

ORIGINAL  
EXCEPTION  
OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

- MARC SPITZER - CHAIRMAN
- WILLIAM A. MUNDELL
- JEFF HATCH-MILLER
- MIKE GLEASON
- KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WEST WATER AND WASTEWATER DISTRICTS.

Docket No. WS-01303A-02-0867

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER AND WASTEWATER DISTRICTS.

Docket No. WS-01303A-02-0868

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT AND ITS HAVASU WATER DISTRICT.

Docket No. W-01303A-02-0869

**EXCEPTIONS  
OF THE RESIDENTIAL UTILITY  
CONSUMER OFFICE**

Arizona Corporation Commission

**DOCKETED**

MAY 17 2004

DOCKETED BY *[Signature]*

AZ CORP COMMISSION  
DOCUMENT CONTROL

2004 MAY 17 P 4: 16

RECEIVED

1 IN THE MATTER OF THE APPLICATION OF  
2 ARIZONA-AMERICAN WATER COMPANY,  
3 INC., AN ARIZONA CORPORATION, FOR A  
4 DETERMINATION OF THE CURRENT FAIR  
5 VALUE OF ITS UTILITY PLANT AND  
6 PROPERTY AND FOR INCREASES IN ITS  
7 RATES AND CHARGES BASED THEREON  
8 FOR UTILITY SERVICE BY ITS AGUA FRIA  
9 WATER DISTRICT AND ITS ANTHEM / AGUA  
10 FRIA WASTEWATER DISTRICT.

Docket No. WS-01303A-02-0870

6 IN THE MATTER OF THE APPLICATION OF  
7 ARIZONA-AMERICAN WATER COMPANY,  
8 INC., AN ARIZONA CORPORATION, FOR A  
9 DETERMINATION OF THE CURRENT FAIR  
10 VALUE OF ITS UTILITY PLANT AND  
11 PROPERTY AND FOR INCREASES IN ITS  
12 RATES AND CHARGES BASED THEREON  
13 FOR UTILITY SERVICE BY ITS TUBAC  
14 WATER DISTRICT.

Docket No. W-01303A-02-0908

### 11 **EXCEPTIONS OF THE RESIDENTIAL UTILITY CONSUMER OFFICE**

12  
13 The Residential Utility Consumer Office ("RUCO") makes the following Exceptions  
14 to the Recommended Opinion and Order ("ROO") on Arizona-American Water Company's  
15 ("Arizona-American" or "Company") application for a rate increase.

### 16 **PROPERTY TAX CALCULATION**

17  
18 The ROO adopts Staff's calculation of property tax expense which calculated  
19 average revenue by summing its proposed revenue plus two times its adjusted test year  
20 revenues and dividing by three years. ROO at 10. While rejecting the methodology  
21 proposed by RUCO, the ROO acknowledged that RUCO's methodology followed the  
22 methodology adopted by the Arizona Department of Revenue ("ADOR") in its letter of  
23 January 3, 2001. Id. The Commission should adopt the methodology set forth by the  
24 ADOR for the following reasons.

1           The ADOR is the state agency whose charge and expertise is to determine a proper  
2 valuation formula. It should go without saying that a methodology adopted by a state  
3 agency charged with the expertise to determine such valuations, in the absence of  
4 violating the law, should be respected until modified or changed by law or that agency.  
5 The ADOR valuation methodology does not violate the law and was the result of an  
6 agreement by the Arizona Water Utilities Association and ADOR for the purpose of  
7 providing guidance to the water companies on how to treat property taxes in their dealings  
8 with the Commission. R-2, Exhibit 1. The Commission should adopt ADOR's valuation  
9 formula.

10           The ROO discounts RUCO's use of historical revenues because of what it suggests  
11 is its inability to be forward-looking (i.e. it fails to capture the effects of future revenues  
12 from new rates). ROO at 10. However, ADOR's valuation formula is implicitly forward-  
13 looking and does consider the effects of future revenues. In the letter of January 3, 2001,  
14 ADOR recognized the importance of the formula regarding the utilities projections of future  
15 property tax expense. It is reasonable to assume that the Water Utilities Association of  
16 Arizona, a partner in the agreement, also recognized the importance of a forward-looking  
17 valuation method. The letter makes it clear that both parties considered the new valuation  
18 formula forward-looking since one of the stated goals was that the new valuation formula  
19 would assist water utilities in their future dealings with the Commission regarding future  
20 property tax expenses.

21           During the hearing, RUCO's witness, Tim Coley, provided further support that the  
22 new formula was forward-looking. According to Mr. Coley, the new formula, as stated in  
23 the first bullet-point of the January 3, 2001 letter, has a multiplier effect of two. Transcript,  
24 Vol. IV at 588, R-2, Exhibit 1. When multiplied by the average of the three previous years

1 of reported gross revenue, the factor of two makes the formula "very forward-looking"  
2 because it derives a revenue figure that is greater than the respective three years of  
3 historical revenue. Id. Thus, the formula inherently generates an increased level of  
4 revenue through utilization of a factor of two. If applied to the proposed level of revenues,  
5 as recommended by Staff, the forward-looking aspect of the formula would be double-  
6 counted. The ADOR formula is forward-looking and the Commission should adopt the  
7 ADOR formula for property tax valuation.

#### 8 9 **HALF-YEAR CONVENTION**

10 The ROO departs from the usual methodology employed in calculating depreciation.  
11 The ROO recognizes that in the absence of a reason to depart from the usual  
12 methodology, the half-year convention should be used to calculate depreciation. ROO at  
13 9. However, without providing a satisfactory reason for departing from the half-year  
14 convention, the ROO adopts the Company's half-month proposal. Id.

15 It is undisputed that in ratemaking proceedings, the half-year convention is typically  
16 utilized in calculating depreciation. RUCO's Closing Brief at 29. It is also undisputed that  
17 the half-year convention should be used absent a reason to depart from it. Id. The  
18 Company deviates from the norm and employs a half-month convention, which the  
19 Company admits, results in a higher revenue requirement than the half-year convention.  
20 Id. at 29-30. There is no reason to depart from the use of a half-year convention and the  
21 Commission should adopt the half-year convention.

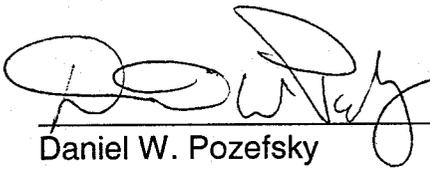
22 The Company's predecessor, Citizens, utilized a half-year convention in calculating  
23 its depreciation expense, and, accordingly, the test-year accumulated depreciation reserve  
24 reflects Citizens use of the half-year convention. Other than the fact that on a post-test

1 year basis, Arizona-American has employed a half-month convention, neither the ROO nor  
2 the Company have provided a reason why the Commission should change from what is  
3 normally used and what was used prior to the time the Company acquired Citizens. There  
4 is simply no reason to deviate from generally accepted regulatory practice, nor is it  
5 appropriate to restate the historical depreciation reserve balance simply because the  
6 Company has chosen to utilize a non-conventional methodology on a going- forward basis.  
7 The Commission should adopt the half-year convention that it normally uses to calculate  
8 depreciation expense.

9  
10 **COMPUTATIONAL ERRORS**

11 There are numerous computational errors throughout the ROO. Cumulatively, the  
12 errors are significant and amount to an overstatement of recommended revenues of  
13 \$148,516. Attached hereto as Exhibit 1 is a summary of the errors for each of the  
14 Company's divisions. The chart identifies the number stated in the ROO, followed by the  
15 adjustment, and then the corrected amount for each division. Exhibit 2 is the working  
16 papers used to calculate the corrections. Finally, Exhibit 3 is a proposed amendment to  
17 incorporate the correct figures into the ROO.

18  
19 RESPECTFULLY SUBMITTED this 17<sup>th</sup> day of May, 2004.

