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5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6 IN THE MATTER OF THE APPLICATION) DOCKET NO. W-02156A-00-0321
7 OF RIO VERDE UTILITIES, INC. FOR AN) DOCKET NO. WS-02156A-00-0323
INCREASE IN ITS WATER AND)
8 WASTEWATER RATES FOR CUSTOMERS) **NOTICE OF FILING**
9 WITHIN MARICOPA COUNTY, ARIZONA.)

10
11 Rio Verde Utilities, Inc., by and through its undersigned counsel, hereby provides this
12 Notice of Filing of the Rebuttal Testimonies of Ronald L. Kozoman, Thomas Broussa, and
13 Arthur Brooks on behalf of the Company.

14 Respectfully submitted this 12th day of January, 2001.

15 SALLQUIST & DRUMMOND, P.C.

Richard L. Sallquist By
Ronald L. Kozoman

16 Richard L. Sallquist
17 2525 E. Arizona Biltmore Circle
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18 Phoenix, Arizona 85016
Attorneys for Rio Verde Utilities, Inc.

1 Original and ten copies of the
2 foregoing filed this ___ day
of January, 2001, with:

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

7 Copy of the foregoing hand-delivered
8 this ___ day of January, 2001, to:

9 Hearing Division
10 Arizona Corporation Commission
11 1200 W. Washington
12 Phoenix, Arizona 85007

13 Legal Division
14 Arizona Corporation Commission
15 1200 W. Washington
16 Phoenix, Arizona 85012

17 Utilities Division
18 Arizona Corporation Commission
19 1200 W. Washington
20 Phoenix, Arizona 85007

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22 Residential Utility Consumer Office
23 2828 N. Central Ave., Suite 1200
24 Phoenix, Arizona 85004

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Phoenix, Arizona 85004

REBUTTAL TESTIMONY OF

TOM BOURASSA

FILED ON BEHALF OF

RIO VERDE UTILITIES, INC.

RATE APPLICATION

DOCKET NO. W-02156A-00-0321 & WS-02156A-00-0323

FILED JANUARY 12, 2001

1 **REBUTTAL TESTIMONY OF THOMAS BOURASSA**

2 Q. Please state your name and address?

3 A. Thomas Bourassa, 727 W. Maryland Avenue, Phoenix, AZ 85013.

4 Q. Are you the same Thomas Bourassa who filed direct testimony in the instant case,
5 Arizona Corporation Commission Dockets Numbers WS-02156A-00-0321 and WS-
6 02156A-00-0323?

7 A. Yes.

8 Q. What is the purpose of this testimony?

9 A. I will provide rebuttal testimony to the recommendations set forth by the Staff of the
10 Arizona Corporation Commission (“ACC” or the “Commission”), the Staff of the
11 Residential Utility Consumers Office (“RUCO”), and the Rio Verde Community
12 Association and Rio Verde Country Club (“RVCA”) for the rate application filed by Rio
13 Verde Utilities, Inc., hereafter referred to as the Company.

14 Q. How will your testimony be organized?

15 A. I will provide a summary of the issues in the instant case, then describe the Company’s
16 rebuttal positions, and finally, I will offer rebuttal to the other parties in the case. If I do
17 not provide rebuttal to a specific proposal or adjustment by ACC Staff, RUCO Staff, or
18 RVCA, that does not mean that the Company accepts the adjustment or proposal. The
19 Company’s rebuttal schedules set forth its position with regard to adjustments or
20 proposals by other parties.

21 Q. What is the revenue increase that the Company is proposing in this rebuttal testimony for
22 the sewer and water utility and how does the rebuttal rate increase proposed compare to
23 the Company’s rate increase proposal in its direct filing?
24

1 A. The increase in revenues for the sewer utility is \$222,486, an increase of approximately
2 37%. The increase in revenues for the water utility is \$379,286, an increase of
3 approximately 42%. The Company in its direct filing requested \$213,957, or 35% for the
4 sewer utility, and \$467,930, or 49% for the water utility.

5 Q. Am I correct in assuming that the Company rebuttal increase for the water utility is lower
6 than the Company's direct filing due to adopting adjustments proposed by other parties to
7 the case?

8 A. Yes, to an extent that is true. Another part of the reduction in the proposed increase is
9 due to a lower debt and equity cost proposed by Mr. Kozoman.

10 Q. Why is the sewer rate increase in the Company's rebuttal filing higher than what was
11 requested in the Company's direct filing?

12 A. The Company has accepted a portion of the ACC Staff accounting treatment for hook-up
13 fees. ACC Staff have proposed that all hook-up fees should be accounted for as CIAC,
14 and removed the hook-up fees from revenue. This shifted revenues from the hook-up
15 fees to revenues from existing customers.

16 Q. Would you please summarize the issues in the case as to rate base, income statement,
17 and rate design.

18 A. The rate base issues are: (1) the amount of plant to be included as in service; (2) the
19 inclusion of the Debt Reserve, (3) the inclusion of the Prepaid Finance charges or
20 Deferred Finance charges, and (4) the amount of working capital required by the
21 Company. The working capital is a function of the allowed expenses.

22 The major issues relating to the revenues and expenses are the level of revenue
23 needed by the Company, and the allowable expenses.
24

1 The rate design issues are, of course, driven by the revenue requirement, and the
2 amount that should be charged for service to various customer classes is at issue.

3 Q. Would you please discuss your proposed rate base, and what adjustments you have
4 accepted from the ACC Staff, RUCO Staff, and RVCA?

5 A. All Rebuttal Schedules start with the Company's proposed adjusted amounts.
6 Adjustments then move the Company's adjusted amounts to the Company's Rebuttal
7 proposed position.

8 For plant, I accepted the ACC Staff's adjustments to plant for both water and
9 sewer. Thus, the Company's rebuttal plant matches the ACC Staff plant. The Company
10 did not accept any of the proposed adjustments from RVCA on excess capacity. Nor, did
11 the Company accept any excess capacity adjustments from RUCO. Please see testimony
12 from the Company's engineering firm Brooks, Hersey & Associates' witness on capacity
13 needs for the water and sewer utilities.

14 Many of the RUCO adjustments to plant were the same as the ACC Staff, and thus
15 were in effect accepted.

16 I computed the excess depreciation on plant retired somewhat differently than the
17 ACC Staff. Thus, there are differences between the accumulated depreciation per the
18 Company's rebuttal and the accumulated depreciation per the ACC Staff.

19 RUCO also adjusted the accumulated depreciation for the retired plant.

20 Q. What do you mean by excess depreciation?

21 A. Excess depreciation refers to the depreciation taken on plant after the plant had been
22 retired. Depreciation should cease, once the plant is retired. However, in the year the
23 plant is retired, one-half year of depreciation should be recorded to match the income tax
24

1 depreciation conventions. Income tax depreciation requires the computation of one-half
2 year of depreciation in the year the plant is added, and the year in which the plant is
3 retired, or sold. For the company to be tax normalized, the book and tax depreciation
4 conventions must be the same.

5 Q. Please continue with you explanations of the Company's rebuttal rate base.

6 A. Contributions in aid of construction ("CIAC") were adjusted to match the ACC Staff's
7 CIAC.

8 The deferred income taxes are adjusted in the Company's rebuttal filing. For the
9 sewer utility, the deferred income taxes due to the removal of 35% of the wastewater
10 treatment plant have been re-computed to recognize the lower State of Arizona corporate
11 income tax rate, which is 6.968%, versus the 8.0% used in the rate filing by all parties.
12 The deferred income taxes have also been adjusted to reflect the excess depreciation
13 taken on the retired plant for both the water and sewer utilities.

14 The debt reserve for the existing CoBank loan and the proposed CoBank loans
15 were included in the rate base. The prepaid finance charges or deferred finance charges
16 were also included in the rate base. The interest rate for the existing and proposed
17 CoBank loans was computed at the quoted interest rate, plus the amortization of the
18 prepaid or deferred finance charges, less the patronage dividends, and interest earned on
19 the debt reserve account. (Please see Rebuttal Schedule D-2, prepared by Mr. Kozoman.)
20 The prepaid finance charges are like any other prepaid items included in working capital,
21 and they should be accorded rate base treatment. If the interest earned on the debt
22 reserve, and the patronage dividend on the average debt balance are used in the
23
24

1 calculation of the effective debt interest rate, the debt reserve should be included in rate
2 base.

3 ACC Staff witness Mr. Ronald Ludders removed the prepaid finance charges or
4 deferred finance charges on the proposed loan from his proposed water rate base. ACC
5 Staff witness Mr. Rodney Moore allowed the prepaid finance charges or deferred finance
6 charges, on the existing CoBank loan, but removed the prepaid finance charges on the
7 proposed CoBank loan. RUCO Staff allowed both the Debt Reserve Account and the
8 prepaid finance charges or deferred finance charges in their proposed water and sewer
9 rate base. RVCA removed both the prepaid finance charges or deferred finance and the
10 Debt Reserve Account from its proposed sewer and water rate base.

11 The cash working capital is a function of the allowable operating expenses. I
12 computed the working capital by taking 1/8 of operating expenses, reduced for
13 depreciation, property taxes, income taxes, and pumping power. 1/24 of pumping power
14 was also included in cash working capital. Prepaid items and materials and supplies were
15 also included in working capital.

16 Q. Would you please discuss your proposed income statement, and what adjustments you
17 have accepted from the ACC Staff, RUCO Staff, and RVCA?

18 A. Changes in the amount of the hook-up fees for water or sewer service, and the accounting
19 for these fees, are proposed by ACC Staff, RUCO Staff, and RVCA.

20 The current hook-up fee is \$500 for water, and \$1,000 for sewer. The last
21 Commission Decision allowed for the hook-up from the first 60 customers per year to be
22 recorded as revenue. Hook-up fees from customers in excess of 60 customers per year
23
24

1 were to be recorded as CIAC. The Company proposed that all hook-up fees be accounted
2 for as revenue in its direct filing.

3 Changes in the hook-up fees as to amount of the fee, and whether the fees should
4 be recorded as revenue or CIAC are proposed by ACC Staff, RUCO Staff, and RVCA.

5 The ACC Staff is proposing that all hook-up fees should be recorded as CIAC.
6 Additionally, ACC Staff members are recommending that the hook-up fees be increased
7 by \$500 for both the water and sewer utilities.

8 RUCO is proposing that the hook-up fees that are accounted for as revenue
9 continue to be limited to the first 60 customers. RUCO Staff is recommending that the
10 hook-up fees be increased by \$500 for both the water and sewer utilities.

11 RVCA is not recommending any limit on number of customers on which the
12 hook-up fees are accounted revenues. However, RVCA is recommending a \$1,000
13 increase in the fee for both the water and the sewer utilities. RVCA is recommending
14 that one-half of every hook-up be accounted for as revenue, and the other half as CIAC.

15 Q. What is the Company proposing for the hook-up fees?

16 A. The Company proposes that the ACC Staff proposed hook-up fees be used. However,
17 rather than totally account for the hook-up fees as CIAC, the Company would propose
18 that hook-up fees from the first 35 customers each year be accounted for as revenue.

19 Hook-up fees from customers over 35 per year would be accounted for as CIAC.

20 Thus, Rebuttal Schedule C-1 for sewer contains ACC Staff adjustment to remove hook-
21 up fees from revenue in the amount of \$70,000. Company adjustment number (1) adds

22 back hook-up fees from 35 customers at \$1,500 per customer, or \$52,500. Rebuttal

23 Schedule C-1 for water contains ACC Staff adjustment to remove hook-up fees from
24

1 amount of \$35,000. Company adjustment number (1) adds back hook-up fees from 35
2 customers at \$1,000 per customer, or \$35,000. The hook-up fees used in the computation
3 are ACC Staff's proposed hook-up fees.

4 The Company proposes that in the next rate case, that all hook-up fees should be
5 accounted for as CIAC at the conclusion of the next rate case.

6 ACC Staff's contention that hook-up fees accounted for as revenue forces new
7 customers to artificially subsidize existing customers, is not valid. New plant in many
8 instances, dictates that a rate increase be filed to recover the depreciation and carrying
9 costs of the new plant. Charging new customers a hook-up fee, which is accounted for as
10 revenue, correctly targets the cause for the additional plant, which is additional
11 customers.

12 There is also a problem with accounting for hook-up fees as CIAC. The Internal
13 Revenue Code specifies that the funds must collected as CIAC must be invested in plant
14 within two years. If the funds collected as CIAC are not spent on plant within two years,
15 the CIAC becomes taxable income. Plant additions for new customers normally come in
16 large chunks. As an example, a new well may cost \$300,000. A hook-up fee of \$1,000
17 for 300 new customers would pay for the new well. However, the new well must be
18 installed prior to the additional of the 300 customers. Thus, a utility accounting for the
19 hook-up fees as CIAC, would have to spend the \$300,000 on other utility plant to avoid
20 the tax on the CIAC, (for CIAC not spent within two years time limit).

21 Q. Please continue with your explanation of adjustments to revenues and expenses.

22 A. I did not accept any revenue or expense adjustments from either RUCO or RVCA. I did
23 adopt all ACC Staff adjustments to expense, except for property taxes. These ACC Staff
24

1 adjustments included: reduction of salaries and wages; reduction of maintenance expense;
2 reduction of payroll taxes; reduction of outside services, and reduction of miscellaneous
3 expenses. My adjustment to depreciation expense is slightly different from the ACC
4 Staff adjustment to depreciation for both water and sewer.

5 Property taxes were computed based on proposed rates. The Arizona Department
6 of Revenue ("ADOR") is changing the method it uses to derive full cash value, which is
7 the basis for the resulting property taxes. The new method is very simple, and not subject
8 to any variables, which ACC and RUCO Staff's have contended existed with the old
9 method.

10 The new method consists of two (2) times revenue, plus Construction Work in
11 Progress at 10%, minus transportation at book value, or the original cost of transportation
12 equipment, less accumulated depreciation.

13 I have adopted the ACC Staff's proposed amortization of \$10,000 of rate case
14 expense, per utility per year. However, the amount of rate case expense incurred by the
15 Company substantially exceeds the total of \$60,000 recommended by ACC Staff. ACC
16 Staff uses prior allowed rate case expense as the basis for their proposed total rate case of
17 \$60,000. However, the Company incurred substantially more rate case expense in prior
18 cases than what was allowed by the Commission. ACC Staff have provided no evidence
19 that the Company's rate case expense was imprudent, or could have been avoided. The
20 amount spent on replying to data requests from the ACC Staff, RUCO Staff and RVCA
21 was substantial. Additionally, having to review and rebut three separate parties added
22 substantial cost. Using past allowable expenses is not a reasonable way to determine the
23 amount of current costs. A good example would be the CAP Charges. In the last rate
24

1 case, the CAP Charges were approximately \$9,200. In the instant case, the CAP Charges
2 are approximately \$58,000. ACC Staff did not disallow the CAP Charges, even though
3 the CAP Charges increased by over 500% since the last rate case. The Company has no
4 control over the CAP Charges, and the Company has no control over the rate case
5 expense. The Company followed the rules established by this Commission, and incurred
6 the costs as a result of those rules.

7 Q. How was interest expense computed in the Company's Rebuttal Filing?

8 A. The effective interest rate was computed. The computation started with the interest rates
9 on the existing loans, and the proposed loans from CoBank. The interest rate on the
10 proposed CoBank loans was based on an e mail recently received from Mr. Jerry
11 Bucholz, Vice President of CoBank. Mr. Bucholz's e-mail listed the fixed interest rate
12 for a long-term at 9.19%.

13 The debt multiplied by the actual interest rates was increased to recognize the
14 amortization of the Prepaid Finance Charges, or Deferred Finance Charges over their
15 respective lives. The actual interest expense was then reduced by earning of 4.50% on
16 the debt reserve, and the patronage dividend based on the average loan balance. The
17 patronage dividend is approximately 0.74% of the average loan balance.

18 The effective interest rate was then used in the capital structure proposed by Mr.
19 Kozoman in Rebuttal Schedule D-1. The weighted cost of debt was then multiplied times
20 the rate bases for sewer and water, to derive the interest expense.

21 Q. Does the Company still propose that it should be allowed an adjuster for the Central
22 Arizona Project Water?

1 A. Yes. The CAP expense represents a substantial cost for the Company. An adjuster
2 would reduce the need for another rate increase, due to increases in the CAP expense.
3 This adjuster helps the Company, but more importantly, is a cost saving to customers.
4 The cost of a rate case far exceeds the cost of an adjuster.

5 Both ACC Staff and RUCO Staff propose that the adjuster be terminated. ACC
6 Staff states that the cost is not that volatile, and apparently does not represent a high
7 enough percentage of expenses. This is a very short sighted position by ACC Staff.

8 RUCO also cities volatility, and apparently the CAP expense does not meet the
9 criteria for an adjuster. Additionally, RUCO opposes the existing adjuster and terms it
10 retroactive rate making. The adjuster is collecting costs based on the level of CAP costs
11 incurred in 1998, and costs on a go forward basis. When these costs have been collected,
12 the Company will set the adjuster to zero. RUCO contends that the 1999 CAP costs will
13 be included in rates, and thus there is no need for an adjuster. Apparently, RUCO does
14 not understand the nature or the purpose of the surcharge.

15 Q. What are the present rates for sewer, and what are you proposing as to rebuttal rates?

16 A. The present rates are:

17 Residential Customers:	\$34.00 per month;
18 Commercial Customers:	\$75.00 per month;
19 Commercial / Restaurant	\$75.00 per month, and
20 Effluent	\$0.80 per 1,000 gallons.

21 The proposed rates are:

22 Residential Customers:	\$ 47.10 per month;
23 Commercial Customers:	\$150.00 per month;

1 Commercial / Restaurant \$200.00 per month, and
2 Effluent \$1.15 per 1,000 gallons.

3 Q. Please explain your rebuttal on rate base issues?

4 A. As I previously testified, the Company is not accepting the excess capacity arguments
5 proposed by RVCA. Nor, is the Company accepting the excess capacity adjustment for
6 the water utility proposed by RUCO. The Company's engineering firm Brooks, Hersey
7 & Associates has clearly shown that no additional excess capacity exists at either the
8 water or sewer utility.

9 The excess capacity adjustments proposed by RVCA and RUCO are one sided
10 adjustments. The Company has saved over \$22,000 by pumping water at night, rather
11 than during the more expensive daytime hours. If excess capacity at the water utility as
12 proposed by RVCA and RUCO were to be adopted, operating expenses for pumping need
13 to be increased. Without its existing capacity, the Company could not utilize nighttime
14 pumping rates, which resulted in the \$22,000 saving.

15 ACC Staff have been removed the Debt Reserve Accounts from both the water
16 and sewer rate bases. However, the interest income on the debt reserve is used to reduce
17 the effective interest rate on the CoBank existing loan. Apparently ACC Staff sees no
18 inconsistency in utilizing the interest income on the debt reserve to reduce interest
19 expense, and removing the same debt reserve from rate base. If you utilize the interest
20 income from the Debt Reserve Account, you must include it in the rate base. You can't
21 give customers the benefit of the debt reserve account's interest income, while proposing
22 that customers not pay a return on the debt reserve, via inclusion in the rate base.

1 The RVCA witness proposes the same treatment as the ACC Staff, which uses the
2 interest income to reduce the interest expense, and then excludes the debt reserve from
3 the Company's rate base. A good analogy would be borrowing your neighbors children
4 for inclusion on your income tax return. You did not incur any of the costs of raising the
5 children, but somehow, you are entitled to benefit of children's exemptions on your
6 income tax return.

7 The RUCO Staff witness has correctly included the debt reserve and the Prepaid
8 Finance Charges or Deferred Finances Charges in rate base. While I do not agree with
9 RUCO Staff's proposed loan for the water utility, the RUCO Staff witness has used the
10 correct method to compute the effective interest rate on the loans. That method uses the
11 actual interest to be paid on the loan, plus the amortization of the Prepaid Finance
12 Charges or Deferred Finance Charges, less the interest to be earned on the debt reserve
13 account and the patronage dividend on the average loan balance.

14 The Company Debt Reserve is for all purposes identical to what this Commission
15 allowed Arizona Water Company in Decision 58120, dated December 23, 1992 (Page
16 10). In that Docket, the Commission allowed Arizona Water Company Compensating
17 Bank Balances, which were used to offset Arizona Water Company bank charges. The
18 debt reserve is a compensating balance, which lowers the rate charged on the debt. The
19 debt reserve is intended to lower the lender's risk. The lender passes along the risk
20 reduction via an interest deduction. Without the debt reserve, one of two things would
21 happen. Either CoBank would not lend, or the interest rate charge by CoBank would be
22 higher without the debt reserve account.

