



0000002604

NEW APPLICATION

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS:

MARC SPITZER, CHAIRMAN  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON

Arizona Corporation Commission

DOCKETED

MAY 28 2003

DOCKETED BY *CH*

AZ CORP COMMISSION  
DOCUMENT CONTROL

2003 MAY 28 P 4: 1

RECEIVED

IN THE MATTER OF THE APPLICATION OF AJO  
IMPROVEMENT COMPANY FOR RATE  
ADJUSTMENTS IN ITS WATER AND  
WASTEWATER RATES

Docket No. E-01025A-03-0350

WS

APPLICATION

Ajo Improvement Company ("Applicant" or "AIC") hereby makes application to the Commission to approve adjustments to its rate schedules for water and wastewater service.

In support of its Application, Applicant states the following:

1. Applicant is an Arizona public service corporation certificated by the Commission to provide electric, water and wastewater service to customers in and around the unincorporated community of Ajo, Pima County, Arizona. Ajo Improvement Company's Water Department provides service to approximately 1,119 customers and its Sewer Department services approximately 1,089 customers.

2. Applicant's principal place of business in Pima County is Post Office Drawer 9, Ajo, Arizona 85321. Correspondence concerning this Application should be sent to Fred Menzer/Rodney Smith, Ajo Improvement Company, New Cornelia Branch, P.O. Drawer, Ajo, Arizona 85321; with a copy to Michael W. Patten at Roshka Heyman & DeWulf, PLC, One Arizona Center, 400 East Van Buren Street, Suite 800, Phoenix, Arizona 85004; and a copy to Dan L. Neidlinger, Neidlinger & Associates, 3020 North 17<sup>th</sup> Drive, Phoenix, Arizona 85015.

3. This Application is made pursuant to the provisions of A.A.C. R14-2-103 covering the twelve-month period that ended December 31, 2002, the test year in this

1 case. Attached to this Application as Exhibit A are the schedules required under A.A.C.  
2 R14-2-103 for both the Water Department (pp. 1-18 of Ex. A) and the Wastewater  
3 Department (pp. 19-29) of Ex. A). Exhibit A also includes schedules (pp. 30-51) that cover  
4 total company operations with relevant information separated out for water and wastewater  
5 operations on some of those schedules. The schedules are based on financial information  
6 obtained from the books and records of Applicant.

7 **WATER SERVICE**

8 4. Applicant has not filed a general water rate case since 1984. The  
9 Commission set Applicant's current water rates in Decision No. 54709 (Oct. 10, 1985).

10 5. Applicant is a Class C utility with respect to its water service. In  
11 connection with and in support of this Application, Applicant is filing the attached  
12 schedules regarding water service required by A.A.C. R14-2-103, which includes a  
13 schedule of the rates and charges necessary to produce revenues that will allow Applicant to  
14 earn a fair return on the fair value of Applicant's property devoted to public service.

15 6. Applicant is requesting an increase in annual water revenues of  
16 approximately \$111,123 (or a 17.3% increase over test year revenues). This increase is  
17 based on a 10% rate of return on an adjusted rate base of \$92,745.

18 7. As shown in the schedules filed herewith, under the present rates,  
19 Applicant experienced an operating loss during the test year of \$54,930 thereby resulting in  
20 a negative return on rate base of 59.23%.

21 8. Schedule B-1 (p. 3) shows original cost less depreciation ("OCLD") and  
22 reconstruction cost new less depreciation ("RCND") rate bases both in the amount of  
23 \$92,745 at December 31, 2002. The OCLD and RCND are the same because Applicant  
24 seeks permission to waive the requirement to prepare a separate and costly RCND rate base  
25 analysis.

26 9. As shown on Schedule D-1 (p. 37), the weighted cost of capital for  
27 Applicant is estimated at 10% using a pro forma capital structure of approximately 20%

1 debt and 80% equity. Accordingly, Applicant requests a 10% rate of return on rate base for  
2 both its Water Department and its Wastewater Department.

3           10. The proposed changes in water rates are set forth in Schedule H-3 (p.  
4 10). First, proposed monthly service charges for each meter size have been increased by  
5 five percent (5%). Second, the proposed water usage charge for treated water has been  
6 increased from \$2.54 per 1,000 gallons to \$3.14 per 1,000 gallons. Third, the proposed  
7 water usage charge for untreated water has been increased from \$1.75 per 1,000 gallons to  
8 \$1.85 per 1,000 gallons. For the average residential water customer using a 5/8" meter to  
9 purchase treated water, the average monthly bill will increase from \$23.51 to \$27.38, an  
10 increase of \$3.87 per month or 16.46%. Schedule H-4 (p. 12-13) sets forth additional bill  
11 impact analyses.

#### WASTEWATER SERVICE

12           11. Applicant has not filed a general wastewater rate case since 1986. The  
13 Commission set Applicant's current water rates in Decision No. 55233 (Oct. 16, 1986).

14           12. Applicant is a Class C utility with respect to its wastewater service. In  
15 connection with and in support of this Application, Applicant is filing the attached  
16 schedules regarding wastewater service required by A.A.C. R14-2-103, which includes a  
17 schedule of the rates and charges necessary to produce revenues that will allow Applicant to  
18 earn a fair return on the fair value of Applicant's property devoted to public service.  
19

20           13. Applicant is requesting an increase in annual wastewater revenues of  
21 approximately \$156,315 (or a 163.7% increase over test year revenues). This increase is  
22 based on a 10% rate of return on an adjusted rate base of \$217,822. Although the  
23 percentage increase is large, it must be considered in the context of the current residential  
24 wastewater rate of \$6.08 per month. That rate is extremely low and the new proposed  
25 residential treatment rate of \$16.64 per month remains relatively low in comparison with  
26 other wastewater rates across Arizona.  
27

1           14. As shown in exhibits filed herewith, under the present rates, Applicant  
2 experienced an operating loss during the test year of \$68,533 thereby resulting in a negative  
3 return on rate base of 31.46%.

4           15. Schedule B-1 (p. 21) shows original cost less depreciation ("OCLD")  
5 and reconstruction cost new less depreciation ("RCND") rate bases both in the amount of  
6 \$217,822 at December 31, 2002. The OCLD and RCND are the same because Applicant  
7 seeks permission to waive the requirement to prepare a separate and costly RCND rate base  
8 analysis.

9           16. The wastewater rate base has increased as a result of significant capital  
10 improvements to AIC's wastewater treatment plant. The cost of those improvements  
11 exceeded \$1.8 million and were paid for by AIC's parent, Phelps Dodge. However, all but  
12 approximately \$200,000 of these capital expenditures has been written off and is not  
13 included in the rate base.

14           17. The proposed changes in wastewater rates are set forth in Schedule H-3  
15 (p. 27). The proposed monthly residential service charge has been increased from \$6.08 to  
16 \$16.64. AIC also proposes to increase rates, by an equivalent percentage, for all other  
17 wastewater customers. Schedule H-4 (page 29) sets forth typical bill analyses for AIC's  
18 wastewater customers.

19           WHEREFORE, Applicant hereby requests that the Commission promptly hold  
20 hearings in this matter and determine the fair value of Applicant's water and wastewater  
21 utility properties for ratemaking purposes; fix a just and reasonable rate of return thereon;  
22 and approve appropriate rate schedules for Applicant.

23  
24  
25  
26  
27

ROSHKA HEYMAN & DEWULF, PLC  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET - SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

1 RESPECTFULLY SUBMITTED May 28, 2003.

2 AJO IMPROVEMENT COMPANY

3  
4 By 

5 Michael W. Patten  
6 ROSHKA HEYMAN & DEWULF, PLC  
7 One Arizona Center  
8 400 East Van Buren Street, Suite 800  
9 Phoenix, Arizona 85004  
10 (602) 256-6100

11 ORIGINAL + 13 COPIES of the foregoing  
12 filed May 28, 2003, with:

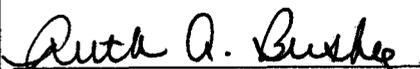
13 Docket Control  
14 ARIZONA CORPORATION COMMISSION  
15 1200 West Washington  
16 Phoenix, Arizona 85007

17 COPIES of the foregoing hand-delivered  
18 May 28, 2003, to:

19 Christopher Kempley, Esq.  
20 Chief Counsel, Legal Division  
21 ARIZONA CORPORATION COMMISSION  
22 1200 West Washington  
23 Phoenix, Arizona 85007

24 Lynn Farmer, Esq.  
25 Chief ALJ, Hearing Division  
26 ARIZONA CORPORATION COMMISSION  
27 1200 West Washington  
Phoenix, Arizona 85007

Ernest G. Johnson, Esq.  
Director, Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007



