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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION
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DOCKET NO. W-02304A-14-0041

7 IN THE MATTER OF THE APPLICATION OF
8 COMMUNITY WATER COMPANY OF
8 GREEN VALLEY FOR AUTHORITY TO
9 BORROW UP TO \$3.4 MILLION FROM
9 COMPASS BANK AND COMPASS
10 MORTGAGE CORPORATION FOR THE
10 PURPOSES OF (1) REFINANCING UP TO
11 \$2.2 MILLION IN EXISTING LONG-TERM
11 DEBT; AND (2) ISSUING AN ADDITIONAL
12 \$1.2 MILLION IN LONG-TERM DEBT,
12 UNDER A.R.S. §§ 40-301 AND 40-302.

**NOTICE OF FILING STAFF RESPONSE
TO PROCEDURAL ORDER**

ORIGINAL

14 On August 26, 2014, Community Water Company of Green Valley ("Company") filed an
15 Amendment to Application indicating that the interest rate of the loan with the lender could exceed the
16 5.8 percent noted in the original financing application filed in this matter. On September 12, 2014, a
17 procedural order was filed in the above captioned matter that posed several questions to Staff in light
18 of the Company's amended application. Staff hereby provides notice of filing the attached memos
19 prepared by Teresa Hunsaker and Jian Liu responding to the procedural order questions.

20 RESPECTFULLY SUBMITTED this 19th day of September, 2014.

21
22
23 Charles H. Hains
24 Attorney, Legal Division
24 Arizona Corporation Commission
24 1200 West Washington Street
25 Phoenix, Arizona 85007
25 (602) 542-3402

1 Original and thirteen (13) copies of
2 the foregoing filed this 19th day of
September, 2014, with:

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

7 Copy of the foregoing mailed this
8 19th day of September,
9 2014, to:

10 Jason D. Gellman
11 ROSHKA DeWULF & PATTEN, PLC
12 One Arizona Center
13 400 East Van Buren Street, Suite 800
14 Phoenix, Arizona 85004
15 Attorneys for Community Water Company
16 of Green Valley

17 Arturo R. Gabaldon, President
18 Community Water Company
19 of Green Valley
20 1501 South La Canada
21 Green Valley, Arizona 85614-1600

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**STAFF'S REPLY TO THE PROCEDURAL ORDER DATED SEPTEMBER 12, 2014
COMMUNITY WATER COMPANY OF GREEN VALLEY
DOCKET NO. W-02304A-14-0041**

Pursuant to the Procedural Order issued on September 12, 2014, the Administrative Law Judge ("ALJ") ordered Staff to address an Amendment to Application ("Amended Financing Application") filed by Community Water Company of Green Valley ("Company") on August 26, 2014. Staff is ordered to file an updated financial analysis and recommendation in response to the Amended Financing Application.

Staff has addressed the following topics: Provide a detailed financial analysis of the Company (similar to the analysis performed for Staff's recommended authorization to refinance \$2,120,000 in existing long-term debt) to reflect the issuance of a \$3,400,000, 20 year amortizing loan, at an interest rate of 6.5 percent per annum and at an interest rate of 8.0 percent per annum. Provide a detailed financial analysis of the Company to reflect the issuance of a \$2,120,000, 20 year amortizing loan, at an interest rate of 6.5 percent per annum and at an interest rate of 8.0 percent per annum. Staff recommended approval for the authorization of \$2,120,000 of debt, along with Staff's recommended conditions and thus responds as follows:

Consistent with the 2nd ALJ request, Staff has provided detailed financial analysis of Company's application to reflect the issuance of \$3,400,000 of debt as originally requested by the Company. Staff's analysis is presented in 2nd ALJ Requested Schedule TBH-1. Column [A] of the schedule reflects the Company's revised historical financial information for the year ended December 31, 2013, and Column [B] presents pro forma financial information that modifies Column [A] to reflect issuance of a \$3,400,000, 20-year amortizing loan at 6.5 percent per annum. Column [C] presents pro forma financial information that modifies Column [A] to reflect issuance of a \$3,400,000, 20-year amortizing loan at 8.0 percent per annum.