20  
21   
22 Daniel W. Pozefsky  
23 Attorney  
24

1 AN ORIGINAL AND TWENTY-ONE COPIES  
2 of the foregoing filed this 17<sup>th</sup> day  
3 of May, 2004 with:

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

5 COPIES of the foregoing hand-delivered/  
6 mailed this 17<sup>th</sup> day of May, 2004 to:

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By

  
Jennifer Rumph

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

# EXHIBIT 1



Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

EXHIBIT 1-A  
RUCO'S PROJECTED CORPORATE OVERHEAD

LINE NO.	DISTRICT	(A)	(B)	(C)	(D)
		SALARIES	OFF. SUP/EXP	INSURANCE	MISC. EXP.
1	Sun City West Water	\$ 22,464	\$ 182,392	\$ 19,535	\$ 1,464
2	Sun City West Wastewater	33,696	168,783	16,021	1,238
3	Sun City Water	89,857	322,580	57,988	4,408
4	Sun City Wastewater	14,976	242,477	24,091	1,686
5	Tubac	3,744	9,386	2,351	277
6	Agua Fria	26,208	165,421	22,645	6,263
7	Anthem Water	44,928	53,684	11,712	5,332
8	Agua Fria, Anthem Wastewater	22,464	30,213	3,398	5,176
9	Mohave Water	56,161	163,185	18,113	1,846
10	Havasas Water	11,232	14,208	1,630	1,297

References:  
Allocation Factors - As Provided By Company  
Allocation Amounts - Calculated Using Same Methodology As Company

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

EXHIBIT 1-B  
RUCO'S RATE CASE EXPENSES

LINE NO.		(A) RUCO AS ADJUSTED	(B) 3 YEAR AMORTIZED ADJUSTMENT
1	Sun City West Water	\$ 40,065	\$ 13,355
2	Sun City West Wastewater	41,901	13,967
3	Sun City Water	73,393	24,464
4	Sun City Wastewater	60,301	20,100
5	Tubac	3,016	1,005
6	Agua Fria	73,309	24,436
7	Anthem Water	47,531	15,844
8	Agua Fria, Anthem Wastewater	22,120	7,373
9	Mohave Water	52,081	17,360
10	Havasu Water	5,225	1,742
11	TOTALS	<u>418,941</u>	<u>139,647</u>

References:

Column (A): Allocated RUCO's Recommended Total Rate Case Expense As Per ROO Page 20, Line 19  
Column (B): Column (A) Divided By 3 (The Three Year Amortization Period)

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

**EXHIBIT 1-C  
RUCO'S PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	(A) GROSS PAYROLL	(B) CAPITAL'D PAYROLL	(C) NET PAYROLL	(D) EMP. COUNT	(E) PAYROLL TAX
1	Sun City West Water	\$ 341,944	\$ 92,325	\$ 249,619	6	\$ 20,566
2	Sun City West Wastewater	418,601	113,022	305,579	9	25,582
3	Sun City Water	806,792	217,834	588,958	24	50,935
4	Sun City Wastewater	80,003	21,601	58,402	4	5,448
5	Tubac	68,044	18,372	49,672	1	4,045
6	Agua Fria	470,760	127,105	639,401	7	50,629
7	Anthem Water	346,106	93,449	336,224	12	28,661
8	Agua Fria, Anthem Wastewater	209,800	56,646	219,988	6	18,299
9	Mohave Water	651,510	175,908	475,602	15	40,059
10	Havasu Water	144,850	39,110	105,741	3	8,824

References:

Columns (A) (D): Company Provided Data On AZ-AM 2002 Payroll

Column (B): 27% Of Column (A) - Calculated As Representative Of Labor Associated With Capital Projects

Column (C): Column (A) - Column (B) As Per ROO Page 18, Lines 4 - 6

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA) As Per ROO Page 18, Lines 4 - 6

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

**EXHIBIT 1-D  
RUCO'S AZ-AM SERVICE COMPANY ALLOCATIONS**

LINE NO.	DISTRICT	(A)	(B)	(C)	(D)
		TOTAL SERVICE CHARGES		FOUR FACT'R	RUCO AS ALLOCATED
		COMPANY AS FILED	RUCO AS ADJUSTED		
1	Sun City West Water	\$ 5,153,711	\$ 4,366,610	0.1001	\$ 437,098
2	Sun City West Wastewater	5,153,711	4,366,610	0.1072	468,101
3	Sun City Water	5,153,711	4,366,610	0.1797	784,680
4	Sun City Wastewater	5,153,711	4,366,610	0.1014	442,774
5	Tubac	5,153,711	4,366,610	0.0075	32,750
6	Agua Fria	5,153,711	4,366,610	0.1384	604,339
7	Anthem Water	5,153,711	4,366,610	0.0916	399,981
8	Agua Fria, Anthem Wastewater	5,153,711	4,366,610	0.0558	243,657
9	Mohave Water	5,153,711	4,366,610	0.1011	441,464
10	Havasas Water	5,153,711	4,366,610	0.0146	63,753

References:  
Columns (A) (C): Company Schedule C-2, Page 4  
Column (B): Company Response To RUCO Third Data Request  
Column (D): Column (B) X Column (C) As Per ROO Page 18, Lines 4 - 6



Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

# EXHIBIT 2

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City West Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 16,407,508	\$ 3,575,535	\$ 19,983,043	\$ 11,971,281
2	Adjusted Operat'g Income (Loss)	\$ 361,287		\$ 361,287	\$ 459,775
3	Current Rate Of Return (L2 / L1)	2.20%		1.81%	3.84%
4	Req. Operat'g Income (L5 X L1)	\$ 1,271,506		\$ 1,548,686	\$ 777,652
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 910,219		\$ 1,187,399	\$ 317,877
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<b>\$ 1,482,414</b>		<b>\$ 1,933,798</b>	<b>\$ 517,704</b>
9	Adjusted Test Year Revenue	\$ 3,380,774		\$ 3,380,774	\$ 3,380,774
10	Proposed Annual Rev. (L8 + L9)	\$ 4,863,188		\$ 5,314,572	\$ 3,898,478
11	Required % Increase In Rev. (L8 / L9)	43.85%		57.20%	15.31%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 3,985,416
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 3,898,478
15	Difference				<u><u>\$ (86,938)</u></u>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED OCRB
1	Gross Utility Plant In Service	\$ 31,153,379	\$ 237,000	\$ -	\$ -	\$ 31,390,379
	Less:					
2	Accumulated Depreciation	6,211,024	84,111	-	-	6,295,135
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 24,942,355</u>	<u>\$ 152,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,095,244</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 12,151,160	\$ -	\$ -	\$ -	\$ 12,151,160
5	Contribution In Aid Of Const. ("CIAC")	\$ 971,578	\$ -	\$ -	\$ -	971,578
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 971,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,578</u>
8	Customer Meter Deposits	\$ 1,225	\$ -	\$ -	\$ -	\$ 1,225
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	(1)				-
16	<b>TOTAL RATE BASE</b>	<u>\$ 11,818,391</u>	<u>\$ 152,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,971,281</u>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 -28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF OPERATING INCOME ADJUSTMENTS  
COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER		(B) ADJUSTMENT # 1		(C) ADJUSTMENT # 2		(D) ADJUSTMENT # 3		(E) ADJUSTMENT # 4		(F) ADJUSTMENT # 5		(G) ADJUSTMENT # 6		(M) RUCO AS ADJTD	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1	OPERATING REVENUES:																
2	Metered Water Revenues	\$ 3,343,134		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,343,134
3	Unmetered Water Revenues																37,540
4	Other Water Revenues	37,540															
	TOTAL OPERATING REVENUES	\$ 3,380,774		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,380,774
5	OPERATING EXPENSES:																
6	Salaries And Wages	\$ 380,574		\$ (57,666)	\$ 22,464	\$ -	\$ -	\$ (882,908)	\$ 249,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,083
7	Purchased Water	585,941															585,941
8	Chemicals	20,407															20,407
9	Repairs And Maintenance	170,058															170,058
10	Office Supplies And Expenses	131,751															131,751
11	Outside Services	32,432															32,432
12	Service Company Fees	474,842															474,842
13	Water Testing	6,069															6,069
14	Rents	14,134															14,134
15	Transportation Expenses																
16	Insurance - General Liability	22,650															22,650
17	Insurance - Health And Life																
18	Reg. Comm. Exp. - Rate Case	22,313															22,313
19	Miscellaneous Expense	148,985															148,985
20	Depreciation Expense	756,564															756,564
21	Taxes Other Than Income	26,453															26,453
22	Property Taxes	190,976															190,976
23	Income Tax	(1,311)															(1,311)
24	Adjustment Due To Rounding																
25	TOTAL OPERATING EXPENSES	\$ 2,932,836		\$ (165,711)	\$ 225,855	\$ (22,313)	\$ 13,355	\$ (559,341)	\$ 270,165	\$ (474,842)	\$ -	\$ 10,633	\$ -	\$ -	\$ -	\$ -	\$ 2,920,989
26	OPERATING INCOME (LOSS)	\$ 447,938		\$ 165,711	\$ (225,855)	\$ 22,313	\$ (13,355)	\$ 359,341	\$ (270,165)	\$ 474,842	\$ -	\$ (10,633)	\$ -	\$ -	\$ -	\$ -	\$ 459,775
COMPUTATION OF INCOME TAXES																	
27	Adjusted Original Cost Rate Base (As Per ROO)	\$ 11,971,281															
28	Weighted Average Cost Of Debt (As Per ROO)	2.9%															
29	Synchronized Interest (Line 25 X line 26)	\$ 345,348															
30	State Tax @ 6.966%																
31	Federal Taxable Income																
32	Federal Tax @ 34%																
33	Total Federal & State Income Taxes																