*SCHEDULES*

**AJO IMPROVEMENT COMPANY**

**Before the Arizona Corporation Commission**

**Application for an Increase in Water & Sewer Rates  
Test Year Ended December 31, 2002**

**April 2003**

**AJO IMPROVEMENT COMPANY**

**Test Year Ended December 31, 2002**

**INDEX OF SCHEDULES**

<u>Schedule</u>	<u>Schedule Description</u>	<u>Page No.</u>
<b>WATER DIVISION SCHEDULES</b>		
A-1	Computation of Increase in Gross Revenue Requirements	1
B-1	Original Cost and RCND Rate Base Elements	3
B-2	Pro Forma Adjustments to Original Cost Rate Base	4
B-5	Computation of Working Capital Allowance	5
C-1	Operating Income Statement	6
C-2	Pro Forma Adjustments to Income Statement	7
H-1	Summary of Water Revenues at Present and Proposed Rates	8
H-3	Proposed Changes in Water Rates	10
H-4	Typical Bill Analyses by Meter Size	12
H-5	Bill Count by Meter Size	14
<b>SEWER DIVISION SCHEDULES</b>		
A-1	Computation of Increase in Gross Revenue Requirements	19
B-1	Original Cost and RCND Rate Base Elements	21
B-2	Pro Forma Adjustments to Original Cost Rate Base	22
B-5	Computation of Working Capital Allowance	23
C-1	Operating Income Statement	24
C-2	Pro Forma Adjustments to Income Statement	25
H-1	Summary of Sewer Revenues at Present and Proposed Rates	26
H-3	Proposed Changes in Sewer Rates	27
H-4	Typical Bill Analysis	29
<b>TOTAL COMPANY SCHEDULES</b>		
A-2	Summary Results of Operations	30
A-3	Summary of Capital Structure	31
A-4	Construction Expenditures and Gross Utility Plant In Service - Total	32
A-4	Construction Expenditures and Gross Utility Plant In Service - Water	33
A-4	Construction Expenditures and Gross Utility Plant In Service - Sewer	34
A-4	Construction Expenditures and Gross Utility Plant In Service - Elect.	35
C-3	Computation of Gross Revenue Conversion Factor	36
D-1	Summary Cost of Capital	37
E-1	Comparative Balance Sheets - Assets	38
E-1	Comparative Balance Sheets - Liabilities & Equity	39
E-2	Comparative Income Statements	40
E-5	Detail of Utility Plant - Water Division	41
E-5	Detail of Utility Plant - Sewer Division	42
E-6	Comparative Departmental Operating Income Statements	43
E-7	Operating Statistics	46
E-8	Taxes Charged to Operations	47
E-9	Notes to Financial Statements	48
F-1	Projected Income Statements - Present and Proposed Rates	49
F-3	Projected Construction Requirements	50
F-4	Key Assumptions Supporting Development of Projections	51

**WATER SERVICE**

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS

DESCRIPTION	ORIGINAL COST	RCND
Adjusted Rate Base (1)	\$92,745	\$92,745
Adjusted Operating Income (2)	(54,930)	(54,930)
Current Rate of Return	-59.23%	-59.23%
	<u>FAIR VALUE</u>	
Fair Value Rate Base (50/50)	\$92,745	
Required Rate of Return	10.000%	
Operating Income Requirement	\$9,274	
Operating Income Deficiency	\$64,204	
Gross Revenue Conversion Factor (3)	1.7308	
Increase in Gross Revenue Requirements	\$111,123	
Indicated Percentage Increase (4)	17.32%	

Supporting Schedules:

- (1) Schedule B-1
- (2) Schedule C-1
- (3) Schedule C-3
- (4) Schedule H-1

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

SUMMARY OF REVENUES AT PRESENT AND PROPOSED RATES

DESCRIPTION	REVENUES IN THE TEST YEAR		INCREASE	
	PRESENT	PROPOSED	AMOUNT	PERCENT
TREATED WATER SALES:				
5/8" Meters	\$306,899	\$357,503	\$50,604	16.49%
1" Meters	14,219	16,863	2,644	18.59%
1 1/2" Meters	77	82	5	6.49%
2" Meters	54,085	65,157	11,072	20.47%
3" Meters	8,775	10,178	1,403	15.99%
4" Meters	164,957	203,477	38,520	23.35%
Total Metered Sales - Treated	\$549,012	\$653,260	\$104,248	18.99%
UNTREATED WATER SALES:				
5/8" Meters	\$10,315	\$10,899	\$584	5.66%
2" Meters	28,784	30,420	1,636	5.68%
3" Meters	37,721	39,841	2,120	5.62%
4" Meters	8,826	9,313	487	5.52%
Total Metered Sales - Untreated	\$85,646	\$90,473	\$4,827	5.64%
Total Water Sales	\$634,658	\$743,733	\$109,075	17.19%
Other Water Revenues	6,986	9,466	2,480	35.50%
Total Water Revenues	\$641,644	\$753,199	\$111,555	17.39%

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

ORIGINAL COST AND RCND RATE BASE ELEMENTS

DESCRIPTION	ORIGINAL COST RATE BASE (1)	RCND RATE BASE (2)
Gross Utility Plant In Service	\$1,479,545	\$1,479,545
Less: Accumulated Depreciation	1,429,092	1,429,092
Net Utility Plant In Service	\$50,453	\$50,453
Plus:		
Working Capital Allowance	42,292	42,292
Total Rate Base	<u>\$92,745</u>	<u>\$92,745</u>

Supporting Schedules & Notes:

(1) Schedules B-2, B-5 and E-5

(2) Ajo Improvement Company Requests a Waiver on the Development of RCND Rate Base

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

PRO FORMA ADJUSTMENTS TO ORIGINAL COST RATE BASE

DESCRIPTION	ACTUAL AT 12-31-02	PRO FORMA ADJUSTMENTS	ADJUSTED AMOUNT
Gross Utility Plant In Service	\$1,477,142	\$2,403	\$1,479,545
Less: Accumulated Depreciation	1,421,455	7,637	1,429,092
Net Utility Plant In Service	\$55,687	(\$5,234)	\$50,453
Total Rate Base Adjustments	\$55,687	(\$5,234)	\$50,453

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

CALCULATION OF WORKING CAPITAL ALLOWANCE

DESCRIPTION	AMOUNT
Purchased Water	\$477,938
Adjusted O&M	\$179,022
Working Capital Calculation:	
1/24 Purchased Water	\$19,914
1/8 O&M	\$22,378
Total Working Capital Allowance	<u>\$42,292</u>

**AJO IMPROVEMENT COMPANY**  
**WATER DEPARTMENT**  
**Test Year Ended December 31, 2002**  
  
**OPERATING INCOME STATEMENT**

DESCRIPTION	ACTUAL AT 12-31-02 (1)	PRO FORMA (2) ADJUSTMENTS	ADJUSTED AMOUNT
Revenues:			
Water Sales	\$634,658		\$634,658
Other Water Revenues	8,371	(1,385)	6,986
Total Revenues	643,029	(1,385)	641,644
Operating Expenses:			
Salaries & Wages	28,167	845	29,012
Employee Pensions & Benefits	18,740	562	19,302
Purchased Water	548,982	(71,044)	477,938
Outside Services - Legal & Consulting	3,153		3,153
Outside Services - Oper. & Maint.	85,787		85,787
Rental Expense	1,200		1,200
Materials & Supplies	17,571	(2,403)	15,168
General & Administrative	24,827	573	25,400
Depreciation	28,326	7,637	35,963
Property Taxes	34,330	5,052	39,382
Income Taxes	(30,079)	(5,652)	(35,731)
Total Operating Expenses	761,004	(64,430)	696,574
Operating Income	(\$117,975)	\$63,045	(\$54,930)

Supporting Schedules:

- (1) Schedule E-6
- (2) Schedule C-2

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

PRO FORMA ADJUSTMENTS TO OPERATING INCOME STATEMENT

DESCRIPTION	AMOUNT
OTHER WATER SALES:	
To Remove Non-Recurring Water Revenues From Hydrant Replacement	(\$1,385)
SALARIES & WAGES:	
Annualization of Salary & Wage Expense For 3% Increase	\$845
FRINGE BENEFITS:	
Annualization of Fringe Benefit Expense On S&W Increase	\$562
PURCHASED WATER:	
To Adjust 2002 Purchased Water to Cost	(\$71,044)
MATERIALS & SUPPLIES:	
To Capitalize Meters Expensed in 2002	(\$2,403)
GENERAL & ADMINISTRATIVE:	
Three Year Amortization of \$45,000 Rate Case Exp. - 50% to Water Dept.	\$7,500
Normalization of Allowance for Doubtful Accounts	(6,927)
Net Pro Forma Adjustment - General & Administrative Expense	\$573
DEPRECIATION:	
Annual Depreciation at ACC Staff Rates	\$35,963
Water Depreciation Per Books	(28,326)
Pro Forma Adjustment - Depreciation	\$7,637
PROPERTY TAXES:	
Property Taxes Per ADOR Formula	\$39,382
Property Taxes Per Books	(34,330)
Pro Forma Adjustment - Property Taxes	\$5,052
INCOME TAXES:	
Income Taxes on Pro Forma Adjustments:	
Revenues	(\$1,385)
Expenses	(58,778)
Net Pro Forma Operating Income Adjustment Before Taxes	57,393
Income Taxes @ 38.598%	22,153
Adjustment to Book Income Taxes Based On 2002 Taxable Income	(27,805)
Net Pro Forma Adjustment to Income Taxes	(\$5,652)