2nd ALJ Requested Schedule TBH-2 reflects Income Statements utilized for selected financial information. 2nd ALJ Requested Schedule TBH-2 Column [A] reflects the 2012 Income Statement provided with the Annual Report to the Commission, Column [B] reflects the Company Actual 2012 Income Statement, Column [C] reflects the Company Projected 2013 Income Statement and Column [D] reflects the Company Projected 2014 Income Statement.

2nd ALJ Requested Schedule TBH-3 is the Loan Amortization Schedule for a 20-year loan at 6.5 percent per annum. Based on 2nd ALJ Requested Schedule TBH-3, the remaining principal due in 2029 is approximately \$1,295,579. 2nd ALJ Requested Schedule TBH-4 is the Loan Amortization Schedule for a 20-year loan at 8.0 percent per annum. Based on 2nd ALJ Requested Schedule TBH-4, the remaining principal due in 2029 is approximately \$1,402,565.

On 2nd ALJ Requested Schedule TBH-1, the Company's current 5.16 DSC results as of December 31, 2013, with existing debt from Column [A] Line 13. A pro forma 4.07 DSC results for the scenario described above for Column [B] Line 13, and a pro forma 3.63 DSC results for the scenario described above for Column [C] Line 13. The DSC from both scenarios shows that cash flow from operations is sufficient to cover debt service.

Consistent with the 2nd ALJ request, Staff recommends approval for the authorization of \$2,120,000 of debt. Staff's analysis is presented in 2nd ALJ Requested Schedule TBH-5. Column [A] of the schedule reflects the Company's revised historical financial information for the year ended December 31, 2013, and Column [B] presents pro forma financial information that modifies Column [A] to reflect issuance of a \$2,120,000, 20-year amortizing loan at 6.5 percent per annum. Column [C] presents pro forma financial information that modifies Column [A] to reflect issuance of a \$2,120,000, 20-year amortizing loan at 8.0 percent per annum.

2nd ALJ Requested Schedule TBH-6 reflects Income Statements utilized for selected financial information. 2nd ALJ Requested Schedule TBH-6 Column [A] reflects the 2012 Income Statement provided with the Annual Report to the Commission, Column [B] reflects the Company Actual 2012 Income Statement, Column [C] reflects the Company Projected 2013 Income Statement and Column [D] reflects the Company Projected 2014 Income Statement.

2nd ALJ Requested Schedule TBH-7 is the Loan Amortization Schedule for a 20-year loan at 6.5 percent per annum. Based on 2nd ALJ Requested Schedule TBH-7, the remaining principal due in 2029 is approximately \$807,831. 2nd ALJ Requested Schedule TBH-8 is the Loan Amortization Schedule for a 20-year loan at 8.0 percent per annum. Based on 2nd ALJ Requested Schedule TBH-8, the remaining principal due in 2029 is approximately \$874,540.

On 2nd ALJ Requested Schedule TBH-5, the Company's current 5.16 DSC results as of December 31, 2013, with existing debt from Column [A] Line 13. A pro forma 6.52 DSC results for the scenario described above for Column [B] Line 13, and a pro forma 5.82 DSC results for the scenario described above for Column [C] Line 13. The DSC from both scenarios shows that cash flow from operations is sufficient to cover debt service.

Staff continues to recommend the Company be granted the authorization to enter into a loan in an amount not to exceed \$2,120,000 for existing long-term debt pursuant to a loan agreement with Compass Bank and Compass Mortgage Corporation with a 20-year amortization and a 15-year maturity with any principal not paid due in 2029. Based on the information provided in the Amended Financing Application, Staff now recommends an interest rate not to exceed 8.0 percent per annum.

