

ORIGINAL NEW APPLICATION



0000066583

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Richard L. Sallquist (002677)
Sallquist, Drummond & O'Connor, P.C.
4500 S. Lakeshore Drive
Suite 339
Tempe, Arizona 85282
(480) 839-5202

2007 FEB 13 P 12: 25

AZ CORP COMMISSION
DOCUMENT CONTROL

Attorneys for Keaton Development Company

BEFORE THE ARIZONA CORPORATION COMMISSION

W-02169A-07-0098

IN THE MATTER OF THE APPLICATION OF)
KEATON DEVELOPMENT COMPANY FOR)
AN EXTENSION OF ITS CERTIFICATE OF)
CONVENIENCE AND NECESSITY FOR THE)
PROVISION OF WATER SERVICE IN)
PORTIONS OF LA PAZ COUNTY, ARIZONA,)
)
)

DOCKET NO. W-02169A-07-_____

**APPLICATION FOR EXTENSION
OF CERTIFICATE OF
CONVENIENCE AND
NECESSITY FOR WATER SERVICE**

This Application is substantially in the form prescribed by the Commission.

A. The name, address and telephone number of the Applicant is:

**Keaton Development Company
P.O. Box 905
Salome, Arizona 85348
(520) 859-3982**

B. The name, address and telephone number of management contact:

**William Scott, President
P.O. Box 905
Salome, Arizona 85348
(520) 859-3982**

C. List the name, address and telephone number of the operator certified by the Arizona Department of Environmental Quality:

**Joseph V. Fiano
Water Treatment Operators
and Environmental Consultants
14615 N. Fountain Hills Boulevard
Fountain Hills, Arizona 85268
(480) 837-6438**

Arizona Corporation Commission

DOCKETED

FEB 13 2007

DOCKETED BY

NW

1 D. List the name, address and telephone number of the attorney for the Applicant:

2
3 **Sallquist, Drummond & O'Connor, P.C.**
4 **Richard L. Sallquist**
5 **4500 S. Lakeshore Drive**
6 **Suite 339**
7 **Tempe, Arizona 85282**
8 **(480) 839-5202**

9 E. Attach the following exhibits that apply to you:

10 1. Certificate of Good Standing (if corporation)

11 **Please see attached Exhibit A.**

12 2. Corporate Resolution Authorizing this application (if required by the corporation's
13 Articles of Incorporation)

14 **N/A**

15 F. Attach a legal description of the area requested by either **CADASTRAL** (quarter section
16 description) or **METES AND BOUNDS** survey. References to parcels and docket
17 will not be accepted.

18 **Please see attached Exhibit B.**

19 G. Attach a detailed map using the form provided as attachment B. Shade and outline the area
20 requested. Also indicate present Certificated area using different colors of shading and
21 outline.

22 **Please see attached Exhibit C.**

23 H. Attach a current balance sheet and profit and loss statement.

Please see attached Exhibit D.

I. Please provide the following information:

1. Indicate the estimated number of customers, by class, to be served in the new area in
each of the next five years:

Please see attached Exhibit E.

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Residential:

First Year __ Second Year __ Third Year

Fourth Year __ Fifth Year

Commercial:

First Year -0- Second Year -0- Third Year -0-

Fourth Year -0- Fifth Year -0-

Industrial:

First Year -0- Second Year -0- Third Year -0-

Fourth Year -0- Fifth Year -0-

Irrigation:

First Year -0- Second Year -0- Third Year -0-

Fourth Year -0- Fifth Year -0-

Other: (specify)

First Year -0- Second Year -0- Third Year -0-

Fourth Year -0- Fifth Year -0-

2. (WATER ONLY) Indicate the projected annual water consumption, in gallons, for each of the customer classes in the new area for each of the next five years:

Please see attached Exhibit E.

Residential Per Customer:

First Year Second Year

Third Year Fourth Year Fifth Year

Commercial:

First Year N/A Second Year _____

Third Year _____ Fourth Year _____ Fifth Year _____

1 L. Estimated starting and completion date of construction of utility facilities:

2 Starting date: **Upon ACC Approval** Completion date: **60 Days thereafter**

3 M. Attach the following permits:

4 1. Franchise from either the City or County for the area requested.

5 **To be late filed as Exhibit F.**

6 2. Arizona Department of Environmental Quality or designee's approval to construct
7 facilities.

8 **Please see attached Exhibit G.**

9 3. Arizona State Land Department approval. N/A

10 4. U.S. Forest Service approval. N/A

11 5. (WATER ONLY) If the area requested is within an Active Management Area,
12 attach a copy of either the utility's Designation of an Assured Water Supply or the
13 developer's Certificate of 100 Year Assured Water Supply issued by the Arizona
14 Department of Water Resources.