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

SUMMARY OF WATER REVENUES AT PRESENT AND PROPOSED RATES  
TREATED WATER & OTHER WATER REVENUES

DESCRIPTION	REVENUES IN THE TEST YEAR		INCREASE	
	PRESENT	PROPOSED	AMOUNT	PERCENT
5/8" Meters	\$306,899	\$357,503	\$50,604	16.49%
1" Meters	14,219	16,863	2,644	18.59%
1 1/2" Meters	77	82	5	6.49%
2" Meters	54,085	65,157	11,072	20.47%
3" Meters	8,775	10,178	1,403	15.99%
4" Meters	164,957	203,477	38,520	23.35%
Total Metered Sales - Treated	\$549,012	\$653,260	\$104,248	18.99%
Other Revenues	6,986	9,466	2,480	35.50%
Total Water Revenues	<u>\$555,998</u>	<u>\$662,726</u>	<u>\$106,728</u>	<u>19.20%</u>

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

SUMMARY OF WATER REVENUES AT PRESENT AND PROPOSED RATES  
UNTREATED WATER

DESCRIPTION	REVENUES IN THE TEST YEAR		INCREASE	
	PRESENT	PROPOSED	AMOUNT	PERCENT
5/8" Meters	\$10,315	\$10,899	\$584	5.66%
2" Meters	28,784	30,420	1,636	5.68%
3" Meters	37,721	39,841	2,120	5.62%
4" Meters	8,826	9,313	487	5.52%
Total Metered Sales - Untreated	<u>\$85,646</u>	<u>\$90,473</u>	<u>\$4,827</u>	<u>5.64%</u>

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

PROPOSED CHANGES IN WATER RATES

DESCRIPTION	PRESENT RATE	PROPOSED RATE
MONTHLY SERVICE CHARGES:		
5/8" Meters	\$9.00	\$9.25
1" Meters	15.00	15.75
1 1/2" Meters	25.00	26.25
2" Meters	50.00	52.50
3" Meters	100.00	105.00
4" Meters	200.00	210.00
ALL WATER USAGE - PER 1,000 GAL.:		
Treated Water	\$2.54	\$3.14
Untreated Water	1.75	1.85

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

PROPOSED CHANGES IN OTHER RATES & CHARGES

DESCRIPTION	PRESENT RATE	PROPOSED RATE
<b>SERVICE CHARGES:</b>		
Establishment of Service:		
Regular Hours	\$25.00	No Change
After Hours	NR (1)	\$40.00
Re-Establishment of Service Within 12 Months:		
Monthly Minimum Times Months Disconnected for Both Water and Sewer Service ( R14-2-403 )		No Change
		No Change
Re-Connection of Service:		
Regular Hours	\$10.00	\$50.00
After Hours	NR (1)	\$65.00
Water Meter Test ( If Correct )	Cost of Test (2)	No Change
Water Meter Relocation at Cust. Request	Cost of Move (2)	No Change
Meter Re-read ( If Correct )	\$10.00	No Change
NSF Check Charge	\$10.00	\$20.00
Late Charge	1 1/2% Per Mo.	No Change
Deferred Payment Finance Charge	1 1/2% Per Mo.	No Change
Service Calls - Per Hour:		
After Hours Only	\$25.00	\$40.00
Deposit Requirements	ACC Rule R14-2-403B	No Change
Deposit Interest	ACC Rule R14-2-403B	3.50%
<b>REFUNDABLE METER INSTALLATION CHARGES:</b>		
Scheduled Installation Charges:		
5/8" X 3/4" Meters	\$100.00	\$400.00
1" Meters	\$150.00	\$500.00
1 1/2" Meters	\$200.00	\$750.00
2" Meters	\$250.00	\$1,300.00
Unscheduled Installation Charges:		
Charges For Installation of Meters That are 4" or Greater In Diameter Shall be Based on Actual Costs.		

NOTES:

- (1) No Currently Approved Rate
- (2) Cost Includes Materials, Labor and Overheads

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

TYPICAL BILL ANALYSIS - TREATED WATER

DESCRIPTION	WATER USAGE	BILL AT: (1)		PERCENT INCREASE
		PRESENT RATES	PROPOSED RATES	
5/8" METERS:				
	5,000	\$21.70	\$25.15	15.90%
	10,000	34.40	40.85	18.75%
	15,000	47.10	56.55	20.06%
	20,000	59.80	72.25	20.82%
	25,000	72.50	87.95	21.31%
	30,000	85.20	103.65	21.65%
	40,000	110.60	135.05	22.11%
	50,000	136.00	166.45	22.39%
Median Usage	4,400	\$20.18	\$23.27	15.32%
Average Usage	5,711	23.51	27.38	16.49%
1" METERS:				
	5,000	\$27.70	\$31.45	13.54%
	10,000	40.40	47.15	16.71%
	15,000	53.10	62.85	18.36%
	20,000	65.80	78.55	19.38%
	25,000	78.50	94.25	20.06%
	30,000	91.20	109.95	20.56%
	40,000	116.60	141.35	21.23%
	50,000	142.00	172.75	21.65%
Median Usage	6,000	\$30.24	\$34.59	14.38%
Average Usage	15,961	55.54	65.87	18.59%
2" METERS:				
	20,000	\$100.80	\$115.30	14.38%
	40,000	151.60	178.10	17.48%
	60,000	202.40	240.90	19.02%
	80,000	253.20	303.70	19.94%
	100,000	304.00	366.50	20.56%
	150,000	431.00	523.50	21.46%
	200,000	558.00	680.50	21.95%
	250,000	685.00	837.50	22.26%
Median Usage	30,000	\$126.20	\$146.70	16.24%
Average Usage	96,672	295.55	356.05	20.47%

NOTES:  
(1) Excluding Revenue Taxes

**AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002**

**TYPICAL BILL ANALYSIS - UNTREATED WATER**

DESCRIPTION	WATER USAGE	BILL AT: (1)		PERCENT INCREASE
		PRESENT RATES	PROPOSED RATES	
<b>5/8" METERS:</b>				
	20,000	\$44.00	\$46.45	5.57%
	40,000	79.00	83.45	5.63%
	60,000	114.00	120.45	5.66%
	80,000	149.00	157.45	5.67%
	100,000	184.00	194.45	5.68%
	150,000	271.50	286.95	5.69%
	200,000	359.00	379.45	5.70%
	250,000	446.50	471.95	5.70%
Average Usage	67,625	\$127.34	\$134.56	5.66%
<b>2" METERS:</b>				
	20,000	\$85.00	\$89.50	5.29%
	40,000	120.00	126.50	5.42%
	60,000	155.00	163.50	5.48%
	80,000	190.00	200.50	5.53%
	100,000	225.00	237.50	5.56%
	150,000	312.50	330.00	5.60%
	200,000	400.00	422.50	5.63%
	250,000	487.50	515.00	5.64%
Average Usage	656,758	\$1,199.33	\$1,267.50	5.68%
<b>3" METERS:</b>				
	20,000	\$135.00	\$142.00	5.19%
	40,000	170.00	179.00	5.29%
	60,000	205.00	216.00	5.37%
	80,000	240.00	253.00	5.42%
	100,000	275.00	290.00	5.45%
	150,000	362.50	382.50	5.52%
	200,000	450.00	475.00	5.56%
	250,000	537.50	567.50	5.58%
Average Usage	382,747	\$769.81	\$813.08	5.62%

