

Rec

ANNUAL REPORT

Of

Company Name: **WATCO, Inc.**
PO Box 245

Mailing Address: Taylor AZ
85939

Docket No.: **W-20475A**
For the Year Ended: **12/31/19**

WATER UTILITY

To

Arizona Corporation Commission

RECEIVED
UTILITIES DIVISION
2020 MAY 14 P 2:15
ARIZONA CORPORATION
COMMISSION

Due on April 15th

Email: rdefuente@azcc.gov, mail or deliver the completed Annual Report to:
Arizona Corporation Commission
Compliance Section - Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Application Type: **Original Filing**
Application Date: **5/13/2020**

ARIZONA CORPORATION COMMISSION
WATER UTILITY ANNUAL REPORT
WATCO, Inc.

A Class Utility

For the Calendar Year Ended:

Primary Address:
City: State: Zip Code:

Telephone Number:

Date of Original Organization of Utility:

Person to whom correspondence should be addressed concerning this report:

Name:
Telephone No. :
Address:
City: State: Zip Code:
Email:

Name:
Telephone No. :
Address:
City: State: Zip Code:
Email:

Name:
Telephone No. :
Address:
City: State: Zip Code:
Email:

Name:
Telephone No. :
Address:
City: State: Zip Code:
Email:

Name:
Telephone No. :
Address:
City: State: Zip Code:
Email:

Ownership:

Counties Served:

Important changes during the year

	For those companies not subject to the affiliated interest rules, has there been a change in ownership or direct control during the year?
	If yes, please provide specific details in the box below.
	NA

	Has the company been notified by any other regulatory authorities during the year, that they are out of compliance?
	If yes, please provide specific details in the box below.
	NA

Utility Plant in Service (Water)							
Account No.	Description	Beginning Year Original Cost	Current Year Additions	Current Year Retirements	Adjusted Original Cost	Accumulated Depreciation	OCLD (OC less AD)
301	Organization	\$1,542	\$0	\$0	\$1,542	\$1,542	\$0
302	Franchises	7	0	0	7	7	0
303	Land and Land Rights	27,094	0	0	27,094	0	27,094
304	Structures and Improvements	47,958	0	0	47,958	20,218	27,740
305	Collecting & Improving Reservoirs	0	0	0	0	0	0
306	Lake, River, Canal Intakes	0	0	0	0	0	0
307	Wells and Springs	48,807	0	0	48,807	40,514	8,293
308	Infiltration Galleries	0	0	0	0	0	0
309	Supply Mains	0	0	0	0	0	0
310	Power Generation Equipment	0	0	0	0	0	0
311	Pumping Equipment	44,821	0	0	44,821	44,821	0
320	Water Treatment Equipment	0	0	0	0	0	0
320.1	Water Treatment Plants	0	0	0	0	0	0
320.2	Solution Chemical Feeders	0	0	0	0	0	0
320.3	Point-of-Use Treatment Devices	0	0	0	0	0	0
330	Distribution Reservoirs and Standpipes	0	0	0	0	0	0
330.1	Storage Tanks	74,796	0	0	74,796	34,424	40,372
330.2	Pressure Tanks	46,800	0	0	46,800	42,406	4,394
331	Transmission and Distribution Mains	1,114,081	0	0	1,114,081	563,821	550,260
333	Services	99,799	0	0	99,799	83,204	16,595
334	Meters and Meter Installations	27,389	0	0	27,389	26,916	473
335	Hydrants	0	0	0	0	0	0
336	Backflow Prevention Devices	0	0	0	0	0	0
339	Other Plant and Misc. Equipment	0	0	0	0	0	0
340	Office Furniture and Equipment	0	0	0	0	0	0
340.1	Computer & Software	0	0	0	0	0	0
341	Transportation Equipment	0	0	0	0	0	0
342	Stores Equipment	0	0	0	0	0	0
343	Tools, Shop and Garage Equipment	0	0	0	0	0	0
344	Laboratory Equipment	0	0	0	0	0	0
345	Power Operated Equipment	0	0	0	0	0	0
346	Communication Equipment	0	0	0	0	0	0
347	Miscellaneous Equipment	0	0	0	0	0	0
348	Other Tangible Plant	0	0	0	0	0	0
	Totals	\$1,533,094	\$0	\$0	\$1,533,094	\$857,873	\$675,221

WATCO, Inc.
 Annual Report
 Depreciation Expense for the Current Year (Water)
 12/31/19