15 **Please see attached application marked as Exhibit H.**

16 If area requested is outside an Active Management Area, attach the developer's
17 Adequacy Statement issued by the Arizona Department of Water Resources if
18 applied for by the developer. N/A

19 If area requested is outside an Active Management Area and the developer does not
20 obtain an Adequacy Statement, provide sufficient detailed information to prove that
21 adequate water exists to provide water to the area requested. N/A

22 N. Attached hereto as **Exhibit I** is an Engineering Data Sheet showing the customer count and
23 consumption data for the latest 13 month period.

O. Attached hereto as **Exhibit J** is a form of Notice to property owners in the area. The signed
affidavit of mailing or publication will be late filed as an exhibit.

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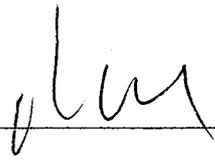
DATED this 12th day of February, 2007.

SALLQUIST, DRUMMOND & O'CONNOR, P.C.

By 
Richard L. Sallquist
4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85282
Attorney for Keaton Development Company

Original and ten copies of the foregoing filed this 12th day of February, 2007, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



LIST OF EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
A.	CERTIFICATE OF GOOD STANDING
B.	LEGAL DESCRIPTION
C.	MAP OF EXISTING AND REQUESTED AREA
D.	2005 FINANCIAL STATEMENTS
E.	CUSTOMER COUNT AND REVENUE/EXPENSE COMPUTATIONS
F.	COUNTY FRANCHISE (Late Filed)
G.	ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY APPROVALS
H.	APPLICATION FOR CERTIFICATE OF ADEQUATE WATER SUPPLY
I.	ENGINEERING DATA SHEET
J.	AFFIDAVIT OF PUBLICATION

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 Director of the Arizona Corporation Commission, do hereby certify that

*****KEATON DEVELOPMENT COMPANY*****

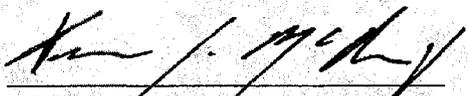
a domestic corporation organized under the laws of the State of Arizona, did incorporate on April 26, 1971.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution 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 1st Day of February, 2007, A. D.