NOTES:  
(1) Excluding Revenue Taxes

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

BILL COUNT

DESCRIPTION	BLOCK				CUMULATIVE			
	BILLS	PERCENT	GALLONS	PERCENT	BILLS	PERCENT	GALLONS	PERCENT
5/8" METERS:								
No Usage	592	4.51%	0	0.00%	592	4.51%	0	0.00%
0-1,000	1,383	10.53%	691,253	0.86%	1,975	15.04%	691,253	0.86%
1,000 - 2,000	1,546	11.77%	2,319,618	2.90%	3,521	26.81%	3,010,871	3.76%
2,000 - 3,000	1,276	9.72%	3,189,029	3.99%	4,797	36.53%	6,199,900	7.75%
3,000 - 4,000	1,425	10.85%	4,988,425	6.23%	6,222	47.38%	11,188,325	13.98%
4,000 - 5,000	1,147	8.73%	5,163,020	6.45%	7,369	56.11%	16,351,345	20.43%
5,000 - 6,000	1,033	7.87%	5,683,242	7.10%	8,402	63.98%	22,034,587	27.54%
6,000 - 7,000	812	6.18%	5,280,604	6.60%	9,214	70.16%	27,315,191	34.13%
7,000 - 8,000	620	4.72%	4,649,925	5.81%	9,834	74.88%	31,965,116	39.95%
8,000 - 9,000	570	4.34%	4,845,899	6.06%	10,404	79.22%	36,811,015	46.00%
9,000 - 10,000	463	3.53%	4,400,504	5.50%	10,867	82.75%	41,211,519	51.50%
10,000 - 12,000	748	5.70%	8,230,902	10.29%	11,615	88.44%	49,442,421	61.79%
12,000 - 14,000	399	3.04%	5,187,962	6.48%	12,014	91.48%	54,630,383	68.27%
14,000 - 16,000	257	1.96%	3,848,214	4.81%	12,271	93.44%	58,478,597	73.08%
16,000 - 18,000	242	1.84%	4,119,014	5.15%	12,513	95.28%	62,597,611	78.23%
18,000 - 20,000	214	1.63%	4,062,003	5.08%	12,727	96.91%	66,659,614	83.30%
20,000 - 25,000	135	1.03%	3,046,503	3.81%	12,862	97.94%	69,706,117	87.11%
25,000 - 30,000	114	0.87%	3,135,582	3.92%	12,976	98.80%	72,841,699	91.03%
30,000 - 40,000	107	0.81%	3,741,319	4.68%	13,083	99.62%	76,583,018	95.70%
40,000 - 50,000	36	0.27%	1,603,422	2.00%	13,119	99.89%	78,186,440	97.71%
50,000 - 60,000	7	0.05%	391,948	0.49%	13,126	99.95%	78,578,388	98.20%
60,000 - 70,000	0	0.00%	0	0.00%	13,126	99.95%	78,578,388	98.20%
70,000 - 80,000	0	0.00%	0	0.00%	13,126	99.95%	78,578,388	98.20%
80,000 - 90,000	0	0.00%	0	0.00%	13,126	99.95%	78,578,388	98.20%
90,000 - 100,000	0	0.00%	0	0.00%	13,126	99.95%	78,578,388	98.20%
Over 100,000	7	0.05%	1,443,057	1.80%	13,133	100.00%	80,021,445	100.00%
Total	13,133	100.00%	80,021,445	100.00%				

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

BILL COUNT

DESCRIPTION	BLOCK				CUMULATIVE			
	BILLS	PERCENT	GALLONS	PERCENT	BILLS	PERCENT	GALLONS	PERCENT
1" METERS:								
No Usage	20	7.87%	0	0.00%	20	7.87%	0	0.00%
0-1,000	20	7.87%	10,106	0.25%	40	15.75%	10,106	0.25%
1,000 - 2,000	27	10.63%	40,425	0.99%	67	26.38%	50,531	1.24%
2,000 - 3,000	20	7.87%	50,531	1.24%	87	34.25%	101,062	2.47%
3,000 - 4,000	20	7.87%	70,743	1.73%	107	42.13%	171,805	4.20%
4,000 - 5,000	7	2.76%	30,319	0.74%	114	44.88%	202,124	4.95%
5,000 - 6,000	13	5.12%	74,112	1.81%	127	50.00%	276,236	6.76%
6,000 - 7,000	13	5.12%	87,587	2.14%	140	55.12%	363,823	8.90%
7,000 - 8,000	7	2.76%	50,531	1.24%	147	57.87%	414,354	10.14%
8,000 - 9,000	7	2.76%	57,268	1.40%	154	60.63%	471,622	11.54%
9,000 - 10,000	0	0.00%	0	0.00%	154	60.63%	471,622	11.54%
10,000 - 12,000	7	2.76%	74,112	1.81%	161	63.39%	545,734	13.36%
12,000 - 14,000	0	0.00%	0	0.00%	161	63.39%	545,734	13.36%
14,000 - 16,000	27	10.63%	404,248	9.89%	188	74.02%	949,982	23.25%
16,000 - 18,000	0	0.00%	0	0.00%	188	74.02%	949,982	23.25%
18,000 - 20,000	0	0.00%	0	0.00%	188	74.02%	949,982	23.25%
20,000 - 25,000	7	2.76%	151,593	3.71%	195	76.77%	1,101,575	26.96%
25,000 - 30,000	13	5.12%	370,560	9.07%	208	81.89%	1,472,135	36.03%
30,000 - 40,000	13	5.12%	471,622	11.54%	221	87.01%	1,943,757	47.57%
40,000 - 50,000	7	2.76%	303,186	7.42%	228	89.76%	2,246,943	54.99%
50,000 - 60,000	20	7.87%	1,111,681	27.21%	248	97.64%	3,358,624	82.19%
60,000 - 70,000	0	0.00%	0	0.00%	248	97.64%	3,358,624	82.19%
70,000 - 80,000	0	0.00%	0	0.00%	248	97.64%	3,358,624	82.19%
80,000 - 90,000	0	0.00%	0	0.00%	248	97.64%	3,358,624	82.19%
90,000 - 100,000	0	0.00%	0	0.00%	248	97.64%	3,358,624	82.19%
Over 100,000	6	2.36%	727,663	17.81%	254	100.00%	4,086,287	100.00%
Total	254	100.00%	4,086,287	100.00%				

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

BILL COUNT

DESCRIPTION	BLOCK				CUMULATIVE			
	BILLS	PERCENT	GALLONS	PERCENT	BILLS	PERCENT	GALLONS	PERCENT
2" METERS:								
No Usage	16	7.73%	0	0.00%	16	7.73%	0	0.00%
0 - 5,000	45	21.74%	223,971	0.67%	61	29.47%	223,971	0.67%
5,000 - 20,000	19	9.18%	290,294	0.87%	80	38.65%	514,265	1.54%
20,000 - 40,000	32	15.46%	945,882	2.83%	112	54.11%	1,460,147	4.36%
40,000 - 60,000	24	11.59%	1,217,647	3.64%	136	65.70%	2,677,794	8.00%
60,000 - 80,000	24	11.59%	1,704,706	5.10%	160	77.29%	4,382,500	13.10%
80,000 - 100,000	6	2.90%	547,941	1.64%	166	80.19%	4,930,441	14.74%
100,000 - 120,000	0	0.00%	0	0.00%	166	80.19%	4,930,441	14.74%
120,000 - 140,000	0	0.00%	0	0.00%	166	80.19%	4,930,441	14.74%
140,000 - 160,000	0	0.00%	0	0.00%	166	80.19%	4,930,441	14.74%
160,000 - 180,000	0	0.00%	0	0.00%	166	80.19%	4,930,441	14.74%
180,000 - 200,000	0	0.00%	0	0.00%	166	80.19%	4,930,441	14.74%
200,000 - 250,000	0	0.00%	0	0.00%	166	80.19%	4,930,441	14.74%
250,000 - 300,000	0	0.00%	0	0.00%	166	80.19%	4,930,441	14.74%
300,000 - 400,000	0	0.00%	0	0.00%	166	80.19%	4,930,441	14.74%
400,000 - 500,000	0	0.00%	0	0.00%	166	80.19%	4,930,441	14.74%
Over 500,000	41	19.81%	28,522,768	85.26%	207	100.00%	33,453,209	100.00%
Total	207	100.00%	33,453,209	100.00%				

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

BILL COUNT

DESCRIPTION	BLOCK				CUMULATIVE			
	BILLS	PERCENT	GALLONS	PERCENT	BILLS	PERCENT	GALLONS	PERCENT
3" METERS:								
No Usage	6	7.14%	0	0.00%	6	7.14%	0	0.00%
0 - 5,000	6	7.14%	30,357	0.15%	12	14.29%	30,357	0.15%
5,000 - 20,000	0	0.00%	0	0.00%	12	14.29%	30,357	0.15%
20,000 - 40,000	6	7.14%	182,143	0.88%	18	21.43%	212,500	1.02%
40,000 - 60,000	18	21.43%	910,714	4.38%	36	42.86%	1,123,214	5.40%
60,000 - 80,000	6	7.14%	425,000	2.04%	42	50.00%	1,548,214	7.45%
80,000 - 100,000	0	0.00%	0	0.00%	42	50.00%	1,548,214	7.45%
100,000 - 120,000	0	0.00%	0	0.00%	42	50.00%	1,548,214	7.45%
120,000 - 140,000	6	7.14%	789,286	3.80%	48	57.14%	2,337,500	11.24%
140,000 - 160,000	6	7.14%	910,714	4.38%	54	64.29%	3,248,214	15.62%
160,000 - 180,000	6	7.14%	1,032,143	4.96%	60	71.43%	4,280,357	20.59%
180,000 - 200,000	0	0.00%	0	0.00%	60	71.43%	4,280,357	20.59%
200,000 - 250,000	0	0.00%	0	0.00%	60	71.43%	4,280,357	20.59%
250,000 - 300,000	6	7.14%	1,669,643	8.03%	66	78.57%	5,950,000	28.62%
300,000 - 400,000	0	0.00%	0	0.00%	66	78.57%	5,950,000	28.62%
400,000 - 500,000	0	0.00%	0	0.00%	66	78.57%	5,950,000	28.62%
Over 500,000	18	21.43%	14,842,173	71.38%	84	100.00%	20,792,173	100.00%
Total	84	100.00%	20,792,173	100.00%				