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

- Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)
  - A - Remove Company's Overhead Expenses
  - B - Add RUCO's Overhead Expenses
- Adjustment # 2 - Rate Case Expense As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)
  - A - Remove Company's Rate Case Expense
  - B - Add RUCO's Rate Case Expense
- Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)
  - A - Remove Company's Salaries & Wages
  - B - Add RUCO's Salaries & Wages
- Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)
  - A - Remove Company's Service Company Allocations
  - B - Add RUCO's Service Company Allocations
- Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebuttal Sch. All-1)
  - A - Remove Company's Income Tax
  - B - Add Recalculated Income Tax

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)  
 A - Remove Company's Service Company Allocations  
 B - Add RUCO's Service Company Allocations  
 Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebuttal Sch. All-1)  
 A - Remove Company's Income Tax  
 B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City West Wastewater District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
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RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJM'T TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 13,455,978	\$ 5,794,789	\$ 19,250,767	\$ 8,916,017
2	Adjusted Operat'g Income (Loss)	\$ (164,369)		\$ (164,369)	\$ 11,200
3	Current Rate Of Return (L2 / L1)	-1.22%		-0.85%	0.13%
4	Req. Operat'g Income (L5 X L1)	\$ 1,042,766		\$ 1,491,934	\$ 579,195
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 1,207,145		\$ 1,656,303	\$ 567,995
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<b>\$ 1,965,956</b>		<b>\$ 2,697,456</b>	<b>\$ 925,054</b>
9	Adjusted Test Year Revenue	\$ 3,535,680		\$ 3,535,680	\$ 3,535,680
10	Proposed Annual Rev. (L8 + L9)	\$ 5,494,492		\$ 6,233,136	\$ 4,460,734
11	Required % Increase In Rev. (L8 / L9)	55.60%		76.29%	26.16%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 4,679,469
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 4,460,734
15	Difference				<b>\$ (218,735)</b>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 39,101,812	\$ (74,370)	\$ -	\$ -	\$ 39,027,442
	Less:					
2	Accumulated Depreciation	14,290,245	(140,996)	-	-	14,149,249
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 24,811,567</u>	<u>\$ 66,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,878,193</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 14,502,979	\$ -	\$ -	\$ -	\$ 14,502,979
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,458,672	\$ -	\$ -	\$ -	1,458,672
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 1,458,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,458,672</u>
8	Customer Meter Deposits	\$ 525	\$ -	\$ -	\$ -	\$ 525
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Tolleson Tricking Filter	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<u>\$ 8,849,391</u>	<u>\$ 66,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,916,017</u>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Rebuttal Sch. DWC-3)

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF OPERATING INCOME ADJUSTMENTS  
 COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER		(B) ADJUSTMENT #1		(C) ADJUSTMENT #1		(D) ADJUSTMENT #2		(E) ADJUSTMENT #2		(F) ADJUSTMENT #3		(G) ADJUSTMENT #3		(H) ADJUSTMENT #4		(I) ADJUSTMENT #4		(J) ADJUSTMENT #5		(K) ADJUSTMENT #6		(L) ADJUSTMENT #6		(M) RUCO AS ADJTD	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1	OPERATING REVENUES:																										
2	Flat Rate Revenues																										
3	Measured Revenues																										
4	Other Wastewater Revenues																										
	TOTAL OPERATING REVENUES																										
5	OPERATING EXPENSES:																										
6	Salaries And Wages																										
7	Purchased Wastewater Treatment																										
8	Purchased Power																										
9	Fuel For Power Production																										
10	Chemicals																										
11	Material And Supplies																										
12	Repairs And Maintenance																										
13	Office Supplies And Expenses																										
14	Outside Services																										
15	Service Company Charges																										
16	Water Testing																										
17	Rents																										
18	Transportation Expenses																										
19	Insurance - General Liability																										
20	Insurance - Health And Life																										
21	Reg. Comm. Exp. - Rate Case																										
22	Miscellaneous Expense																										
23	Depreciation Expense																										
24	Taxes Other Than Income																										
25	Property Taxes																										
26	Income Tax																										
27	Tollison Wastewater User Fees																										
28	TOTAL OPERATING EXPENSES																										
29	OPERATING INCOME (LOSS)																										
29	ADJUSTED ORIGINAL COST RATE BASE (AS PER ROO)																										
30	WEIGHTED AVERAGE COST OF DEBT (AS PER ROO)																										
31	SYNCHRONIZED INTEREST (LINE 25 X LINE 29)																										
32	STATE TAX @ 6.968%																										
33	FEDERAL TAXABLE INCOME																										
34	FEDERAL TAX @ 34%																										
35	TOTAL FEDERAL & STATE INCOME TAXES																										

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

ADJUSTMENT #	DESCRIPTION	AMOUNT
1	Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)	
A	Remove Company's Overhead Expenses	
B	Add RUCO's Overhead Expenses	
2	Rate Case Expense As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)	
A	Remove Company's Rate Case Expense	
B	Add RUCO's Rate Case Expense	
3	Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)	
A	Remove Company's Salaries & Wages	
B	Add RUCO's Salaries & Wages	
4	Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)	
A	Remove Company's Service Company Allocations	
B	Add RUCO's Service Company Allocations	
5	Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Submittal Sch. All-1)	
A	Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 29 - 35)	
B	Add Recalculated Income Tax	

COMPUTATION OF INCOME TAXES

T. Y. Operating Income Before Income Taxes	\$ (143,447)
DEDUCT: Interest Expense	\$ (257,209)
Taxable Income	\$ (400,656)
State Tax @ 6.968%	\$ (27,918)
Federal Taxable Income	\$ (372,738)
Federal Tax @ 34%	\$ (126,731)
Total Federal & State Income Taxes	\$ (154,649)

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADM'T TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 48,703,466	\$ (16,736,610)	\$ 31,966,856	\$ 21,853,479
2	Adjusted Operat'g Income (Loss)	\$ 581,339		\$ 476,007	\$ 536,344
3	Current Rate Of Return (L2 / L1)	1.19%		1.49%	2.45%
4	Req. Operat'g Income (L5 X L1)	\$ 3,774,295		\$ 2,477,431	\$ 1,421,483
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 3,192,955		\$ 2,001,424	\$ 885,139
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<b>\$ 5,200,162</b>		<b>\$ 3,259,520</b>	<b>\$ 1,441,565</b>
9	Adjusted Test Year Revenue	\$ 6,193,090		\$ 6,193,090	\$ 6,193,090
10	Proposed Annual Rev. (L8 + L9)	\$ 11,387,913		\$ 9,452,610	\$ 7,634,655
11	Required % Increase In Rev. (L8 / L9)	83.97%		52.63%	23.28%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 7,832,954
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 7,634,655
15	Difference				<u><u>\$ (198,299)</u></u>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 38,754,465	\$ 6,894	\$ -	\$ -	\$ 38,761,359
	Less:					
2	Accumulated Depreciation	13,280,503	167,886	-	-	13,448,389
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 25,473,962</u>	<u>\$ (160,992)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,312,970</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 2,331,186	\$ -	\$ -	\$ -	\$ 2,331,186
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,127,078	\$ -	\$ -	\$ -	1,127,078
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 1,127,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,078</u>
8	Customer Meter Deposits	\$ 1,225	\$ -	\$ -	\$ -	\$ 1,225
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	1				(2)
16	<b>TOTAL RATE BASE</b>	<u>\$ 22,014,474</u>	<u>\$ (160,992)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,853,479</u>

References:

- Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)
- Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF OPERATING INCOME ADJUSTMENTS  
COMPANY REJOINER TEST YEAR ADJUSTED AS PER ROO