1 ACC Staff have reduced the working capital allowance for payroll taxes.

2 However, payroll taxes are paid one day after payroll is paid. Thus, payroll taxes are not
3 outside the 45 day allowance period.

4 The RUCO Witness removes rate case expense from his computations for
5 working capital. Rate case expense is paid years before it is collected from customers.
6 The logic of removing rate case expense is not explained. Perhaps, that is because there
7 is no logic to explain.

8 The RVCA's witness' method of computing working capital, the balance sheet
9 approach, has not been accepted by this Commission. The work papers of the RVCA
10 witness reveal very little detail as to how the working capital was computed, thus
11 specifics cannot be cited.

12 Q. Please explain your rebuttal on the income statement items?

13 A. I have already addressed the accounting for hook-up fees as revenue vs. CIAC.

14 The major item on the income statement that warrants rebuttal is the property tax
15 computation. ACC Staff and RUCO Staff contend that because the ADOR can utilize
16 from 0% to 100% of either revenue or plant, that the method of computing property taxes
17 can't be replicated, and/or could produce a result that would not actually occur. The
18 Company in its direct filing, removed the maximum margin of error that could occur in
19 the computation of full cash value as utilized by ADOR. Thus, regardless of whether
20 ADOR used 0% or 100% of plant or revenue, or anything in between, the Company
21 removed the maximum margin of error. Therefore, the Company could not possibly over
22 collect on property taxes.

1 ADOR has a new method for determining full cash value. As I previously
2 testified, the new method consists of two (2) times revenue, plus Construction Work in
3 Progress at 10%, minus transportation at book value, or the original cost of transportation
4 equipment, less accumulated depreciation. The two (2) times revenues uses an average
5 of three years of revenue. However, in the instant case, the proposed rates for the test
6 year should be used, rather than an average of the last three years of revenue. Increased
7 revenues will result in increased property taxes.

8 Q. Did RUCO Staff witness and the RVCA witness compute income taxes correctly?

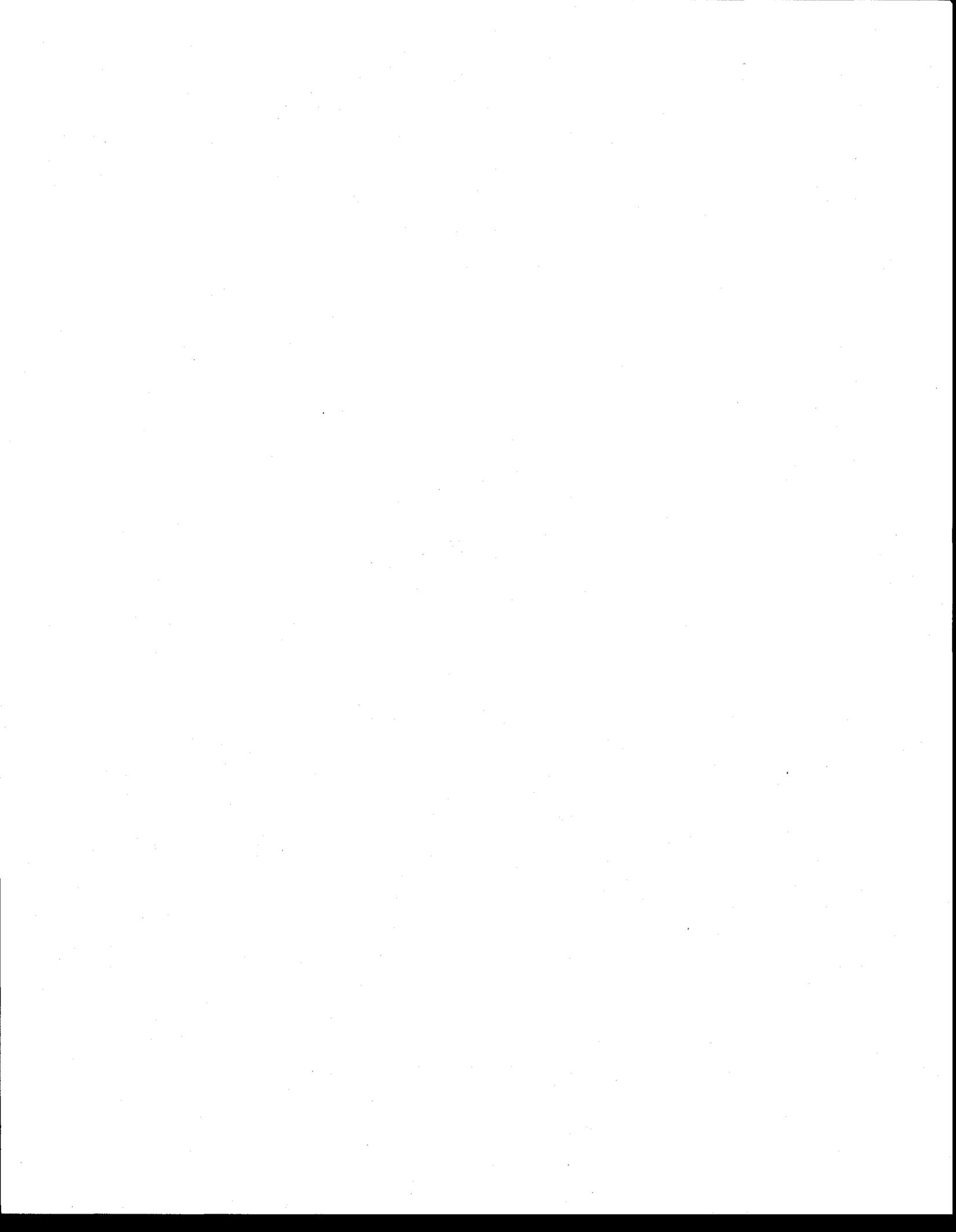
9 A. No. The RUCO Staff witness made the assumption that the water and sewer utilities
10 could file separate income tax returns. This would result in a lower income tax rate, each
11 division could qualify for the lower tax rates for taxable income under \$334,000. In reply
12 to a Company data request, the RUCO witness admitted that the Internal Revenue Code
13 would not allow separate tax returns for the water and sewer utilities. The witness stated
14 that the Commission has used this practice in other cases, thus it was utilized by RUCO.
15 Clearly, this assumption on separate tax return has no legal basis under existing tax law,
16 and is utilized only to lower the revenue requirement. The Commission should not adopt
17 this illegal tax proposal.

18 The RVCA witness revenue conversion factor is not possible. In a telephone call
19 to Mr. Kozoman, the RVCA witness stated that there was a transposition error in the
20 revenue conversion factor. While there may be a transposition error in the revenue
21 conversion factor, the revenue conversion factor is also wrong for another reason. The
22 RVCA witness uses total interest expense of \$446,095, after removing over \$1,000,000
23 of combined water and sewer plant more than the Company proposed, which was
24

1 \$1,290,000. His assumption had to be that the plant he removed was financed by equity.
2 A review of the debt financing for plant make this impossible. Rio Verde Utilities did
3 not issue additional equity since the last rate case. Thus, the plant removed was financed
4 with debt not equity. He is attempting to give the customers the benefit of the debt, while
5 proposing that the customers should not pay a return on the plant removed. That is
6 illogical. He should have either interest synchronized, or prepared a source of funds that
7 financed the disallowed plant. The correct conversion factor is 1.6286, as the taxable
8 income exceeds \$334,000. The 1.6286 revenue conversion factor includes the lower
9 State of Arizona tax rate of 6.968%.

10 Q. Does that conclude you rebuttal testimony?

11 A. Yes, it does.



REBUTTAL TESTIMONY OF

RONALD L. KOZOMAN

FILED ON BEHALF OF

RIO VERDE UTILITIES, INC.

RATE APPLICATION

DOCKET NO. W-02156A-00-0321 & WS-02156A-00-0323

FILED JANUARY 12, 2001

1 **REBUTTAL TESTIMONY OF RONALD L. KOZOMAN**

2
3 Q. Please state your name and address?

4 A. Ronald L. Kozoman, 1605 W. Mulberry Drive, Phoenix, AZ 85015.

5 Q. Are you the same Ronald L. Kozoman who filed Direct Testimony in the instant case,
6 Arizona Corporation Commission Dockets Numbers WS-02156A-00-0321 and WS-
7 02156A-00-0323?

8 A. Yes.

9 Q. What is the purpose of this testimony?

10 A. I will provide Rebuttal Testimony to the recommendations set forth by the Staff of the
11 Arizona Corporation Commission ("ACC" or the "Commission"), the Staff of the
12 Residential Utility Consumers Office ("RUCO"), and the Rio Verde Community
13 Association and Rio Verde Country Club ("RVCA") for the rate application filed by Rio
14 Verde Utilities, Inc., hereafter referred to as the Company.

15 Q. How will your testimony be organized?

16 A. I will provide a summary of the issues in the instant case, then describe the Company's
17 rebuttal positions, and I will offer rebuttal to the other parties in the case.

18 Q. What is the purpose of Rebuttal Schedule A that you are sponsoring in the instant case?

19 A. Rebuttal Schedule A contains the Rate Base, Plant, Income Statement, Capitalization and
20 Cost of Capital, and proposed rates of each party, and the Company's rebuttal case.
21 RVCA did not provide detailed income statements, thus, I was only able to include the
22 proposed revenues, total operating expenses, and proposed operating income. These
23 schedules attempt to highlight the differences between each party's proposed case.

1 Q. Would you please summarize the issues in the case as to rate of return, rate design, and
2 other issues which impact the rate of return and rate design?

3 A. The rate of return recommended by parties in the instant case is too low in light of the
4 risks faced by the Company. I am recommending a return on common equity of 12.25%.
5 The debt costs for the proposed loan(s) from CoBank is 9.19% for a fixed interest rate
6 loan. The debt costs calculation used by the other parties is also an issue in the instant
7 case.

8 The rate design issues are, of course, driven by the revenue requirement and
9 whether hook-up fees are accounted for as revenue or contributions in aid of construction
10 ("CIAC"). Additionally, the amount that should be charged for service to various
11 customer classes is an issue.

12 Q. What are the return on equity recommendations by the ACC Staff, RUCO Staff, and
13 RVCA in the instant case?

14 A. The ACC Staff is recommending an equity return of 11.00%. RUCO Staff is
15 recommending an equity return of 11.40%. RVCA is recommending an equity return of
16 11.00%

17 Q. Why have you lowered your equity return recommendation from 12.75% in the
18 Company's direct case, to 12.25% in these rebuttal?

19 A. I have lowered the requested equity return for two reasons; the first is that the Federal
20 Reserve has cut interest rates. Therefore, the cost of capital has decreased. The second
21 reason is the Company's willingness to lower the revenue requirement.

22 Q. Why are you of the opinion that the equity recommendations by the other parties in this
23 case are too low?
24

1 A. There are several reasons. First, there is substantial plant which does not earn Rate of
2 Return or recover depreciation. When you combine the rate base and income statement
3 adjustments proposed by the ACC Staff, RUCO Staff and RVCA, the equity return is not
4 realistic in light of the risks faced by the Company. The Company will have gross
5 wastewater treatment plant of approximately \$1,290,000, on which no return or
6 depreciation is being collected from customers. While not valid, RUCO and RVCA are
7 recommending exclusion of water storage plant. However, if the Commission were to
8 adopt either RUCO's or RVCA's proposed excess capacity on the water system, the
9 result would be even more plant on which no depreciation or rate of return is being
10 collected.

11 Second, the actual equity return is less than set forth in rate case. Thus, while I
12 am recommending a 12.25% equity return, the Company will earn far less than 12.25%
13 on equity. The equity return that will actually be earned is approximately 10.80%. This
14 actual return is lower than any of the equity returns recommended by any of the parties in
15 the instant case. The lowest equity return being recommended in the instant case is
16 11.00% by the ACC Staff and RVCA. Add in the omitted increase in property taxes, and
17 the increase in CAP expense, without an adjuster, and equity return falls further.

18 Q. Are there other reasons you believe the other parties proposed returns are too low?

19 A. Yes, no party proposes recovery of additional Property Taxes due to higher revenues.
20 ACC and RUCO Staff propose that the property tax in the instant case be based on the
21 property tax bill received in September 2000. This property tax bill is based on revenues
22 and plant at December 31, 1999. All parties to the case accepted the Company's
23 adjustment based on revenues using year-end number of customers, which increased
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1 water revenues. All parties recognize there will be an increase in the Company's
2 revenues. Despite the proposed increased revenues, for both the water and wastewater
3 utilities, Staff and RUCO disregarded the impact of increased revenues on property taxes.
4 The equity returns recommended by the ACC and RUCO Staffs assume recovery of all
5 expenses. Property tax is an expense that will increase when the revenues increase via
6 the rate increase, yet that expense is not allowed. There is no possibility that the
7 Company can earn the returns recommended by the ACC or RUCO Staffs without
8 acknowledging all expenses. In the Settlement Agreement attached to the Company's
9 last rate case (Decision No. 50525, dated February 2, 1994), the water utility was
10 allowed property taxes of \$12,002, and the sewer utility allowed property taxes of
11 \$8,105. In the instant case, the 2000 property tax bill (received in September 2000) for
12 the water utility was \$28,448, while the sewer utility property tax bill was \$21,875.
13 Without doing the math, that appears to be about a 100% increase in property tax expense
14 since 1992. RUCO Staff adjusts the sewer utility property tax downward by \$4,134
15 associated with the alleged "excess" wastewater treatment plant (Please see Schedule
16 TJC-11), as if the plant were the driving force for full cash value, and the resulting
17 property taxes. RUCO was provided a computer diskette which contained the property
18 tax computations used in the Company's direct filing. The full cash computations are
19 now based to a much greater extent on revenues, not plant. In fact, less plant (per the
20 RUCO proposal) would result in higher, not lower full cash value, and property taxes.

21 Additionally the Arizona Department of Revenue ("ADOR") will now established
22 full cash value on a very simple method, which consists of two (2) times revenue, plus
23 10% of Construction Work in Progress, minus the depreciated value of the transportation
24

1 equipment. The new full cash value computation is about as simple as it can get. For all
2 purposes, the full cash value and the resulting property taxes will now be based on
3 revenues. Increased revenues from the instant case will result in increased property taxes
4 thereby depriving the Company of its authorized return.

5 Q. You said there were several reasons for the error in the Staff and RUCO return
6 allowances. Please go on.

7 A. Yes, another "hit" on the allowed return is the proposed removal of the CAP Expense
8 Adjuster. The Company filed and received an adjuster for the costs associated with the
9 CAP water expenses. This resulted in a lawsuit filed by RUCO against the ACC in the
10 Court of Appeals. RUCO contends that the legislature cannot pass legislation that
11 impacts rates charged customer, because the ability to set rates is vested only in the ACC.
12 The adjuster passed by the Legislature was intended to reduce the risk. Instead of
13 reducing the risk the Company encounters, RUCO's recommendation increases the risk.

14 Additionally, the ACC Staff and RUCO Staff are recommending that the
15 Company adjustment mechanism to collect the costs of the Central Arizona Project
16 ("CAP") be eliminated. In the prior rate case, the Settlement Agreement (based on a test
17 year ended December 31, 1992) allowed for \$9,171 in CAP expense. In the instant case,
18 the CAP expense is \$57,857. This is an increase of \$48,686, or 531%. ACC Staff states
19 in their Direct Testimony that the CAP costs do change enough to warrant the need for an
20 adjuster. This does not match the argument put forth by the legal counsel for the ACC at
21 the Court of Appeals on the RUCO lawsuit. Legal counsel for the Commission stated
22 that the Commission has the power to allow an adjuster as it sees fit. Rio Verde Utilities,
23 Inc. CAP costs meet the Commission criteria.

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1 RUCO cites an Arizona Count of Appeals discussion of automatic adjustment
2 mechanisms in Scates v. Arizona Corporation Commission. The court indicated that
3 adjusters are for certain narrowly defined operating expenses that are characterized by
4 fluctuations. I do not see how much more narrow the CAP expense would have to be to
5 qualify for an inclusion in an adjuster mechanism. RUCO then cites an Arizona
6 Corporation Commission Decision for Arizona Public Service Company (Decision No.
7 56450), relating to the principal justification for a fuel adjuster is volatility in fuel prices.
8 An increase from \$9,171 to \$48,686 indicates a continued increase in the CAP expense.
9 The increase in future CAP expense is not expected to stop.

10 Q. Is the Company's request for both the 12.25% return and the CAP adjuster clause an
11 aggressive request?

12 A. No. The equity returns in this case are based on large nationally traded water utilities,
13 many of which can use an adjuster mechanism to collect increases in expenses, which
14 maintain their rate of return.

15 The Company asked that the Commission set the base cost for CAP expense in
16 the instant case, and then set at adjuster that activates when the costs rise above that level
17 of CAP expense set in the instant case. This is really a request to maintain the status quo.
18 The Commission previously, and properly, established a CAP adjuster clause that is
19 presently in effect. This request of the Company is merely to procedure to assure
20 continuity of that Commission order in the event the Court of Appeals finds some
21 technical reason to thwart the intention of the Commission in establishing that clause.
22 Inexplicably, the ACC Staff is recommending that the existing adjuster, should be
23 discontinued. The Company asked for and was granted an adjuster for CAP expenses by
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1 this Commission. The Company filed a rate case as part of the agreement to secure the
2 adjuster. The Company requests the Commission confirm the adjuster under the
3 Commission's authority to set rates. This will lessen the risk associated with the
4 increasing costs associated with CAP water.

5 Q. In addition to your rebuttal on plant not earning a rate of return, not recovering
6 depreciation, property taxes which are not based on proposed revenues, and the adjuster
7 for the CAP expense, are there other reasons why you are of the opinion that the
8 recommended equity returns in the instant case are too low?

9 A. Yes. One thing not considered by parties to this case is the fact that the nationally traded
10 water utilities all pay a dividend to their stockholders. Rio Verde Utilities, Inc. is not
11 paying a dividend. It is doubtful that dividend equal to the dividend rate being paid on
12 the book value of the nationally traded water utilities could be paid. The lender, CoBank
13 would or could require that no dividends be paid until such a time as the utility had a
14 much higher interest coverage and/or debt service coverage.

15 Q. Does a "commensurate return" analysis also dictate a higher return?

16 A. Yes. The Value Line data used by the ACC Staff and the Company list expected return
17 on common equity of 12.00%. Why would the equity return for a smaller sewer and
18 water utility be less than what is being projected by Value Line? Smaller implies higher
19 risk. While the risk types of faced by the nationally traded water utilities may be the
20 same or very similar to the risks encountered by the Company, the impact would be much
21 less severe for the nationally traded utilities, due to their larger size, and geographic
22 locations. This is particularly true when you consider the ACC and RUCO
23 recommendations for property taxes and the CAP adjuster. Additionally, the Company
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1 has removed \$1,290,000 of wastewater treatment plant (approximately 10% of gross
2 sewer and water plant) that is not earning a return, nor recovering depreciation.

3 Finally, the capitalization of Rio Verde Utilities, Inc. contains less common equity
4 and more debt than the Comparable Water Utilities. (Please see Company's Schedule D-
5 4-H). A higher debt component increases risk.

6 Q. The RUCO witness on cost of capital states that all the risks faced by the water
7 companies are embodied in the equity return computations using the nationally traded
8 water utilities. Is that correct?

9 A. No, that is not correct. As stated above, the RUCO witness overlooks the smaller size of
10 Rio Verde Utilities, Inc. compared to the nationally traded water companies. The fact that
11 the Company uses groundwater versus surface water is overlooked. This is critical
12 because of the change permissible in arsenic level that will soon be substantially reduced.
13 The higher debt component in the capital structure is overlooked. The fact that the
14 Company serves in a desert climate is overlooked, as even slight changes in rainfall have
15 a substantial impact on water sales. Finally, RUCO's lawsuit against the ACC on
16 adjusters, adds substantial risk to the Company. RUCO's attempt to protect the
17 residential customer is, in fact, harming that same residential customer. RUCO's desire
18 to examine everything in the context of a rate case, including CAP costs set by another
19 government agency, results in extraordinary costs, and is very expensive for the
20 Company, and its customers. This substantially increases the Company's risk of not
21 earning the authorized return.

1 Q. The ACC Staff witness on cost of capital stated that you overstated the expected common
2 equity return by market weighing the Value Line water companies. Would you please
3 comment on his statement?

