

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

E

RECEIVED

MAR 3 2009

W-01906A  
Bob B. Watkins  
East Slope Water Company  
2102 N. Forbes, #107  
Tucson, AZ 85745

ARIZONA CORP COMM  
Director Utilities

**ANNUAL REPORT**  
**WATER**

**FOR YEAR ENDING**

12	31	2008
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FOR COMMISSION USE

ANN 04	08
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4-13-09

## COMPANY INFORMATION

<b>Company Name (Business Name)</b> East Slope Water Company		
<b>Mailing Address</b> 2102 N. Forbes, #107		
(Street)		
Tucson	AZ	85745
(City)	(State)	(Zip)
520-623-5172	520-792-0377	
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> _____		
<b>Local Office Mailing Address</b> Same as above		
(Street)		
(City)	(State)	(Zip)
Local Office Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> _____		

## MANAGEMENT INFORMATION

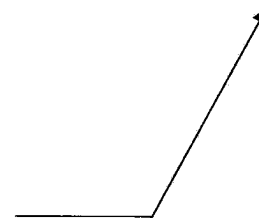
<b>Management Contact:</b> Southwestern Utility Management, Inc.		
(Name) (Title)		
2102 N. Forbes, #107	Tucson	AZ
(Street)	(City)	(State)
85745		
(Zip)		
520-623-5172	520-792-0377	
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> _____		
<b>On Site Manager:</b> Gary Newman		
(Name)		
2102 N. Forbes, #107	Tucson	AZ
(Street)	(City)	(State)
85745		
(Zip)		
520-623-5172	520-792-0377	
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
<b>Email Address</b> _____		



**UTILITY PLANT IN SERVICE**

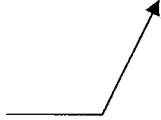
Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements	26421	4103	22318
307	Wells and Springs	31677	19930	11747
311	Pumping Equipment	259127	167990	91137
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	143456	135814	7642
333	Services			
334	Meters and Meter Installations	6471	6013	458
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	11330	10553	777
341	Transportation Equipment	49938	48142	1796
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	528420	392545	135875

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



**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)*
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements	26421	5%	1582
307	Wells and Springs	31677		---
311	Pumping Equipment	259127	Various	7653
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	143456	Various	268
333	Services			
334	Meters and Meter Installations	6471	14.28%	416
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	11330	20%	1155
341	Transportation Equipment	49938	20%	3590
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	528420		14664

This amount goes on Comparative statement of Income and Expense Acct. No. 403. 

Depreciation for 2008 is calculated on O.C.L.D.

See Accountants' Report.

**BALANCE SHEET**

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 1795	\$ 11470
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies	13114	13114
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 14909	\$ 24584
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 510906	\$ 528420
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(377881 )	(392545 )
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 133025	\$ 135875
	<b>TOTAL ASSETS</b>	\$ 147934	\$ 160459

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

**BALANCE SHEET (CONTINUED)**

<b>Acct. No.</b>	<b>LIABILITIES</b>	<b>BALANCE AT BEGINNING OF YEAR</b>	<b>BALANCE AT END OF YEAR</b>
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$ 21544	\$ 41775
232	Notes Payable (Current Portion)	20200	
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	4680	23821
236	Accrued Taxes	3276	239
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	373	937
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 50073	\$ 66772
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ 135627	\$ 157958
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	26748	5919
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$ 26748	\$ 5919
	<b>TOTAL LIABILITIES</b>	\$ 212448	\$ 230649
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 5000	\$ 5000
211	Paid in Capital in Excess of Par Value*	(53524 )	(53524 )
215	Retained Earnings	(15990 )	(21666 )
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ (64514 )	\$ (70190 )
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 147934	\$ 160459

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 204236	\$ 188569
460	Unmetered Water Revenue		
474	Other Water Revenue	3646	2131
	<b>TOTAL REVENUES</b>	\$ 207882	\$ 190700
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$ 83800	\$ 56250
610	Purchased Water		
615	Purchased Power	55973	51995
618	Chemicals		
620	Repairs and Maintenance	5351	6253
621	Office Supplies and Expense	7823	12363
630	Outside Services		16938
635	Water Testing	1005	2369
641	Rents	2400	1800
650	Transportation Expense	11260	12259
657	Insurance – General Liability	5298	3685
659	Insurance – Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	10492	182
403	Depreciation Expense	15953	14664
408	Taxes Other Than Income	10180	6651
408.11	Property Taxes	12471	6774
409	Income Tax	(913 )	---
	<b>TOTAL OPERATING EXPENSES</b>	\$ 221093	\$ 192183
	<b>OPERATING INCOME/(LOSS)</b>	\$ (13211 )	\$ (1483 )
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income	---	5849
426	Miscellaneous Non-Utility Income		
427	Interest Expense	(13484 )	(10042 )
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	\$ (13484 )	\$ (4193 )
	<b>NET INCOME/(LOSS)</b>	\$ (26695 )	\$ (5676 )