LINE NO.	DESCRIPTION	(A) COMPANY REJOINER		(B) ADJUSTMENT #1		(C) ADJUSTMENT #1		(D) ADJUSTMENT #2		(E) ADJUSTMENT #2		(F) ADJUSTMENT #3		(G) ADJUSTMENT #3		(H) ADJUSTMENT #4		(I) ADJUSTMENT #4		(J) ADJ #5		(K) ADJUSTMENT #6		(L) ADJUSTMENT #6		(M) RUCO AS ADJTD	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1	OPERATING REVENUES:																										
	Metered Water Revenues	\$ 6,079,671		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,079,671
2	Unmetered Water Revenues																										119,419
3	Other Water Revenues	119,419																									
4	TOTAL OPERATING REVENUES	\$ 6,199,090		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,199,090	
5	OPERATING EXPENSES:																										
	Salaries And Wages	\$ 1,000,450		\$ (230,664)	\$ 89,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 679,815
6	Purchased Water	1,416,410																									1,416,410
7	Purchased Power	17,413																									17,413
8	Chemicals	540,349																									540,349
9	Repairs And Maintenance	356,473																									464,963
10	Office Supplies And Expenses	83,641		(214,060)	322,500																						93,641
11	Outside Services	852,438																									784,680
12	Service Company Fees	6,878																									6,878
13	Water Testing	28,369																									28,369
14	Rentals	22																									22
15	Transportation Expenses	66,847		(65,152)	57,998																						61,693
16	Insurance - General Liability	40,874																									40,874
17	Insurance - Health And Life	301,066																									301,066
18	Reg. Comm. Exp. - Rate Case	1,007,863		(4,389)	4,403																						1,007,863
19	Miscellaneous Expense	62,753																									62,753
20	Depreciation Expense	266,318																									266,318
21	Taxes Other Than Income	(446,242)																									(446,242)
22	Property Taxes																										
23	Income Tax																										
24	Adjustment Due To Rounding																										
25	TOTAL OPERATING EXPENSES	\$ 5,611,752		\$ (512,295)	\$ 474,853	\$ (40,874)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,099,457
26	OPERATING INCOME (LOSS)	\$ 587,338		\$ 512,295	\$ (474,853)	\$ 40,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508,633
CALCULATION OF INTEREST SYNCHRONIZATION																											
27	Adjusted Original Cost Ratio Base (As Per ROO)	\$ 21,853,479																									\$ 21,853,479
28	Weighted Average Cost Of Debt (As Per ROO)	2.6%																									\$ 577,198
29	Synchronized Interest (Line 25 X line 28)	\$ 630,429																									\$ 630,429
30																											\$ 10,577
31																											\$ (142,554)
32																											\$ (48,468)
33																											\$ (59,146)

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)  
A - Remove Company's Overhead Expenses  
B - Add RUCO's Overhead Expenses

Adjustment # 2 - Rate Case Expense As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)  
A - Remove Company's Rate Case Expense  
B - Add RUCO's Rate Case Expense

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)  
A - Remove Company's Salaries & Wages  
B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)  
A - Remove Company's Service Company Allocations  
B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebuttal Sch. All-1)  
A - Remove Company's Income Tax  
B - Add Recalculated Income Tax

Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)  
A - Remove Company's Income Tax  
B - Add Recalculated Income Tax

COMPUTATION OF INCOME TAXES

T. Y. Operating Income Before Income Taxes	\$ 477,198
DEDUCT: Interest Expense	\$ (630,429)
Taxable Income	\$ (153,231)
State Tax @ 6.863%	\$ (10,577)
Federal Taxable Income	\$ (142,554)
Federal Tax @ 34%	\$ (48,468)
Total Federal & State Income Taxes	\$ (59,146)

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City Wastewater District

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 20,233,577	\$ (6,191,840)	\$ 14,041,737	\$ 8,713,382
2	Adjusted Operat'g Income (Loss)	\$ 1,175,416		\$ 1,175,416	\$ 1,027,476
3	Current Rate Of Return (L2 / L1)	5.81%		8.37%	11.79%
4	Req. Operat'g Income (L5 X L1)	\$ 1,568,009		\$ 1,088,235	\$ 566,207
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 392,593		\$ (87,181)	\$ (461,269)
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<b>\$ 639,391</b>		<b>\$ (141,984)</b>	<b>\$ (751,237)</b>
9	Adjusted Test Year Revenue	\$ 5,088,340		\$ 5,088,340	\$ 5,088,340
10	Proposed Annual Rev. (L8 + L9)	\$ 5,727,731		\$ 4,946,356	\$ 4,337,103
11	Required % Increase In Rev. (L8 / L9)	12.57%		-2.79%	-14.76%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 3,717,479
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 4,337,103
15	Difference				<b>\$ 619,624</b>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 19,962,780	\$ (69,319)	\$ -	\$ -	\$ 19,893,461
	Less:					
2	Accumulated Depreciation	7,189,539	(5,604)	-	-	7,183,935
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 12,773,241</u>	<u>\$ (63,715)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,709,526</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 3,309,005	\$ -	\$ -	\$ -	\$ 3,309,005
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,187,139	\$ -	\$ -	\$ -	1,187,139
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 1,187,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187,139</u>
8	Customer Meter Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Tolleson Trickling Filter	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	1	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<u><u>\$ 8,777,098</u></u>	<u><u>\$ (63,715)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,713,382</u></u>

References:

- Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)
- Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS**  
**COMPANY REJOINER TEST YEAR ADJUSTED AS PER ROO**

LINE NO.	DESCRIPTION	(A) COMPANY REJOINER		(B) ADJUSTMENT #1		(C) ADJUSTMENT #2		(D) ADJUSTMENT #3		(E) ADJUSTMENT #4		(F) ADJUSTMENT #5		(G) ADJUSTMENT #6		(M) RUCO AS ADT'D	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1	OPERATING REVENUES:																
2	Flat Rate Revenues	\$ 5,085,481															\$ 5,085,481
3	Measured Revenues																
4	Other Wastewater Revenues	2,859															2,859
5	TOTAL OPERATING REVENUES	\$ 5,088,340															\$ 5,088,340
6	OPERATING EXPENSES:																
7	Salaries And Wages	\$ 107,767		\$ (98,444)	\$ 14,976												\$ 73,378
8	Purchased Wastewater Treatment	592,447															592,447
9	Fuel For Power Production	1,510															1,510
10	Chemicals																
11	Material And Supplies	105,696															105,696
12	Repairs And Maintenance	123,456		(191,056)	242,477												234,877
13	Office Supplies And Expenses	3,123															3,123
14	Outside Services	481,009								(481,009)							442,774
15	Water Treatment																
16	Rentals	21,265															21,265
17	Transportation Expenses																
18	Insurance - General Liability	25,960		(24,520)	24,091												25,531
19	Insurance - Health And Life																
20	Reg. Comm. Exp. - Rate Case	33,563				(33,563)											20,100
21	Miscellaneous Expense	145,567		(1,685)	1,686												145,568
22	Depreciation Expense	507,843															507,843
23	Taxes Other Than Income	5,949															5,448
24	Property Taxes	189,357															175,321
25	Income Tax	385,392															487,892
26	Tollison Wastewater User Fees	818,091															818,091
27	TOTAL OPERATING EXPENSES	\$ 3,958,081		\$ (195,705)	\$ 283,230												\$ 4,060,864
28	OPERATING INCOME (LOSS)	\$ 1,130,307		\$ (95,705)	\$ (263,230)												\$ 1,027,476
29	ADJUSTMENT # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)																
30	ADJUSTMENT # 2 - Rate Case Expense As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)																
31	ADJUSTMENT # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)																
32	ADJUSTMENT # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)																
33	ADJUSTMENT # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrahutal Sch. AII-1)																
34	ADJUSTMENT # 6 - Income Tax Expense - Recalculated To Reflect Changes In Operating Income (See Lines 29 - 35)																
35	TOTAL OPERATING INCOME (LOSS)																

**COMPUTATION OF INTEREST SYNCHRONIZATION**

Adjusted Original Cost Rate Base (As Per ROO)	\$ 8,713,382
Weighted Average Cost of Debt (As Per ROO)	2.9%
Synchronized Interest (Line 25 X line 28)	\$ 251,364

**COMPUTATION OF INCOME TAXES**

T. Y. Operating Income Before Income Taxes	\$ 1,515,368
DEDUCT: Interest Expense	\$ (251,364)
Taxable Income	\$ 1,264,004
State Tax @ 8.905%	\$ 88,076
Federal Taxable Income	\$ 1,175,928
Federal Tax @ 34%	\$ 399,816
Total Federal & State Income Taxes	\$ 487,892

**ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)**

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)

A - Remove Company's Overhead Expenses

B - Add RUCO's Overhead Expenses

Adjustment # 2 - Rate Case Expense As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)

A - Remove Company's Rate Case Expense

B - Add RUCO's Rate Case Expense

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)

A - Remove Company's Salaries & Wages

B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrahutal Sch. AII-1)

A - Remove Company's Income Tax

B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Tubac Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 1,127,661
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 27,154
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	2.41%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 73,271
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ 46,117
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<b>\$ 216,475</b>		<b>\$ 180,029</b>	<b>\$ 75,108</b>
9	Adjusted Test Year Revenue	\$ 254,486		\$ 254,486	\$ 254,486
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 329,594
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	29.51%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 324,631
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 329,594
15	Difference				<b>\$ 4,963</b>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED OCRB
1	Gross Utility Plant In Service	\$ 1,968,841	\$ 41,223	\$ -	\$ -	\$ 2,010,064
	Less:					
2	Accumulated Depreciation	571,158	(3,101)	-	-	568,057
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 1,397,683</u>	<u>\$ 44,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,442,007</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 170,081	\$ -	\$ -	\$ -	\$ 170,081
5	Contribution In Aid Of Const. ("CIAC")	\$ 143,675	\$ -	\$ -	\$ -	143,675
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 143,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,675</u>
8	Customer Meter Deposits	\$ 590	\$ -	\$ -	\$ -	\$ 590
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<u>\$ 1,083,337</u>	<u>\$ 44,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,661</u>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF OPERATING INCOME ADJUSTMENTS  
COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO**

