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Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
ENVIRONMENTAL CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF H2O, INC., FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY

Docket No: W -02234A-00-0371

IN THE MATTER OF THE APPLICATION OF JOHNSON UTILITIES, L.L.C. DBA JOHNSON UTILITIES COMPANY FOR AN EXTENSION FOR ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER AND WASTEWATER SERVICE TO THE PUBLIC IN THE DESCRIBED AREA IN PINAL COUNTY, ARIZONA

Docket No: WS-02987A-99-0583

Docket No: WS-02987A-00-0618

PREFILED REBUTTAL TESTIMONY OF GEORGE H. JOHNSON

1 Q. Please state your name for the record.

2 A. George H. Johnson.

3 Q. What is your title and responsibilities with the applicant, Johnson Utilities?

4 A. I am President of Johnson Utilities and responsible for its overall operations. My
5 primary focus is on the financial aspects of the company. The day-to-day
6 operational aspects are handled by Jerry Beeler, our operator and manager, Cauby
7 Washburn, our on-site manager, and Brian Tompsett, of The WLB Group, who is
8 active in the day-to-day engineering, planning and construction coordination of
9 future facilities.
10
11

12 Q. Have you reviewed the Johnson Utilities Application and supporting
13 materials?

14 A. Yes, I have.

15 Q. Are those materials accurate?

16 A. Yes, to the best of my knowledge.

17 Q. Have you reviewed the staff report in this matter?

18 A. Yes, I have.

19 Q. How does Johnson Utilities plan to finance the additional facilities that will be
20 required to serve the requested expansion area?

21 A. The facilities will be financed through a combination of debt and equity as more
22 fully set forth in the Financing Application currently pending before the Arizona
23
24
25
26

1 Corporation Commission. A copy of that Application is attached to this testimony
2 as Exhibit 1.

3 **Q. How much have you and your affiliated entities invested in Johnson Utilities to**
4 **date?**

5 **A. Approximately \$10,000,000.**

6 **Q. Do you understand that a portion of the “uncontested” proceeding involves the**
7 **provision of wastewater service to certain parcels that are the subject of a**
8 **contested proceeding with H2O, Queen Creek Water and Diversified Utilities**
9 **with respect to water service?**

10 **A. Yes, I do. Specifically, it is my understanding that the staff has recommended**
11 **approval for Johnson Utilities to be the wastewater, but not the water, provider in**
12 **the “contested” area plus Parcel 19 in the Johnson Application.**

13 **Q. Is that acceptable to Johnson Utilities?**

14 **A. No, it is not economically justifiable to provide just wastewater service to these**
15 **parcels. If the Commission awards the water service in these parcels to H2O or any**
16 **other utility, then Johnson Utilities will respectfully withdraw its application to**
17 **provide wastewater service to those parcels.**

18 **Q. Despite these economics, why did Johnson apply just for sewer in Parcel 19?**

19 **A. It was in response to the requests from property owners in that area. Parcel 19 is a**
20 **small addition and is contiguous to the much larger water and sewer system**
21 **Johnson Utilities had requested to build in the contested area. As a result, the**

1 economic detriment of providing just wastewater to Parcel 19 would not be a
2 significant hindrance if Johnson Utilities is providing service to the adjacent
3 parcels.
4

5 **Q. Are you familiar with the “phase” approach proposed by the staff?**

6 **A.** Yes.

7 **Q. Is that approach agreeable to Johnson Utilities?**

8 **A.** No. The landowners need certainty about water and sewer service. In addition,
9 Johnson Utilities should be able to build its facilities as an integrated system based
10 on the needs of all the property owners. It cannot be restricted by estimated start
11 dates. Johnson Utilities acknowledges that it has had some problems with ADEQ
12 in the past, but as staff acknowledges, those problems have now been resolved.
13 Johnson Utilities is willing to accept compliance with ADEQ as a general
14 condition, but individual property owners should not be held hostage based on
15 estimated development start dates.
16
17

18 **Q. Are you familiar with the Centex Homes complaint referenced on page 4 of the**
19 **staff report?**
20

21 **A.** Yes, I am. The case has been settled with a payment of money by Centex Homes to
22 Johnson Utilities.
23