4 A. I did not overstate the expected equity return. I computed what an investor could expect
5 to earn based on an investment in the water industry, not a portfolio including one share
6 of each company. There are water companies in ACC Staff's portfolio, which I would
7 not invest in. I am attempting to measure the water industry, not a portfolio.

8 Q. The ACC Staff witness on cost of capital stated that you should use all the Value Line
9 water companies, including the water companies included in the Expanded Value Line
10 Manual, rather than just the water companies in the Standard Value Line Manual. Would
11 you please comment on his statement?

12 A. More is not better. ACC Staff should use the Value Line investor expected return of
13 12.00%, rather than compute numerous equity returns using a computer model which is
14 producing equity returns of 6.60% to 7.40%.

15 Q. How did you compute the debt cost for the existing CoBank loan and the proposed
16 CoBank loan?

17 A. The existing CoBank loan effective interest rate was determined by multiplying the debt
18 times the actual interest rate to derive the interest cost which will be actually paid. To the
19 interest which will be actually paid, I added the annual amortization of the Prepaid
20 Finance Charges or Deferred Finance Charges. From the above amount, I deducted the
21 interest earned on the debt reserve. I used an interest income rate of 4.50% on the debt
22 reserve. I then deducted the patronage dividend (the patronage dividend is based the
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1 average loan balance) to derive the net or effective interest rate that would be paid on the
2 loan. The effective interest rate for the existing CoBank loan is 8.28%.

3 For the proposed CoBank loan, I used the interest rate of 9.19% as the starting
4 point for the effective interest rate. The 9.19% was based on a recently received e-mail
5 from Jerry Bucholz, Vice President of CoBank. I computed the effective interest in the
6 same manner as used to compute the effective interest rate for the existing CoBank loan.
7 The effective interest rate is 8.03% on the proposed loan(s).

8 Q. I note that the Company's proposed rate bases include the Prepaid Finance Charges or
9 Deferred Finance Charges, and the Debt Reserve Accounts. Would you explain why
10 these items should be included in rate base?

11 A. If you use the interest income on the Debt Reserve to lower the interest expense, you
12 have to include the Reserve Account in the Rate Base. Prepaid Finance Charges or
13 Deferred Finance Charges represent the difference between the loan amount, and the
14 actual funds received from the loan. It is the same as a bond discount, and needs to be
15 included in rate base to reflect the additional funds that must be paid back.

16 The RUCO correctly computed its effective interest rate, and then included both
17 the Prepaid Finance Charges or Deferred Finance Charges, and the Debt Reserve
18 Accounts in Rate Base.

19 Q. What are Rio Verde Utilities, Water Division's present rates?

20 A. Rio Verde Utilities / Water Division's present monthly minimum charges are listed
21 below:

22 Meter	Monthly	Gallons included
23 <u>Size</u>	<u>Minimum</u>	<u>in Monthly Minimum</u>

1	5/8 x 3/4	\$ 7.00	1,000
2	3/4	\$ 7.00	1,000
3	1	\$ 7.00	1,000
4	2	\$ 40.00	1,000
5	4	\$ 50.00	1,000
6	6	\$100.00	1,000
7	8	\$200.00	1,000
8	12	\$400.00	1,000.

9 The present commodity rate for Rio Verde Utilities, Inc.'s Water Division is \$1.28 per
10 1,000 gallons for usage above 1,001 for potable water. The irrigation rate for non-
11 potable water is \$0.88. If potable water is used for irrigation, the commodity rate is
12 \$1.28.

13 Q. What are the proposed rebuttal rates?

14 A. The proposed monthly minimum charges are:

15	Meter	Monthly	Gallons included
16	<u>Size</u>	<u>Minimum</u>	<u>in Monthly Minimum</u>
17	3/4	\$ 10.00	0
18	1	\$ 10.00	0
19	2	\$ 53.33	0
20	4	\$ 166.00	0
21	6	\$ 333.00	0
22	8	\$ 666.67	0
23	12	\$1,166.67	0.

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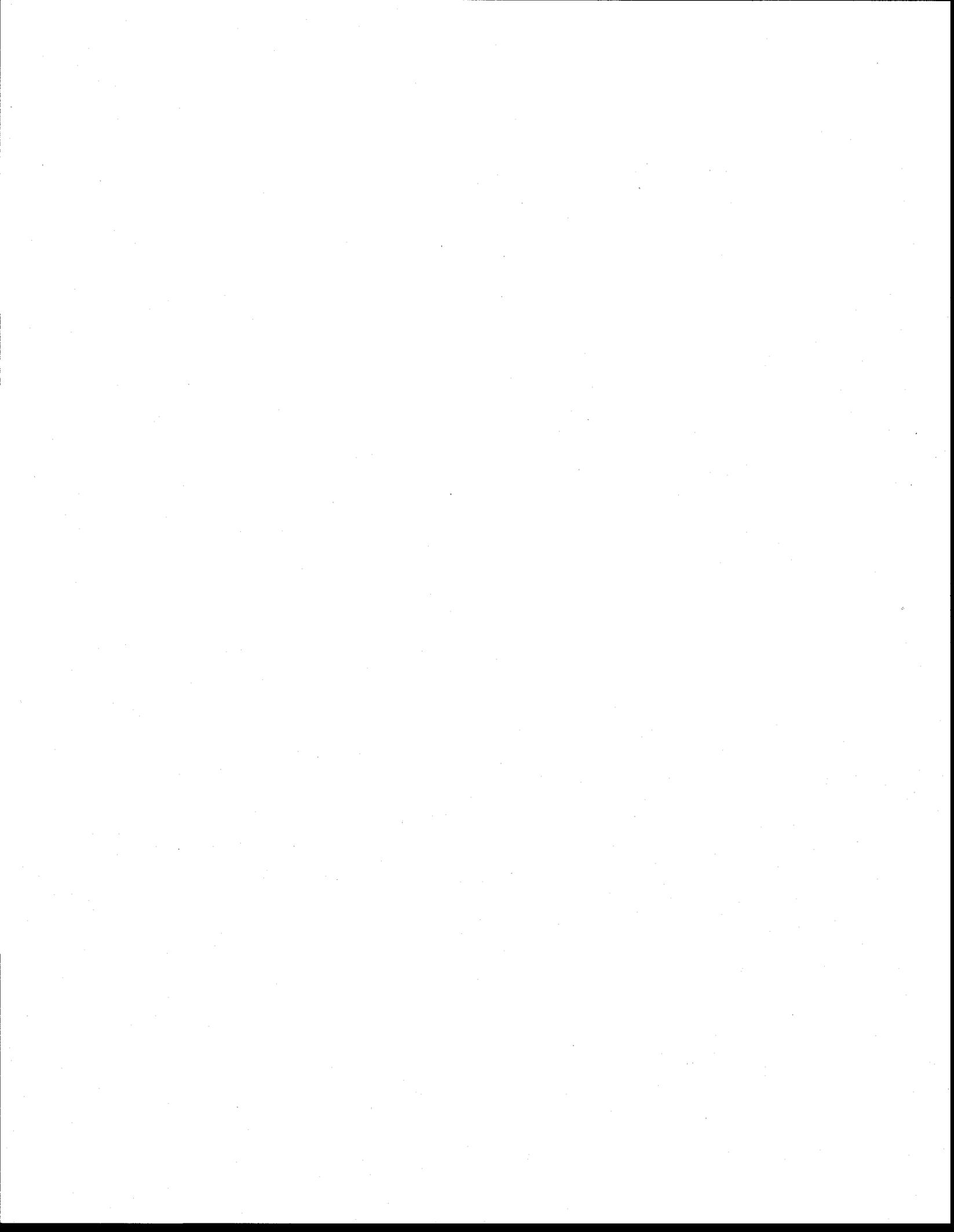
1 The proposed commodity rate for Rio Verde Utilities, Inc.'s Water Division is \$1.69 per
2 1,000 gallons for all usage for potable water. The irrigation rate for non-potable water is
3 \$1.18. If potable water is used for irrigation, the commodity rate is \$1.69.

4 Q. The RUCO water rate witness monthly minimums are substantially below the monthly
5 minimums recommended by all parties in this case. Would you comment on RUCO
6 proposed monthly minimums?

7 A. The reason that the RUCO proposed monthly minimums are lower than all parties to this
8 case is that the monthly minimums do not recover customer costs or demand costs.

9 Q. Does that conclude your Rebuttal Testimony?

10 A. Yes, it does.



REBUTTAL TESTIMONY OF

ARTHUR N. BROOKS

FILED ON BEHALF OF

RIO VERDE UTILITIES, INC.

RATE APPLICATION

DOCKET NO. W-02156A-00-0321 & WS-02156A-00-0323

FILED JANUARY 12, 2001

REBUTTAL TESTIMONY OF ART BROOKS

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Q. Please state your name and a business address.

A. My name is Arthur N. Brooks. My business address is 4602 East Elmwood, Suite 16, Phoenix Arizona, 85040.

Q. By whom are you employed and in what capacity?

A. I am a principal with the engineering firm of Brooks, Hersey & Associates.

Q. Are you familiar with the Applicant, Rio Verde Utilities, Inc.?

A. Yes, our Firm has provided engineering services to Rio Verde Utilities and Rio Verde Utility Services since approximately 1993.

Q. Would you please provide a brief summary of your Firm and your personal qualifications?

A. I have attached to this Testimony as Exhibit 1, our Firm's resume containing my qualifications.

Q. Are you familiar with the recommendations of the Rio Verde Community Association and the Residential Utility Consumers Office as to the alleged excess capacity on both the water and wastewater systems of Rio Verde Utilities, Inc.?

Q. Yes, I am.

Q. Do you agree with those conclusions?

A. Not at all.

Q. Would you please state the basis for that disagreement.

A. I can only conclude that the recommendations of those Intervenors are based upon their lack of familiarity with the system as it is configured.

1 Q. Are the unique characteristics of a system controlling as to whether all such facilities are
2 required to provide adequate service?

3 A. Absolutely.

4 Q. Has Rio Verde asked you to prepare to report as to the usefulness of the existing plant to
5 serve the present customers on the system?

6 A. Yes they have. I have attached that report as Exhibit 2 to this Testimony.

7 Q. What are your conclusions in that regard?

8 A. Regarding the water system, it is my opinion that all facilities, including the two water
9 storage tanks, are necessary to provide the minimal domestic and the fire protection
10 services required on the system. Regarding the wastewater treatment plant, it is my
11 understanding that the Company has removed 35 percent of that capacity, acknowledging
12 that the supporting customers have not yet been added to the system. Because
13 wastewater treatment plants must be constructed in discrete modules, I believe it was
14 prudent to expand the system as built, and adjust the capacity as contained in the
15 Company's Application.

16 Q. In summary, is it your conclusion that all of the water and wastewater facilities included
17 in the Company's Application in this proceeding are used and useful to serve existing
18 customers?

19 A. Yes they are.

20 Q. Does that conclude your testimony?

21 A. Yes it does.

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**Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Index of Rebuttal Schedules**

Page 1

**Schedule
No.**

-
- A Summary of Company's Rebuttal, ACC Staff's Direct, RUCO's Staff Direct and RVCA's Direct Rate Bases, Cost of Capital, Plant, Income Statements, and Proposed Rates
 - A-1 Summary of the increase in revenue requirement and the spread of the revenue increase by customer classification
 - B-1 Schedule showing the elements of original cost and RCND rate bases.
 - B-2 Schedule listing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base
 - B-5 Schedule showing the computation of working capital allowance.
 - C-1 Test year income statement, with pro forma adjustments.
 - C-2 Schedule showing the detail of all pro forma adjustments.
 - C-3 Schedule showing the incremental taxes and other expenses on gross revenues and the computation of an incremental gross revenue conversion factor.
 - D-1 Summary of Cost of Capital
 - D-2 Schedule Showing the detail of long-term debt and short-term at the end of the test year and the projected year and their total cost.
 - D-4 Supporting Schedules for Common Equity Return Requested
 - H-1 Comparison of revenues by customer classification or other classification of revenue for the test year, at present and proposed rates.
 - H-2 Comparison of revenues by class of service and by rate schedule for the test year at present and proposed rates
 - H-3 Comparison of present and proposed rates schedules.
 - H-4 Typical bill analysis.

Report of Brooks, Hersey & Associates Engineering Study

Copy of Arizona Department of Revenues Presentation to the
Water Utilities Association of Arizona , December 8, 2000

	<u>Rate Base</u>		<u>RUCO</u>		<u>RVCA</u>		<u>Differences</u>	
	Company Rebuttal	ACC Direct	Direct	Direct	Direct	ACC Staff - Company	RUCO - Company	RVCA - Company
Gross Utility Plant in Service	\$5,391,755	\$5,391,754	\$5,414,433	\$5,125,632	\$5,125,632	(\$1)	\$22,678	(\$266,123)
Less: Accumulated Depreciation	812,276	860,046	767,373	844,680	844,680	47,770	(44,903)	32,404
Net Utility Plant in Service	\$4,579,479	\$4,531,708	\$4,647,060	\$4,280,952	\$4,280,952	(\$47,771)	\$67,581	(\$298,527)
Less:								
Customer Advances for Construction	0					0	0	-
Contributions in Aid of Construction	1,946,088	1,946,088	1,943,194	1,943,194	1,943,194	0	(2,894)	(2,894)
Customer Meter Deposits	146,534	138,741	186,119	95,492	95,492	(7,793)	39,585	(51,042)
Deferred Income Taxes								
Add:								
Unamortized Finance Charges	29,016	29,012	25,917	0	0	(4)	(3,099)	(29,016)
Allowance for Working Capital	61,857	60,133	58,554	46,144	46,144	(1,724)	(3,303)	(15,713)
Debt Reserve Fund (Existing Cobank loan)	224,500	224,500	224,500					
Debt Reserve Fund (proposed Cobank loan)	117,940		86,945	0	0	(117,940)	(30,995)	(117,940)
Total Rate Base	\$ 2,920,170	\$ 2,760,525	\$ 2,913,663	\$ 2,288,410	\$ 2,288,410	\$ (159,646)	\$ (6,507)	\$ (407,260)

	<u>Cost of Capital</u>		<u>RUCO</u>		<u>RVCA</u>		<u>Differences</u>	
	Company Rebuttal	ACC Direct	Direct	Direct	Direct	ACC Staff - Company	RUCO - Company	RVCA - Company
Gross Revenue Conversion Factor	1.628611446	1.646900	1.507700	1.453600	1.453600	0.018289	(0.120911)	(0.175011)
Dollar Amounts								
Common Equity	\$1,325,092	\$1,325,092	\$1,325,092	Not Known	Not Known	(0)	(0)	
Debt	\$3,024,000	\$1,844,602	\$2,714,055	Known	Known	(1,179,398)	(309,945)	
Total	\$4,349,093	\$3,169,694	\$4,039,147			(\$1,179,399)	(\$309,946)	\$0

<u>Percent of Total</u>			
Common Equity	30.47%	41.81%	32.81%
Debt	69.53%	58.19%	67.19%

<u>Cost Rates</u>			
Common Equity	12.25%	11.00%	11.40%
Debt	8.18%	9.14%	8.84%

<u>Weighted Costs</u>			
Common Equity	3.73%	4.60%	3.74%
Debt	5.69%	5.32%	5.94%
Total Cost of Capital	9.42%	9.92%	9.68%
			10.96%
			0.49%
			0.26%

11.337%	2.338%
-11.337%	-2.338%

-1.250%	-0.850%
0.956%	0.656%

0.866%	0.008%
-0.371%	0.250%
0.49%	0.26%

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999

Summary of Company, ACC Staff & RUCO Staff & RVCA Positions

Exhibit
 Rebuttal Schedule A
 Page 2
 Witness: Kozoman

Acct. No.	Plant Description	Company		Plant Values		RVCA Direct	Differences		RVCA - Company
		Rebuttal	ACC Direct	ACC Direct	RUCO Direct		ACC Staff - Company	RUCO - Company	
301	Organization Cost	1,380	1,380	1,380	1,380	1,380	-	-	-
302	Franchise Cost	-	-	-	-	-	-	-	-
353	Land and Land Rights	50,513	50,513	50,513	50,513	50,513	-	-	-
354	Structures and Improvements	277,883	277,883	277,883	277,883	277,883	-	-	-
361	Sewer Line	1,723,698	1,723,698	1,723,698	1,723,698	1,723,698	-	(2,292)	(2,292)
363	Services	562,446	562,446	562,446	560,154	560,154	-	-	-
368	Lift Station	194,885	194,885	194,885	194,885	194,885	-	-	-
371	Effluent Pump	29,905	29,905	29,905	29,905	29,905	-	-	-
380	Treatment Plant	2,346,167	2,346,167	3,696,714	3,696,714	2,027,693	-	1,350,547	(318,474)
380	Treatment Plant	-	-	(1,290,350)	(1,290,350)	-	-	(1,290,350)	-
382	Effluent Lines	61,069	61,069	61,069	91,869	91,869	-	30,800	30,800
391	Transportation Equipment	14,130	14,130	14,130	36,680	28,186	-	22,550	14,056
393	Tools and Work Equipment	1,403	1,403	1,403	2,303	2,303	-	900	900
394	Laboratory Equipment	58,223	58,223	58,223	58,223	58,223	-	-	-
396	Communications Equipment	7,950	7,950	7,950	7,950	7,950	-	-	-
	Adjustment for Plant Retirements	-	-	(79,477)	(79,477)	-	-	(79,477)	-
398	Other Tangible Plant	62,103	62,103	62,103	62,103	70,994	-	-	8,891
		5,391,755	5,391,755	5,424,433	5,424,433	5,125,632	(1)	32,677	(266,120)

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Summary of Company, ACC Staff & RUCO Staff & RVCA Positions

Exhibit
 Rebuttal Schedule A
 Page 3
 Witness: Kozoman

	Company		Income Statement		RVCA		Differences		RVCA	
	Rebuttal	ACC	Dirrect	RUCO	Dirrect	Dirrect	ACC Staff	RUCO	Company	Company
Revenues										
Sewer Revenues	761,923	807,125	703,455	703,455	650,604	45,202	(58,468)			
Hook-Up Fees	52,500		90,000		70,000	(52,500)	37,500			
Misc Service Revenues	2,341	2,341	2,341			0	0			
Total Revenues	816,764	809,466	795,796	795,796	720,604	(7,298)	(20,968)			(96,160)
Operating Expenses										
Salaries & Wages	95,603	95,603	89,735			-	(5,868)			
Purchased Power	65,656	65,656	65,656			-	0			
SRP Ground water Charge	76,541	76,541	78,032			-	1,491			
CAP Purchased Water	375	375	375			-	(0)			
DWR Surcharge	816	816	816			-	(0)			
Maintenance	13,264	13,264	13,264			-	0			
Chemicals	14,676	14,676	14,676			-	(0)			
Administrative Office	12,000	12,000	12,000			-	-			
Automotive	5,538	5,538	5,538			-	(0)			
RVUI Lab Operations	5,670	5,670	5,670			-	0			
Outside Lab	828	828	828			-	1			
Supplies	11	11	11			-	0			
Postage/Express/UPS	1,823	1,823	1,823			-	0			
Office Supplies	1,556	1,556	1,556			-	0			
Payroll Taxes	9,228	9,228	11,490			-	2,262			
Employee Benefits	7,399	7,399	7,399			-	0			
Taxes & Licenses	22,747	26,593	22,497			3,846	(250)			
Telephone	2,390	2,390	2,390			-	0			
Insurance	8,772	8,772	8,772			-	(0)			
Legal Fees	138	138	138			-	(0)			
Professional Fees	6,103	6,103	6,103			-	(0)			
Education & Training	1,740	1,740	1,740			-	0			
Travel & Entertainment	576	576	576			-	(0)			
Security Charges	1,724	1,724	1,724			-	(0)			
Outside Services	27,666	27,666	27,839			-	173			
Miscellaneous	631	631	719			-	88			
Rate Case Expense	10,000	10,000	11,460			-	1,460			
Patronage Dividend		(13,827)	(14,600)							
Depreciation	79,622	76,889	80,213							
Income Taxes	68,513	82,146	55,355			(2,733)	591			
Total Operating Expenses	541,605	542,524	513,795	513,795	469,899	14,746	(13,210)			(71,706)
Other Operating Income	275,158	266,942	282,001	282,001	250,705	(22,043)	(7,757)			(24,453)
Other Income (Expense)										
Interest Income	(0)	5,645				5,645	0			
Other income										
Interest Expense	166,167	168,681	116,978			2,514	(49,189)			
Other Expense										
Total Other Income, Expense	158,023	163,036	116,978	116,978	-	(3,131)	(49,189)			(49,189)
Net Profit (Loss)	108,991	103,906	165,023	165,023	-	(18,912)	41,432			41,432

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Summary of Company, ACC Staff & RUCO Positions

Exhibit
 Rebuttal Schedule A
 Page 4
 Witness: Kozoman

Proposed Rates

	Company	ACC Staff	RUCO Staff	RVCA
	<u>Proposed</u>	<u>Proposed</u>	<u>Proposed</u>	<u>Proposed</u>
Residential	\$ 47.10	\$ 46.42	\$ 43.15	\$ 40.90
Commercial	150.00	150.00	143.00	100.00
Commercial - Restaurant	200.00	200.00	190.00	150.00
Effluent Sales (per 1,000 gallons)	1.15	1.17	1.12	0.94
Hook-Up Fee As Revenue	\$ 1,500.00	\$ -	\$ 1,500.00	\$ 1,000.00
Number of Customer Hook-up Fees	35		All, but only	
Accounted for as Revenue			60 1/2 of Fees	

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Rebuttal Schedule A-1
 Page 1
 Witness: Bourassa

Line
No.