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

BILL COUNT

DESCRIPTION	BLOCK				CUMULATIVE			
	BILLS	PERCENT	GALLONS	PERCENT	BILLS	PERCENT	GALLONS	PERCENT
4" METERS:								
No Usage	0	0.00%	0	0.00%	0	0.00%	0	0.00%
0 - 500,000	10	41.67%	2,589,000	3.83%	10	41.67%	2,589,000	3.83%
500,000 - 1,000,000	2	8.33%	1,039,000	1.54%	12	50.00%	3,628,000	5.36%
1,000,000 - 2,000,000	0	0.00%	0	0.00%	12	50.00%	3,628,000	5.36%
2,000,000 - 3,000,000	0	0.00%	0	0.00%	12	50.00%	3,628,000	5.36%
3,000,000 - 4,000,000	1	4.17%	3,963,000	5.86%	13	54.17%	7,591,000	11.22%
4,000,000 - 5,000,000	4	16.67%	17,348,000	25.64%	17	70.83%	24,939,000	36.85%
5,000,000 - 6,000,000	5	20.83%	28,262,000	41.76%	22	91.67%	53,201,000	78.62%
6,000,000 - 7,000,000	1	4.17%	6,169,000	9.12%	23	95.83%	59,370,000	87.73%
Over 7,000,000	1	4.17%	8,300,822	12.27%	24	100.00%	67,670,822	100.00%
Total	24	100.00%	67,670,822	100.00%				

WASTEWATER  
SERVICE

AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002

COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS

DESCRIPTION	ORIGINAL COST	RCND
Adjusted Rate Base (1)	\$217,822	\$217,822
Adjusted Operating Income (2)	(68,533)	(68,533)
Current Rate of Return	-31.46%	-31.46%
	<b>FAIR VALUE</b>	
Fair Value Rate Base (50/50)		\$217,822
Required Rate of Return		10.000%
Operating Income Requirement		\$21,782
Operating Income Deficiency		\$90,315
Gross Revenue Conversion Factor (3)		1.7308
Increase in Gross Revenue Requirements		\$156,315
Indicated Percentage Increase (4)		163.67%

Supporting Schedules:

- (1) Schedule B-1
- (2) Schedule C-1
- (3) Schedule C-3
- (4) Schedule H-1

**AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002**

**SUMMARY OF REVENUES AT PRESENT AND PROPOSED RATES**

DESCRIPTION	REVENUES IN THE TEST YEAR		INCREASE	
	PRESENT	PROPOSED	AMOUNT	PERCENT
Residential	\$73,908	\$202,302	\$128,394	173.72%
Commercial	15,888	43,489	27,601	173.72%
Other Sewer Revenues	5,709	6,029	320	5.61%
Total Sewer Revenues	<u>\$95,505</u>	<u>\$251,820</u>	<u>\$156,315</u>	<u>163.67%</u>

AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002

ORIGINAL COST AND RCND RATE BASE ELEMENTS

DESCRIPTION	ORIGINAL COST RATE BASE (1)	RCND RATE BASE (2)
Gross Utility Plant In Service	\$537,455	\$537,455
Less: Accumulated Depreciation	344,072	344,072
Net Utility Plant In Service	\$193,383	\$193,383
Plus:		
Working Capital Allowance	24,439	24,439
Total Rate Base	<u>\$217,822</u>	<u>\$217,822</u>

Supporting Schedules & Notes:

(1) Schedules B-2, B-5 and E-5

(2) LPSCO Requests a Waiver on the Development of RCND Rate Base

AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002

PRO FORMA ADJUSTMENTS TO ORIGINAL COST RATE BASE

DESCRIPTION	ACTUAL AT 12-31-02	PRO FORMA ADJUSTMENTS	ADJUSTED AMOUNT
Gross Utility Plant In Service	\$537,455		\$537,455
Less: Accumulated Depreciation	339,665	4,407	344,072
Net Utility Plant In Service	\$197,790	(\$4,407)	\$193,383
Total Rate Base Adjustments	\$197,790	(\$4,407)	\$193,383

AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002

CALCULATION OF WORKING CAPITAL ALLOWANCE

DESCRIPTION	AMOUNT
Adjusted Pumping Power	\$1,183
Adjusted O&M	\$195,120
Working Capital Calculation:	
1/24 Pumping Power	\$49
1/8 O&M	\$24,390
Total Working Capital Allowance	\$24,439

**AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002**

**OPERATING INCOME STATEMENT**

DESCRIPTION	ACTUAL AT 12-31-02 (1)	PRO FORMA (2) ADJUSTMENTS	ADJUSTED AMOUNT
Revenues:			
Revenues From Sewer Service	\$88,765	\$1,031	\$89,796
Other Sewer Revenues	5,709	0	5,709
Total Revenues	<u>94,474</u>	<u>1,031</u>	<u>95,505</u>
Operating Expenses:			
Salaries & Wages	28,167	845	29,012
Employee Pensions & Benefits	19,166	575	19,741
Purchased Power	1,183		1,183
Outside Services - Legal & Consulting	4,343		4,343
Outside Services - Oper. & Maint.	111,106	(7,469)	103,637
Rental Expense	15,600		15,600
Materials & Supplies	7,767		7,767
General & Administrative	9,125	5,895	15,020
Depreciation	3,558	4,407	7,965
Property Taxes	9,449	(3,874)	5,575
Income Taxes	(23,361)	(22,444)	(45,805)
Total Operating Expenses	<u>186,103</u>	<u>(22,065)</u>	<u>164,038</u>
Operating Income	<u>(\$91,629)</u>	<u>\$23,096</u>	<u>(\$68,533)</u>

Supporting Schedules:

(1) Schedule E-6

(2) Schedule C-2

AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002

PRO FORMA ADJUSTMENTS TO OPERATING INCOME STATEMENT

DESCRIPTION	AMOUNT
<b>OPERATING REVENUES - SEWER SERVICES:</b>	
Reconciliation to Bill Count	\$1,031
<b>SALARIES &amp; WAGES:</b>	
Annualization of Salary & Wage Expense For 3% Increase	\$845
<b>FRINGE BENEFITS:</b>	
Annualization of Fringe Benefit Expense On S&W Increase	\$575
<b>OUTSIDE SERVICES - OPERATION &amp; MAINTENANCE:</b>	
Start-Up Expenses - Wastewater Treatment Plant	(\$11,204)
Annual Amortization Over Three Years	\$3,735
Pro Forma Adjustment	(\$7,469)
<b>GENERAL &amp; ADMINISTRATIVE:</b>	
Three Year Amortization of \$45,000 Rate Case Exp. - 50% to Sewer Dept.	\$7,500
Normalization of Allowance for Doubtful Accounts	(1,605)
Net Pro Forma Adjustment - General & Administrative Expense	\$5,895
<b>DEPRECIATION:</b>	
Annual Depreciation at ACC Staff Rates	\$7,965
Water Depreciation Per Books	(3,558)
Pro Forma Adjustment - Depreciation	\$4,407
<b>PROPERTY TAXES:</b>	
Property Taxes Per ADOR Formula	\$5,575
Property Taxes Per Books	(9,449)
Pro Forma Adjustment - Property Taxes	(\$3,874)
<b>INCOME TAXES:</b>	
Income Taxes on Pro Forma Adjustments:	
Revenues	\$1,031
Expenses	379
Net Pro Forma Operating Income Adjustment Before Taxes	\$652
Income Taxes @ 38.598%	252
Adjustment to Book Income Taxes Based On 2002 Taxable Income	(22,696)
Net Pro Forma Adjustment to Income Taxes	(\$22,444)

**AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002**

**SUMMARY OF SEWER REVENUES AT PRESENT AND PROPOSED RATES**

DESCRIPTION	REVENUES IN THE TEST YEAR		INCREASE	
	PRESENT	PROPOSED	AMOUNT	PERCENT
Residential	\$73,908	\$202,302	\$128,394	173.72%
Commercial & Municipal	15,888	43,489	27,601	173.72%
Other Sewer Revenues	5,709	6,029	320	5.61%
Total Sewer Revenues	<u>\$95,505</u>	<u>\$251,820</u>	<u>\$156,315</u>	<u>163.67%</u>

AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002

PROPOSED CHANGES IN SEWER RATES

DESCRIPTION	PRESENT RATE	PROPOSED RATE
Residential Service - Per Month	\$6.08	\$16.64
Small Commercial:		
Per Unit Per Month	\$6.08	\$21.91
Additional Per Toilet Fixture	1.53	None
Restaurants With Dishwashers	\$18.43	\$50.44
Additional Monthly Commercial Charges:		
Laundromats - Per Washing Machine	\$2.93	\$5.09
Wash Racks - Per Rack	\$2.93	\$5.09
Residential Equivalents (REU):		
Industrial & Commercial - Per REU	\$6.08	\$16.64
Schools - Per REU	\$6.08	\$16.64

**AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002**

**PROPOSED CHANGES IN OTHER RATES & CHARGES**

DESCRIPTION	PRESENT RATE	PROPOSED RATE
<b>SERVICE CHARGES:</b>		
Establishment of Service:		
Regular Hours	\$25.00	No Change
After Hours	NR (1)	\$40.00
Re-Establishment of Service Within 12 Months:		
Monthly Minimum Times Months Disconnected for Both Water and Sewer Service ( R14-2-403 )		No Change No Change
Re-Connection of Service:		
Regular Hours	\$10.00	\$50.00
After Hours	NR (1)	\$65.00
NSF Check Charge	\$10.00	\$20.00
Late Charge	1 1/2% Per Mo.	No Change
Deferred Payment Finance Charge	1 1/2% Per Mo.	No Change
Service Calls - Per Hour:		
After Hours Only	\$25.00	\$40.00
Deposit Requirements	ACC Rule R14-2-403B	No Change
Deposit Interest	ACC Rule R14-2-403B	3.50%

**NOTE:**

(1) No Currently Approved Rate

**AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002**

**TYPICAL BILL ANALYSIS**

DESCRIPTION	TYPE OF SERVICE	BILL AT: (1)		PERCENT INCREASE
		PRESENT RATES	PROPOSED RATES	
Residential	Flat Rate	\$6.08	\$16.64	173.68%
Small Commercial (2)	Flat Rate	\$8.00	\$21.91	173.88%
Restaurants (3)	Flat Rate	\$12.35	\$33.80	173.68%
Laundromat (4)	Flat Rate	\$70.54	\$193.08	173.72%

**NOTES:**

- (1) Excluding Revenue Taxes
- (2) Current Rate is \$6.08 Plus Extra Charge Per Toilet of \$1.53 (Avg. of 1.25 Per Commercial Cust.)
- (3) Restaurants With Dishwashers & Garbage Disposals
- (4) Laundromat With 22 Washers

TOTAL  
COMPANY

**AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002**

**SUMMARY RESULTS OF OPERATIONS**

DESCRIPTION	YEAR ENDED (1)				PROJECTED YEAR (3)	
	12-31-00	12-31-01	12-31-02	12-31-02 (2)	PRESENT RATES	PROPOSED RATES
Operating Revenues	\$1,668,602	\$1,969,709	\$2,021,074	\$2,020,720	\$2,021,074	\$2,287,072
Operating Expenses	1,835,299	1,750,284	2,318,888	2,232,393	2,246,547	2,355,934
Operating Income (Loss)	(166,697)	219,425	(297,814)	(211,673)	(225,473)	(68,862)
Interest Expense	31,200	31,200	31,200	31,200	31,200	31,200
Other (Income) Expense	(103,166)	(5,140)	1,601,539	1,601,539	0	0
Net Income (Loss)	(\$94,731)	\$193,365	(\$1,930,553)	(\$1,844,412)	(\$256,673)	(\$100,062)
Return on Average Capital	-6.34%	7.74%	-13.55%	-9.45%	-17.81%	-5.66%
Return on Y/E Capital	-6.25%	7.31%	-21.36%	-14.30%	-19.82%	-5.32%
Return on Average Equity	-4.09%	7.67%	-102.41%	-95.65%	-26.90%	-11.07%
Return on Y/E Equity	-4.02%	7.19%	-178.34%	-157.82%	-31.08%	-10.18%

Supporting Schedules:

- (1) Schedule E-2
- (2) Adjusted Test Year - Schedule C-1
- (3) Schedule F-1

AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002

SUMMARY OF CAPITAL STRUCTURE

DESCRIPTION	YEAR ENDED (1)				PROJECTED YEAR	
	12-31-00	12-31-01	12-31-02	12-31-02 (2)	PRESENT RATES	PROPOSED RATES
Long Term Debt	\$311,963	\$311,963	\$311,963	\$311,963	\$311,963	\$311,963
Common Equity	2,356,425	2,687,722	1,082,534	1,168,675	825,861	982,472
Total Capital	<u>\$2,668,388</u>	<u>\$2,999,685</u>	<u>\$1,394,497</u>	<u>\$1,480,638</u>	<u>\$1,137,824</u>	<u>\$1,294,435</u>
Capitalization Ratios:						
Long Term Debt	11.69%	10.40%	22.37%	21.07%	27.42%	24.10%
Common Equity	88.31%	89.60%	77.63%	78.93%	72.58%	75.90%
Total Capital	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Supporting Schedules:  
(1) Schedule E-2  
(2) Adjusted Test Year

AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002

CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE

YEAR	CONSTRUCTION EXPENDITURES (1)	NET PLANT PLACED IN SERVICE (2)	GROSS UTILITY PLANT IN SERVICE
2000	\$1,577,310	\$243,409	\$3,209,874
2001	\$357,981	\$0	\$3,209,874
2002	\$20,793	\$220,793	\$3,430,667
2003	\$50,000	\$50,000	\$3,480,667
2004	\$245,000	\$245,000	\$3,725,667
2005	\$420,000	\$420,000	\$4,145,667

Supporting Schedules:

- (1) Schedule F-3
- (2) Schedule E-5

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE

YEAR	CONSTRUCTION EXPENDITURES (1)	NET PLANT PLACED IN SERVICE (2)	GROSS UTILITY PLANT IN SERVICE
2000	\$77,691	\$77,691	\$1,525,998
2001	\$0	\$0	\$1,525,998
2002	\$1,348	\$1,348	\$1,527,346
2003	\$0	\$0	\$1,527,346
2004	\$195,000	\$195,000	\$1,722,346
2005	\$370,000	\$370,000	\$2,092,346

Supporting Schedules:  
(1) Schedule F-3  
(2) Schedule E-5

AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002

CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE

YEAR	CONSTRUCTION EXPENDITURES (1)	NET PLANT PLACED IN SERVICE (2)	GROSS UTILITY PLANT IN SERVICE
2000	\$1,345,153	\$11,252	\$336,107
2001	\$357,981	\$0	\$336,107
2002	\$1,348	\$201,348	\$537,455
2003	\$0	\$0	\$537,455
2004	\$0	\$0	\$537,455
2005	\$0	\$0	\$537,455

Supporting Schedules:  
(1) Schedule F-3  
(2) Schedule E-5

AJO IMPROVEMENT COMPANY  
ELECTRIC DEPARTMENT  
Test Year Ended December 31, 2002

CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE

YEAR	CONSTRUCTION EXPENDITURES (1)	NET PLANT PLACED IN SERVICE (2)	GROSS UTILITY PLANT IN SERVICE
2000	\$154,466	\$154,466	\$1,347,769
2001	\$0	\$0	\$1,347,769
2002	\$18,097	\$18,097	\$1,365,866
2003	\$50,000	\$50,000	\$1,415,866
2004	\$50,000	\$50,000	\$1,465,866
2005	\$50,000	\$50,000	\$1,515,866

Supporting Schedules:  
(1) Schedule F-3  
(2) Schedule E-5

AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002

COMPUTATION OF GROSS REVENUE CONVERSION FACTOR

DESCRIPTION	PERCENTAGE
Federal Income Taxes	31.6300%
State Income Taxes	6.9680%
Total Income Taxes	38.5980%
Incremental Property Taxes	3.6244%
Total Taxes	42.2224%
Gross Revenue Conversion Factor = $1/1 - \text{Tax Percentage} =$	1.7308

AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002

SUMMARY COST OF CAPITAL

DESCRIPTION	12-31-02 AMOUNT	PERCENT	COST RATE	WEIGHTED COST RATE
Long Term Debt	\$311,963	19.91%	10.00%	1.991%
Common Equity	1,255,274	80.09%	10.00%	8.009%
Total Capital	<u>\$1,567,237</u>	<u>100.00%</u>		<u>10.000%</u>