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER		(B) ADJUSTMENT #1		(C) ADJUSTMENT #1		(D) ADJUSTMENT #2		(E) ADJUSTMENT #2		(F) ADJUSTMENT #3		(G) ADJUSTMENT #3		(H) ADJUSTMENT #4		(I) ADJUSTMENT #4		(J) ADJ #5		(K) ADJUSTMENT #6		(L) ADJUSTMENT #6		(M) RUCO AS ADJTD.	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1	OPERATING REVENUES:																										
2	Metered Water Revenues	\$ 251,795		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	\$ 251,795
3	Unmetered Water Revenues																										2,891
4	Other Water Revenues	2,891																									\$ 254,686
5	TOTAL OPERATING REVENUES	\$ 254,686		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	\$ 254,686
6	OPERATING EXPENSES:																										
7	Salaries And Wages	\$ 74,102		\$ (9,611)		\$ 3,744		\$ -		\$ -		\$ (64,491)		\$ 49,672		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	\$ 53,416
8	Purchased Water	20,767																									20,767
9	Repairs And Maintenance	18,029																									18,029
10	Office Supplies And Expenses	15,578																									17,904
11	Outside Services	10,516																									10,516
12	Service Company Fees	35,878																									32,750
13	Water Testing	1,420																									1,420
14	Rents	3,454																									3,454
15	Transportation Expenses																										
16	Insurance - General Liability	2,487																									2,367
17	Insurance - Health And Life	1,680																									1,005
18	Reg. Contr. Exp. - Rate Case	7,077																									7,079
19	Miscellaneous Expense	37,365																									37,365
20	Depreciation Expense	5,095																									4,045
21	Taxes Other Than Income	22,972																									20,581
22	Property Taxes	(20,135)																									(3,381)
23	Income Tax																										
24	Adjustment Due To Rounding																										
25	TOTAL OPERATING EXPENSES	\$ 236,000		\$ (19,417)		\$ 15,758		\$ (1,680)		\$ 1,005		\$ (69,586)		\$ 53,717		\$ (35,578)		\$ (32,750)		\$ (2,391)		\$ 20,135		\$ (3,381)		\$ (3,381)	\$ 227,352
26	OPERATING INCOME (LOSS)	\$ 18,465		\$ 19,417		\$ (15,758)		\$ 1,680		\$ (1,005)		\$ 69,586		\$ (53,717)		\$ 35,578		\$ (32,750)		\$ 2,391		\$ (20,135)		\$ 3,381		\$ 3,381	\$ 27,154
27	CALCULATION OF INTEREST SYNCHRONIZATION																										
28	Adjusted Original Cost Rate Base (As Per ROO)	\$ 1,127,861																									
29	Weighted Average Cost Of Debt (As Per ROO)	2.9%																									
30	Syndronized Interest (Line 25 X line 29)	\$ 32,531																									
31	COMPUTATION OF INCOME TAXES																										
32	T. Y. Operating Income Before Income Taxes	\$ 23,772																									
33	DEDUCT: Interest Expense	\$ (32,531)																									
	Taxable Income	\$ (8,759)																									
	State Tax @ 6.988%	\$ (610)																									
	Federal Taxable Income	\$ (8,148)																									
	Federal Tax @ 34%	\$ (2,770)																									
	Total Federal & State Income Taxes	\$ (3,381)																									

**ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)**

- Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)
- A - Remove Company's Overhead Expenses
- B - Add RUCO's Overhead Expenses
- Adjustment # 2 - Rate Case Expense As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)
- A - Remove Company's Rate Case Expense
- B - Add RUCO's Rate Case Expense
- Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)
- A - Remove Company's Salaries & Wages
- B - Add RUCO's Salaries & Wages

**ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)**

- Adjustment # 4 - Service Company Charge As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)
- A - Remove Company's Service Company Allocations
- B - Add RUCO's Service Company Allocations
- Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrounded Sch. Alt-1)
- Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)
- A - Remove Company's Income Tax
- B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Agua Fria Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

<u>SCH. NO.</u>	<u>PAGE NO.</u>	<u>TITLE</u>
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 16,665,182
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 1,255,613
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	7.53%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 1,083,417
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ (172,196)
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<b>\$ 216,475</b>		<b>\$ 180,029</b>	<b>\$ (280,443)</b>
9	Adjusted Test Year Revenue	\$ 254,486		\$ 254,486	\$ 6,186,037
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 5,905,594
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	-4.53%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 5,646,046
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 5,905,594
15	Difference				<b>\$ 259,548</b>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 50,919,880	\$ 142,227	\$ -	\$ -	\$ 51,062,107
	Less:					
2	Accumulated Depreciation	4,993,698	27,130	-	-	5,020,828
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 45,926,182</u>	<u>\$ 115,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,041,279</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 27,385,370	\$ -	\$ -	\$ -	\$ 27,385,370
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,973,438	\$ -	\$ -	\$ -	1,973,438
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 1,973,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,973,438</u>
8	Customer Meter Deposits	\$ 17,289	\$ -	\$ -	\$ -	\$ 17,289
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<u><u>\$ 16,550,085</u></u>	<u><u>\$ 115,097</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,665,182</u></u>

References:

- Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)
- Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)



Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Anthem Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

<u>SCH. NO.</u>	<u>PAGE NO.</u>	<u>TITLE</u>
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 9,269,095
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 799,739
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	8.63%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 602,858
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ (196,881)
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<b>\$ 216,475</b>		<b>\$ 180,029</b>	<b>\$ (320,646)</b>
9	Adjusted Test Year Revenue	\$ 254,486		\$ 254,486	\$ 4,010,805
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 3,690,159
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	-7.99%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 3,877,940
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 3,690,159
15	Difference				<u><u>\$ (187,781)</u></u>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED OCRB
1	Gross Utility Plant In Service	\$ 41,428,654	\$ 99,293	\$ -	\$ -	\$ 41,527,947
	Less:					
2	Accumulated Depreciation	2,087,919	(1,430)	-	-	2,086,489
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 39,340,735</u>	<u>\$ 100,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,441,458</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 29,093,642	\$ -	\$ -	\$ -	\$ 29,093,642
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,075,425	\$ -	\$ -	\$ -	1,075,425
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 1,075,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,075,425</u>
8	Customer Meter Deposits	\$ 3,296	\$ -	\$ -	\$ -	\$ 3,296
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<u>\$ 9,168,372</u>	<u>\$ 100,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,269,095</u>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 25 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS**  
**COMPANY REINDEER TEST YEAR ADJUSTED AS PER ROO**

LINE NO.	DESCRIPTION	(A) COMPANY REINDEER		(B) ADJUSTMENT # 1		(C) ADJUSTMENT # 1		(D) ADJUSTMENT # 2		(E) ADJUSTMENT # 2		(F) ADJUSTMENT # 3		(G) ADJUSTMENT # 3		(H) ADJUSTMENT # 4		(I) ADJUSTMENT # 4		(J) ADJ # 5		(K) ADJUSTMENT # 6		(L) ADJUSTMENT # 6		(M) RUCO AS ADJTD	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1	OPERATING REVENUES:																										
2	Metered Water Revenues	\$ 2,060,418																									\$ 2,060,418
3	Unmetered Water Revenues																										1,950,387
4	Other Water Revenues	1,950,387																									\$ 4,010,805
5	TOTAL OPERATING REVENUES:	\$ 4,010,805																									\$ 4,010,805
6	OPERATING EXPENSES:																										
7	Salaries And Wages	\$ 417,470																									\$ 417,470
8	Purchased Water	172,055																									172,055
9	Purchased Power	284,489																									284,489
10	Chemicals	95,282																									95,282
11	Repairs And Maintenance	130,909																									130,909
12	Office Supplies And Expenses	58,602																									58,602
13	Outside Services	27,130																									27,130
14	Service Company Fees	434,521																									434,521
15	Water Testing	1,193																									1,193
16	Rentals	18,568																									18,568
17	Transportation Expenses	13,830																									13,830
18	Insurance - General Liability																										11,811
19	Insurance - Health And Life	26,471																									26,471
20	Reg. Comm. Exp. - Rate Case	173,138																									173,138
21	Miscellaneous Expense	917,978																									917,978
22	Depreciation Expense	25,048																									25,048
23	Taxes Other Than Income	221,191																									221,191
24	Income Tax	283,347																									283,347
25	Adjustment Due To Rounding																										(47,880)
26	TOTAL OPERATING EXPENSES:	\$ 3,279,318																									\$ 3,279,318
27	OPERATING INCOME (LOSS)	\$ 731,486																									\$ 731,486
28	ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)																										
29	Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)																										
30	Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)																										
31	Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)																										
32	Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)																										
33	Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrahtutal Sch. All-1)																										
34	Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)																										
35	TOTAL ADJUSTMENTS:																										
36	OPERATING INCOME (LOSS) AS ADJUSTED:																										\$ 709,759