1	Adjusted Rate Base				\$ 2,920,170
2					
3	Adjusted Operating Income				138,241
4					
5	Current Rate of Return				4.73%
6					
7	Required Operating Income				\$ 275,158
8					
9	Required Rate of Return				9.42%
10					
11	Operating Income Deficiency				\$ 136,918
12					
13	Gross Revenue Conversion Factor				1.6286
14					
15	Increase in Gross Revenue				
16	Requirement				\$ 222,986
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	Residential	\$ 463,148	\$ 641,596	\$ 178,448	38.53%
22	Commercial	16,350	32,700	16,350	100.00%
23	Commercial - Restaurant	1,800	4,800	3,000	166.67%
24	Effluent	43,427	62,427	18,999	43.75%
25	Residential customer revenue				
26	annualized to end of year, based on				
27	year end number of customers	14,212	19,688	5,476	38.53%
28					
29					
30	Subtotal of Sewer Revenues	<u>\$ 538,937</u>	<u>\$ 761,211</u>	<u>\$ 222,273</u>	<u>41.24%</u>
31	Hook up fees	70,000	52,500	(17,500)	-25.00%
32	Miscellaneous Revenues	2,341	2,341	-	0%
33				-	0%
34	Total Revenues	<u>\$ 611,278</u>	<u>\$ 816,051</u>	<u>\$ 204,773</u>	<u>33.50%</u>
35					
36	* Includes Annualization of Revenues to Year End Customers for Residential & Commercial				

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		
1	Gross Utility Plant in Service	\$ 5,391,755
2	Less: Accumulated Depreciation	<u>812,276</u>
3		
4	Net Utility Plant in Service	\$ 4,579,479
5		
6	Less:	
7	Advances in Aid of	
8	Construction	-
9	Contributions in Aid of	
10	Construction - Net of amortization	1,946,088
11	Customer Meter Deposits	-
12	Deferred Income Taxes & Credits	146,534
13	Plus:	
14	Unamortized Finance Charges	29,016
15	Allowance for Working Capital	61,857
16	Debt Reserve Fund (existing CoBank loan)	224,500
17	Debt Reserve Fund (proposed CoBank loan)	<u>117,940</u>
18	Total Rate Base	<u><u>\$ 2,920,170</u></u>
19		
20		

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Rate Base Proforma Adjustments

Exhibit
 Rebuttal Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Adjusted at end of <u>Test Year</u>	<u>Rebuttal Adjustments</u>		Company's Rebuttal Adjusted at end of <u>Test Year</u>
			<u>Dollar Amount</u>	<u>Label</u>	
1	Gross Utility Plant in Service	\$ 5,494,303	\$ (102,548)	(1)	\$ 5,391,755
2					
3	Less:				
4	Accumulated Depreciation	<u>(878,277)</u>	66,001	(2)	<u>(812,276)</u>
5					
6					
7	Net Utility Plant in Service	\$ 4,616,026			\$ 4,579,479
8					
9	Less:				
10	Advances in Aid of Construction				
11	Contributions in Aid of Construction	\$ 2,281,879			
12	Less: Amortization	<u>(338,685)</u>	2,894	(3)	
13	Net Contributions in Aid of Construction				
14	Construction	1,943,194			1,946,088
15	Deferred Income Taxes & Credits	141,682	4,852	(4)	146,534
16					
17	Plus:				
18	Unamortized Finance Charge	29,016			29,016
19	Working capital	64,924	(3,067)	(5)	61,857
20	Debt Reserve Fund (existing CoBank loan)	224,500			224,500
21	Debt Reserve Fund (proposed CoBank loan)	<u>117,940</u>			<u>117,940</u>
22	Total	<u>2,967,530</u>			<u>2,920,170</u>

- 23
- 24 (1) Reduce Plant in Service, Please See Rebuttal Schedule B-2, Page 2.
- 25 (2) Reduce Accumulated Depreciation, Please See Rebuttal Schedule B-2, Page 3.
- 26 (3) Reduce CIAC, based on ACC Staff adjusted balance for CIAC.
- 27 (4) Change in Deferred Income Taxes based tax rate change and Effluent Line not used and useful. See
- 28 Rebuttal Schedule B-2, Page 4.
- 29 (5) Working Capital Based on 1/8 of Allowable Operating Expenses and 1/24 of Pumping Power,
- 30 Please See Rebuttal Schedule B-5

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Detail of Plant in Service

Exhibit
 Rebuttal Schedule B-2
 Page 2
 Witness: Bourassa

Line	Acct.		Company's Adjusted Plant Balance at 12/31/99	ACC Staff Adjustments Dollar Amount	Staff Label	Company's Rebuttal Plant Balance at 12/31/99	ACC Staff
		<u>Plant Asset:</u>					
1	301	Organization Cost	\$ 1,380			\$ 1,380	\$ 1,380
2	302	Franchise Cost	-				
3	353	Land and Land Rights	50,513			50,513	50,513
4	354	Structures and Improvements	277,883			277,883	277,883
5	361	Sewer Line	1,723,698			1,723,698	1,723,698
6	363	Services	560,154	2,292	A	562,446	560,154
7	368	Lift Station	194,885			194,885	194,885
8	371	Effluent Pump	29,905			29,905	29,905
9	380	Treatment Plant (a)	2,396,364	(50,197)	B	2,346,167	2,396,364
10	382	Effluent Lines	91,869	(30,800)	C	61,069	91,869
11	391	Transportation Equipment	36,680	(22,550)	D	14,130	36,680
12	393	Tools and Work Equipment	2,303	(900)	E	1,403	2,303
13	394	Laboratory Equipment	58,223			58,223	58,223
14	396	Communications Equipment	7,950			7,950	7,950
15		Balancing Amount	393	(393)	F	-	
16	398	Other Tangible Plant	62,103			62,103	62,103
17			<u>\$ 5,494,303</u>	<u>\$ (102,548)</u>		<u>\$ 5,391,755</u>	<u>\$ 5,494,303</u>
18							

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Adjustment to Accumulated Depreciation

Exhibit
 Rebuttal Schedule B-2
 Page 3
 Witness: Bourassa

Line No.	(a) Replace Year	(b) Year Installed	(c) Estimated Original Cost	(d) Treatment Plant Used & Useful at 65.00% of Col.(c) ((c) x 65%)	(e) Half Year of Depr. in Year of Retirement which should have been recorded	(f) Excess Depr. After Retire- ment	(g) Years of Depr. After Retire- ment	Adjustments to Accumulated Depreciation:
1	1993	1983	2,500	1,625	21	275	6.5	\$ 51,951
2	1993	1983	800	800	10	135	6.5	
3	1994	1983	60	39	1	6	5.5	For Excess Depr.
4	1994	1983	2,500	1,625	21	233	5.5	on Retired Plant
5	1994	1983	2,500	1,625	21	233	5.5	\$ 8,363
6	1994	1983	2,500	1,625	21	233	5.5	
7	1994	1983	100	65	1	9	5.5	Total Adjustment to
8	1995	1983	2,500	1,625	21	190	4.5	Accumulated
9	1996	1983	2,500	1,625	21	148	3.5	Depreciation:
10	1996	1983	2,500	1,625	21	148	3.5	\$ 66,001
11	1996	1983	200	130	2	12	3.5	
12	1997	1996	667	434	6	28	2.5	
13	1997	1983	25,000	16,250	212	1,058	2.5	
14	1997	1983	2,400	1,560	20	102	2.5	
15	1997	1983	2,500	1,625	21	106	2.5	
16	1997	1986	1,200	780	10	51	2.5	
17	1997	1986	3,500	2,275	30	148	2.5	
18	1998	1983	500	325	4	13	1.5	
19	1998	1986	3,000	1,950	25	76	1.5	
20	1998	1997	900	585	8	23	1.5	
21	1998	1986	20,000	13,000	169	508	1.5	
22	1998	1983	300	300	4	12	1.5	
23	1998	1983	850	850	11	33	1.5	
24	Staff Balancing Amount		\$ (392)	\$ (392)	(5)	(5)	0.5	
25	Total Reduction in Plant (other than Effluent Line & Trucks)			\$ 51,951				
26	and Accumulated Depreciation for Plant Retired							
27	Effluent Line (Not Used and Useful per							
28	ACC Staff) (h)	1999	30,800	30,000		4,296	5.5	
29	1978, 1989, and 1994 Trucks	1999	22,550	22,550	294	294	0.5	
30	Excess Depreciation, Reduction in Accumulated Depreciation					8,363		
31	Total Reduction in Plant and Accumulated Depreciation for Plant Retired (Line 26 plus Trucks at \$14,050)							\$ 66,001

(d) 35% of Treatment Plant has already been removed by the Company. Thus, only 65% of plant needs to be removed.
 (h) Impacts Accumulated Deferred Income Taxes, as Effluent Line is considered useful for income tax purposes, and will continue to be depreciated for tax purposes.

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Adjustment to Accumulated Deferred Income Taxes

Exhibit
 Rebuttal Schedule B-2
 Page 4
 Witness: Bourassa

Line No.		(a)	(b)	Adjustment to Deferred Income Tax Credits
		Deferred Income Tax Per Company's Direct Filing	Deferred Income Tax Per Company's Rebuttal Filing	
1	Treatment Plant / Excess Capacity			
2				
3				
4				
5				
6				
7				
8				
9	Plant Cost	1,290,350	1,290,350	
10	Depreciation Rate	2.603750%	2.603750%	
11	Annual Depreciation	<u>33,597</u>	<u>33,597</u>	
12	Years of Depreciation (Half Year Convention)	3.5	3.5	
13	Total Depreciation from 1996 to 12/31/99	<u>117,591</u>	<u>117,591</u>	
14	Effective Income Tax Rates, at Proposed Rates	<u>39.28%</u>	<u>38.60%</u>	
15	Additional Deferred Income Taxes	<u>46,190</u>	<u>45,388</u>	\$ (802)
16				
17	Excess Depreciation on Plant Retirements		8,363	
18	Effective Income Tax Rates, at Proposed Rates		<u>38.60%</u>	\$ 3,228
19				
20	Total Adjustment for Additional Deferred Income Taxes			<u>2,426</u>
21				
22	Total Adjustment to Deferred Tax			<u>\$ 4,852</u>
23				
24	(a) Per Company's Direct Filing, Schedule C-3			
25	(b) Per Company's Rebuttal Filing, Schedule C-3			
26				

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Computation of Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

Line
No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	38,133
3	Pumping Power (1/24 of Pumping Power)		2,736
4	Material and Supplies Inventories		
5	Prepayments		<u>20,992</u>
6			
7			
8	Total Working Capital Allowance	\$	61,861
9	Working Capital Per Company's Direct Filing		<u>64,928</u>
10	Reduction in Working Capital	\$	<u>(3,067)</u>
11			
12			
13	Working Capital Computation		
14	Total Operating Expenses adjusted, Proposed Rates	\$	541,605
15	Less:		
16	Depreciation	\$	79,622
17	Pumping Power		65,656
18	Property Taxes		22,747
19	Income Taxes		<u>68,513</u>
20	Total Deductions		<u>236,538</u>
21	Total Allowable Expenses	\$	<u>305,067</u>
22	Working Capital based on 1/8 of Above	\$	<u>38,133</u>
23	Pumping Power at 1/24	\$	<u>2,736</u>
24			

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Income Statement

Exhibit
 Rebuttal Schedule C-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Adjusted Results	ACC Staff, RUCO Staff or RVCA Adjustments Accepted or Company Proposed		Rebuttal Adjusted Results	Company Proposed Rate Increase	Company Proposed Rebuttal Rates
		Rebuttal Adjustment Label	Amount			
1 Revenues						
2 Sewer Revenues	\$ 538,937			\$ 538,937	\$ 222,986	\$ 761,923
3 Hook-Up Fees	70,000	ACC (B)	\$ (70,000)	52,500		52,500
4		Company 1	52,500			-
5 Misc Service Revenues	2,341			2,341		2,341
6 Total Sewer Revenues	<u>\$ 611,278</u>		<u>\$ (17,500)</u>	<u>\$ 593,778</u>	<u>\$ 222,986</u>	<u>\$ 816,764</u>
8 Operating Expenses						
9 Salaries & Wages	\$ 102,061	ACC (C)	\$ (6,458)	\$ 95,603		\$ 95,603
10 Purchased Power	65,656			65,656		65,656
11 Maintenance - Plant	78,032	ACC (D)	(1,491)	76,541		76,541
12 Maintenance - Electronics	375			375		375
13 Equipment Repairs	816			816		816
14 Chemicals	13,264			13,264		13,264
15 Sludge Processing	14,676			14,676		14,676
16 Administrative Office	12,000			12,000		12,000
17 Automotive	5,538			5,538		5,538
18 RVUI Lab Operations	5,670			5,670		5,670
19 Outside Lab	828			828		828
20 Supplies	11			11		11
21 Postage/Express/UPS	1,823			1,823		1,823
22 Office Supplies	1,556			1,556		1,556
23 Payroll Taxes	11,490	ACC (E)	(2,262)	9,228		9,228
24 Employee Benefits	7,399			7,399		7,399
25 Taxes & Licenses	26,665	Company 3	(3,918)	22,747		22,747
26 Telephone	2,390			2,390		2,390
27 Insurance	8,772			8,772		8,772
28 Legal Fees	138			138		138
29 Professional Fees	6,103			6,103		6,103
30 Education & Training	1,740			1,740		1,740
31 Travel & Entertainment	576			576		576
32 Security Charges	1,724			1,724		1,724
33 Outside Services	27,839	ACC (G)	(173)	27,666		27,666
34 Miscellaneous	719	ACC (H)	(88)	631		631
35 Rate Case Expense	12,000	ACC (I)	(2,000)	10,000		10,000
36 Depreciation	91,111	Company 2	(11,489)	79,622		79,622
37 Patronage Divided Sewer	(14,600)	Company 4	14,600	-		-
38 Income Taxes	(30,076)	Income Tax	-	(17,555)	86,068	68,513
39 Total Operating Expenses	<u>\$ 456,294</u>		<u>\$ (13,279)</u>	<u>\$ 455,537</u>	<u>\$ 86,068</u>	<u>\$ 541,605</u>
40 Operating Income	<u>\$ 154,983</u>		<u>\$ (4,221)</u>	<u>\$ 138,241</u>	<u>\$ 136,918</u>	<u>\$ 275,158</u>
41 Other Income (Expense)						
42 Interest Income	15,410	Company 5	(15,410)	(0)		0
43 Other income	-			-		-
44 Interest Expense	289,227	Company 6	(123,060)	166,167		166,167
45 Other Expense	-			-		-
46 Gain/Loss Sale of Fixed Assets						
47 Total Other Income Expense	<u>273,817</u>		<u>(138,470)</u>	<u>166,167</u>		<u>166,167</u>
48 Net Profit (Loss)	<u>\$ (118,834)</u>		<u>\$ 134,248</u>	<u>\$ (27,926)</u>		<u>\$ 108,991</u>

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Adjustments to Revenues and Expenses

Exhibit
 Rebuttal Schedule C-2
 Page 1
 Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>							<u>Subtotal</u>
	1	2	3	4	5	6		
1	Revenues	52,500						52,500
2								
3	Expenses		(11,489)	(4,220)	14,600			(1,109)
4								
5	Operating							
6	Income	52,500	11,489	4,220	(14,600)	-	-	53,609
7								
8	Interest							
9	Expense						(123,060)	(123,060)
10	Other							
11	Income/					15,410		15,410
12	Expense							
13								
14	Net Income	52,500	11,489	4,220	(14,600)	15,410	123,060	192,079
15		Hook-up	Depr.	Property	Patronage	Interest	Interest	
16		Fees as	Expense	Tax	Dividend	Income	Expense	
17		Revenue			Removed			
18								
19		<u>Adjustments to Revenues and Expenses</u>						
20		<u>Income Tax</u>	<u>ACC B</u>	<u>ACC C</u>	<u>ACC D</u>	<u>ACC E</u>	<u>ACC G</u>	<u>Subtotal</u>
21	Revenues		(70,000)					(17,500)
22								
23	Expenses	-		(6,458)	(1,491)	(2,262)	(173)	(11,493)
24								
25	Operating							
26	Income	-	(70,000)	6,458	1,491	2,262	173	(6,007)
27								
28	Interest							
29	Expense							(123,060)
30	Other							
31	Income /							15,410
32	Expense							
33								
34	Net Income	-	(70,000)	6,458	1,491	2,262	173	132,463
35		Income	Hook-up	Wages &	Main't.	Outside	Misc.	
36		Tax	Fees as	Salary	Plant	Services	Expense	
37			Revenue	Expense		Expense		
38								
39		<u>Adjustments to Revenues and Expenses</u>						
40		<u>ACC H</u>	<u>ACC I</u>					<u>Totals</u>
41	Revenues							(17,500)
42								
43	Expenses	-88	(2,000)					(13,581)
44								
45	Operating							
46	Income	88	2000					(3,919)
47								
48	Interest							
49	Expense							(123,060)
50	Other							
51	Income /							15,410
52	Expense							
53								
54	Net Income	88	2,000	-	-	-	-	134,551
55		Misc.	Rate Case					
56		Expense	Expense					

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Line

No.

1	Hook-up fees on 35 customers at ACC Staff's Proposed Hook-up	
2	Fee of \$1,500 per customer (Fees from customers in excess of 35	
3	per year will be accounted for as Contributions in Aid of Construction)	
4		
5	Customers	35
6	ACC Staff Proposed Hook-up Fee Charge	<u>\$ 1,500</u>
7		
8	Hook-up Fees accounted for as revenues	<u><u>\$ 52,500</u></u>
9		
10		
11		

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Adjustments to Revenues and Expenses

Exhibit
 Rebuttal Schedule C-2
 Page 3
 Witness: Bourassa

Line No.			
1	Adjustment to Depreciation Expense		
2			
3	Acct.		
4	<u>No.</u>	<u>Plant Asset:</u>	
5	301	Organization Cost	\$ 1,380
6	302	Franchise Cost	
7	353	Land and Land Rights	50,513
8	354	Structures and Improvements	277,883
9	361	Sewer Line	1,723,698
10	363	Services	562,446
11	368	Lift Station	194,885
12	371	Effluent Pump	29,905
13	380	Treatment Plant (a)	2,346,167
14	382	Effluent Lines	61,069
15	391	Transportation Equipment	14,130
16	393	Tools and Work Equipment	1,403
17	394	Laboratory Equipment	58,223
18	396	Communications Equipment	7,950
19	398	Other Tangible Plant	62,103
20		Total Plant in Service	<u>\$ 5,391,755</u>
21		Less: Non-Depreciable Plant	
22		Organization Cost	(1,380)
23		Land and Land Rights	<u>(50,513)</u>
24		Depreciable Plant	<u>\$ 5,339,862</u>
25		Depreciation Rate	2.60375%
26		Depreciation Expense before adjustment	<u>\$ 139,037</u>
27		Less: Amortization of Contributions in Aid of Construction ("CIAC")	
28		Contributions in Aid of Construction	2,281,879
29		Amortization Rate	2.60375% (59,414)
30		Depreciation Expense	<u>\$ 79,622</u>
31		Depreciation Expense in Company's Direct Rate filing	91,111
32		Adjustment to Depreciation Expense in Rebuttal Filing	<u>\$ (11,489)</u>
33			

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Property Tax Computation Using Arizona Department of
 Revenue's New Proposed Full Cash Valuation Method

Exhibit
 Rebuttal Schedule C-2
 Page 4
 Witness: Bourassa

Line
No.