Depreciation Expense for the Current Year (Water)									
Account No.	Description	Beginning Year Original Cost	Current Year Additions	Current Year Retirements	Adjusted Original Cost	Fully Depreciated/Non-depreciable Plant	Depreciable Plant	Depreciation Percentages	Depreciation Expense
301	Organization	\$1,542	\$0	\$0	\$1,542	\$1,542	\$0	0.00%	\$0
302	Franchises	7	0	0	7	7	0	0.00%	0
303	Land and Land Rights	27,094	0	0	27,094	27,094	0	0.00%	0
304	Structures and Improvements	47,958	0	0	47,958	0	47,958	3.33%	1,597
305	Collecting & Improving Reservoirs	0	0	0	0	0	0	0.00%	0
306	Lake, River, Canal Intakes	0	0	0	0	0	0	0.00%	0
307	Wells and Springs	48,807	0	0	48,807	0	48,807	3.33%	1,625
308	Infiltration Galleries	0	0	0	0	0	0	0.00%	0
309	Supply Mains	0	0	0	0	0	0	0.00%	0
310	Power Generation Equipment	0	0	0	0	0	0	0.00%	0
311	Pumping Equipment	44,821	0	0	44,821	44,821	0	0.00%	0
320	Water Treatment Equipment	0	0	0	0	0	0	0.00%	0
320.1	Water Treatment Plants	0	0	0	0	0	0	0.00%	0
320.2	Solution Chemical Feeders	0	0	0	0	0	0	0.00%	0
320.3	Point-of-Use Treatment Devices	0	0	0	0	0	0	0.00%	0
330	Distribution Reservoirs and Standpipes	0	0	0	0	0	0	0.00%	0
330.1	Storage Tanks	74,796	0	0	74,796	0	74,796	5.00%	3,740
330.2	Pressure Tanks	46,800	0	0	46,800	0	46,800	5.00%	2,340
331	Transmission and Distribution Mains	1,114,081	0	0	1,114,081	0	1,114,081	2.00%	22,282
333	Services	99,799	0	0	99,799	0	99,799	3.33%	3,323
334	Meters and Meter Installations	27,389	0	0	27,389	0	27,389	0.20%	54
335	Hydrants	0	0	0	0	0	0	0.00%	0
336	Backflow Prevention Devices	0	0	0	0	0	0	0.00%	0
339	Other Plant and Misc. Equipment	0	0	0	0	0	0	0.00%	0
340	Office Furniture and Equipment	0	0	0	0	0	0	0.00%	0
340.1	Computer & Software	0	0	0	0	0	0	0.00%	0
341	Transportation Equipment	0	0	0	0	0	0	0.00%	0
342	Stores Equipment	0	0	0	0	0	0	0.00%	0
343	Tools, Shop and Garage Equipment	0	0	0	0	0	0	0.00%	0
344	Laboratory Equipment	0	0	0	0	0	0	0.00%	0
345	Power Operated Equipment	0	0	0	0	0	0	0.00%	0
346	Communication Equipment	0	0	0	0	0	0	0.00%	0
347	Miscellaneous Equipment	0	0	0	0	0	0	0.00%	0
348	Other Tangible Plant	0	0	0	0	0	0	0.00%	0
	Subtotal	\$1,533,094	\$0	\$0	\$1,533,094	\$73,464	\$1,459,630	22.19	\$34,961

Contribution(s) in Aid of Construction (Gross)	\$769,974
Less: Non Amortizable Contribution(s)	0
Fully Amortized Contribution(s)	18,570
Amortizable Contribution(s)	\$751,404
Times: Proposed Amortization Rate	2.40%
Amortization of CIAC	\$17,998

Less: Amortization of CIAC \$17,998
DEPRECIATION EXPENSE \$16,964

WATCO, Inc.
 Annual Report
 Balance Sheet Assets
 12/31/19

Balance Sheet Assets				
	Assets		Balance at Beginning of Year (2019)	Balance at End of Year (2019)
Account No.	Current and Accrued Assets			
131	Cash		\$10,497	\$13,165
134	Working Funds		0	0
135	Temporary Cash Investments		0	0
141	Customer Accounts Receivable		15,117	10,997
146	Notes Receivable from Associated Companies		0	0
151	Plant Material and Supplies		0	0
162	Prepayments		0	0
174	Miscellaneous Current and Accrued Assets		0	0
	Total Current and Accrued Assets		\$25,614	\$24,162
Account No.	Fixed Assets			
101	Utility Plant in Service*		\$1,533,094	\$1,533,094
103	Property Held for Future Use		0	0
105	Construction Work in Progress		0	0
108	Accumulated Depreciation (enter as negative)*		(821,364)	(857,873)
121	Non-Utility Property		0	0
122	Accumulated Depreciation - Non Utility		0	0
	Total Fixed Assets		\$711,730	\$675,221
	Total Assets		\$737,344	\$699,383