**SUPPLEMENTAL FINANCIAL DATA**

Long-Term Debt

	<b>LOAN #1</b>	<b>LOAN #2</b>	<b>LOAN #3</b>	<b>LOAN #4</b>
Date Issued	VARIOUS	VARIOUS		
Source of Loan	NATHAN WATKINS	WELLS FARGO CREDIT LOAN		
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$ 86535	\$	\$	\$
Amount Outstanding	\$ 50545	\$ 107413	\$	\$
Date of Maturity				
Interest Rate	10%	%	%	%
Current Year Interest	\$ ---	\$	\$	\$
Current Year Principal	\$ ---	\$	\$	\$

Meter Deposit Balance at Test Year End                      \$    17637

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Meter Deposits Refunded During the Test Year            \$    4016

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<b>COMPANY NAME: East Slope Water Company</b>	
<b>Name of System</b>	<b>ADEQ Public Water System Number (if applicable) 02028</b>

**WATER COMPANY PLANT DESCRIPTION**

**WELLS**

<b>ADWR ID Number*</b>	<b>Pump Horsepower</b>	<b>Pump Yield (gpm)</b>	<b>Casing Depth (Feet)</b>	<b>Casing Diameter (Inches)</b>	<b>Meter Size (inches)</b>	<b>Year Drilled</b>
55-805786	20	80	549	8	3	1964
55-805787	20	100	560	8	3	1963
55-805788	7.5	40	620	12	2	1971
55-805789	75	300	802	10	4	1977
55-558167	3	50	160	6	N/A	1996

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

<b>Name or Description</b>	<b>Capacity (gpm)</b>	<b>Gallons Purchased or Obtained (in thousands)</b>

<b>BOOSTER PUMPS</b>		<b>FIRE HYDRANTS</b>	
<b>Horsepower</b>	<b>Quantity</b>	<b>Quantity Standard</b>	<b>Quantity Other</b>
15	2	4	1

<b>STORAGE TANKS</b>		<b>PRESSURE TANKS</b>	
<b>Capacity</b>	<b>Quantity</b>	<b>Capacity</b>	<b>Quantity</b>
200,000	1	5,000	3
50,000	1	3,000	1
		1,000	2
		85	4

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

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**

MAINS		
Size (in inches)	Material	Length (in feet)
2	PVC	
3	A/C	
4	AC/PVC	
5		
6	AC/PVC	
8		
10		
12		

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 x 3/4	796
3/4	
1	15
1 1/2	8
2	3
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

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STRUCTURES:

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OTHER:

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COMPANY NAME: East Slope Water	
Name of System:	ADEQ Public Water System Number: 02-028

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2008**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	819	5,686	5,686	0
FEBRUARY	819	4,923	4,923	0
MARCH	820	5,729	5,729	0
APRIL	820	7,979	7,979	0
MAY	821	8,621	8,621	0
JUNE	821	10,458	10,458	0
JULY	821	6,463	6,463	0
AUGUST	822	4,919	4,919	0
SEPTEMBER	822	5,257	5,257	0
OCTOBER	822	5,696	5,696	0
NOVEMBER	822	5,302	5,302	0
DECEMBER	822	4,769	4,769	0
<b>TOTALS →</b>		<b>75,802</b>	<b>75,802</b>	<b>0</b>

What is the level of arsenic for each well on your system? <0.001 mg/l  
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? \_\_\_\_\_ GPM for \_\_\_\_\_ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?  
 Yes                       No

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: \_\_\_\_\_

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

<b>COMPANY NAME: East Slope Water</b>	
<b>Name of System:</b>	<b>ADEQ Public Water System Number: 02-028</b>

**UTILITY SHUTOFFS / DISCONNECTS**

<b>MONTH</b>	<b>Termination without Notice R14-2-410.B</b>	<b>Termination with Notice R14-2-410.C</b>	<b>OTHER</b>
JANUARY	0	7	0
FEBRUARY	0	4	0
MARCH	0	3	0
APRIL	0	5	0
MAY	0	2	0
JUNE	0	5	0
JULY	0	4	0
AUGUST	0	5	0
SEPTEMBER	0	0	0
OCTOBER	0	0	0
NOVEMBER	0	0	0
DECEMBER	0	0	0
<b>TOTALS →</b>	<b>0</b>	<b>35</b>	<b>0</b>

0

OTHER (description):

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**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar year 2008 was \$6774.36

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 tax paid, explain why. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

VERIFICATION  
AND  
SWORN STATEMENT  
Taxes

RECEIVED

APR 14 2009

ARIZONA CORP COMM  
Director Utilities

VERIFICATION

STATE OF ARIZONA  
I, THE UNDERSIGNED  
OF THE

(COUNTY OF (COUNTY NAME))	
Pima	
NAME (OWNER OR OFFICIAL)	TITLE
Bonnie O'Connor	Manager
COMPANY NAME	
East Slope Water Company	

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	2008

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.