1	Proposed Revenues				816,764
2	Multiplier for Revenues				<u>2</u>
3	Revenues for Full Cash Value				1,633,527
4					
5	Add:				
6	Construction Work in Progress ("CWIP")			0	
7	Valuation of CWIP For Full Cash Value Computation			<u>10%</u>	0
8	Less:				
9			Minus	Book	
10	Licensed Vehicles, at Net Book Value		<u>Acc. Depr.</u>	<u>Value</u>	
11	1995 Ford Ranger, acquired in 1995	5,636	660	4,976	(4,976)
12	1999 Ford Ranger, acquired in 1999	8,494	111	8,383	<u>(8,383)</u>
13					
14	Full Cash Value				1,620,168
15	Assessment Ratio				<u>25%</u>
16	Assessed Value				405,042
17	Property Tax Rate				<u>5.61591%</u>
18	Property Tax				\$ 22,747
19	Tax on Parcels				<u>0</u>
20	Property Tax at Proposed Rates				\$ 22,747
21	Test Year Adjusted Property Tax Expense in <u>Company's Direct Filing</u>				<u>26,665</u>
22	Increase or (Decrease) in Property Tax Expense				<u>\$ (3,918)</u>
23					
24	Adjustment to Property Tax Expense from Company's Direct Filing				<u>\$ (3,918)</u>
25					
26			<u>Yrs. of Depr.</u>	<u>Acc. Depr.</u>	
27	1995 Ford Ranger	5,636	4.5	660	
28	1999 Ford Ranger	8,494	0.5	111	
29					

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Property Tax Computation / With Margin of Error Subtracted

Exhibit
 Rebuttal Schedule C-2
 Page 4, Supplemental
 Witness: Bourassa

Line No.		
1	Revenues - Annualized - Proposed Rates	816,764
2	Two Times Revenue	1,633,527
3	Gross Plant	5,391,755
4	Less: Accumulated Depreciation	812,276
5		
6	Net Plant or Book Value	4,579,479
7		
8	Revenue / Net Plant = Utilization Factor	17.84%
9		
10	Department of Revenue Factor for Plant	35%
11	Two Times Revenue without sales tax	1,633,527
12	Net Plant Times Utilization Factor, plus materials & supplies of:	0 1,602,818
13	Correlated Value, assuming 50% of plant and 50% of revenue	
14	plus Material and Supplies	1,618,172
15	CWIP at 35%	
16	Transportation Equipment Deduction	(4,241)
17		
18	Full Cash Value	1,613,932
19		
20	Times Assessment Ratio at 25%	25%
21		
22	Assessed Value	403,483
23		
24	Property Tax Rate	5.61591%
25	Property Tax Expense, base on full cash value	<u>22,659</u>
26	Property tax on parcels	0
27	Total Property Tax Expense at Proposed Rates	<u>22,659</u>
28	Less: Margin of Error in Computation	<u>(215)</u>
29		22,444
30	Test Year Adjusted Property Tax Expense in <u>Company's Direct Filing</u>	<u>26,665</u>
31	Increase or (Decrease) in Property Tax Expense	<u>(4,220)</u>
32		
33	Adjustment to Property Tax Expense from Company's Direct Filing	<u>(4,220)</u>

Rio Verde Utilities, Inc. - Water
Margin of Error in Property Tax Computations
Based on 50% of Plant and 50% of Proposed Revenues
 Test Year Ended December 31, 1999

Exhibit
 Schedule C-2
 Page 4a Supplemental
 Witness: Bourassa

Line No.	Percentage of: Revenue	Plant	Dollar amount of		Correl- ated Value	Remove Transport. Equipment	Full Cash Value	25.00% Assessed		5.6159% Property Tax		Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of:	
			Revenue	Plant				Value	Percent	Expense	Tax			Revenue	Tax
1	100%	0%	1,633,527	0	1,633,527	(4,281)	1,629,246	407,312	22,874	(215)	-0.01%	-0.95%			
2	99%	1%	1,617,192	16,028	1,633,220	(4,280)	1,628,940	407,235	22,870	(211)	-0.01%	-0.93%			
3	98%	2%	1,600,857	32,056	1,632,913	(4,279)	1,628,634	407,158	22,866	(206)	-0.01%	-0.91%			
4	97%	3%	1,584,521	48,085	1,632,606	(4,279)	1,628,327	407,082	22,861	(202)	-0.01%	-0.89%			
5	96%	4%	1,568,186	64,113	1,632,299	(4,278)	1,628,021	407,005	22,857	(198)	-0.01%	-0.87%			
6	95%	5%	1,551,851	80,141	1,631,992	(4,277)	1,627,715	406,929	22,853	(194)	-0.01%	-0.85%			
7	94%	6%	1,535,515	96,169	1,631,684	(4,276)	1,627,408	406,852	22,848	(189)	-0.01%	-0.84%			
8	93%	7%	1,519,180	112,197	1,631,377	(4,275)	1,627,102	406,776	22,844	(185)	-0.01%	-0.82%			
9	92%	8%	1,502,845	128,225	1,631,070	(4,274)	1,626,796	406,699	22,840	(181)	-0.01%	-0.80%			
10	91%	9%	1,486,510	144,254	1,630,763	(4,274)	1,626,490	406,622	22,836	(176)	-0.01%	-0.78%			
11	90%	10%	1,470,174	160,282	1,630,456	(4,273)	1,626,183	406,546	22,831	(172)	-0.01%	-0.76%			
12	89%	11%	1,453,839	176,310	1,630,149	(4,272)	1,625,877	406,469	22,827	(168)	-0.01%	-0.74%			
13	88%	12%	1,437,504	192,338	1,629,842	(4,271)	1,625,571	406,393	22,823	(163)	-0.01%	-0.72%			
14	87%	13%	1,421,169	208,366	1,629,535	(4,270)	1,625,264	406,316	22,818	(159)	-0.01%	-0.70%			
15	86%	14%	1,404,833	224,394	1,629,228	(4,270)	1,624,958	406,240	22,814	(155)	-0.01%	-0.68%			
16	85%	15%	1,388,498	240,423	1,628,921	(4,269)	1,624,652	406,163	22,810	(151)	-0.01%	-0.66%			
17	84%	16%	1,372,163	256,451	1,628,614	(4,268)	1,624,345	406,086	22,805	(146)	-0.01%	-0.65%			
18	83%	17%	1,355,827	272,479	1,628,306	(4,267)	1,624,039	406,010	22,801	(142)	-0.01%	-0.63%			
19	82%	18%	1,339,492	288,507	1,627,999	(4,266)	1,623,733	405,933	22,797	(138)	-0.01%	-0.61%			
20	81%	19%	1,323,157	304,535	1,627,692	(4,266)	1,623,427	405,857	22,793	(133)	-0.01%	-0.59%			
21	80%	20%	1,306,822	320,564	1,627,385	(4,265)	1,623,120	405,780	22,788	(129)	-0.01%	-0.57%			
22	79%	21%	1,290,486	336,592	1,627,078	(4,264)	1,622,814	405,704	22,784	(125)	-0.01%	-0.55%			
23	78%	22%	1,274,151	352,620	1,626,771	(4,263)	1,622,508	405,627	22,780	(120)	-0.01%	-0.53%			
24	77%	23%	1,257,816	368,648	1,626,464	(4,262)	1,622,201	405,550	22,775	(116)	-0.01%	-0.51%			
25	76%	24%	1,241,481	384,676	1,626,157	(4,262)	1,621,895	405,474	22,771	(112)	-0.01%	-0.49%			
26	75%	25%	1,225,145	400,704	1,625,850	(4,261)	1,621,589	405,397	22,767	(108)	-0.01%	-0.47%			
27	74%	26%	1,208,810	416,733	1,625,543	(4,260)	1,621,283	405,321	22,762	(103)	-0.01%	-0.46%			
28	73%	27%	1,192,475	432,761	1,625,235	(4,259)	1,620,976	405,244	22,758	(99)	-0.01%	-0.44%			
29	72%	28%	1,176,139	448,789	1,624,928	(4,258)	1,620,670	405,168	22,754	(95)	-0.01%	-0.42%			
30	71%	29%	1,159,804	464,817	1,624,621	(4,258)	1,620,364	405,091	22,750	(90)	-0.01%	-0.40%			
31	70%	30%	1,143,469	480,845	1,624,314	(4,257)	1,620,057	405,014	22,745	(86)	-0.01%	-0.38%			
32	69%	31%	1,127,134	496,873	1,624,007	(4,256)	1,619,751	404,938	22,741	(82)	-0.01%	-0.36%			
33	68%	32%	1,110,798	512,902	1,623,700	(4,255)	1,619,445	404,861	22,737	(77)	0.00%	-0.34%			
34	67%	33%	1,094,463	528,930	1,623,393	(4,254)	1,619,139	404,785	22,732	(73)	0.00%	-0.32%			
35	66%	34%	1,078,128	544,958	1,623,086	(4,254)	1,618,832	404,708	22,728	(69)	0.00%	-0.30%			

**Rio Verde Utilities, Inc. - Sewer
Margin of Error in Property Tax Computations
Based on 50% of Plant and 50% of Proposed Revenues
Test Year Ended December 31, 1999**

Exhibit
Schedule C-2
Page 4b Supplemental
Witness: Bourassa

Line No.	Percentage of Plant Revenue	Dollar amount of Revenue	Plant	Correl-ated Value	Remove Transport. Equipment	Full Cash Value	Assessed Value	25.00% Property Tax Expense	Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of: Revenue	Property Tax
1	65%	1,061,793	560,986	1,622,779	(4,253)	1,618,526	404,631	22,724	22,659	(65)	0.00%	-0.28%
2	64%	1,045,457	577,014	1,622,472	(4,252)	1,618,220	404,555	22,719	22,659	(60)	0.00%	-0.27%
3	63%	1,029,122	593,042	1,622,165	(4,251)	1,617,913	404,478	22,715	22,659	(56)	0.00%	-0.25%
4	62%	1,012,787	609,071	1,621,857	(4,250)	1,617,607	404,402	22,711	22,659	(52)	0.00%	-0.23%
5	61%	996,452	625,099	1,621,550	(4,250)	1,617,301	404,325	22,707	22,659	(47)	0.00%	-0.21%
6	60%	980,116	641,127	1,621,243	(4,249)	1,616,995	404,249	22,702	22,659	(43)	0.00%	-0.19%
7	59%	963,781	657,155	1,620,936	(4,248)	1,616,688	404,172	22,698	22,659	(39)	0.00%	-0.17%
8	58%	947,446	673,183	1,620,629	(4,247)	1,616,382	404,095	22,694	22,659	(34)	0.00%	-0.15%
9	57%	931,110	689,212	1,620,322	(4,246)	1,616,076	404,019	22,689	22,659	(30)	0.00%	-0.13%
10	56%	914,775	705,240	1,620,015	(4,246)	1,615,769	403,942	22,685	22,659	(26)	0.00%	-0.11%
11	55%	898,440	721,268	1,619,708	(4,245)	1,615,463	403,866	22,681	22,659	(22)	0.00%	-0.09%
12	54%	882,105	737,296	1,619,401	(4,244)	1,615,157	403,789	22,676	22,659	(17)	0.00%	-0.08%
13	53%	865,769	753,324	1,619,094	(4,243)	1,614,850	403,713	22,672	22,659	(13)	0.00%	-0.06%
14	52%	849,434	769,352	1,618,786	(4,242)	1,614,544	403,636	22,668	22,659	(9)	0.00%	-0.04%
15	51%	833,099	785,381	1,618,479	(4,241)	1,614,238	403,559	22,664	22,659	(4)	0.00%	-0.02%
16	50%	816,764	801,409	1,618,172	(4,241)	1,613,932	403,483	22,659	22,659	0	0.00%	0.00%
17	49%	800,428	817,437	1,617,865	(4,240)	1,613,625	403,406	22,655	22,659	4	0.00%	0.02%
18	48%	784,093	833,465	1,617,558	(4,239)	1,613,319	403,330	22,651	22,659	9	0.00%	0.04%
19	47%	767,758	849,493	1,617,251	(4,238)	1,613,013	403,253	22,646	22,659	13	0.00%	0.06%
20	46%	751,422	865,521	1,616,944	(4,237)	1,612,706	403,177	22,642	22,659	17	0.00%	0.08%
21	45%	735,087	881,550	1,616,637	(4,237)	1,612,400	403,100	22,638	22,659	22	0.00%	0.09%
22	44%	718,752	897,578	1,616,330	(4,236)	1,612,094	403,023	22,633	22,659	26	0.00%	0.11%
23	43%	702,417	913,606	1,616,023	(4,235)	1,611,788	402,947	22,629	22,659	30	0.00%	0.13%
24	42%	686,081	929,634	1,615,716	(4,234)	1,611,481	402,870	22,625	22,659	34	0.00%	0.15%
25	41%	669,746	945,662	1,615,408	(4,233)	1,611,175	402,794	22,621	22,659	39	0.00%	0.17%
26	40%	653,411	961,691	1,615,101	(4,233)	1,610,869	402,717	22,616	22,659	43	0.00%	0.19%
27	39%	637,076	977,719	1,614,794	(4,232)	1,610,562	402,641	22,612	22,659	47	0.00%	0.21%
28	38%	620,740	993,747	1,614,487	(4,231)	1,610,256	402,564	22,608	22,659	52	0.00%	0.23%
29	37%	604,405	1,009,775	1,614,180	(4,230)	1,609,950	402,487	22,603	22,659	56	0.00%	0.25%
26	36%	588,070	1,025,803	1,613,873	(4,229)	1,609,644	402,411	22,599	22,659	60	0.00%	0.27%
27	35%	571,734	1,041,831	1,613,566	(4,229)	1,609,337	402,334	22,595	22,659	65	0.00%	0.28%
28	34%	555,399	1,057,860	1,613,259	(4,228)	1,609,031	402,258	22,590	22,659	69	0.00%	0.30%

Rio Verde Utilities, Inc. - Sewer

Computation of Maximum Error from the Use
of 50% of Revenues and 50% of Net Plant

Test Year Ended December 31, 1999

Exhibit
Schedule C-2
Page 4c Supplemental
Witness: Bourassa

Line No.	Percentage of Revenue Plant	Dollar amount of		Correl-ated Value	Remove Transport. Equipment	Full Cash Value	Assessed Value	25.00%		Property Tax	Property Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of:	
		Revenue	Plant					Percent	Expense				Revenue	Tax
1	33%	539,064	1,073,888	1,612,952	(4,227)	1,608,725	402,181	22,586	22,659	73	0.00%	0.32%		
2	32%	522,729	1,045,458	1,612,645	(4,226)	1,608,418	402,105	22,582	22,659	77	0.00%	0.34%		
3	31%	506,393	1,012,786	1,612,337	(4,225)	1,608,112	402,028	22,578	22,659	82	0.01%	0.36%		
4	30%	490,058	980,116	1,612,030	(4,225)	1,607,806	401,951	22,573	22,659	86	0.01%	0.38%		
5	29%	473,723	947,446	1,611,723	(4,224)	1,607,500	401,875	22,569	22,659	90	0.01%	0.40%		
6	28%	457,388	914,776	1,611,416	(4,223)	1,607,193	401,798	22,565	22,659	95	0.01%	0.42%		
7	27%	441,052	882,104	1,611,109	(4,222)	1,606,887	401,722	22,560	22,659	99	0.01%	0.44%		
8	26%	424,717	849,434	1,610,802	(4,221)	1,606,581	401,645	22,556	22,659	103	0.01%	0.46%		
9	25%	408,382	816,764	1,610,495	(4,221)	1,606,274	401,569	22,552	22,659	108	0.01%	0.47%		
10	24%	392,046	784,092	1,610,188	(4,220)	1,605,968	401,492	22,547	22,659	112	0.01%	0.49%		
11	23%	375,711	751,422	1,609,881	(4,219)	1,605,662	401,415	22,543	22,659	116	0.01%	0.51%		
12	22%	359,376	718,752	1,609,574	(4,218)	1,605,355	401,339	22,539	22,659	120	0.01%	0.53%		
13	21%	343,041	686,082	1,609,267	(4,217)	1,605,049	401,262	22,535	22,659	125	0.01%	0.55%		
14	20%	326,705	653,412	1,608,959	(4,217)	1,604,743	401,186	22,530	22,659	129	0.01%	0.57%		
15	19%	310,370	620,742	1,608,652	(4,216)	1,604,437	401,109	22,526	22,659	133	0.01%	0.59%		
16	18%	294,035	588,072	1,608,345	(4,215)	1,604,130	401,033	22,522	22,659	138	0.01%	0.61%		
17	17%	277,700	555,402	1,608,038	(4,214)	1,603,824	400,956	22,517	22,659	142	0.01%	0.63%		
18	16%	261,364	522,732	1,607,731	(4,213)	1,603,518	400,879	22,513	22,659	146	0.01%	0.65%		
19	15%	245,029	490,062	1,607,424	(4,213)	1,603,211	400,803	22,509	22,659	151	0.01%	0.66%		
20	14%	228,694	457,392	1,607,117	(4,212)	1,602,905	400,726	22,504	22,659	155	0.01%	0.68%		
21	13%	212,359	424,722	1,606,810	(4,211)	1,602,599	400,650	22,500	22,659	159	0.01%	0.70%		
22	12%	196,023	392,052	1,606,503	(4,210)	1,602,293	400,573	22,496	22,659	163	0.01%	0.72%		
23	11%	179,688	359,382	1,606,196	(4,209)	1,601,986	400,497	22,492	22,659	168	0.01%	0.74%		
24	10%	163,353	326,712	1,605,888	(4,209)	1,601,680	400,420	22,487	22,659	172	0.01%	0.76%		
25	9%	147,017	294,042	1,605,581	(4,208)	1,601,374	400,343	22,483	22,659	176	0.01%	0.78%		
26	8%	130,682	261,372	1,605,274	(4,207)	1,601,067	400,267	22,479	22,659	181	0.01%	0.80%		
27	7%	114,347	228,702	1,604,967	(4,206)	1,600,761	400,190	22,474	22,659	185	0.01%	0.82%		
28	6%	98,012	196,032	1,604,660	(4,205)	1,600,455	400,114	22,470	22,659	189	0.01%	0.84%		
29	5%	81,676	163,362	1,604,353	(4,204)	1,600,149	400,037	22,466	22,659	194	0.01%	0.85%		
26	4%	65,341	130,692	1,604,046	(4,204)	1,599,842	399,961	22,461	22,659	198	0.01%	0.87%		
27	3%	49,006	98,022	1,603,739	(4,203)	1,599,536	399,884	22,457	22,659	202	0.01%	0.89%		
28	2%	32,671	65,352	1,603,432	(4,202)	1,599,230	399,807	22,453	22,659	206	0.01%	0.91%		
29	1%	16,335	32,682	1,603,125	(4,201)	1,598,923	399,731	22,449	22,659	211	0.01%	0.93%		
30	0%	(0)	0	1,602,818	(4,200)	1,598,617	399,654	22,444	22,659	215	0.01%	0.95%		

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Line

No.

1	Remove Patronage Dividend as a reduction of Operating Expenses. Use Patronage	
2	Dividend as a reduction of interest expense and interest rate. See Rebuttal Schedule D-1	
3		
4	Partronage Dividend of Existing CoBank Loan	
5	Patronage Dividend Per Company's Direct Rate Filing	<u>14,600</u>
6		
7		
8		
9		
10		
11		

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Line

No.

1 Remove Interest Income from Rebuttal Schedule C-1 to facilitate correct computation
2 of Income Taxes.

3

4 Interest Earned assumed to be 4.50% of ending debt reserve account.

5

6 Interest on Debt Reserve is used on Rebuttal Schedule D-1, as a reduction
7 of Interest Expense and Interest Rate.

8

9

10 Interest Income Per Company's Direct Rate Filing

15,410

11

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Line

No.