Staff's recommendations have not changed other than the interest rate not to exceed 8.0 percent per annum based on the Amended Financing Application filed by the Company on September 26, 2014. For the convenience of the ALJ, Staff is restating all relevant recommendations.

Staff Recommends:

- The Company be granted the authorization to incur a loan with a 20-year amortization and a 15-year maturity with any principal not paid due in 2029 in an amount not to exceed \$2,120,000 for existing long-term debt pursuant to a loan agreement with

Compass and at an interest rate not to exceed 8.0 percent per annum. The remainder of the Company's \$3,400,000 request for authorization to borrow funds should be denied.

- The Company be authorized to pledge its assets and revenues in the State of Arizona pursuant to Arizona Revised Statutes § 40-285 and A.A.C. R18-15-104 in connection with the Compass loan.
- The Company be directed to file as a compliance item in this Docket, within 60 days of the execution of any financing transaction authorized herein, a notice confirming that such execution has occurred and a certification by an authorized Company representative that the terms of the financing fully comply with the authorizations granted.
- The Company be directed to provide to the Utilities Division, upon Staff request, a copy of any Compass loan documents executed pursuant to the authorizations granted herein.
- The Company be directed to file as a compliance item in this Docket, within 120 days of the approval of this application, a repayment plan by year for the balloon payment for the remaining principal due in 2029.
- The Commission rescind any unused authorizations to issue debt granted from the previous financing authorization in Decision No. 71259.
- The Commission set an expiration date for any unused authorization to incur debt granted in this proceeding at December 31, 2017.
- The Commission deny the Company's application to incur debt to finance the installation of an aboveground 2,000,000 gallon steel storage tank.
- The Company investigate the possibility of upgrading one of its two on-site generators so the upgraded on-site generator can power the well pumps in case of an emergency.

CH:TBH:tdp

Originator: Teresa Hunsaker

Per Procedural Order dated September 12, 2014 Detailed Financial Analysis for \$3.4 Million over 20 years at 6.5% and 8.0%

FINANCIAL ANALYSIS

Selected Financial Information

	[A] ¹		[B] ²		[C] ³	
	<u>12/31/2013</u>		<u>6.5% Rate Pro Forma</u>		<u>8.0% Rate Pro Forma</u>	
1 Operating Income	\$ 363,147		\$ 363,147		\$ 363,147	
2 Depreciation & Amort.	874,279		874,279		874,279	
3 Income Tax Expense	0		0		0	
4						
5 Interest Expense	99,373		218,476		269,403	
6 Repayment of Principal	140,500		85,718		71,865	
7						
8						
9 TIER						
10 [1+3] + [5]	3.65		1.66		1.35	
11						
12 DSC						
13 [1+2+3] + [5+6]	5.16		4.07		3.63	
14						
15						
16 Capital Structure						
17						
18 Short-term Debt	460,752	4.0%	546,470	4.3% ⁴	532,617	4.2% ⁴
19						
20 Long-term Debt ⁵	2,236,291	19.6%	3,314,282	26.3%	3,328,135	26.4%
21						
22 Common Equity	8,735,686	76.4%	8,735,686	69.4%	8,735,686	69.4%
23						
24 Total Capital	\$ 11,432,729	100.0%	\$ 12,596,438	100.0%	\$ 12,596,438	100.0%
25						
26						
27 Capital Structure (inclusive of AIAC and Net CIAC)						
28						
29 Short-term Debt	460,752	1.5%	546,470	1.7%	532,617	1.7%
30						
31 Long-term Debt ⁵	2,236,291	7.3%	3,314,282	10.4%	3,328,135	10.4%
32						
33 Common Equity	8,735,686	28.5%	8,735,686	27.4%	8,735,686	27.4%
34						
35 Advances in Aid of Construction ("AIAC")	7,392,319	24.1%	7,392,319	23.2%	7,392,319	23.2%
36						
37 Contributions in Aid of Construction ("CIAC") ⁶	11,875,343	38.7%	11,875,343	37.3%	11,875,343	37.3%
38						
39 Total Capital (Inclusive of AIAC and CIAC) ⁷	\$ 30,700,391	100.0%	\$ 31,864,100	100.0%	\$ 31,864,100	100.0%
40						
41						
42 AIAC and CIAC Funding Ratio⁸		62.8%		60.5%		60.5%
43 (35+37)/(39)						
44						

¹ Column [A] is based on financial information for the year ended December 31, 2013 Unaudited Unconsolidated Financial Statements. Company revised with Data Request.

