

NEW APPLICATION ORIGINAL



0000010313

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

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2004 OCT -7 A 11: 25

AZ CORP COMMISSION
DOCUMENT CONTROL

W-01412A-04-0736

IN THE MATTER OF THE)
APPLICATION OF VALLEY)
UTILITIES WATER COMPANY INC.)
FOR AN INCREASE IN ITS WATER)
RATES FOR CUSTOMERS WITHIN)
MARICOPA COUNTY, ARIZONA.)

DOCKET NO. W-01412-04-___

APPLICATION

Valley Utilities Water Company Inc. (hereinafter "Valley" or the "Company"), by and through the undersigned counsel, hereby submits a rate increase application and in support of said application states as follows:

1. Valley is a corporation duly organized and existing under the laws of the State of Arizona. Its principal place of business is 12540 W. Bethany Home Rd., Litchfield Park, Arizona 85340.

2. Valley is a public service corporation primarily engaged in the business of providing water utility service in its certificated area in portions of Maricopa County, Arizona

3. The Company is presently providing service under the rates and charges authorized by the Commission in Decision No. 62908, dated September 18, 2000.

4. The Company hereby requests the Commission grant an increase in its water rates and charges in two phrases designed to match the present need in Phase One, and the impact of the addition of arsenic treatment plant in Phase Two. The specific proposal is contained in the Schedules attached hereto as Exhibits A and B and incorporated herein for all purposes.

Arizona Corporation Commission

DOCKETED

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1 5. The supporting testimony of the Company's rates consultants, Ronald L. Kozoman
2 and Thomas J. Bourassa, are attached hereto as Exhibits C and D and incorporated herein by this
3 reference for all purposes.

4 6. Proposed Tariff for water service for the requested Phase One increase is appended
5 hereto as Exhibit E and incorporated herein by this reference for all purposes. The Total Arsenic
6 Treatment Adjustment ("TATA") will be inserted in the Tariff when the Commission adopts the
7 precise formula. The specific terms and conditions of that Tariff are hereby requested to be
8 approved by the Commission. The Phase Two Tariff will be issued following the Decision in its
9 matter.

10 7. The supporting schedules are substantially in the form required by the Commission's
11 Rules and Regulation for rate applications as set forth in ACRR R-14-2-103.

12 8. In addition to the increased in expenses incurred over the ensuing years, which cause
13 the need for this Application, the Company is in need of major capital improvements to comply
14 with the mandatory requirements regarding removal of arsenic. Those capital expenditures total
15 approximately \$1,900,000.

16 9. The Company proposes Water Infrastructure Finance Authority of Arizona (WIFA)
17 funding for the majority of those improvements. A WIFA Application and a Financing
18 Application before this Commission will be filed within thirty days of this Application.

19 10. To obtain such financing approvals, it will be necessary for the Company to have
20 sufficient income and cash flow to support that debt service. This Application seeks an
21 Operating Margin of 10.00%, which will provide the requisite debt service coverages and permit
22 funding of the remaining capital items.

1 11. The Company requests that the Commission issue a Procedural Order setting forth the
2 timetable for processing this Application and also notify the Company of the form of notice it
3 must provide to its customers.

4 WHEREFORE, the Company respectfully request that the Commission process this Rate
5 Application as expeditiously as practicable, and thereafter issue an order granting the requested
6 relief and such other relief as the Commission may deem appropriate.

7 Respectfully submitted this 27th day of October 2004.

8 SALLQUIST & DRUMMOND, P.C.

9
10 By 

11 Richard L. Sallquist
12 4500 S. Lakeshore Drive, Suite 339
13 Tempe, AZ 85282
14 Attorneys for Valley Utilities Water Company, Inc.
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1 Original and ten copies of the foregoing
2 filed this 7th day of October 2004,
3 with:

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

6 Copies of the foregoing Hand Delivered this 7th
7 day of October, 2004 to:

7 Hearing Division
8 Arizona Corporation Commission
9 1200 West Washington
10 Phoenix, Arizona 85007

10 Legal Division
11 Arizona Corporation Commission
12 1200 West Washington
13 Phoenix, Arizona 85007

12 Utilities Division
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

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A

VALLEY UTILITIES WATER COMPANY, INC.

RATE INCREASE APPLICATION

DOCKET NO. W-01412-04-_____

**SUPPORTING SCHEDULES
PHASES ONE AND TWO**

OCTOBER, 2004

EXHIBIT A

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Schedule A-1 Step 1
 Page
 Witness: Bourassa

Line					
<u>No.</u>					
1	Fair Value Rate base		\$	(540,689)	
2					
3	Adjusted Operating Income - Step 1			13,138	
4					
5	Current Rate of Return			N/A	
6					
7	Required Operating Income (using 10 percent operating margin)		\$	92,835	
8					
9	Required Rate of Return on Fair Value Rate Base			N/A	
10					
11	Operating Income Deficiency		\$	79,697	
12					
13	Gross Revenue Conversion Factor			1.2646	
14					
15	Increase in Gross Revenue				
16	Requirement		\$	100,784	
17					
18		Present	Proposed	Dollar	Percent
19	Customer	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
20	<u>Classification</u>				
21	5/8 Inch Residential	\$ 78,282	\$ 91,019	\$ 12,737	16.27%
22	3/4 Inch Residential	232,845	262,147	29,302	12.58%
23	1 Inch Residential	193,752	217,540	23,789	12.28%
24	5/8 Inch Commercial	1,316	1,440	124	9.45%
25	1 Inch Commercial	13,033	14,979	1,946	14.93%
26	1 1/2 Inch Commercial	11,172	12,196	1,024	9.17%
27	2 Inch Commercial	225,917	255,367	29,450	13.04%
28	3 Inch Commercial/Construction	14,290	15,579	1,289	9.02%
29	Miscellaneous Revenues	41,791	41,791	-	0.00%
30	Revenue Annualization	-	-	-	0.00%
31	5/8 Inch Residential	(1,169)	(1,325)		
32	3/4 Inch Residential	5,541	6,025		
33	1 Inch Residential	7,723	8,447		
34	1 Inch Commercial	233	262	30	12.81%
35	2 Inch Commercial	4,498	4,901	403	8.95%
36	3 Inch Construction	(4,075)	(4,446)	(370)	9.09%
37				-	0.00%
38	Total of Water Revenues	<u>\$825,148</u>	<u>\$925,923</u>	<u>\$ 99,723</u>	<u>12.09%</u>

SUPPORTING SCHEDULES:

- 43 B-1 Step 1
- 44 C-1 Step 1
- 45 C-3 Step 1
- 46 H-1 Step 1
- 47
- 48

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Schedule A-1 Step 2
 Page
 Witness: Bourassa

Line No.					
1	Fair Value Rate base			\$	1,243,934
2					
3	Adjusted Operating Income - Step 2				(185,317)
4					
5	Current Rate of Return				-14.90%
6					
7	Required Operating Income (using 10 percent operating margin)			\$	133,102
8					
9	Required Rate of Return on Fair Value Rate Base				N/A
10					
11	Operating Income Deficiency			\$	318,419
12					
13	Gross Revenue Conversion Factor				1.2646
14					
15	Increase in Gross Revenue				
16	Requirement			\$	402,669
17					
18		Step 1			
19	Customer	Present	Proposed	Dollar	Percent
20	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
21	5/8 Inch Residential	\$ 91,019	\$131,612	\$ 40,593	44.60%
22	3/4 Inch Residential	262,147	376,429	114,282	43.59%
23	1 Inch Residential	217,540	313,680	96,140	44.19%
24	5/8 Inch Commercial	1,440	2,036	595	41.35%
25	1 Inch Commercial	14,979	21,865	6,886	45.97%
26	1 1/2 Inch Commercial	12,196	17,680	5,484	44.96%
27	2 Inch Commercial	255,367	374,217	118,850	46.54%
28	3 Inch Construction	15,579	22,237	6,658	42.74%
29	Miscellaneous Revenues	41,791	41,791	-	0.00%
30	Revenue Annualization	-	-	-	0.00%
31	5/8 Inch Residential	(1,325)	(1,917)	(592)	44.70%
32	3/4 Inch Residential	6,025	8,556	2,531	42.02%
33	1 Inch Residential	8,447	12,064	3,617	42.81%
34	5/8 Inch Commercial	262	381	118	45.08%
35	2 Inch Commercial	4,901	7,175	2,275	46.42%
36	3 Inch Construction	(4,446)	(6,364)	(1,919)	43.16%
37	Total of Water Revenues	<u>\$925,923</u>	<u>\$1,321,442</u>	<u>\$ 395,519</u>	<u>42.72%</u>

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SUPPORTING SCHEDULES:

- B-1 Step 2
- C-1 Step 2
- C-3 Step 2
- H-1 Step 2

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Summary of Results of Operations

Exhibit
 Schedule A-2
 Page 1
 Witness: Bourassa

Line No.	Description	Test Year				
		Prior Years Ended		Actual	Adjusted Step 1	Adjusted Step 2
		12/31/2001	12/31/2002	12/31/2003	12/31/2003	12/31/2003
1	Gross Revenues	\$ 548,158	\$ 669,042	\$ 814,814	\$ 827,565	\$ 928,349
2						
3	Revenue Deductions and	504,106	737,711	890,063	814,427	1,113,666
4	Operating Expenses					
5						
6	Operating Income	\$ 44,052	\$ (68,669)	\$ (75,249)	\$ 13,138	\$ (185,317)
7						
8	Other Income and	941	5,196	2,970	-	-
9	Deductions					
10						
11	Interest Expense	2,176	2,780	366	92,902	92,902
12						
13	Net Income	\$ 42,817	\$ (66,253)	\$ (72,645)	\$ (79,764)	\$ (278,220)
14						
15	Earned Per Average					
16	Common Share	42.82	(66.25)	(72.65)	(79.76)	(278.22)
17						
18	Dividends Per					
19	Common Share	-	-	-	-	-
20						
21	Payout Ratio	-	-	-	-	-
22						
23	Return on Average					
24	Invested Capital	4.08%	-3.09%	-2.39%	-2.63%	-7.06%
25						
26	Return on Year End					
27	Capital	3.12%	-2.28%	-2.30%	-2.74%	-5.90%
28						
29	Return on Average					
30	Common Equity	NA	NA	NA	NA	NA
31						
32	Return on Year End					
33	Common Equity	NA	NA	NA	NA	NA
34						
35	Times Bond Interest Earned					
36	Before Income Taxes	20.68	(24.70)	(156.91)	(21.77)	1.55
37						
38	Times Total Interest and					
39	Preferred Dividends Earned					
40	After Income Taxes	217.45	(63.95)	(647.92)	35.90	1.43
41						
42						
43	<u>SUPPORTING SCHEDULES</u>					
44	C-1					
45	E-2					
46	F-1					

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Summary of Capital Structure

Exhibit
 Schedule A-3
 Page 1
 Witness: Bourassa

Line No.	Description:	Prior Years Ended		Test Year 12/31/2003	STEP 1 Projected Year 12/31/2004	STEP 2 Projected Year 12/31/2005
		12/31/2001	12/31/2002			
1						
2						
3	Long-Term Debt	-	-	-	1,883,600	1,883,600
4						
5	Total Debt	\$ -	\$ -	\$ -	\$ 1,883,600	\$ 1,883,600
6						
7						
8	Preferred Stock	-	-	-	-	-
9						
10	Common Equity	(274,477)	(340,730)	(413,375)	(413,442)	(373,243)
11						
12						
13	Total Capital & Debt	\$ (274,477)	\$ (340,730)	\$ (413,375)	\$ 1,470,158	\$ 1,510,357
14						
15						
16	Capitalization Ratios:					
17						
18	Long-Term Debt	0.00%	0.00%	0.00%	128.12%	124.71%
19						
20	Total Debt	0.00%	0.00%	0.00%	128.12%	124.71%
21						
22						
23	Preferred Stock	-	-	-	-	-
24						
25	Common Equity	100.00%	100.00%	100.00%	-28.12%	-24.71%
26						
27						
28	Total Capital	100.00%	100.00%	100.00%	100.00%	100.00%
29						
30						
31	Weighted Cost of					
32	Senior Capital	0.00%	0.00%	0.00%	0.00%	0.00%
33						
34						
35						
36						
37						
38	<u>SUPPORTING SCHEDULES:</u>					
39	E-1					
40	D-1					

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Construction Expenditures
 and Gross Utility Plant in Service

Exhibit
 Schedule A-4
 Page 1
 Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service (a)
1				
2	Prior Year Ended 12/31/2001	475,536	187,350	1,820,904
3				
4	Prior Year Ended 12/31/2002	1,705,319	1,801,537	3,622,441
5				
6	Prior Year Ended 12/31/2003	476,483	679,856	4,302,296
7				
8	Projected Year Ended 12/31/2004	63,698	63,698	4,365,994
9				
10	Projected Year Ended 12/31/2005	2,359,600	2,359,600	6,725,594
11				
12	(a) Adjusted			
13				
14				
15	<u>SUPPORTING SCHEDULES:</u>			
16	B-2			
17	E-5			
18	F-3			
19				
20				
21				
22				
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24				
25				
26				
27				

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Summary Statements of Cash Flows

Exhibit
 Schedule A-5
 Page 1
 Witness: Bourassa

Line
No.

	Prior Year Ended <u>12/31/2001</u>	Prior Year Ended <u>12/31/2002</u>	Test Year Ended <u>12/31/2003</u>	Projected Year		
				Present Rates <u>12/31/2004</u>	Proposed Rates Step 1 <u>12/31/2004</u>	Proposed Rates Step 2 <u>12/31/2005</u>
5 Cash Flows from Operating Activities						
6 Net Income	\$ 42,817	\$ (66,253)	\$ (72,645)	\$ (79,764)	\$ (67)	\$ 40,200
7 Adjustments to reconcile net income to net cash 8 provided by operating activities:						
9 Depreciation and Amortization	63,057	109,041	171,262	133,494	133,494	196,218
10 Deferred Income Taxes	3,680	6,096	13,295	-	-	-
11 Accumulated Deferred ITC	-	-	-	-	-	-
12 Changes in Certain Assets and Liabilities:						
13 Accounts Receivable	(4,636)	(10,421)	1,327	-	-	-
14 Materials & Supplies	-	(950)	(25,300)	-	-	-
15 Prepaid Expenses	-	-	-	-	-	-
16 Misc Current Assets and Deferred Expense	1,888	1,887	1,888	-	-	-
17 Accounts Payable and Accrued Liabilities	(6,696)	9,572	(5,187)	-	-	-
18 Accrued Income Taxes	1,777	725	5,142	-	-	-
19 Net Cash Flow provided by Operating Activities	<u>\$ 101,887</u>	<u>\$ 49,697</u>	<u>\$ 89,782</u>	<u>\$ 53,730</u>	<u>\$ 133,427</u>	<u>\$ 236,417</u>
20 Cash Flow From Investing Activities:						
21 Capital Expenditures	(475,536)	(1,705,319)	(476,483)	(63,698)	(63,698)	(2,359,600)
22 Plant Held for Future Use	-	-	-	-	-	-
23 Non-Utility Property	-	-	-	-	-	-
24 Net Cash Flows from Investing Activities	<u>\$ (475,536)</u>	<u>\$ (1,705,319)</u>	<u>\$ (476,483)</u>	<u>\$ (63,698)</u>	<u>\$ (63,698)</u>	<u>\$ (2,359,600)</u>
25 Cash Flow From Financing Activities						
26 (Decrease) Increase in Net Amounts due to Parent and 27 Affiliates	(66)	(13,551)	5,000	-	-	-
28 Customer Deposits	2,669	32,387	842	-	-	-
29 Changes in Advances for Construction	706,678	1,516,202	337,359	-	-	-
30 Changes in Contributions for Construction	-	73,317	-	-	-	-
31 Proceeds from Long-Term Debt Borrowing	-	-	-	-	-	1,883,600
32 Repayments of Long-Term Debt	-	-	-	-	-	-
33 Dividends Paid	-	-	-	-	-	-
34 Deferred Financing Costs	-	-	-	-	-	-
35 Proceeds from Additional Paid-in-Capital	-	-	-	-	-	-
36 Net Cash Flows Provided by Financing Activities	<u>\$ 709,281</u>	<u>\$ 1,608,355</u>	<u>\$ 343,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,883,600</u>
37 Increase(decrease) in Cash and Cash Equivalents	335,632	(47,267)	(43,500)	(9,968)	69,729	(239,583)
38 Cash and Cash Equivalents at Beginning of Year	28,214	363,846	316,579	273,079	273,079	342,808
39 Cash and Cash Equivalents at End of Year	<u>\$ 363,846</u>	<u>\$ 316,579</u>	<u>\$ 273,079</u>	<u>\$ 263,111</u>	<u>\$ 342,808</u>	<u>\$ 103,225</u>

43 SUPPORTING SCHEDULES:

44 E-3

45 F-2

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1 Step 1
 Page 1
 Witness: Bourassa

Line No.		Original Cost <u>Rate base</u>
1		
2	Gross Utility Plant in Service	\$ 4,302,296
3	Less: Accumulated Depreciation	<u>1,391,574</u>
4		
5	Net Utility Plant in Service	\$ 2,910,722
6		
7	<u>Less:</u>	
8	Advances in Aid of	
9	Construction	3,180,500
10	Contributions in Aid of	
11	Construction - Net of amortization	323,598
12	Customer Meter Deposits	46,999
13	Deferred Income Taxes & Credits	-
14	Investment tax Credits	-
15	<u>Plus:</u>	
16	Unamortized Finance	
17	Charges	-
18	Deferred Tax Assets	-
19	Allowance for Working Capital	99,686
20	Citizens Acquisition Adjustment	-
21		
22	Total Rate Base	<u>\$ (540,689)</u>
23		
24		
25		

26 SUPPORTING SCHEDULES:
 27 B-2 Step 1
 28 B-3 (not filed)
 29 B-5 Step 1
 30 E-1
 31

RECAP SCHEDULES:
 A-1 Step 1

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2 Step 1
 Page 1
 Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments Label	Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	\$ 4,313,786	1	(11,490)	\$ 4,302,296
3					
4	Less:				
5					
6	Accumulated				
7	Depreciation	<u>1,533,754</u>	2	(142,180)	<u>1,391,574</u>
8					
9	Net Utility Plant				
10	in Service	\$ 2,780,032			\$ 2,910,722
11					
12	Less:				
13	Advances in Aid of				
14	Construction	\$ 3,180,500			\$ 3,180,500
15	Contributions in Aid of				
16	Construction - Net	293,221	3	30,377	323,598
17					
18	Customer Meter Deposits	46,999			46,999
19	Deferred Income Taxes	-			-
20	Investment Tax Credits	-			-
21	Plus:				
22					
23	Deferred Tax Assets	-			-
24					
25	Working capital	99,686			99,686
26					
27					
28	Total	<u>\$ (641,002)</u>			<u>\$ (540,689)</u>

32 SUPPORTING SCHEDULES:
 33 E-1
 34 B-2 Step 1, Pages 2-4
 35 B-5

RECAP SCHEDULES:
 B-1 Step 1

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Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustment to Plant-In-Service
Adjustment Number 1

Exhibit
Schedule B-2 Step 1
Page 2
Witness: Bourassa

Line
No.

1		
2	Plant Per Schedule B-2, Pages 2a-2f	\$ 4,302,296
3	Plant Per E-1 Schedule	<u>4,313,786</u>
4	Adjustment to Plant	<u>\$ (11,490)</u>
5		
6		
7		
8		
9		
10		
11		
12		
13		

Account	2000 Plant Additions	2000 Plant Adjustments	2000 Adjusted Plant Additions	2000 Plant Retirements	2000 Plant Balance	2000 Deprec.
No. Description						
301 Organization Cost			-		-	-
302 Franchise Cost			-		-	-
303 Land and Land Rights			-		44,046	-
304 Structures and Improvements			-		8,622	395
305 Collecting and Impounding Res.			-		-	-
306 Lake River and Other Intakes			-		-	-
307 Wells and Springs			-		90,755	4,159
308 Infiltration Galleries and Tunnels			-		-	-
309 Supply Mains			-		-	-
310 Power Generation Equipment			-		-	-
311 Electric Pumping Equipment			-		163,201	11,220
320 Water Treatment Equipment			-		701	32
330 Distribution Reservoirs & Standpipe			-		241,915	10,414
331 Transmission and Distribution Mains	416		416		921,872	39,171
333 Services	4,183		4,183		39,793	1,728
334 Meters	10,849		10,849		69,994	3,766
335 Hydrants			-		2,182	93
336 Backflow Prevention Devices			-		-	-
339 Other Plant and Miscellaneous Equipment			-		-	-
340 Office Furniture and Fixtures			-		21,749	1,178
341 Transportation Equipment			-		6,800	595
342 Stores Equipment			-		-	-
343 Tools and Work Equipment			-		12,133	607
344 Laboratory Equipment			-		-	-
345 Power Operated Equipment			-		5,599	280
346 Communications Equipment			-		-	-
347 Miscellaneous Equipment			-		-	-
348 Other Tangible Plant			-		4,192	157
Plant Held for Future Use			-		-	-
TOTAL WATER PLANT	15,449	-	15,449	-	1,633,554	73,795
Depreciation/Composite Rate					<u>73,795</u>	<u>4.517%</u>
(a) Staff Accumulated Depreciation Allocated to Plant.					<u>-</u>	
Retirements (excluding land)					<u>-</u>	
Accumulated Depreciation Balance					<u>1,097,632</u>	
Half Year Convention used on depreciation						

Account	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	2001 Plant Balance	2001 Deprec.
No. Description						
301 Organization Cost			-		-	-
302 Franchise Cost			-		-	-
303 Land and Land Rights			-		44,046	-
304 Structures and Improvements			-		8,622	287
305 Collecting and Impounding Res.			-		-	-
306 Lake River and Other Intakes			-		-	-
307 Wells and Springs	6,006		6,006		96,761	3,122
308 Infiltration Galleries and Tunnels			-		-	-
309 Supply Mains	155,059		155,059		155,059	1,551
310 Power Generation Equipment			-		-	-
311 Electric Pumping Equipment	4,291		4,291		167,492	20,668
320 Water Treatment Equipment			-		701	23
330 Distribution Reservoirs & Standpipe			-		241,915	5,371
331 Transmission and Distribution Mains			-		921,872	18,437
333 Services	4,499		4,499		44,292	1,400
334 Meters	12,360		12,360		82,354	6,345
335 Hydrants			-		2,182	44
336 Backflow Prevention Devices			-		-	-
339 Other Plant and Miscellaneous Equipment			-		-	-
340 Office Furniture and Fixtures	1,688		1,688		23,437	1,507
341 Transportation Equipment			-		6,800	1,360
342 Stores Equipment			-		-	-
343 Tools and Work Equipment	3,447		3,447		15,581	693
344 Laboratory Equipment			-		-	-
345 Power Operated Equipment			-		5,599	280
346 Communications Equipment			-		-	-
347 Miscellaneous Equipment			-		-	-
348 Other Tangible Plant			-		4,192	-
Plant Held for Future Use			-		-	-
TOTAL WATER PLANT	187,350	-	187,350	-	1,820,904	61,088
Depreciation/Composite Rate					<u>61,088</u>	3.355%
(a) Staff Accumulated Depreciation Allocated to Plant.					<u>-</u>	
Retirements (excluding land)					<u>-</u>	
Accumulated Depreciation Balance					<u>1,158,720</u>	
Half Year Convention used on depreciation						

Account	2002 Plant Additions	2002 Plant Adjustments	2002 Adjusted Plant Additions	2002 Plant Retirements	2002 Plant Balance	2002 Deprec.
No. Description						
301 Organization Cost			-		-	-
302 Franchise Cost			-		-	-
303 Land and Land Rights			-		44,046	-
304 Structures and Improvements			-		8,622	287
305 Collecting and Impounding Res.			-		-	-
306 Lake River and Other Intakes			-		-	-
307 Wells and Springs	815,985		815,985		912,746	16,808
308 Infiltration Galleries and Tunnels			-		-	-
309 Supply Mains			-		155,059	3,101
310 Power Generation Equipment			-		-	-
311 Electric Pumping Equipment	23,448		23,448		190,940	22,402
320 Water Treatment Equipment	273		273		974	28
330 Distribution Reservoirs & Standpipe	14,907		14,907		256,822	5,536
331 Transmission and Distribution Mains	673,420		673,420		1,595,292	25,172
333 Services	7,118		7,118		51,410	1,593
334 Meters	192,635		192,635		274,989	14,883
335 Hydrants	72,000		72,000		74,182	764
336 Backflow Prevention Devices			-		-	-
339 Other Plant and Miscellaneous Equipment			-		-	-
340 Office Furniture and Fixtures	859		859		24,295	1,592
341 Transportation Equipment			-		6,800	1,360
342 Stores Equipment			-		-	-
343 Tools and Work Equipment	892		892		16,472	801
344 Laboratory Equipment			-		-	-
345 Power Operated Equipment			-		5,599	280
346 Communications Equipment			-		-	-
347 Miscellaneous Equipment			-		-	-
348 Other Tangible Plant			-		4,192	-
Plant Held for Future Use			-		-	-
TOTAL WATER PLANT	1,801,537	-	1,801,537	-	3,622,441	94,608
Depreciation/Composite Rate					94,608	2.612%
(a) Staff Accumulated Depreciation Allocated to Plant.					-	-
Retirements (excluding land)					-	-
Accumulated Depreciation Balance					1,253,328	
Half Year Convention used on depreciation						

Valley Utilities Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2 e
Witness: Bourassa

Account	2003 Plant Additions	2003 Plant Adjustments	2003 Adjusted Plant Additions	2003 Plant Retirements	Plant Retirements To Date	2003 Plant Balance	2003 Deprec.
No. Description							
301 Organization Cost			-		-	-	-
302 Franchise Cost			-		-	-	-
303 Land and Land Rights			-		-	44,046	-
304 Structures and Improvements	3,681		3,681		-	12,303	348
305 Collecting and Impounding Res.			-		-	-	-
306 Lake River and Other Intakes			-		-	-	-
307 Wells and Springs	34,202		34,202		-	946,947	30,964
308 Infiltration Galleries and Tunnels			-		-	-	-
309 Supply Mains			-		-	155,059	3,101
310 Power Generation Equipment			-		-	-	-
311 Electric Pumping Equipment	16,233		16,233		-	207,173	24,882
320 Water Treatment Equipment	2,251		2,251		-	3,225	70
330 Distribution Reservoirs & Standpipe	27,218		27,218		-	284,041	6,004
331 Transmission and Distribution Mains	495,731		495,731		-	2,091,023	36,863
333 Services	3,073		3,073		-	54,483	1,763
334 Meters	43,643		43,643		-	318,631	24,724
335 Hydrants	5,906		5,906		-	80,088	1,543
336 Backflow Prevention Devices			-		-	-	-
339 Other Plant and Miscellaneous Equipment			-		-	-	-
340 Office Furniture and Fixtures	9,019		9,019		-	33,314	1,921
341 Transportation Equipment	35,026		35,026		-	41,826	4,863
342 Stores Equipment			-		-	-	-
343 Tools and Work Equipment	3,542		3,542		-	20,015	912
344 Laboratory Equipment			-		-	-	-
345 Power Operated Equipment	331		331		-	5,930	288
346 Communications Equipment			-		-	-	-
347 Miscellaneous Equipment			-		-	-	-
348 Other Tangible Plant			-		-	4,192	-
Plant Held for Future Use			-		-	-	-
TOTAL WATER PLANT	679,856	-	679,856	-	-	4,302,296	138,247
Depreciation/Composite Rate						138,247	3.213%
(a) Staff Accumulated Depreciation Allocated to Plant.							
Retirements (excluding land)							
Accumulated Depreciation Balance						1,391,574	
Half Year Convention used on depreciation							

		<u>Year End Accumulated</u>					
		<u>Depreciation by Account</u>					
		Dec-98	Dec-99	Dec-00	Dec-01	Dec-02	Dec-03
<u>Account</u>		<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
No.	Description						
301	Organization Cost	-	-	-	-	-	-
302	Franchise Cost	-	-	-	-	-	-
303	Land and Land Rights	26,266	26,266	26,266	26,266	26,266	26,266
304	Structures and Improvements	5,142	5,573	5,968	6,255	6,542	6,890
305	Collecting and Impounding Res.	-	-	-	-	-	-
306	Lake River and Other Intakes	-	-	-	-	-	-
307	Wells and Springs	51,436	55,861	60,020	63,142	79,950	110,914
308	Infiltration Galleries and Tunnels	-	-	-	-	-	-
309	Supply Mains	-	-	-	1,551	4,652	7,753
310	Power Generation Equipment	-	-	-	-	-	-
311	Electric Pumping Equipment	94,926	102,986	114,206	134,875	157,277	182,159
320	Water Treatment Equipment	418	453	485	509	536	606
330	Distribution Reservoirs & Standpipe	144,260	156,356	166,770	172,140	177,676	183,680
331	Transmission and Distribution Mains	549,033	595,086	634,257	652,695	677,866	714,729
333	Services	18,434	20,097	21,825	23,225	24,818	26,581
334	Meters	28,141	30,800	34,566	40,911	55,794	80,518
335	Hydrants	1,301	1,410	1,503	1,547	2,310	3,853
336	Backflow Prevention Devices	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-
340	Office Furniture and Fixtures	9,709	10,659	11,838	13,345	14,937	16,858
341	Transportation Equipment	4,055	4,395	4,990	6,350	7,710	12,573
342	Stores Equipment	-	-	-	-	-	-
343	Tools and Work Equipment	6,971	7,567	8,173	8,866	9,667	10,580
344	Laboratory Equipment	-	-	-	-	-	-
345	Power Operated Equipment	3,339	3,619	3,899	4,179	4,459	4,747
346	Communications Equipment	-	-	-	-	-	-
347	Miscellaneous Equipment	-	-	-	-	-	-
348	Other Tangible Plant	2,500	2,709	2,867	2,867	2,867	2,867
	Plant Held for Future Use	-	-	-	-	-	-
	TOTAL WATER PLANT	945,930	1,023,837	1,097,632	1,158,720	1,253,328	1,391,574
	Depreciation/Composite Rate						
(a)	Staff Accumulated Depreciation Allocated to Plant.						
	Retirements (excluding land)						
	Accumulated Depreciation Balance						
	Half Year Convention used on depreciation						

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustment to Accumulated Depreciation
Adjustment Number 2

Exhibit
Schedule B-2 Step 1
Page 3
Witness: Bourassa

Line
No.

1		
2	Accum. Depr. Per Schedule B-2, Pages 2a-2f	\$ 1,391,574
3	Accum. Depr. Per E-1 Schedule	<u>1,533,754</u>
4	Adjustment to Accumulated Depreciation	<u>\$ (142,180)</u>
5		
6		
7		
8		
9		
10		
11		
12		
13		

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustment to Accumulated Amortization of CIAC
 Adjustment Number 3

Exhibit
 Schedule B-2 Step 1
 Page 4
 Witness: Bourassa

Line
 No.

1	<u>Computation of CIAC Balances</u>			
2				
3	Balance at 12/31/1998 per Decision		\$	417,416
4	Additions 1999			-
5	Balance at 12/31/1999		\$	417,416
6	Additions 2000			3,365
7	Balance at 12/31/2000		\$	420,781
8	Additions 2001			-
9	Balance at 12/31/2001		\$	420,781
10	Additions 2002			73,317
11	Balance at 12/31/2002		\$	494,098
12	Additions 2003			-
13	Balance at 12/31/2003		\$	494,098
14				
15				
16	<u>Computation of Accumulated Amortization CIAC Balances</u>			
17				
18	Balance at 12/31/1998 per Decision		\$	88,496
19	Amortization at composite rate	4.815%	1999	20,097
20	Balance at 12/31/1999		\$	108,593
21	Amortization at composite rate	4.517%	2000	19,009
22	Balance at 12/31/2000		\$	127,602
23	Amortization at composite rate	3.355%	2001	14,116
24	Balance at 12/31/2001		\$	141,718
25	Amortization at composite rate	2.612%	2002	12,904
26	Balance at 12/31/2002		\$	154,623
27	Amortization at composite rate	3.213%	2003	15,877
28	Balance at 12/31/2003		\$	170,500
29				
30	Accum. Amortization Balance per Computation		\$	170,500
31	Balance at End of Test Year			200,877
32	Adjustment to Accum. Amort. CIAC		\$	(30,377)
33				
34				

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1 - Step 2
 Page 1
 Witness: Bourassa

Line No.		Original Cost Rate base
1		
2	Gross Utility Plant in Service	\$ 6,185,896
3	Less: Accumulated Depreciation	1,542,591
4		<hr/>
5	Net Utility Plant in Service	\$ 4,643,305
6		
7	<u>Less:</u>	
8	Advances in Aid of	
9	Construction	3,180,500
10	Contributions in Aid of	
11	Construction - Net of amortization	306,255
12	Customer Meter Deposits	46,999
13	Deferred Income Taxes & Credits	-
14	Investment tax Credits	-
15	<u>Plus:</u>	
16	Unamortized Finance	
17	Charges	-
18	Deferred Tax Assets	-
19	Allowance for Working Capital	134,383
20	Citizens Acquisition Adjustment	-
21		
22	Total Rate Base	<hr/> \$ 1,243,934 <hr/>

26 SUPPORTING SCHEDULES:

- 27 B-2 Step 2
- 28 B-3 (not filed)
- 29 B-5 Step 2
- 30
- 31

RECAP SCHEDULES:

- A-1 Step 2

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2 Step 2
 Page 1
 Witness: Bourassa

Line No.		Step 1 Adjusted at end of <u>Test Year</u>	Proforma Adjustments <u>Label</u>	<u>Amount</u>	Step 2 Adjusted at end of <u>Test Year</u>
1	Gross Utility				
2	Plant in Service	\$ 4,302,296	1	1,883,600	\$ 6,185,896
3					
4	Less:				
5					
6	Accumulated				
7	Depreciation	<u>1,391,574</u>	2	151,017	<u>1,542,591</u>
8					
9	Net Utility Plant				
10	in Service	\$ 2,910,722			\$ 4,643,305
11					
12	Less:				
13	Advances in Aid of				
14	Construction	\$ 3,180,500			\$ 3,180,500
15	Contributions in Aid of				
16	Construction - Net	323,598	3	(17,344)	306,255
17					
18	Customer Meter Deposits	46,999			46,999
19	Deferred Income Taxes	-			-
20	Investment Tax Credits	-			-
21	Plus:				
22					
23	Deferred Tax Assets	-			-
24					
25	Working capital	99,686	4	34,697	134,383
26					
27					
28	Total	<u>\$ (540,689)</u>			<u>\$ 1,243,934</u>

SUPPORTING SCHEDULES:
 B-2 Step 2, Page 2

RECAP SCHEDULES:
 B-1 Step 2

34
 35
 36
 37
 38
 39
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 41
 42

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustment to Accumulated Depreciation
Adjustment Number 1

Exhibit
Schedule B-2 Step 2
Page 2
Witness: Bourassa

Line

No.