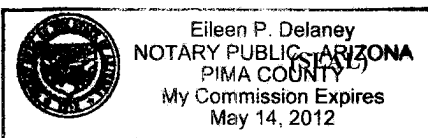
I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

*Bonnie O'Connor*  
SIGNATURE OF OWNER OR OFFICIAL

520-623-5172  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME  
A NOTARY PUBLIC IN AND FOR THE COUNTY OF  
THIS 6<sup>th</sup> DAY OF APRIL

COUNTY NAME	PIMA
MONTH	APRIL
	2008 <sup>9</sup>



MY COMMISSION EXPIRES

May 14, 2012

*Eileen P. Delaney*  
SIGNATURE OF NOTARY PUBLIC

SEE ACCOUNTANTS' REPORT.



**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

RECEIVED

APR 13 2009

AZ CORP COMM

Director Utilities

**VERIFICATION  
STATE OF**

Arizona

COUNTY OF (COUNTY NAME)	Pima
NAME (OWNER OR OFFICIAL) TITLE	Bonnie O'Connor, Manager
COMPANY NAME	East Slope Water Company

**I, THE UNDERSIGNED  
OF THE**

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

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2008

**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 2008 WAS:**

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ <u>202,059</u>

**(THE AMOUNT IN THE BOX ABOVE  
INCLUDES \$ 11,359  
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 OF OWNER OR OFFICIAL

520-623-5172  
TELEPHONE NUMBER

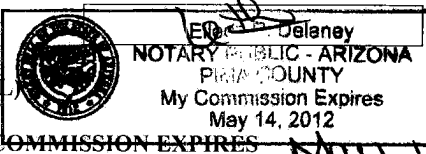
**SUBSCRIBED AND SWORN TO BEFORE ME**

**A NOTARY PUBLIC IN AND FOR THE COUNTY OF**

COUNTY NAME	PIMA
MONTH	APRIL 2009

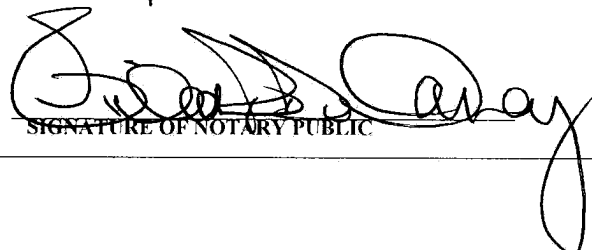
**THIS** \_\_\_\_\_ **DAY OF**

**(SEAL) MY COMMISSION EXPIRES**



**See Accountants' Report.**

May 14, 2012

  
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
Intrastate Revenues Only**

RECEIVED  
APR 14 2009  
AZ CORP COMM  
Director, Utilities

**VERIFICATION**

**STATE OF ARIZONA  
I, THE UNDERSIGNED  
OF THE**

(COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Bonnie O'Connor	TITLE Manager
COMPANY NAME East Slope Water Company	

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

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2008

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 2008 WAS:**

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 171,322

(THE AMOUNT IN BOX AT LEFT INCLUDES \$10,030 IN SALES TAXES BILLED, OR COLLECTED)

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

*B. O'Connor*  
SIGNATURE OF OWNER OR OFFICIAL

520-623-2172  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME  
A NOTARY PUBLIC IN AND FOR THE COUNTY OF  
THIS \_\_\_\_\_ DAY OF \_\_\_\_\_  
Eileen P. Delaney  
NOTARY PUBLIC - ARIZONA  
PIMA COUNTY  
My Commission Expires  
May 14, 2012



NOTARY PUBLIC NAME EILEEN P. DELANEY	
COUNTY NAME PIMA	
MONTH APRIL	YEAR 2009

*Eileen P. Delaney*  
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES *May 14, 2012*

EAST SLOPE WATER COMPANY

PDSFL Cochise County Tax System

TXPyHiRG

Cashier: SSO

Receipt History

Payment date: 8.27.2008 Time: 15:51:26 Total paid:  
7,135.43

		6,774.36	361.07	.00	
.00		Tot Tax	Tot Int	Tot Pen	Tot
Fee		Tax	Tax	Int	Pen
Fee	Parcel	Year Por	Paid	Paid	Paid
Paid					
	933.36.870.008	2007 2	6,774.36	361.07	.00
.00					

Bottom

F9-Reprint Receipt

F3-Cancel

Enter-Return

F12-Cancel

HOLM, HESTAND & VALENZUELA, CPAS, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
3131 NORTH COUNTRY CLUB ROAD, SUITE 109  
TUCSON, ARIZONA 85716

DOUGLAS R. HOLM, CPA  
EMMA K. HESTAND, CPA  
JANETTE G. VALENZUELA, CPA

TELEPHONE: (520) 326-8483  
FAX: (520) 795-5191  
E-MAIL: HHVCPA@EARTHLINK.NET

We have compiled the balance sheets of East Slope Water Company as of December 31, 2008 and 2007, and the related comparative statements of income and expense for the years then ended, included in the accompanying prescribed form in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information presented in the prescribed form.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission--Utilities Division information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above, and accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and the supplementary information are presented in accordance with the requirements of the Arizona Corporation Commission--Utilities Division, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

*Holm, Hestand Valenzuela CPAs P.C.*

March 27, 2009