² See ALJ 2nd Requested Schedule TBH-2, Column [C].

³ Column [B] is Column [A] modified to reflect issuance of the proposed \$3.4M debt financing amortized for 20 year term at 6.5 percent per annum.

⁴ See ALJ 2nd Requested Schedule TBH-3. As requested in Procedural Order dated September 12, 2014.

⁵ Column [C] is Column [A] modified to reflect issuance of the proposed \$3.4M debt financing amortized for 20 year term at 8.0 percent per annum.

⁶ See ALJ 2nd Requested Schedule TBH-4. As requested in Procedural Order dated September 12, 2014.

⁷ Pro Forma Short-term Debt represents the first year principal repayment on the proposed loan.

⁸ Long Term Debt based on balance of the \$3.4 million loan at the end of year one, as requested in Procedural Order dated September 12, 2014.

⁹ Net CIAC balance (i.e. less: accumulated amortization of contributions).

⁷ Total Capital does not include the amount for Maintenance Reserves of \$145,177. Maintenance Reserves not included in Capital Structure for the purpose of this Financial Analysis.

⁸ Staff typically recommends that combined AIAC and Net CIAC funding not exceed 30 percent of total capital, inclusive of AIAC and Net CIAC, for private and investor owned utilities.

INCOME STATEMENTS

	[A] 2012 Annual Report Income Statement ¹	[B] Company 2012 Actual Income Statement ²	[C] Company 2013 Projected Income Statement ^{2,3}	[D] Company 2014 Projected Income Statement ²
Revenues				
Metered Water Revenues	\$ 3,786,566	\$ 3,776,075	\$ 3,745,092	\$ 3,749,600
Miscellaneous Service Revenue	14,905			
Other Water Revenue	65,264	90,659	88,069	91,400
Total Revenues	\$ 3,866,735	\$ 3,866,734	\$ 3,833,161	\$ 3,841,000
Operating Expenses ⁴				
General and Administrative		769,241	878,494	799,400
Pumping		306,867	291,345	377,800
Transmission & Distribution		432,613	372,676	442,400
Customer Accounting		416,394	411,975	478,800
Water Treatment		124,409	152,155	179,400
Source of Supply		18,111	18,229	19,500
Other Taxes (Property & Payroll)		203,998	221,290	235,400
Subtotal Operating Expenses		2,271,633	2,346,164	2,532,700
Salaries and Wages	841,197			
Purchased Power	223,175			
Chemicals	28,170			
Repairs and Maintenance	81,103			
Office Supplies Expense	5,676			
Outside Services	284,788			
Contractual Services - Testing	9,221			
Rent - Building	1,941			
Rent - Equipment				
Transportation Expense	69,921			
Insurance - General Liability	51,337			
Insurance - Other	160,990			
Regulatory Expense - Other	24,000			
Miscellaneous Expense	267,328			
Depreciation and Amortization Expense	822,813	812,150	874,279	931,400
Taxes Other than Income	356,799	271,256 ⁵	249,571 ⁵	236,900 ⁵
Property Taxes	126,581			
Total Operating Expenses	\$ 3,355,040	\$ 3,355,039	\$ 3,470,014	\$ 3,701,000
Operating Income	\$ 511,695	\$ 511,695	\$ 363,147	\$ 140,000
Other Income (Expense)				
Interest and Dividend Income	\$ 23,960			
Non-Utility Income	146,357	170,079 ⁶	37,688 ⁶	34,800 ⁶
Miscellaneous Non-Utility Expenses	-			
Interest Expense	(114,758)	(114,758)	(108,410)	(139,000)
Total Other Income (Expense)	\$ 55,559	\$ 55,321	\$ (70,722)	\$ (104,200)
Net Income (Loss)	\$ 567,254	\$ 567,016	\$ 292,425	\$ 35,800

¹ 2012 Annual Report Income Statement docketed at the Commission.