COMPUTATION OF INCOME TAXES

T. Y. Operating Income Before Income Taxes	\$ 1,134,387
DEDUCT: Interest Expense	\$ (267,395)
Taxable Income	\$ 866,992
State Tax @ 8.986%	\$ 60,412
Federal Taxable Income	\$ 806,580
Federal Tax @ 34%	\$ 274,237
Total Federal & State Income Taxes	\$ 334,649

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)

A - Remove Company's Overhead Expenses

B - Add RUCO's Overhead Expenses

Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)

A - Remove Company's Rate Case Expense

B - Add RUCO's Rate Case Expense

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)

A - Remove Company's Salaries & Wages

B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrahtutal Sch. All-1)

A - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)

B - Add Recalculated Income Tax

Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)

A - Remove Company's income Tax

B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Agua Fria/Anthem Wastewater District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

<u>SCH. NO.</u>	<u>PAGE NO.</u>	<u>TITLE</u>
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 20,233,577	\$ (6,191,840)	\$ 14,041,737	\$ 2,731,868
2	Adjusted Operat'g Income (Loss)	\$ 1,175,416		\$ 1,175,416	\$ 41,699
3	Current Rate Of Return (L2 / L1)	5.81%		8.37%	1.53%
4	Req. Operat'g Income (L5 X L1)	\$ 1,568,009		\$ 1,088,235	\$ 177,535
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 392,593		\$ (87,181)	\$ 135,836
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<u>\$ 639,391</u>		<u>\$ (141,984)</u>	<u>\$ 221,227</u>
9	Adjusted Test Year Revenue	\$ 5,088,340		\$ 5,088,340	\$ 1,866,546
10	Proposed Annual Rev. (L8 + L9)	\$ 5,727,731		\$ 4,946,356	\$ 2,087,773
11	Required % Increase In Rev. (L8 / L9)	12.57%		-2.79%	11.85%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 2,095,584
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 2,087,773
15	Difference				<u>\$ (7,811)</u>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 23,053,411	\$ (16,142)	\$ -	\$ -	\$ 23,037,269
	Less:					
2	Accumulated Depreciation	789,221	(1,114)	-	-	788,107
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 22,264,190</u>	<u>\$ (15,028)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,249,162</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 19,045,098	\$ -	\$ -	\$ -	\$ 19,045,098
5	Contribution In Aid Of Const. ("CIAC")	\$ 472,196	\$ -	\$ -	\$ -	472,196
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 472,196	\$ -	\$ -	\$ -	\$ 472,196
8	Customer Meter Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Tolleson Trickling Filter	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<u>\$ 2,746,896</u>	<u>\$ (15,028)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,731,868</u>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS**  
**COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO**

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER		(B) ADJUSTMENT #1		(C) ADJUSTMENT #2		(D) ADJUSTMENT #3		(E) ADJUSTMENT #4		(F) ADJUSTMENT #5		(G) ADJUSTMENT #6		(M) RUCO AS ADJTD	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1	OPERATING REVENUES:																
2	Flat Rate Revenues	\$ 880,474															\$ 880,474
3	Measured Revenues																
4	Other Wastewater Revenues	986,072															986,072
5	TOTAL OPERATING REVENUES	\$ 1,866,546															\$ 1,866,546
6	OPERATING EXPENSES:																
7	Salaries And Wages	\$ 256,079															\$ 256,079
8	Purchased Wastewater Treatment	19,925															19,925
9	Purchased Power	5,714															5,714
10	Fuel For Power Production																
11	Chemicals																
12	Material And Supplies	(1,053)															(1,053)
13	Repairs And Maintenance	66,646															66,646
14	Office Supplies And Expenses	20,644															20,644
15	Outside Services	264,697															264,697
16	Water Testing																
17	Rents	8,308															8,308
18	Transportation Expenses																
19	Insurance - General Liability	(4,564)															(4,564)
20	Insurance - Health And Life																
21	Reg. Conn. Exp. - Rate Case	12,319															12,319
22	Miscellaneous Expense	242,323															242,323
23	Depreciation Expense	864,771															864,771
24	Taxes Other Than Income	16,213															16,213
25	Property Taxes	108,625															108,625
26	Income Tax	(89,542)															(89,542)
27	Adjustment Due To Rounding																
28	TOTAL OPERATING EXPENSES	\$ 1,848,102															\$ 1,848,102
29	OPERATING INCOME (LOSS)	\$ 18,444															\$ 18,444
30	<b>CALCULATION OF INTEREST SYNCHRONIZATION</b>																
31	Adjusted Original Cost Rate Base (As Per ROO)	\$ 2,751,688															\$ 2,751,688
32	Weighted Average Cost Of Debt (As Per ROO)	2.9%															
33	Synchronized Interest (Line 25 X line 26)	\$ 78,809															\$ 78,809
34	<b>COMPUTATION OF INCOME TAXES</b>																
35	T. Y. Operating Income Before Income Taxes	\$ 18,365															\$ 18,365
36	DEDUCT: Interest Expense	\$ (76,265)															\$ (76,265)
37	Taxable Income	\$ (60,444)															\$ (60,444)
38	State Tax @ 6.968%	\$ (4,212)															\$ (4,212)
39	Federal Taxable Income	\$ (56,232)															\$ (56,232)
40	Federal Tax @ 34%	\$ (19,119)															\$ (19,119)
41	Total Federal & State Income Taxes	\$ (23,331)															\$ (23,331)

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 15, Lines 4 - 6 (See Exhibit A)  
 A - Remove Company's Overhead Expenses  
 B - Add RUCO's Overhead Expenses

Adjustment # 2 - Rate Case Expense As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)  
 A - Remove Company's Rate Case Expense  
 B - Add RUCO's Rate Case Expense

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)  
 A - Remove Company's Salaries & Wages  
 B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)  
 A - Remove Company's Service Company Allocations  
 B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebuttal Sch. Alt-1)  
 A - Remove Company's Income Tax  
 B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Mohave Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

<u>SCH. NO.</u>	<u>PAGE NO.</u>	<u>TITLE</u>
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJM'T TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 8,791,741
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 986,092
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	11.22%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 571,239
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ (414,853)
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<b>\$ 216,475</b>		<b>\$ 180,029</b>	<b>\$ (675,642)</b>
9	Adjusted Test Year Revenue	\$ 4,394,132		\$ 4,394,132	\$ 4,394,132
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 3,718,490
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	-15.38%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 4,008,207
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 3,718,490
15	Difference				<b>\$ (289,717)</b>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED OCRB
1	Gross Utility Plant In Service	\$ 23,833,079	\$ (100,878)	\$ -	\$ -	\$ 23,732,201
	Less:					
2	Accumulated Depreciation	7,852,645	(93,363)	-	-	7,759,282
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 15,980,434</u>	<u>\$ (7,515)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,972,919</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 3,462,178	\$ -	\$ 746,228	\$ -	\$ 4,208,406
5	Contribution In Aid Of Const. ("CIAC")	\$ 2,825,809	\$ -	\$ 39,252	\$ -	2,865,061
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 2,825,809</u>	<u>\$ -</u>	<u>\$ 39,252</u>	<u>\$ -</u>	<u>\$ 2,865,061</u>
8	Customer Meter Deposits	\$ 107,711	\$ -	\$ -	\$ -	\$ 107,711
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<u>\$ 9,584,736</u>	<u>\$ (7,515)</u>	<u>\$ (785,480)</u>	<u>\$ -</u>	<u>\$ 8,791,741</u>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO Page 8, Lines 26 -28

Column (C): Adjustment To Test Year AIAC And CIAC As Per ROO Page 9, Lines 11 - 16