**AJO IMPROVEMENT COMPANY**  
**TOTAL COMPANY**  
Test Year Ended December 31, 2002  
  
**COMPARATIVE BALANCE SHEETS**  
**ASSETS**

DESCRIPTION	BALANCE AT		
	12-31-02	12-31-01	12-31-00
<b>Utility Plant:</b>			
Gross Utility Plant In Service	\$3,443,178	\$3,233,231	\$3,233,231
Less: Accumulated Depreciation	2,378,634	2,326,009	2,256,867
Net Utility Plant In Service	<u>\$1,064,544</u>	<u>\$907,222</u>	<u>\$976,364</u>
CWIP	0	1,798,738	1,440,757
Total Utility Plant	<u>\$1,064,544</u>	<u>\$2,705,960</u>	<u>\$2,417,121</u>
<b>Current Assets:</b>			
Cash & Equivalents	\$124,204	\$150,172	\$208,230
Accounts Receivable - Net of AFDA	262,860	223,120	189,049
Due From Affiliates	401,297	0	20,157
Supplies Inventories & Prepays	2,226	2,931	8,994
Total Current Assets	<u>\$790,587</u>	<u>\$376,223</u>	<u>\$426,430</u>
<b>Deferred Debits:</b>			
Purchased Power Undercollection	\$973,542	\$1,006,883	\$579,042
Deferred Income Taxes	212,631	212,631	212,631
Total Deferred Debits	<u>\$1,186,173</u>	<u>\$1,219,514</u>	<u>\$791,673</u>
 Total Assets	 <u>\$3,041,304</u>	 <u>\$4,301,697</u>	 <u>\$3,635,224</u>

**AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002**

**COMPARATIVE BALANCE SHEETS  
LIABILITIES AND EQUITY**

DESCRIPTION	BALANCE AT		
	12-31-02	12-31-01	12-31-00
Capitalization:			
Long Term Debt	\$311,963	\$311,963	\$311,963
Equity:			
Common Stock	\$392,000	\$392,000	\$392,000
Paid In Capital	3,144,546	3,144,546	3,144,546
Retained Earnings	(2,454,012)	(848,824)	(1,180,121)
Total Equity	<u>1,082,534</u>	<u>2,687,722</u>	<u>2,356,425</u>
Total Capital	\$1,394,497	\$2,999,685	\$2,668,388
Other Liabilities:			
Due to Affiliates	\$1,451,448	\$1,376,063	\$681,596
Current Liabilities			
Accounts Payable	\$175,748	(\$84,935)	\$261,153
Accrued Benefits Payable	2,112	1,778	16
Accrued Taxes	25,609	17,216	14,875
Other Accrued Expenses (Credits)	(8,110)	(8,110)	9,196
Total Current Liabilities	<u>\$195,359</u>	<u>(\$74,051)</u>	<u>\$285,240</u>
Total Liabilities and Equity	<u>\$3,041,304</u>	<u>\$4,301,697</u>	<u>\$3,635,224</u>

**AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002  
COMPARATIVE INCOME STATEMENTS**

DESCRIPTION	YEAR ENDED (1)		
	12-31-02	12-31-01	12-31-00
Operating Revenues:			
Electric	\$1,283,571	\$1,258,424	\$958,561
Water	643,029	618,172	616,403
Sewer	94,474	93,113	93,638
Total Operating Revenues	<u>2,021,074</u>	<u>1,969,709</u>	<u>1,668,602</u>
Operating Expenses:			
Salaries & Wages	84,871	122,536	164,899
Employee Benefits	55,934	69,628	85,618
Purchased Power	1,130,319	458,829	821,430
Purchased Water	548,982	543,133	484,904
Outside Services - Legal & Eng.	29,219	26,008	17,008
Outside Services - Oper. & Maint.	267,861	137,398	128,015
Rental Expense	28,899	18,000	18,000
Materials & Supplies	38,530	50,065	59,874
General & Administrative	78,085	51,889	21,026
Depreciation & Amortization	63,471	69,142	79,523
Property Taxes	68,647	65,723	60,090
Income Taxes	(75,930)	137,933	(105,088)
Total Operating Expenses	<u>2,318,888</u>	<u>1,750,284</u>	<u>1,835,299</u>
Operating Income (Loss)	<u>(\$297,814)</u>	<u>\$219,425</u>	<u>(\$166,697)</u>
Other (Income) & Expense:			
Interest Income	0	(5,140)	(148,408)
Interest Expense	31,200	31,200	31,200
Other (2)	1,601,539	0	45,242
Total Other Income & Expense	<u>1,632,739</u>	<u>26,060</u>	<u>(71,966)</u>
Net Income (Loss)	<u>(\$1,930,553)</u>	<u>\$193,365</u>	<u>(\$94,731)</u>

Supporting Schedules:

(1) Schedule E-6

(2) Ajo Improvement Company Wrote-Down \$1,601,539 of New WWTP Assets in 2002

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

DETAIL OF UTILITY PLANT

DESCRIPTION	BALANCE AT 12-31-02	NET ADDITIONS	BALANCE 12-31-01
Water Treatment Equipment	\$644,369	\$0	\$644,369
Storage Tanks	194,594	0	194,594
Transmission & Distribution Mains	487,756	0	487,756
Services	72,768	0	72,768
Meters & Meter Installations	25,265	0	25,265
Hydrants	23,555	0	23,555
Office Furniture & Equipment	1,348	1,348	0
Transportation Equipment	27,487	0	27,487
Total Gross Utility Plant In Service	<u>\$1,477,142</u>	<u>\$1,348</u>	<u>\$1,475,794</u>
Accumulated Depreciation	<u>1,421,455</u>	<u>28,326</u>	<u>1,393,129</u>
Net Utility Plant In Service	<u>\$55,687</u>	<u>(\$26,978)</u>	<u>\$82,665</u>

**AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002**

**DETAIL OF UTILITY PLANT**

<b>DESCRIPTION</b>	<b>BALANCE AT 12-31-02</b>	<b>NET ADDITIONS</b>	<b>BALANCE 12-31-01</b>
Oxidation Ponds/Treatment Facilities	\$231,085	\$200,000	\$31,085
Collection Sewers	150,376	0	150,376
Manholes	23,774	0	23,774
Pumping Equipment	19,444	0	19,444
Collection Services	65,920		65,920
Office Furniture & Equipment	1,348	1,348	0
Transportation Equipment	11,252	0	11,252
Tools & Shop Equipment	34,256	0	34,256
Total Gross Utility Plant In Service	<u>\$537,455</u>	<u>\$201,348</u>	<u>\$336,107</u>
Accumulated Depreciation	<u>339,665</u>	<u>3,558</u>	<u>336,107</u>
Net Utility Plant In Service	<u><u>\$197,790</u></u>	<u><u>\$197,790</u></u>	<u><u>\$0</u></u>

AJO IMPROVEMENT COMPANY  
ELECTRIC DEPARTMENT  
Test Year Ended December 31, 2002

COMPARATIVE OPERATING INCOME STATEMENTS

DESCRIPTION	YEAR ENDED		
	12-31-02	12-31-01	12-31-00
Operating Revenues:			
Electric Sales	\$1,278,166	\$1,252,846	\$954,287
Other Electric Revenues	5,405	5,578	4,274
Total Operating Revenues	<u>1,283,571</u>	<u>1,258,424</u>	<u>958,561</u>
Operating Expenses:			
Salaries & Wages	28,537	80,342	107,306
Employee Benefits	18,028	46,293	49,822
Purchased Power	1,129,136	458,829	820,583
Purchased Water	0	0	0
Outside Services - Legal & Eng.	21,723	25,765	16,608
Outside Services - Oper. & Maint.	70,968	21,519	30,239
Rental Expense	12,099	1,200	1,200
Materials & Supplies	13,192	24,981	32,941
General & Administrative	44,133	29,865	11,404
Depreciation	31,587	33,368	38,480
Property Taxes	24,868	23,270	24,472
Income Taxes	(22,490)	198,005	(67,396)
Total Operating Expenses	<u>1,371,781</u>	<u>943,437</u>	<u>1,065,659</u>
Operating Income	<u>(\$88,210)</u>	<u>\$314,987</u>	<u>(\$107,098)</u>