Executive Director

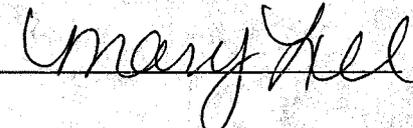
By 

EXHIBIT A

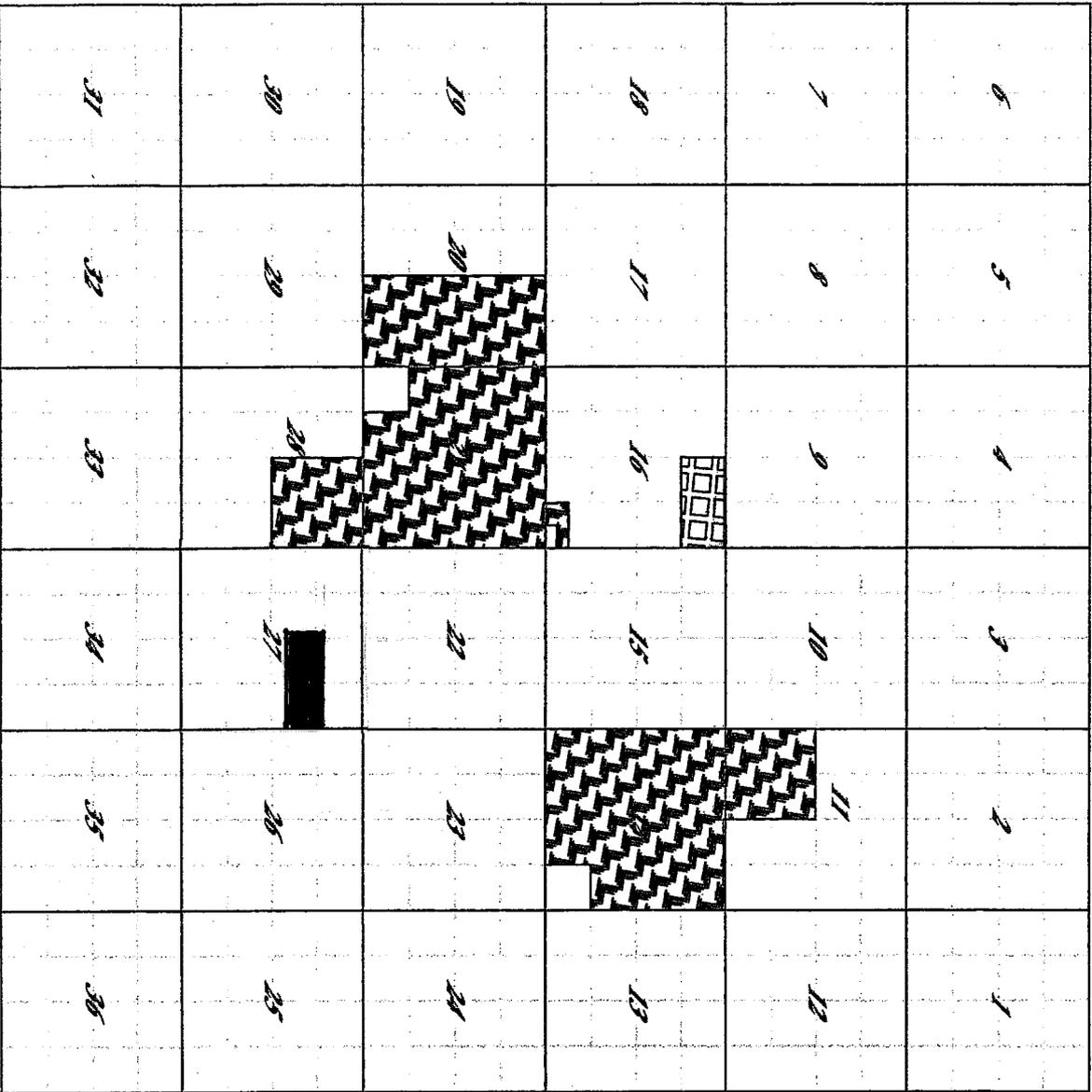
LEGAL DESCRIPTION

The South 613.77 feet of the North 913.77 feet of the
Northeast Quarter of Section 27, Township 5 North, Range
13 West of the G&SRB&M, La Paz, Arizona

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COUNTY OF La Paz

RANGE 13 West



TOWNSHIP 5 North



W-2169 (1)

Keaton Development Company



W-1084 (1)

Salome Water Company



Keaton Development Company
Requested Extension Area

EXHIBIT C

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-02169A	K
KEATON DEVELOPMENT COMPANY	
PO BOX 905	
SALOME AZ 85348	

RECEIVED
DEC 06 2006
AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

ANNUAL REPORT

FOR YEAR ENDING

12	31	2005
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Entered
12-5-06
RF

FOR COMMISSION USE

ANN04	05
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COMPANY INFORMATION

Company Name (Business Name) Keaton Development Company, Inc.

MailingAddress PO Box 905
(Street)_

Salome AZ 85358
(City) (State) (Zip)

928-859-3982 928-859-3984
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address Keatonwater@msn.com

Local Office Mailing Address same as above
(Street)

(City) (State) (Zip)

Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: William S. Scott President
(Name) (Title)

PO Box 905 Salome, AZ 85348
(Street) (City) (State) (Zip)

928-859-3982 928-859-3984
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address Keatonwater@msn.com

On Site Manager: William S. Scott
(Name)

Same as above
(Street) (City) (State) (Zip)

Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address _____

X Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Frontier Accounting Service, Lanna Mesenbrink

125 E. Apache St. Wickenburg AZ 85390
(Street) (City) (State) (Zip)

928-684-2247 928-684-0066
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: Richard L. Sallquist

(Name)

2525 E Arizona Biltmore Circle Suite 117 Phoenix, AZ 85016
(Street) (City) (State) (Zip)

602-224-9222 602-224-9366 Pager/Cell No. (Include Area Code)
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input checked="" type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|--|-----------------------------------|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input checked="" type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME Keaton Development Company, Inc.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	1250	1250	0
302	Power Generating Equipment	25693	0	
303	Land and Land Rights	8200	0	0
304	Structures and Improvements	20610	1682	
307	Wells and Springs	72495	30418	
311	Pumping Equipment	84539	61449	
320	Water Treatment Equipment	0	0	
330	Distribution Reservoirs and Standpipes	45102	24057	
331	Transmission and Distribution Mains	307357	117237	
333	Services	57154	17874	
334	Meters and Meter Installations	8026	4786	
335	Hydrants	26856	4032	
336	Backflow Prevention Devices	0	0	
339	Other Plant and Misc. Equipment	0	0	
340	Office Furniture and Equipment	2779	2258	
341	Transportation Equipment	3000	0	
343	Tools, Shop and Garage Equipment	2096	1304	
344	Laboratory Equipment	0	0	
345	Power Operated Equipment	0	0	
346	Communication Equipment	0	0	
347	Miscellaneous Equipment	655	0	
348	Other Tangible Plant	0	0	
	TOTALS	665812	266346	399466