24 **Q. Does this conclude your testimony?**

25 **A.** Yes.
26

VERIFICATION

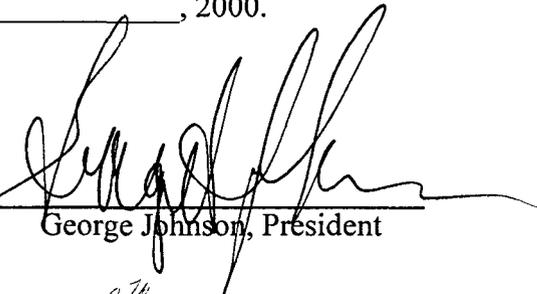
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STATE OF ARIZONA)
County of Maricopa) ss.

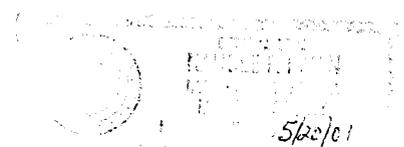
George H. Johnson, of lawful age being first duly sworn, deposes and states:

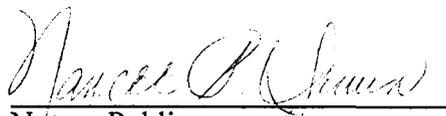
1. My name is George H. Johnson. I am the President of Johnson Utilities Company.
2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

DATED this 9th day of October, 2000.

By 
George Johnson, President

SUBSCRIBED AND SWORN to before me this 9th day of
October, 2000.




Notary Public

My Commission Expires:
May 20, 2001

Exhibit

1

1 Richard L. Sallquist, Esq. (002677)
SALLQUIST & DRUMMOND, P.C.
2 2525 E. Arizona Biltmore Circle, Suite 117
Phoenix, Arizona 85016
3 Telephone: (602) 224-9222
Fax: (602) 224-9366
4 Attorneys for Johnson Utilities Company

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6 IN THE MATTER OF THE APPLICATION) DOCKET NO. WS-02987-00-____
OF JOHNSON UTILITIES, L.L.C. DBA)
7 JOHNSON UTILITIES COMPANY FOR)
AUTHORITY TO ISSUE MEMBER'S)
8 CAPITAL AND PROMISSORY NOTE(S)) **FINANCING APPLICATION**
AND OTHER EVIDENCES OF)
9 INDEBTEDNESS PAYABLE AT PERIODS)
OF MORE THAN TWELVE MONTHS)
10 AFTER THE DATE OF ISSUANCE.)

11 Johnson Utilities, L.L.C. dba Johnson Utilities Company ("Johnson"), by and through
12 undersigned counsel, respectfully states the following in support of this Application:

13 1. Johnson is a limited liability company duly organized and existing under the laws of the
14 State of Arizona. Its principal place of business is 5230 East Shea Blvd., Suite 200
15 Scottsdale, Arizona 85254.

16 2. Johnson received a Certificate of Convenience and Necessity as a public service
17 corporation in Decision No. 60223, dated May 27, 1996 and subsequent Decisions.
18 Johnson provides water and wastewater utility services pursuant to those Decisions in its
19 certificated area in portions of Pinal County, Arizona.

20 3. Johnson seeks herein Commission approval for the issuance of Member's Capital and
21 long term note(s) and other evidences of indebtedness totaling an additional amount not to
22 exceed \$6,412,321.
23

1 4. Commencing with this Application, the Company seeks to gradually increasing the debt
2 component of its capital structure, with the intent to ultimately reach a 50/50 debt/equity
3 ratio. The capital structure after issuing all the requested debt and equity in this proceeding
4 would be 30/70.

5 5. The series of equity issues and promissory notes will be issued by Johnson for the
6 purpose of establishing permanent capital associated with: (1) the 1999 completed
7 construction projects for which costs exceeded the Company's previously authorized
8 financing; (2) the 2000 estimated construction budget; and (3) the 2001 estimated
9 construction budget, all as set forth on Attachment A hereto and incorporated herein by this
10 reference. The respective equity and debt is proposed to be issued only upon completion of
11 the related construction projects.

12 6. The specifics of the 2000 and 2001 construction budgets are set forth in Attachment B
13 hereto and incorporated herein by this reference.

14 7. The form of the notes to be issued, including the terms and conditions, is attached
15 hereto as Attachment C and incorporated herein by this reference.