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF OPERATING INCOME ADJUSTMENTS  
 COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER		(B) ADJUSTMENT #1		(C) ADJUSTMENT #1		(D) ADJUSTMENT #2		(E) ADJUSTMENT #2		(F) ADJUSTMENT #3		(G) ADJUSTMENT #3		(H) ADJUSTMENT #4		(I) ADJUSTMENT #4		(J) ADJ #5		(K) ADJUSTMENT #6		(L) ADJUSTMENT #6		(M) RUCCO AS ADJTD	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1	OPERATING REVENUES:																										
2	Metered Water Revenues	\$ 4,285,427																									\$ 4,285,427
3	Unmetered Water Revenues																										108,705
4	Other Water Revenues	108,705																									
5	TOTAL OPERATING REVENUES	\$ 4,394,132																									\$ 4,394,132
6	OPERATING EXPENSES:																										
7	Salaries And Wages	\$ 721,010																									\$ 721,010
8	Purchased Water	5,040																									5,040
9	Purchased Power	294,603																									294,603
10	Chemicals	8,150																									8,150
11	Repairs And Maintenance	301,313																									301,313
12	Office Supplies And Expenses	194,539																									194,539
13	Outside Services	5,177																									5,177
14	Service Company Fees	479,566																									479,566
15	Water Testing																										18,305
16	Rents	18,305																									18,305
17	Transportation Expenses																										19,213
18	Insurance - General Liability	20,140																									17,360
19	Insurance - Health And Life	28,013																									83,814
20	Reg. Comm. Exp. - Rate Case	83,808																									876,214
21	Miscellaneous Expense	676,214																									40,059
22	Depreciation Expense	46,544																									269,655
23	Taxes Other Than Income	269,655																									460,454
24	Property Taxes	381,104																									460,454
25	Income Tax																										(1)
26	Adjustment Due To Rounding																										(381,104)
27	TOTAL OPERATING EXPENSE	\$ 3,478,133																									\$ 3,478,133
28	OPERATING INCOME (LOSS)	\$ 915,999																									\$ 915,999
29	CALCULATION OF INTEREST SYNCHRONIZATION																										
30	Adjusted Original Cost Rate Base (As Per ROO)	\$ 6,791,741																									\$ 6,791,741
31	Weighted Average Cost Of Debt (As Per ROO)	2.9%																									
32	Synchronized Interest (Line 29 X line 31)	\$ 253,724																									\$ 253,724
33	COMPUTATION OF INCOME TAXES																										
	T.Y. Operating Income Before Income Taxes	\$ 1,446,545																									\$ 1,446,545
	DEDUCT: Interest Expense	\$ (253,824)																									\$ (253,824)
	Taxable Income	\$ 1,192,721																									\$ 1,192,721
	State Tax @ 0.999%	\$ 83,123																									\$ 83,123
	Federal Taxable Income	\$ 1,109,798																									\$ 1,109,798
	Federal Tax @ 34%	\$ 377,331																									\$ 377,331
	Total Federal & State Income Taxes	\$ 460,454																									\$ 460,454

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)  
 A - Remove Company's Overhead Expenses  
 B - Add RUCO's Overhead Expenses

Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)  
 A - Remove Company's Rate Case Expense  
 B - Add RUCO's Rate Case Expense

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)  
 A - Remove Company's Salaries & Wages  
 B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)  
 A - Remove Company's Service Company Allocations  
 B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebital Sch. All-1)  
 A - Remove Company's Income Tax  
 B - Add Recalculated Income Tax

Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)  
 A - Remove Company's Income Tax  
 B - Add Recalculated Income Tax

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)  
 A - Remove Company's Overhead Expenses  
 B - Add RUCO's Overhead Expenses

Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)  
 A - Remove Company's Rate Case Expense  
 B - Add RUCO's Rate Case Expense

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)  
 A - Remove Company's Salaries & Wages  
 B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)  
 A - Remove Company's Service Company Allocations  
 B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebital Sch. All-1)  
 A - Remove Company's Income Tax  
 B - Add Recalculated Income Tax

Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)  
 A - Remove Company's Income Tax  
 B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Havasu Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

<u>SCH. NO.</u>	<u>PAGE NO.</u>	<u>TITLE</u>
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJMT TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 822,117
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 26,611
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	3.24%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 53,442
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ 26,831
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	<b>\$ 216,475</b>		<b>\$ 180,029</b>	<b>\$ 43,697</b>
9	Adjusted Test Year Revenue	\$ 254,486		\$ 254,486	\$ 440,924
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 484,621
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	9.91%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 527,991
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 484,621
15	Difference				<b>\$ (43,370)</b>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED OCRB
1	Gross Utility Plant In Service	\$ 2,165,406	\$ (95,241)	\$ -	\$ -	\$ 2,070,165
	Less:					
2	Accumulated Depreciation	555,531	(18,120)	-	-	537,411
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 1,609,875</u>	<u>\$ (77,121)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,532,754</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 418,704	\$ -	\$ -	\$ -	\$ 418,704
5	Contribution In Aid Of Const. ("CIAC")	\$ 280,867	\$ -	\$ -	\$ -	280,867
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	<u>\$ 280,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,867</u>
8	Customer Meter Deposits	\$ 11,066	\$ -	\$ -	\$ -	\$ 11,066
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<u>\$ 899,238</u>	<u>\$ (77,121)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 822,117</u>

References:

- Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)
- Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF OPERATING INCOME ADJUSTMENTS  
 COMPANY REJOINER TEST YEAR ADJUSTED AS PER ROO

LINE NO.	DESCRIPTION	(A) COMPANY REJOINER		(B) ADJUSTMENT # 1		(C) ADJUSTMENT # 1		(D) ADJUSTMENT # 2		(E) ADJUSTMENT # 2		(F) ADJUSTMENT # 3		(G) ADJUSTMENT # 3		(H) ADJUSTMENT # 4		(I) ADJUSTMENT # 4		(J) ADJUSTMENT # 5		(K) ADJUSTMENT # 6		(L) RUCO AS ADDED	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		
1	OPERATING REVENUES:																								
2	Metered Water Revenues	\$ 480,392		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	\$ 480,392
3	Unmetered Water Revenues	10,532																							10,532
4	Other Water Revenues																								
5	TOTAL OPERATING REVENUES	\$ 490,924		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	\$ 490,924
6	OPERATING EXPENSES:																								
7	Salaries And Wages	\$ 138,969		\$ (28,833)		\$ 11,292		\$ -		\$ -		\$ (110,136)		\$ 105,741		\$ -		\$ -		\$ -		\$ -		\$ -	\$ 116,973
8	Purchased Water	806																							806
9	Purchased Power	47,018																							47,018
10	Chemicals	1,266																							1,266
11	Repairs And Maintenance	75,805		(9,420)		14,203																			75,805
12	Office Supplies And Expenses	17,267																							17,267
13	Outside Services	2,492																							2,492
14	Service Company Fees	68,258																							68,258
15	Water Testing																								1,837
16	Rentals	1,837																							1,837
17	Transportation Expenses																								1,629
18	Insurance - General Liability	1,735		(1,736)		1,630																			1,742
19	Insurance - Health And Life	2,910						(2,910)		1,742															1,742
20	Reg. Comm. Exp. - Rate Case	2,222		(1,268)		1,297																			2,231
21	Miscellaneous Expense	41,554																							41,554
22	Depreciation Expense	8,908																							8,824
23	Taxes Other Than Income	27,185																							24,541
24	Income Tax	(13,032)																							13,032
25	Adjustment Due To Rounding																								(2)
26	TOTAL OPERATING EXPENSES	\$ 428,168		\$ (41,277)		\$ 28,367		\$ (2,910)		\$ 1,742		\$ (119,044)		\$ 114,565		\$ (89,258)		\$ 63,753		\$ 13,032		\$ (2,644)		\$ 13,032	\$ 414,913
27	OPERATING INCOME (LOSS)	\$ 14,756		\$ 41,277		\$ (28,367)		\$ 2,910		\$ (1,742)		\$ 119,044		\$ (114,565)		\$ 69,258		\$ (63,753)		\$ 2,644		\$ (18,191)		\$ (18,191)	\$ 28,611
28	CALCULATION OF INTEREST SYNCHRONIZATION																								
29	Adjusted Original Cost Rate Base (As Per ROO)	\$ 822,117																							
30	Weighted Average Cost Of Debt (As Per ROO)	2.9%																							
31	Synchronized Interest (Line 25 X line 29)	\$ 23,710																							
32	COMPUTATION OF INCOME TAXES																								
33	T. Y. Operating Income Before Income Taxes	\$ 28,428																							
	DEDUCT: Interest Expense	(23,710)																							
	Taxable Income	\$ 4,712																							
	State Tax @ 6.065%	\$ 328																							
	Federal Taxable Income	4,383																							
	Federal Tax @ 34%	1,490																							
	Total Federal & State Income Taxes	\$ 1,819																							

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)  
 Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)  
 A - Remove Company's Overhead Expenses  
 B - Add RUCO's Overhead Expenses  
 Adjustment # 2 - Rate Case Expense As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)  
 A - Remove Company's Rate Case Expense  
 B - Add RUCO's Rate Case Expense  
 Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)  
 A - Remove Company's Salaries & Wages  
 B - Add RUCO's Salaries & Wages

ADJUSTMENT # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)  
 A - Remove Company's Service Company Allocations  
 B - Add RUCO's Service Company Allocations  
 Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surburband Sch. All-1)  
 Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)  
 A - Remove Company's Income Tax  
 B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

# EXHIBIT 3

EXHIBIT 3

RUCO'S PROPOSED AMENDMENT

1  
2  
3  
4  
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22  
23  
24

Page 10, Line 23

DELETE "\$21,853,479"

INSERT "\$21,853,481"

Page 21, Line 12

DELETE "\$29,696,770"

INSERT "\$30,179,111"

Page 21, Line 13

DELETE "\$2,865,176", "\$3,447,237"