² Unconsolidated 2014 Income Statements docketed on February 19, 2014 for W-02304A-14-0041

³ Consolidated 2013 Financial Statements docketed on April 14, 2014 for W-02304A-14-0041.

⁴ Operating Expenses were provided within these specific expense categories, not those required by reporting on Annual Report.

⁵ Sales Taxes Adjusted from Revenues in Projected Income Statements

⁶ Net Other Expenses for Non-Operating Expenses

LOAN DATA:

Loan Amount Requested	\$3,400,000 Per Procedural Order dated September 12, 2014		
Down Payment:	\$0		
Amount Financed:	3,400,000		
Number of years:	20	Compounding Periods:	12
Interest rate (r):	6.50%	APR:	6.70%

LOAN AMORTIZATION SCHEDULE

Period	Loan payment (1)	Beginning-of-month principal (2)	Payments		End-of-month principal [(2) - (4)] (5)	Annual Interest (6)	Annual Principal (7)	Annual Debt Payment (8)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)				
1	\$25,349.49	\$3,400,000.00	\$18,416.67	\$6,932.82	\$3,393,067.18			
2	25,349.49	3,393,067.18	18,379.11	6,970.37	3,386,096.81			
3	25,349.49	3,386,096.81	18,341.36	7,008.13	3,379,088.68			
4	25,349.49	3,379,088.68	18,303.40	7,046.09	3,372,042.59			
5	25,349.49	3,372,042.59	18,265.23	7,084.26	3,364,958.33			
6	25,349.49	3,364,958.33	18,226.86	7,122.63	3,357,835.70			
7	25,349.49	3,357,835.70	18,188.28	7,161.21	3,350,674.49			
8	25,349.49	3,350,674.49	18,149.49	7,200.00	3,343,474.49			
9	25,349.49	3,343,474.49	18,110.49	7,239.00	3,336,235.49			
10	25,349.49	3,336,235.49	18,071.28	7,278.21	3,328,957.28			
11	25,349.49	3,328,957.28	18,031.85	7,317.64	3,321,639.64			
12	25,349.49	3,321,639.64	17,992.21	7,357.27	3,314,282.37	\$218,476.22	\$85,717.63	\$304,193.85

Principal Due after 180 payments		
180 Payment / 12 monthly payments =	15 years	\$1,295,578.54

LOAN DATA:

Loan Amount Requested	\$3,400,000	Per Procedural Order dated September 12, 2014
Down Payment:	\$0	
Amount Financed:	3,400,000	
Number of years:	20	Compounding Periods: 12
Interest rate (r):	8.00%	APR: 8.30%

LOAN AMORTIZATION SCHEDULE

Period	Loan payment (1)	Beginning-of-month principal (2)	Payments		End-of-month principal [(2) - (4)] (5)	Annual Interest (6)	Annual Principal (7)	Annual Debt Payment (8)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)				
1	\$28,438.96	\$3,400,000.00	\$22,666.67	\$5,772.30	\$3,394,227.70			
2	28,438.96	3,394,227.70	22,628.18	5,810.78	3,388,416.93			
3	28,438.96	3,388,416.93	22,589.45	5,849.52	3,382,567.41			
4	28,438.96	3,382,567.41	22,550.45	5,888.51	3,376,678.90			
5	28,438.96	3,376,678.90	22,511.19	5,927.77	3,370,751.13			
6	28,438.96	3,370,751.13	22,471.67	5,967.29	3,364,783.84			
7	28,438.96	3,364,783.84	22,431.89	6,007.07	3,358,776.77			
8	28,438.96	3,358,776.77	22,391.85	6,047.12	3,352,729.65			
9	28,438.96	3,352,729.65	22,351.53	6,087.43	3,346,642.22			
10	28,438.96	3,346,642.22	22,310.95	6,128.01	3,340,514.20			
11	28,438.96	3,340,514.20	22,270.09	6,168.87	3,334,345.33			
12	28,438.96	3,334,345.33	22,228.97	6,209.99	3,328,135.34	\$269,402.89	\$71,864.66	\$341,267.55