1	Post Test Year Water Treatment Plant	
2		
3	Arsenic Treatment Plant Wells 4, 5, and 6	\$ 1,383,600
4	Arsenic Treatment Plant Wells 1 and 2	500,000
5	Total Arsenic Treatment Cost	<u>\$ 1,883,600</u>
6		
7		
8	Adjustment to Plant in Service	<u>\$ 1,883,600</u>
9		
10		
11		
12		
13		
14		

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustment to Accumulated Depreciation
 Adjustment Number 2

Exhibit
 Schedule B-2 Step 2
 Page 3
 Witness: Bourassa

Line

No.

1 Depreciation Expense

2

3 **Account**

4 <u>No.</u>	5 <u>Description</u>	6 <u>Original Cost</u>	7 <u>Rate</u>	8 <u>Depreciation Expense</u>
6	301 Organization Cost	\$ -	0.00%	\$ -
7	302 Franchise Cost	-	0.00%	-
8	303 Land and Land Rights	44,046	0.00%	-
9	304 Structures and Improvements	12,303	3.33%	410
10	305 Collecting and Impounding Res.	-	2.50%	-
11	306 Lake River and Other Intakes	-	2.50%	-
12	307 Wells and Springs	946,947	3.33%	31,533
13	308 Infiltration Galleries and Tunnels	-	6.67%	-
14	309 Supply Mains	155,059	2.00%	3,101
15	310 Power Generation Equipment	-	5.00%	-
16	311 Electric Pumping Equipment	207,173	12.50%	25,897
17	320 Water Treatment Equipment	3,225	3.33%	107
18	330 Distribution Reservoirs & Standpipe	284,041	2.22%	6,306
19	331 Transmission and Distribution Mains	2,091,023	2.00%	41,820
20	333 Services	54,483	3.33%	1,814
21	334 Meters	318,631	8.33%	26,542
22	335 Hydrants	80,088	2.00%	1,602
23	336 Backflow Prevention Devices	-	6.67%	-
24	339 Other Plant and Miscellaneous Equipment	-	6.67%	-
25	340 Office Furniture and Fixtures	33,314	6.67%	2,222
26	341 Transportation Equipment	41,826	20.00%	8,365
27	342 Stores Equipment	-	4.00%	-
28	343 Tools and Work Equipment	20,015	5.00%	1,001
29	344 Laboratory Equipment	-	10.00%	-
30	345 Power Operated Equipment	5,930	5.00%	296
31	346 Communications Equipment	-	10.00%	-
32	347 Miscellaneous Equipment	-	10.00%	-
33	348 Other Tangible Plant	4,192	0.00%	-

34

35

36

37

38

39

40 TOTALS \$ 4,302,296 \$ 151,017

41

42 Composite Rate 3.51%

43

44 Adjustment to Accumulated Depreciation \$ 151,017

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustment to Contributions in Aid of Construction
Adjustment Number 3

Exhibit
Schedule B-2 Step 2
Page 4
Witness: Bourassa

Line

No.

1

2 Amortization of Contributions in Aid of Construction (CIAC)

3

4

5 CIAC Balance at 12/31/2004 \$ 494,098

6 Composite Rate from depreciaion schedule (B-2, Page 3) 3.51%

7 Amortization \$ 17,344

8

9

10 Adjustment to CIAC \$ (17,344)

11

12

13

14

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22

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustment to Working Capital
Adjustment Number 4

Exhibit
Schedule B-2 Step 2
Page 5
Witness: Bourassa

Line
No.
1
2
3
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14

3	Workig Capital per B-5 Step 2	\$	134,383
4	Workig Capital per B-5 Step 1		<u>99,686</u>
5	Increase (decrease)	\$	34,697
9	Adjustment to working capital	\$	<u>34,697</u>

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Computation of Working Capital

Exhibit
Schedule B-5 Step 1
Page 1
Witness: Bourassa

Line
No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	68,467
3	Pumping Power (1/24 of Pumping Power)		4,418
4	Material and Supplies Inventories		26,800
5	Prepayments		-
6			
7			
8	Total Working Capital Allowance	<u>\$</u>	<u>99,686</u>
9			
10			
11	Working Capital Requested	<u>\$</u>	<u>99,686</u>
12			
13			

14 SUPPORTING SCHEDULES:

15 C-1 Step 1

16

RECAP SCHEDULES:

B-1 Step 1

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Computation of Working Capital

Exhibit
Schedule B-5 Step 2
Page 1
Witness: Bourassa

Line
No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	103,164
3	Pumping Power (1/24 of Pumping Power)		4,418
4	Material and Supplies Inventories		26,800
5	Prepayments		-
6			
7			
8	Total Working Capital Allowance	<u>\$</u>	<u>134,383</u>
9			
10			
11	Working Capital Requested	<u>\$</u>	<u>134,383</u>
12			

13
14 SUPPORTING SCHEDULES:

15 C-1 Step 2

16

RECAP SCHEDULES:

B-1 Step 2

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Income Statement

Exhibit
 Schedule C-1 Step 1
 Page 1
 Witness: Bourassa

Line No.		Test Year Book Results	Label	Step 1 Adjustment	Step 1 Test Year Adjusted Results	Step 1 Proposed Rate Increase	Step 1 Adjusted with Rate Increase
1	Revenues						
2	Metered Water Revenues	\$ 773,023	4	12,751	\$ 785,774	100,784	\$ 886,558
3	Unmetered Water Revenues	-			-		-
4	Other Water Revenues	41,791			41,791		41,791
5		<u>\$ 814,814</u>		<u>\$ 12,751</u>	<u>\$ 827,565</u>	<u>\$ 100,784</u>	<u>\$ 928,349</u>
6	Operating Expenses						
7	Salaries and Wages	\$ 253,382	8	(39,169)	\$ 214,213		\$ 214,213
8	Purchased Water	-			-		-
9	Purchased Power	104,387	5	1,656	106,043		106,043
10	Chemicals	2,225			2,225		2,225
11	Repairs and Maintenance	21,743			21,743		21,743
12	Office Supplies and Expense	30,348			30,348		30,348
13	Outside Services	5,382			5,382		5,382
14	Water Testing	1,599			1,599		1,599
15	Rents	71,493			71,493		71,493
16	Transportation Expenses	39,015			39,015		39,015
17	Insurance - General Liability	9,083			9,083		9,083
18	Insurance - Health and Life	69,194	8c	(10,696)	58,498		58,498
19	Regulatory Commission Expense - Rate Case	1,888	3	28,112	30,000		30,000
20	Miscellaneous Expense	46,526			46,526		46,526
21	Depreciation Expense	171,263	1	(37,769)	133,494		133,494
22	Other Taxes and Licenses	19,291	8b	(1,679)	17,612		17,612
23	Property Taxes	25,424	2	22,834	48,258		48,258
24	Income Tax	17,820		(38,925)	(21,105)	21,087	(18)
25					-		-
26	Total Operating Expenses	<u>\$ 890,063</u>		<u>\$ (75,636)</u>	<u>\$ 814,427</u>	<u>\$ 21,087</u>	<u>\$ 835,514</u>
27	Operating Income	<u>\$ (75,249)</u>		<u>\$ 88,387</u>	<u>\$ 13,138</u>	<u>\$ 79,697</u>	<u>\$ 92,835</u>
28	Other Income (Expense)						
29	Interest Income	2,970	6	(2,970)	-		-
30	Other income	-			-		-
31	Income Tax Provision	-			-		-
32	Interest Expense	(366)	7	(92,536)	(92,902)		(92,902)
33	Other Expense	-			-		-
34	Gain/Loss Sale of Fixed Assets	-			-		-
35	Total Other Income (Expense)	<u>\$ 2,604</u>		<u>\$ (95,506)</u>	<u>\$ (92,902)</u>	<u>\$ -</u>	<u>\$ (92,902)</u>
36	Net Profit (Loss)	<u>\$ (72,645)</u>		<u>\$ (7,119)</u>	<u>\$ (79,764)</u>	<u>\$ 79,697</u>	<u>\$ (67)</u>

37
 38 SUPPORTING SCHEDULES:

39 C-2 Step 1

40 E-2

41

RECAP SCHEDULES:

A-1 Step 1

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustments to Revenues and Expenses

Exhibit
 Schedule C-2 Step 1
 Page 1
 Witness: Bourassa

Line No.	Step 1 - Adjustments to Revenues and Expenses						Subtotal
	1	2	3	4	5	6	
1							
2	<u>Depreciation</u>	<u>Property Taxes</u>	<u>Rate Case Expense</u>	<u>Revenue Annualization</u>	<u>Annualization Purchased Power</u>	<u>Remove Interest Income</u>	
3	Revenues			12,751			12,751
4							
5	Expenses	(37,769)	22,834	28,112	1,656		14,833
6							
7	Operating Income	37,769	(22,834)	(28,112)	12,751	(1,656)	(2,082)
8							
9	Interest Expense						
10	Other Income / Expense					(2,970)	
11							
12	Net Income	37,769	(22,834)	(28,112)	12,751	(1,656)	(2,082)
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36	Net Income	(92,536)	51,544	-	-	-	(43,074)
37							
38							

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Schedule C-2 Step 1
 Page 2
 Witness: Bourassa

Line

No.

Depreciation Expense

Account	Description	Original Cost	Rate	Depreciation Expense
No.	Description	Original Cost	Rate	Expense
6	301	Organization Cost	\$ -	0.00% \$ -
7	302	Franchise Cost	-	0.00% -
8	303	Land and Land Rights	44,046	0.00% -
9	304	Structures and Improvements	12,303	3.33% 410
10	305	Collecting and Impounding Res.	-	2.50% -
11	306	Lake River and Other Intakes	-	2.50% -
12	307	Wells and Springs	946,947	3.33% 31,533
13	308	Infiltration Galleries and Tunnels	-	6.67% -
14	309	Supply Mains	155,059	2.00% 3,101
15	310	Power Generation Equipment	-	5.00% -
16	311	Electric Pumping Equipment	207,173	12.50% 25,897
17	320	Water Treatment Equipment	3,225	3.33% 107
18	330	Distribution Reservoirs & Standpipe	284,041	2.22% 6,306
19	331	Transmission and Distribution Mains	2,091,023	2.00% 41,820
20	333	Services	54,483	3.33% 1,814
21	334	Meters	318,631	8.33% 26,542
22	335	Hydrants	80,088	2.00% 1,602
23	336	Backflow Prevention Devices	-	6.67% -
24	339	Other Plant and Miscellaneous Equipment	-	6.67% -
25	340	Office Furniture and Fixtures	33,314	6.67% 2,222
26	341	Transportation Equipment	41,826	20.00% 8,365
27	342	Stores Equipment	-	4.00% -
28	343	Tools and Work Equipment	20,015	5.00% 1,001
29	344	Laboratory Equipment	-	10.00% -
30	345	Power Operated Equipment	5,930	5.00% 296
31	346	Communications Equipment	-	10.00% -
32	347	Miscellaneous Equipment	-	10.00% -
33	348	Other Tangible Plant	4,192	0.00% -
34				
35				
36				
37				
38				
39				
40	TOTALS	<u>\$ 4,302,296</u>		<u>\$ 151,017</u>
41				
42				
43				
44				
45				
46				
47				
48	Less: Amortization of Contributions	\$ 494,098	3.5465%	(17,523)
49				
50	Total Depreciation Expense			<u>\$ 133,494</u>
51				
52	Test Year Depreciation Expense			<u>171,263</u>
53				
54	Increase (decrease) in Depreciation Expense			<u>(37,769)</u>
55				
56	Adjustment to Revenues and/or Expenses			<u>\$ (37,769)</u>
57				

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustments to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Schedule C-2 Step 1
 Page 3
 Witness: Bourassa

Line No.		
1	<u>Property Taxes</u>	
2		
3	Adjusted Revenues in year ended 12/31/03	\$ 827,565
4	Adjusted Revenues in year ended 12/31/03	827,565
5	Proposed Revenues	<u>928,349</u>
6	Average of three year's of revenue	<u>\$ 861,160</u>
7	Average of three year's of revenue, times 2	<u>\$ 1,722,320</u>
8	Add:	
9	Construction Work in Progress at 10%	0
10	Deduct:	
11	Book Value of Transportation Equipment	29,253
12		
13	Total Book Value of Transportation Equipment	<u>\$ 29,253</u>
14		
15	Full Cash Value	\$ 1,693,067
16	Assessment Ratio	<u>25%</u>
17	Assessed Value	<u>423,267</u>
18	Property Tax Rate	11.13624%
19		
20	Property Tax	47,136
21	Tax on Parcels	1,122
22		
23	Total Property Tax at Proposed Rates	<u>\$ 48,258</u>
24	Property Taxes in the test year	<u>25,424</u>
25	Change in Property Taxes	<u>\$ 22,834</u>
26		
27		
28	Adjustment to Revenues and/or Expenses	<u>\$ 22,834</u>
29		
30		

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustments to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2 Step 1
Page 4
Witness: Bourassa

<u>Line</u> <u>No.</u>			
1	<u>Rate Case Expense</u>		
2			
3	Rate Case expense	\$	150,000
4	Amortization Period (Years)		5
5	Annual Amortization Expense	\$	30,000
6	Rate Case Expense in Test Year		<u>1,888</u>
7	Change in Rate Case Expense	\$	<u>28,112</u>
8			
9	Adjustment to Revenues and/or Expense	\$	<u>28,112</u>
10			
11			

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2001
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 4

Exhibit
Schedule C-2 Step 1
Page 5
Witness: Bourassa

Line

No.

1	Revenue Annualization	
2		
3	Revenues from annualization of customers	\$ 12,751
4		
5		
6	Increase (decrease) in Revenues/ Expenses	<u>\$ 12,751</u>
7		
8	Adjustment to Revenue and/or Expense	<u>\$ 12,751</u>
9		
10	Supporting Schedule H-1, page 1	
11		

Valley Utilities Water Company, Inc.
 5/8 Inch Residential
 Customers to Year End Levels
 Test Year Ended December 31, 2003

Exhibit
 Schedule C-2
 Page 5.1
 Witness: Bourassa

Line No.	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03
1	243	243	243	243	243	243	243
2	246	245	247	246	250	250	247
3	(3)	(2)	(4)	(3)	(7)	(7)	(4)
4	\$ 22.18	\$ 21.52	\$ 20.47	\$ 26.99	\$ 28.51	\$ 31.37	\$ 33.41
5	\$ (67)	\$ (43)	\$ (82)	\$ (81)	\$ (200)	\$ (220)	\$ (134)
6							
7	(3)	(2)	(4)	(3)	(7)	(7)	(4)
8	\$ 24.20	\$ 23.48	\$ 22.32	\$ 30.23	\$ 32.27	\$ 36.15	\$ 39.15
9	\$ (73)	\$ (47)	\$ (89)	\$ (91)	\$ (226)	\$ (253)	\$ (157)
10	(20,959)	(13,242)	(24,148)	(28,989)	(73,531)	(84,675)	(52,901)
11							
12	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	
15	243	243	243	243	243		
16	246	247	248	243	243		
17	(3)	(4)	(5)	-	-	(42)	
18	\$ 27.63	\$ 32.49	\$ 26.09	\$ 21.19	\$ 23.18		
19	\$ (83)	\$ (130)	\$ (130)	\$ -	\$ -	\$ (1,169)	
20							
21	(3)	(4)	(5)	-	-		
22	\$ 31.09	\$ 37.80	\$ 29.03	\$ 23.12	\$ 25.31		
23	\$ (83)	\$ (130)	\$ (130)	\$ -	\$ -	\$ (1,325)	
24	(30,050)	(50,876)	(45,819)	-	-	(425,191)	

Valley Utilities Water Company, Inc.
 3/4 Inch Residential
 Customers to Year End Levels
 Test Year Ended December 31, 2003

Exhibit
 Schedule C-2
 Page 5.2
 Witness: Bourassa

Line No.		Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03
1	Year End Number of Customers	602	602	602	602	602	602	602
2	Actual Customers	521	530	546	580	593	596	608
3	Increase in Number of Customers/Bills	81	72	56	22	9	6	(6)
4	Average Revenue / Present Rates	\$ 27.62	\$ 26.19	\$ 26.40	\$ 33.87	\$ 34.23	\$ 35.79	\$ 38.39
5	Revenue Annualization / Present Rates	\$ 2,237	\$ 1,885	\$ 1,478	\$ 745	\$ 308	\$ 215	\$ (230)
6								
7	Increase in Number of Customers	81	72	56	22	9	6	(6)
8	Average Revenue / Proposed Rates	\$ 30.09	\$ 28.51	\$ 28.74	\$ 36.97	\$ 37.36	\$ 39.08	\$ 42.50
9	Revenue Annualization / Proposed Rates	\$ 2,438	\$ 2,053	\$ 1,610	\$ 813	\$ 336	\$ 234	\$ (255)
10	Additional Gallons to be Produced	590,515	467,424	370,078	236,738	98,633	70,961	(79,631)
11								
12		Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03		Total Year
13								
14								
15	Year End Number of Customers	602	602	602	602	602		
16	Actual Customers	622	605	614	596	602		
17	Increase in Number of Customers/Bills	(20)	(3)	(12)	6	-		211
18	Average Revenue / Present Rates	\$ 36.71	\$ 40.33	\$ 34.13	\$ 27.88	\$ 31.38		
19	Revenue Annualization / Present Rates	\$ (734)	\$ (121)	\$ (410)	\$ 167	\$ -		\$ 5,541
20								
21	Increase in Number of Customers	(20)	(3)	(12)	6	-		
22	Average Revenue / Proposed Rates	\$ 40.24	\$ 45.11	\$ 37.25	\$ 30.38	\$ 34.23		
23	Revenue Annualization / Proposed Rates	\$ (734)	\$ (121)	\$ (410)	\$ 167	\$ -		\$ 6,025
24	Additional Gallons to be Produced	(246,739)	(43,050)	(130,864)	44,595	-		1,378,660

Valley Utilities Water Company, Inc.
 1 Inch Residential
 Customers to Year End Levels
 Test Year Ended December 31, 2003

Exhibit
 Schedule C-2
 Page 5.3
 Witness: Bourassa

Line No.	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03
1	271	271	271	271	271	271	271
2	224	233	238	246	259	262	269
3	47	38	33	25	12	9	2
4	\$ 47.19	\$ 43.35	\$ 43.69	\$ 61.47	\$ 62.02	\$ 66.73	\$ 70.67
5	\$ 2,218	\$ 1,647	\$ 1,442	\$ 1,537	\$ 744	\$ 601	\$ 141
6							
7	47	38	33	25	12	9	2
8	\$ 51.43	\$ 47.20	\$ 47.58	\$ 67.50	\$ 68.24	\$ 74.57	\$ 79.46
9	\$ 2,417	\$ 1,794	\$ 1,570	\$ 1,687	\$ 819	\$ 671	\$ 159
10	605,568	408,396	360,936	520,446	253,473	213,662	51,521
11							
12	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	
13							
14							
15	271	271	271	271	271		
16	270	274	278	271	271		
17	1	(3)	(7)	-	-	157	
18	\$ 70.81	\$ 86.96	\$ 59.54	\$ 50.76	\$ 55.30		
19	\$ 71	\$ (261)	\$ (417)	\$ -	\$ -	\$ 7,723	
20							
21	1	(3)	(7)	-	-		
22	\$ 79.61	\$ 98.14	\$ 65.01	\$ 55.36	\$ 60.35		
23	\$ 71	\$ (261)	\$ (417)	\$ -	\$ -	\$ 8,447	
24	25,822	(99,490)	(138,204)	-	-	2,202,130	

Valley Utilities Water Company, Inc.
 1 Inch Commercial
 Customers to Year End Levels
 Test Year Ended December 31, 2003

Exhibit
 Schedule C-2
 Page 5.4
 Witness: Bourassa

Line No.		Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03
1	Year End Number of Customers	11	11	11	11	11	11	11
2	Actual Customers	10	10	10	10	11	11	11
3	Increase in Number of Customers/Bills	1	1	1	1	-	-	-
4	Average Revenue / Present Rates	\$ 85.97	\$ 70.32	\$ 68.28	\$ 104.25	\$ 116.17	\$ 122.84	\$ 117.81
5	Revenue Annualization / Present Rates	\$ 86	\$ 70	\$ 68	\$ 104	\$ -	\$ -	\$ -
6								
7	Increase in Number of Customers	1	1	1	1	-	-	-
8	Average Revenue / Proposed Rates	\$ 96.94	\$ 79.07	\$ 76.65	\$ 119.06	\$ 133.48	\$ 141.55	\$ 135.47
9	Revenue Annualization / Proposed Rates	\$ 97	\$ 79	\$ 77	\$ 119	\$ -	\$ -	\$ -
10	Additional Gallons to be Produced	32,712	25,601	24,601	41,021	-	-	-
11								
12		Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03		Total Year
13								
14								
15	Year End Number of Customers	11	11	11	11	11		
16	Actual Customers	11	12	11	11	11		
17	Increase in Number of Customers/Bills	-	(1)	-	-	-		3
18	Average Revenue / Present Rates	\$ 121.93	\$ 96.13	\$ 103.18	\$ 84.31	\$ 85.65		
19	Revenue Annualization / Present Rates	\$ -	\$ (96)	\$ -	\$ -	\$ -		\$ 233
20								
21	Increase in Number of Customers	-	(1)	-	-	-		
22	Average Revenue / Proposed Rates	\$ 140.45	\$ 109.24	\$ 117.76	\$ 94.94	\$ 96.56		
23	Revenue Annualization / Proposed Rates	\$ -	\$ (96)	\$ -	\$ -	\$ -		\$ 262
24	Additional Gallons to be Produced	-	(37,334)	-	-	-		86,601

Valley Utilities Water Company, Inc.
 2 Inch Commercial
 Customers to Year End Levels
 Test Year Ended December 31, 2003

Exhibit
 Schedule C-2
 Page 5.5
 Witness: Bourassa

Line No.	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	
1	46	46	46	46	46	46	46	
2	40	43	44	46	46	46	46	
3	6	3	2	-	-	-	-	
4	\$ 412.43	\$ 414.57	\$ 389.94	\$ 464.96	\$ 405.48	\$ 408.09	\$ 498.98	
5	\$ 2,475	\$ 1,244	\$ 780	\$ -	\$ -	\$ -	\$ -	
6								
7	6	3	2	-	-	-	-	
8	\$ 449.75	\$ 452.34	\$ 422.54	\$ 513.32	\$ 441.35	\$ 444.51	\$ 554.48	
9	\$ 2,699	\$ 1,357	\$ 845	\$ -	\$ -	\$ -	\$ -	
10	942,069	473,953	293,581	-	-	-	-	
11								
12	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year		
15	46	46	46	46	46			
16	46	46	46	46	46			
17	-	-	-	-	-			11
18	\$ 439.18	\$ 516.67	\$ 361.22	\$ 343.02	\$ 328.58			
19	\$ -	\$ -	\$ -	\$ -	\$ -			\$ 4,498
20								
21	-	-	-	-	-			
22	\$ 482.12	\$ 575.89	\$ 387.79	\$ 365.77	\$ 348.30			
23	\$ -	\$ -	\$ -	\$ -	\$ -			\$ 4,901
24	-	-	-	-	-			1,709,603

Valley Utilities Water Company, Inc.
 Construction Water
 Customers to Year End Levels
 Test Year Ended December 31, 2003

Exhibit
 Schedule C-2
 Page 5.6
 Witness: Bourassa

Line No.	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03
1	3	3	3	3	3	3	3
2	6	5	4	5	6	5	3
3	(3)	(2)	(1)	(2)	(3)	(2)	-
4	\$ 471.60	\$ 245.30	\$ 173.25	\$ 178.32	\$ 270.79	\$ 413.72	\$ 298.79
5	\$ (1,415)	\$ (491)	\$ (173)	\$ (357)	\$ (812)	\$ (827)	\$ -
6							
7	(3)	(2)	(1)	(2)	(3)	(2)	-
8	\$ 515.91	\$ 266.98	\$ 187.73	\$ 193.30	\$ 295.02	\$ 452.25	\$ 325.82
9	\$ (1,548)	\$ (534)	\$ (188)	\$ (387)	\$ (885)	\$ (904)	\$ -
10	(378,001)	(77,921)	(11,251)	(26,401)	(146,301)	(207,480)	-
11							
12	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	
13							
14							
15	3	3	3	3	3		
16	3	3	3	3	3		
17	-	-	-	-	-		(13)
18	\$ 144.43	\$ 279.03	\$ 297.75	\$ 298.27	\$ 333.63		
19	\$ -	\$ -	\$ -	\$ -	\$ -		\$ (4,075)
20							
21	-	-	-	-	-		
22	\$ 156.03	\$ 304.08	\$ 324.67	\$ 325.24	\$ 364.14		
23	\$ -	\$ -	\$ -	\$ -	\$ -		\$ (4,446)
24	-	-	-	-	-		(847,355)

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2001
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 5

Exhibit
Schedule C-2 Step 1
Page 6
Witness: Bourassa

Line
No.

1	<u>Power cost adjustment for additonal gallons from annualization of revenues</u>	
2		
3	Test Year Power Costs (after adjustment1b)	\$ 104,387
4	Gallons sold in Test Year (1,000's)	258,740
5	Cost per 1,000 gallons	0.40344
6	Additonal gallons from annualization in 1,000's	4,104
7		
8	Additional Expense	<u>\$ 1,656</u>
9		
10		
11	Adjustment to Revenue and/or Expense	<u>\$ 1,656</u>
12		
13		
14		

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2001
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 6

Exhibit
Schedule C-2 Step 1
Page 7
Witness: Bourassa

Line

No.

1	<u>Remove Interest Income to eliminate effects on income taxes</u>	
2		
3	Test Year Interest Income	\$ 2,970
4		
5		
6	Adjustment to Revenue and/or Expense	<u>\$ (2,970)</u>
7		
8		
9		
10		
11		
12		
13		

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustments to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2 Step 1
Page 8
Witness: Bourassa

Line
No.

1	<u>Interest Expense on new WIFA debt</u>		
2			
3	Annual Interest Expense	\$	92,902
4	Interest Expense in Test Year		<u>366</u>
5	Change in Interest Expense	\$	92,536
6			
7	Adjustment to Revenues and/or Expense	\$	<u>(92,536)</u>
8			
9			
10			
11			
12			
13			
14			

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustments to Revenues and Expenses
 Adjustment Number 8

Exhibit
 Schedule C-2 Step 1
 Page 9
 Witness: Bourassa

<u>Line No.</u>			<u>Adjustment Label</u>
1	<u>Salaries and Wages</u>		
2			
3	2004 Projected Salaries and Wages	\$ 214,213	
4	Test Year Salaries and Wages	<u>253,382</u>	
5	Increase (decrease) in Salaries and Wages	\$ (39,169)	
6			
7			
8	Adjustment to Revenues and/or Expense	<u>\$ (39,169)</u>	8a
9			
10			
11	<u>Payroll Taxes</u>		
12			
13	2004 Projected PR Taxes	\$ 17,612	
14	Test Year Payroll Taxes	<u>19,291</u>	
15	Increase (decrease) in PR Taxes	\$ (1,679)	
16			
17			
18	Adjustment to Revenues and/or Expense	<u>\$ (1,679)</u>	8b
19			
20			
21	<u>Insurance -Health and Life</u>		
22			
23	2004 Projected PR Benefits	\$ 58,498	
24	Test Year Benefits	<u>69,194</u>	
25	Increase (decrease) in PR Benefits	\$ (10,696)	
26			
27			
28	Adjustment to Revenues and/or Expense	<u>\$ (10,696)</u>	8c
29			
30			
31			
32			

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3 Step 1
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Federal Income Taxes	13.95%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	<u>0.00%</u>
6		
7		
8	Total Tax Percentage	20.92%
9		
10	Operating Income % = 100% - Tax Percentage	79.08%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.2646
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		A-1 Step 1
20		

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Income Statement

Exhibit
 Schedule C-1 Step 2
 Page 1
 Witness: Bourassa

Line No.		Step 1 Adjusted with Rate Increase	Label	Step 2 Adjustment	Step 2 Test Year Adjusted Results	Step 2 Proposed Rate Increase	Step 2 Adjusted with Rate Increase
1	Revenues						
2	Metered Water Revenues	\$ 886,558			\$ 886,558	402,669	\$ 1,289,227
3	Unmetered Water Revenues	-			-		-
4	Other Water Revenues	41,791			41,791		41,791
5		<u>\$ 928,349</u>		\$ -	<u>\$ 928,349</u>	<u>\$ 402,669</u>	<u>\$ 1,331,018</u>
6	Operating Expenses						
7	Salaries and Wages	\$ 214,213	4a	45,000	\$ 259,213		\$ 259,213
8	Purchased Water	-			-		-
9	Purchased Power	106,043			106,043		106,043
10	Chemicals	2,225			2,225		2,225
11	Arsenic Treatment Costs	-	3	216,600	216,600		216,600
12	Repairs and Maintenance	21,743			21,743		21,743
13	Office Supplies and Expense	30,348			30,348		30,348
14	Outside Services	5,382			5,382		5,382
15	Water Testing	1,599			1,599		1,599
16	Rents	71,493			71,493		71,493
17	Transportation Expenses	39,015			39,015		39,015
18	Insurance - General Liability	9,083			9,083		9,083
19	Insurance - Health and Life	58,498	4c	12,289	70,786		70,786
20	Regulatory Commission Expense - Rate Case	30,000			30,000		30,000
21	Miscellaneous Expense	46,526			46,526		46,526
22	Depreciation Expense	133,494	1	62,724	196,218		196,218
23	Other Taxes and Licenses	17,612	4b	3,688	21,300		21,300
24	Property Taxes	48,258	2	11,448	59,706		59,706
25	Income Tax	(18)		(73,595)	(73,613)	84,250	10,636
26							
27	Total Operating Expenses	<u>\$ 835,514</u>		<u>\$ 278,152</u>	<u>\$ 1,113,666</u>	<u>\$ 84,250</u>	<u>\$ 1,197,916</u>
28	Operating Income	<u>\$ 92,835</u>		<u>\$ (278,152)</u>	<u>\$ (185,317)</u>	<u>\$ 318,419</u>	<u>\$ 133,102</u>
29	Other Income (Expense)						
30	Interest Income	-			-		-
31	Other income	-			-		-
32	Income Tax Provision	-			-		-
33	Interest Expense	(92,902)			(92,902)		(92,902)
34	Other Expense	-			-		-
35	Gain/Loss Sale of Fixed Assets	-			-		-
36	Total Other Income (Expense)	<u>\$ (92,902)</u>		<u>\$ -</u>	<u>\$ (92,902)</u>	<u>\$ -</u>	<u>\$ (92,902)</u>
37	Net Profit (Loss)	<u>\$ (67)</u>		<u>\$ (278,152)</u>	<u>\$ (278,220)</u>	<u>\$ 318,419</u>	<u>\$ 40,200</u>

38
 39 SUPPORTING SCHEDULES:
 40 C-2 Step 2
 41
 42

RECAP SCHEDULES:
 A-1 Step 2

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustments to Revenues and Expenses

Exhibit
 Schedule C-2 Step 2
 Page 1
 Witness: Bourassa

Line No.	Step 2 - Adjustments to Revenues and Expenses						Subtotal
	1	2	3	4	5	6	
1							
2	<u>Depreciation</u>	<u>Property Taxes</u>	<u>Arsenic Treatment Operating Expenses</u>	<u>Payroll Expense</u>			
3	Revenues						-
4							
5	Expenses	62,724	11,448	216,600	60,976		351,748
6							
7	Operating Income	(62,724)	(11,448)	(216,600)	(60,976)	-	(351,748)
8							
9	Interest Expense						-
10							
11	Other Income / Expense						-
12							
13	Net Income	(62,724)	(11,448)	(216,600)	(60,976)	-	(351,748)
14							
15							
16							
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Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Schedule C-2 Step 2
 Page 2
 Witness: Bourassa

Line
 No.