*Note these items feed automatically from AR3 UPIS Page 4

WATCO, Inc.
Annual Report
Balance Sheet Liabilities and Owners Equity

Balance Sheet Liabilities and Owners Equity				
	Liabilities		Balance at Beginning of Year (2019)	Balance at End of Year (2019)
Account No.	Current Liabilities			
231	Accounts Payable		\$0	\$0
232	Notes Payable (Current Portion)		4,307	3,426
234	Notes Payable to Associated Companies		0	0
235	Customer Deposits		2,720	2,720
236	Accrued Taxes		0	0
237	Accrued Interest		3,046	2,398
242	Miscellaneous Current and Accrued Liabilities		0	0
	Total Current Liabilities		\$10,073	\$8,544
	Long Term Debt			
224	Long Term Debt (Notes and Bonds)		\$53,362	\$28,689
	Deferred Credits			
251	Unamortized Premium on Debt		\$0	\$0
252	Advances in Aid of Construction		203,715	180,645
255	Accumulated Deferred Investment Tax Credits		0	0
271	Contributions in Aid of Construction		769,974	800,773
272	Less: Amortization of Contributions		(36,903)	(45,905)
281	Accumulated Deferred Income Tax		0	
	Total Deferred Credits		\$936,786	\$935,513
	Total Liabilities		\$1,000,221	\$972,746
	Capital Accounts			
201	Common Stock Issued		\$0	\$0
211	Other Paid-In Capital		0	0
215	Retained Earnings		(262,877)	(273,363)
218	Proprietary Capital (Sole Props and Partnerships)		0	0
	Total Capital		(\$262,877)	(\$273,363)
	Total Liabilities and Capital		\$737,344	\$699,383

Note: Total liabilities and Capital must match total assets for the beginning and end of the year!

WATCO, Inc.
Annual Report
Water Comparative Income Statement
12/31/19

Water Comparative Income Statement			
Account No.	Calendar Year	Current Year 01/01/2019 - 12/31/2019	Last Year 01/01/2018 - 12/31/2018
	Operating Revenue		
461	Metered Water Revenue	\$181,972	\$187,357
460	Unmetered Water Revenue	0	0
462	Fire Protection Revenue	0	0
469	Guaranteed Revenues (Surcharges)	0	0
471	Miscellaneous Service Revenues	0	0
474	Other Water Revenue	935	1,177
	Total Revenues	\$182,907	\$188,534
	Operating Expenses		
601	Salaries and Wages	\$83,348	\$96,031
604	Employee Pensions and Benefits	0	47
610	Purchased Water	0	0
615	Purchased Power	10,197	10,347
618	Chemicals	0	5
620	Materials and Supplies	688	606
620.1	Repairs and Maintenance	7,890	5,238
620.2	Office Supplies and Expense	2,529	4,463
630	Contractual Services	11,831	11,048
631	Contractual Services - Engineering	0	0
632	Contractual Services - Accounting	6,720	6,187
633	Contractual Services - Legal	0	713
634	Contractual Services - Management Fees	11,831	0
635	Contractual Services - Water Testing	1,277	508
636	Contractual Services - Other	232	203
640	Rents	0	0
641	Rental of Building/Real Property	3,432	3,432
642	Rental of Equipment	6,543	6,835
650	Transportation Expenses	8,722	8,221
657	Insurance - General Liability	3,624	4,675
657.1	Insurance - Health and Life	0	2,832
665	Regulatory Commission Expense - Rate	343	896
670	Bad Debt Expense	0	0
675	Miscellaneous Expense	0	416
403	Depreciation Expense (From Schedule AR4)	16,964	16,627
408	Taxes Other Than Income	11,097	10,694
408.11	Property Taxes	6,126	4,014
409	Income Taxes	0	0
427.1	Customer Security Deposit Interest	0	0
	Total Operating Expenses	\$193,394	\$194,038
	Operating Income / (Loss)	(\$10,487)	(\$5,504)
	Other Income / (Expense)		
419	Interest and Dividend Income	\$1	\$1
421	Non-Utility Income	0	0
426	Miscellaneous Non-Utility (Expense)	0	0
427	Interest (Expense)	0	0
	Total Other Income / (Expense)	\$1	\$1
	Net Income / (Loss)	(\$10,486)	(\$5,503)