16 8. The terms of the financing are proposed to be as follows:

| | <u>Debt</u> | <u>Member's Capital</u> |
|-------------------|--|-----------------------------|
| 17 Amount: | \$2,032,690 | \$4,379,631 |
| 18 Par Value: | N/A | N/A |
| 19 Interest Rate: | 8% | N/A |
| 20 Purpose: | Finance Utility Plant | Same |
| 21 Date of Issue: | Upon Commission Approval and completion of 22 construction. | Same |
| 23 | | |

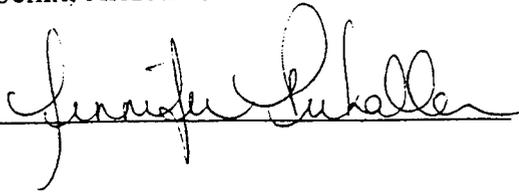
| | | | |
|----|-----------------------|--|------|
| 1 | Lender/Investor: | Johnson International/George and Jana Johnson and/or Johnson Family Trust | Same |
| 2 | Term: | Quarterly Interest only, plus a 10 year balloon. Principal may be reduced by Off-Site Facilities Hook-Up Fees as authorized by Tariff. | N/A |
| 3 | Quarterly Payment: | Estimated to be \$16,000 when fully issued, and assuming no principal reductions. | N/A |
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9. Attached as Attachment D, and incorporated herein by reference for all purposes, are Johnson's 1999 Compiled Financial Statements.

10. Johnson will provide notice of the filing of this Application in conformity with A.R.S. § 40-302 in the form attached as Attachment E and incorporated herein by this reference, which exhibit contains the form of the Notice of Mailing to be filed with the Commission.

11. In Johnson's opinion, the purpose to which proceeds of the Member's Capital and promissory notes and evidences of indebtedness when utilized as set forth above are lawful and within its powers. Further said financing is compatible with the public interest, with sound financial practices, and with the proper performance by the Applicant of service as a public service corporation and will not impair its ability to perform that service. The Applicant is further of the opinion that the issuance of the Member's Capital, promissory notes and evidences of indebtedness as herein contemplated are reasonably necessary and appropriate for the aforementioned purposes. To the extent the Commission determines that such purposes may be considered reasonably chargeable to operating expenses or to income, the Applicant requests that such purposes be permitted by the Commission's Decision herein.

1 Docket Control
Arizona Corporation Commission
2 1200 West Washington
Phoenix, Arizona 85007

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ATTACHMENTS

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ATTACHMENT

DESCRIPTION

A

REQUESTED FINANCING

B

CONSTRUCTION DETAILS

C

FORM OF PROMISSORY NOTE

D

COMPILED FINANCIALS

E

FORM OF NOTICE OF MAILING

JOHNSON UTILITIES COMPANY

Requested Financing

| 1999 | | | | |
|----------------------------------|---------------|--------------|------------------|-----------------|
| | Total | Debt | Members' Capital | Paid in Capital |
| 1 Commission Authorized Ratio | | 25% | 75% | |
| 2 Commission Authorized Amounts | \$ 3,089,500 | \$ 772,000 | \$ 2,317,500 | |
| 3 Actual as Booked | \$ 4,348,946 | - | \$ (73,082) | \$ 4,422,028 |
| 4 Restated | \$ 4,348,946 | \$ 1,087,237 | \$ 3,261,710 | - |
| 5 Required Additional Financing | \$ 1,259,446 | \$ 315,237 | \$ 944,210 | |
| 2000 | | | | |
| 6 Company Proposed Ratio | | 33.30% | 66.70% | |
| Backbone Plant Capital Budget | | | | |
| 7 Water | \$ 1,150,000 | | | |
| 8 Wastewater | \$ 1,995,000 | | | |
| 9 Contingencies | 5% \$ 157,250 | | | |
| 10 Total for 2000 | \$ 3,302,250 | | | |
| Less: Hook-Up Fees | | | | |
| 11 Water | \$ 750,000 | | | |
| 12 Wastewater | \$ 1,000,000 | | | |
| 13 Total for 2000 | \$ 1,750,000 | | | |
| 14 Required Additional Financing | \$ 1,552,250 | \$ 516,899 | \$ 1,035,351 | - |
| 15 Company Total Year-end 2000 | \$ 5,901,196 | \$ 1,604,136 | \$ 4,297,060 | - |
| 2001 | | | | |
| Backbone Plant Capital Budget | | | | |
| 16 Water | \$ 2,875,000 | | | |
| 17 Wastewater | \$ 2,887,500 | | | |
| 18 Contingencies | 5% \$ 288,125 | | | |
| 19 Total for 2001 | \$ 6,050,625 | | | |
| Less: Hook-Up Fees | | | | |
| 20 Water | \$ 1,050,000 | | | |
| 21 Wastewater | \$ 1,400,000 | | | |
| 22 Total for 2001 | \$ 2,450,000 | | | |
| 23 Required Additional Financing | \$ 3,600,625 | \$ 1,199,008 | \$ 2,401,617 | - |
| 24 Company Total Year-end 2001 | \$ 9,501,821 | \$ 2,803,144 | \$ 6,698,677 | - |
| TOTAL | | | | |
| 25 Total Financing Requested | \$ 6,412,321 | \$ 2,031,144 | \$ 4,381,177 | - |
| 26 Ratio | | 31.68% | 68.32% | |
| 27 Total Post-Financing Capital | \$ 9,501,821 | \$ 2,803,144 | \$ 6,698,677 | |
| 28 Overall Ratio | 100.00% | 29.50% | 70.50% | |