INSERT "\$2,920,999" "\$3,524,480"

Page 21, Line 14

DELETE "\$5,340,171", "\$3,987,486"

INSERT "\$5,656,746", "\$4,060,864"

1	Page 21, Line 15		
2	DELETE	“\$3,302,031”,	“\$402,106”
3			
4	INSERT	“\$3,408,040”,	“\$414,313”
5	Page 21, Line 16		
6	DELETE	“\$5,071,975”,	“\$3,207,639”
7			
8	INSERT	“\$4,930,424”,	“\$3,211,066”
9			
10	Page 21, Line 17		
11	DELETE	“\$1,851,448”,	“\$221,501”
12			
13	INSERT	“\$1,824,847”,	“\$227,332”
14	Page 21, Line 20		
15	DELETE	“\$5,080,512”	“\$406,394”
16			
17	INSERT	“\$5,171,702”,	“\$459,775”
18			
19	Page 21, Line 21		
20	DELETE	”\$(123,106)”,	“\$414,585”
21			
22	INSERT	“\$11,200”,	“\$536,334”
23			
24			

1 Page 21, Line 22

2 DELETE "\$1,407,934", "\$808,202"

3

4 INSERT "\$ 1,027,476", "\$986,092"

5 Page 21, Line 23

6 DELETE "(\$18)", "\$1,414,978" "\$684,439"

7

8 INSERT "\$26,611", "\$1,255,613", "\$799,739"

9

10 Page 21, Line 24

11 DELETE "\$36,903", "\$30,201"

12

13 INSERT "\$41,699", "\$27,154"

14 Page 33, Line 6

15 DELETE "\$406,394"

16

17 INSERT "\$459,776"

18

19 Page 33, Line 9

20 DELETE "\$371,258"

21

22 INSERT "\$317,877"

23

24

1 Page 33, Line 10

2 DELETE "\$604,642"

3

4 INSERT "\$517,704"

5

Page 33, Line 11

6

DELETE "17.88"

7

8

INSERT "\$15.31"

9

10 Page 33, Line 13

11 DELETE "(123,106)"

12

13 INSERT "\$11,200"

14

Page 33, Line 16

15

DELETE "\$702,302"

16

17

INSERT "\$567,995"

18

19 Page 33, Line 17

20 DELETE "\$1,143,789"

21

22 INSERT "\$925,054"

23

24

1 Page 33, Line 18

2 DELETE "32.35"

3

4 INSERT "\$26.16"

5

Page 33, Line 20

6 DELETE "\$414,485"

7

8 INSERT "\$536,334"

9

10 Page 33, Line 23

11 DELETE "\$1,006,898",

12

13 INSERT "\$885,140"

14

Page 33, Line 25

15 DELETE "\$1,639,864", "26.48"

16

17 INSERT "\$1,441,565", "23.29"

18

19 Page 33, Line 27

20 DELETE "\$1,407,934"

21

22 INSERT "\$1,027,476"

23

24

1 Page 34, Line 2

2 DELETE "\$841,727"

3

4 INSERT "\$461,269"

5

6 Page 34, Line 3

7

8 DELETE "\$1,370,862", "26.94"

9

10

11 INSERT "\$751,237", "14.76"

12

13 Page 34, Line 6

14 DELETE "\$808,202"

15

16 INSERT "\$986,092"

17

18 Page 34, Line 9

19

20 DELETE "\$236,903"

21

22

23 INSERT "\$414,853"

24

25 Page 34, Line 10

26 DELETE "\$385,925", "8.78"

27

28 INSERT "\$675,642", '15.38"

29

30

1 Page 34, Line 13

2 DELETE "\$18"

3

4 INSERT "\$26,611"

5

Page 34, Line 15

6

DELETE "\$53,460"

7

8

INSERT "\$26,831"

9

10 Page 34, Line 17

11 DELETE "\$87,067" "19.75"

12

13 INSERT "\$43,697", "9.91"

14

Page 34, Line 20

15

DELETE "\$1,414,978"

16

17

INSERT "\$1,255,613"

18

19 Page 34, Line 23

20 DELETE "\$331,561"

21

22 INSERT "\$172,196"

23

24

1 Page 34, Line 24

2 DELETE "\$539,990", "8.73"

3

4 INSERT "\$280,443", "4.53"

5

Page 34, Line 27

6 DELETE "\$684,439"

7

8 INSERT "\$799,739"

9

10 Page 35, Line 1

11 DELETE "\$81,581"

12

13 INSERT "\$196,881"

14

Page 35, Line 3

15 DELETE "\$132,865", "3.31"

16

17 INSERT "\$320,646", "7.99"

18

19 Page 35, Line 6

20 DELETE "\$36,903"

21

22 INSERT "\$41,699"

23

24

1 Page 35, Line 9

2 DELETE "\$140,632"

3

4 INSERT "\$135,836"

5

Page 35, Line 11

6 DELETE "\$229,038", "12.27"

7

8 INSERT "\$221,227", "11.85"

9

10 Page 35, Line 13

11 DELETE "\$30,201"

12

13 INSERT "\$27,154"

14

Page 35, Line 15

15 DELETE "\$43,070"

16

17 INSERT "\$46,117"

18

19 Page 35, Line 17

20 DELETE "\$70,145", "27.56"

21

22 INSERT "\$75,108", "29.51"

23

24

1 Page 52, Line 24

2 DELETE "\$406,394"

3

4 INSERT "\$459,775"

5

Page 52, Line 27

6

DELETE "\$371,258"

7

8

INSERT "\$317,877"

9

10 Page 53, Line 1

11 DELETE "\$604,642" "17.88"

12

13 INSERT "\$517,704", "15.31"

14

Page 53, Line 10

15

DELETE "\$123,106"

16

17

INSERT "\$11,200"

18

19 Page 53, Line 13

20 DELETE "\$702,301"

21

22 INSERT "\$567,995"

23

24

1 Page 53, Line 15

2 DELETE "\$1,143,789" "32.35"

3

4 INSERT "\$925,054", "26.16"

5

Page 53, Line 22

6 DELETE "\$414,585"

7

8 INSERT "\$536,344"

9

10 Page 53, Line 25

11 DELETE "\$1,006,898"

12

13 INSERT "\$885,140"

14

Page 53, Line 27

15 DELETE "\$1,639,864", "26.48"

16

17 INSERT "\$1,441,565", "23.28"

18

19 Page 54, Line 8

20 DELETE "\$1,407,934"

21

22 INSERT "\$1,027,476"

23

24

1 Page 54, Line 11

2 DELETE "\$841,727"

3

4 INSERT "\$461,269"

5

Page 54, Line 13

6 DELETE "1,370,862", "26.94"

7

8 INSERT "\$751,237", "14.76"

9

10 Page 54, Line 20

11 DELETE "\$808,202"

12

13 INSERT "\$986,092"

14

Page 54, Line 23

15 DELETE "\$236,963"

16

17 INSERT "\$414,853"

18

19 Page 54, Line 24

20 DELETE "\$385,925", "8.78"

21

22 INSERT "\$675,642", "15.38"

23

24

1 Page 55, Line 6

2 DELETE "\$18"

3

4 INSERT "\$26,611"

5

Page 55, Line 8

6 DELETE "\$53,460"

7

8 INSERT "\$26,831"

9

10 Page 55, Line 10

11 DELETE "(87,067), "19.75"

12

13 INSERT "\$43,697", "9.91"

14

Page 55, Line 20

15 DELETE "\$1,414,978"

16

17 INSERT "\$1,255,613"

18

19 Page 55, Line 23

20 DELETE "\$331,561"

21

22 INSERT "\$172,196"

23

24

1 Page 55, Line 24

2 DELETE "\$539,990", "8.73"

3

4 INSERT "\$280,443", "4.53"

5

Page 56, Line 6

6 DELETE "\$684,439"

7

8 INSERT "\$799,739"

9

10 Page 56, Line 9

11 DELETE "\$81,581"

12

13 INSERT "\$196,881"

14

Page 56, Line 10

15 DELETE "\$132,265", "3.31"

16

17 INSERT "\$320,646", "7.99"

18

19 Page 56, Line 20

20 DELETE "\$36,903"

21

22 INSERT "\$41,699"

23

24

1 Page 56, Line 23

2 DELETE "\$140,632"

3

4 INSERT "\$135,836"

5

Page 56, Line 25

6

DELETE "\$229,038", "12.27"

7

8

INSERT "\$221,227", "11.85"

9

10 Page 57, Line 4

11 DELETE "\$30,201"

12

13 INSERT "\$27,154"

14

Page 57, Line 7

15

DELETE "\$43,070"

16

17

INSERT "\$46,117"

18

19 Page 57, Line 8

20 DELETE "\$70,145"

21

22 INSERT "\$75,108"

23

24

1 Page 57, Line 9

2 DELETE "27.56"

3

4 INSERT "29.51"

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