1	<u>Depreciation Expense</u>				
2					
3	<u>Account</u>			<u>Depreciation</u>	
4	<u>No.</u>	<u>Description</u>	<u>Original Cost</u>	<u>Rate</u>	<u>Expense</u>
5					
6	301	Organization Cost	\$ -	0.00%	\$ -
7	302	Franchise Cost	-	0.00%	-
8	303	Land and Land Rights	44,046	0.00%	-
9	304	Structures and Improvements	12,303	3.33%	410
10	305	Collecting and Impounding Res.	-	2.50%	-
11	306	Lake River and Other Intakes	-	2.50%	-
12	307	Wells and Springs	946,947	3.33%	31,533
13	308	Infiltration Galleries and Tunnels	-	6.67%	-
14	309	Supply Mains	155,059	2.00%	3,101
15	310	Power Generation Equipment	-	5.00%	-
16	311	Electric Pumping Equipment	207,173	12.50%	25,897
17	320	Water Treatment Equipment	3,225	3.33%	107
18	330	Distribution Reservoirs & Standp	284,041	2.22%	6,306
19	331	Transmission and Distribution M:	2,091,023	2.00%	41,820
20	333	Services	54,483	3.33%	1,814
21	334	Meters	318,631	8.33%	26,542
22	335	Hydrants	80,088	2.00%	1,602
23	336	Backflow Prevention Devices	-	6.67%	-
24	339	Other Plant and Miscellaneous E	-	6.67%	-
25	340	Office Furniture and Fixtures	33,314	6.67%	2,222
26	341	Transportation Equipment	41,826	20.00%	8,365
27	342	Stores Equipment	-	4.00%	-
28	343	Tools and Work Equipment	20,015	5.00%	1,001
29	344	Laboratory Equipment	-	10.00%	-
30	345	Power Operated Equipment	5,930	5.00%	296
31	346	Communications Equipment	-	10.00%	-
32	347	Miscellaneous Equipment	-	10.00%	-
33	348	Other Tangible Plant	4,192	0.00%	-
34					
35					
36					
37					
38					
39					
40		TOTALS	\$ 4,302,296		\$ 151,017
41					
42					
43					
44		Post Test Year Arsenic Treatment Plant	\$ 1,883,600	3.3300%	62,724
45					
46					
47					
48		Less: Amortization of Contributions	\$ 494,098	3.5465%	(17,523)
49					
50		Total Depreciation Expense			\$ 196,218
51					
52		Test Year Depreciation Expense			133,494
53					
54		Increase (decrease) in Depreciation Expense			62,724
55					
56		Adjustment to Revenues and/or Expenses			\$ 62,724
57					

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustments to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Schedule C-2 Step 2
 Page 3
 Witness: Bourassa

Line No.		
1	<u>Property Taxes</u>	
2		
3	Proposed Revenues in year ended 12/31/03 - Step 1	\$ 928,349
4	Proposed Revenues in year ended 12/31/03 - Step 1	928,349
5	Proposed Revenues - Step 2	1,331,018
6	Average of three year's of revenue	<u>\$ 1,062,572</u>
7	Average of three year's of revenue, times 2	<u>\$ 2,125,144</u>
8	Add:	
9	Construction Work in Progress at 10%	0
10	Deduct:	
11	Book Value of Transportation Equipment	20,888
12		
13	Total Book Value of Transportation Equipment	<u>\$ 20,888</u>
14		
15	Full Cash Value	\$ 2,104,256
16	Assessment Ratio	25%
17	Assessed Value	526,064
18	Property Tax Rate	11.13624%
19		
20	Property Tax	58,584
21	Tax on Parcels	1,122
22		
23	Total Property Tax at Proposed Rates - Step 2	<u>\$ 59,706</u>
24	Property Taxes - Step 1	48,258
25	Change in Property Taxes	<u>\$ 11,448</u>
26		
27		
28	Adjustment to Revenues and/or Expenses	<u>\$ 11,448</u>
29		
30		

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustments to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2 Step 2
Page 4
Witness: Bourassa

<u>Line</u> <u>No.</u>			
1	<u>Arsenic Treatment Operating Expenses</u>		
2			
3	Annual Treatment Costs Wells 4, 5, and 6	\$	135,400
4	Annual Treatment Costs Wells 1 and 2		81,200
5			
6			-
7		\$	<u>216,600</u>
8			
9	Adjustment to Revenues and/or Expense	\$	<u>216,600</u>
10			
11			

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Adjustments to Revenues and Expenses
 Adjustment Number 4

Exhibit
 Schedule C-2 Step 2
 Page 5
 Witness: Bourassa

<u>Line No.</u>			<u>Adjustment Label</u>
1	<u>Salaries and Wages</u>		
2			
3	Step 2 Projected Salaries and Wages	\$ 259,213	
4	Step 1 Salaries and Wages	<u>214,213</u>	
5	Increase (decrease) in Salaries and Wages	\$ 45,000	
6			
7			
8	Adjustment to Revenues and/or Expense	<u>\$ 45,000</u>	8a
9			
10			
11	<u>Payroll Taxes</u>		
12			
13	Step 2 Projected PR Taxes	\$ 21,300	
14	Step 1 Payroll Taxes	<u>17,612</u>	
15	Increase (decrease) in PR Taxes	\$ 3,688	
16			
17			
18	Adjustment to Revenues and/or Expense	<u>\$ 3,688</u>	8b
19			
20			
21	<u>Insurance - Health and Life</u>		
22			
23	Step 2 Projected PR Benefits	\$ 70,786	
24	Step 1 Benefits	<u>58,498</u>	
25	Increase (decrease) in PR Benefits	\$ 12,289	
26			
27			
28	Adjustment to Revenues and/or Expense	<u>\$ 12,289</u>	8c
29			
30			
31			

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3 Step 2
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	13.95%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	20.92%
9		
10	Operating Income % = 100% - Tax Percentage	79.08%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.2646
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		A-1 Step 2
20		

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Summary of Cost of Capital

Exhibit
 Schedule D-1
 Page 1
 Witness: Bourassa

Line No.	Item of Capital	<u>Proposed End of Test Year</u>				<u>End of Projected Year</u>			
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	1,883,600	128.12%	5.00%	N/A	1,827,331	129.24%	5.00%	N/A
2									
3	Stockholder's Equity	(413,375)	-28.12%	N/A	N/A	(413,442)	-29.24%	N/A	N/A
4									
5	Totals	<u>1,470,225</u>	<u>100.00%</u>		<u>N/A*</u>	<u>1,413,889</u>	<u>100.00%</u>		<u>N/A</u>
6									

* 10 percent operating margin requested.

SUPPORTING SCHEDULES:

- 10 D-2
- 11 D-3
- 12 D-4
- 13 E-1
- 14
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Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line No.	Description of Issue	<u>End of Test Year</u>		<u>End of Projected Year</u>	
		Shares Outstanding	Dividend Amount Requirement	Shares Outstanding	Dividend Amount Requirement
1					
2					
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING				
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17	SUPPORTING SCHEDULES:			RECAP SCHEDULES:	
18	(a) E-1			(a) D-1	
19					
20					

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Comparative Balance Sheets

Exhibit
 Schedule E-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended 12/31/2003	Prior Year Ended 12/31/2002	Prior Year Ended 12/31/2001
1	ASSETS			
2	Plant In Service	\$ 4,313,786	\$ 3,633,930	1,832,393
3	Property Held for Future Use	40,000	40,000	40,000
4	Non-Utility Plant	-	-	
5	Construction Work in Progress	-	203,373	299,591
6	Less: Accumulated Depreciation	(1,533,754)	(1,337,787)	(1,204,042)
7	Net Plant	<u>\$ 2,820,032</u>	<u>\$ 2,539,516</u>	<u>\$ 967,942</u>
8				
9	Debt Reserve Fund	\$ -	\$ -	\$ -
10				
11	CURRENT ASSETS			
12	Cash and Equivalents	\$ 273,079	\$ 316,579	363,846
13	Accounts Receivable, Net	45,304	46,631	36,210
14	Notes/Receivables from Associated Company	-	5,000	-
15	Materials and Supplies	26,800	1,500	550
16	Prepayments	-	-	-
17	Other Current Assets	-	1,888	3,775
18	Total Current Assets	<u>\$ 345,183</u>	<u>\$ 371,598</u>	<u>\$ 404,381</u>
19				
20	Deferred Debits	\$ -	\$ -	\$ -
21				
22	Other Investments & Special Funds	\$ -	\$ -	\$ -
23				
24	TOTAL ASSETS	<u>\$ 3,165,215</u>	<u>\$ 2,911,114</u>	<u>\$ 1,372,323</u>
25				
26				
27	LIABILITIES AND STOCKHOLDERS' EQUITY			
28				
29	Common Equity	\$ (413,375)	\$ (340,730)	(274,477)
30				
31	Long-Term Debt	\$ -	\$ -	\$ -
32				
33	CURRENT LIABILITIES			
34	Accounts Payable	\$ 11,179	\$ 15,727	6,269
35	Current Portion of Long-Term Debt	-	-	
36	Payables to Associated Companies	-	-	8,550
37	Customer Deposits	46,999	46,157	13,770
38	Taxes Payable	19,511	14,369	13,644
39	Interest Payable	-	-	
40	Other Current Liabilities	3,123	3,762	3,648
41	Total Current Liabilities	<u>\$ 80,812</u>	<u>\$ 80,015</u>	<u>\$ 45,881</u>
42	DEFERRED CREDITS			
43	Advances in Aid of Construction	\$ 3,180,500	\$ 2,843,141	\$ 1,326,939
44	Accumulated Deferred Income Taxes	24,057	10,762	4,666
45	Contributions In Aid of Construction, Net	293,221	317,926	269,314
46	Accumulated Deferred Income Credits	-	-	-
47	Total Deferred Credits	<u>\$ 3,497,778</u>	<u>\$ 3,171,829</u>	<u>\$ 1,600,919</u>
48				
49	Total Liabilities & Common Equity	<u>\$ 3,165,215</u>	<u>\$ 2,911,114</u>	<u>\$ 1,372,323</u>
50				
51				
52	<u>SUPPORTING SCHEDULES:</u>		<u>RECAP SCHEDULES:</u>	
53	E-5			
54	A-3			
55				

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Comparative Income Statements

Exhibit
 Schedule E-2
 Page 1
 Witness: Bourassa

Line No.		<u>2003</u>	<u>2002</u>	<u>2001</u>
1	Revenues			
2	Metered Water Revenues	\$ 773,023	\$ 625,790	\$ 510,593
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	41,791	43,252	37,565
5		<u>\$ 814,814</u>	<u>\$ 669,042</u>	<u>\$ 548,158</u>
6	Operating Expenses			
7	Salaries and Wages	\$ 253,382	\$ 235,090	\$ 154,997
8	Purchased Water	-	-	-
9	Purchased Power	104,387	85,971	64,404
10	Chemicals	2,225	2,601	140
11	Repairs and Maintenance	21,743	27,160	9,906
12	Office Supplies and Expense	30,348	27,968	20,040
13	Outside Services	5,382	9,419	4,964
14	Water Testing	1,599	4,440	6,987
15	Rents	71,493	71,481	44,705
16	Transportation Expenses	39,015	29,738	17,396
17	Insurance - General Liability	9,083	7,379	6,253
18	Insurance - health and Life	69,194	50,488	40,106
19	Regulatory Commission Expense - Rat	1,888	7,488	9,703
20	Miscellaneous Expense	46,526	21,082	20,537
21	Depreciation Expense	171,263	109,040	63,057
22	Other Taxes and Licenses	19,291	19,400	16,179
23	Property Taxes	25,424	21,273	19,213
24	Income Tax	17,820	7,693	5,519
25				
26	Total Operating Expenses	<u>\$ 890,063</u>	<u>\$ 737,711</u>	<u>\$ 504,106</u>
27	Operating Income	<u>\$ (75,249)</u>	<u>\$ (68,669)</u>	<u>\$ 44,052</u>
28	Other Income (Expense)			
29	Interest Income	2,970	5,196	941
30	Other income	-	-	-
31	Income Tax Provision	-	-	-
32	Interest Expense	(366)	(2,780)	(2,176)
33	Other Expense	-	-	-
34	Gain/Loss Sale of Fixed Assets	-	-	-
35	Total Other Income (Expense)	<u>\$ 2,604</u>	<u>\$ 2,416</u>	<u>\$ (1,235)</u>
36	Net Profit (Loss)	<u>\$ (72,645)</u>	<u>\$ (66,253)</u>	<u>\$ 42,817</u>
37				
38				
39	<u>SUPPORTING SCHEDULES:</u>		<u>RECAP SCHEDULES:</u>	
40	C-2		A-1	
41	E-2			

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Comparative Statements of Cash Flows

Exhibit
 Schedule E-3
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended	Prior Year Ended	Prior Year Ended
	12/31/2003	12/31/2002	12/31/2001
1			
2			
3	Cash Flows from Operating Activities		
4	Net Income	\$ (72,645)	\$ (66,253) \$ 42,817
5	Adjustments to reconcile net income to net cash		
6	provided by operating activities:		
7	Depreciation and Amortization	171,262	109,041 63,057
8	Deferred Income Taxes	13,295	6,096 3,680
9	Accumulated Deferred ITC	-	- -
10	Changes in Certain Assets and Liabilities:		
11	Accounts Receivable	1,327	(10,421) (4,636)
12	Materials and Supplies Inventory	(25,300)	(950) -
13	Prepaid Expenses	-	- -
14	Misc Current Assets and Deferred Expense	1,888	1,887 1,888
15	Accounts Payable and Accrued Liabilities	(5,187)	9,572 (6,696)
16	Accrued Taxes	5,142	725 1,777
17	Net Cash Flow provided by Operating Activities	\$ 89,782	\$ 49,697 \$ 101,887
18	Cash Flow From Investing Activities:		
19	Capital Expenditures	(476,483)	(1,705,319) (475,536)
20	Plant Held for Future Use	-	- -
21	Non-Utility Property	-	- -
22	Net Cash Flows from Investing Activities	\$ (476,483)	\$ (1,705,319) \$ (475,536)
23	Cash Flow From Financing Activities		
24	(Decrease) Increase in Net Amounts due to Parent and		
25	Affiliates	5,000	(13,551) (66)
26	Changes in Customer Deposits	842	32,387 2,669
27	Changes in Advances for Construction	337,359	1,516,202 706,678
28	Changes in Contributions for Construction	-	73,317 -
29	Net Proceeds from Long-Term Debt Borrowing	-	- -
30	Repayments of Long-Term Debt	-	- -
31	Dividends Paid	-	- -
32	Deferred Financing Costs	-	- -
33	Paid in Capital	-	- -
34	Net Cash Flows Provided by Financing Activities	\$ 343,201	\$ 1,608,355 \$ 709,281
35	Increase(decrease) in Cash and Cash Equivalents	(43,500)	(47,267) 335,632
36	Cash and Cash Equivalents at Beginning of Year	316,579	363,846 28,214
37	Cash and Cash Equivalents at End of Year	\$ 273,079	\$ 316,579 \$ 363,846

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SUPPORTING SCHEDULES:

RECAP SCHEDULES:

Test Year Ended December 31, 2003
Statement of Changes in Stockholder's Equity

Schedule E-4
Page 1
Witness: Bourassa

Line
No.

	<u>Common Stock</u>	<u>Additional Paid-In-Capital</u>	<u>Retained Earnings</u>	<u>Total</u>	
1					
2					
3					
4	Balance, December 31, 2000	\$ 110,000	\$ 4,988	\$ (432,283)	\$ (317,295)
5					
6	Net Income	-	-	42,817	42,817
7					
4	Balance, December 31, 2001	110,000	4,988	(389,465)	(274,477)
5					
6	Net Income	-	-	(66,253)	(66,253)
7					
8	Balance, December 3, 2002	110,000	4,988	(455,718)	(340,730)
9					
10	Net Income	-	-	(72,645)	(72,645)
11					
12	Balance, December 31, 2003	\$ 110,000	\$ 4,988	\$ (528,363)	\$ (413,375)

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15
16
17

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Detail of Plant in Service

Exhibit
 Schedule E-5
 Page 1
 Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2002	Plant Additions, Reclassifications or Retirements	Plant Balance at 12/31/2003
1					
2	301	Organization	\$ -	\$ -	\$ -
3	302	Franchises	-	-	-
4	303	Land and Land Rights	44,046	-	44,046
5	304	Structures and Improvements	8,622	3,681	12,303
6	305	Collecting and Impounding Rese	-	-	-
7	306	Lake, River and Other Intakes	-	-	-
8	307	Wells and Springs	912,746	34,202	946,947
9	308	Infiltration Galleries and Tun	-	-	-
10	309	Supply Mains	155,059	-	155,059
11	310	Power Generation Equipment	-	-	-
12	311	Pumping Equipment	190,940	16,233	207,173
13	320	Water Treatment Equipment	974	2,251	3,225
14	330	Distribution Reservoirs and St	256,822	27,218	284,041
15	331	Transmission and Distribution	1,595,292	495,731	2,091,023
16	333	Services	51,410	3,073	54,483
17	334	Meters and Meter Installations	274,989	43,643	318,631
18	335	Hydrants	74,182	5,906	80,088
19	336	Backflow Prevention Devices	-	-	-
20	339	Other Plant and Miscellaneous	-	-	-
21	340	Office Furniture and Equipment	24,295	9,019	33,314
22	341	Transportation Equipment	6,800	35,026	41,826
23	342	Stores Equipment	-	-	-
24	343	Tools, Shop and Garage Equipme	16,472	3,542	20,015
25	344	Laboratory Equipment	-	-	-
26	345	Power Operated Equipment	5,599	331	5,930
27	346	Communication Equipment	-	-	-
28	347	Miscellaneous Equipment	-	-	-
29	348	Other Tangible Plant	4,192	-	4,192
30	348	Other Tangible Plant	-	-	-
31		Prior Rate Case Adjustments Not Recorded	11,490		11,490
32					
33					
34		TOTAL WATER PLANT	\$ 3,633,930	\$ 679,856	\$ 4,313,786

35
 36 SUPPORTING SCHEDULES
 37
 38
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RECAP SCHEDULES:
 A-4
 E-1

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Operating Statistics

Exhibit
 Schedule E-7
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended <u>12/31/2003</u>	Prior Year Ended <u>12/31/2002</u>	Prior Year Ended <u>12/31/2001</u>
1	<u>WATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	258,740	211,534	181,472
6				
7				
8				
9	Water Revenues from Customer:	\$ 773,023	\$ 625,790	\$ 593,529
10				
11				
12				
13				
14	Year End Number of Customers	1,189	1,046	721
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	217.61	202.23	251.70
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 650.15	\$ 598.27	\$ 823.20
23				
24	Pumping Cost Per 1,000 Gallons	\$ 0.0086	\$ 0.4064	\$ 0.3549
25	Purchased Water Cost per 1,000 Gallons	\$ -	\$ -	\$ -
26				
27				
28				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended <u>12/31/2003</u>	Prior Year Ended <u>12/31/2002</u>	Prior Year Ended <u>12/31/2001</u>
1	Description			
2				
3	Federal Income Taxes *	\$ 11,885	\$ 6,097	\$ 4,619
4	State Income Taxes *	5,935	1,596	900
5	Payroll Taxes *	18,544	17,205	11,343
6	Property Taxes **	25,424	21,273	19,213
7				
8	Totals	<u>\$ 61,788</u>	<u>\$ 46,171</u>	<u>\$ 36,075</u>
9				
10				
11	*Computed			
12	**Source: ACC Annual Reports			
13				
14				

Line
No.

- 1 **The Company does not prepare audited financial statements.**
2
3 1. The Company follows the NARUC system of accounts.
4 2. The Company uses the accrual method of accounting.
5 3. The Company uses the depreciation lives and methods as approved in
6 prior Commission order.
7 4. The Company follows the normalized method for accounting for
8 income taxes and uses the allowed tax depreciation lives and methods
9 for determining income taxes.
10
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Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Projected Income Statements - Present & Proposed Rates

Exhibit
 Schedule F-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2004	STEP 1 At Proposed Rates Year Ended 12/31/2004	STEP 2 At Proposed Rates Year Ended 12/31/2004
1	Revenues				
2	Metered Water Revenues	\$ 773,023	\$ 785,774	\$ 886,558	\$ 1,289,227
3	Unmetered Water Revenues	-	-	-	-
4	Other Water Revenues	41,791	41,791	41,791	41,791
5		<u>\$ 814,814</u>	<u>\$ 827,565</u>	<u>\$ 928,349</u>	<u>\$ 1,331,018</u>
6	Operating Expenses				
7	Salaries and Wages	\$ 253,382	\$ 214,213	\$ 214,213	\$ 259,213
8	Purchased Water	-	-	-	-
9	Purchased Power	104,387	106,043	106,043	106,043
10	Chemicals	2,225	2,225	2,225	2,225
11	Arsenic Treatment Costs				216,600
	Repairs and Maintenance	21,743	21,743	21,743	21,743
12	Office Supplies and Expense	30,348	30,348	30,348	30,348
13	Outside Services	5,382	5,382	5,382	5,382
14	Water Testing	1,599	1,599	1,599	1,599
15	Rents	71,493	71,493	71,493	71,493
16	Transportation Expenses	39,015	39,015	39,015	39,015
17	Insurance - General Liability	9,083	9,083	9,083	9,083
18	Insurance - health and Life	69,194	58,498	58,498	70,786
19	Regulatory Commission Expense - Rate Case	1,888	30,000	30,000	30,000
20	Miscellaneous Expense	46,526	46,526	46,526	46,526
21	Depreciation Expense	171,263	133,494	133,494	196,218
22	Other Taxes and Licenses	19,291	17,612	17,612	21,300
23	Property Taxes	25,424	48,258	48,258	59,706
24	Income Tax	17,820	(21,105)	(18)	10,636
25					
26					
27	Total Operating Expenses	<u>\$ 890,063</u>	<u>\$ 814,427</u>	<u>\$ 835,514</u>	<u>\$ 1,197,916</u>
28	Operating Income	<u>\$ (75,249)</u>	<u>\$ 13,138</u>	<u>\$ 92,835</u>	<u>\$ 133,102</u>
29	Other Income (Expense)				
30	Interest Income	2,970	-	-	-
31	Other income	-	-	-	-
32	Interest Expense	(366)	(92,902)	(92,902)	-
33	Other Expense	-	-	-	(92,902)
34	Gain/Loss Sale of Fixed Assets	-	-	-	-
35	Total Other Income (Expense)	<u>\$ 2,604</u>	<u>\$ (92,902)</u>	<u>\$ (92,902)</u>	<u>\$ (92,902)</u>
36	Net Profit (Loss)	<u>\$ (72,645)</u>	<u>\$ (79,764)</u>	<u>\$ (67)</u>	<u>\$ 40,200</u>
37					

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Projected Statements of Changes in Financial Position
 Present and Proposed Rates

Exhibit
 Schedule F-2
 Page 1
 Witness: Bourassa

Line No.		At Present Rates Year Ended 12/31/2003	At Present Rates Year Ended 12/31/2004	Step 1 At Proposed Rates Year Ended 12/31/2004	Step 2 At Proposed Rates Year Ended 12/31/2005
1					
2					
3					
4					
5	Cash Flows from Operating Activities				
6	Net Income	\$ (72,645)	\$ (79,764)	\$ (67)	\$ 40,200
7	Adjustments to reconcile net income to net cash				
8	provided by operating activities:				
9	Depreciation and Amortization	171,262	133,494	133,494	196,218
10	Deferred Income Taxes	13,295			
11	Accumulated Deferred ITC	-			
12	Changes in Certain Assests and Liabilities:				
13	Accounts Receivable	1,327			
14	Materials & Supplies	(25,300)			
15	Prepaid Expenses	-			
16	Misc Current Assets and Deferred Expense	1,888			
17	Accounts Payable and Accrued Liabilities	(5,187)	-	-	-
18	Accrued Taxes	5,142			
19	Net Cash Flow provided by Operating Activities	\$ 89,782	\$ 53,730	\$ 133,427	\$ 236,417
20	Cash Flow From Investing Activities:				
21	Capital Expenditures	(476,483)	(63,698)	(63,698)	(2,359,600)
22	Plant Held for Future Use	-			
23	Non-Utility Property	-			
24	Net Cash Flows from Investing Activities	\$ (476,483)	\$ (63,698)	\$ (63,698)	\$ (2,359,600)
25	Cash Flow From Financing Activities				
26	(Decrease) Increase in Net Amounts due to Parent and				
27	Affiliates	5,000			
28	Customer Deposits	842			
29	Changes in Advances for Construction	337,359			
30	Changes in Contributions for Construction	-			
31	Proceeds from Long-Term Debt Borrowing				1,883,600
32	Repayments of Long-Term Debt				
33	Dividends Paid				
34	Deferred Financing Costs				
35	Proceeds from Additional Paid-in-Capital				
36	Net Cash Flows Provided by Financing Activities	\$ 343,201	\$ -	\$ -	\$ 1,883,600
37	Increase(decrease) in Cash and Cash Equivalents	\$ (43,500)	\$ (9,968)	\$ 69,729	\$ (239,583)
38	Cash and Cash Equivalents at Beginning of Year	316,579	273,079	273,079	342,808
39	Cash and Cash Equivalents at End of Year	\$ 273,079	\$ 263,111	\$ 342,808	\$ 103,225
40					
41	SUPPORTING SCHEDULES:				
42	E-3				
43	F-3				
44					
45					

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Projected Construction Requirements

Exhibit
 Schedule F-3
 Page 1
 Witness: Bourassa

Line No.	Account Number	Plant Asset:	2004	2005	2006
1					
2					
3					
4	301	Organization Cost			
5	302	Franchise Cost			
6	303	Land and Land Rights			
7	304	Structures and Improvements			
8	305	Collecting & Impounding Reservoirs		18,500	75,000
9	306	Lake, River and Other Intakes			
10	307	Wells and Springs		191,000	
11	310	Power Generation Equipment			
12	311	Electric Pumping Equipment		65,000	165,000
13	320	Water Treatment Equipment		1,908,600	
14	330	Distribution Reservoirs & Standpipe			
15	331	Transmission and Distribution Mains	15,800		
16	333	Services			
17	334	Meters			
18	335	Hydrants	36,550		
19	339	Plant Structures and Improvements		141,500	
20	340	Office Furniture and Fixtures	11,348		
21	341	Transportation Equipment			
22	343	Tools and Work Equipment			
23	344	Power Operated Equipment			
24	345	Communications Equipment			75,000
25	346	Miscellaneous Equipment		35,000	
26	348	Other Tangible Plant			
27					
28	Total		\$ 63,698	\$ 2,359,600	\$ 315,000
29					
30					
31					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line
No.

- 1 Property Taxes were computed using the method used by the Arizona Department
- 2 of Revenue
- 3
- 4 Projected construction expenditures are shown on Schedule F-3.
- 5
- 6 Expense adjustments are shown on Schedule C2, and are explained in the testimony.
- 7
- 8 Accumulated depreciation and depreciation expense were computed at Arizona Corporation
- 9 Commission allowed rates in Prior Commission Decision. Adjusted test year depreciation
- 10 depreciation computed uses proposed depreciation rates.
- 11
- 12 Income taxes were computed using statutory state and federal income tax rates.
- 13
- 14
- 15
- 16

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Analysis of Revenue by Detailed Class
 With Step One Rates

Exhibit
 Schedule H-2
 Page 1
 Witness: Kozoman

Line No.	Meter Size, Class	(a) Average Number of Customers at 12/31/2003	Average Consumption	Revenues		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8 Inch Residential	247	9,264	\$ 26.28	\$ 29.27	2.99	11.39%
2	3/4 Inch Residential	584	10,243	32.94	35.94	3.00	9.12%
3	1 Inch Residential	258	20,040	60.07	65.62	5.54	9.23%
4	1.5 Inch Residential						
5	Subtotal	<u>1,089</u>					
6							
7	5/8 Inch Commercial	7	3,370	15.67	17.04	1.38	8.79%
8	3/4 Inch Commercial						
9	1 Inch Commercial	11	38,424	98.53	112.15	13.61	13.81%
10	1.5 Inch Commercial	6	52,593	153.71	161.53	7.82	5.09%
11	2 Inch Commercial	45	158,358	415.39	453.34	37.95	9.14%
12	3 Inch Construction	4	56,780	291.63	317.94	26.31	9.02%
13	Subtotal	<u>73</u>					
14							
15							
16							
17	Totals	<u><u>1,162</u></u>					

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Valley Utilities Water Company, Inc.
 Customer Count Summary
 Test Year Ended December 31, 2003

Exhibit
 Schedule H-2
 Page 2
 Witness: Kozoman

Meter Size	Class	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03
5/8 Inch	Residential	246	245	247	246	250	250	247
3/4 Inch	Residential	521	530	546	580	593	596	608
1 Inch	Residential	224	233	238	246	259	262	269
1.5 Inch	Residential	-	-	-	-	-	-	-
	Subtotal	991	1,008	1,031	1,072	1,102	1,108	1,124
5/8 Inch	Commercial	7	7	7	7	7	7	7
3/4 Inch	Commercial							
1 Inch	Commercial	10	10	10	10	11	11	11
1.5 Inch	Commercial	6	6	6	6	6	6	6
2 Inch	Commercial	40	43	44	46	46	46	46
	Subtotal	63	66	67	69	70	70	70
3 Inch	Construction	6	5	4	5	6	5	3
Totals		1,060	1,079	1,102	1,146	1,178	1,183	1,197

Valley Utilities Water Company, Inc.
 Customer Count Summary
 Test Year Ended December 31, 2003

Exhibit
 Schedule H-2
 Page 2.1
 Witness: Kozoman

Meter Size		Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Change from Beginning of Year to Year End	Revenues Annual-ized
5/8 Inch Residential		246	247	248	243	243	(3)	Yes
3/4 Inch Residential		622	605	614	596	602	81	Yes
1 Inch Residential		270	274	278	271	271	47	Yes
1.5 Inch Residential		-	-	-	-	-	-	
	Subtotal	1,138	1,126	1,140	1,110	1,116	125	Yes
5/8 Inch Commercial		7	7	7	7	7	-	
3/4 Inch Commercial		-	-	-	-	-	-	
1 Inch Commercial		11	12	11	11	11	1	Yes
1.5 Inch Commercial		6	6	6	6	6	-	
2 Inch Commercial		46	46	46	46	46	6	Yes
	Subtotal	70	71	70	70	70	7	Yes
3 Inch Construction		3	3	3	3	3	(3)	Yes
Totals		1,211	1,200	1,213	1,183	1,189	129	

Valley Utilities Water Company, Inc.
 Gallons Sold Summary in 1,000's
 Test Year Ended December 31, 2003

Exhibit
 Schedule H-2
 Page 3
 Witness: Kozoman

Meter Size	Class	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03
5/8 Inch	Residential	1,719	1,622	1,491	2,377	2,626	3,024	3,267
3/4 Inch	Residential	3,798	3,441	3,608	6,241	6,499	7,049	8,069
1 Inch	Residential	2,886	2,504	2,603	5,121	5,471	6,220	6,930
1.5 Inch	Residential							
	Subtotal	8,403	7,567	7,703	13,740	14,596	16,293	18,266
5/8 Inch	Commercial	20	17	24	36	26	24	33
3/4 Inch	Commercial							
1 Inch	Commercial	327	256	246	410	511	544	519
1.5 Inch	Commercial	314	269	184	304	295	294	389
2 Inch	Commercial	6,280	6,793	6,459	8,321	7,077	7,132	9,032
	Subtotal	6,941	7,334	6,912	9,071	7,909	7,994	9,973
3 Inch	Construction	756	195	45	66	293	519	179
		16,100	15,096	14,659	22,877	22,797	24,806	28,417

Valley Utilities Water Company, Inc.
 Gallons Sold Summary in 1,000's
 Test Year Ended December 31, 2003

Exhibit
 Schedule H-2
 Page 3.1
 Witness: Kozoman

Meter Size		Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Percent of Total Water Usage
5/8 Inch Residential		2,464	3,142	2,273	1,565	1,834	27,403	10.59%
3/4 Inch Residential		7,674	8,682	6,696	4,430	5,647	71,833	27.76%
1 Inch Residential		6,972	9,087	5,489	4,029	4,713	62,024	23.97%
1.5 Inch Residential		-	-	-	-	-	-	0.00%
Subtotal		17,110	20,910	14,457	10,024	12,193	161,260	62.32%
5/8 Inch Commercial		30	24	17	17	21	283	0.11%
3/4 Inch Commercial		-	-	-	-	-	-	0.00%
1 Inch Commercial		540	448	446	352	358	4,957	1.92%
1.5 Inch Commercial		332	681	303	194	230	3,787	1.46%
2 Inch Commercial		7,782	9,402	6,152	5,771	5,469	85,672	33.11%
Subtotal		8,683	10,554	6,917	6,333	6,078	94,698	36.60%
3 Inch Construction		1	156	177	178	219	2,782	1.08%
		25,793	31,620	21,551	16,535	18,489	258,740	100.00%

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Present and Proposed Rates
 With Step One Rates