1	Interest Synchronization. (Weighted Cost of Debt times Rate Base.)	
2		
3		
4	Company Proposed Rebuttal Rate Base, Rebuttal Schedule B-1	2,920,170
5	Company's Weighted Cost of Debt, Rebuttal Schedule D-1	<u>5.69%</u>
6	Rebuttal Interest Expense	<u>\$ 166,167</u>
7	Interest Expense Per Company's Direct Rate Filing	289,227
8	Adjustment to Interest Expense	<u><u>\$ (123,060)</u></u>
9		
10		
11		

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Computation of Gross Revenue Conversion Factor

Exhibit
 Rebuttal Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	<u>0.00%</u>
6		
7		
8	Total Tax Percentage	38.60%
9		
10	Operating Income % = 100% - Tax Percentage	61.40%
11		
12		
13		
14		
15	<u>1</u>	= Gross Revenue Conversion Factor
16	Operating Income %	1.6286

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Summary of Cost of Capital

Exhibit
 Rebuttal Schedule D-1
 Page 1
 Witness: Kozoman

		<u>End of Test Year</u>			<u>End of Projected Year</u>				
Line No.	Item of Capital	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt (1)	1,844,602	42.41%	8.28%	3.51%	1,790,526	41.77%	8.28%	3.46%
2									
3	Proposed CoBank Loan (2)	1,179,398	27.12%	8.03%	2.18%	1,159,264	27.05%	8.03%	2.17%
4									
5	Stockholder's Equity	1,325,092	30.47%	12.25%	3.73%	1,336,622	31.18%	12.25%	3.82%
6	Totals	<u>4,349,093</u>	<u>100.00%</u>		<u>9.42%</u>	<u>4,286,412</u>	<u>100.00%</u>		<u>9.45%</u>
7									
8	Weighted Cost of Debt				<u>5.69%</u>				
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									

(1) Please See Rebuttal Schedule D-1, Page 1 for Computations
 (2) Please See Rebuttal Schedule D-1, Page 2 for Computations

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Computation of Patronage Dividend, Based On Average Loan Balance
 Computation of Effective Interest Rate for Rate of Return

Exhibit
 Rebuttal Schedule D-2
 Page 1
 Witness: Kozoman

Line
No.

1	Computations based on Existing CoBank Loan for Wastewater Utility				
2					
3		1/2 Fixed		1/2 Variable Rate	
4		<u>Fixed</u>	<u>1999</u>	<u>2000</u>	
5	Annual Interest Rate	9.80%	9.2045%	9.2045%	
6	Payment	\$ 18,920.00	9.2045%	9.2045%	
7					
8					
9	<u>Pay No.</u>	<u>Principle</u>	<u>Interest</u>	<u>Payment</u>	<u>Balance</u>
10	12/31/98	\$ 3,923.91	\$ 14,996.09	\$ 18,920	\$ 1,893,795
11	1/31/99	3,954.98	14,965.02	18,920	1,889,871
12	2/28/99	3,986.29	14,933.71	18,920	1,885,916
13	3/31/99	4,017.86	14,902.14	18,920	1,881,930
14	4/30/99	4,049.68	14,870.32	18,920	1,877,912
15	5/31/99	4,081.74	14,838.26	18,920	1,873,862
16	6/30/99	4,114.06	14,805.94	18,920	1,869,781
17	7/31/99	4,146.64	14,773.36	18,920	1,865,666
18	8/31/99	4,179.48	14,740.52	18,920	1,861,520
19	9/30/99	4,212.57	14,707.43	18,920	1,857,340
20	10/31/99	4,245.93	14,674.07	18,920	1,853,128
21	11/30/99	4,279.55	14,640.45	18,920	1,848,882
22	12/31/99	4,313.44	14,606.56	18,920	1,844,602
23	1999 Total	<u>49,582.23</u>	<u>177,457.77</u>	<u>227,040.00</u>	
24					
25	Average Loan Balance for 1999				<u>1,867,534.20</u>
26					
27	ACC Staff Patronage Dividend				13,827
28	Average Loan Balance for 1999				<u>1,867,534</u>
29	Patronage Dividend as Percentage of Average				
30	Loan Balance				<u>0.740%</u>
31					
32	Interest Expense Paid for Year Ended 12/31/99			\$ 177,458	
33	Add: Amortization of Deferred Finance Charge				
34	Deferred Finance Charge Balance		17,226		
35	Amortization Period in Years		<u>15</u>		1,148
36	Deduct Interest Income on Debt Reserve & Patronage				
37	Dividend				
38	Interest Income for Year Ended 12/31/99, assuming				
39	Interest Earned at 4.80% on the Average Loan Bal.				(10,103)
40	Patronage Dividend, Staff Adjusted				<u>(13,827)</u>
41	Net Interest Cost			\$ 154,677	
42	Average Loan Balance				<u>1,867,534</u>
43	Effective Interest Rate for 1999 (Line 41 / Line 42)				<u>8.2824%</u>

Rio Verde Utilities, Inc. - Sewer
 Test Year Ended December 31, 1999
 Computation of Effective Interest Rate for Rate of Return

Exhibit
 Rebuttal Schedule D-2
 Page 2
 Witness: Kozoman

Line No.					
1	Computations for Proposed CoBank Loan for Wastewater Utility				
2					
3	Loan Amount				\$ 1,179,398
4	Annual Interest Rate Per CoBank E-Mail Jan. 4, 2001				9.19%
5	Monthly Interest Rate				0.7658333%
6	Loan Term in Years				20
7	Loan Term in Months				240
8	Annuity Factor for Monthly Payments				109.6513254
9	Monthly Payment				\$ 10,755.89
10					
11	Payment	Payment	Interest	Principal	
12	<u>Number</u>	<u>Amount</u>	<u>Payment</u>	<u>Payment</u>	<u>Loan Balance</u>
13					\$ 1,179,398
14	1	\$ 10,755.89	\$ 9,032.22	\$ 1,723.67	1,177,674
15	2	10,755.89	9,019.02	1,736.87	1,175,937
16	3	10,755.89	9,005.72	1,750.17	1,174,187
17	4	10,755.89	8,992.32	1,763.58	1,172,424
18	5	10,755.89	8,978.81	1,777.08	1,170,647
19	6	10,755.89	8,965.20	1,790.69	1,168,856
20	7	10,755.89	8,951.49	1,804.41	1,167,052
21	8	10,755.89	8,937.67	1,818.22	1,165,233
22	9	10,755.89	8,923.75	1,832.15	1,163,401
23	10	10,755.89	8,909.71	1,846.18	1,161,555
24	11	10,755.89	8,895.58	1,860.32	1,159,695
25	12	10,755.89	8,881.33	1,874.57	1,157,820
26	Totals	<u>\$ 129,071</u>	<u>\$ 107,493</u>	<u>\$ 21,578</u>	
27					
28	Average Loan Balance				<u>1,167,873</u>
29					
30	Average Loan Balance			1,167,873	
31	ACC Staff Patronage Dividend at			0.740%	
32	From (Reb. Sch. D-1, Page1, Line 30)			<u>0.740%</u>	
33	Patronage Dividend			<u>\$ 8,646.80</u>	
34					
35	Interest Expense Paid for the Year				\$ 107,493
36	Add: Amortization of Deferred Finance Charge				
37	Deferred Finance Charge Balance			\$ 11,794	
38	Amortization Period in Years			<u>20</u>	590
39	Deduct Interest Income on Debt Reserve & Patronage				
40	Dividend				
41	Interest Income for Year Ended 12/31/99, assuming				
42	Interest Earned at 4.80% on the Average Loan Bal.				(5,661)
43	Patronage Dividend, Staff Adjusted				<u>(8,647)</u>
44	Net Interest Cost				\$ 93,775
45	Average Loan Balance				<u>1,167,873</u>
46	Effective Interest Rate (Line 44 / Line 45)				<u>8.0295%</u>

Rio Verde Utilities, Inc.

Test Year Ended December 31, 1999

Nationally Traded Water Companies, Data from

Value Line August 4, 2000 (Amounts, except Dividend per Share in 000's)

Exhibit
Rebuttal Schedule D-4

Page 2

Witness: Kozoman

Line No.	Company	Book Value of Common Equity	Number of Shares Outstanding	Total Book Value of Common Stock	Per Share Dividend to Common Equity	(b) Total Dividend to Common Stock	Dividend Percentage Rate	Per Company Basis Dividend Percentage Rate
1	American States Water	17.73	8.96	158.86	1.28	11.47	7.219%	7.22%
2	American Water Works	16.80	97.30	1,634.64	0.86	83.68	5.119%	5.12%
3	California Water	13.43	12.94	173.78	1.09	14.10	8.116%	8.12%
4	Connecticut Water Services	12.78	12.92	165.12	1.18	15.25	9.233%	9.23%
5	E'Town Corp.	26.26	8.93	234.50	2.04	18.22	7.768%	7.77%
6	Middlesex Water	13.91	5.00	69.55	1.19	5.95	8.555%	8.55%
7	Philadelphia Suburban	12.05	41.01	494.17	0.70	28.71	5.809%	5.81%
8	SJW Corp.	47.25	3.05	144.11	2.40	7.32	5.079%	5.08%
9	Southwest Water	6.17	6.48	39.98	0.22	1.43	3.566%	3.57%
10	United Water Resources	8.92	38.91	347.08	0.96	37.35	10.762%	10.76%
11	Totals and Weighted Dividend Returns		<u>235.50</u>	<u>3,461.80</u>		<u>223.47</u>	<u>6.455%</u>	
12								
13								
14	ACC Staff Method: Average Dividend on book value							<u>7.12%</u>
15								
16	(a) Value Line's book value times Value Line's number of shares of common stock.							
17	(a) Value Line's number of shares of common stock times Value Line's dividend per share.							
18								
19								
20	ACC Staff's Common Equity for Rio Verde Utilities, Inc.							
21	Wastewater				1,325,092			
22	Water				2,415,521			
23	Total Common Equity				<u>3,740,613</u>			
24								
25	Dividend Requirement as a Percentage							<u>7.12%</u>
26	Dividend Requirement in Dollars							<u>\$ 266,435</u>

3,740,613

3,740,613

3,740,613

6.455%
\$ 241,469

7.12%
\$ 266,435

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Return which will Actually be Earned
on Common Equity

Exhibit
Rebuttal Schedule D-4
Page 1
Witness: Kozoman

Line
No.

1	Proposed Net Income		
2	Wastewater Utility	\$	108,991
3	Water Utility		<u>294,259</u>
4	Total Net Income	\$	<u>403,250</u>
5			
6	Equity		
7	Wastewater Utility	\$	1,325,092
8	Water Utility		<u>2,415,521</u>
9	Total Equity	\$	<u>3,740,613</u>
10	Equity Return		<u><u>10.78%</u></u>

Rio Verde Utilities, Inc. - Sewer

Revenue Summary

With Annualized Revenues to Year End Number of Customers
And Estimated Customer Growth
Test Year Ended December 31, 1999

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential	463,148	641,596	178,448	38.53%	75.77%	78.62%
2	Residential customer revenue						
3	annualized to end of year, based on	14,212	19,688	5,476	38.53%	2.32%	2.41%
4	year end number of customers						
5	Hook-up Fees	70,000	52,500	(17,500)	-25.00%	11.45%	6.43%
6	Commercial	16,350	32,700	16,350	100.00%	2.67%	4.01%
7	Commercial - Restuarant	1,800	4,800	3,000	166.67%	0.29%	0.59%
8	Miscellaneous Fees	2,341	2,341	.	0.00%	0.38%	0.29%
9	Effluent Sales	43,427	62,427	18,999	43.75%	7.10%	7.65%
10		611,278	816,051	204,773	33.50%	100.00%	100.00%
11							

Rio Verde Utilities, Inc. - Sewer
 Present and Proposed Rates
 Test Year Ended December 31, 1999

Exhibit
 Rebuttal Schedule H-3
 Page 1
 Witness: Bourassa

<u>Line No.</u>	<u>Customer Classification and Meter Size</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Change</u>
1	Monthly Charge for:			
2	Residential	\$ 34.00	\$ 47.10	38.53%
3	Commercial	75.00	150.00	100.00%
4	Commercial - Restaurant	75.00	200.00	166.67%
5	Effluent Sales (per 1,000 gallons)	0.80	1.15	43.75%

Rio Verde Utilities, Inc. - Sewer

Present and Proposed Rates

Test Year Ended December 31, 1999

Exhibit

Rebuttal Schedule H-3

Page 2

Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 25.00	\$ 25.00
2	Establishment (After Hours)	50.00	50.00
3	Re-Establishment (With-in 12 Months)	(b) 40.00	(b) 40.00
4	Re-Establishment (After Hours)	(c) 30.00	(c) 30.00
5	Reconnection (Delinquent)	(a) 30.00	(a) 30.00
6	Reconnection (Delinquent and After Hours)	(a) 30.00	(a) 30.00
7	Min Deposit Requirement (Residential)	(a) 30.00	(a) 30.00
8	Min Deposit Requirement (Non-Residential)	(a) 30.00	(a) 30.00
9	Deposit Interest	6.00%	6.00%
10	NSF Check (d)	10.00	25.00
11	Deferred Payment finance charge, Per Month	1.50%	1.50%
12	Late Payment Charge, Per Month	1.50%	1.50%
13			
14	Main Extension Tariff, per Rule R14-2-406B	Cost	Cost
15			
16	Hook-Up Fee for New Service (e)	\$ 1,000.00	\$ 1,500.00
17			

(a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.

The Company does not normally require a deposit prior to the provision of service. However, in the event a customer is disconnected for non-payment, this deposit is required.

(b) Minimum charge times number of full months disconnected.

(c) Actual cost of physical disconnection and reconnection (if same customer) and there shall be no charge if there is no physical work performed.

(d) This charge shall not apply if wastewater service is paid with the same NSF check used to pay for wastewater service for which a NSF fee is charged.

(e) Present rates - all hook-up fees in excess of 60 per year to be treated as contributions.

Present rates - all hook-up fees in excess of 35 per year to be treated as contributions.

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE (14-2-409.D 5).

ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.

COST TO INCLUDE LABOR, MATERIALS AND PARTS, OVERHEADS AND ALL APPLICABLE TAXES.

Rio Verde Utilities, Inc. - Sewer
Bill Comparison
Customer Classification
Residential

Exhibit
Rebuttal Schedule H4
Page 1
Witness: Bourassa

Present <u>Bill</u>	Proposed <u>Bill</u>	Dollar <u>Increase</u>	Percent <u>Increase</u>
\$ 34.00	\$ 47.10	\$ 13.10	38.53%

Rio Verde Utilities, Inc. - Sewer
Bill Comparison
Customer Classification
Commercial

Exhibit
Schedule H4
Page 2
Witness: Bourassa

Present <u>Bill</u>	Proposed <u>Bill</u>	Dollar <u>Increase</u>	Percent <u>Increase</u>
\$ 75.00	\$ 150.00	\$ 75.00	100.00%

Rio Verde Utilities, Inc. - Sewer
Bill Comparison
Customer Classification
Commercial - Restuarant

Exhibit
Rebuttal Schedule H4
Page 3
Witness: Bourassa

Present	Proposed	Dollar	Percent
<u>Bill</u>	<u>Bill</u>	<u>Increase</u>	<u>Increase</u>
\$ 75.00	\$ 200.00	\$ 125.00	166.67%

Rio Verde Utilities, Inc. - Sewer
 Bill Comparison
 Customer Classification
 Effluent Sales

Exhibit
 Rebuttal Schedule H4
 Page 4
 Witness: Bourassa

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
	\$.	\$.	\$.	0.00%
1,000	0.80	1.15	0	43.75%
2,000	1.60	2.30	1	43.75%
3,000	2.40	3.45	1	43.75%
4,000	3.20	4.60	1	43.75%
5,000	4.00	5.75	2	43.75%
6,000	4.80	6.90	2	43.75%
7,000	5.60	8.05	2	43.75%
8,000	6.40	9.20	3	43.75%
9,000	7.20	10.35	3	43.75%
10,000	8.00	11.50	4	43.75%
11,000	8.80	12.65	4	43.75%
12,000	9.60	13.80	4	43.75%
13,000	10.40	14.95	5	43.75%
14,000	11.20	16.10	5	43.75%
15,000	12.00	17.25	5	43.75%
16,000	12.80	18.40	6	43.75%
17,000	13.60	19.55	6	43.75%
18,000	14.40	20.70	6	43.75%
19,000	15.20	21.85	7	43.75%
20,000	16.00	23.00	7	43.75%
21,000	16.80	24.15	7	43.75%
22,000	17.60	25.30	8	43.75%
23,000	18.40	26.45	8	43.75%
24,000	19.20	27.60	8	43.75%
25,000	20.00	28.75	9	43.75%
26,000	20.80	29.90	9	43.75%
27,000	21.60	31.05	9	43.75%
28,000	22.40	32.20	10	43.75%
29,000	23.20	33.35	10	43.75%
30,000	24.00	34.50	11	43.75%
31,000	24.80	35.65	11	43.75%
32,000	25.60	36.80	11	43.75%
33,000	26.40	37.95	12	43.75%
34,000	27.20	39.10	12	43.75%
35,000	28.00	40.25	12	43.75%
36,000	28.80	41.40	13	43.75%
37,000	29.60	42.55	13	43.75%
38,000	30.40	43.70	13	43.75%
39,000	31.20	44.85	14	43.75%
40,000	32.00	46.00	14	43.75%
41,000	32.80	47.15	14	43.75%
42,000	33.60	48.30	15	43.75%
43,000	34.40	49.45	15	43.75%
44,000	35.20	50.60	15	43.75%
45,000	36.00	51.75	16	43.75%
46,000	36.80	52.90	16	43.75%
47,000	37.60	54.05	16	43.75%
48,000	38.40	55.20	17	43.75%
49,000	39.20	56.35	17	43.75%
50,000	40.00	57.50	18	43.75%

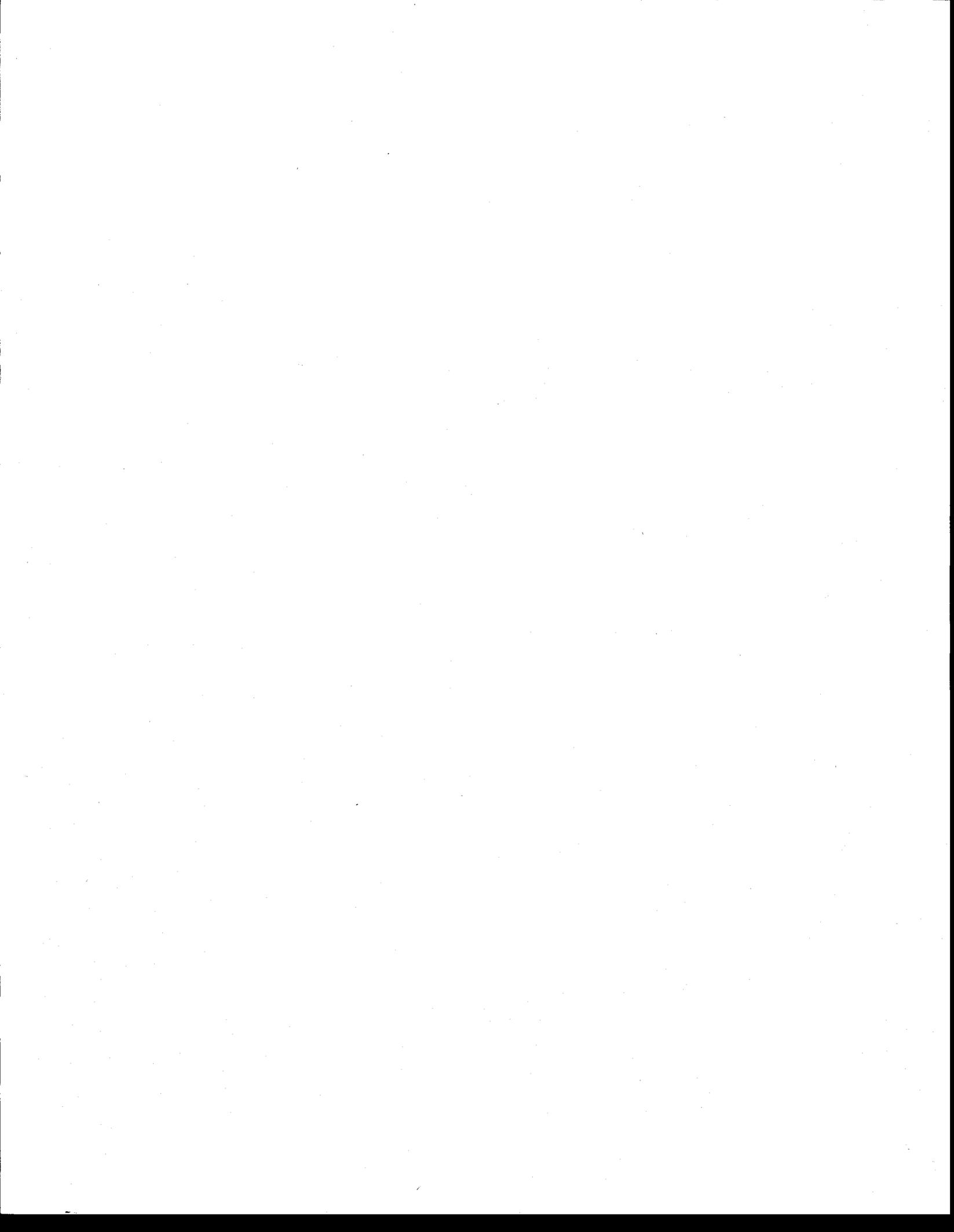
Present Rates:

	\$.
Charge Per 1,000 Gallons	
Up to 1	\$ 0.80
2	\$ 0.80
3	\$ 0.80
4	

Proposed Rates:

	\$.
Charge Per 1,000 Gallons	
1	\$ 1.15
2	\$ 1.15
3	\$ 1.15
4	

Average Usage	2,261,833	\$ 1,809.47	\$ 2,601.11	\$ 791.64	43.75%
Median Usage	1,459,500	\$ 1,167.60	\$ 1,678.43	\$ 510.83	43.75%



RIO VERDE UTILITIES
WATER & WASTEWATER FACILITIES
REPORT

Index

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Water Storage.....2

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Rio Verde Utilities Residential Water Storage Facilities

In 1993 Brooks, Hersey & Associates was contracted to provide engineering services for Rio Verde Utilities. A part of this service included an evaluation of the existing residential water facilities serving Rio Verde, including wells, transmission lines, water storage tanks and booster pumps. At that time the Rio Verde property was completely developed and approximately two thirds of the lots had homes on them. The storage facility for the residential water supply consisted of a 300,000 gallon water tank located in the northeast corner of the property. Since the tank is located at a lower elevation than the property it serves, a hydro-pneumatic tank and booster pump were utilized to pressurize the system. Additional in-line booster pumps were added as development proceeded. We concluded that the Rio Verde 300,000 gallon storage tank was marginally adequate to meet the needs of the growing community for fire flow requirements but was not adequate for fire plus 24-hour domestic demand flows. The actual useable volume of this tank is less than 200,000 gallons because the outflow pipe is located 4 feet from the tank bottom with the overflow being several feet below the tank top. Rio Verde was subject to frequent power outages at the time and even though the pressure tank and booster pump had a back up generator, the water supply stored in the tank was not adequate to supply the community for more than a few hours in the event of a general power failure interrupting well production.