JOHNSON UTILITIES COMPANY
Water Plant Construction Schedule

| Plant Stage | Plant Size in Million Gallons | Const. Date | Water Plant Cost | Wells and Other | | Total Cost |
|-------------|-------------------------------|-------------|------------------|-----------------|-----------|---------------------|
| | | | | Off-Sites @ 15% | | |
| 1A | 0.50 | 2000 | \$ 800,000 | \$ 75,000 | \$ 75,000 | \$ 575,000 |
| 2A | 0.50 | 2000 | \$ 500,000 | \$ 75,000 | \$ 75,000 | \$ 575,000 |
| 5A | 0.50 | 2001 | \$ 500,000 | \$ 75,000 | \$ 75,000 | \$ 575,000 |
| 8A | 0.50 | 2001 | \$ 500,000 | \$ 75,000 | \$ 75,000 | \$ 575,000 |
| 10A | 0.50 | 2001 | \$ 500,000 | \$ 75,000 | \$ 75,000 | \$ 575,000 |
| 11A | 0.50 | 2001 | \$ 500,000 | \$ 75,000 | \$ 75,000 | \$ 575,000 |
| 3A | 0.50 | 2001 | \$ 500,000 | \$ 75,000 | \$ 75,000 | \$ 575,000 |
| | | | | | | <u>\$ 1,180,000</u> |
| | | | | | | <u>\$ 2,875,000</u> |

| | | Johnson Utilities Company | | | | | | | | | | | | | |
|------|-------|-------------------------------|------|------|------|------|------|------|------|------|-------|-------|---------------------------------|-----------------------|-----------------------|
| | | Water HUF Collections | | | | | | | | | | | | | |
| Year | Units | (#1) | (#2) | (#3) | (#4) | (#5) | (#6) | (#7) | (#8) | (#9) | (#10) | (#11) | Total HUF's Collected at Resid. | Total HUF's Collected | Comm. HUF's Collected |
| | | HUF Collection date | | | | | | | | | | | | | |
| | | JR Phase I (Other than 4A&4B) | | | | | | | | | | | | | |
| | | Magic K&B | | | | | | | | | | | | | |
| | | Magic Judi | | | | | | | | | | | | | |
| | | Magic Westside | | | | | | | | | | | | | |
| | | Supernition Views | | | | | | | | | | | | | |
| | | Magic Ranch (Balance) | | | | | | | | | | | | | |
| | | Morning Sun | | | | | | | | | | | | | |
| | | Skyline | | | | | | | | | | | | | |
| | | San Ten Heights | | | | | | | | | | | | | |
| | | Circle G | | | | | | | | | | | | | |
| | | Circle Cross | | | | | | | | | | | | | |
| | | Ware Farms | | | | | | | | | | | | | |
| | | JR Units 4A,4B& GG | | | | | | | | | | | | | |
| | | Mystic Lake Ranch | | | | | | | | | | | | | |
| | | Spice H Ranch | | | | | | | | | | | | | |
| | | Pecan Farms | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| 1999 | 70 | | | | | | | | | | | | 70 | \$ 52,500 | \$ 52,500 |
| 2000 | 800 | | | | | | | | | | | | 1,080 | \$ 760,000 | \$ 802,500 |
| 2001 | 500 | | | | | | | | | | | | 1,400 | \$ 1,050,000 | \$ 1,052,500 |