Exhibit
 Schedule H-3
 Page 1
 Witness: Kozoman

Line No.		Present Rates	Proposed Rates	Percent Change
1	Monthly Usage Charge for:			
2	<u>Residential and Commercial</u>	Rounded to two (2) decimal Places		
3	5/8 x 3/4 Inch	\$ 9.60	\$ 10.37	8.02%
4	3/4 Inch	14.50	15.66	8.00%
5	1 Inch	24.00	25.92	8.00%
6	1 1/2 Inch	48.00	51.85	8.02%
7	2 Inch	77.00	83.18	8.03%
8	3 Inch	144.00	155.55	8.02%
9	4 Inch	240.00	259.25	8.02%
10	6 Inch	480.00	518.50	8.02%
11				
12	Construction (3 inch meter)	144.00	155.55	8.02%
13				
14	<u>Gallons In Minimum</u>			
15	Residential, Commercial, Industrial	-	-	
16				
17	Construction Water	-	-	
18				
19				
20	<u>Gallons for Rate Tiers</u>			
21	<u>Tier 1: (Gallon upper limit.)</u>			
22	5/8 Inch	25,000	8,000	
23	3/4 Inch	25,000	12,000	
24	1 Inch	25,000	20,000	
25	1 1/2 Inch	25,000	40,000	
26	2 Inch	25,000	64,000	
27	3 Inch	25,000	128,000	
28	4 Inch	25,000	200,000	
29	6 Inch	25,000	400,000	
30	<u>Tier 2: (Gallons upper limit, 150% of Tier 1)</u>			
31	5/8 Inch	999,999,999	12,000	
32	3/4 Inch	999,999,999	18,000	
33	1 Inch	999,999,999	30,000	
34	1 1/2 Inch	999,999,999	60,800	
35	2 Inch	999,999,999	96,000	
36	3 Inch	999,999,999	192,000	
37	4 Inch	999,999,999	300,000	
38	6 Inch	999,999,999	600,000	
39	<u>Tier 3: (Gallon over)</u>			
40	All	999,999,999	All Gallons	
41			in Excess	
42			of tier 2 above	
43	Construction Water (All)	999,999,999	999,999,999	
44				
45				
46				
47	<u>Residential, Commercial, Industrial</u>			
48	<u>Commodity Rates</u>	Rounded to three (3) decimal Places		
49	First Tier	1.80	1.9800	10.00%
50	Second Tier	2.20	2.4200	10.00%
51	Third Tier	2.20	2.6620	21.00%
52	Fourth Tier	2.20	2.6620	21.00%
53				
54	Construction	2.60	2.8600	10.00%
55				
56				

Valley Utilities Water Company, Inc.
 Changes in Representative Rate Schedules
 Test Year Ended December 31, 2003
 With Step One Rates

Exhibit
 Schedule H-3
 Page 2
 Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 30.00	\$ 30.00
2	Establishment (After Hours)	\$ 45.00	\$ 45.00
3	Reconnection (Delinquent) (b)	\$ 40.00	\$ 40.00
4	Reconnection (Delinquent and After Hours) (b)	\$ 40.00	\$ 40.00
5	Meter Test	\$ 30.00	\$ 30.00
6	Deposit Requirement (Residential)	(a)	(a)
7	Deposit Requirement (None Residential Meter)	(a)	(a)
8	Hydrant Meter Deposit		
9	Deposit Interest	6%	6%
10	Re-Establishment (With-in 12 Months)	(b)	(b)
11	Re-Establishment (After Hours)	(b)	(b)
12	NSF Check (per Rule R14-2-409F)	\$ 25.00	\$ 25.00
13	Deferred Payment, Per Month	1.50%	1.50%
14	Late Charge per month	\$ 10.00	\$ 10.00
15	Meter Re-Read (per Rule R14-2-408C)	\$ 10.00	\$ 10.00
16	Charge of Moving Customer Meter -		
17	Customer Requested per Rule R14-2-405B	Cost	Cost
18	After hours service charge, per Rule R14-2-403D	25.00	30.00
19			
20			
21			
22			
23			
24			
25	(a) <u>Residential</u> - two times the average bill. <u>Non-residential</u> - two and one-half times the average bill.		
26	Interest per Rule R14-2-4-403B.		
27	(b) Per rule R14-2-403D.		
28			
29			
30			
31			
32	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
33	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
34	TAX. PER COMMISSION RULE (14-2-409.D 5).		
35	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
36	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.		
37			
38	Cost to include labor, materials and parts, overheads and all applicable taxes.		
39			

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Current and Proposed Changes in Rates and Services
 With Step One Rates

Exhibit
 Schedule H-3
 Page 3
 Witness: Kozoman

Line No.					
			(a) (b)	(a) (b)	(a) (b)
			Proposed	Meter	Total
			Service	Install-	Proposed
			Line	ation	Charge **
		Charge **	Charge	Charge	Charge **
1	Service Charges				
2	Meter and Service Line Charges				
3					
4					
5					
6					
7					
8					
9					
10					
11	5/8 x 3/4 Inch	\$ 455.00	\$ 385.00	\$ 135.00	\$ 520.00
12	3/4 Inch	515.00	385.00	215.00	600.00
13	1 Inch	590.00	435.00	255.00	690.00
14	1 1/2 Inch	820.00	470.00	465.00	935.00
15	2 Inch / Turbine	1,380.00	630.00	965.00	1,595.00
16	2 Inch / Compound	2,010.00	630.00	1,690.00	2,320.00
17	3 Inch / Turbine	1,935.00	805.00	1,470.00	2,275.00
18	3 Inch / Compound	2,650.00	845.00	2,265.00	3,110.00
19	4 Inch / Turbine	3,030.00	1,170.00	2,350.00	3,520.00
20	4 Inch / Compound	3,835.00	1,230.00	3,245.00	4,475.00
21	6 Inch / Turbine	3,535.00	1,730.00	4,545.00	6,275.00
22	6 Inch / Compound	7,130.00	1,770.00	6,280.00	8,050.00
23	8 Inch	At Cost	At Cost	At Cost	At Cost
24	10 Inch	At Cost	At Cost	At Cost	At Cost
25	12 Inch	At Cost	At Cost	At Cost	At Cost
26					
27					

(a) Memo from Marlin Scott, Jr. to Staff of the Arizona Corporation Commission,
 Dated June 30, 2004. Used Staff highest cost estimate for service lines & meters.

(b) As meters and service lines are now taxable income for income purposes, The
 Company shall collect income taxes on the meter and service line charges.
 Any tax collected will be refunded each year that the meter deposit is refunded.

** PER COMMISSION RULES (R14-2-403.B)

38

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 5/8 Inch Residential
With Step One Rates

Exhibit Schedule H-4
Page 1
Witness: Kozoman

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 9.60	\$ 10.37	\$ 0.77	8.02%
1,000	11.40	12.35	\$ 0.95	8.33%
2,000	13.20	14.33	\$ 1.13	8.56%
3,000	15.00	16.31	\$ 1.31	8.73%
4,000	16.80	18.29	\$ 1.49	8.87%
5,000	18.60	20.27	\$ 1.67	8.98%
6,000	20.40	22.25	\$ 1.85	9.07%
7,000	22.20	24.23	\$ 2.03	9.14%
8,000	24.00	26.21	\$ 2.21	9.21%
9,000	25.80	28.63	\$ 2.83	10.97%
10,000	27.60	31.05	\$ 3.45	12.50%
11,000	29.40	33.47	\$ 4.07	13.84%
12,000	31.20	35.89	\$ 4.69	15.03%
13,000	33.00	38.55	\$ 5.55	16.82%
14,000	34.80	41.21	\$ 6.41	18.43%
15,000	36.60	43.88	\$ 7.28	19.88%
16,000	38.40	46.54	\$ 8.14	21.19%
17,000	40.20	49.20	\$ 9.00	22.39%
18,000	42.00	51.86	\$ 9.86	23.48%
19,000	43.80	54.52	\$ 10.72	24.48%
20,000	45.60	57.19	\$ 11.59	25.41%
21,000	47.40	59.85	\$ 12.45	26.26%
22,000	49.20	62.51	\$ 13.31	27.05%
23,000	51.00	65.17	\$ 14.17	27.79%
24,000	52.80	67.83	\$ 15.03	28.47%
25,000	54.60	70.50	\$ 15.90	29.11%
26,000	56.80	73.16	\$ 16.36	28.80%
27,000	59.00	75.82	\$ 16.82	28.51%
28,000	61.20	78.48	\$ 17.28	28.24%
29,000	63.40	81.14	\$ 17.74	27.99%
30,000	65.60	83.81	\$ 18.21	27.75%
31,000	67.80	86.47	\$ 18.67	27.53%
32,000	70.00	89.13	\$ 19.13	27.33%
33,000	72.20	91.79	\$ 19.59	27.14%
34,000	74.40	94.45	\$ 20.05	26.95%
35,000	76.60	97.12	\$ 20.52	26.78%
36,000	78.80	99.78	\$ 20.98	26.62%
Average Usage				
9,264	\$ 26.28	\$ 29.27	\$ 2.99	11.39%
Median Usage				
1,000	\$ 11.40	\$ 12.35	\$ 0.95	8.33%

Present Rates:

Monthly Minimum:	\$	9.60
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	25,000	\$ 1.80
Up to	999,999,999	\$ 2.20
Up to	999,999,999	\$ 2.20
Over	1,000,000,000	\$ 2.20

Proposed Rates:

Monthly Minimum:	\$	10.37
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	\$ 1.980
Up to	12,000	\$ 2.420
Over	12,001	\$ 2.662
Over	12,001	\$ 2.662

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 3/4 Inch Residential
With Step One Rates

Exhibit
Schedule H-4
Page 2
Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 14.50	\$ 15.66	\$ 1.16	8.00%
1,000	16.30	17.64	\$ 1.34	8.22%
2,000	18.10	19.62	\$ 1.52	8.40%
3,000	19.90	21.60	\$ 1.70	8.54%
4,000	21.70	23.58	\$ 1.88	8.66%
5,000	23.50	25.56	\$ 2.06	8.77%
6,000	25.30	27.54	\$ 2.24	8.85%
7,000	27.10	29.52	\$ 2.42	8.93%
8,000	28.90	31.50	\$ 2.60	9.00%
9,000	30.70	33.48	\$ 2.78	9.06%
10,000	32.50	35.46	\$ 2.96	9.11%
11,000	34.30	37.44	\$ 3.14	9.15%
12,000	36.10	39.42	\$ 3.32	9.20%
13,000	37.90	41.84	\$ 3.94	10.40%
14,000	39.70	44.26	\$ 4.56	11.49%
15,000	41.50	46.68	\$ 5.18	12.48%
16,000	43.30	49.10	\$ 5.80	13.39%
17,000	45.10	51.52	\$ 6.42	14.24%
18,000	46.90	53.94	\$ 7.04	15.01%
19,000	48.70	56.60	\$ 7.90	16.23%
20,000	50.50	59.26	\$ 8.76	17.35%
21,000	52.30	61.93	\$ 9.63	18.41%
22,000	54.10	64.59	\$ 10.49	19.39%
23,000	55.90	67.25	\$ 11.35	20.30%
24,000	57.70	69.91	\$ 12.21	21.16%
25,000	59.50	72.57	\$ 13.07	21.97%
26,000	61.70	75.24	\$ 13.54	21.94%
27,000	63.90	77.90	\$ 14.00	21.91%
28,000	66.10	80.56	\$ 14.46	21.88%
29,000	68.30	83.22	\$ 14.92	21.85%
30,000	70.50	85.88	\$ 15.38	21.82%
31,000	72.70	88.55	\$ 15.85	21.80%
Average Usage				
10,243	\$ 32.94	\$ 35.94	\$ 3.00	9.12%
Median Usage				
8,500	\$ 29.80	\$ 32.49	\$ 2.69	9.03%

Present Rates:

Monthly Minimum:	\$ 14.50
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 25,000	\$ 1.80
Up to 999,999,999	\$ 2.20
Up to 999,999,999	\$ 2.20
Over 1,000,000,000	\$ 2.20

Proposed Rates:

Monthly Minimum:	\$ 15.66
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 12,000	\$ 1.980
Up to 18,000	\$ 2.420
Over 18,001	\$ 2.662
Over 18,001	\$ 2.662

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 1 Inch Residential
With Step One Rates

Exhibit
Schedule H-4
Page 3
Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 24.00	\$ 25.92	\$ 1.92	8.00%
1,000	25.80	27.90	\$ 2.10	8.14%
2,000	27.60	29.88	\$ 2.28	8.26%
3,000	29.40	31.86	\$ 2.46	8.37%
4,000	31.20	33.84	\$ 2.64	8.46%
5,000	33.00	35.82	\$ 2.82	8.55%
6,000	34.80	37.80	\$ 3.00	8.62%
7,000	36.60	39.78	\$ 3.18	8.69%
8,000	38.40	41.76	\$ 3.36	8.75%
9,000	40.20	43.74	\$ 3.54	8.81%
10,000	42.00	45.72	\$ 3.72	8.86%
11,000	43.80	47.70	\$ 3.90	8.90%
12,000	45.60	49.68	\$ 4.08	8.95%
13,000	47.40	51.66	\$ 4.26	8.99%
14,000	49.20	53.64	\$ 4.44	9.02%
15,000	51.00	55.62	\$ 4.62	9.06%
16,000	52.80	57.60	\$ 4.80	9.09%
17,000	54.60	59.58	\$ 4.98	9.12%
18,000	56.40	61.56	\$ 5.16	9.15%
19,000	58.20	63.54	\$ 5.34	9.18%
20,000	60.00	65.52	\$ 5.52	9.20%
21,000	61.80	67.94	\$ 6.14	9.94%
22,000	63.60	70.36	\$ 6.76	10.63%
23,000	65.40	72.78	\$ 7.38	11.28%
24,000	67.20	75.20	\$ 8.00	11.90%
25,000	69.00	77.62	\$ 8.62	12.49%
26,000	71.20	80.04	\$ 8.84	12.42%
27,000	73.40	82.46	\$ 9.06	12.34%
28,000	75.60	84.88	\$ 9.28	12.28%
29,000	77.80	87.30	\$ 9.50	12.21%
30,000	80.00	89.72	\$ 9.72	12.15%
31,000	82.20	92.38	\$ 10.18	12.39%
Average Usage				
20,040	\$ 60.07	\$ 65.62	\$ 5.54	9.23%
Median Usage				
12,500	\$ 46.50	\$ 50.67	\$ 4.17	8.97%

Present Rates:

Monthly Minimum:	\$ 24.00
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 25,000	\$ 1.80
Up to 999,999,999	\$ 2.20
Up to 999,999,999	\$ 2.20
Over 1,000,000,000	\$ 2.20

Proposed Rates:

Monthly Minimum:	\$ 25.92
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 20,000	\$ 1.980
Up to 30,000	\$ 2.420
Up to 30,001	\$ 2.662
Over 30,001	\$ 2.662

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 5/8 Inch Commercial
With Step One Rates

Exhibit
Schedule H-4
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Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 9.60	\$ 10.37	\$ 0.77	8.02%
1,000	11.40	12.35	\$ 0.95	8.33%
2,000	13.20	14.33	\$ 1.13	8.56%
3,000	15.00	16.31	\$ 1.31	8.73%
4,000	16.80	18.29	\$ 1.49	8.87%
5,000	18.60	20.27	\$ 1.67	8.98%
6,000	20.40	22.25	\$ 1.85	9.07%
7,000	22.20	24.23	\$ 2.03	9.14%
8,000	24.00	26.21	\$ 2.21	9.21%
9,000	25.80	28.63	\$ 2.83	10.97%
10,000	27.60	31.05	\$ 3.45	12.50%
11,000	29.40	33.47	\$ 4.07	13.84%
12,000	31.20	35.89	\$ 4.69	15.03%
13,000	33.00	38.55	\$ 5.55	16.82%
14,000	34.80	41.21	\$ 6.41	18.43%
15,000	36.60	43.88	\$ 7.28	19.88%
16,000	38.40	46.54	\$ 8.14	21.19%
17,000	40.20	49.20	\$ 9.00	22.39%
18,000	42.00	51.86	\$ 9.86	23.48%
19,000	43.80	54.52	\$ 10.72	24.48%
20,000	45.60	57.19	\$ 11.59	25.41%
21,000	47.40	59.85	\$ 12.45	26.26%
22,000	49.20	62.51	\$ 13.31	27.05%
23,000	51.00	65.17	\$ 14.17	27.79%
24,000	52.80	67.83	\$ 15.03	28.47%
25,000	54.60	70.50	\$ 15.90	29.11%
26,000	56.80	73.16	\$ 16.36	28.80%
27,000	59.00	75.82	\$ 16.82	28.51%
28,000	61.20	78.48	\$ 17.28	28.24%
29,000	63.40	81.14	\$ 17.74	27.99%
30,000	65.60	83.81	\$ 18.21	27.75%
31,000	67.80	86.47	\$ 18.67	27.53%
Average Usage				
3,370	\$ 15.67	\$ 17.04	\$ 1.38	8.79%
Median Usage				
2,500	\$ 14.10	\$ 15.32	\$ 1.22	8.65%

Present Rates:

Monthly Minimum:	\$ 9.60
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 25,000	\$ 1.80
Up to 999,999,999	\$ 2.20
Up to 999,999,999	\$ 2.20
Over 1,000,000,000	\$ 2.20

Proposed Rates:

Monthly Minimum:	\$ 10.37
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 8,000	\$ 1.980
Up to 12,000	\$ 2.420
Over 12,001	\$ 2.662
Over 12,001	\$ 2.662

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 1 Inch Commercial

With Step One Rates

Exhibit

Schedule H-4

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Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 24.00	\$ 25.92	\$ 1.92	8.00%
1,000	25.80	27.90	\$ 2.10	8.14%
2,000	27.60	29.88	\$ 2.28	8.26%
3,000	29.40	31.86	\$ 2.46	8.37%
4,000	31.20	33.84	\$ 2.64	8.46%
5,000	33.00	35.82	\$ 2.82	8.55%
6,000	34.80	37.80	\$ 3.00	8.62%
7,000	36.60	39.78	\$ 3.18	8.69%
8,000	38.40	41.76	\$ 3.36	8.75%
9,000	40.20	43.74	\$ 3.54	8.81%
10,000	42.00	45.72	\$ 3.72	8.86%
11,000	43.80	47.70	\$ 3.90	8.90%
12,000	45.60	49.68	\$ 4.08	8.95%
13,000	47.40	51.66	\$ 4.26	8.99%
14,000	49.20	53.64	\$ 4.44	9.02%
15,000	51.00	55.62	\$ 4.62	9.06%
16,000	52.80	57.60	\$ 4.80	9.09%
17,000	54.60	59.58	\$ 4.98	9.12%
18,000	56.40	61.56	\$ 5.16	9.15%
19,000	58.20	63.54	\$ 5.34	9.18%
20,000	60.00	65.52	\$ 5.52	9.20%
21,000	61.80	67.94	\$ 6.14	9.94%
22,000	63.60	70.36	\$ 6.76	10.63%
23,000	65.40	72.78	\$ 7.38	11.28%
24,000	67.20	75.20	\$ 8.00	11.90%
25,000	69.00	77.62	\$ 8.62	12.49%
26,000	71.20	80.04	\$ 8.84	12.42%
27,000	73.40	82.46	\$ 9.06	12.34%
28,000	75.60	84.88	\$ 9.28	12.28%
29,000	77.80	87.30	\$ 9.50	12.21%
30,000	80.00	89.72	\$ 9.72	12.15%
31,000	82.20	92.38	\$ 10.18	12.39%
32,000	84.40	95.04	\$ 10.64	12.61%
33,000	86.60	97.71	\$ 11.11	12.82%
34,000	88.80	100.37	\$ 11.57	13.03%
35,000	91.00	103.03	\$ 12.03	13.22%
36,000	93.20	105.69	\$ 12.49	13.40%
37,000	95.40	108.35	\$ 12.95	13.58%
38,000	97.60	111.02	\$ 13.42	13.75%
39,000	99.80	113.68	\$ 13.88	13.91%
40,000	102.00	116.34	\$ 14.34	14.06%
41,000	104.20	119.00	\$ 14.80	14.21%
42,000	106.40	121.66	\$ 15.26	14.35%
43,000	108.60	124.33	\$ 15.73	14.48%
44,000	110.80	126.99	\$ 16.19	14.61%
45,000	113.00	129.65	\$ 16.65	14.73%
46,000	115.20	132.31	\$ 17.11	14.85%
47,000	117.40	134.97	\$ 17.57	14.97%
Average Usage				
38,424	\$ 98.53	\$ 112.15	\$ 13.61	13.81%
Median Usage				
26,500	\$ 72.30	\$ 81.25	\$ 8.95	12.38%

Present Rates:

Monthly Minimum:	\$ 24.00
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 25,000	\$ 1.80
Up to 999,999,999	\$ 2.20
Up to 999,999,999	\$ 2.20
Over 1,000,000,000	\$ 2.20

Proposed Rates:

Monthly Minimum:	\$ 25.92
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 20,000	\$ 1.980
Up to 30,000	\$ 2.420
Over 30,001	\$ 2.662
Over 30,001	\$ 2.662

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 1.5 Inch Commercial

With Step One Rates

Exhibit

Schedule H-4

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Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 48.00	\$ 51.85	\$ 3.85	8.02%
1,000	49.80	53.83	\$ 4.03	8.09%
2,000	51.60	55.81	\$ 4.21	8.16%
3,000	53.40	57.79	\$ 4.39	8.22%
4,000	55.20	59.77	\$ 4.57	8.28%
5,000	57.00	61.75	\$ 4.75	8.33%
6,000	58.80	63.73	\$ 4.93	8.38%
7,000	60.60	65.71	\$ 5.11	8.43%
8,000	62.40	67.69	\$ 5.29	8.48%
9,000	64.20	69.67	\$ 5.47	8.52%
10,000	66.00	71.65	\$ 5.65	8.56%
11,000	67.80	73.63	\$ 5.83	8.60%
12,000	69.60	75.61	\$ 6.01	8.64%
13,000	71.40	77.59	\$ 6.19	8.67%
14,000	73.20	79.57	\$ 6.37	8.70%
15,000	75.00	81.55	\$ 6.55	8.73%
16,000	76.80	83.53	\$ 6.73	8.76%
17,000	78.60	85.51	\$ 6.91	8.79%
18,000	80.40	87.49	\$ 7.09	8.82%
19,000	82.20	89.47	\$ 7.27	8.84%
20,000	84.00	91.45	\$ 7.45	8.87%
30,000	104.00	111.25	\$ 7.25	6.97%
31,000	106.20	113.23	\$ 7.03	6.62%
32,000	108.40	115.21	\$ 6.81	6.28%
33,000	110.60	117.19	\$ 6.59	5.96%
34,000	112.80	119.17	\$ 6.37	5.65%
35,000	115.00	121.15	\$ 6.15	5.35%
36,000	117.20	123.13	\$ 5.93	5.06%
37,000	119.40	125.11	\$ 5.71	4.78%
38,000	121.60	127.09	\$ 5.49	4.51%
39,000	123.80	129.07	\$ 5.27	4.26%
40,000	126.00	131.05	\$ 5.05	4.01%
41,000	128.20	133.47	\$ 5.27	4.11%
42,000	130.40	135.89	\$ 5.49	4.21%
43,000	132.60	138.31	\$ 5.71	4.31%
44,000	134.80	140.73	\$ 5.93	4.40%
45,000	137.00	143.15	\$ 6.15	4.49%
46,000	139.20	145.57	\$ 6.37	4.58%
47,000	141.40	147.99	\$ 6.59	4.66%
48,000	143.60	150.41	\$ 6.81	4.74%
49,000	145.80	152.83	\$ 7.03	4.82%
50,000	148.00	155.25	\$ 7.25	4.90%
51,000	150.20	157.67	\$ 7.47	4.97%
52,000	152.40	160.09	\$ 7.69	5.05%
53,000	154.60	162.51	\$ 7.91	5.12%
54,000	156.80	164.93	\$ 8.13	5.18%
55,000	159.00	167.35	\$ 8.35	5.25%
56,000	161.20	169.77	\$ 8.57	5.32%
Average Usage				
52,593	\$ 153.71	\$ 161.53	\$ 7.82	5.09%
Median Usage				
35,500	\$ 116.10	\$ 122.14	\$ 6.04	5.20%

Present Rates:

Monthly Minimum:	\$ 48.00
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 25,000	\$ 1.80
Up to 999,999,999	\$ 2.20
Up to 999,999,999	\$ 2.20
Over 1,000,000,000	\$ 2.20

Proposed Rates:

Monthly Minimum:	\$ 51.85
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 40,000	\$ 1.980
Up to 60,800	\$ 2.420
Up to 60,801	\$ 2.662
Over 60,801	\$ 2.662

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 2 Inch Commercial
With Step One Rates

Exhibit

Schedule

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Witness: Kozoman

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 77.00	\$ 83.18	\$ 6.18	8.03%
1,000	78.80	85.16	\$ 6.36	8.07%
2,000	80.60	87.14	\$ 6.54	8.11%
3,000	82.40	89.12	\$ 6.72	8.16%
4,000	84.20	91.10	\$ 6.90	8.19%
5,000	86.00	93.08	\$ 7.08	8.23%
6,000	87.80	95.06	\$ 7.26	8.27%
7,000	89.60	97.04	\$ 7.44	8.30%
8,000	91.40	99.02	\$ 7.62	8.34%
9,000	93.20	101.00	\$ 7.80	8.37%
10,000	95.00	102.98	\$ 7.98	8.40%
11,000	96.80	104.96	\$ 8.16	8.43%
12,000	98.60	106.94	\$ 8.34	8.46%
13,000	100.40	108.92	\$ 8.52	8.49%
14,000	102.20	110.90	\$ 8.70	8.51%
15,000	104.00	112.88	\$ 8.88	8.54%
16,000	105.80	114.86	\$ 9.06	8.56%
17,000	107.60	116.84	\$ 9.24	8.59%
18,000	109.40	118.82	\$ 9.42	8.61%
19,000	111.20	120.80	\$ 9.60	8.63%
20,000	113.00	122.78	\$ 9.78	8.65%
30,000	133.00	142.58	\$ 9.58	7.20%
40,000	155.00	162.38	\$ 7.38	4.76%
50,000	177.00	182.18	\$ 5.18	2.93%
60,000	199.00	201.98	\$ 2.98	1.50%
70,000	221.00	224.42	\$ 3.42	1.55%
80,000	243.00	248.62	\$ 5.62	2.31%
90,000	265.00	272.82	\$ 7.82	2.95%
100,000	287.00	297.99	\$ 10.99	3.83%
120,220	331.48	351.81	\$ 20.33	6.13%
130,000	353.00	377.85	\$ 24.85	7.04%
140,100	375.22	404.73	\$ 29.51	7.87%
150,400	397.88	432.15	\$ 34.27	8.61%
161,200	421.64	460.90	\$ 39.26	9.31%
Average Usage				
158,358	\$ 415.39	\$ 453.34	\$ 37.95	9.14%
Median Usage				
62,500	\$ 204.50	\$ 206.93	\$ 2.43	1.19%

Present Rates:

Monthly Minimum:	\$ 77.00
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 25,000	\$ 1.80
Up to 999,999,999	\$ 2.20
Up to 999,999,999	\$ 2.20
Over 1,000,000,000	\$ 2.20

Proposed Rates:

Monthly Minimum:	\$ 83.18
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 64,000	\$ 1.980
Up to 96,000	\$ 2.420
Over 96,001	\$ 2.662
Over 96,001	\$ 2.662

Valley Utilities Water Company, Inc.
 Bill Comparison Present and Proposed Rates
 Meter Size and Zone: Construction Water 3" Inch Meter
 With Step One Rates

Exhibit
 Schedule H-4
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 Witness: Kozoman

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 144.00	\$ 155.55	\$ 11.55	8.02%
1,000	146.60	158.41	\$ 11.81	8.06%
2,000	149.20	161.27	\$ 12.07	8.09%
3,000	151.80	164.13	\$ 12.33	8.12%
4,000	154.40	166.99	\$ 12.59	8.15%
5,000	157.00	169.85	\$ 12.85	8.18%
6,000	159.60	172.71	\$ 13.11	8.21%
7,000	162.20	175.57	\$ 13.37	8.24%
8,000	164.80	178.43	\$ 13.63	8.27%
9,000	167.40	181.29	\$ 13.89	8.30%
10,000	170.00	184.15	\$ 14.15	8.32%
11,000	172.60	187.01	\$ 14.41	8.35%
12,000	175.20	189.87	\$ 14.67	8.37%
13,000	177.80	192.73	\$ 14.93	8.40%
14,000	180.40	195.59	\$ 15.19	8.42%
15,000	183.00	198.45	\$ 15.45	8.44%
16,000	185.60	201.31	\$ 15.71	8.46%
17,000	188.20	204.17	\$ 15.97	8.49%
18,000	190.80	207.03	\$ 16.23	8.51%
19,000	193.40	209.89	\$ 16.49	8.53%
20,000	196.00	212.75	\$ 16.75	8.55%
30,000	222.00	241.35	\$ 19.35	8.72%
40,000	248.00	269.95	\$ 21.95	8.85%
50,000	274.00	298.55	\$ 24.55	8.96%
60,000	300.00	327.15	\$ 27.15	9.05%
70,000	326.00	355.75	\$ 29.75	9.13%
Average Usage				
56,780	\$ 291.63	\$ 317.94	\$ 26.31	9.02%
Median Usage				
7,500	\$ 163.50	\$ 177.00	\$ 13.50	8.26%

Present Rates:

Monthly Minimum:	\$ 144.00
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 999,999,999	\$ 2.60
Up to 999,999,999	\$ 2.60
Up to 999,999,999	\$ 2.60
Over 1,000,000,000	\$ 2.60

Proposed Rates:

Monthly Minimum:	\$ 155.55
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 999,999,999	\$ 2.860
Up to 999,999,999	\$ 2.860
Over 999,999,999	\$ 2.860
Over 999,999,999	\$ 2.860

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone: 3/4 Inch Residential

Exhibit

Schedule H-5

Page 2

Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
-	-	21	15	18	14	18	9	8	5	4	10	13	5	140	140
1	1,000	25	33	32	38	46	47	42	52	29	17	22	18	401	541
1,001	2,000	29	37	31	23	33	24	20	26	16	28	29	21	317	858
2,001	3,000	35	36	35	26	20	28	28	26	20	28	46	24	352	1,210
3,001	4,000	37	42	42	24	20	31	22	30	15	20	43	27	353	1,563
4,001	5,000	33	49	60	27	30	22	35	20	27	40	45	43	431	1,994
5,001	6,000	46	51	55	30	24	31	29	28	34	36	63	45	472	2,466
6,001	7,000	52	66	64	37	31	28	23	28	18	41	63	45	496	2,962
7,001	8,000	51	41	46	33	33	26	18	32	24	41	47	60	452	3,414
8,001	9,000	39	29	44	47	28	23	27	28	32	43	51	52	443	3,857
9,001	10,000	32	45	23	32	32	31	29	27	24	38	32	49	394	4,251
10,001	11,000	29	21	22	36	25	30	22	21	30	36	37	45	354	4,605
11,001	12,000	19	13	18	24	31	21	19	26	28	34	21	29	283	4,888
12,001	13,000	15	21	12	30	26	27	26	28	22	20	17	21	265	5,153
13,001	14,000	11	7	15	23	16	23	21	32	23	32	13	15	231	5,384
14,001	15,000	11	6	1	17	23	20	22	21	27	27	13	21	209	5,593
15,001	16,000	5	3	4	13	23	15	25	20	27	18	11	18	182	5,775
16,001	17,000	4	2	9	20	22	17	14	26	18	13	4	10	159	5,934
17,001	18,000	4	3	3	16	16	20	14	13	18	9	5	11	132	6,066
18,001	19,000	4	2	2	10	16	15	20	14	13	5	4	9	114	6,180
19,001	20,000	4	4	1	9	9	11	10	10	15	7	4	8	92	6,272
20,001	21,000	2	1	1	4	9	16	12	13	18	7	2	4	89	6,361
21,001	22,000	2			3	12	5	13	7	10	10	1	1	64	6,425
22,001	23,000	3	1	3	2	7	6	5	8	14	4	2	2	57	6,482
23,001	24,000	3		1	3	6	5	7	6	9	9	2	2	53	6,535
24,001	25,000			1	5	4	10	9	12	12	3	1	4	61	6,596
25,001	26,000				2	2	6	7	3	11	5		1	37	6,633
26,001	27,000	1			2	6	4	11	4	7	6		1	42	6,675
27,001	28,000				3		5	8	7	4	6		1	34	6,709
28,001	29,000			1	3	3	3	8	6	7	1			32	6,741
29,001	30,000				4		3	8	6	3	2	1	2	29	6,770
30,001	31,000				3	3	1	9	3	3	2	1	1	26	6,796
31,001	32,000						3	4	3	1	1			12	6,808
32,001	33,000	2			1	1	3	2	2	5	1		3	20	6,828
33,001	34,000	1			1	2	2	4	3	2	1			16	6,844
34,001	35,000				2	2	2	3	3	3	1			14	6,858
35,001	36,000				2	1	7	3	6	3	1	1		24	6,882
36,001	37,000	1		1		1		2	1	2	1	1	1	11	6,893
37,001	38,000				1	1	1	1	2	3	2			11	6,904
38,001	39,000					2	1		1	1				5	6,909
39,001	40,000		0				2	1		3				6	6,915
40,001	41,000					1	1	1	3	1	1			8	6,923

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone: 3/4 Inch Residential

Exhibit

Schedule H-5

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Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing	
81,001	82,000													-	7,004	
82,001	83,000				1									1	7,005	
83,001	84,000									1				1	7,006	
84,001	85,000				1					1				2	7,008	
85,001	86,000													-	7,008	
86,001	87,000					1								1	7,009	
87,001	88,000													-	7,009	
88,001	89,000													-	7,009	
89,001	90,000				1									1	7,010	
90,001	91,000													-	7,010	
91,001	92,000													-	7,010	
92,001	93,000													-	7,010	
93,001	94,000													-	7,010	
94,001	95,000													-	7,010	
95,001	96,000													-	7,010	
96,001	97,000													-	7,010	
97,001	98,000													-	7,010	
98,001	99,000													-	7,010	
99,001	100,000													-	7,010	
108,260	108,260								1					1	7,011	
116,300	116,300												1	1	7,012	
133,100	133,100													-	7,012	
143,090	143,090										1			1	7,013	
Totals		521	530	546	580	593	596	608	622	605	614	596	602	7,013	Median	
														Average Usage	10,243	Billing
														Median Usage	8,500	3,507
														Average # Customers	584	
														Change in Number of Customers	81	