A new 740,000 gallon water tank was designed in 1994 to store the average 24-hour demand and meet fire flow requirements for Rio Verde and the new development of Tonto Verde. The tank is located on Asher Hill approximately one mile west of the service area. The tank location allows Rio Verde to utilize a more dependable gravity feed system. The basis for the design was the Arizona Department of Environmental Quality's Engineering Bulletin # 10, Guidelines for the Construction of Water Systems, May 1978. This document has been retained without modification with the revisions of the Arizona Administrative Code (AAC). The AAC was revised on April 28, 1995 to allow a reduced storage capacity for multiple well systems by the amount of the total daily demand minus the production from the largest producing well. However, per ADEQ's Engineering Bulletin # 10, Chapter 6, Section D, the minimum storage capacity of a system may be reduced when the source facilities have sufficient capacity, **with standby power capability**, to supplement peak demands of the system. The Rio Verde system has no backup power capability for the well field or the booster pumps supplying the Asher Hill tank. Therefore, a reduction in the necessary storage capacity is neither justified nor prudent.

In our opinion, the Asher Hill's storage tank is fully used and useful. The Water Data sheet attached shows an average daily demand for 1999 as measured by Rio Verde Utilities of 438,000 gallons. The fire flow requirement per the Rural Metro Fire Department is 1,700 gpm for 4 hours or 408,000 gallons. This figure is low when compared to other references. The Standard Handbook for Civil Engineers, Merritt, 2nd edition, McGraw-Hill reference gives 1,500 gpm for 6 hours for a population of 2000 and 2000 gpm for 10 hours for a population of 4,000. Another Reference, Water Supply and Sewage, Steel, 2nd edition, McGraw-Hill, gives a flow of 1,500 gpm for 10 hours for populations over 2,500 and 1,500 gpm for 5 hours for populations under 2,500. We have used the lower Rural Metro requirement in calculating the needed storage capacity for the Rio Verde/Tonto Verde system. As shown on the Data Sheet, the average daily demand of 438,000 gallons and the required minimum fire flow of 408,000 gallons indicate a needed storage capacity of 846,000 gallons. In calculating the storage capacity available to the system, we have not included the 300,000 Rio Verde tank. Under the current configuration of the water system, the tank is utilized as a wet well and is not capable of supplying adequate water to the current service area.

When we evaluated and designed the water supply system for Rio Verde and Tonto Verde, we considered the remote location of the communities and the numerous power outages experienced. Our criteria was to provide a safe and dependable water supply to the communities and the gravity fed system and storage capacity that were constructed accomplish this.

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Rio Verde Utilities Wastewater Treatment Plant

The Wastewater Treatment Plant (WWTP #1) was designed to have a 300,000-gpd capacity with precast post-tensioned wafflecrete panels for a capacity of 150,000 gpd. In about 1987 an oxidation tank was added using conventional cast-in-place reinforced concrete to bring the capacity of the plant to the full 300,000-gpd. By 1992 the original wafflecrete portion of the plant was exhibiting evidence of progressive structural distress. It was evident that this would eventually lead to a catastrophic tank wall failure. WWTP #1 was obviously in need of a major overhaul and reconstruction. At that time Rio Verde Utilities decided to design and build WWTP #2 to allow for WWTP #1 to be shutdown for overhaul and reconstruction and to increase the overall capacity of the wastewater treatment plant to 700,000 gpd. In 1993 the new 400,000-gpd WWTP #2 was designed with construction completed in 1996. Once WWTP #2 was in operation, WWTP #1 was taken out of service and the necessary reconstruction and overhaul was completed in 1998.

Generally speaking, wastewater treatment plants must be capable of continuous operation while maintaining the capability to be operated at a significantly reduced capacity for short periods of time in order to accomplish necessary maintenance. While most maintenance on a wastewater treatment plant is routine and scheduled, some of it is, of necessity, unscheduled and, occasionally, repairs must be made immediately in order to resume and maintain full operating capacity. Therefore, scheduled and unscheduled maintenance will from time to time cause the operating capacity of WWTP #1 and WWTP #2 to be less than the optimal 700,000 gpd. Since the population of Rio Verde varies significantly on a seasonal basis, scheduled maintenance, especially major overhauls, is conducted during the summer months when seasonal demands are at a minimum. Occasionally, it is necessary to completely take out of service one or the other of the wastewater treatment plants for detailed inspection or major maintenance.

The current full capacity of the Rio Verde Utilities Wastewater Treatment Plant is 700,000 gpd (29,000 gph). According to Rio Verde Utilities records, the treatment plant experiences its highest influent flow during midday hours from approximately 9:00 am to 3:00 pm. Daily plant logs indicate that approximately 43% of total daily flow is processed during these six midday hours. This flow pattern holds true throughout the entire year, both in the winter and summer months. The months of highest flow are March and April.

Rio Verde Utilities records indicate that the monthly average daily effluent flow for March 1999 was 221,000 gpd. When 43% of that entire daily flow is processed during the six midday hours that would equate to approximately 95,000-gallons or 16,000 gph. This 16,000 gph figure is equivalent to 54% ($16,000 \text{ gph} \div 29,000 \text{ gph}$) of the total operating capacity of the wastewater treatment plant.

The peak daily flow recorded was 354,000 gallons on April 19th, 1999. When 43% of that volume is treated during the six-hour midday period that equates to approximately 25,000 gph or 86% ($25,000 \text{ gph} \div 29,000 \text{ gph}$) of total plant capacity. This indicates that during the peak flow hours of the peak day, the wastewater treatment plant has been operating very near full capacity (86%). Any event occurring during this peak time which reduces the capacity of the plant below 700,000 gpd (29,000 gph) would cause the WWTP to be overloaded. In order to avoid this occurrence, it is appropriate to consider adding equalization basins to level out the average hourly flow entering the wastewater treatment plant. This will buffer the peaks by spreading them out more evenly over a 24-hour period rather than concentrating almost half of the load during the current six-hour peak time frame.

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Brooks, Hersey & Associates, Inc.

ARTHUR N. BROOKS PRINCIPAL-IN-CHARGE

EDUCATION

BSCE, MBA, University of Arizona

REGISTRATION

Arizona: P.E. #9628 / R.L.S. #15845
Other States: NM, WY, CO, NV, UT
NCEE, Certificate No. 4649

AFFILIATIONS

ACEC, National Director
NSPE, PEPP Chairman
ASPE, SAME, State Director
ASCE, Member
APWA, Committeeman

TECHNICAL EXPERTISE

Roads, water, wastewater, drainage, apartments, single-family housing, commercial/industrial projects.

PROFESSIONAL EXPERIENCE

Over 25 years experience in the planning, design and construction administration of many civil improvements including roads, streets, highways, drainage facilities, water lines, sewer lines pump stations, reservoirs and treatment facilities.

REPRESENTATIVE EXPERIENCE

Principal-in-Charge of the preparation of design plans and specifications for 1,400 L.F. of 54-inch water main in Deer Valley Road from the Union Hills Water Treatment Plant on the north side of the CAP to Cave Creek Road; and 8,400 L.F. of 54-inch water main in Cave Creek Road from Deer Valley Road to Happy Valley Road. This segment also includes the design of 5,700 L.F. of 36-inch reclaimed water main and a two mgd booster pumping station.

Principal-in-Charge of design plans, specifications and construction administration of a 400,000 gpd wastewater treatment plant and the remodel with a major overhaul of the 300,000 gpd wastewater treatment plant for Rio Verde Utilities Company, Rio Verde, Arizona.

Principal-in-Charge of the design and construction administration of twin 300hp booster pumps, a 740,000-gallon water storage reservoir, and three miles of 12-inch water main at nearly a 400-foot elevation difference in Rio Verde, Arizona.

Principal-in-Charge of design surveys, construction plans, specifications and construction surveys for approximately 2.5 miles of 16-inch water transmission main and two booster pump stations. The 16-inch water transmission main was a cement lined steel cylinder pipe designed to deliver water from the reservoir at Pima Road and Jomax Road north two miles in Pima Road and then west one mile in Dixileta Road. The project entailed upgrading the existing booster pump station at Jomax and Pima Road to deliver 2,500 gallons per minute at a pressure of 110 psi and the installation of a new booster pump station at Dixileta Road 1/2 mile west of Pima Road to deliver 300 gallons per minute at 80 psi.

Principal-in-Charge of the preparation of construction documents and specifications for the Reach 7 South Mountain Water main. The project consisted of 13,000LF of 48-inch water main beginning at the 20th Street alignment in Pecos Road and connecting to the existing 30-inch water main at 32nd Street and Chandler Boulevard.

Principal-In-Charge of the engineering of the Scottsdale Road Sewer Interceptor, Bell Road to Dove Valley. The project included surveys for design, construction plans and construction surveys for approximately 11 miles of 15-inch, 18-inch and 21-inch sanitary sewer in Scottsdale Road. Surveys were prepared to determine topographic features, drainage crossings, existing utilities and the location of major specimens of protected plants.

WATER DATA
for
RIO VERDE & TONTO VERDE

RESIDENTIAL DEMAND

Average daily demand = 438,000 gallons

Peak daily demand = 699,000 gallons (measured)

RECOMMENDED FIRE STORAGE

Fire Flow per Rural Metro = 1700 gpm for 4 hours = 408,000 gallons

Fire Flow per Merritt, 2nd ed. = 1500 gpm for 6 hr. = 540,000 gallons
Standard Handbook for Civil Engineers, McGraw-Hill

Fire Flow per Steel, 2nd ed. = 1500 gpm for 10 hr. = 900,000 gallons
Water Supply & Sewerage, McGraw-Hill

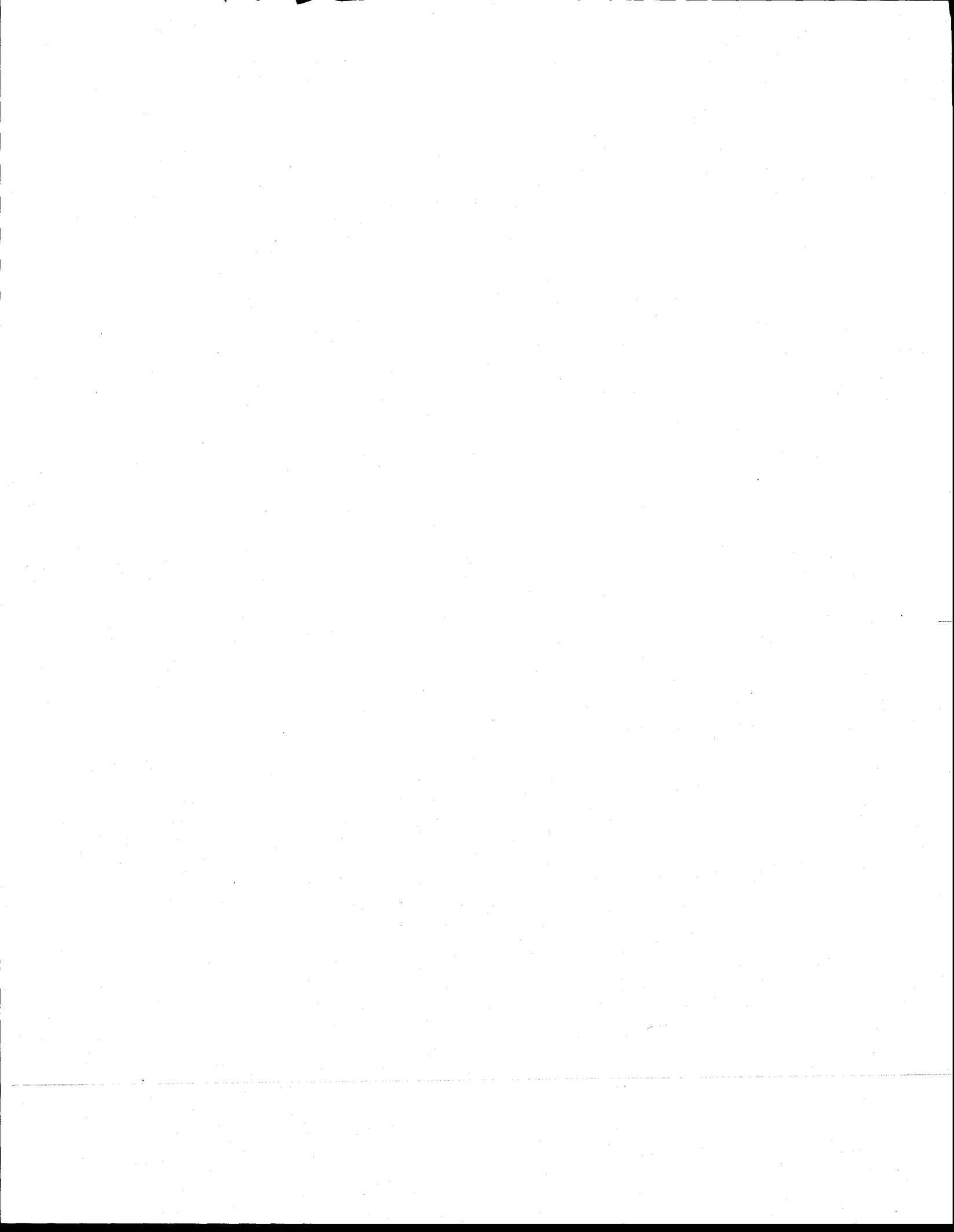
RECOMMENDED MINIMUM STORAGE CAPACITY

average daily demand = 438,000 gallons

plus

fire demand for 4 hours = 408,000 gallons

Minimum Storage Capacity = 846,000 gallons





Arizona Department of Revenue
New Valuation Methodology
for Water and Sewer Companies

Introduction

- Department values 353 water and sewer companies.
- Valuation by use of standard valuation methods, not statutory formula.
- Existing valuation methodology in place since late 1980s.
- Most CVP properties valued under statutory formula(s).

Introduction continued

- Informal discussions held with Association on problems with valuation and taxation of water and sewer companies.
- Committee formed by Association and Department to explore options to current system.
- First task to research feasibility of various alternatives.

Introduction continued

- Alternatives studied by the Committee:
 - Pass-through tax collected monthly.
 - One percent assessment ratio.
 - Statutory valuation formula.
 - Modification of existing valuation methodology.
- Modification of existing methodology selected as most feasible option at this time.

Committee set goals for the new methodology:

- Objective
- Consistent values
- Predictable values
- Easy to report and administer
- Logical results
- Minimize controversy
- Minimize tax impact
- Assist taxpayer in rate cases with ACC
- First step toward pass-through tax

DOR Property Tax Forms

- Form 82055 and Form 82056 are the property tax forms required by law to be filed by April 1st of the valuation year. The information provided by the taxpayer, particularly on page 4 of these forms is used by the Department in the determination of full cash value for water and sewer property in the state of Arizona. An example follows:

NONAME WATER COMPANY

INCOME AND BALANCE SHEET INFORMATION

The information contained herein is subject to verification with information reported to the Arizona Corporation Commission.

COMPANY DATA
(As of 12/31/99)

INCOME STATEMENT INFORMATION

- | | |
|--|------------|
| 1. Gross Operating Revenues means all monies collected from sales to all customer classes. | \$ 238,500 |
| 2. Monies collected for city and/or state sales and use tax. | \$ 18,000 |

BALANCE SHEET INFORMATION

- | | |
|--|------------|
| 3. Gross Plant shall include the original capitalized cost of all property owned or leased by the water company for use in its operations | \$ 620,000 |
| 4. a). Amount of Contributions in Aid of Construction included in Gross Plant above. | \$ 0 |
| b). Amount of Advances in Aid of Construction included in Gross Plant above. | \$ 0 |
| 6. Accumulated Depreciation | \$ 209,000 |
| 7. Construction Work-In-Process includes the cost of water plant in process of construction, but not yet ready for service at 12/31/99. | \$ 50,000 |
| 8. Inventory of Materials and Supplies at 12/31/99. | \$ 23,400 |
| 9. Licensed Vehicles - the original cost of transportation vehicles which are licensed and used strictly for the water company's purposes. | \$ 31,800 |

Valuation Methodology

- Using the information from page 4, the Department would develop several indicators of value, including an income value, a cost value, and a plant utilization value. A growth trend value would be developed using historic data. From these, the Department would derive a correlated value. This number would serve as a base for the calculation of full cash value. The full cash value was the correlated value plus 35% of any construction-work-in progress, minus an adjustment for licensed vehicles.

Valuation Methodology continued

• NONAME COMPANY

	GROSS REVENUES	ADJUSTED REVENUES	CHANGE
• 1999	\$238,500	\$220,500	35%
• 1998	\$178,500	\$163,500	11%
• 1997	\$159,000	\$147,000	

• GROSS PLANT NET PLANT

	GROSS PLANT CHANGE	NET PLANT	
• 1999	\$620,000	\$411,000	94%
• 1998	\$320,000	\$245,000	28%
• 1997	\$250,000	\$218,000	

• GROWTH TREND INDICATOR =

$$\begin{aligned}
 & - \text{AVERAGE OF (35\% AND 94\%)} \times \text{PRIOR YEAR FULL CASH VALUE} \\
 & \$300,000 \quad \times \quad 1.645 \quad = \quad \$493,500
 \end{aligned}$$

Valuation Methodology continued

• NONAME COMPANY

• ADJUSTED GROSS INCOME FOR 1999			\$220,500
- MULTIPLIER	x	2	
• INCOME VALUE INDICATOR			\$441,000
• COST VALUE INDICATOR (= NET PLANT)			\$411,000
• PLANT UTILIZATION FACTOR =			
- <u>GROSS REVENUES</u>		\$238,500	= 58% = 1.00 Factor
- NET PLANT		\$411,000	
- PLANT UTILIZATION VALUE INDICATOR =			
- NET PLANT x FACTOR + SUPPLIES	=		
- \$411,000 x 1.00 + \$23,400	=		\$434,400
• GROWTH TREND INDICATOR =			\$493,500
- (FROM PREVIOUS PAGE)			
• CORRELATED VALUE			\$436,000

Valuation Methodology continued

- The full cash value for Noname Company would then be calculated as follows:

– Correlated value	\$436,000
– plus 35% of CWIP	\$17,500
– less Licensed Vehicles	<u>(\$22,450)</u>
– Full cash value	\$431,050
– Rounded value	\$431,000

New Valuation Methodology

- The full cash value of all water and sewer utility companies, for property tax purposes, will be computed by multiplying the average of the annual gross revenues from the three previous calendar years by 2.
- If the taxpayer reports fewer than three (3) years of gross revenues, but reports gross revenues for the most recent calendar year, the gross revenue amount will be based on one year or two years' revenues, whichever is available, or on other information available to the Department.