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME Keaton Development Company, Inc.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	1250		
302	Power Generating Equipment	25693		
303	Land and Land Rights	8200		
304	Structures and Improvements	20610		
307	Wells and Springs	72495		
311	Pumping Equipment	84539		
320	Water Treatment Equipment	0		
330	Distribution Reservoirs and Standpipes	45102		
331	Transmission and Distribution Mains	307357		
333	Services	57152		
334	Meters and Meter Installations	8026		
335	Hydrants	26856		
336	Backflow Prevention Devices	0		
339	Other Plant and Misc. Equipment	0		
340	Office Furniture and Equipment	2779		
341	Transportation Equipment	3000		
343	Tools, Shop and Garage Equipment	2096		
344	Laboratory Equipment	0		
345	Power Operated Equipment	0		
346	Communication Equipment	0		
347	Miscellaneous Equipment	655		
348	Other Tangible Plant	0		
	TOTALS	665812		

This amount goes on the Comparative Statement of Income and Expense _____
 Acct. No. 403.

BALANCE SHEET

Acct .No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$-2608	\$3683
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	11736	5340
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	4354	4322
	TOTAL CURRENT AND ACCRUED ASSETS	\$13487	\$13550
	FIXED ASSETS		
101	Utility Plant in Service	\$649613	\$665812
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	341998	370368
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$351887	\$399456
	TOTAL ASSETS	\$365374	\$412816

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
LIABILITIES			
CURRENT LIABILITES			
231	Accounts Payable	\$13931	\$15549
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	73	0
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	5759	5491
	TOTAL CURRENT LIABILITIES	\$19763	\$21028
LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$147433	\$132473
DEFERRED CREDITS			
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	40419	43514
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$40419	43514\$
	TOTAL LIABILITIES	\$362832	\$109987
CAPITAL ACCOUNTS			
201	Common Stock Issued	\$50000	\$50000
211	Paid in Capital in Excess of Par Value	48100	59975
215	Retained Earnings	32022	192854
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$130122	\$302829
	TOTAL LIABILITIES AND CAPITAL	\$492954	\$412816

COMPANY NAME Keaton Development Company, Inc.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$144580	\$152994
460	Unmetered Water Revenue		
474	Other Water Revenues	2803	20192
	TOTAL REVENUES	\$147383	\$173186
	OPERATING EXPENSES		
601	Salaries and Wages	\$47366	\$34794
610	Purchased Water	0	0
615	Purchased Power	8791	15432
618	Chemicals	746	1415
620	Repairs and Maintenance	16728	16463
621	Office Supplies and Expense	12565	12677
630	Outside Services	9304	9880
635	Water Testing	3651	5780
641	Rents	3900	3725
650	Transportation Expenses	5267	2973
657	Insurance – General Liability	8091	7993
659	Insurance - Health and Life	3069	0
666	Regulatory Commission Expense – Rate Case	215	117
675	Miscellaneous Expense	1474	3609
403	Depreciation Expense	0	
408	Taxes Other Than Income	4163	3042
408.11	Property Taxes	-8527	11285
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$101803	\$140389
	OPERATING INCOME/(LOSS)	\$45580	\$32797
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		0
426	Miscellaneous Non-Utility Expenses		5876
427	Interest Expense		
	TOTAL OTHER INCOME/(EXPENSE)	\$	\$5876
	NET INCOME/(LOSS)	\$	\$26921

COMPANY NAME Keaton Development Company, Inc.

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	12/23/99			
Source of Loan	WIFA			
ACC Decision No.				
Reason for Loan	Business			
Dollar Amount Issued	\$48121	\$	\$	\$
Amount Outstanding	\$38881	\$	\$	\$
Date of Maturity				
Interest Rate	8 %	%	%	%
Current Year Interest	\$2395	\$	\$	\$
Current Year Principle	\$1884	\$	\$	\$

Meter Deposit Balance at Test Year End \$ _____

Meter Deposits Refunded During the Test Year \$ _____

COMPANY NAME Keaton Development Company, Inc.

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
B-5-1328 A	60	500		16"	N/A	
B-5-1221 dde	60	600		16"	N/A	

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10 hp	4		
5 hp	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
20000	1	5000	1
14000	2		

COMPANY NAME Keaton Development Company, Inc.