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone:

1 Inch Residential

Exhibit

Schedule H-5

Page 3

Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
-	-	4	7	10	3	11	4	2	4	1	8	4	6	64	64
1	1,000	17	13	17	21	24	21	29	26	12	9	8	6	203	267
1,001	2,000	13	11	11	8	6	19	6	8	9	8	8	6	113	380
2,001	3,000	7	12	7	6	4	3	8	6	10	10	6	2	81	461
3,001	4,000	8	13	14	2	5	4	7	3	4	5	15	8	88	549
4,001	5,000	10	9	11	8	4	6	3	8	2	13	12	8	94	643
5,001	6,000	13	19	16	7	6	9	4	7	10	14	22	11	138	781
6,001	7,000	7	19	13	11	13	7	13	8	6	7	11	14	129	910
7,001	8,000	15	17	20	8	6	6	5	10	8	12	30	18	155	1,065
8,001	9,000	9	9	10	4	4	4	5	6	4	14	13	11	93	1,158
9,001	10,000	14	10	15	9	9	8	5	5	8	5	12	10	110	1,268
10,001	11,000	9	12	11	10	11	7	2	7	11	12	9	20	121	1,389
11,001	12,000	13	8	13	6	9	5	4	9	4	6	12	15	104	1,493
12,001	13,000	15	8	6	5	9	6	8	7	9	11	6	8	98	1,591
13,001	14,000	6	4	4	14	4	6	6	3	5	7	6	6	71	1,662
14,001	15,000		7	10	9	6	6	8	8	5	8	3	7	77	1,739
15,001	16,000	4	4	1	5	4	3	5	2	4	6	7	18	63	1,802
16,001	17,000	6	2	3	5	2	3	1	6	6	7	8	5	54	1,856
17,001	18,000	3	5	5	6	7	5	9	10	10	4	10	8	82	1,938
18,001	19,000	6	8	4	2	5	3	3	3	6	10	6	5	61	1,999
19,001	20,000	3	4	2	6	5	7	6	5	4	5	2	9	58	2,057
20,001	21,000	5	3	2	3	2	9	4	2	5	3	5	6	49	2,106
21,001	22,000	2	6	4	6	11	6	4	1	6	4	2	5	57	2,163
22,001	23,000	2	4	2	5	3	6	6	2	2	5	5	3	45	2,208
23,001	24,000	2	1		4	6	7	7	8	3	5	4	3	50	2,258
24,001	25,000	2	1	2	6	4	4	4	2	4	6	3	3	41	2,299
25,001	26,000	3	2	2	1	7	4	4	6	4	6	3	2	44	2,343
26,001	27,000	5	1	3	6	4	2	1	3	3	6	2	8	44	2,387
27,001	28,000	1	2	1	7	3	2	4	1	3		1	4	29	2,416
28,001	29,000			3	4	3	5	2	5	3	2	2	3	32	2,448
29,001	30,000	1	1	2	3	2	3	6	2	2	3	7	2	34	2,482
30,001	31,000			2	3	3	6	7	7	3	3		1	35	2,517
31,001	32,000	1	1	2	1	2	3	6	3	2	2	2	1	26	2,543
32,001	33,000	1		2	1	1	1	2	3	4	1	1		17	2,560
33,001	34,000	1	1		3	2	2	4	3	2	5		2	25	2,585
34,001	35,000	1	1		1	4	3	3	5	6			1	25	2,610
35,001	36,000	1	1		1	3	2	1	3	2	1	3	2	20	2,630
36,001	37,000		1		2	1	5	2	2	2	2	4	4	25	2,655
37,001	38,000	1			2	4		1	2	2	5	2	3	22	2,677
38,001	39,000			1		1	2	1	1	3	1	2	1	13	2,690
39,001	40,000			1	3	2		2	1	5	1		3	18	2,708
40,001	41,000				2	2	1	1	2	3	2		1	14	2,722

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone: 1 Inch Residential

Exhibit
Schedule H-5

Page 3.1

Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
41,001	42,000	1	1		1	2	3	1	4	3				16	2,738
42,001	43,000	2	2	2	1	1	1	3	4	6	2	2		26	2,764
43,001	44,000	1		1	1	1	1	3	3	6	4		1	22	2,786
44,001	45,000	1			3	2	1	3	2		1	1		14	2,800
45,001	46,000	1						3			2	1		7	2,807
46,001	47,000				2	4	4	2	2	2	1	2		19	2,826
47,001	48,000	1		1	3	2	1	4		1			2	15	2,841
48,001	49,000	1			2		5	2	2		1		1	14	2,855
49,001	50,000					1	2	2	1		2	1		7	2,862
50,001	51,000		1			1	3	2	2	1	1			11	2,873
51,001	52,000					3		2	1	3	1			10	2,883
52,001	53,000		1		1	1			1	2	1			7	2,890
53,001	54,000				1	2	2	2		2	1	1		11	2,901
54,001	55,000	1							1	1	1	1	1	6	2,907
55,001	56,000	1			1		2		3	1	2			10	2,917
56,001	57,000						2	3	1	2			1	9	2,926
57,001	58,000				2		1	2	1				1	7	2,933
58,001	59,000							2			3	1		6	2,939
59,001	60,000	1					2	1		4	1			9	2,948
60,001	61,000								2		1			3	2,951
61,001	62,000								2		1			3	2,954
62,001	63,000				1			1			1			3	2,957
63,001	64,000					1	1			2				4	2,961
64,001	65,000		1		1	2	1	1	1					7	2,968
65,001	66,000					1		1	2		1			5	2,973
66,001	67,000					1				1				2	2,975
67,001	68,000					1	1	1	1	1				5	2,980
68,001	69,000				1	1	1	2						5	2,985
69,001	70,000						1	1		1				3	2,988
70,001	71,000			2		1		1	1					5	2,993
71,001	72,000					1				1				2	2,995
72,001	73,000				1			1						2	2,997
73,001	74,000	1						1		3			1	6	3,003
74,001	75,000							3	1	1	1			6	3,009
75,001	76,000								1	1				2	3,011
76,001	77,000	1				2	1							4	3,015
77,001	78,000						1							1	3,016
78,001	79,000					1								1	3,017
79,001	80,000						1	1			1		1	4	3,021
80,001	81,000								2					2	3,023

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone: 1 Inch Residential

Exhibit

Schedule H-5

Page 3.2

Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
81,001	82,000							1			1			2	3,025
82,001	83,000				1			1	1	1				4	3,029
83,001	84,000													-	3,029
84,001	85,000						1		1					2	3,031
85,001	86,000						1	1	2					4	3,035
86,001	87,000							1			1			2	3,037
87,001	88,000													-	3,037
88,001	89,000						1							1	3,038
89,001	90,000				1				1					2	3,040
90,001	91,000				1						1			2	3,042
91,001	92,000							1	1					2	3,044
92,001	93,000													-	3,044
93,001	94,000										1	1		2	3,046
94,001	95,000								1	1	1			3	3,049
95,001	96,000							1						1	3,050
96,001	97,000													-	3,050
97,001	98,000													-	3,050
98,001	99,000						1					1		2	3,052
99,001	100,000					1			1					2	3,054
100,660	100,660								1					1	3,055
102,150	102,150								1					1	3,056
103,070	103,070					1								1	3,057
103,800	103,800									1				1	3,058
105,440	105,440						1							1	3,059
105,970	105,970											1		1	3,060
107,710	107,710												1	1	3,061
107,770	107,770									1				1	3,062
108,950	108,950								1					1	3,063
109,660	109,660											1		1	3,064
110,390	110,390									1				1	3,065
110,410	110,410											1		1	3,066
111,190	111,190						1							1	3,067
114,260	114,260								1					1	3,068
114,540	114,540							1						1	3,069
115,100	115,100											1		1	3,070
116,270	116,270				1									1	3,071
116,860	116,860						1							1	3,072
117,200	117,200									1				1	3,073
119,200	119,200											1		1	3,074
122,220	122,220											1		1	3,075

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003

Meter Size and Zone: 1 Inch Residential

Exhibit
 Schedule H-5
 Page 3.3
 Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing	
123,760	123,760									1		1		2	3,077	
126,420	126,420								1	0				1	3,078	
126,680	126,680									1				1	3,079	
127,630	127,630									1	0			1	3,080	
130,490	130,490									1				1	3,081	
135,230	135,230												1	1	3,082	
139,930	139,930						1							1	3,083	
143,340	143,340							1						1	3,084	
153,840	153,840									1				1	3,085	
178,010	178,010									1				1	3,086	
242,900	242,900						1							1	3,087	
273,600	273,600					1								1	3,088	
290,600	290,600							1						1	3,089	
317,100	317,100									1				1	3,090	
320,560	320,560												1	1	3,091	
321,660	321,660													-	3,091	
355,300	355,300								1					1	3,092	
462,300	462,300				1									1	3,093	
506,700	506,700									1				1	3,094	
511,260	511,260									1				1	3,095	
Totals		224	233	238	246	259	262	269	270	274	278	271	271	3,095	Median	
														Average Usage	20,040	Billing
														Median Usage	12,500	1,548
														Average # Customers	258	
														Change in Number of Customers	47	

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone: 5/8 Inch Commercial

Exhibit

Schedule H-5

Page 4

Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing	
-	-													-	-	
1	1,000	1	2	1	1	1	1	1	1	1	1	1	1	13	13	
1,001	2,000	2	2	3	1	1	1	1	2	1	3	2	3	22	35	
2,001	3,000	2	1	1	1	2	2	1	1	1	1	2	2	13	48	
3,001	4,000		1		1	1	1	2	2	2	2	1	1	14	62	
4,001	5,000					1				1	1	1	1	5	67	
5,001	6,000	2					1							3	70	
6,001	7,000		1	1					1					3	73	
7,001	8,000				2		1	1		1			1	6	79	
8,001	9,000													-	79	
9,001	10,000			1										1	80	
10,001	11,000					1								1	81	
11,001	12,000													-	81	
12,001	13,000				1				1					2	83	
13,001	14,000							1						1	84	
14,001	15,000													-	84	
15,001	16,000													-	84	
Totals		7	7	7	7	7	7	7	7	7	7	7	7	84	Median	
														Average Usage	3,370	Billing
														Median Usage	2,500	42
														Average # Customers	7	
														Change in Number of Customers	-	

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone: 1 Inch Commercial

Exhibit

Schedule H-5

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Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
-	-					1								1	1
1	1,000													-	1
1,001	2,000											1	1	2	3
2,001	3,000	1	1									1	1	4	7
3,001	4,000		1	1							1	1		4	11
4,001	5,000	1		2	1			1	1	1				7	18
5,001	6,000	1	1						1					3	21
6,001	7,000					1								1	22
7,001	8,000										1		1	2	24
8,001	9,000		1											1	25
9,001	10,000			1	1		1	1		1				5	30
10,001	11,000						1		1			1		3	33
11,001	12,000							1						1	34
12,001	13,000										1		1	2	36
13,001	14,000	1								1		1		3	39
14,001	15,000					1								1	40
15,001	16,000													-	40
16,001	17,000												1	1	41
17,001	18,000										1			1	42
18,001	19,000				1	1								2	44
19,001	20,000			1			1					1		3	47
20,001	21,000								1		1			2	49
21,001	22,000	1	1				1							3	52
22,001	23,000	1	1			1								3	55
23,001	24,000				1		1		1	1		1		5	60
24,001	25,000									1				1	61
25,001	26,000						1					2		3	64
26,001	27,000			1				1					1	3	67
27,001	28,000				1			1		1				3	70
28,001	29,000										1			1	71
29,001	30,000		1						1					2	73
30,001	31,000	1												1	74
31,001	32,000													-	74
32,001	33,000			1									1	2	76
33,001	34,000													-	76
34,001	35,000						1	1						2	78
35,001	36,000			1									1	2	80
36,001	37,000					1			1		1			3	83
37,001	38,000		1					1						2	85
38,001	39,000													-	85
39,001	40,000													-	85
40,001	41,000				1					1				2	87

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone: 1 Inch Commercial

Exhibit

Schedule H-5

Page 5.2

Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing	
87,001	88,000								1					1	115	
88,001	89,000													-	115	
89,001	90,000													-	115	
90,001	91,000													-	115	
91,001	92,000										1			1	116	
92,001	93,000													-	116	
93,001	94,000													-	116	
94,001	95,000													-	116	
95,001	96,000													-	116	
96,001	97,000							1						1	117	
97,001	98,000													-	117	
98,001	99,000													-	117	
99,001	100,000													-	117	
107,040	107,040						1							1	118	
108,440	108,440								1					1	119	
112,970	112,970					1								1	120	
122,620	122,620	1												1	121	
125,240	125,240												1	1	122	
129,710	129,710				1									1	123	
151,860	151,860					1								1	124	
160,690	160,690								1					1	125	
161,060	161,060							1						1	126	
163,870	163,870										1			1	127	
175,560	175,560											1		1	128	
199,640	199,640						1							1	129	
Totals		10	10	10	10	11	11	11	11	12	11	11	11	129	Median Billing	
														Average Usage	38,424	
														Median Usage	26,500	65
														Average # Customers	11	
														Change in Number of Customers	1	

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Meter Size and Zone: 1.5 Inch Commerc

Exhibit
 Schedule H-5
 Page 6
 Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
-	-	1	1	1	1	1	1	1	1	1	1	1	1	9	9
1	1,000													-	9
1,001	2,000													-	9
2,001	3,000													-	9
3,001	4,000													-	9
4,001	5,000													-	9
5,001	6,000													-	9
6,001	7,000											1		1	10
7,001	8,000													-	10
8,001	9,000													-	10
9,001	10,000													-	10
10,001	11,000													-	10
11,001	12,000													-	10
12,001	13,000													-	10
13,001	14,000													-	10
14,001	15,000													-	10
15,001	16,000		1											1	11
16,001	17,000													-	11
17,001	18,000													-	11
18,001	19,000			1										1	12
19,001	20,000													-	12
20,001	21,000													-	12
21,001	22,000													-	12
22,001	23,000													-	12
23,001	24,000										1	1		2	14
24,001	25,000						1	1						2	16
25,001	26,000													-	16
26,001	27,000					1								1	17
27,001	28,000			1					1			1	1	4	21
28,001	29,000	1					1	1			1			4	25
29,001	30,000									1				1	26
30,001	31,000													-	26
31,001	32,000					1								1	27
32,001	33,000		1					1					1	3	30
33,001	34,000				1				1					2	32
34,001	35,000				1				1			1		3	35
35,001	36,000	1								1				2	37
36,001	37,000													-	37
37,001	38,000													-	37
38,001	39,000			1										1	38
39,001	40,000													-	38
40,001	41,000			1						1		1		3	41

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003

Meter Size and Zone: 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 7
 Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
-	-	2	1	1	4	1		2	1				2	14	14
1	1,000	6	6	1	2	7	3	2		1				28	42
1,001	2,000	4			1	3		2		1				11	53
2,001	3,000			2	5		2	3	2					14	67
3,001	4,000		1	1	4	2	5		1					14	81
4,001	5,000		1		1	2	1	2	1				1	9	90
5,001	6,000				1		1		3			1		6	96
6,001	7,000				1		1				3			5	101
7,001	8,000	1	1											2	103
8,001	9,000							1	2					3	106
9,001	10,000			1			1		2	2				6	112
10,001	11,000	1	1					1		1		2		6	118
11,001	12,000		2	1					1	1				5	123
12,001	13,000					1			1	1				3	126
13,001	14,000							1		1	2		1	5	131
14,001	15,000	1	1	1					1	2		1	2	9	140
15,001	16,000											2		2	142
16,001	17,000										1	1	1	3	145
17,001	18,000				1	1				2	1			5	150
18,001	19,000			1								1		2	152
19,001	20,000							1						1	153
20,001	21,000	1	1					2		1				5	158
21,001	22,000							1			2	1		4	162
22,001	23,000			2	1							1		4	166
23,001	24,000			1					1	1	1		1	5	171
24,001	25,000					1				1				2	173
25,001	26,000											1		1	174
26,001	27,000			1							1		1	3	177
27,001	28,000		1						1		1	2	2	7	184
28,001	29,000	1							1		2	2		6	190
29,001	30,000			1		1						1		3	193
30,001	31,000							1					1	2	195
31,001	32,000		1			1								2	197
32,001	33,000										1	2		3	200
33,001	34,000			1		1				1		1	1	5	205
34,001	35,000										2			2	207
35,001	36,000										1			1	208
36,001	37,000									1			1	2	210
37,001	38,000														210
38,001	39,000	1			1								1	3	213
39,001	40,000			1		1								2	215
40,001	41,000											1	2	3	218

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone:

2 Inch Commercial

Exhibit

Schedule H-5

Page 7.2

Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
81,001	82,000													-	275
82,001	83,000													1	276
83,001	84,000	1												1	277
84,001	85,000												1	1	278
85,001	86,000			1										1	279
86,001	87,000			1				1						2	281
87,001	88,000	1											1	2	283
88,001	89,000									1				1	284
89,001	90,000									1				1	285
90,001	91,000		1											1	286
91,001	92,000			1			1							2	288
92,001	93,000					1		1			1			3	291
93,001	94,000										1	1		2	293
94,001	95,000					1	1							2	295
95,001	96,000			1							1	1		3	298
96,001	97,000		1								1			2	300
97,001	98,000									1	1	1		3	303
98,001	99,000											1		1	304
99,001	100,000											1		1	305
103,700	103,700											1		1	306
104,200	104,200												1	1	307
107,300	107,300			2				1						3	310
108,020	108,020												1	1	311
109,300	109,300									1				1	312
110,100	110,100											1		1	313
112,000	112,000			1			1							2	315
112,400	112,400					1								1	316
112,400	112,400	1												1	317
113,000	113,000						1							1	318
113,300	113,300	1												1	319
115,500	115,500												1	1	320
116,400	116,400			1				1						2	322
116,730	116,730						1							1	323
118,100	118,100						1							1	324
119,200	119,200											1		1	325
119,240	119,240						1							1	326
119,530	119,530											1		1	327
120,220	120,220										1			1	328

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003

Meter Size and Zone: 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 7.3
 Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
121,200	121,200						1							1	329
121,300	121,300				1									1	330
121,400	121,400									1				1	331
121,500	121,500			2			1							3	334
123,760	123,760											1		1	335
124,200	124,200					1								1	336
125,100	125,100		1											1	337
125,400	125,400	1												1	338
125,500	125,500								1					1	339
125,700	125,700												1	1	340
125,900	125,900		1											1	341
126,400	126,400											1		1	342
126,400	126,400											1		1	343
126,500	126,500		1											2	345
127,700	127,700									1				1	346
129,000	129,000		1	1										2	348
129,200	129,200				1									1	349
129,220	129,220		1									1		2	351
130,000	130,000					1								1	352
131,620	131,620		1									1		2	354
131,700	131,700	1												1	355
132,100	132,100											1		1	356
133,100	133,100		1											1	357
133,100	133,100			1										1	358
133,300	133,300							1						1	359
133,910	133,910												1	1	360
134,800	134,800												1	1	361
137,800	137,800									1				1	362
138,020	138,020											1		1	363
138,500	138,500						1							1	364
138,900	138,900												1	1	365
140,100	140,100										1			1	366
140,800	140,800											1		1	367
141,300	141,300							1						1	368
142,600	142,600		1											1	369
143,800	143,800	1												1	370
144,300	144,300											1		1	371
145,100	145,100					1								1	372
146,700	146,700												1	1	373
147,160	147,160		1											1	374
147,400	147,400										1			1	375

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003

Meter Size and Zone: 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 7.4
 Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
148,400	148,400								1					1	376
150,400	150,400		1											1	377
151,100	151,100								1					1	378
154,100	154,100			1										1	379
158,400	158,400											1		1	380
161,200	161,200							1						1	381
161,420	161,420		1											1	382
161,700	161,700					1								1	383
162,300	162,300							1						1	384
164,700	164,700												1	1	385
165,200	165,200										1			1	386
165,600	165,600						1							1	387
169,500	169,500				1									1	388
169,700	169,700							1						1	389
170,400	170,400												1	1	390
170,800	170,800								1					1	391
174,100	174,100												1	1	392
174,200	174,200						1							1	393
174,800	174,800							1						1	394
175,900	175,900					1								1	395
177,400	177,400				1									1	396
177,700	177,700								1					1	397
179,000	179,000									1				1	398
179,700	179,700	1												1	399
180,700	180,700								1					1	400
182,300	182,300								1					1	401
186,000	186,000										1			1	402
186,800	186,800				1									1	403
189,200	189,200								1					1	404
189,400	189,400	1												1	405
189,470	189,470										1			1	406
189,500	189,500								1					1	407
190,200	190,200	1												1	408
202,100	202,100			1										1	409
205,000	205,000			1										1	410
207,800	207,800									1				1	411
210,100	210,100		1											1	412
212,800	212,800			1										1	413
213,600	213,600		1											1	414
213,600	213,600		1											1	415
215,500	215,500					1								1	416
216,400	216,400					1								1	417
218,700	218,700							1						1	418

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003

Meter Size and Zone: 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 7.6
 Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
295,160	295,160							1						1	463
296,500	296,500			1										1	464
299,100	299,100					1								1	465
302,300	302,300					1								1	466
302,700	302,700								1					1	467
307,500	307,500										1			1	468
309,420	309,420							1						1	469
311,500	311,500			1										1	470
316,000	316,000												1	1	471
316,100	316,100				1									1	472
317,100	317,100										1			1	473
319,900	319,900								1					1	474
320,560	320,560												1	1	475
321,660	321,660										1			1	476
322,900	322,900							1						1	477
323,500	323,500												1	1	478
324,500	324,500										1			1	479
325,600	325,600								1					1	480
325,890	325,890	1												1	481
327,590	327,590								1					1	482
334,820	334,820												1	1	483
335,920	335,920										1			1	484
347,400	347,400								1					1	485
355,300	355,300								1					1	486
358,400	358,400									1				1	487
359,860	359,860								1					1	488
363,800	363,800						1							1	489
370,400	370,400	1												1	490
374,120	374,120								1					1	491
382,000	382,000										1			1	492
382,200	382,200												1	1	493
383,320	383,320								1					1	494
397,200	397,200								1					1	495
409,300	409,300				1									1	496
429,660	429,660							1						1	497
445,400	445,400						1							1	498
462,300	462,300				1									1	499
474,800	474,800					1								1	500
503,060	503,060							1						1	501
506,600	506,600										1			1	502
506,700	506,700										1			1	503
511,260	511,260										1			1	504
515,200	515,200							1						1	505

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Meter Size and Zone: 2 Inch Commercial

Exhibit

Schedule H-5

Page 7.7

Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing
525,520	525,520									1				1	506
533,490	533,490									1				1	507
550,220	550,220			1										1	508
593,100	593,100								1					1	509
634,000	634,000									1				1	510
678,700	678,700							1						1	511
718,330	718,330			1										1	512
728,100	728,100					1								1	513
779,510	779,510			1										1	514
791,300	791,300										1			1	515
817,160	817,160	1												1	516
831,400	831,400						1							1	517
838,000	838,000												1	1	518
871,100	871,100											1		1	519
876,200	876,200				1									1	520
876,300	876,300						1							1	521
876,400	876,400											1		1	522
881,400	881,400				1									1	523
918,400	918,400			1										1	524
930,400	930,400				1									1	525
933,600	933,600									1				1	526
937,400	937,400								1					1	527
941,800	941,800	1												1	528
945,800	945,800							1						1	529
968,700	968,700						1							1	530
977,400	977,400							1						1	531
1,011,600	1,011,600					1								1	532
1,031,200	1,031,200								1					1	533
1,032,000	1,032,000												1	1	534
1,041,600	1,041,600					1								1	535
1,060,800	1,060,800				1									1	536
1,078,500	1,078,500			1										1	537
1,088,500	1,088,500				1									1	538
1,143,800	1,143,800	1												1	539
1,845,400	1,845,400									1				1	540
1,985,000	1,985,000			1										1	541
Totals		40	43	44	46	46	46	46	46	46	46	46	46	541	Median
										Average Usage				158,358	Billing
										Median Usage				62,500	271
										Average # Customers				45	
										Change in Number of Customers				6	

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003

Meter Size and Zone: Construction Water 3" Inch Meter

Exhibit
 Schedule H-5
 Page 8.1
 Witness: Kozoman

Usage From:	Usage To:	Month of Jan-03	Month of Feb-03	Month of Mar-03	Month of Apr-03	Month of May-03	Month of Jun-03	Month of Jul-03	Month of Aug-03	Month of Sep-03	Month of Oct-03	Month of Nov-03	Month of Dec-03	Total Year	Cumulative Billing	
35,001	36,000													-	37	
36,001	37,000													-	37	
37,001	38,000									1				1	38	
72,001	73,000					1								1	39	
108,800	108,800						1							1	40	
118,300	118,300									1				1	41	
151,900	151,900											1		1	42	
154,800	154,800		1											1	43	
176,500	176,500											1		1	44	
178,100	178,100							1						1	45	
187,100	187,100					1								1	46	
214,300	214,300												1	1	47	
393,900	393,900						1							1	48	
688,000	688,000	1												1	49	
Totals		6	5	4	5	6	5	3	3	3	3	3	3	49	Median Billing	
														Average Usage	56,780	Billing
														Median Usage	7,500	25
														Average # Customers	4	
														Change in Number of Customers	(3)	

B

VALLEY UTILITIES WATER COMPANY, INC.

RATE INCREASE APPLICATION

DOCKET NO. W-01412-04-_____

**SUPPORTING SCHEDULES
PHASES TWO-H SCHEDULES**

OCTOBER, 2004

EXHIBIT B

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Analysis of Revenue by Detailed Class
 With Step Two Rates

Exhibit
 Schedule H-2
 Page 1
 Witness: Kozoman

Line No.	Meter Size, Class	(a) Average Number of Customers at 12/31/2003	Average Consumption	Revenues		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8 Inch Residential	247	9,264	\$ 29.27	\$ 42.26	12.99	44.39%
2	3/4 Inch Residential	584	10,243	35.94	51.53	15.59	43.39%
3	1 Inch Residential	258	20,040	65.62	94.40	28.79	43.87%
4	1.5 Inch Residential						
5	Subtotal	<u>1,089</u>					
6							
7	5/8 Inch Commercial	7	3,370	17.04	24.08	7.04	41.30%
8	3/4 Inch Commercial						
9	1 Inch Commercial	11	38,424	112.15	163.59	51.45	45.88%
10	1.5 Inch Commercial	6	52,593	161.53	233.86	72.34	44.78%
11	2 Inch Commercial	45	158,358	453.34	663.94	210.60	46.46%
12	3 Inch Commercial/Construction	4	56,780	317.94	453.81	135.87	42.74%
13	Subtotal	<u>73</u>					
14							
15							
16							
17	Totals	<u><u>1,162</u></u>					
18							
19							
20							

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Valley Utilities Water Company, Inc.
 Test Year Ended December 31, 2003
 Present and Proposed Rates
 With Step Two Rates

Exhibit
 Schedule H-3
 Page 1
 Witness: Kozoman

Line No.		Present Rates	Proposed Rates	Percent Change
1	Monthly Usage Charge for:			
2	<u>Residential and Commercial</u>			
3	5/8 x 3/4 Inch	\$ 10.37	\$ 14.16	36.55%
4	3/4 Inch	15.66	21.38	36.53%
5	1 Inch	25.92	35.38	36.50%
6	1 1/2 Inch	51.85	70.78	36.51%
7	2 Inch	83.18	113.54	36.50%
8	3 Inch	155.55	212.33	36.50%
9	4 Inch	259.25	353.88	36.50%
10	6 Inch	518.50	707.75	36.50%
11		-	-	
12	Construction (3 inch meter)	155.55	212.33	36.50%
13				
14	<u>Gallons In Minimum</u>			
15	Residential, Commercial, Industrial	-	-	
16				
17	Construction Water	-	-	
18				
19				
20	<u>Gallons for Rate Tiers</u>			
21	<u>Tier 1: (Gallon upper limit,)</u>			
22	5/8 Inch	8,000	8,000	
23	3/4 Inch	12,000	12,000	
24	1 Inch	20,000	20,000	
25	1 1/2 Inch	40,000	40,000	
26	2 Inch	64,000	64,000	
27	3 Inch	128,000	128,000	
28	4 Inch	200,000	200,000	
29	6 Inch	400,000	400,000	
30	<u>Tier 2: (Gallons upper limit, 150% of Tier 1)</u>			
31	5/8 Inch	12,000	12,000	
32	3/4 Inch	18,000	18,000	
33	1 Inch	30,000	30,000	
34	1 1/2 Inch	60,800	60,800	
35	2 Inch	96,000	96,000	
36	3 Inch	192,000	192,000	
37	4 Inch	300,000	300,000	
38	6 Inch	600,000	600,000	
39	<u>Tier 3: (Gallon over)</u>			
40	All	999,999,999	All Gallons	
41			in Excess	
42			of tier 2 above	
43	Construction Water (All)	999,999,999	999,999,999	
44				
45				
46				
47	<u>Residential, Commercial, Industrial</u>			
48	<u>Commodity Rates</u>			
49	First Tier	1.980	2.9440	48.69%
50	Second Tier	2.420	3.5990	48.72%
51	Third Tier	2.662	3.9580	48.69%
52	Fourth Tier	2.662	3.9580	48.69%
53		-	-	
54	Construction	2.860	4.2530	48.71%
55				
56				

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 5/8 Inch Residential
With Step Two Rates

Exhibit Schedule H-4
Page 1
Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 10.37	\$ 14.16	\$ 3.79	36.55%
1,000	12.35	17.10	\$ 4.75	38.49%
2,000	14.33	20.05	\$ 5.72	39.90%
3,000	16.31	22.99	\$ 6.68	40.97%
4,000	18.29	25.94	\$ 7.65	41.80%
5,000	20.27	28.88	\$ 8.61	42.48%
6,000	22.25	31.82	\$ 9.57	43.03%
7,000	24.23	34.77	\$ 10.54	43.49%
8,000	26.21	37.71	\$ 11.50	43.88%
9,000	28.63	41.31	\$ 12.68	44.29%
10,000	31.05	44.91	\$ 13.86	44.64%
11,000	33.47	48.51	\$ 15.04	44.93%
12,000	35.89	52.11	\$ 16.22	45.19%
13,000	38.55	56.07	\$ 17.51	45.43%
14,000	41.21	60.02	\$ 18.81	45.64%
15,000	43.88	63.98	\$ 20.11	45.82%
16,000	46.54	67.94	\$ 21.40	45.99%
17,000	49.20	71.90	\$ 22.70	46.13%
18,000	51.86	75.86	\$ 23.99	46.27%
19,000	54.52	79.81	\$ 25.29	46.38%
20,000	57.19	83.77	\$ 26.59	46.49%
21,000	59.85	87.73	\$ 27.88	46.59%
22,000	62.51	91.69	\$ 29.18	46.68%
23,000	65.17	95.65	\$ 30.47	46.76%
24,000	67.83	99.60	\$ 31.77	46.83%
25,000	70.50	103.56	\$ 33.07	46.90%
26,000	73.16	107.52	\$ 34.36	46.97%
27,000	75.82	111.48	\$ 35.66	47.03%
28,000	78.48	115.44	\$ 36.95	47.09%
29,000	81.14	119.39	\$ 38.25	47.14%
30,000	83.81	123.35	\$ 39.55	47.19%
31,000	86.47	127.31	\$ 40.84	47.23%
Average Usage				
9,264	\$ 29.27	\$ 42.26	\$ 12.99	44.39%
Median Usage				
1,000	\$ 12.35	\$ 17.10	\$ 4.75	38.49%

Present Rates:

Monthly Minimum:	\$ 10.37
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 8,000	\$ 1.980
Up to 12,000	\$ 2.420
Up to 12,001	\$ 2.662
Over 12,001	\$ 2.662

Proposed Rates:

Monthly Minimum:	\$ 14.16
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 8,000	\$ 2.944
Up to 12,000	\$ 3.599
Over 12,001	\$ 3.958
Over 12,001	\$ 3.958

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 3/4 Inch Residential
With Step Two Rates

Exhibit
Schedule H-4
Page 2
Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 15.66	\$ 21.38	\$ 5.72	36.53%
1,000	17.64	24.32	\$ 6.68	37.89%
2,000	19.62	27.27	\$ 7.65	38.98%
3,000	21.60	30.21	\$ 8.61	39.87%
4,000	23.58	33.16	\$ 9.58	40.61%
5,000	25.56	36.10	\$ 10.54	41.24%
6,000	27.54	39.04	\$ 11.50	41.77%
7,000	29.52	41.99	\$ 12.47	42.24%
8,000	31.50	44.93	\$ 13.43	42.64%
9,000	33.48	47.88	\$ 14.40	43.00%
10,000	35.46	50.82	\$ 15.36	43.32%
11,000	37.44	53.76	\$ 16.32	43.60%
12,000	39.42	56.71	\$ 17.29	43.86%
13,000	41.84	60.31	\$ 18.47	44.14%
14,000	44.26	63.91	\$ 19.65	44.39%
15,000	46.68	67.51	\$ 20.83	44.61%
16,000	49.10	71.10	\$ 22.00	44.81%
17,000	51.52	74.70	\$ 23.18	45.00%
18,000	53.94	78.30	\$ 24.36	45.16%
19,000	56.60	82.26	\$ 25.66	45.33%
20,000	59.26	86.22	\$ 26.95	45.48%
21,000	61.93	90.18	\$ 28.25	45.62%
22,000	64.59	94.13	\$ 29.55	45.75%
23,000	67.25	98.09	\$ 30.84	45.86%
24,000	69.91	102.05	\$ 32.14	45.97%
25,000	72.57	106.01	\$ 33.43	46.07%
26,000	75.24	109.97	\$ 34.73	46.16%
27,000	77.90	113.92	\$ 36.03	46.25%
28,000	80.56	117.88	\$ 37.32	46.33%
29,000	83.22	121.84	\$ 38.62	46.40%
30,000	85.88	125.80	\$ 39.91	46.47%
31,000	88.55	129.76	\$ 41.21	46.54%
Average Usage				
10,243	\$ 35.94	\$ 51.53	\$ 15.59	43.39%
Median Usage				
8,500	\$ 32.49	\$ 46.40	\$ 13.91	42.83%