WATCO, Inc.
Annual Report
Full time equivalent employees
12/31/19

Full time equivalent employees

	Direct Company	Allocated	Outside service	Total
President	0.0	0.0	0.0	0.0
Vice-president	0.0	0.0	0.0	0.0
Manager	0.0	0.0	0.0	0.0
Engineering Staff	0.0	0.0	0.0	0.0
System Operator(s)	0.0	0.0	0.0	0.0
Meter reader	0.0	0.0	0.0	0.0
Customer Service	0.0	0.0	0.0	0.0
Accounting	0.0	0.0	0.0	0.0
Business Office	0.0	0.0	0.0	0.0
Rates Department	0.0	0.0	0.0	0.0
Administrative Staff	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0

Supplemental Financial Data (Long-Term Debt)				
	Loan #1	Loan #2	Loan #3	Loan #4
Date Issued	6/1/1998	NA	NA	NA
Source of Loan	WIFA	0	0	0
ACC Decision No.	7005	0	0	0
Reason for Loan	INFRASTRUCTU	0	0	0
Dollar Amt. Issued	\$600,000	\$0	\$0	\$0
Amount Outstanding	\$28,689	\$0	\$0	\$0
Date of Maturity	6/26/2028	NA	NA	NA
Interest Rate	1.90%	0.00%	0.00%	0.00%
Current Year Interest	\$1,833	\$0	\$0	\$0
Current Year Principal	\$24,109	\$0	\$0	\$0

Meter Deposit Balance at Test Year End: N/A

Meter Deposits Refunded During the Test Year: N/A

List all bonds, notes, loans, and other types of indebtedness in which the proceeds were used in the provision of public utility service. Indebtedness incurred for personal uses by the owner of the utility should not be listed. Input 0 or none if there is nothing to report for that cell.

Well and Water Usage											
Name of the System: BOURDON RANCH ESTATES											
ADEQ Public Water System Number:											AZ0409049
ADWR PCC Number:											91-000393.0000
Well registry 55# (55-XXXXXX):	Pump Horsepower	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Pump Motor Type **	Year Drilled	Water level 2010	Water level 2019	Meter Size (inches)	How measured:	Active
55-603156	10	58	538	8	SUBMERSIBLE	1964	480	480	2	METERED	YES
55-506606	5	31	440	6	SUBMERSIBLE	1983	300	300	2	METERED	YES
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A
NONE	0	0	0	0	NONE	0	0	0	0	N/A	N/A

Name of system water delivered to: _____
 ADWR PCC Number: _____
 Source of water delivered to another system: _____

Name of system water received from: _____
 ADWR PCC Number: _____
 Source of water received: _____
 Well registry 55# (55-XXXXXX): _____

Month	Water withdrawn (gallons) ¹	Water sold (gallons) ²	Water delivered (sold) to other systems (gallons) ³	Water received (purchased) from other systems (gallons) ⁴	Estimated authorized use (gallons) ⁵	Purchased Power Expense ⁶	Purchased Power (kWh) ⁷
January	1,202,085.00	991,410.00	0.00	0.00	0.00	\$880	7,650
February	1,224,867.00	928,890.00	0.00	0.00	0.00	787	6,509
March	939,704.00	755,370.00	0.00	0.00	0.00	679	5,619
April	939,704.00	982,540.00	0.00	0.00	0.00	728	6,109
May	914,370.00	808,780.00	0.00	0.00	0.00	760	5,682
June	1,291,229.00	1,138,290.00	0.00	0.00	0.00	892	7,850
July	1,635,511.00	1,579,292.00	0.00	0.00	0.00	1,053	9,833
August	1,505,191.00	1,366,760.00	0.00	0.00	0.00	954	8,415
September	1,629,621.00	1,476,190.00	0.00	0.00	0.00	1,098	9,953
October	1,224,909.00	1,087,819.00	0.00	0.00	0.00	849	7,053
November	1,705,278.00	1,299,232.00	0.00	0.00	0.00	867	7,350
December	1,205,786.00	868,470.00	0.00	0.00	0.00	650	5,040
Totals	15,418,255.00	13,283,043.00	0.00	0.00	0.00	\$10,197	87,063