JOHNSON UTILITIES COMPANY
Wastewater Plant Construction Schedule

| Plant Stage | Module Size (MGD) | Const. Date | WWTP Cost | Other | | Total Cost |
|-------------|-------------------|-------------|--------------|-----------------|---------------------|------------|
| | | | | Off-Sites @ \$% | | |
| 1A | 1.00 | 2000 | \$ 1,000,000 | \$ 50,000 | \$ 1,050,000 | |
| 2A | 0.25 | 2000 | \$ 500,000 | \$ 25,000 | \$ 525,000 | |
| BALB | 0.30 | 2000 | \$ 400,000 | \$ 20,000 | \$ 420,000 | |
| 3A | 0.50 | 2001 | \$ 1,000,000 | \$ 50,000 | \$ 1,050,000 | |
| 5A | 0.13 | 2001 | \$ 250,000 | \$ 12,500 | \$ 262,500 | |
| BA | 0.50 | 2001 | \$ 1,000,000 | \$ 50,000 | \$ 1,050,000 | |
| 11A | 0.25 | 2001 | \$ 500,000 | \$ 25,000 | \$ 525,000 | |
| | | | | | \$ 2,987,500 | |

PROMISSORY NOTE

\$ _____

Phoenix, Arizona
December, _____

FOR VALUE RECEIVED, the undersigned promises to pay to the order of GEORGE AND JANA JOHNSON, or to such other persons or places as may be designated from time to time by notice to the undersigned, the sum of _____ and 00/100 Dollars (\$ _____), together with interest on the unpaid principal balance of said indebtedness at the rate eight percent (8%) per annum (computed on a 365 day year) from the date hereof, payable in lawful money of the United States of America, as follows:

(a) Quarterly payments of interest only commencing on March 31, _____ and each quarter thereafter for a ten (10) year period, and

(b) The full principal amount, plus any accrued interest thereon, on December 31, _____, if not paid in full before such date.

The undersigned shall have the right from time to time to prepay the whole or any part of the principal sum hereof together with accrued interest to the date of prepayment.

The whole of the principal sum and interest shall become immediately due and payable at the option of the holder, without notice to the undersigned, upon default in the payment of any principal hereof or interest hereon. The undersigned shall pay all costs and reasonable attorneys' fees incurred by the holder hereof in collecting or enforcing payment hereof. The whole of the principal sum and accrued interest, together with costs and attorneys' fees shall bear interest at the rate of eighteen percent (18%) per annum, from and after maturity, whether or not resulting from acceleration. The payment and acceptance of any sums at any time, or the failure to exercise any rights herein given the holder, shall not constitute a waiver of holder's rights in the event of any subsequent default.

Should any installment of principal or interest become ten (10) days late, a late charge of 5% of such installment shall be paid to the holder by the maker.

As to this note and any deed of trust or any other instruments securing the indebtedness, the undersigned, any endorsers and any guarantors severally waive all applicable exemption rights, whether under the state constitution, homestead laws or otherwise, and also severally waive valuation and appraisal, presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this note, and expressly agree that the maturity of this note, or any payment hereunder, may be extended from time to time without in any way affecting the liability of the undersigned or said endorsers and guarantors.

ATTACHMENT C

Should this note be signed by more than one maker, the singular shall include the plural and all the obligations herein contained shall be the joint and several obligations of each signer hereof.

This note is to be construed according to the laws of the State of Arizona.

No provision of this note or any instrument securing this note shall be deemed to require the payment or permit the collection of interest in excess of the maximum permitted by law over the term of this note. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided for herein, for whatever reason, the interest required to be paid hereunder shall be automatically reduced to the maximum legally enforceable and any excess paid over such maximum enforceable amount shall be automatically credited against any other indebtedness of the undersigned to the holder hereof, and thereafter, any remaining amount refunded to the undersigned in cash.