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	880
3	PVC	3280
4	PVC	4455
5		
6	PVC	21615
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	400
3/4	
1	
1 1/2	1
2	
Comp. 3	
Turbo 3	1
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

chlorination
system

STRUCTURES:

booster

pumphouse

OTHER:

COMPANY NAME: Keaton Development Company, Inc.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	406	1269760	1939400
FEBRUARY	401	1268564	1465100
MARCH	406	1574627	2034000
APRIL	412	1629537	2805500
MAY	416	1830874	1695200
JUNE	409	1564866	2466800
JULY	405	2245011	2553500
AUGUST	407	2447585	2258500
SEPTEMBER	404	1028243	2173780
OCTOBER	406	1935300	2667100
NOVEMBER	411	2436956	1983300
DECEMBER	417	1759705	1779200
TOTAL		20996028	25821380

Is the Water Utility located in an ADWR Active Management Area (AMA)?

Yes No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

Yes No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. .0050 mg/l

(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Keaton Development Company, Inc. YEAR ENDING 12/31/2005

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2005 was:
10862.91

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

VERIFICATION AND SWORN STATEMENT

Taxes

RECEIVED
DEC 05 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) LaPaz
NAME (OWNER OR OFFICIAL) TITLE William S. Scott, President
COMPANY NAME Keaton Development Company, Inc.

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



William S. Scott
SIGNATURE OF OWNER OR OFFICIAL

928-859-3982
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 1st DAY OF

COUNTY NAME MARICOPA
MONTH DECEMBER 2006

(SEAL)

Lucy Herman
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 12/29/06

COMPANY NAME Keaton Development Company YEAR ENDING 12/31/2005

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported 0
Estimated or Actual Federal Tax Liability _____

State Taxable Income Reported 0
Estimated or Actual State Tax Liability _____

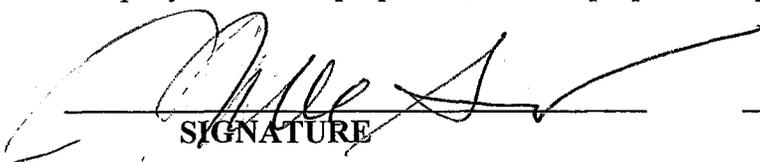
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
Amount of Gross-Up Tax Collected _____
Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.



SIGNATURE

12/1/06

DATE

William S. Scott

PRINTED NAME

President

TITLE

VERIFICATION AND SWORN STATEMENT
Intrastate Revenues Only

RECEIVED

DEC 05 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	<u>LaPaz</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>William S. Scott, President</u>
COMPANY NAME	<u>Keaton Development Company</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2005</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ <u>173186</u>

(THE AMOUNT IN BOX ABOVE INCLUDES \$ 659 IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

[Signature]
 SIGNATURE OF OWNER OR OFFICIAL
928-859-3982
 TELEPHONE NUMBER



SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 1st DAY OF

COUNTY NAME	<u>Maricopa</u>	
MONTH	<u>December</u>	<u>2006</u>

(SEAL)

MY COMMISSION EXPIRES 12/29/2006

[Signature]
 SIGNATURE OF NOTARY PUBLIC

VERIFICATION AND SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

RECEIVED

DEC 05 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) LaPaz	
NAME (OWNER OR OFFICIAL) William S. Scott	TITLE President
COMPANY NAME Keaton Development Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>152994.</u>

(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 659. IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.


SIGNATURE OF OWNER OR OFFICIAL
928-859-3982

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 12 DAY OF

NOTARY PUBLIC NAME	LUCY HERMAN	
COUNTY NAME	MARICOPA	
MONTH	December	2006

(SEAL)

MY COMMISSION EXPIRES 12/29/06



X 
SIGNATURE OF NOTARY PUBLIC

KEATON DEVELOPMENT COMPANY
 CC&N Application Revenue and Expense Computation

Revenue Computation

	2007	2008	2009	2010	2011
Absorption					
Year-end Additional Customers	20	20	20	20	27
Average Customers during Year	10	30	50	70	94

Rates

WATER	
Meter Size	5/8 x 3/4
Average Monthly Consumption	4,289
Monthly Minimum Gallons included in Minimum	\$ 16.00
Commodity Charges:	0
'0 to 8,000 Gallons	\$ 3.00
'8,001 & Over	\$ 4.25
Average Monthly Bill	\$ 34.23

Annual Water Revenues	\$ 4,107	\$ 12,322	\$ 20,537	\$ 28,752	\$ 38,404
-----------------------	----------	-----------	-----------	-----------	-----------