If applicable, in the space below please provide a description for all un-metered water use along with amounts:
 NONE

1 Water withdrawn - Total gallons of water withdrawn from pumped sources.
 2 Water sold - Total gallons from customer meters, and other sales such as construction water.
 3 Water delivered (sold) to other systems - Total gallons of water delivered to other systems.
 4 Water received (purchased) from other systems - Total gallons of water purchased/received from other systems.
 5 Estimated authorized use - Total estimated gallons from authorized metered or unmetered use. Authorized uses such as flushing (mains, services and hydrants) draining/cleaning tanks, process, construction, fire fighting, etc. Non-authorized use (real losses) are service line breaks and leaks, water main breaks, meter inaccuracies and theft.
 6 Enter the total purchased power costs for the power meters associated with this system.
 7 Enter the total purchased kWh used by the power meters associated with this system.

Water Utility Plant Description (Continued)
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For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:	NONE
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STRUCTURES:	12' X 30' BUILDING, 20' X 20' BUILDING
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OTHER:	NONE
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Provide a calculation used to determine the value of one water equivalent residential connection (ERC).

Use one of the following methods:

- (a) If actual flow data are available from the preceding 12 months, divide the total annual single family residence (SFR) gallons sold by the average number of single family residence customers for the same period and divide the result by 365
- (b) If no historical flow data are available, use:
 $ERC = (\text{Total SFR gallons sold (Omit 000)} / 365 \text{ days} / 350 \text{ gallons per day})$

ERC	118
Method used:	(a)

Customer and Other Information	
Name of the System:	BOURDON RANCH ESTATES
ADEQ Public Water System Number:	AZ0409049
ADWR PCC Number:	91-000393.0000

Month	Number of Customers				
	Single-Family	Multi-Family	Commercial	Turf/Irrigation	Other Non-Residential
January	309	0	0	0	0
February	312	0	0	0	0
March	311	0	0	0	0
April	311	0	0	0	0
May	308	0	0	0	0
June	310	0	0	0	0
July	313	0	0	0	0
August	310	0	0	0	0
September	310	0	0	0	0
October	308	0	0	0	0
November	307	0	0	0	0
December	304	0	0	0	0

If the system has fire hydrants, what is the fire flow requirements? GPM for hrs.

Does the system have chlorination treatment?

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
 If yes, provide the GPCPD amount:

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 If yes, which AMA?

What is the present system connection capacity (in ERCs *) using existing lines?

What is the future system connection capacity (in ERCs *) upon service area buildout?

Describe any plans and estimated completion dates for any enlargements or improvements of this system.

* an ERC is based on the calculation on the bottom of AR9 page 12.

WATCO, Inc.
 Annual Report
 Utility Shutoffs / Disconnects
 12/31/19

Utility Shutoffs / Disconnects	
Name of the System:	BOURDON RANCH ESTATES
ADEQ Public Water System Number:	AZ0409049
ADWR PCC Number:	91-000393.0000

Month	Termination without Notice R14-2-410.B	Termination with Notice R14-2-410.C	Other
January	0	1	0
February	0	3	0
March	0	1	0
April	0	1	0
May	0	4	0
June	0	2	0
July	0	2	0
August	0	7	0
September	0	1	0
October	0	2	0
November	0	4	0
December	0	3	0
Total	0	31	0

Other (description):

NA

Instructions: Fill out the Grey Cells with the relevent information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

WATCO, Inc.
Annual Report
Property Taxes
12/31/19

Property Taxes	
Amount of actual property taxes paid during Calendar Year 2019 was	\$6,126

If no property taxes paid, explain why.

NA

Instructions: Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

Verification and Sworn Statement (Taxes)

Verification: State of Arizona I, the undersigned of the
(state name)

2020 MAY 14 P 2:15

County of (county name):

Navajo

Name (owner or official) title:

Dustin DeSpain, CFO

Company name:

WATCO, Inc.

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

FOR THE YEAR ENDING:

12/31/19

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.

[Handwritten Signature]
signature of owner/official

800-713-8905

telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC
IN AND FOR THE COUNTY

THIS

13

DAY OF

Cochise
(county name)

May 2020
(month) and (year)

MY COMMISSION EXPIRES

10-17-23
(date)



[Handwritten Signature]
(signature of notary public)

Verification and Sworn Statement

Verification:

State of Arizona I, the undersigned of the
(state name)
County of (county name): Navajo
Name (owner or official) title: Dustin DeSpain, CFO
Company name: WATCO, Inc.