JOHNSON UTILITIES L.L.C. dba
JHONSON UTILITIES COMPANY

By _____
George Johnson, Managing Member

 **ULLMANN**
& COMPANY P.L.C.
Certified Public Accountants

To The Board of Directors
Johnson Utilities, L.L.C.
Scottsdale, Arizona

We have compiled the accompanying statement of assets, liabilities and equity - modified accrual basis of Johnson Utilities, L.L.C. as of December 31, 1999 and the related statement of revenue collected and expenses paid - modified accrual basis for the year then ended, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the modified accrual basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenue and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The Company, with the consent of its members, has elected under the Internal Revenue Code to be a limited liability company. The members of a limited liability company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

We are not independent with respect to Johnson Utilities, L.L.C.

Ullmann & Company

Ullmann & Company, P.L.C.
Certified Public Accountants

July 11, 2000

ATTACHMENT D

Johnson Utilities, L.L.C.
Statement of Assets, Liabilities and Equity
Modified Accrual Basis

| | Dec 31, '99 |
|--|--------------|
| ASSETS | |
| Current Assets | |
| Checking/Savings | |
| Cash NB - 0050005715 | 23,027.82 |
| Cash NB - 0060019790 | 3,319.86 |
| Cash NB - 0060033795 | 100.00 |
| Total Checking/Savings | 26,447.68 |
| Other Current Assets | |
| Accounts Receivable | 20,271.86 |
| A/R - Sunbelt | 16,011.59 |
| Total Other Current Assets | 36,283.45 |
| Total Current Assets | 62,731.13 |
| Fixed Assets | |
| Utility Plant - Water | |
| Land & Land Rights | 244,400.00 |
| Structures & Improvements | 102,374.41 |
| Wells & Springs | 324,354.96 |
| Pumping Equipment | 375,049.00 |
| T&D Mains | 2,319,739.21 |
| Services | 155,100.00 |
| Meters & Meter Installation | 32,940.39 |
| Hydrants | 60,225.00 |
| Tools & Equipment | 16,230.00 |
| Total Utility Plant - Water | 4,130,413.47 |
| Accum. Depreciation - Water | (119,222.39) |
| Utility Plant - Sewer | |
| Land & Land Rights | 675,000.00 |
| Structures & Improvements | 196,548.00 |
| Services | 25,752.00 |
| Wastewater Meters | 7,009.32 |
| Pumping Equipment | 11,660.00 |
| Reuse T&D | 3,771,465.83 |
| Total Utility Plant - Sewer | 4,887,435.15 |
| Accum. Depreciation - Sewer | (100,310.89) |
| Total Fixed Assets | 3,798,315.35 |
| TOTAL ASSETS | 8,361,046.48 |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Other Current Liabilities | |
| Accounts Payable | 521,967.57 |
| Security Deposits | 1,900.00 |
| Sales Tax Payable | 782.32 |
| Total Other Current Liabilities | 524,649.89 |
| Total Current Liabilities | 524,649.89 |
| Long Term Liabilities | |
| AIAC - Water | 1,956,930.00 |
| AIAC - Sewer | 968,955.00 |
| Rerundable Meter Deposits | 120,190.00 |
| Total Long Term Liabilities | 2,946,075.00 |
| Total Liabilities | 3,470,724.89 |

Johnson Utilities, L.L.C.
Statement of Assets, Liabilities and Equity
Modified Accrual Basis

| | <u>Dec 31, '99</u> |
|-------------------------------------|----------------------------|
| Equity | |
| Contr. in Aid of Construction | |
| CIAC - Water | 65,225.00 |
| Hook-Up Fees- Water | 877,925.00 |
| Hook-Up Fees - Sewer | 338,000.00 |
| Accum. Amort. CIAC - Water | (33,893.00) |
| Accum. Amort. CIAC - Sewer | (11,075.00) |
| Total Contr. in Aid of Construction | <u>1,236,182.00</u> |
| Paid in Capital | 4,422,028.28 |
| Member's Capital | (73,081.79) |
| Net Income | (194,806.90) |
| Total Equity | <u>5,390,321.59</u> |
| TOTAL LIABILITIES & EQUITY | <u><u>8,861,046.48</u></u> |