Expense Computation

Ratio of Expenses to Revenue Water	91.76%				
Annual Water Expenses	\$ 3,769	\$ 11,307	\$ 18,845	\$ 26,383	\$ 35,240

EXHIBIT E



**ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
 CERTIFICATE OF APPROVAL TO CONSTRUCT
 WATER FACILITIES**

ADEQ File No: 20061102	LTF No: 42398
System Name: Keaton Dev. Co.	System Number: 15-029
Project Owner: Dan Cox	
Address: P.O. Box 208, Salome, AZ 85348	
Project Location: Salome	County: La Paz
Description: INSTALL WATER DISTRIBUTION LINE TO SERVE SUNSHINE ACRES (107 LOT SUBDIVISION). PROJECT CONSISTS OF APPROXIMATELY 11,820 LF OF 6" PVC WATER LINE.	

Approval to construct the above-described facilities as represented in the approved documents on file with the Arizona Department of Environmental Quality is hereby given subject to provisions 1 through 4 continued on page 1 through 1

1. This project must be constructed in accordance with all applicable laws, including Title 49, Chapter 2, Article 9 of the Arizona Revised Statutes and Title 18, Chapter 5, Article 5 of the Arizona Administrative Code.
2. Upon completion of construction, the engineer shall fill out the Engineer's Certificate of Completion and forward it to the Central Regional Office located in Phoenix. If all requirements have been completed, that unit will issue a Certificate of Approval of Construction. R18-5-507(B), Ariz. Admin.Code. At the project owner's request, the Department may conduct the final inspection required pursuant to R18-5-507(B); such a request must be made in writing in accordance with the time requirements of R18-5-507(C), Ariz. Admin. Code.
3. This certificate will be void if construction has not started within one year after the Certificate of Approval to Construct is issued, there is a halt in construction of more than one year, or construction is not completed within three years of the approval date. Upon receipt of a written request for an extension of time, the Department may grant an extension of time; an extension of time must be in writing. R18-5-505(E), Ariz. Admin. Code.
4. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department. R18-5-507(A), Ariz. Admin. Code.

Reviewed by: AQ1

By:  12/05/06
 Kwame A. Agyare., P.E. Date
 Manager, Drinking Water and
 Wastewater Engineering Review
 Water Quality Division

cc: File No : 20061102
 Regional Office: Central
 Owner: Dan Cox
 County Health Department: La Paz
 Engineer: The Harcuvar Co.
 Planning and Zoning/Az Corp. Commission
 Engineering Review Database - Pfr071

ARIZONA DEPARTMENT OF WATER RESOURCES
OFFICE OF ASSURED AND ADEQUATE WATER SUPPLY
3550 NORTH CENTRAL AVENUE, 2ND FLOOR
PHOENIX, ARIZONA 85012
(602) 771-8585 Fax: (602) 771-8689

DATE RECEIVED:

APPLICATION NO:

**APPLICATION FOR A WATER REPORT
PART A - GENERAL INFORMATION**

1. Subdivision Information:

a. Name of Subdivision as it will appear on submittals to the platting entity and the Department of Real Estate:

SUNSHINE ACRES

b. Location of the subdivision: Township(s) 5N Range(s) 13W Section(s) 27

City: SALOME County: LA PAZ

c. Number of lots: 107

2. Subdivision method of water distribution: Central distribution system (water provider) or Dry lot (individual wells).
If there will be a central distribution system, identify the water provider and the water provider's system name, if it operates more than one, that will be serving the subdivision. The water provider must be the same entity that signs the Notice of Intent to Serve. If there will be more than one water provider for the subdivision, please identify both water providers.

Primary Water Provider: KEATON DEVELOPMENT CO System Name: 15-029

Secondary Water Provider (if applicable): NA System Name: NA

3. Contact person for questions regarding this application:

Name: JAMES P. DOWNING, P.E.

Company: THE HARCUVAR CO.

E-Mail: jim@harcovarco.com

Address: P.O. Box 70, Salome, AZ 85348 Phone: 3647 Fax: 3149

928-859

4. Owner(s) of the property on which the subdivision will be built (attach additional sheets, if necessary):

Owner: DAN & MARY LOU COY Phone: 4423 Fax: 3144

Address: P.O. Box 208, Salome, AZ 85348 E-mail: 928-859

NOTE: Please attach proof of ownership in the form of a title report, condition of title report, limited search title report, or recorded deed, dated within 90 days of the date this application is submitted to the Department.

5. Please include a copy of the preliminary or final plat (reference as attachment): 1

6. Please check the appropriate box:

I am seeking a determination of adequate water supply.