AJO IMPROVEMENT COMPANY  
WATER DEPARTMENT  
Test Year Ended December 31, 2002

COMPARATIVE OPERATING INCOME STATEMENTS

DESCRIPTION	YEAR ENDED		
	12-31-02	12-31-01	12-31-00
Operating Revenues:			
Water Sales	\$634,658	\$611,545	\$610,996
Other Water Revenues	8,371	6,627	5,407
Total Operating Revenues	<u>643,029</u>	<u>618,172</u>	<u>616,403</u>
Operating Expenses:			
Salaries & Wages	28,167	23,566	36,098
Employee Benefits	18,740	12,821	23,562
Purchased Power	0	0	0
Purchased Water	548,982	543,133	484,904
Outside Services - Legal & Eng.	3,153	166	184
Outside Services - Oper. & Maint.	85,787	72,498	62,974
Rental Expense	1,200	1,250	1,200
Materials & Supplies	17,571	16,663	21,129
General & Administrative	24,827	16,459	5,373
Depreciation	28,326	35,774	41,157
Property Taxes	34,330	32,097	29,082
Income Taxes	(30,079)	(52,592)	(34,592)
Total Operating Expenses	<u>761,004</u>	<u>701,835</u>	<u>671,071</u>
Operating Income (Loss)	<u>(\$117,975)</u>	<u>(\$83,663)</u>	<u>(\$54,668)</u>

AJO IMPROVEMENT COMPANY  
SEWER DEPARTMENT  
Test Year Ended December 31, 2002

COMPARATIVE OPERATING INCOME STATEMENTS

DESCRIPTION	YEAR ENDED		
	12-31-02	12-31-01	12-31-00
Operating Revenues:			
Sewer Service	\$88,765	\$87,388	\$88,822
Other Sewer Revenues	5,709	5,725	4,816
Total Operating Revenues	<u>94,474</u>	<u>93,113</u>	<u>93,638</u>
Operating Expenses:			
Salaries & Wages	28,167	18,628	21,495
Employee Benefits	19,166	10,514	12,234
Purchased Power	1,183	0	847
Purchased Water	0	0	0
Outside Services - Legal & Eng.	4,343	77	216
Outside Services - Oper. & Maint.	111,106	43,381	34,802
Rental Expense	15,600	15,550	15,600
Materials & Supplies	7,767	8,421	5,804
General & Administrative	9,125	5,565	4,249
Depreciation	3,558	0	(114)
Property Taxes	9,449	10,356	6,536
Income Taxes	(23,361)	(7,480)	(3,100)
Total Operating Expenses	<u>186,103</u>	<u>105,012</u>	<u>98,569</u>
Operating Income (Loss)	<u>(\$91,629)</u>	<u>(\$11,899)</u>	<u>(\$4,931)</u>

**AJO IMPROVEMENT COMPANY  
WATER & SEWER DEPARTMENTS  
Test Year Ended December 31, 2002**

**OPERATING STATISTICS**

DESCRIPTION	YEAR ENDED		
	12-31-02	12-31-01	12-31-00
<b>WATER DEPARTMENT:</b>			
Year End Customers:			
Residential	1,029	1,012	1,014
Commercial	68	64	65
Municipal	45	43	44
Average Customers:			
Residential	1,021	1,013	1,014
Commercial	66	65	66
Municipal	44	44	44
Gallons Sold:			
Residential	70,451,100	65,776,600	63,874,400
Commercial	105,040,200	106,179,100	106,922,700
Municipal	28,109,800	25,331,600	24,832,500
Revenues:			
Residential	\$290,774	\$279,112	\$273,081
Commercial	272,341	265,770	274,204
Municipal	71,544	68,339	70,696
Revenues Per Avg. Customer:			
Residential	\$285	\$276	\$269
Commercial	4,126	4,120	4,155
Municipal	1,626	1,571	1,607
<b>SEWER DEPARTMENT:</b>			
Year End Customers:			
Residential	1,014	1,022	1,019
Commercial	47	50	48
Municipal	28	28	28
Average Customers:			
Residential	1,018	1,021	1,019
Commercial	49	49	48
Municipal	28	28	28
Revenues:			
Residential	\$72,888	\$73,317	\$73,024
Commercial	7,772	8,341	9,049
Municipal	8,104	6,115	7,579
Revenues Per Avg. Customer:			
Residential	\$72	\$72	\$72
Commercial	160	170	189
Municipal	289	218	271

**AJO IMPROVEMENT COMPANY  
WATER & SEWER DEPARTMENTS  
Test Year Ended December 31, 2002**

**TAXES CHARGED TO OPERATIONS**

DESCRIPTION	YEAR ENDED		
	12-31-02	12-31-01	12-31-00
<b>WATER DEPARTMENT:</b>			
Property Taxes	\$34,330	\$32,097	\$29,082
FICA Taxes	2,207	3,027	3,937
Federal Unemployment Taxes	37	70	72
State Unemployment Taxes	2	225	239
Income Taxes	(30,079)	(52,592)	19,513
<b>SEWER DEPARTMENT:</b>			
Property Taxes	\$9,449	\$10,356	\$6,536
FICA Taxes	2,207	3,027	3,937
Federal Unemployment Taxes	37	70	72
State Unemployment Taxes	2	225	239
Income Taxes	(23,361)	(7,480)	(11,978)

**AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002**

**NOTES TO FINANCIAL STATEMENTS**

**A. AUDITS:**

The financial statements of Ajo Improvement Company are not audited except in connection with the audit of its parent company, Phelps Dodge Corporation.

**B. ACCOUNTING METHODS:**

The accrual accounting method is used by Ajo Improvement Company

**C. DEPRECIATION RATES:**

Straight-line depreciation rates are used for both the Water & Sewer Departments and vary by plant account.

**D. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) :**

AFUDC is not capitalized on construction as a general policy.

**AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002**

**PROJECTED INCOME STATEMENTS - PRESENT AND PROPOSED RATES**

DESCRIPTION	TEST YEAR 12-31-02	PROJECTED YEAR AT	
		PRESENT RATES	PROPOSED RATES
		12-31-03	12-31-03
<b>Operating Revenues:</b>			
Electric	\$1,283,571	\$1,283,571	\$1,283,571
Water	643,029	643,029	754,402
Sewer	94,474	94,474	249,100
Total Operating Revenues	<u>\$2,021,074</u>	<u>\$2,021,074</u>	<u>\$2,287,072</u>
<b>Operating Expenses:</b>			
Salaries & Wages	84,871	87,417	87,417
Employee Benefits	55,934	57,612	57,612
Purchased Power	1,130,319	1,130,319	1,130,319
Purchased Water	548,982	548,982	548,982
Outside Services - Legal & Eng.	29,219	29,803	29,803
Outside Services - Oper. & Maint.	267,861	273,218	273,218
Rental Expense	28,899	29,477	29,477
Materials & Supplies	38,530	39,301	39,301
General & Administrative	78,085	79,647	79,647
Depreciation & Amortization	63,471	63,471	63,471
Property Taxes	68,647	68,647	79,587
Income Taxes	(75,930)	(161,347)	(62,900)
Total Operating Expenses	<u>2,318,888</u>	<u>2,246,547</u>	<u>2,355,934</u>
Operating Income	(297,814)	(225,473)	(68,862)
<b>Other (Income) &amp; Expense:</b>			
Interest Income	0	0	0
Interest Expense	31,200	31,200	31,200
Other	1,601,539	0	0
Total Other Income & Expense	<u>1,632,739</u>	<u>31,200</u>	<u>31,200</u>
Net Income	<u>(\$1,930,553)</u>	<u>(\$256,673)</u>	<u>(\$100,062)</u>

**AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002**

**PROJECTED CONSTRUCTION REQUIREMENTS**

DESCRIPTION	ACTUAL 12-31-02	PROJECTED		
		2003	2004	2005
<b>ELECTRIC DEPARTMENT:</b>				
Distribution System Improvements	\$16,749	\$50,000	\$50,000	\$50,000
Computer System	1,348			
Total Electric Department	\$18,097	\$50,000	\$50,000	\$50,000
<b>WATER DEPARTMENT:</b>				
Water Storage Improvements			\$50,000	
Water Treatment Plant Improvements			75,000	300,000
Water Distribution Line Replacements			70,000	70,000
Computer System	1,348			
Total Water Department	\$1,348	\$0	\$195,000	\$370,000
<b>SEWER DEPARTMENT:</b>				
Sewer Treatment Plant	\$23,595			
Computer System	1,348			
Total Sewer Department	\$24,943	\$0	\$0	\$0
<b>TOTAL COMPANY</b>	<b>\$44,388</b>	<b>\$50,000</b>	<b>\$245,000</b>	<b>\$420,000</b>

AJO IMPROVEMENT COMPANY  
TOTAL COMPANY  
Test Year Ended December 31, 2002

KEY ASSUMPTIONS SUPPORTING THE DEVELOPMENT OF PROJECTIONS

DESCRIPTION	FACTOR
A. REVENUES & EXPENSES - PRESENT RATES: Small Increases, 2% to 3%, Expected in Operating Expenses	
B. OTHER INCOME AND EXPENSE: No Change From Test Year Amounts	
C. REVENUES - PROPOSED RATES: Water Revenues - Percentage Increase	17%
Sewer Revenues - Percentage Increase	164%
D. INCOME TAXES: Incremental Income Tax Rate	38.5980%