Present Rates:

Monthly Minimum:	\$ 15.66
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 12,000	\$ 1.980
Up to 18,000	\$ 2.420
Up to 18,001	\$ 2.662
Over 18,001	\$ 2.662

Proposed Rates:

Monthly Minimum:	\$ 21.38
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 12,000	\$ 2.944
Up to 18,000	\$ 3.599
Over 18,001	\$ 3.958
Over 18,001	\$ 3.958

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 1 Inch Residential

With Step Two Rates

Exhibit

Schedule

H-4

Page

3

Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 25.92	\$ 35.38	\$ 9.46	36.50%
1,000	27.90	38.32	\$ 10.42	37.36%
2,000	29.88	41.27	\$ 11.39	38.11%
3,000	31.86	44.21	\$ 12.35	38.77%
4,000	33.84	47.16	\$ 13.32	39.35%
5,000	35.82	50.10	\$ 14.28	39.87%
6,000	37.80	53.04	\$ 15.24	40.33%
7,000	39.78	55.99	\$ 16.21	40.74%
8,000	41.76	58.93	\$ 17.17	41.12%
9,000	43.74	61.88	\$ 18.14	41.46%
10,000	45.72	64.82	\$ 19.10	41.78%
11,000	47.70	67.76	\$ 20.06	42.06%
12,000	49.68	70.71	\$ 21.03	42.33%
13,000	51.66	73.65	\$ 21.99	42.57%
14,000	53.64	76.60	\$ 22.96	42.80%
15,000	55.62	79.54	\$ 23.92	43.01%
16,000	57.60	82.48	\$ 24.88	43.20%
17,000	59.58	85.43	\$ 25.85	43.38%
18,000	61.56	88.37	\$ 26.81	43.55%
19,000	63.54	91.32	\$ 27.78	43.71%
20,000	65.52	94.26	\$ 28.74	43.86%
21,000	67.94	97.86	\$ 29.92	44.04%
22,000	70.36	101.46	\$ 31.10	44.20%
23,000	72.78	105.06	\$ 32.28	44.35%
24,000	75.20	108.66	\$ 33.46	44.49%
25,000	77.62	112.26	\$ 34.64	44.62%
26,000	80.04	115.85	\$ 35.81	44.75%
27,000	82.46	119.45	\$ 36.99	44.86%
28,000	84.88	123.05	\$ 38.17	44.97%
29,000	87.30	126.65	\$ 39.35	45.08%
30,000	89.72	130.25	\$ 40.53	45.17%
31,000	92.38	134.21	\$ 41.83	45.28%
Average Usage				
20,040	\$ 65.62	\$ 94.40	\$ 28.79	43.87%
Median Usage				
12,500	\$ 50.67	\$ 72.18	\$ 21.51	42.45%

Present Rates:

Monthly Minimum:	\$ 25.92
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 20,000	\$ 1.980
Up to 30,000	\$ 2.420
Up to 30,001	\$ 2.662
Over 30,001	\$ 2.662

Proposed Rates:

Monthly Minimum:	\$ 35.38
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 20,000	\$ 2.944
Up to 30,000	\$ 3.599
Up to 30,001	\$ 3.958
Over 30,001	\$ 3.958

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 5/8 Inch Commercial
With Step Two Rates

Exhibit
Schedule H-4
Page 4
Witness: Kozoman

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 10.37	\$ 14.16	\$ 3.79	36.55%
1,000	12.35	17.10	\$ 4.75	38.49%
2,000	14.33	20.05	\$ 5.72	39.90%
3,000	16.31	22.99	\$ 6.68	40.97%
4,000	18.29	25.94	\$ 7.65	41.80%
5,000	20.27	28.88	\$ 8.61	42.48%
6,000	22.25	31.82	\$ 9.57	43.03%
7,000	24.23	34.77	\$ 10.54	43.49%
8,000	26.21	37.71	\$ 11.50	43.88%
9,000	28.63	41.31	\$ 12.68	44.29%
10,000	31.05	44.91	\$ 13.86	44.64%
11,000	33.47	48.51	\$ 15.04	44.93%
12,000	35.89	52.11	\$ 16.22	45.19%
13,000	38.55	56.07	\$ 17.51	45.43%
14,000	41.21	60.02	\$ 18.81	45.64%
15,000	43.88	63.98	\$ 20.11	45.82%
16,000	46.54	67.94	\$ 21.40	45.99%
17,000	49.20	71.90	\$ 22.70	46.13%
18,000	51.86	75.86	\$ 23.99	46.27%
19,000	54.52	79.81	\$ 25.29	46.38%
20,000	57.19	83.77	\$ 26.59	46.49%
21,000	59.85	87.73	\$ 27.88	46.59%
22,000	62.51	91.69	\$ 29.18	46.68%
23,000	65.17	95.65	\$ 30.47	46.76%
24,000	67.83	99.60	\$ 31.77	46.83%
25,000	70.50	103.56	\$ 33.07	46.90%
26,000	73.16	107.52	\$ 34.36	46.97%
27,000	75.82	111.48	\$ 35.66	47.03%
28,000	78.48	115.44	\$ 36.95	47.09%
29,000	81.14	119.39	\$ 38.25	47.14%
30,000	83.81	123.35	\$ 39.55	47.19%
31,000	86.47	127.31	\$ 40.84	47.23%
Average Usage				
3,370	\$ 17.04	\$ 24.08	\$ 7.04	41.30%
Median Usage				
2,500	\$ 15.32	\$ 21.52	\$ 6.20	40.47%

Present Rates:

Monthly Minimum:	\$	10.37
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 8,000	\$	1.980
Up to 12,000	\$	2.420
Up to 12,001	\$	2.662
Over 12,001	\$	2.662

Proposed Rates:

Monthly Minimum:	\$	14.16
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 8,000	\$	2.944
Up to 12,000	\$	3.599
Over 12,001	\$	3.958
Over 12,001	\$	3.958

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 1 Inch Commercial

With Step Two Rates

Exhibit

Schedule H-4

Page 5

Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 25.92	\$ 35.38	\$ 9.46	36.50%
1,000	27.90	38.32	\$ 10.42	37.36%
2,000	29.88	41.27	\$ 11.39	38.11%
3,000	31.86	44.21	\$ 12.35	38.77%
4,000	33.84	47.16	\$ 13.32	39.35%
5,000	35.82	50.10	\$ 14.28	39.87%
6,000	37.80	53.04	\$ 15.24	40.33%
7,000	39.78	55.99	\$ 16.21	40.74%
8,000	41.76	58.93	\$ 17.17	41.12%
9,000	43.74	61.88	\$ 18.14	41.46%
10,000	45.72	64.82	\$ 19.10	41.78%
11,000	47.70	67.76	\$ 20.06	42.06%
12,000	49.68	70.71	\$ 21.03	42.33%
13,000	51.66	73.65	\$ 21.99	42.57%
14,000	53.64	76.60	\$ 22.96	42.80%
15,000	55.62	79.54	\$ 23.92	43.01%
16,000	57.60	82.48	\$ 24.88	43.20%
17,000	59.58	85.43	\$ 25.85	43.38%
18,000	61.56	88.37	\$ 26.81	43.55%
19,000	63.54	91.32	\$ 27.78	43.71%
20,000	65.52	94.26	\$ 28.74	43.86%
21,000	67.94	97.86	\$ 29.92	44.04%
22,000	70.36	101.46	\$ 31.10	44.20%
23,000	72.78	105.06	\$ 32.28	44.35%
24,000	75.20	108.66	\$ 33.46	44.49%
25,000	77.62	112.26	\$ 34.64	44.62%
26,000	80.04	115.85	\$ 35.81	44.75%
27,000	82.46	119.45	\$ 36.99	44.86%
28,000	84.88	123.05	\$ 38.17	44.97%
29,000	87.30	126.65	\$ 39.35	45.08%
30,000	89.72	130.25	\$ 40.53	45.17%
31,000	92.38	134.21	\$ 41.83	45.28%
32,000	95.04	138.17	\$ 43.12	45.37%
33,000	97.71	142.12	\$ 44.42	45.46%
34,000	100.37	146.08	\$ 45.71	45.55%
35,000	103.03	150.04	\$ 47.01	45.63%
36,000	105.69	154.00	\$ 48.31	45.70%
37,000	108.35	157.96	\$ 49.60	45.78%
38,000	111.02	161.91	\$ 50.90	45.85%
39,000	113.68	165.87	\$ 52.19	45.91%
40,000	116.34	169.83	\$ 53.49	45.98%
41,000	119.00	173.79	\$ 54.79	46.04%
Average Usage				
38,424	\$ 112.15	\$ 163.59	\$ 51.45	45.88%
Median Usage				
26,500	\$ 81.25	\$ 117.65	\$ 36.40	44.80%

Present Rates:

Monthly Minimum:	\$ 25.92
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 20,000	\$ 1.980
Up to 30,000	\$ 2.420
Up to 30,001	\$ 2.662
Over 30,001	\$ 2.662

Proposed Rates:

Monthly Minimum:	\$ 35.38
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 20,000	\$ 2.944
Up to 30,000	\$ 3.599
Over 30,001	\$ 3.958
Over 30,001	\$ 3.958

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: 1.5 Inch Commercial
With Step Two Rates

Exhibit
Schedule H-4
Page 6
Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 51.85	\$ 70.78	\$ 18.93	36.51%
1,000	53.83	73.72	\$ 19.89	36.96%
2,000	55.81	76.67	\$ 20.86	37.37%
3,000	57.79	79.61	\$ 21.82	37.76%
4,000	59.77	82.56	\$ 22.79	38.12%
5,000	61.75	85.50	\$ 23.75	38.46%
6,000	63.73	88.44	\$ 24.71	38.78%
7,000	65.71	91.39	\$ 25.68	39.08%
8,000	67.69	94.33	\$ 26.64	39.36%
9,000	69.67	97.28	\$ 27.61	39.62%
10,000	71.65	100.22	\$ 28.57	39.87%
11,000	73.63	103.16	\$ 29.53	40.11%
12,000	75.61	106.11	\$ 30.50	40.34%
13,000	77.59	109.05	\$ 31.46	40.55%
14,000	79.57	112.00	\$ 32.43	40.75%
15,000	81.55	114.94	\$ 33.39	40.94%
16,000	83.53	117.88	\$ 34.35	41.13%
17,000	85.51	120.83	\$ 35.32	41.30%
18,000	87.49	123.77	\$ 36.28	41.47%
19,000	89.47	126.72	\$ 37.25	41.63%
20,000	91.45	129.66	\$ 38.21	41.78%
30,000	111.25	159.10	\$ 47.85	43.01%
31,000	113.23	162.04	\$ 48.81	43.11%
32,000	115.21	164.99	\$ 49.78	43.21%
33,000	117.19	167.93	\$ 50.74	43.30%
34,000	119.17	170.88	\$ 51.71	43.39%
35,000	121.15	173.82	\$ 52.67	43.48%
36,000	123.13	176.76	\$ 53.63	43.56%
37,000	125.11	179.71	\$ 54.60	43.64%
38,000	127.09	182.65	\$ 55.56	43.72%
39,000	129.07	185.60	\$ 56.53	43.79%
40,000	131.05	188.54	\$ 57.49	43.87%
50,000	155.25	224.53	\$ 69.28	44.62%
60,000	179.45	260.52	\$ 81.07	45.18%
70,000	205.88	299.81	\$ 93.94	45.63%
80,000	232.50	339.39	\$ 106.90	45.98%
90,000	259.12	378.97	\$ 119.86	46.26%
Average Usage				
52,593	\$ 161.53	\$ 233.86	\$ 72.34	44.78%
Median Usage				
35,500	\$ 122.14	\$ 175.29	\$ 53.15	43.52%

Present Rates:

Monthly Minimum:	\$ 51.85
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 40,000	\$ 1.980
Up to 60,800	\$ 2.420
Up to 60,801	\$ 2.662
Over 60,801	\$ 2.662

Proposed Rates:

Monthly Minimum:	\$ 70.78
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 40,000	\$ 2.944
Up to 60,800	\$ 3.599
Up to 60,801	\$ 3.958
Over 60,801	\$ 3.958

Valley Utilities Water Company, Inc.
Bill Comparison Present and Proposed Rates
 Meter Size and Zone: 2 Inch Commercial
 With Step Two Rates

Exhibit
 Schedule H-4
 Page 7
 Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 83.18	\$ 113.54	\$ 30.36	36.50%
1,000	85.16	116.48	\$ 31.32	36.78%
2,000	87.14	119.43	\$ 32.29	37.05%
3,000	89.12	122.37	\$ 33.25	37.31%
4,000	91.10	125.32	\$ 34.22	37.56%
5,000	93.08	128.26	\$ 35.18	37.80%
6,000	95.06	131.20	\$ 36.14	38.02%
7,000	97.04	134.15	\$ 37.11	38.24%
8,000	99.02	137.09	\$ 38.07	38.45%
9,000	101.00	140.04	\$ 39.04	38.65%
10,000	102.98	142.98	\$ 40.00	38.84%
11,000	104.96	145.92	\$ 40.96	39.03%
12,000	106.94	148.87	\$ 41.93	39.21%
13,000	108.92	151.81	\$ 42.89	39.38%
14,000	110.90	154.76	\$ 43.86	39.55%
15,000	112.88	157.70	\$ 44.82	39.71%
16,000	114.86	160.64	\$ 45.78	39.86%
17,000	116.84	163.59	\$ 46.75	40.01%
18,000	118.82	166.53	\$ 47.71	40.15%
19,000	120.80	169.48	\$ 48.68	40.29%
20,000	122.78	172.42	\$ 49.64	40.43%
30,000	142.58	201.86	\$ 59.28	41.58%
40,000	162.38	231.30	\$ 68.92	42.44%
50,000	182.18	260.74	\$ 78.56	43.12%
60,000	201.98	290.18	\$ 88.20	43.67%
70,000	224.42	323.55	\$ 99.13	44.17%
80,000	248.62	359.54	\$ 110.92	44.61%
90,000	272.82	395.53	\$ 122.71	44.98%
100,000	297.99	432.96	\$ 134.97	45.29%
120,220	351.81	512.99	\$ 161.17	45.81%
130,000	377.85	551.70	\$ 173.85	46.01%
140,100	404.73	591.67	\$ 186.94	46.19%
150,400	432.15	632.44	\$ 200.29	46.35%
161,200	460.90	675.19	\$ 214.28	46.49%
170,400	485.39	711.60	\$ 226.21	46.60%
180,700	512.81	752.37	\$ 239.56	46.71%
190,200	538.10	789.97	\$ 251.87	46.81%
202,100	569.78	837.07	\$ 267.29	46.91%
205,000	577.50	848.55	\$ 271.05	46.93%
207,800	584.95	859.63	\$ 274.68	46.96%
Average Usage				
158,358	\$ 453.34	\$ 663.94	\$ 210.60	46.46%
Median Usage				
62,500	\$ 206.93	\$ 297.54	\$ 90.61	43.79%

Present Rates:

Monthly Minimum:	\$ 83.18
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 64,000	\$ 1.980
Up to 96,000	\$ 2.420
Up to 96,001	\$ 2.662
Over 96,001	\$ 2.662

Proposed Rates:

Monthly Minimum:	\$ 113.54
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 64,000	\$ 2.944
Up to 96,000	\$ 3.599
Over 96,001	\$ 3.958
Over 96,001	\$ 3.958

Valley Utilities Water Company, Inc.

Bill Comparison Present and Proposed Rates

Meter Size and Zone: Construction Water
With Step Two Rates

Exhibit
Schedule H-4
Page 8
Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 155.55	\$ 212.33	\$ 56.78	36.50%
1,000	158.41	216.58	\$ 58.17	36.72%
2,000	161.27	220.84	\$ 59.57	36.94%
3,000	164.13	225.09	\$ 60.96	37.14%
4,000	166.99	229.34	\$ 62.35	37.34%
5,000	169.85	233.60	\$ 63.75	37.53%
6,000	172.71	237.85	\$ 65.14	37.72%
7,000	175.57	242.10	\$ 66.53	37.89%
8,000	178.43	246.35	\$ 67.92	38.07%
9,000	181.29	250.61	\$ 69.32	38.24%
10,000	184.15	254.86	\$ 70.71	38.40%
11,000	187.01	259.11	\$ 72.10	38.56%
12,000	189.87	263.37	\$ 73.50	38.71%
13,000	192.73	267.62	\$ 74.89	38.86%
14,000	195.59	271.87	\$ 76.28	39.00%
15,000	198.45	276.13	\$ 77.68	39.14%
16,000	201.31	280.38	\$ 79.07	39.28%
17,000	204.17	284.63	\$ 80.46	39.41%
18,000	207.03	288.88	\$ 81.85	39.54%
19,000	209.89	293.14	\$ 83.25	39.66%
20,000	212.75	297.39	\$ 84.64	39.78%
30,000	241.35	339.92	\$ 98.57	40.84%
40,000	269.95	382.45	\$ 112.50	41.67%
50,000	298.55	424.98	\$ 126.43	42.35%
60,000	327.15	467.51	\$ 140.36	42.90%
61,000	330.01	471.76	\$ 141.75	42.95%
62,000	332.87	476.02	\$ 143.15	43.00%
63,000	335.73	480.27	\$ 144.54	43.05%
64,000	338.59	484.52	\$ 145.93	43.10%
65,000	341.45	488.78	\$ 147.33	43.15%
66,000	344.31	493.03	\$ 148.72	43.19%
67,000	347.17	497.28	\$ 150.11	43.24%
68,000	350.03	501.53	\$ 151.50	43.28%
69,000	352.89	505.79	\$ 152.90	43.33%
70,000	355.75	510.04	\$ 154.29	43.37%
71,000	358.61	514.29	\$ 155.68	43.41%
72,000	361.47	518.55	\$ 157.08	43.45%
73,000	364.33	522.80	\$ 158.47	43.50%
74,000	367.19	527.05	\$ 159.86	43.54%
75,000	370.05	531.31	\$ 161.26	43.58%
76,000	372.91	535.56	\$ 162.65	43.62%
77,000	375.77	539.81	\$ 164.04	43.65%
78,000	378.63	544.06	\$ 165.43	43.69%
79,000	381.49	548.32	\$ 166.83	43.73%
80,000	384.35	552.57	\$ 168.22	43.77%
81,000	387.21	556.82	\$ 169.61	43.80%
82,000	390.07	561.08	\$ 171.01	43.84%
83,000	392.93	565.33	\$ 172.40	43.88%
84,000	395.79	569.58	\$ 173.79	43.91%
85,000	398.65	573.84	\$ 175.19	43.94%
86,000	401.51	578.09	\$ 176.58	43.98%
87,000	404.37	582.34	\$ 177.97	44.01%
88,000	407.23	586.59	\$ 179.36	44.04%
89,000	410.09	590.85	\$ 180.76	44.08%
90,000	412.95	595.10	\$ 182.15	44.11%
Average Usage				
56,780	\$ 317.94	\$ 453.81	\$ 135.87	42.74%
Median Usage				
7,500	\$ 177.00	\$ 244.23	\$ 67.23	37.98%

Present Rates:

Monthly Minimum:	\$ 155.55
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 999,999,999	\$ 2.860
Up to 999,999,999	\$ 2.860
Up to 999,999,999	\$ 2.860
Over 1,000,000,000	\$ 2.860

Proposed Rates:

Monthly Minimum:	\$ 212.33
Gallons in Minimum	-
Charge Per 1,000 Gallons	
Up to 999,999,999	\$ 4.253
Up to 999,999,999	\$ 4.253
Over 999,999,999	\$ 4.253
Over 999,999,999	\$ 4.253

C

VALLEY UTILITIES WATER COMPANY, INC.

RATE INCREASE APPLICATION

DOCKET NO. W-01412-04-_____

PRE-FILED TESTIMONY OF

THOMAS J. BOURASSA

OCTOBER, 2004

EXHIBIT C

1 **I. INTRODUCTION AND QUALIFICATIONS.**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona 85029.

5 **Q. WHAT IS YOUR PROFESSION AND BACKGROUND?**

6 A. I am a Certified Public Accountant and am self-employed, providing consulting
7 services to utility companies as well as general accounting services. I have a B.S.
8 in Chemistry/Accounting from Northern Arizona University (1980) and an
9 M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

10 **Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND**
11 **REGULATORY EXPERIENCE?**

12 A. Yes. I was employed by High-Tech Institute, Inc., and served as controller and
13 chief financial officer, prior to becoming a private consultant. Prior to working
14 for High-Tech Institute, I worked as a division controller for the Apollo Group,
15 Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode,
16 CPAs. In that position, I prepared compilations and other write-up work for water
17 and wastewater utilities, as well as tax returns.

18 In my private practice, I have prepared and/or assisted in the preparation of
19 several water and wastewater utility rate applications before the Arizona
20 Corporation Commission ("Commission"), including Vail Water Company, E&T
21 Water Company, Ponderosa Utility Company, Diablo Village Water Company,
22 New River Utility Company, Far West Water & Sewer, Sedona Venture Water
23 and Sewer, Bella Vista Water Company, Rio Verde Utilities, Gold Canyon Sewer
24 Company, Green Valley Water Company, the Town of Oro Valley, Beardsley
25 Water Company, Livco Water and Sewer Company, Pine Water Company, and
26 Arizona-American Water Company.

1 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

2 A. I am testifying in this proceeding on behalf of the applicant, Valley Utilities Water
3 Company ("Valley Utilities" or "the Company"). Valley Utilities is seeking
4 increases in its rates and charges for water utility service in its certificated service
5 area in Maricopa County.

6
7 **II. OVERVIEW OF THE COMPANY'S APPLICATION.**

8 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

9 A. I will testify in support of the Company's proposed rates. I am sponsoring
10 Schedules A through F, which are filed concurrently herewith in support of the
11 Company's application. I was responsible for the preparation of these schedules
12 based on my investigation and review of the relevant books and records for the
13 Company.

14 Ronald L. Kozoman discusses the Company's proposed rate design in his
15 direct testimony and sponsors the Company's H schedules. The Company has not
16 prepared a cost of service study, so schedules G are omitted.

17 **Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.**

18 A. The test year used by Valley Utilities is the 12-month period which ended
19 December 31, 2003. The Company is proposing a two step increase and requests
20 a 10 percent operating margin for each step. Since the Company has negative
21 equity, a meaningful cost of capital cannot be determined.

22 In the first step, the Company proposes a 10 percent operating margin
23 which will provide revenues sufficient to service proposed WIFA debt on new
24 arsenic treatment plant. The new arsenic treatment plant is required to meet the
25 Federal Environmental Protection Agency standard for arsenic, effective January
26 2006. The Company has also proposed certain pro forma adjustments to take into

1 account known and measurable changes to rate base, expenses and revenues.
2 These pro forma adjustments are consistent with normal ratemaking and with the
3 Commission's rules and regulations. They are also necessary to obtain a normal
4 or realistic relationship between revenues, expenses and rate base.

5 In Step 1, no operating costs of the new arsenic treatment plant, including
6 depreciation, are included in the revenue requirement.

7 The Company's fair value rate base in Step 1 is approximately -\$540,700.
8 As I testified, the Company is requesting a 10 percent operating margin in Step 1.
9 Since the Company's rate base is negative, the resulting return is not meaningful.
10 The increase in revenues to provide a ten percent operating margin approximately
11 \$101,800, an increase of approximately 12.2 percent over the adjusted and
12 annualized test year revenues.

13 In the second step, the Company also proposes a ten percent operating
14 margin. Operating expenses in Step 2 include the operating costs of the new
15 arsenic treatment plant. An adjuster mechanism is proposed for recovery of the
16 arsenic treatment operating costs. I will discuss the adjuster later in my testimony.

17 The Company's fair value rate base in Step 2 is approximately -
18 \$1,244,000. Based on a 10 percent operating margin, the resulting return on fair
19 value rate base in Step 2 is approximately 10.7 percent. The increase in revenues
20 to provide a ten percent operating margin approximately \$403,000, an increase of
21 approximately 43.4 percent over the Step 1 adjusted and annualized test year
22 revenues.

23 **Q. WHY IS THE COMPANY FILING FOR RATE INCREASES AT THIS**
24 **TIME?**

25 **A.** The Company's last rate increase was approved on September 18, 2000 (Decision
26 62908) using a test year ending December 31, 1998. Since that time, the

1 Company has made significant investments in plant, and various operating
2 expenses have increased. The Company also faces a significant investment in
3 arsenic water treatment plant and arsenic treatment costs in order to meet the new
4 EPA arsenic standard. Consequently, rate increases are necessary to ensure that
5 the Company has the ability to service debt related to the new arsenic treatment
6 plant, recover arsenic treatment costs, as well as opportunity to earn a fair return
7 on the fair value of its utility plant and property devoted to public service.

8 **Q. WHY DIDN'T VALLEY UTILITIES SEEK RATE RELIEF EARLIER?**

9 A. The Company has diligently sought expert advice and was only recently able to
10 make a decision on the type of treatment best suited to Valley Utilities. See the
11 direct testimony of Robert Prince.

12 **Q. WHAT CONCLUSIONS DO YOU DRAW FROM THESE NUMBERS?**

13 A. The costs associated with operating the Valley Utilities system have and will
14 outpace the revenues gained from customer growth and cost savings from more
15 efficient operations. Further, the Company currently does not currently have the
16 ability to service debt on the new arsenic treatment plant as well as pay the
17 associated arsenic treatment operating costs.

18 **III. SUMMARY OF A, E AND F SCHEDULES.**

19 **Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S SCHEDULES.**
20 **PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.**

21 A. As you will recall, the Company has proposed a two step rate increase. To that
22 end, I have prepared a Step 1 and Step 2 schedule, where applicable. Thus, you
23 will find a Step 1 and Step 2 schedule for A-1, B-2, B-5, C-1, and C-2. Step 1
24 proposed rates provide for revenues to provide the Company the ability to service
25 debt on the new arsenic treatment plant. Step 2 proposed rates provide revenues
26

1 sufficient for the Company to recover operating expenses associated with the new
2 arsenic treatment plant. I will discuss both the Step 1 and Step 2 schedules.

3 The A-1 Step 1 Schedule is a summary of the rate base, adjusted Step 1
4 operating income, current rate of return, required rate of return, operating income
5 deficiency, and the increase in gross revenue. A 10 percent operating margin is
6 requested. Revenues at present and proposed Step 1 rates and customer
7 classifications are also shown on this schedule.

8 The A-1 Step 2 Schedule is a summary of the rate base, adjusted Step 2
9 operating income, current rate of return, required rate of return, operating income
10 deficiency, and the increase in gross revenue. A 10 percent operating margin is
11 requested. Revenues at present and proposed Step 2 rates and customer
12 classifications are also shown on this schedule.

13 The A-2 Schedule is a summary of results of operations for the test year,
14 prior years, and a projected year at present rates and proposed rates. The
15 projected year is shown at the Step 1 and Step 2 rates.

16 Schedule A-3 contains the Company's capital structure for the test year and
17 the two prior years.

18 Schedule A-4 contains the plant construction, and plant in service for the
19 test year and prior years. The projected plant additions are also shown on this
20 schedule.

21 Schedule A-5 is the summary of the Company's changes in financial
22 position (cash flow) for the prior two years, the test year at present rates, and a
23 projected year at present and proposed rates. A separate column is shown for the
24 projected year at Step1 and Step 2 rates.

25 The E Schedules are based on the Company's actual operating results, as
26 reported by the Company in annual reports filed with the Commission. The E-1

1 Schedule contains the comparative balance sheet data the years 2001, 2002, and
2 2003.

3 Schedule E-2, page 1, contains the income statement for the years 2001,
4 2002, and 2003.

5 Schedule E-3 contains the statements of changes in the Company's
6 financial position for the test year and the two prior years.

7 Schedule E-4 provides the changes in stockholder's equity.

8 Schedule E-5 contains the Company's plant in service at the end of the test
9 year, and one year prior to the end of the test year.

10 Schedule E-7 contains operating statistics for the years ended December 31,
11 2001, December 31, 2002, and December 31, 2003.

12 Schedule E-8 contains the taxes charged to operations.

13 The accountant's notes to the financial statements and the financial
14 assumptions used in preparing the rate filing schedules are shown on Schedules E-
15 9 and F-4, respectively, in accordance with the Commission's standard filing
16 requirements. The Company does not prepare audited financial statements.

17 Schedule F-1 contains the results of operations at the present rates (actual
18 and adjusted), and at proposed rates. A separate column is shown for the Step 1
19 and Step 2 proposed rates.

20 Schedule F-2 contains the summary of changes in financial position (cash
21 flow) for the prior two years, the test year at present rates, and a projected year at
22 present and proposed rates. Changes in financial position for the Step 1 and Step
23 2 proposed rates are also shown.

24 Schedule F-4 shows the Company's projected construction requirements
25 for 2004, 2005, and 2006.

26 Schedule F-4 contains the assumptions used in developing the adjustments

1 and projections contained in the rate filing.

2 **Q. WOULD YOU PLEASE DISCUSS THE D SCHEDULES?**

3 A. The D-1 schedule shows the summary of the cost of capital. Since the Company's
4 equity is negative, a meaningful cost of capital cannot be determined. A 10
5 percent operating margin is requested. The D-1 and D-2 schedules reflect the
6 proposed WIFA debt necessary to finance the new arsenic treatment plant.

7 **IV. RATE BASE (B SCHEDULES).**

8 **Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE**
9 **LABELED AS THE B SCHEDULES?**

10 A. Yes. I will start with schedules B-5, which is the working capital allowance.
11 There are two schedules B-5, one for Step 1 and one for Step 2. The results
12 produced by the "formula method" of computing the working capital allowance
13 are shown on each.

14 **Q. PLEASE CONTINUE.**

15 A. The Company did not file schedule B-3 and B-4. The Company is requesting its
16 original cost rate base be used as its fair value rate base.

17 **Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO**
18 **THE ORIGINAL COST RATE BASE?**

19 A. Yes. Again, you will find a Step 1 and Step 2 schedules B-2. The schedule B-2
20 Step 1, shows adjustments to the original cost rate base proposed for Step 1.
21 Schedules B-2 Step 1, pages 2 through 4 are the supporting schedules. These
22 adjustments are, in summary:

23 Step 1 adjustment number 1 decreases plant for an unrecorded plant
24 adjustment from the prior rate case.

25 Step 1 adjustment number 2 decreases accumulated depreciation by the
26

1 amount of the difference between the book balance of accumulated depreciation at
2 the end of the test year and the computed accumulated depreciation balance using
3 the depreciation rates approved in the prior case. Schedule B-2, pages 2a through
4 2f provide support for the computed depreciation balance.

5 Step 1 adjustment number 3 reduces contributions-in-aid of construction
6 (CIAC) by the amount of the difference between the book balance of accumulated
7 amortization at the end of the test year and the computed accumulated
8 amortization balance.

9 **Q. PLEASE CONTINUE.**

10 A. Schedules B-2 Step 2, pages 2 through 5 are the supporting schedules. These
11 adjustments are, in summary:

12 Step 2 adjustment number 1 increases plant for the proposed new arsenic
13 treatment plant.

14 Step 2 adjustment number 2 increase accumulated depreciation by a full
15 additional year of accumulated depreciation on plant in service at the end of the
16 test year using the Company proposed depreciation rates.

17 **Q. DOES THE ADDITONAL DEPECIATION INCLUDE DEPRECIATION**
18 **ON THE PROPOSED NEW ARSENIC TRESTMENT PLANT?**

19 A. No. Including depreciation on the new plant would assume that the rates
20 proposed in Step 1 included the depreciation expense on this plant. Since they do
21 not, it would not be proper to include an additional year of accumulated
22 depreciation in rate base.

23 **Q. PLEASE CONTINUE.**

24 Step 2 adjustment number 3 increases contributions-in-aid of construction
25 (CIAC) by a full year of additional amortization at the composite depreciation
26 rate. The composite depreciation rate employed is based on the Company

1 proposed depreciation rates.

2 **Q. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON**
3 **STEP 1 AND STEP 2 SCHEDULE B-2 REFLECT THE LAST**
4 **COMMISSION RATE ORDER?**

5 A. Yes. The plant shown on Schedule B-2 started with the Commission-determined
6 plant from the last rate case. Plant additions and retirements since the test year in
7 that case have been added to and deducted from total plant shown on schedule B-
8 2. The B-2 schedules, pages 2a through 2f, show the details for the recomputed
9 accumulated depreciation through the end of the test year using half-year
10 convention for depreciation.

11 **Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON**
12 **A-1 DETERMINED?**

13 A. The fair value rate base ("FVRB") shown on Schedule A-1 Step 1 and A-1 Step 2
14 are based on original cost rate base.