I am seeking a determination of inadequate water supply.

NOTE: If an "Inadequate Determination Letter" has been issued for this subdivision or another phase of this subdivision, please provide a copy of the document (reference as an attachment):

NOTE: A "determination of water inadequacy" means that without further Department review the application fails all review criteria.

DO HEREBY certify that the information contained in this application and all information accompanying it is true and correct to the best of my knowledge and belief. **NOTE:** All owners must sign (attach additional sheets, if necessary). If the signator is someone other than the owner, please provide proof of legal authority to sign on the owner's behalf that is dated within 90 days of the date this application is submitted to the Department.

JAMES T. COY, AGENT

Name and Title of Owner/Owner's Authorized Agent (if signator is someone other than the owner)

[Signature]
Signature of Owner/Owner's Authorized Agent

12/28/06
Date

EXHIBIT H

PART G - FEES

Please calculate fees by completing the appropriate items below, and include the total fees with your application. Payment may be made by cash, check, or credit card. Checks should be made payable to the Department of Water Resources. **Failure to enclose the required fees will cause the application to be returned. Fees for water reports are authorized by A.R.S. § 45-113.**

1. Basic Application fee (includes first 20 lots) \$ 900.00
2. Per-lot review fee (for lots in excess of the first 20):
- | | | |
|--|------------|------------------|
| Total lots in this application | <u>107</u> | |
| Less first 20 lots | <u>-20</u> | |
| Lots subject to additional review fees | <u>87</u> | x \$2.00 per lot |
- \$ 174.00
3. **TOTAL FEE DUE NOT TO EXCEED \$2,000 (add items #1 and #2):** \$ 1074.00

DID YOU REMEMBER?

- To completely fill-out the application form?
- To include two copies of preliminary plat?
- To include a signed Notice of Intent to Serve?
- To include a Hydrologic study, if required?
- To include all documents referenced in the application?
- To include correctly calculated fees?
- To have application signed by **each applicant** or an authorized agent **for each applicant** and include proof of the authorization?

ARIZONA DEPARTMENT OF WATER RESOURCES
 OFFICE OF ASSURED WATER SUPPLY
 3550 NORTH CENTRAL AVE. 2ND FLOOR
 PHOENIX, ARIZONA 85012
 (602) 771-8585
 SUNSHINE ACRES ATTACHMENT 3
NOTICE OF INTENT TO SERVE

Subdivision/Development Name ("Subdivision"): SUNSHINE ACRES

Subdivision Owner ("Owner"): DAN & MARY LOU COY

Municipal Provider: KEATON DEVELOPMENT CO.

If the Municipal Provider has several divisions, please specify service area in which the Subdivision is located

ADEQ Public Water System Number: 15-029 Please indicate the number valid for this Subdivision

Municipal Provider Type:

- City or Town;
- Irrigation District;
- Water Improvement District;

Private Water Company Regulated by the Arizona Corporation Commission ("PWC"): Is the Subdivision within the PWC's existing Certificate of Convenience and Necessity ("CC&N")? ___ Yes No
 If "No", has an application for an extension of the CC&N been filed? Yes ___ No

If "Yes" date of submittal: _____
 Please include a copy of the application for extension and reference as an attachment.

If the Subdivision is not within the PWC's CC&N, a Certificate of Assured Water Supply will not be issued until the CC&N has been extended to include the Subdivision.

Homeowners' Association ("HOA")
 If HOA, please provide the documents that establish the HOA and evidence from the Arizona Corporation Commission ("ACC") that the HOA is "not for public service," and therefore not subject to regulation by the ACC.
 Other (Explain) _____

COMPLETE THIS SECTION IF SUBDIVISION IS LOCATED WITHIN AN ACTIVE MANAGEMENT AREA:
 ADWR Service Area Right Number: 56- Number can be found on ADWR Annual Reports

Is the Subdivision located within the Municipal Provider's existing operating distribution system? ___ Yes ___ No
 If no, will the Municipal Provider be establishing a new service area right to serve the Subdivision? ___ Yes ___ No
 If yes, what type of right will be used to establish the service area right? _____
 If the Subdivision is not within the Municipal Provider's operating distribution system, the Municipal Provider must begin the process to establish a new or satellite service area right or enter into an agreement with the undersigned Owner to extend water lines to the subdivision before a Certificate of Assured Water Supply will be issued. Please contact your local AMA office for

The undersigned Owner and Municipal Provider certify that: (1) They have entered into an agreement whereby the Municipal Provider agrees to provide the Subdivision an amount of water sufficient to satisfy the water demands of the Subdivision; (2) The aforementioned agreement is binding upon the present and future agents, servants, representatives, successors in interest and assigns of the Municipal Provider and the Owner; and (3) the Subdivision is within 660' of the Municipal Provider's operating distribution system or that the undersigned Owner and Municipal Provider have (a) entered into an agreement to extend water lines to the subdivision, or (b) a new service area right will be established to serve the Subdivision (if subdivision is located within an active management area). This Notice of Intent to Serve is conditioned upon the Municipal Provider's receipt of necessary approvals from the relevant regulatory agencies and the Municipal Provider's receipt of all necessary payments.