RECEIVED
NOTARY PUBLIC DIVISION
2020 MAY 14 P 2:16

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

FOR THE YEAR ENDING: 12/31/19

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, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$182,907

(The amount in the box above includes

\$10,957 in sales taxes

billed or collected)

[Handwritten Signature]
signature of owner/official

800-713-8905

telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC
IN AND FOR THE COUNTY

THIS

13

DAY OF

Cochise

(county name)

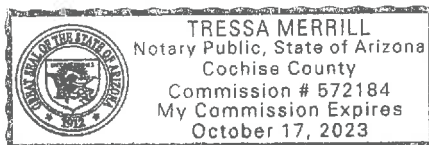
May 2020

(month) and (year)

MY COMMISSION EXPIRES

10-17-23

(date)



[Handwritten Signature]
(signature of notary public)

Verification and Sworn Statement (Residential Revenue)

Verification:

State of Arizona I, the undersigned of the
(state name)

County of (county name):

Name (owner or official) title:

Company name:

Navajo

Dustin DeSpain, CFO

WATCO, Inc.

RECEIVED
UTILITIES DIVISION

2020 MAY 14 2:16

ARIZONA CORPORATION
COMMISSION

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

FOR THE YEAR ENDING: 12/31/19

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, 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 THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$182,907

(The amount in the box above includes

\$10,957 in sales taxes
billed or collected)

[Signature]
signature of owner/official

800-713-8905
telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC
IN AND FOR THE COUNTY

Cochise
(county name)

THIS

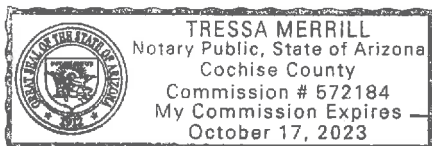
13

DAY OF

May 2020
(month) and (year)

MY COMMISSION EXPIRES

10-17-23
(date)



[Signature]
(signature of notary public)

Full Gross-up Method for Income Tax Statement of Certification

Verification:

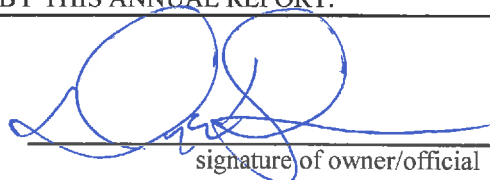
State of Arizona I, the undersigned of the
(state name)

County of (county name): Navajo
Name (owner or official) title: Dustin DeSpain, CFO
Company name: WATCO, Inc.

FOR THE YEAR ENDING: 12/31/19

Sworn Statement:

IN ACCORDANCE WITH THE REQUIREMENTS OF DECISION NO. 77084, BECAUSE THE UTILITY REQUIRES THE GROSS UP OF ADVANCES AND CONTRIBUTIONS, I HEREBY STATE THAT THE UTILITY HAS NOT INCURRED NOR IS EXPECTED TO INCUR A NET INCREASE IN CURRENT INCOME TAX EXPENSE OR A DECREASE IN DEFERRED TAX ASSET FOR A CARRY FORWARD ACCORDING TO GAAP IN AN AMOUNT EQUAL TO OR GREATER THAN THE AMOUNT OF THE REQUIRED GROSS UP PAID BY DEVELOPERS IN THE PERIOD COVERED BY THIS ANNUAL REPORT.


signature of owner/official

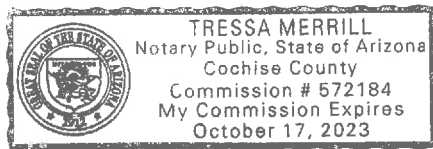
800-713-8905
telephone no.

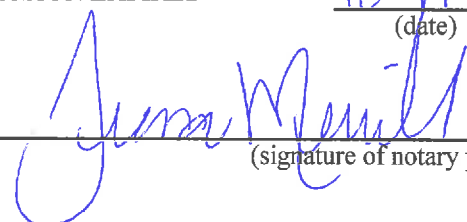
SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC
IN AND FOR THE COUNTY

Cochise
(county name)

THIS 13 DAY OF May 2020
(month) and (year)

MY COMMISSION EXPIRES 10-17-23
(date)




(signature of notary public)