Principal Due after 180 payments	
180 Payment / 12 monthly payments =	15 years
	\$1,402,564.93

Per Procedural Order dated September 12, 2014 Detailed Financial Analysis for \$2.12 Million over 20 years at 6.5% and 8.0%

FINANCIAL ANALYSIS

Selected Financial Information

	[A] ¹		[B] ²		[C] ³	
	<u>12/31/2013</u>		<u>6.5% Rate Pro Forma</u>		<u>8.0% Rate Pro Forma</u>	
1 Operating Income	\$ 363,147		\$ 363,147		\$ 363,147	
2 Depreciation & Amort.	874,279		874,279		874,279	
3 Income Tax Expense	0		0		0	
4						
5 Interest Expense	99,373		136,226		167,981	
6 Repayment of Principal	140,500		53,447		44,810	
7						
8						
9 TIER						
10 [1+3] ÷ [5]	3.65		2.67		2.16	
11						
12 DSC						
13 [1+2+3] ÷ [5+6]	5.16		6.52		5.82	
14						
15						
16 Capital Structure						
17						
18 Short-term Debt	460,752	4.0%	514,199	4.5% ⁴	505,562	4.5% ⁴
19						
20 Long-term Debt ⁵	2,236,291	19.6%	2,066,553	18.3%	2,075,190	18.3%
21						
22 Common Equity	8,735,686	76.4%	8,735,686	77.2%	8,735,686	77.2%
23						
24 Total Capital	\$ 11,432,729	100.0%	\$ 11,316,438	100.0%	\$ 11,316,438	100.0%
25						
26						
27 Capital Structure (inclusive of AIAC and Net CIAC)						
28						
29 Short-term Debt	460,752	1.5%	514,199	1.7%	505,562	1.7%
30						
31 Long-term Debt ⁵	2,236,291	7.3%	2,066,553	6.8%	2,075,190	6.8%
32						
33 Common Equity	8,735,686	28.5%	8,735,686	28.6%	8,735,686	28.6%
34						
35 Advances in Aid of Construction ("AIAC")	7,392,319	24.1%	7,392,319	24.2%	7,392,319	24.2%
36						
37 Contributions in Aid of Construction ("CIAC") ⁶	11,875,343	38.7%	11,875,343	38.8%	11,875,343	38.8%
38						
39 Total Capital (Inclusive of AIAC and CIAC) ⁷	\$ 30,700,391	100.0%	\$ 30,584,100	100.0%	\$ 30,584,100	100.0%
40						
41						
42 AIAC and CIAC Funding Ratio⁸		62.8%		63.0%		63.0%
43 (35+37)÷(39)						
44						