Johnson Utilities, L.L.C.
Statement of Revenue Collected and Expenses Paid
Modified Accrual Basis

| | Jan - Dec '99 |
|------------------------------|---------------|
| Income | |
| Water Revenue | |
| Water Sales - Residential | 44,944.52 |
| Water Sales - Commercial | 125,461.18 |
| Sales Tax - Water | (2,540.84) |
| Other Income - Water | 8,540.00 |
| | 176,404.86 |
| Total Water Revenue | |
| Sewer Revenue | |
| Sewer Fees | 12,474.00 |
| Sales Tax - Sewer | (704.99) |
| Other Income - Sewer | 115,500.00 |
| | 127,269.01 |
| Total Sewer Revenue | |
| Total Income | 303,673.87 |
| Expense | |
| Depreciation Expense - Water | 31,169.39 |
| Depreciation Expense - Sewer | 30,985.38 |
| Property Taxes | 2,986.24 |
| Purchased Water | 49,830.00 |
| Purchased Power | 33,058.93 |
| Materials & Supplies | 1,766.25 |
| Repairs & Maintenance | 1,278.51 |
| Management Services - Water | 11,287.98 |
| Outside Services | 2,713.52 |
| Customer Billings | 4,910.00 |
| Accounting Fees | 11,042.10 |
| Water Testing | 4,830.22 |
| Insurance Expense | 11,463.25 |
| Miscellaneous | 797.15 |
| Licenses & Fees | 3,558.00 |
| Bank Charges | 16.79 |
| Telephone | 688.44 |
| Sludge Removal Expense | 148,509.12 |
| Sewage Treatment & Testing | 240.00 |
| Management Services - Sewer | 3,348.98 |
| | 498,480.77 |
| Total Expense | |
| Net Income | (194,806.90) |

1 CARL J. KUNASEK
 CHAIRMAN
 2 JIM IRVIN
 COMMISSIONER
 3 WILLIAM MUNDELL
 COMMISSIONER
 4

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6 IN THE MATTER OF THE APPLICATION)
 7 OF JOHNSON UTILITIES, L.L.C. DBA)
 JOHNSON UTILITIES COMPANY FOR)
 8 AUTHORITY TO ISSUE MEMBER'S)
 CAPITAL AND PROMISSORY NOTE(S))
 9 AND OTHER EVIDENCES OF)
 INDEBTEDNESS PAYABLE AT PERIODS)
 10 OF MORE THAN TWELVE MONTHS)
 AFTER THE DATE OF ISSUANCE.)

DOCKET NO. WS-02987-00-__

NOTICE OF PUBLICATION

11
 12 STATE OF ARIZONA)
)ss
 13 County of Maricopa)

14 I, George H. Johnson, Manager of Johnson Utilities Company, L.L.C. hereby file the
 15 original Affidavit of Publication attached hereto as Attachment 1 and incorporated herein by
 16 reference for all purposes, as published by _____, a newspaper of general
 17 circulation in the area subject to the application, said application being completed on the date set
 18 forth in the attached Affidavit of Publication.

19 DATED this ____ day of _____, 2000.

20 JOHNSON UTILITIES COMPANY, L.L.C.

21
 22 By: _____
 George H. Johnson, Manager
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The foregoing instrument was acknowledged before me this ____ day of

_____, 2000, by George H. Johnson

Notary Public

My Commission Expires:

Original and ten copies of the
foregoing filed this ____ day
of _____, 2000:

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

**PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER AUTHORIZING
THE ISSUANCE OF MEMBER'S CAPITAL AND PROMISSORY NOTE (S) AND
OTHER EVIDENCE OF INDEBTEDNESS
BY
JOHNSON UTILITIES COMPANY, L.L.C.**

Johnson Utilities Company, L.L.C. (Applicant) has filed an Application with the Arizona Corporation Commission (Commission) for an order authorizing Applicant to issue up to \$6,412,321 in member's capital and promissory notes and other evidence of indebtedness. The Application is available for inspection during regular business hours at the offices of the Commission in Phoenix, Arizona, and Applicant's offices at 5230 E. Shea Boulevard, Suite 200, Scottsdale, Arizona 85254.

Intervention in the Commission's proceedings on the Application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon the Applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceedings.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the Application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

If you have any questions or concerns about this application or have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington, Phoenix, Arizona 85007 or call 1-800-222-7000.