If the Municipal Provider is a PWC, then the Municipal Provider further certifies that the Subdivision is within the boundaries of its CC&N, or that a formal request has been filed with the ACC to extend the boundaries to include the Subdivision.

[Signature]
 Signature of Authorized Agent of Private Water Company

President
 Title

12/28/06
 Date

[Signature]
 Signature of Owner

AGENT
 Title

12/28/06
 Date

NOTE: If there are multiple owners, you may use the attached signature page.

ARIZONA CORPORATION COMMISSION

Utilities Division

1200 WEST WASHINGTON PHOENIX ARIZONA 85007
 PHONES: 602-542-4251 1-800-222-1000

**EXTENSION AGREEMENT
 DATA SHEET**

EXTENSION AGREEMENT WITH:
Sunshine Acres

COMPANY NAME: **Keaton Development Company**
 DIVISION:
 W.A. No.:
 ACC No.: **W-02169**

NUMBER OF PROPOSED CUSTOMERS: 107

PROJECTED PEAK USAGE (DOMESTIC GPM): 41.00

NUMBER OF CUSTOMERS BY MONTH FOR THE LAST 12 MONTHS	YEAR	
	2005	2006
JANUARY	406	
FEBRUARY	401	
MARCH	406	
APRIL	412	
MAY	416	
JUNE	409	
JULY	405	
AUGUST	407	
SEPTEMBER	404	
OCTOBER	406	
NOVEMBER	411	
DECEMBER	417	

TOTAL GALLONS SOLD PER MONTH FOR LAST 12 MONTHS*	YEAR	
	2005	2006
JANUARY	12,697	
FEBRUARY	12,685	
MARCH	15,746	
APRIL	16,295	
MAY	18,308	
JUNE	15,648	
JULY	22,450	
AUGUST	24,475	
SEPTEMBER	10,282	
OCTOBER	19,353	
NOVEMBER	24,369	
DECEMBER	17,597	
Total		209,905

WELL PUMP CAPACITY (GPM) **			
GPM	Well #	GPM	Well #
B-5-1328a		500	B-5-1221dde
			600

*** STORAGE CAPACITY (GALLONS): 34,000

BOOSTER PUMP CAPACITY (GPM)							
GPM	BOOSTER	1	GPM	BOOSTER	2	GPM	BOOSTER
10	HP		5	HP			
GPM	BOOSTER		GPM	BOOSTER		GPM	BOOSTER

Will additional well capacity be needed as a result of this agreement? Yes No

Will new booster stations be necessary to serve the proposed addition? Yes No

* Reported in 10³ gallons
 ** ADEQ designation
 *** Include ground storage

1 PUBLIC NOTICE OF HEARING ON APPLICATION FOR AN
2 EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
3 BY KEATON DEVELOPMENT COMPANY

4 Keaton Development Company ("Company"), has filed with the Arizona Corporation
5 Commission ("Commission") an application for a Certificate of Convenience and Necessity
6 ("CC&N") to provide water service. Our records indicate that you are either currently a customer of
7 the Company or a property owner in the proposed extension area. If the application is granted the
8 Company would be the exclusive provider of water service to the proposed area. The Company
9 will be required by the Commission to provide these services under the rates and charges and terms
10 and conditions established by the Commission. The granting of the application would not
11 necessarily prohibit an individual from providing service to themselves from individually-owned
12 facilities on their property. The application is available for inspection during regular business hours
13 at the offices of the Commission in Phoenix at 1200 W. Washington Street, and at the Company's
14 offices in Salome, Arizona.

15 The Commission will hold a hearing on this matter. As a property owner you may have the
16 right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing
17 and make a statement on your own behalf. You may contact the Commission at the address and
18 telephone number listed below for the date and time of the hearing and for more information on
19 intervention. You may not receive any further notice of the proceeding unless requested by you.

20 If you have any questions or concerns about this application or have any objections to its
21 approval, or wish to make a statement in support of it, you may write the Consumer Services
22 Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-
23 800-222-7000 or appear at the hearing and make comment.