45 ¹ Column [A] is based on financial information for the year ended December 31, 2013 Unaudited Unconsolidated Financial Statements. Company revised with Data Request.
46 See ALJ 2nd Requested Schedule TBH-6, Column [C].
47 ² Column [B] is Column [A] modified to reflect issuance of the proposed \$2.12M debt financing amortized for 20 year term at 6.5 percent per annum.
48 See ALJ 2nd Requested Schedule TBH-7. As requested in Procedural Order dated September 12, 2014.
49 ³ Column [C] is Column [A] modified to reflect issuance of the proposed \$2.12M debt financing amortized for 20 year term at 8.0 percent per annum.
50 See ALJ 2nd Requested Schedule TBH-8. As requested in Procedural Order dated September 12, 2014.
51 ⁴ Pro Forma Short-term Debt represents the first year principal repayment on the proposed loan.
52 ⁵ Long Term Debt based on balance of the \$2.12 million loan at the end of year one, as requested in Procedural Order dated September 12, 2014.
53 ⁶ Net CIAC balance (i.e. less: accumulated amortization of contributions).
54 ⁷ Total Capital does not include the amount for Maintenance Reserves of \$145,177. Maintenance Reserves not included in Capital Structure for the purpose of this Financial
55 Analysis.
56 ⁸ Staff typically recommends that combined AIAC and Net CIAC funding not exceed 30 percent of total capital, inclusive of AIAC and Net CIAC,
57 for private and investor owned utilities.

	[A] 2012 Annual Report Income Statement ¹	[B] Company 2012 Actual Income Statement ²	[C] Company 2013 Projected Income Statement ^{2,3}	[D] Company 2014 Projected Income Statement ²
Revenues				
Metered Water Revenues	\$ 3,786,566	\$ 3,776,075	\$ 3,745,092	\$ 3,749,600
Miscellaneous Service Revenue	14,905			
Other Water Revenue	65,264	90,659	88,069	91,400
Total Revenues	\$ 3,866,735	\$ 3,866,734	\$ 3,833,161	\$ 3,841,000
Operating Expenses ⁴				
General and Administrative		769,241	878,494	799,400
Pumping		306,867	291,345	377,800
Transmission & Distribution		432,613	372,676	442,400
Customer Accounting		416,394	411,975	478,800
Water Treatment		124,409	152,155	179,400
Source of Supply		18,111	18,229	19,500
Other Taxes (Property & Payroll)		203,998	221,290	235,400
Subtotal Operating Expenses		2,271,633	2,346,164	2,532,700
Salaries and Wages	841,197			
Purchased Power	223,175			
Chemicals	28,170			
Repairs and Maintenance	81,103			
Office Supplies Expense	5,676			
Outside Services	284,788			
Contractual Services - Testing	9,221			
Rent - Building	1,941			
Rent - Equipment				
Transportation Expense	69,921			
Insurance - General Liability	51,337			
Insurance - Other	160,990			
Regulatory Expense - Other	24,000			
Miscellaneous Expense	267,328			
Depreciation and Amortization Expense	822,813	812,150	874,279	931,400
Taxes Other than Income	356,799	271,256 ⁵	249,571 ⁵	236,900 ⁵
Property Taxes	126,581			
Total Operating Expenses	\$ 3,355,040	\$ 3,355,039	\$ 3,470,014	\$ 3,701,000
Operating Income	\$ 511,695	\$ 511,695	\$ 363,147	\$ 140,000
Other Income (Expense)				
Interest and Dividend Income	\$ 23,960			
Non-Utility Income	146,357	170,079 ⁶	37,688 ⁶	34,800 ⁶
Miscellaneous Non-Utility Expenses	-			
Interest Expense	(114,758)	(114,758)	(108,410)	(139,000)
Total Other Income (Expense)	\$ 55,559	\$ 55,321	\$ (70,722)	\$ (104,200)
Net Income (Loss)	\$ 567,254	\$ 567,016	\$ 292,425	\$ 35,800

¹ 2012 Annual Report Income Statement docketed at the Commission.

² Unconsolidated 2014 Income Statements docketed on February 19, 2014 for W-02304A-14-0041

³ Consolidated 2013 Financial Statements docketed on April 14, 2014 for W-02304A-14-0041.

⁴ Operating Expenses were provided within these specific expense categories, not those required by reporting on Annual Report.

