,061.01
Regulatory/Permits	3,175.88		3,175.88
Payroll Taxes	5,404.92		5,404.92
Property Taxes	12,878.94		12,878.94
Income Taxes	10,000.00	(10,000.00) (G)	0.00
TOTAL OPERATING EXPENSES	280,929.52	34,720.56	315,650.08
EARNINGS (LOSS) FROM OPERATIONS	14,887.11	2,524.15	17,411.26
OTHER INCOME (EXPENSE)			
Interest Income	0.00		0.00
Interest Expense	(6,310.97)	(7,529.00) (H)	(13,839.97)
Amortization	(4,770.00)		(4,770.00)
Other Income (Expense)	4,520.00		4,520.00
Income (Tax) Benefit	2,691.00	(2,691.00) (G)	0.00
TOTAL OTHER INCOME (EXPENSE)	(3,869.97)	(10,220.00)	(14,089.97)
NET EARNINGS (LOSS)	11,017.14	(7,695.85)	3,321.29

* Actual 2005 used as base year for 2006 Pro Forma.

Water Utility of Greater Buckeye, Inc.
2006 Pro Forma Adjustments

**Pro Forma
Adjustments**

(A) Estimated annual increase in sales based on 2004 to 2005

2005 Water Sales	\$288,928.60
2004 Water Sales	<u>255,936.75</u>
Increase	\$32,991.85
% Increase	12.9%

2005 Water Sales	\$288,928.60
x % Increase	<u>12.9%</u>
2006 Increase	\$37,244.71

(B) Wages estimated to increase 16% based on 2004 to 2005 actuals.

(C) Purchase Power estimated to increase 12% over 2005.

2005 Actual	\$20,802.67
% Increase	<u>12.0%</u>
2006 Increase	\$2,496.32

(D) Estimated annual O&M for arsenic treatment systems based on 7% of arsenic capital costs.

\$175,251.00
<u>x 7.0%</u>
\$12,267.57

(E) Management Fees estimated to increase 17% based on 2004 to 2005 actuals.

(F) Depreciation of arsenic capital costs based on current depreciation rate of 5%.

\$175,251.00
<u>x 5.0%</u>
\$8,762.55

(G) Reversed income tax expenses.

(H) Interest expense based on amortization schedule.

Loan for \$114,500, annual interest rate of 6.65%, loan period 20 years.

EXHIBIT C

**LOAN AGREEMENT BY AND BETWEEN
WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA
AND
WATER UTILITY OF GREATER BUCKEYE**

Dated April 06, 2006

Exhibit A of Loan Agreement

Section 1: Financial Assistance Terms and Conditions
 Water Utility of Greater Buckeye
 06-Apr-06

Loan Number	920103-06
Closing Date	04/06/06
Financial Assistance Terms and Conditions	
Original Loan Amount as of the Closing Date.....	\$ 114,500.00
Final Loan Amount as of Release of Retention.....	\$ 114,500.00
Loan Term.....	20
First Fixed Monthly Payment.....	11/01/06
Final Fixed Monthly Payment.....	10/01/26
Debt Service Reserve Fund Requirements (Held by WIFA)	
Total Reserve Amount.....	\$ 10,365.87
Monthly Deposit.....	\$ 172.76
Reserve Funded by (Date).....	10/01/11
Repair and Replacement Fund Requirement (Held by Borrower)	
Begin Funding on (Date).....	11/01/11
Annual Amount.....	\$ 2,073.17
Monthly Deposit.....	\$ 172.76
Monthly Payment	
Period #1	
Maximum Payment (Includes interest payable from Closing to 1st Payment).....	\$ 4,737.96
Minimum Payment	\$ 1,036.59
<i>WIFA will calculate the first payment due on Period #7; payment will depend on actual loan draws.</i>	
Periods #2 through #60.....	\$ 1,036.59
Periods #61 through #120.....	\$ 863.82
Periods #121 through #180.....	\$ 863.82
Periods #181 through #240.....	\$ 863.82