15
16 **V. INCOME STATEMENT (C SCHEDULES).**

17 **Q. LET'S MOVE ON TO THE C SCHEDULES. PLEASE EXPLAIN THE**
18 **ADJUSTMENTS YOU ARE PROPOSING TO THE INCOME**
19 **STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.**

20 A. Again, there are schedules for the Step 1 and Step 2. The details of the
21 adjustments are shown on schedules C-2 for Step 1 and Step 2. The adjustments
22 are then carried forward to the C-1 schedules for Step 1 and Step 2, respectively.
23 The schedules C-1 contain the adjusted test year income statements for Step1 and
24 Step 2.

25 The following is a summary of adjustments for Schedule C-1 Step 1:

26 Step 1 adjustment 1 annualizes depreciation expense. The proposed

1 depreciation rate for each component of utility plant is shown on Schedule C-2
2 Step 1, page 2. The depreciation rates approved in the prior rate case was 5
3 percent for all plant. In the instant case, the Company is proposing to use the
4 depreciation rates by asset class rather than the same rate for all classes of plant.
5 The proposed depreciation rates are those typically recommended by Commission
6 Staff.

7 The Step 1 adjustment labeled as 2 increases the property taxes based on
8 proposed revenues.

9 **Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED**
10 **RATES?**

11 A. To determine full cash value, I used the method employed by the Arizona
12 Department of Revenue - Centrally Valued Properties ("ADOR" or "the
13 Department"). This method determines full cash value by using twice the average
14 of three years of revenue, plus an addition for CWIP and a deduction for the book
15 value of transportation equipment. In the instant case, I used two times the
16 adjusted revenues for 2003, and the Step 1 revenues at proposed rates. The
17 assessed value (25 percent of full cash value) was then multiplied by the property
18 tax rate to determined adjusted property tax expense.

19 **Q. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH**
20 **REVENUES PROPER RATE MAKING?**

21 A. Yes. Like income taxes, property taxes must be adjusted to ensure that the new
22 rates are sufficient to produce the authorized return on rate base. For this reason,
23 the Commission has repeatedly utilized proposed revenue increases to determine
24 an appropriate level of property tax expense to be recovered through rates. In
25 fact, the methodology I utilized is consistent with the recent Arizona-American
26 Water decision (Decision 67093) where two years of adjusted test year revenues

1 and one year of proposed revenues were used to determine full cash value. In that
2 rate proceeding, the Commission concluded that "Staff calculated property taxes
3 using its proposed adjusted test year revenues twice and its recommended
4 revenues once to calculate a three year average of revenues. We agree with Staff
5 that using only historical revenues to calculate property taxes to include in the cost
6 of service fails to capture the effects of future revenue from new rates, and can
7 result in an understatement or overstatement of property tax expense." Decision
8 67093 at 9-10.

9 **Q. MR. BOURASSA, ISN'T THERE A LAG FROM THE TIME NEW RATES**
10 **CHARGED CUSTOMERS GO INTO EFFECT AND THE DATE ON**
11 **WHICH PROPERTY TAXES ARE ACTUALLY PAID?**

12 A. Yes. As an example, if new rates for the Company went into effect on January 1,
13 2005, property taxes based on these new rates would first appear on the property
14 tax bill received in September 2006. However, the Company should be accruing
15 property taxes to match the revenues collected. Thus, there is no mismatch
16 between revenues and expenses. Moreover, the property taxes resulting from my
17 calculation are based on only a portion of proposed revenues. To properly
18 consider the future impact of the rate increases, I should have computed the
19 proposed property taxes based only on proposed revenues rather than averaging
20 proposed and historic revenues. Consequently, this adjustment is conservative.

21 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME**
22 **STATEMENT ADJUSTMENTS.**

23 A. Step 1 adjustment 3 shows the rate case expense. The Company is proposing to
24 amortize rate case expense over five years.

25 **Q. WHY IS THE COMPANY PROPOSING TO USE A FIVE-YEAR**
26 **AMORTIZATION PERIOD?**

1 A. This is approximately the time period since the last rate case.

2 **Q. PLEASE CONTINUE.**

3 Step 1 adjustment 4 annualizes revenues to the year-end number of customers for
4 each meter size. This adjustment is intended to increase revenues on the basis that
5 the number of customers at year end were receiving service during the entire 12
6 months of the test year. The annualization was based on the number of customers
7 at the end of the test year, compared to the actual number of customers on each
8 size meter during each month of the test year. Average revenues by month were
9 computed for the test year for each meter size. The average revenues were then
10 multiplied by the increase (or decrease) in number of customers for each month of
11 the test year.

12 Step 1 adjustment 5 annualizes purchased power costs based on the
13 additional gallons sold by annualizing revenues to the year-end number of
14 customers.

15 Step 1 adjustment 6 removes other revenues to eliminate the effects on the
16 determination of the revenue requirement.

17 Step 1 adjustment 7 increases interest expense for the interest on the
18 proposed WIFA debt.

19 Step 1 adjustment 8 (labeled as 8a, 8b, and 8c) annualizes wages and
20 salaries, payroll taxes, and employee health and life expenses reflecting wage
21 increases and personnel changes that occurred in 2004. The Company reduced
22 it's payroll by one full time employee in May 2004.

23 **Q. PLEASE CONTINUE.**

24 A. The following is a summary of adjustments for Schedule C-1 Step 2:

25 Step 2 adjustment number 1 annualizes depreciation expense. The
26 proposed depreciation rate for each component of utility plant is shown on

1 Schedule C-2 Step 2, page 2. The depreciation rates are the same as proposed in
2 Step 1. Depreciation expense in Step 2 includes depreciation on the new arsenic
3 treatment plant.

4 The Step 2 adjustment number 2 increases the property taxes based on
5 proposed revenues.

6 **Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED**
7 **RATES?**

8 A. I used the same methodology described previously for computing property taxes
9 in Step 1. In the instant case, I used two times the proposed revenues for Step 1,
10 and the Step 2 revenues at proposed rates as the revenue components.

11 **Q. PLEASE CONTINUE.**

12 A. Step 2 adjustment 3 reflects the proposed arsenic treatment operating costs.

13 Step 2 adjustment 4 (labeled as 4a, 4b, and 4c) annualizes wages and
14 salaries, payroll taxes, and employee health and life expenses reflecting an
15 additional employee necessary to operate the water plant.

16
17 **VI. ARSENIC TREATMENT COST ADJUSTMENT MECHANISM.**

18 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED ARSENIC**
19 **TREATMENT COST ADJUSTMENT MECHANISM.**

20 A. The Company is proposing an adjustment mechanism for recovery of increases in
21 arsenic treatment costs. The arsenic treatment cost included in operating expenses
22 will serve as the base amount for calculating the amount to be recovered or
23 refunded when increases or decreases in this expense are incurred in future years.

24 **Q. HAVE YOU PREPARED A SAMPLE CALCULATION FOR THESE**
25 **ADJUSTMENT MECHANISMS?**

26 A. Yes. Attached to this testimony as Exhibit 1 is sample calculations for the arsenic

1 treatment cost adjustment mechanism. The numbers do not reflect the actual
2 numbers in the instant case and are used for illustrative purposes.

3 Under both the adjustment mechanism, the second step calculates the
4 amounts included in base rates. Thus, if a difference in expense is merely due to a
5 difference in water sold, then there would be no adjustment.

6 **Q. PLEASE EXPLAIN HOW THE PROPOSED ARSENIC TREATMENT**
7 **COST ADJUSTMENT MECHANISM WILL WORK?**

8 A. Whenever the Company's arsenic treatment expense increases or decreases from
9 the amount adopted by this Commission in the instant case (or any subsequent
10 case), the Company will file a schedule with the Commission setting forth an
11 adjustment per 1,000 gallons designed to recover or refund the increased or
12 decreased expense based on the following procedure:

13 Step 1 - The total, test year annualized arsenic treatment expense included
14 in operating expenses in the Company's last general rate case will serve as the
15 arsenic treatment expense base ("ATEB") for determining the increase or decrease
16 in arsenic treatment water costs to the recovered from or refunded to ratepayers.
17 A unitized arsenic treatment expense base ("UATEB") will be calculated by
18 dividing the total test year ATEB by the total test year annualized gallons sold.
19 The ATWEB unit will be in dollars per gallon sold.

20 Step 2 - In a subsequent year, the actual gallons sold in the year will be
21 multiplied by the ATWEB to determine the annualized "test year based" expense
22 ("ATYBE") recovered from ratepayers through base rates approved in the instant
23 case.

24 Step 3 - The ATYBE will be compared to the actual cost incurred during
25 the year. The difference will be referred to as the total arsenic treatment
26 adjustment ("TATA"). Computing the ATYBE and comparing it to the actual

1 cost will ensure that the cost included in the base rates remains constant in future
2 years. If the result is higher than the ATYBE, the TATA will be the amount to be
3 recovered during the following year. If the ATYBE is lower, the TATA will be
4 the amount to be refunded during the following year.

5 Step 4 - A unitized arsenic treatment adjustment ("UATA") will be
6 determined by dividing the TATA by the gallons sold during the year. The result
7 will then be multiplied by 1,000 and rounded to the nearest whole cent. The
8 UATA (in 1,000's) must be at least \$0.01 per 1,000 gallons (rounded up or down
9 by 1/2 cent) before any adjustment is made on the customer bills.

10 **Q. WHAT WILL BE THE AMOUNT APPEARING ON THE CUSTOMER'S**
11 **BILL?**

12 A. The arsenic treatment adjustment charge ("ATAC") on the customer bill will be
13 equal to the UATA times the actual gallons used (in 1,000's), including any
14 gallons included in the minimum charge.

15 **Q. ARE THERE ANY OTHER PROVISIONS OF THE ARSENIC**
16 **TREATMENT COST ADJUSTMENT MECHANISM?**

17 A. Yes. The Company will keep track of the amounts recovered or refunded via the
18 ATAC during the year and will maintain a balancing account to insure the TATA
19 is not over or under collected or refunded. Further, all revised/new schedules for
20 determination of the TATA and the UATA filed with the Commission will be
21 accompanied by work papers prepared by the Company in a format approved by
22 Staff and will be in sufficient detail to enable the Commission to test the accuracy
23 of the Company's calculations.

24 **Q. WILL THE ADOPTION OF THIS ADJUSTMENT MECHANISM LEAD**
25 **TO A SIGNIFICANT AMOUNT OF ADDITIONAL WORK?**

26 A. No, it will be relatively easy to determine the TATA each year and to compute the

1 amount of the charge or credit, as the case may be, that is applied to the
2 customer's bill. It should also be easy for Staff to verify the calculation.

3 **Q. WHAT IS THE COMPANY'S JUSTIFICATION FOR IMPLEMENTING**
4 **THESE ADJUSTMENT MECHANISMS?**

5 A. Cost-adjustment mechanisms first appeared in the electric and gas industries to
6 help utilities contend with rising fuel costs. These mechanisms are now widely
7 used in ratemaking for water utilities in a number of states, especially in
8 connection with purchased power, purchased water and various taxes. These
9 mechanisms allow utilities to pass along cost increases or decreases that are
10 essentially out of a utility's control. The closer match between costs and customer
11 bills reduces regulatory lag and creates a more efficient price signal. It also helps
12 to ensure the utility has an opportunity to earn its authorized rate of return. Thus,
13 adjustment mechanisms benefit both utilities and their customers.

14 In the instant case, the amount that the Company must pay for arsenic
15 treatment is a significant portion of its operations and maintenance cost,
16 approximately 18 percent of total operating expenses.

17 **Q. HAS THE LEGISLATURE INDICATED THAT ADJUSTMENT**
18 **MECHANISMS SHOULD BE AVAILABLE TO WATER UTILITIES?**

19 A. Yes. In fact, A.R.S. § 40-370 currently authorizes water utilities to apply to the
20 Commission for approval of surcharges to recover increases in specific, readily
21 identifiable costs beyond the control of the utility, including purchased water,
22 purchased power and property taxes. In this case, the Company is asking for
23 approval of its arsenic treatment adjustment mechanism in the context of a general
24 rate case in order to minimize any disputes regarding the Company's ability to
25 implement these mechanisms.

26 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

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Valley Utilites Water Company
 Arsenic Treatment Adjustment Mechanism Example

Exhibit 1
 Witness: Bourassa

Line

No.

		<u>Formula</u>		
1	Step 1			
2	Annualized Test Year Arsenic Treatment Cost Base Expense	ATEB	\$	250,000
3	Annualized Test Year Gallons Sold	ATYGS		258,740,206 gallons
4	Unitized Arsenic Treatment Expense Base	UATEB		0.00096622 per gallon
5				
6	Step 2			
7	Actual Gallons Sold in Current Year	AGSCY		323,425,257 gallons
8	Annualized Test Year Based Expense	ATYBE	\$	312,500
9				
10	Step 3			
11	Actual Current Year Arsenic Treatment Expense	ACYATE	\$	<u>335,000</u>
12	Total Arsenic Treatment Adjustment	TATA	\$	22,500
13				
14	Step 4			
15	Unitized Arsenic Treatment Adjustment	UATA	\$	0.00006957 per gallon
16	Unitized Arsenic Treatment Adjustment in 1,000's gallons		\$	0.07 per 1,000 gallons
17				
18				

D

VALLEY UTILITIES WATER COMPANY, INC.

RATE INCREASE APPLICATION

DOCKET NO. W-01412-04-_____

PRE-FILED TESTIMONY OF

RONALD L. KOZOMAN

OCTOBER, 2004

EXHIBIT D

1 **DIRECT TESTIMONY OF**

2 **RONALD L. KOZOMAN**

3 **I. Identification of witness**

4 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

5 A. Ronald L. Kozoman, 1605 W. Mulberry Drive, Phoenix, Arizona 85015.

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am self employed and provide consulting services to utility companies.

8 **Q. HAVE YOU PREPARED A RESUME OF YOUR PROFESSIONAL**
9 **EDUCATIONAL AND WORK EXPERIENCE?**

10 A. Yes. A copy is attached as Appendix A to this testimony.

11 **Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR REGULATORY**
12 **EXPERIENCE?**

13 A. Yes. I was employed by the Illinois Commerce Commission ("ICC") from 1977 to 1981
14 in various accounting and management positions. While with the ICC, I testified as the
15 ICC Staff's expert witness on cost of capital, rate base and operating income in rate cases
16 involving Commonwealth Edison Company, Illinois Bell Telephone, and other major
17 Illinois utility companies.

18 I was first retained by the Arizona Corporation Commission ("Commission" or
19 "ACC") in 1981 as a consultant to prepare Commission Staff's cost of capital testimony
20 for the Southwest Gas Corporation and Southern Union Gas Company rate cases. I later
21 became Chief Rate Analyst for the Commission. As Chief Rate Analyst, I was
22 responsible for supervising all of the Commission's rate analysts and utility auditors.
23 While with the Commission, I testified on cost of capital concerning Sun City West
24 Utilities, Continental Telephone Company of California, and Mountain Bell Telephone
25 (now Qwest), among others.

26

1 I have also testified as an independent consultant, on behalf of utility companies,
2 utility consumers, and regulatory agencies. I was also an instructor in the areas of public
3 utility accounting and general regulatory practices for the National Association of
4 Regulatory Utility Commissioners at its Annual Regulatory Studies Program, held at
5 Michigan State University in East Lansing, Michigan. In years past, I taught Revenue
6 Requirements accounting, and Regulatory Accounting Methods, Applications under
7 changing Regulatory and Market Conditions, and Cost of Service.

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

9 A. I am testifying on behalf of Valley Utilities Water Company ("the Company" or "the
10 Applicant").

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. I will testify for the Company in support of the proposed rates.

13 **Q. WHAT SCHEDULES ARE YOU TESTIFYING TO?**

14 A. I am testifying to the H Schedules.

15 II. Rate Design

16 **Q. HOW IS THE COMPANY PROPOSING TO SPREAD THE PROPOSED RATE
17 INCREASES?**

18 A. The proposed rate increases will be spread across the board, as much as possible. That is,
19 the uniform percentage increase will be applied to the monthly minimums. Additionally,
20 the two tier commodity rate will be changed to three tier rates to assist in conservation.

21 Customers using larger quantities of water will experience a higher rate increase
22 due to the three tier rates rate design.

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25 **Q. WHAT IS THE RATE INCREASE AS A PERCENTAGE AT THE VALLEY
26 UTILITIES WATER COMPANY?**

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A. The rate increase is approximately 12% over the existing rates.

Q. WHAT ARE THE PRESENT RATES FOR VALLEY UTILITIES WATER COMPANY?

A. The monthly charges at present rates are listed below.

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4	\$ 9.60	0
3/4	\$ 14.50	0
1	\$ 24.00	0
1 1/2	\$ 48.00	0
2	\$ 77.00	0
3	\$ 144.00	0
4	\$ 240.00	0
6	\$ 480.00	0

The commodity charge per 1,000 gallons for Valley Utilities Water Company is \$1.80 per 1,000 gallons for the first 25,000 gallons, and \$2.20 per 1,000 gallons for usage above 25,000. The rate for construction water is \$2.60 per 1,000 gallons, regardless of usage.

Q. WHAT ARE THE PROPOSED RATES?

A. The monthly minimum charges for the proposed rates are:

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Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4	\$ 10.37	0
3/4	\$ 15.66	0
1	\$ 25.92	0
1 1/2	\$ 51.85	0
2	\$ 83.18	0
3	\$ 155.55	0
4	\$ 259.25	0
6	\$ 518.50	0

The commodity charge per 1,000 gallons is \$1.98 per 1,000 gallons for the first tier rates, \$2.42 per 1,000 gallons for the second tier rate, and \$2.662 for the third tier.

The tiers for each meter size are based on flow capacity and differ. I selected the first tier for the 5/8 meter based on approximately 86% of average usage. I based the tier or break-over points on the flow capacity on the flow per minute of the 5/8 inch meter, which is 20 gallons. The tiers or break-over points for the larger meters are computed in a ratio to the flow capacity of the larger meter. Thus, if the first tier or break-over point for a 5/8 inch meter is 8,000 gallons, the 1 inch meter, which can flow 50 gallons per minute would have its first tier or break-over point set at 20,000 and is computed as follows $8,000 \times (50/20) = 20,000$.

The tiers are as follows:

Meter Size	Gallons in First Tier	Gallons in Second Tier

5/8 x 3/4	8,000	12,000
3/4	12,000	18,000
1	20,000	30,000
1 1/2	40,000	60,800
2	64,000	96,000
3	128,000	192,000
4	200,000	300,000
6	400,000	600,000

The proposed commodity charge for construction water is \$2.86 per 1,000 gallons, with no tiers.

The increase in the commodity rate averages 10% for the first tier, and 106% for the second tier. The third tier represent an increase of 21% over the existing second tier rate.

Q. WHY DID YOU DECIDE TO USE 86% OF THE AVERAGE USAGE FOR THE FIRST TIER FOR THE 5/8 INCH METER? WOULDN'T THE USE OF 75% OR 60% RESULT IN GREATER CONSERVATION?

A. I chose to use a higher percentage because the customers already have a two tier rate structure, and are familiar with inverted prices. If you examine the average usage for a 5/8 inch meter user, you will note that the average usage is approximately 9,000 gallons per month. That usage is relatively low.

1 Yes, the Company wants customers to conserve, but the Company doesn't want to
2 cause a hardship on its customers.
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6 **Q. WHAT IS THE IMPACT ON RESIDENTIAL CUSTOMERS USING THE**
7 **MONTHLY AVERAGE WATER USING AND ON A 3/4 INCH METER?**

8 A. Residential customers on the system, on a 5/8 inch meter who consumes the average
9 quantity of water (9,264 per month) will experience a rate increase of \$2.99 per month, or
10 an increase of approximately 11%. The present bill for a residential customer on a 3/4
11 inch meter is \$32.94, while the proposed bill is \$35.94 (excluding sales taxes). This is for
12 usage of 10,243 gallons per month, and represents an increase of \$3.00 or approximately
13 9.0%. Other meter sizes and average usage, along with the present and proposed rates
14 (also excluding sales taxes) are shown on Schedule H-2.
15

16 **Q. WOULD YOU PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-1?**

17 A. The H-1 Schedule shows the revenues at present and proposed rates from each class of
18 customer, and the annualization of revenues if the number of customers changed during
19 the year.

20 **Q. WHY DON'T THE PROPOSED REVENUES SHOWN ON SCHEDULE H-1 MATCH**
21 **THE REVENUE SHOWN MR. BOURASSA'S SCHEDULE A-1, THE REVENUE**
22 **REQUIREMENT LINE, AND SCHEDULE C-1 THE LINE LABELED AS RATE**
23 **INCREASE?**
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1 A. There is an imbalance between the revenues per the bill count schedules and the General
2 Ledger, with the bill count schedules showing less revenue. I did not include this
3 difference as a reconciling item. Thus, if I attempted to match Mr. Bourassa's revenue
4 requirement shown on Schedule A-1, I would be producing more revenue than the actual
5 revenue requirement, due to not using the difference between the bill count and the
6 General Ledger revenues as a reconciling item..
7

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9
10 **Q. WOULD YOU PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-2?**

11
12 A. The H-2 Schedule shows the rate increase based on the average annual usage for each
13 customer class, or meter size. The billing to each average user is a present and proposed
14 rates.
15

16 **Q. WHAT IS CONTAINED ON THE H-3 SCHEDULES?**

17 A. Schedule H-3 contains both the present and proposed rates. The Schedule also shows the
18 dollar increase, and percentage increase, by customer class.
19

20 **Q. WHAT IS CONTAINED ON THE H-4 SCHEDULES?**

21 A. Schedule H-4 shows the billing at both present and proposed rates based on various usage
22 levels. The Schedule also shows the dollar increase and percentage increase at various
23 usage levels.
24

25 **Q. AND, WHAT IS SHOWN ON THE H-5 SCHEDULE?**

26

1 A. The H-5 Schedules contain the usage for each class of customer or meter size during the
2 test year. These schedules are commonly referred to as the bill count schedules, as the
3 schedules show usage by various classes of customers during the test year.

4 At the bottom of each H-5 Schedule, I have listed a median usage number in the
5 column headed Cumulative Billing. That number is a reference as to the number billings
6 divided by two. It has no meaning other than the number of billings divided by 2. The
7 median usage is located under the column labeled as Total Year.

8 **Q. IS THE COMPANY PROPOSING ANY CHANGE IN ITS OTHER TARIFF**
9 **CHARGES?**

10 A. Yes. The Company is proposing to increase the meter/service line charge to match the
11 charges shown on the Arizona Corporation Commission Staff memo of Marlin Scott, Jr.
12 of June 30, 2004. Additionally, the Company proposes to collect the income tax on the
13 meter/service line charge, as these charges are now taxable income. Refunds of the
14 meter/service line charge will include a refund of the original income tax collected spread
15 over the refund period.

16 **Q. DOES THIS PROPOSED CHANGE IN METER FEES IMPACT REVENUE?**

17 A. No. When a meter and service line are installed, the other side of the entry is to (1)
18 increase meter deposits (a deduction from rate base), or (2) increase advances in aid of
19 construction, also a deduction from rate base. Thus the increase in the charges is revenue
20 neutral.

21 III. Step Two Rates

22 **Q. WHY IS THE COMPANY REQUESTING THE STEP II RATES?**

23 A. The Step II Rates are intended to recover the operating expense of the Treatment Plant
24 associated with the Arsenic removal. The Company cannot afford to wait a full year
25 while incurring these operating expenses, and then request recovery on a go forward
26 basis. Instead, the Company proposes that the Step I rates be instituted to recover the

1 debt service on the Arsenic Treatment Plant. When the Arsenic Treatment Plant is in
2 service and operational, the Company proposes that the Step II rates to recover the
3 operating expenses associated with the plant be authorized.

4
5 **Q. HOW CAN THE COMMISSION BE ASSURED THAT THE COMPANY WON'T**
6 **OVER OR UNDER COLLECT THE OPERATING EXPENSES ASSOCIATED**
7 **WITH OPERATION OF THE ARSENIC TREATMENT PLANT?**

8
9 A. The Commission can be assured that the Company will not over or under collect the
10 Arsenic Treatment Costs by authorizing an Adjustment Clause to monitor the recovery of
11 these costs. With an Adjuster Clause, if the Company over or under collects the arsenic
12 treatment costs, the over or under recovery will be collected or refunded the following
13 year. The adjuster clause account can be treated as a balancing account. The Company
14 will provide the Commission with a report as soon as possible after the close of the year
15 detailing the operating expenses and recovery of these operating expenses associated with
16 the Arsenic Treatment Costs.

17 Currently it is estimated that the Arsenic Treatment Costs will total \$216,600 for
18 the first full year of operation. I have increased the Step I rates to recover this amount
19 and related expenses in the proposed Step II rates. The Step Two rates are premised on
20 the same quantity of water that was sold during the test year. If the amount of water
21 actually sold when Step II rates are authorized varies from the quantity sold during the
22 test year, the Company will collect the base cost per unit of water, and there could be a
23 over or under collection of these costs. The adjuster will take care of the difference in
24 water sales.

25 By authorizing an Arsenic Treatment Adjuster, either as a balancing account, the
26 Company will report the expense incurred and the revenue collected from the Step II

1 rates. The Company would propose that the under or over collection of these costs be
2 computed as soon as possible after the year end close. Any over or under collection
3 would be rolled into the succeeding year as either a refund or as an additional charge to
4 customers that will be refunded or collected in the following year.

5
6 **Q. WHAT IS THE RATE INCREASE PERCENTAGE PROPOSED FOR THE STEP**
7 **TWO RATE INCREASE?**

8
9 A. The Step Two rates will increase approximately 43%.

10
11 **Q. WHAT ARE THE PROPOSED STEP II COMMODITY RATES?**

12 A. The first tier rate of \$1.98 per thousand gallons would be increased to \$2.94. The second
13 tier rates would increase from \$2.42 per thousand gallons to \$3.599. The third tier rates
14 would increase from \$2.662 to \$3.958 per thousand gallons. The commodity rate
15 increases are approximately 49%.

16 I have also increased the monthly minimums by approximately 37%.

17
18 **Q. WHY NOT ASSIGN ALL COSTS TO THE COMMODITY RATE, AS THE COST**
19 **IS TO TREAT WATER?**

20
21 A. I agree that the costs are to treat the commodity, however, there is a substantial fixed cost
22 in the treatment expense. These costs won't decrease or increase substantially if the
23 volume of commodity sold is higher or lower than in the test year. Thus, you have to
24 recover the some of the fixed costs in the monthly minimum.

25 The second reason for including some of the costs in the monthly minimum is the
26 fact that by going to three tier rates some conservation is expected.

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Q. WHAT ARE PROPOSED STEP II MONTHLY MINIMUM CHARGES?

A. The proposed monthly minimums are:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4	\$14.16	0
3/4	\$21.38	0
1	\$35.38	0
1 1/2	\$70.78	0
2	\$113.54	0
3	\$212.33	0
4	\$353.88	0
6	\$707.75	0

Q. WILL THESE PROPOSED STEP ONE AND STEP TWO RATE INCREASES ADD ANY RISK TO THE COMPANY'S STABILITY OF REVENUES?

A. Yes. Any rate increase can result in conservation by customers, which results in the Company not achieving its authorized revenue requirement. So, yes there is added risk. Add another tier to the rate design and the risk is greatly increased.

Q. I NOTE THAT MR. BOURASSA HAS A PROFORMA ADJUSTMENT FOR THE REVENUE ANNUALIZATION, FOR THE NUMBER OF CUSTOMERS TO THE

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END OF THE YEAR. HOWEVER, THERE IS NO PROFORMA ADJUSTMENT FOR THE REVENUE ANNUALIZATION IN THE STEP TWO RATES. COULD YOU EXPLAIN WHY THERE ISN'T A PROFORMA ADJUSTMENT?

A. Yes. The total present and proposed revenues in the Step One rate increase, includes the the revenue annualization at present and proposed rates. The Step Two rate workbook includes the annualization of these same customers, at proposed Step One and Step Two rates. Thus, it not necessary to separately include a proforma adjustment for the revenue annualization. Mr. Bourassa's proposed revenues for Step Two include the customers to year end at proposed rates.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

APPENDIX A

RESUME OF RONALD L. KOZOMAN, CPA

EMPLOYMENT EXPERIENCE

10/1/93 TO
PRESENT

SELF-EMPLOYED

1988 TO 9/30/93

KOZOMAN & KERMODE CPA's, PARTNER

1986-1988

KOZOMAN & KERMODE, CPA'S PC, PRESIDENT

1982-1986

TROUPE KEHOE WHITEAKER & KENT CPA's
PARTNER AND UTILITY CONSULTANT

RESPONSIBLE FOR OVERALL MANAGEMENT OF FIRM'S PHOENIX,
ARIZONA OFFICE

1981-1982

ARIZONA CORPORATION COMMISSION

CHIEF UTILITY RATE
ANALYST

TESTIFIED ON COST OF CAPITAL, RATE BASE AND INCOME
STATEMENTS; FINANCING MATTERS; ANALYSIS OF RATE ORDERS;
SUPERVISION OF AUDITING AND RATE ANALYST SECTIONS.
TESTIFIED IN CASES INVOLVING ENERGY, WATER AND
COMMUNICATION COMPANIES.

1977-1981

ILLINOIS COMMERCE COMMISSION

ACCOUNTANT III,IV,
V, & EXECUTIVE V

AUDITS OF UTILITIES' FINANCIAL STATEMENTS, PREPARATION
OF EXHIBITS AND TESTIMONY, AND CROSS-EXAMINATION OF
UTILITIES' WITNESSES.

TESTIFIED IN CASES INVOLVING ENERGY, WATER AND
COMMUNICATION COMPANIES.

SOUTHERN ILLINOIS UNIVERSITY

ACCOUNTING FACULTY

NORTHERN ILLINOIS UNIVERSITY

ACCOUNTING FACULTY

INDIANA UNIVERSITY

ACCOUNTING FACULTY

MACMURRAY COLLEGE

ACCOUNTING FACULTY

ARIZONA CERTIFIED PUBLIC ACCOUNTANT

EDUCATION:

BACHELOR OF SCIENCE - NORTHERN ILLINOIS UNIVERSITY
MASTER OF SCIENCE - NORTHERN ILLINOIS UNIVERSITY

FRATERNITY

BETA ALPHA PSI, PROFESSIONAL ACCOUNTING ACADEMIC

YEARS

FROM-TO	INSTITUTION	MAJOR	DEGREE	DATE
1959-61	JOLIET JUNIOR COLLEGE	ACCOUNTING	ASSOCIATE	6-61
1961-63	NORTHERN ILLINOIS UNIVERSITY	ACCOUNTING	B.S.	6-63
1963-65	NORTHERN ILLINOIS UNIVERSITY	BUS. ED.	M.S.	6-65
1967	CERTIFIED PUBLIC ACCOUNTANT, ILLINOIS			9-67
1980	LICENSED ACCOUNTANT, ILLINOIS (065-012256)			5-80 Inactive Status
1983	LICENSED ACCOUNTANT, ARIZONA (3805-R)			2-83

REGULATORY AND WORK EXPERIENCE

10/1/93 TO

PRESENT SELF EMPLOYED

FEB. 1988

TO 9/30/93 PARTNER, KOZOMAN AND KERMODE, CPA's

FEB. 1986 -

JAN. 1988 PRESIDENT, KOZOMAN AND KERMODE P.C., CPA's

OCT. 1982

TO JAN. 1986: PHOENIX OFFICE; JOB TITLE: PARTNER

TROUPE KEHOE WHITEAKER & KENT

1981 TO 1982

CHIEF RATE ANALYST, UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

1977 TO 1981

ACCOUNTANT III - NOVEMBER 1977
ACCOUNTANT IV - APRIL 1979
ACCOUNTANT V - AUGUST 1980
EXECUTIVE V - MARCH 1981
ILLINOIS COMMERCE COMMISSION - SPRINGFIELD, ILLINOIS

DUTIES INCLUDED AUDIT OF UTILITIES' BOOKS AND RECORDS IN CONNECTION WITH RATE INCREASES, PREPARATION OF EXHIBITS AND TESTIMONY CONCERNING RATE INCREASES, CROSS-EXAMINATION OF UTILITIES' WITNESSES ON RATE MATTERS, TESTIMONY AS EXPERT WITNESS FOR STAFF'S POSITION ON UTILITY FINANCIAL STATEMENTS AND RATE NEEDS, AND EXAMINATION OF TESTIMONY AND DATA ON SUNDRY MATTERS (SEE ATTACHED SHEET FOR SUMMARY).

1974 TO 1977:

ASSOCIATE PROFESSOR, MACMURRAY COLLEGE
JACKSONVILLE, ILLINOIS

DUTIES INCLUDED TEACHING COURSES IN ELEMENTARY, INTERMEDIATE AND ADVANCED ACCOUNTING, COST ACCOUNTING, INCOME TAXES, AUDITING, AND MANAGERIAL ACCOUNTING.

1969 TO 1974:

INSTRUCTOR, SOUTHERN ILLINOIS UNIVERSITY
CARBONDALE, ILLINOIS

TAUGHT FINANCIAL AND MANAGERIAL ACCOUNTING AND
ACCOUNTING FOR NON-BUSINESS MAJORS.

JAN. 1973 TO
APRIL 1973: ACCOUNTANT (PART-TIME), HORWATH & HORWATH
946 WEST MAIN STREET, CARBONDALE, ILLINOIS

PREPARED TAX RETURNS (STATE AND FEDERAL) FOR
INDIVIDUALS AND BUSINESSES.

1967 TO 1969: ASSISTANT PROFESSOR, INDIANA UNIVERSITY
DIVISION OF GENERAL & TECHNICAL STUDIES
FORT WAYNE, INDIANA

TAUGHT COURSES IN ACCOUNTING AND BUSINESS;
SERVED AS ACTING DEPARTMENT CHAIRMAN.