⁵ Sales Taxes Adjusted from Revenues in Projected Income Statements

⁶ Net Other Expenses for Non-Operating Expenses

Community Water Company of Green Valley
Docket No. W-02304A-14-0041
Application For Financing of Long-Term Debt

2nd ALJ Requested Schedule TBH-7

LOAN DATA:

Loan Amount Requested	\$2,120,000 Per Procedural Order dated September 12, 2014		
Down Payment:	\$0		
Amount Financed:	2,120,000		
Number of years:	20	Compounding Periods:	12
Interest rate (r):	6.50%	APR:	6.70%

LOAN AMORTIZATION SCHEDULE

Period	Loan payment (1)	Beginning-of-month principal (2)	Payments		End-of-month principal [(2) - (4)] (5)	Annual Interest (6)	Annual Principal (7)	Annual Debt Payment (8)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)				
1	\$15,806.15	\$2,120,000.00	\$11,483.33	\$4,322.82	\$2,115,677.18			
2	15,806.15	2,115,677.18	11,459.92	4,346.23	2,111,330.95			
3	15,806.15	2,111,330.95	11,436.38	4,369.78	2,106,961.17			
4	15,806.15	2,106,961.17	11,412.71	4,393.44	2,102,567.73			
5	15,806.15	2,102,567.73	11,388.91	4,417.24	2,098,150.49			
6	15,806.15	2,098,150.49	11,364.98	4,441.17	2,093,709.32			
7	15,806.15	2,093,709.32	11,340.93	4,465.23	2,089,244.09			
8	15,806.15	2,089,244.09	11,316.74	4,489.41	2,084,754.68			
9	15,806.15	2,084,754.68	11,292.42	4,513.73	2,080,240.95			
10	15,806.15	2,080,240.95	11,267.97	4,538.18	2,075,702.77			
11	15,806.15	2,075,702.77	11,243.39	4,562.76	2,071,140.01			
12	15,806.15	2,071,140.01	11,218.68	4,587.48	2,066,552.53	\$136,226.35	\$53,447.47	\$189,673.81

Principal Due after 180 payments	
180 Payment / 12 monthly payments =	15 years
	\$807,831.33

LOAN DATA:

Loan Amount Requested	\$2,120,000	Per Procedural Order dated September 12, 2014
Down Payment:	\$0	
Amount Financed:	2,120,000	
Number of years:	20	Compounding Periods: 12
Interest rate (r):	8.00%	APR: 8.30%

LOAN AMORTIZATION SCHEDULE

Period	Loan payment (1)	Beginning- of-month principal (2)	Payments		End-of-month principal [(2) - (4)] (5)	Annual Interest (6)	Annual Principal (7)	Annual Debt Payment (8)
			Interest [r * (2)] (3)	Principal [(1) - (3)] (4)				
1	\$17,732.53	\$2,120,000.00	\$14,133.33	\$3,599.20	\$2,116,400.80			
2	17,732.53	2,116,400.80	14,109.34	3,623.19	2,112,777.61			
3	17,732.53	2,112,777.61	14,085.18	3,647.35	2,109,130.27			
4	17,732.53	2,109,130.27	14,060.87	3,671.66	2,105,458.61			
5	17,732.53	2,105,458.61	14,036.39	3,696.14	2,101,762.47			
6	17,732.53	2,101,762.47	14,011.75	3,720.78	2,098,041.69			
7	17,732.53	2,098,041.69	13,986.94	3,745.59	2,094,296.10			
8	17,732.53	2,094,296.10	13,961.97	3,770.56	2,090,525.55			
9	17,732.53	2,090,525.55	13,936.84	3,795.69	2,086,729.85			
10	17,732.53	2,086,729.85	13,911.53	3,821.00	2,082,908.86			
11	17,732.53	2,082,908.86	13,886.06	3,846.47	2,079,062.39			
12	17,732.53	2,079,062.39	13,860.42	3,872.11	2,075,190.27	\$167,980.63	\$44,809.73	\$212,790.36

Principal Due after 180 payments	
180 Payment / 12 monthly payments =	15 years
	\$874,540.48