1965 TO 1967: INSTRUCTOR, SOUTHERN ILLINOIS UNIVERSITY
CARBONDALE, ILLINOIS

TAUGHT FINANCIAL AND MANAGERIAL ACCOUNTING.

PUBLICATIONS

LECTURE GUIDE TO SUPPLEMENT ACCOUNTING FOR CONTROL AND DECISIONS
HOLMES, MEIER & PABST, BUSINESS PUBLICATIONS, INC.
PUBLISHED BY STIPES PUBLISHING CO., 1971.

AN OVERVIEW OF A RATECASE, COPYRIGHT NUMBER 256 639, PRIVATELY PUBLISHED
MANUAL FOR UTILITIES. PRESENTED TO MEDIA THROUGH OUT THE STATE OF ARIZONA,
1986.

SPEECHES

"RATE BASE AND OPERATING EXPENSES," 5TH ANNUAL NEW MEXICO STATE UNIVERSITY
UTILITIES CONFERENCE, ALBUQUERQUE, OCTOBER 1982.

"REVENUE REQUIREMENTS" 1987 - 2001, "ACCOUNTING FOR NON-ACCOUNTANTS, 1987 -
2001, COST OF SERVICE AND RATE DESIGN 1995, NATIONAL ASSOCIATION OF
REGULATORY UTILITY COMMISSIONERS (NARUC) ANNUAL STUDIES FACULTY HELD IN
LANSING, MICHIGAN FOR REGULATORY COMMISSION PERSONNEL EMPLOYEES AND
UTILITY PERSONNEL.

INSTRUCTOR FOR THE NEW YORK PUBLIC SERVICE COMMISSION 1995. TOPICS INCLUDED
CONSTRUCTION WORK IN PROGRESS VS. ALLOWANCE FOR FUNDS USED DURING
CONSTRUCTION, COST OF CAPITAL, AND DEFERRED INCOME TAXES.

A CHRONOLOGICAL SUMMARY OF MY WORK EXPERIENCE WITH THE ILLINOIS
COMMERCE
COMMISSION IS PROVIDED BELOW.

<u>COMPANY</u>	<u>DOCKET NO.</u>	<u>FUNCTION</u>
CIPS (ELECTRIC & GAS)	77-0375	1. CROSS-EXAMINED RESPONDENT'S WITNESSES. 2. AUDITED RESPONDENT'S RECORDS.
MONARCH GAS	77-0709 (GAS)	1. CROSS-EXAMINED RESPONDENT'S WITNESSES. 2. PROPOSED ADJUSTMENTS INVOLVING MATERIALS SUPPLIES AND PENSIONS. 3. AUDITED RESPONDENT'S RECORDS.
IOWA- ILLINOIS GAS & ELECTRIC	78-0075 (ELECTRIC & GAS)	1. CROSS-EXAMINED RESPONDENT'S WITNESSES. 2. SPONSORED RATE BASE AND INCOME STATEMENT EXHIBITS AND ASSOCIATED ADJUSTMENTS. 3. WROTE REPLY BRIEF. 4. AUDITED RESPONDENT'S RECORDS.
INTERSTATE POWER (ELECTRIC & GAS)	78-0203 & 78-0161	1. CROSS-EXAMINED RESPONDENT'S WITNESSES. 2. SPONSORED ADJUSTMENTS TO FUEL INVENTORY 3. AUDITED RESPONDENT'S RECORDS.
TOWN GAS CO.	78-0285 (GAS)	1. CROSS-EXAMINED RESPONDENT'S WITNESSES. 2. SPONSORED RATE BASE, INCOME STATEMENTS, COST OF CAPITAL AND ASSOCIATED ADJUST- MENTS. 3. ANALYZED IMPACT OF DEFERRED INCOME TAXES ON CONSUMERS' RATES. 4. AUDITED RESPONDENT'S RECORDS.
ILLINOIS POWER	78-0071	1. PREPARED CROSS-EXAMINATION QUESTIONS FOR STAFF COUNSEL. 2. SPONSORED ADJUSTMENTS TO FUEL INVENT- ORIES, MAINTENANCE EXPENSE AND COST OF CAPITAL COMPONENTS. 3. AUDITED RESPONDENT'S RECORDS.
ILLINOIS BELL TELEPHONE	80-0010	1. PREPARED CROSS-EXAMINATION QUESTIONS FOR STAFF COUNSEL. 2. SPONSORED RATE BASE, INCOME STATEMENT, AND COST OF CAPITAL USING DOUBLE LEVER- AGE. 3. PROJECT LEADER FOR CASE. 4. SUPERVISED AUDIT OF RESPONDENT'S RECORDS.
COMMONWEALTH EDISON	80-0546	1. INTERIM AND MAIN CASE, FINANCIAL INTEG- RITY, ANALYSIS OF FINANCIAL COVERAGES -

CONTINENTAL TELEPHONE CO. OF THE WEST	U-1541-81-385	TESTIFIED ON PROPOSED RATES FOR EXPENSING STATION CONNECTIONS.
SUN CITY WEST UTILITIES	U-2334-81-008	COST OF CAPITAL
SOUTHWEST GAS CO.	U-1551-82-010	COST OF CAPITAL
CONTINENTAL TELEPHONE CO. OF CALIFORNIA	U-1896-81-391	COST OF CAPITAL
TUCSON ELECTRIC POWER	U-1933-81-033	RATE INCREASE
MOUNTAIN BELL	9981-E-1051-81-406	COST OF CAPITAL
SOUTHWEST GAS CO.	U-1551-82-034	COST OF CAPITAL
SUN CITY SEWER & WATER	U-2276-81-333	COST OF CAPITAL
SOUTHERN UNION GAS		COST OF CAPITAL*

MOUNTAIN BELL

ALL ADJUSTMENTS TO RATE
BASE AND INCOME STATEMENT.
PROPOSED ACCELERATED
AMORTIZATION OF INSIDE
WIRING.*

*TESTIFIED AS CONSULTANT.

CHRONOLOGICAL SUMMARY OF MY WORK EXPERIENCE WITH TROUPE KEHOE
WHITEAKER &
KENT IS PROVIDED BELOW:

COMPANY/CLIENT

FUNCTION

WEST END WATER COMPANY	TESTIFIED FOR APPLICANT ON RATE BASE, INCOME STATEMENT, COST OF CAPITAL AND RATE DESIGN.
SUNRISE WATER COMPANY	TESTIFIED FOR APPLICANT ON RATE BASE, INCOME STATEMENT, COST OF CAPITAL AND RATE DESIGN.
BIG PARK WATER COMPANY	TESTIFIED FOR APPLICANT ON RATE BASE, INCOME STATEMENT, COST OF CAPITAL AND RATE DESIGN IN BOTH INTERIM AND MAIN CASES. TESTIFIED FOR APPLICANT ON FINANCING AND PHASED-IN RATE INCREASES.
CAREFREE WATER COMPANY	TESTIFIED FOR APPLICANT ON RATE BASE,

INCOME STATEMENT, COST OF CAPITAL AND
RATE DESIGN.

BLACK BILL & DONEY PARK
WATER USERS' ASSOCIATION

TESTIFIED FOR APPLICANT ON RATE BASE,
INCOME STATEMENT, RATE OF RETURN AND
RATE DESIGN IN BOTH INTERIM AND MAIN
CASES. TESTIFIED FOR APPLICANT ON
SPECIAL ASSESSMENTS, HOOK-UP FEES,
CAPITAL CREDITS AND PUMPING POWER
ADJUSTER.

FLORENCE GARDENS UTILITY CO.

TESTIFIED FOR APPLICANT ON RATE BASE,
INCOME STATEMENT RATE OF RETURN AND
RATE DESIGN FOR WATER AND SEWER.

BOULDER CAREFREE SEWER CORP.

TESTIFIED FOR APPLICANT ON COST OF
CAPITAL AND AMORTIZATION OF CONTRI-
BUTIONS.

WEST END WATER COMPANY

TESTIFIED FOR APPLICANT ON COST OF
CAPITAL AND AMORTIZATION OF
CONTRIBUTIONS.

ARIZONA PUBLIC SERVICE CO.

DEVELOPMENT OF PUBLIC RELATIONS MANUAL
TO EXPLAIN A RATE CASE TO THE NEWS MEDIA.

NEW MEXICO CORP. COMMISSION -
GENERAL TELEPHONE COMPANY OF
THE SOUTHWEST.

TESTIFIED FOR COMMISSION ON APPLICANT'S
PROPOSED RATE BASE AND INCOME STATEMENT.

DEPARTMENT OF THE NAVY -
PACIFIC GAS & ELECTRIC

EVALUATION OF APPLICANT'S AND CALIFORNIA
COMMISSION STAFF'S RATE CASE FILINGS.

SUNDRY CLIENTS

TESTIFIED ON VALUATION OF WATER UTILITIES
BEFORE THE ARIZONA DEPARTMENT OF REVENUE,
CENTRALLY VALUED PROPERTIES.

A CHRONOLOGICAL SUMMARY OF MY WORK EXPERIENCE WITH KOZOMAN & KERMODE
CPA's
IS PROVIDED BELOW:

COMPANY/CLIENT

FUNCTION

NEW MEXICO CORP. COMMISSION -
CONTINENTAL TELEPHONE CO.
OF THE WEST.

TESTIFIED FOR COMMISSION ON APPLICANT'S
COST OF CAPITAL.

NEW MEXICO CORP. COMMISSION -
WESTERN NEW MEXICO TELEPHONE
COMPANY.

TESTIFIED FOR COMMISSION ON APPLICANT'S
COST OF CAPITAL.

BERMUDA WATER COMPANY

TESTIFIED FOR APPLICANT ON RATE CASE
AND FINANCING.

BELLA VISTA RANCHES

TESTIFIED FOR APPLICANT ON COST OF

(BELLA VISTA WATER CO.)	CAPITAL, COST OF SERVICE, RATE DESIGN, AND CONSOLIDATION OF THREE COMPANIES.
TUCSON SOUTH WATER COMPANY	TESTIFIED FOR APPLICANT ON INTERIM / EMERGENCY RATE INCREASE.
CITIZEN'S UTILITIES COMPANY	TESTIFIED FOR APPLICANT ON COST OF CAPITAL FOR ITS TELEPHONE OPERATIONS.
PUEBLO DEL SOL WATER COMPANY/ ARIZONA WATER COMPANY TRANSFER	TESTIFIED FOR BELLA VISTA WATER COMPANY, INC. ON BENEFITS TO RATEPAYERS OF PUEBLO DEL SOL WATER COMPANY AND BELLA VISTA WATER COMPANY, INC. IF BELLA VISTA WATER COMPANY, INC. WERE TO PURCHASE PUEBLO DEL SOL WATER COMPANY.
METROPOLITAN WATER COMPANY	TESTIFIED ON COST OF CAPITAL AND COST OF SERVICE STUDIES.
PONDEROSA UTILITY CORP.	FINANCING OF DEBT AND EQUITY
BIG PARK WATER COMPANY	RATE ADJUSTMENT, COST OF CAPITAL COST OF SERVICE, RATE BASE, INCOME STATEMENT, PROPOSED RATES, AND FINANCING
METROPOLITAN WATER COMPANY	FINANCING USING DEBT WITH A PAYMENT IN LIEU OF REVENUES CHARGE RATHER THAN TRADITIONAL LINE EXTENSION AGREEMENT
VOYAGER WATER COMPANY (FORMERLY TUCSON SOUTH WATER COMPANY)	RATE ADJUSTMENT, COST OF CAPITAL RATE BASE, INCOME STATEMENT AND PROPOSED RATES. FINANCING.
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS	ANNUAL REGULATORY STUDIES PROGRAM 1987 - 1993 INSTRUCTOR REVENUE REQUIREMENTS
ARIZONA SIERRA UTILITY COMPANY	RATE ADJUSTMENT, COST OF CAPITAL, COST OF SERVICE, RATE BASE, INCOME STATEMENT, PROPOSED RATES, AND FINANCING FOR WATER AND SEWER
CAVE CREEK SEWER COMPANY	REQUEST FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY
GOODMAN WATER COMPANY	REQUEST FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY
AVRA WATER CO-OP, INC.	INTERIM/EMERGENCY RATES AND FINANCING
CAVE CREEK SEWER COMPANY	RATE ADJUSTMENT, COST OF CAPITAL, RATE DESIGN
GOLD CANYON SEWER COMPANY	REQUEST FOR A CERTIFICATE OF CONVENIENCE

AND NECESSITY

DESERT HILLS WATER COMPANY	COST OF CAPITAL, RATE DESIGN FOR RATE ADJUSTMENT
WILLOW VALLEY WATER COMPANY	COST OF CAPITAL, REBUTTAL TESTIMONY ON ACCUMULATION DEPRECIATION, CONSERVATION AND ELASTICITY, RATE DESIGN.
QUAIL CREEK WATER COMPANY	CERTIFICATE OF CONVENIENCE AND NECESSITY
AVRA WATER CO-OP, INC.	DEBT SERVICE REQUIREMENTS, PERMANENT RATES, CONSERVATION AND PRICE ELASTICITY
RIO VERDE UTILITIES, INC.	COST OF CAPITAL, RATE DESIGN, RATE BASE, INCOME STATEMENT
CHAPARRAL CITY WATER COMPANY	COST OF CAPITAL, RATE DESIGN, RATE BASE, INCOME STATEMENT, ADJUSTER MECHANISM FOR PURCHASED CAP WATER AND PURCHASED ELECTRIC POWER
RIGBY WATER COMPANY	COST OF CAPITAL, RATE DESIGN, RATE BASE, INCOME STATEMENT
BIG PARK WATER COMPANY	COST OF CAPITAL, RATE DESIGN, RATE BASE INCOME STATEMENT
CONSOLIDATED WATER UTILITIES	COST OF CAPITAL, DEBT SERVICE, RATE DESIGN, RATE BASE
UTILITY MANAGEMENT & OPERATION SERVICES	EMERGENCY RATES
RESIDENTIAL SEWAGE WORKS	EMERGENCY RATES
UTILITY MANAGEMENT & OPERATION	DEBT SERVICE, RATE BASE, INCOME STATEMENT, AND RATE DESIGN
RESIDENTIAL SEWAGE WORKS	DEBT SERVICE, RATE BASE, INCOME STATEMENT, AND RATE DESIGN
BOULDERS CAREFREE SEWER CO.	REQUIRED RATE OF RETURN
BELLA VISTA WATER COMPANY	COST OF CAPITAL, RATE BASE, INCOME STATEMENT
RURAL METRO - YUMA AMBULANCE	TESTIFIED AS A CONSULTANT TO ARIZONA DEPARTMENT OF HEALTH ON RATE OF RETURN
PARADISE VALLEY WATER COMPANY	RATES FOR GOLF COURSE
PUEBLO DEL SOL WATER COMPANY	ORDER TO SHOW CAUSE

GOLDEN SHORES WATER COMPANY RATE BASE, INCOME STATEMENT, COST OF CAPITAL

WILLOW VALLEY WATER COMPANY RATE BASE, INCOME STATEMENT, COST OF CAPITAL

A CHRONOLOGICAL SUMMARY OF MY SELF-EMPLOYED WORK EXPERIENCE IS PROVIDED BELOW:

ROOSEVELT LAKE RESORT, INC. RATE BASE, INCOME STATEMENT, COST OF CAPITAL

RIO VERDE UTILITIES, INC. RATE BASE, INCOME STATEMENT, COST OF CAPITAL FOR WATER AND SEWER

DONEY PARK WATER RATE BASE, INCOME STATEMENT, RATE DESIGN, AND TIER FOR CO-OP CAPITAL

PARADISE VALLEY WATER COMPANY RATE DESIGN AND COST OF SERVICE STUDY

BOULDERS CAREFREE SEWER CORP. RATE BASE, INCOME STATEMENT, COST OF CAPITAL, AND RATE DESIGN FOR SEWER

RANCHO VISTOSO WATER COMPANY RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN, AND PROPOSED ADJUSTMENT MECHANISM TO RECOVER COSTS OF PUMPING POWER, TREATED AND/OR UNTREATED CAP WATER AND/OR RECHARGE WATER

PARADISE VALLEY WATER CO. RATE DESIGN AND COST OF SERVICE STUDY AND COST OF CAPITAL

CAMP VERDE WATER SYSTEM RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN, AND PROPOSED ADJUSTMENT MECHANISM TO RECOVER COSTS OF TREATED WATER

FAR WEST WATER COMPANY RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN

TURNER RANCHES RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN

APPALOOSA WATER APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

FAR WEST WATER COMPANY REHEARING ON PROPERTY TAXES

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS ANNUAL REGULATORY STUDIES PROGRAM 1991 - 1998 INSTRUCTOR ACCOUNTING FOR NON ACCOUNTANTS, REVENUE

	REQUIREMENTS, COST OF SERVICE, AND ACCOUNTING IN A DE-REGULATED WORLD
VAIL WATER COMPANY	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN
SANTA CRUZ WATER PALO VERDE UTILITIES	CERTIFICATE OF CONVENIENCE & NECESSITY
GOLDEN SHORES WATER	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN
BELLA VISTA WATER AND NICKSVILLE WATER	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN, COST OF SERVICE STUDY, CONSOLIDATION OF WATER COMPANIES
FAR WEST WATER AND SEWER INC.	EMERGENCY RATES
VAIL WATER COMPANY	EMERGENCY RATES
SEDONA VENTURE, WATER AND SEWER	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN
FAR WEST WATER AND SEWER INC.	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN, COST OF SERVICE STUDY
VAIL WATER COMPANY	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN
RIO VERDE UTILITIES, INC.	COST OF CAPITAL, RATE DESIGN, AND COST OF SERVICE STUDY
AVRA WATER CO-OP, INC.	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN, COST OF SERVICE STUDY
GOLD CANYON SEWER COMPANY	COST OF CAPITAL, AND RATE DESIGN
GREEN VALLEY WATER COMPANY	COST OF CAPITAL, COST OF SERVICE STUDY, AND RATE DESIGN
NEW RIVER UTILITY	RATE BASE, INCOME STATEMENT, AND RATE DESIGN
BELLA VISTA WATER COMPANY	RATE DESIGN, COST OF SERVICE STUDY, AND COST OF CAPITAL
ARIZONA AMERICAN	RATE DESIGN FOR TEN WASTEWATER AND WATER UTILITIES IN ARIZONA

RIO RICO UTILITIES, INC.

RATE BASE, INCOME STATEMENT, COST OF
CAPITAL, AND RATE DESIGN FOR WASTEWATER
AND WATER

E

VALLEY UTILITIES WATER COMPANY, INC.

DOCKET W-01412

TARIFF

Issued _____

Effective _____

ISSUED BY:

Robert L. Prince
Valley Utilities Water Company, Inc.
12540 W. Bethany Home Road
Litchfield Park, Arizona 85340

93055.00000.136

EXHIBIT E

DOCKET W-01412

Cancelling Sheet No.

Applies to all WATER service areas

PART ONE
STATEMENT OF CHARGES
WATER SERVICE

I. RATES

In Opinion and Order No. _____, dated _____, 200_, the Commission approved the following rates and charges to become effective with _____, 200_ usage.

<u>Meter Size</u> Inches	<u>Usage Included in</u> <u>Minimum Charge</u> Gallons	<u>Minimum</u> <u>Charge</u> Per Month
A. All Services		
5/8" X 3/4" Meter	-0-	10.37
3/4" Meter	-0-	15.66
1" Meter	-0-	25.92
1 1/2" Meter	-0-	51.85
2" Meter	-0-	83.18
3" Meter	-0-	155.55
4" Meter	-0-	259.25
6" Meter	-0-	518.50

Issued _____

Effective _____

ISSUED BY:

Robert L. Prince
 Valley Utilities Water Company, Inc.
 12540 W. Bethany Home Road
 Litchfield Park, Arizona 85340

DOCKET W-01412

Cancelling Sheet No.

Applies to all WATER service areas

PART ONE
STATEMENT OF CHARGES
WATER SERVICE

B. Tiers

	Tier 1	Tier 2	Tier 3
5/8" X 3/4" Meter	0-8,000	8,001-12,000	Over 12,001
3/4" Meter	0-12,000	12,001-18,000	Over 18,001
1" Meter	0-20,000	20,001-30,000	Over 30,001
1 1/2" Meter	0-40,000	40,001-60,800	Over 60,801
2" Meter	0-64,000	64,001-96,000	Over 96,001
3" Meter	0-128,000	128,001-192,000	Over 192,001
4" Meter	0-200,000	200,001-300,000	Over 300,001
6" Meter	0-400,000	400,001-600,000	Over 600,001

C. Commodity Charges

THE RATE FOR USE IN ADDITION TO THE MINIMUM STATED ABOVE SHALL BE THE SAME FOR ALL SIZES OF METERS. ADDITIONAL USAGE SHALL BE AT THE RATE PER 1,000 GALLONS AS FOLLOWS:

<u>Tier</u>	<u>Rate/1000</u>
1	\$1.98
2	\$2.42
3	\$2.662

D. Construction Water

Above Meter Charges, plus all Water at \$2.86 per 1,000 gallons

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Effective _____

ISSUED BY:

Robert L. Prince
 Valley Utilities Water Company, Inc.
 12540 W. Bethany Home Road
 Litchfield Park, Arizona 85340

DOCKET W-01412

Cancelling Sheet No.

Applies to all WATER service areas

**PART ONE
STATEMENT OF CHARGES
WATER SERVICE**

E. Fire Sprinkler Service^{1, 2}

4" Meter	-0-	\$20.00
6" Meter	-0-	\$34.00
8" Meter	-0-	\$50.00

FIRE PROTECTION RATES INCLUDE WATER FOR FIREFIGHTING PURPOSES ONLY. OTHER CONSUMPTION THROUGH FIRE PROTECTION FACILITIES WILL BE ESTIMATED BY THE COMPANY AND BILLED AT GENERAL SERVICE RATES.

¹ See "Fire Hydrant and Interior Fire Sprinkler Service", Sheet No. 14.

² Rates authorized in Decision No. 55587, dated June 4, 1987.

Issued _____

Effective _____

ISSUED BY:

Robert L. Prince
Valley Utilities Water Company, Inc.
12540 W. Bethany Home Road
Litchfield Park, Arizona 85340

DOCKET W-01412

Cancelling Sheet No.

Applies to all WATER service areas

PART ONE

STATEMENT OF CHARGES
WATER SERVICE

II. TAXES AND ASSESSMENTS

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, regulatory or other taxes and assessments as may apply now or in the future, per Rule R14-2-409(D)(5).

Issued _____

Effective _____

ISSUED BY:

Robert L. Prince
Valley Utilities Water Company, Inc.
12540 W. Bethany Home Road
Litchfield Park, Arizona 85340

DOCKET W-01412

Cancelling Sheet No.

Applies to all WATER service areas

PART ONE

STATEMENT OF CHARGES
WATER SERVICE

III. ADDITIONAL CHARGES

- | | | |
|----|--|----------------------|
| A. | Establishment of Service per Rule R14-2-403D
(new customer charge, in addition to E, K and L below) | \$ 30.00 |
| 1. | If after hours | \$ 45.00 |
| B. | Re-establishment of Service per Rule R14-2-403D
(same customer, same location within 12 months) | \$ Note ³ |
| C. | Reconnection of Service per Rule R14-2-403D | \$ 40.00 |

³ Number of months off system times the monthly minimum.

Issued _____

Effective _____

ISSUED BY:

Robert L. Prince
Valley Utilities Water Company, Inc.
12540 W. Bethany Home Road
Litchfield Park, Arizona 85340

DOCKET W-01412

Cancelling Sheet No.

Applies to all WATER service areas

PART ONE

**STATEMENT OF CHARGES
WATER SERVICE**

D.	Charge for moving meter at customer request per Rule R14-2-405B	Cost ⁴
E.	Minimum Deposit Requirement per Rule R14-2-403B	
	1. Residential customer	(2 times estimated average monthly bill)
	2. Non residential customer	(2-1/2 times estimated maximum monthly bill)
	3. Deposit Interest	6.0%
F.	Meter test per Rule R14-2-408F	\$ 30.00
G.	Meter Reread per Rule R14-2-408C	\$ 10.00
H.	Charge for NSF Check per Rule R14-2-409F	\$ 25.00

⁴ See Sheet No. 9.

Issued _____

Effective _____

ISSUED BY:

Robert L. Prince
Valley Utilities Water Company, Inc.
12540 W. Bethany Home Road
Litchfield Park, Arizona 85340

DOCKET W-01412

Cancelling Sheet No.

Applies to all WATER service areas

PART ONE

STATEMENT OF CHARGES
WATER SERVICE

I.	Deferred Payment Finance Charge, per month	1.5%
J.	Late Payment Charge, Per Month	10.00 ⁵ ⁶ ⁷

⁵ This charge shall not apply if the customer has arranged for a Deferred Payment Plan.

⁶ Bills for utility services are due and payable when rendered. Any payment not received within fifteen (15) days from the date the bill was rendered shall be considered delinquent and subject to the termination policy set forth in the Company's rate tariff. All late payment penalties shall be billed on the customer's next regularly scheduled billing. If the customer fails to pay the late payment penalty by the due date on the next billing, the customer will receive a ten (10) day termination notice. If the customer does not pay the late payment penalty by that date the service will be terminated. Service shall be terminated only for that service for which the customer is delinquent or is in violation. All customers whose service is terminated for failure to pay the late payment penalty are subject to the Company's reconnection charges set forth in the Company's tariff.

⁷ Rate authorized in Decision No. 56682, dated October 25, 1989.

Issued _____

Effective _____

ISSUED BY:

Robert L. Prince
Valley Utilities Water Company, Inc.
12540 W. Bethany Home Road
Litchfield Park, Arizona 85340

DOCKET W-01412

Cancelling Sheet No.

Applies to all WATER service areas

PART ONE

STATEMENT OF CHARGES
WATER SERVICE

K.	Service Line Tariff and Meter Advance Policy, Refundable per Rule R14-2-405B:	
	5/8" X 3/4" Meter	520.00
	3/4" Meter	600.00
	1" Meter	690.00
	1 1/2" Meter	935.00
	2" Turbine Meter	1,595.00
	2" Compound Meter	2,320.00
	3" Turbine Meter	2,275.00
	3" Compound Meter	3,110.00
	4" Turbine Meter	3,520.00
	4" Compound Meter	4,475.00
	6" Turbine Meter	6,275.00
	6" Compound Meter	8,050.00
	8" and Larger	Cost
L.	Main Extension Tariff, per Rule R14-2-406B	Cost ⁸

⁸ See Sheet No. 9.

Issued _____

Effective _____

ISSUED BY:

Robert L. Prince
Valley Utilities Water Company, Inc.
12540 W. Bethany Home Road
Litchfield Park, Arizona 85340

Applies to all WATER service areas

PART ONE

STATEMENT OF CHARGES

WATER SERVICE

IV. PERMITTED COSTS

- A. Costs shall be verified by invoice.
- B. For services that are provided by the Company at costs, cost shall include labor, materials, other charges incurred, and overhead not to exceed 10%. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.
- C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.
- D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the customer will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.

Issued _____

Effective _____

ISSUED BY:

Robert L. Prince
 Valley Utilities Water Company, Inc.
 12540 W. Bethany Home Road
 Litchfield Park, Arizona 85340

DOCKET W-01412

Cancelling Sheet No.

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E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.

F. Permitted costs shall include any State or Federal income taxes that are or may be payable by the Company as a result of any tariff or contract for water facilities under which the Customer advances or contributes funds or facilities to the Company.

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12540 W. Bethany Home Road
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**STATEMENT OF TERMS AND CONDITIONS
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I. CROSS-CONNECTION CONTROL

A. Purpose.

To protect the public water supply in the Company's water supply in the Company's water system from the possibility of contamination caused by backflow through unprotected cross-connections by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code, Title 14, Chapter 2, Section 405.B.6 as adopted by the Arizona Corporation Commission, and Title 18, Chapter 4, Section 115, as adopted by the Arizona Department of Environmental Quality, as those regulations may be revised from time to time.

B. Inspections.

The customers shall cooperate fully with the Company in its efforts to investigate and determine the degree of potential health hazard to the public water supply which may result from conditions existing on the customer's premises.

C. Requirements.

In compliance with the Rules and Regulations of the Arizona Corporation Commission and the Arizona Department of Environmental Quality, specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-115 relating to backflow prevention:

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1. The Company may require a customer to pay for and have installed, maintain, test and repair a backflow-prevention assembly if A.A.C. R18-4-115.B or C applies.

2. A backflow-prevention assembly required to be installed by the customer under this tariff shall comply with the requirements set forth in A.A.C. R18-4-115.D and E.

3. The Company shall give any customer who is required to install and/or test a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is not applicable, the customer shall be given thirty (30) days in which to comply with this notice. If the customer can show good cause as to why he cannot install the device within thirty (30) days, the Company or the Arizona Corporation Commission Staff may grant additional time for this requirement.

4. Testing shall be in conformance with the requirements of A.A.C. R18-4-115.F. The Company shall not require an unreasonable number of tests.

5. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:

- a. assembly identification number and description;
- b. location;
- c. date(s) of test(s);
- d. description of repairs made by tester; and
- e. tester's name and certificate number.

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**II. FIRE HYDRANT, INTERIOR FIRE SPRINKLER SERVICE AND
INTERRUPTIBLE SERVICE**

The Company will provide Fire Protection Service under the following conditions:

A. Facility Specifications

The size, location, number, and technical specifications of facilities used to provide Fire Protection Service shall be prescribed by the Fire Protection Service Customer, developer, or any authorized agency having jurisdiction over those facilities, so long as:

1. Those facilities do not adversely affect the Company's ability to provide General Service, and
2. The maximum diameter of the service connection is not larger than the diameter of the main to which the service is connected, and
3. In the case of a fire hydrant, that the facilities are located in the public right of way, and

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4. In the case of a fire sprinkler system, that the sprinkler system is separate from the General Service facilities, unless the Company has specifically approved an integrated system and Company-approved check valves are installed.

B. Construction Specifications; Ownership of Facilities; Relocation

Fire hydrants, and all valves, pipe fittings and appurtenances related to the hydrant shall be installed to Company's specifications under non-refundable Advances in Aid of Construction by the Developer or Fire Protection Service Customer and shall become the property of the Company.

Fire sprinkler systems up to a mutually-agreed upon point of interconnection shall be installed to the Company's construction specifications under non-refundable Advances in Aid of Construction by the Developer for Fire Protection Service Customer, and shall become the property of the Company. The installation, maintenance and operation of fire sprinkler systems within the Customer's facility, and beyond the point of interconnection, shall be the responsibility of the Customer.

Relocation costs of any Company-owned fire protection facilities shall be paid by the Customer or the party requesting relocation. Relocation cost includes cost incurred due to moving facilities to accommodate reconstruction, widening, realignment, or grade changes to alleys, streets, roads, or highways.

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C. Interruptible Service; Company's Liability Limitations

The Company will supply only such water at such pressures as may be available from time to time as a result of the normal operation of its water system. The Company will maintain a minimum water pressure of 20 p.s.i. and will not guarantee a specific gallons per minute flow rate at any public fire hydrants or fire sprinkler service. In the event service is interrupted, irregular or defective, or fails from causes beyond the Company's control or through ordinary negligence of its employees or agents, the Company will not be liable for any injuries or damages arising therefrom.

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III. MULTI-UNIT SERVICE

A. Separate Meter Required

All multiple unit developments requesting water service from the Company, whether residential or commercial, including but not limited to townhouses, condominiums, offices, shopping centers, and industrial facilities but not including residential apartment complexes or recreational vehicle parks in which the average occupancy of individual spaces, in the sole opinion of the Company, is estimated to be less than six months, shall be required to obtain a separate and metered water service connection. Developments requiring water service for common facilities shall receive said service only through a separate, appropriately sized, meter.

B. Existing Master Meters Grandfathered

Master meter service shall not be provided to facilities other than those receiving master metered service as of the effective date of this tariff.

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**IV. TERMINATION OF WATER SERVICE FOR NON-PAYMENT OF
WASTEWATER BILL**

Company customers who also receive wastewater service from Litchfield Park Service Company ("LPSCO") are hereby notified that the Companies have been authorized by the Commission that in the event the wastewater bill of LPSCO is not paid in a timely fashion, and following notice by both Companies, the water service from Valley may be terminated. Water service will not be restored until the customer pays to LPSCO the delinquent balance, plus all-Reconnection of Service and Deposit Requirements pursuant to the LPSCO Tariff, and the payment to the Company of the applicable Reconnection of Service charges pursuant to the Company's Tariff PART ONE-SECTION III. Please see the LPSCO tariff in this regard.

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V. CURTAILMENT PLAN FOR VALLEY UTILITIES WATER COMPANY.

ADEQ Public Water System Number: 07079

Valley Utilities Water Company ("Company") is authorized to curtail water service to all customers, within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

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Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as steadily declining water table, an increased draw-down threatening pump operations, or poor water production creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.
Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.
Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

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Restrictions: Under Stage 3, Company shall request the customer to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, Company shall post at least four signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than stage three until a permanent solution has been implemented.

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- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ The use of construction water is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of additional service lines and meter installations is prohibited.

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Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least four (4) signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

Customers who fail to comply with cessation of outdoor use provisions will be given a written notice to end all outdoor use. Failure to comply with in two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply in an attempt to maintain the supply until a permanent solution has been implemented.

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VI. RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-401 through A.A.C. R14-2-411 will be controlling of Company procedures, unless specific Commission Order(s) provide otherwise.

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