New Valuation Methodology

- If the taxpayer fails to report gross revenue or any other information required to calculate the value, the taxpayer will be notified of the incomplete filing and will be subject to late filing fees. The Department will then estimate the value of the property.
- Construction Work In Progress will be valued at ten percent (10%) of cost as of December 31 of the most recent calendar year.

New Valuation Methodology

- The net book cost of licensed vehicles will be deducted from the value indicated by the gross revenues.
- To accurately assess ongoing business operations, and to achieve comparability, further adjustments may be necessary.

New Valuation Methodology continued

- **NONAME COMPANY**

• AVERAGE 3-YEAR REVENUES (1997 - 1999)		\$214,000
• - MULTIPLIER	x	2
• REVENUE BASE VALUE		\$428,000
• BASE VALUE USED IN FCV DETERMINATION		\$428,000

New Valuation Methodology continued

- The full cash value for Noname Company using the new methodology would then be calculated as follows:

– Base value	\$428,000
– plus 10% of CWIP	\$5,000
– less Licensed Vehicles	<u>(\$22,450)</u>
– Full cash value	\$410,550
– Rounded value	\$411,000

New Valuation Methodology continued

- Old Methodology
- New Methodology

Noname Company • Noname Company

- FCV, current year \$431,000 • FCV, current year \$411,000
- FCV, prior year \$300,000 • FCV, prior year \$300,000
- Increase in value: 44% • Increase in value: 37%

New Valuation Methodology continued

- For the second year under the new methodology, Noname Company will experience an increase or decrease in value depending on its revenues and construction work-in-progress. If CWIP remains the same as in 1999, the following scenarios can be developed.

New Valuation Methodology continued

- Revenues in 2000: \$250,000
- Revenues in 2000: \$180,000
- 3-year average (1998-2000): \$222,333
- 3-year average (1998 - 2000): \$208,300
- Base value: \$445,000
- Base Value: \$416,600
- Full Cash Value: \$428,000
- Full Cash Value: \$390,000

New Valuation Methodology continued

	Gross Revenue	Base Value based on 3-year average	Gross Revenue	Base Value based on 3-year average
2000	\$250,000	\$445,000	\$180,000	\$417,000
1999	\$238,500	\$428,000	\$238,500	\$428,000
1998	\$208,500	N/a	\$208,500	N/a
1997	\$195,000	N/a	\$195,000	N/a

Summary

- The New Valuation Methodology is intended to (1) produce predictable values, (2) be easy to administer, (3) be easy to report, (4) produce logical results, and (5) be non-controversial.

• **MISSION
ACCOMPLISHED ! ! ! ! !**



**Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Index of Rebuttal Schedules**

Schedule
No.

Page 1

-
- | | |
|-----|--|
| A | Summary of Company's Rebuttal, ACC Staff's Direct, RUCO's Staff Direct and RVCA's Direct Rate Bases, Cost of Capital, Plant, Income Statements, and Proposed Rates |
| A-1 | Summary of the increase in revenue requirement and the spread of the revenue increase by customer classification |
| B-1 | Schedule showing the elements of original cost and RCND rate bases. |
| B-2 | Schedule listing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base |
| B-5 | Schedule showing the computation of working capital allowance. |
| C-1 | Test year income statement, with pro forma adjustments. |
| C-2 | Schedule showing the detail of all pro forma adjustments. |
| C-3 | Schedule showing the incremental taxes and other expenses on gross revenues and the computation of an incremental gross revenue conversion factor. |
| D-1 | Summary of Cost of Capital |
| D-2 | Schedule Showing the detail of long-term debt and short-term at the end of the test year and the projected year and their total cost. |
| D-4 | Supporting Schedules for Common Equity Return Requested |
| H-1 | Comparison of revenues by customer classification or other classification of revenue for the test year, at present and proposed rates. |
| H-2 | Comparison of revenues by class of service and by rate schedule for the test year at present and proposed rates |
| H-3 | Comparison of present and proposed rates schedules. |
| H-4 | Typical bill analysis. |

Report of Brooks, Hersey & Associates Engineering Study

Copy of Arizona Department of Revenues Presentation to the
Water Utilities Association of Arizona , December 8, 2000

**Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Index of Rebuttal Schedules**

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Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Summary of Company, ACC Staff & RUCO Staff & RVCA Positions

Exhibit
 Rebuttal Schedule A
 Page 2
 Witness: Kozoman

Acct. No.	Plant Description	Plant Values		RVCA		RUCO		RVCA		RUCO		RVCA		RUCO		
		Company Rebuttal	ACC Direct	Direct	Direct	Direct	Direct	Direct	Company	Company	Company	Company	Company	Company	Company	Company
301	Organization Cost	1,380	1,380	1,380	1,380	1,380	1,380	1,380	-	-	-	-	-	-	-	-
302	Franchise Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
303	Land and Land Rights	37,512	41,512	41,512	41,512	41,512	41,512	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
304	Structures and Improvements	(26,213)	33,133	33,133	37,133	37,133	37,133	59,346	59,346	63,346	63,346	63,346	63,346	63,346	63,346	63,346
307	Wells and Springs	1,610,304	1,546,958	1,546,958	1,610,304	1,610,304	1,610,304	(63,346)	(63,346)	-	-	-	-	-	-	-
310	Power Generation Equipment	35,397	35,397	35,397	35,397	35,397	35,397	-	-	-	-	-	-	-	-	-
311	Electric Pumping Equipment	957,185	957,185	957,185	957,185	957,185	957,185	-	-	-	-	-	-	-	-	-
320	Water Treatment Equipment	12,184	12,184	12,184	12,184	12,184	12,184	-	-	-	-	-	-	-	-	-
330	Distribution Reservoirs & Standpipe	360,282	360,282	360,282	360,282	360,282	360,282	-	-	-	-	-	-	-	-	-
331	Transmission and Distribution Mains	2,699,640	2,699,640	2,699,640	2,674,660	2,674,660	1,955,786	-	-	(24,980)	(24,980)	(743,854)	(743,854)	-	-	
333	Services	327,002	327,002	327,002	347,232	347,232	347,232	-	-	20,230	20,230	20,230	20,230	-	-	-
334	Meters	81,524	81,524	81,524	81,524	81,524	81,524	-	-	-	-	-	-	-	-	-
335	Hydrants	183,259	183,259	183,259	183,259	183,259	183,259	-	-	-	-	-	-	-	-	-
339	Plant Structures and Improvements	105,744	105,744	105,744	105,744	105,744	105,744	-	-	-	-	-	-	-	-	-
340	Adjustment for Plant Retirements	-	-	-	(108,446)	(108,446)	-	-	-	(108,446)	(108,446)	-	-	-	-	-
341	Transportation Equipment	18,278	18,278	18,278	36,684	36,684	36,684	-	-	18,406	18,406	18,406	18,406	-	-	-
343	Tools and Work Equipment	10,269	10,269	10,269	10,269	10,269	10,269	-	-	-	-	-	-	-	-	-
344	Laboratory Equipment	6,136	6,136	6,136	7,336	7,336	7,336	-	-	1,200	1,200	1,200	1,200	-	-	-
345	Communications Equipment	60,799	60,799	60,799	63,499	63,499	63,499	-	-	2,700	2,700	2,700	2,700	-	-	-
346	Miscellaneous Equipment	1,083	1,083	1,083	1,083	1,083	1,083	-	-	-	-	-	-	-	-	-
348	Other Tangible Plant	10,128	10,128	10,128	10,128	10,128	10,128	-	-	-	-	-	-	-	-	-
		6,491,893	6,491,892	6,491,892	6,468,347	6,468,347	5,874,019	(0)	(0)	(23,546)	(23,546)	(617,874)	(617,874)	-	-	-

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Summary of Company, ACC Staff & RUCO Staff & RVCA Positions

Exhibit
 Rebuttal Schedule A
 Page 3
 Witness: Kozoman

	Company		Income Statement		RVCA Dirrrect	Differences		RVCA - Company	RVCA - Company
	Rebuttal	ACC Dirrrect	ACC Dirrrect	RUCO Dirrrect		ACC Staff - Company	RUCO - Company		
Revenues									
Water Revenues	1,292,211	1,354,784	1,127,090	1,127,090	1,116,025	62,573	(165,121)		
Hook-Up Fees	35,000		60,000			(35,000)	25,000		
Misc Service Revenues	5,274	5,274	6,399			(0)	1,125		
Total Revenues	1,332,485	1,360,058	1,193,489	1,193,489	1,116,025	27,573	(138,996)		(216,460)
Operating Expenses									
Salaries & Wages	95,603	95,603	89,735			(0)	(5,868)		
Purchased Power	156,637	156,637	156,637			-	0		
SRP Ground water Charge	9,525	9,525	9,525			-	(0)		
CAP Purchased Water	52,528	52,528	52,528			-	-		
DWR Surcharge	5,329	5,329	5,239			-	(90)		
Maintenance	79,543	79,543	84,013			-	4,470		
Chemicals	1,007	1,007	1,007			-	0		
Administrative Office	12,009	12,009	12,009			-	-		
Automotive	4,712	4,712	4,712			-	(0)		
RVUI Lab Operations	2,003	2,003	2,003			-	0		
Outside Lab	7,134	7,134	7,134			-	0		
Supplies	11	11	11			-	(0)		
Postage/Express/UPS	1,804	1,801	1,804			(3)	(0)		
Office Supplies	1,575	1,575	1,575			-	(0)		
Payroll Taxes	9,228	9,228	11,504			-	2,276		
Employee Benefits	7,399	7,399	7,399			-	0		
Taxes & Licenses	37,195	28,448	31,185			(8,747)	(6,010)		
Telephone	3,800	3,800	3,800			-	(0)		
Insurance	7,539	7,539	7,539			-	(0)		
Legal Fees	739	739	739			-	(0)		
Professional Fees	6,248	6,248	6,248			-	0		
Education & Training	205	205	205			-	(0)		
Travel & Entertainment	593	593	593			-	(0)		
Security Charges	862	862	862			-	0		
Outside Services	27,667	27,667	27,839			-	172		
Miscellaneous	51	51	139			-	88		
Rate Case Expense	10,000	10,000	11,460			-	1,460		
Depreciation	154,281	154,158	153,930			(123)	(351)		
Income Taxes	184,974	236,578	151,246			51,604	(33,728)		
Total Operating Expenses	880,204	922,934	842,620	842,620	745,342	42,730	(37,584)		(134,862)
Operating Income	452,281	437,124	350,869	350,869	370,683	(15,158)	(101,412)		(81,598)
Other Income (Expense)									
Interest Income	(0)	5,796				5,796	0		
Other income									
Interest Expense	158,023	51,779	116,978			(106,244)	(41,045)		
Other Expense									
Total Other Income, Expense	158,023	45,983	116,978	116,978	-	(112,040)	(41,045)		(41,045)
Net Profit (Loss)	294,258	391,141	233,891	233,891	96,883	96,883	(60,367)		(60,367)

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Rebuttal Schedule A-1
 Page 1
 Witness: Bourassa

Line
No.

1	Adjusted Rate Base				\$ 4,248,417
2					
3	Adjusted Operating Income				219,392
4					
5	Current Rate of Return				5.16%
6					
7	Required Operating Income				\$ 452,282
8					
9	Required Rate of Return				10.65%
10					
11	Operating Income Deficiency				\$ 232,889
12					
13	Gross Revenue Conversion Factor				1.6286
14					
15	Increase in Gross Revenue				
16	Requirement				\$ 379,286
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	3/4 and 1 Inch Residential	275,451	397,220	121,769	44.21%
22	2 Inch Residential	-	-	-	0.00%
23	4 Inch Residential	-	-	-	0.00%
24	6 Inch Residential	-	-	-	0.00%
25	5/8 Inch Commercial	-	-	-	0.00%
26	3/4 Inch Commercial	-	-	-	0.00%
27	1 Inch Commercial	6,531	9,236	2,705	41.42%
28	2 Inch Commercial	34,591	45,880	11,289	32.64%
29	4 Inch Commercial	150	503	353	235.02%
30	6 Inch Commercial	3,922	7,614	3,692	94.15%
31	4 Inch Irrigation				
32	6 Inch Irrigation	1,231	4,054	2,823	229.40%
33	6 Inch Irrigation - Potable	1,200	4,010	2,810	234.18%
34	8 Inch Irrigation	125,778	178,247	52,469	41.72%
35	12 Inch Irrigation	458,477	637,510	179,032	39.05%
36	3/4 Inch Residential customer revenue			-	0.00%
37	annualized to end of year, based on			-	0.00%
38	year end number of customers *	5,594	8,113	2,519	45.03%
39	Subtotal of Water Revenues	\$ 912,925	\$ 1,292,386	\$ 379,462	41.57%
40	Hook up fees **	35,000	35,000	-	0%
41	Miscellaneous Revenues	5,274	5,274	-	0%
42	C.A.P. Surcharge		-	-	0%
43	Total Revenues	\$ 953,199	\$ 1,332,661	\$ 379,462	39.81%
44					

45 * Includes Annualization of Revenues to Year End Customers for residential on 3/4 inch meters.

46 ** Using 35 customers at \$1,000 for hook-up fees, accounted for as revenue.

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Rate Base Proforma Adjustments

Exhibit
 Rebuttal Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Company's Adjusted at end of Test Year	Rebuttal Adjustment	Rebuttal Adjustment Label	Company's Rebuttal Adjusted at end of Test Year
1	Gross Utility Plant in Service	\$ 6,619,373	\$ (127,481)	(1)	\$ 6,491,892
2					
3	Less:				
4	Accumulated Depreciation	1,158,669	(137,979)	(2)	1,020,690
5					
6	Net Utility Plant in Service	\$ 5,460,704	\$ 10,498		\$ 5,471,203
7					
8	Less:				
9	Advances in Aid of Construction				
10					
11	Contributions in Aid of				
12	Construction ("CIAC")	\$ 1,417,924			
13	Less: Amortization to end of				
14	Test Year	<u>147,989</u>	1,269,935	(23) (3)	1,269,912
15	Customer Meter Deposits	120,684			120,684
16	Deferred Income Taxes & Credits	61,793	2,983	(5)	64,776
17					
18	Plus:				
19	Unamortized Finance Charges	12,904			12,904
20	Working capital	98,339	(7,696)	(4)	90,643
21	Debt Reserve Fund (proposed CoBank loan)	<u>129,039</u>			<u>129,039</u>
22	Total	<u>\$ 4,248,575</u>			<u>\$ 4,248,417</u>

- 23
- 24 (1) Reduce Plant in Service, Please See Rebuttal Schedule B-2, Page 2.
- 25 (2) Reduce Accumulated Depreciation, Please See Rebuttal Schedule B-2, Page 3.
- 26 (3) Reduce CIAC, based on ACC Staff adjusted CIAC.
- 27 (4) Working Capital Based on 1/8 of Allowable Operating Expenses and 1/24 of Pumping Power,
- 28 Please See Rebuttal Schedule B-5
- 29 (5) Deferred Income Tax additions for Depreciation taken after asset replaced. Please See Rebuttal
- 30 Schedule B-2, Page 5.
- 31

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Detail of Plant in Service

Exhibit
 Rebuttal Schedule B-2
 Page 2
 Witness: Bourassa

Line No.	Acct. No.	Plant Description	Company's Adjusted Plant Balance at <u>12/31/99</u>	ACC Staff <u>Adjustments</u> Dollar Amount	Staff Label	Company's Rebuttal Plant Balance at <u>12/31/99</u>
1	301	Organization Cost	1,380			1,380
2	302	Franchise Cost	-			-
3	303	Land and Land Rights	41,512	(4,000)	A	37,512
4	304	Structures and Improvements	37,133	(63,346)	B	(26,213)
5	307	Wells and Springs	1,610,304			1,610,304
6	310	Power Generation Equipment	35,397			35,397
7	311	Electric Pumping Equipment	973,284	(16,099)	C	957,185
8	320	Water Treatment Equipment	12,184			12,184
9	330	Distribution Reservoirs & Standpipe	360,282			360,282
10	331	Transmission and Distribution Mains	2,701,140	(1,500)	D	2,699,640
11	333	Services	347,232	(20,230)	E	327,002
12	334	Meters	81,524			81,524
13	335	Hydrants	183,259			183,259
14	339	Plant Structures and Improvements	105,744			105,744
15	340	Office Furniture and Fixtures	-			-
16	341	Transportation Equipment	36,684	(18,406)	F	18,278
17	343	Tools and Work Equipment	10,269			10,269
18	344	Laboratory Equipment	7,336	(1,200)	G	6,136
19	345	Communications Equipment	63,499	(2,700)	H	60,799
20	346	Miscellaneous Equipment	1,083			1,083
21	348	Other Tangible Plant	10,128			10,128
22						
23		Total Plant	<u>6,619,374</u>	<u>(127,481)</u>		<u>6,491,893</u>

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Adjustment to Accumulated Depreciation

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Line
No.

1	Accumulated Depreciation Per Company's Direct Filing		1,158,669
2			
3	Less:		
4	Plant Retirements per ACC Staff for Plant Retired	(1)	(130,251)
5	For depreciation on retired plant, which should not have		
6	been recorded for the years 1993 through 1999	(2)	(7,728)
7			
8	Total Adjustment to Accumulated Depreciaton		<u>(137,979)</u> (137,979)
9	Adjusted Accumulated Depreciation		<u><u>1,020,690</u></u>

10
11
12
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17

(1) and (2) Please See Rebuttal Schedule B-2, Page 4

Rio Verde Utilities, Inc. - Water
 Exhibit
 Rebuttal Schedule B-2
 Page 4
 Witness: Bourassa

Line No.	Description	Year Plant Installed	Replacement Year	Estimated Original Cost	Total Retirements by Year	Cumulative Retirements by Year	1/2 Year Depr. In Year of Retirement which should have been recorded	Excess Depr. after Retirement	Years of Depr. after retirement
1	For Plant Retirements (when Plant is retired, the Plant balance is reduced and Accumulated Depreciation is also reduced).								
2	(Plant Retirements per ACC Staff, \$127,481 from Schedule REL, plus \$2,770 for Adj. E, part 1)			\$ 130,251					
3	Remove Depreciation Accruals made after plant retired								
4	Total Adjustment to Accumulated Depreciation			<u>7,728</u>					
5				<u>\$ 137,979</u>					
6									
7									
8									
9									
10									
11									
12									
13									
14									
15	Well 1 electrical control panels	1973	1993	200	700	1993	10.72	0.03	6.5
16	Intrac disk drive for SCADA system	1983	1993	500	700	1993	10.72	139.42	6.5
17	Berkley Motor	1973	1994	700	4,900	1994	64.35	707.81	5.5
18	Well 3 pump assembly	1978	1994	3,500	4,200	1994	64.35	707.81	5.5
19	Wells 3,5,6 Water Specialties Flow meters	1980	1995	2,400	3,600	1995	55.15	496.39	4.5
20	Nanopure Lab Water System	1986	1996	1,200	500	1996	7.66	53.62	3.5
21	Motorola Radio Analog input module	1986	1996	500	500	1996	7.66	53.62	3.5
22	New Well 3 Equipment	1978	1997	93,346					
23	New Well 3 Installation	1978	1997	(30,000)					
24	Well 3 starter controls	1978	1997	6,000					
25	Water Service line replacement w/copper (35)	1978-1986	1997	7,000					
26	Handheld radio (1)	1986	1997	300					
27	Handheld radio (3)	1986	1997	900	77,546	1997	1,188.05	5,940.25	2.5
28	Well 2 Water Specialties Flowmeter	1973	1998	1,000					
29	Well 5 motor server & starter	1980	1998	300					
30	Rio Verde Dr. booster pump vault	1990	1998	4,000					
31	Service line replacement with copper(16)	1978-1985	1998	3,200	8,500	1998	130.23	390.68	1.5
32	Replace Well 2 Starter (Y2K upgrade)	1973	1999	2,000					
33	Replace water distribution system valves(6)	1980	1999	1,500					
34	Water Service line replacement w/copper(64)	1978-1986	1999	12,800					
35	Motorola Handheld Radio (2)	1997	1999	500					
36	1978 and 1993 Trucks retired and 1995	1999	1999						
37	Truck provided to employee as compensation	1999	1999	18,405	35,205	1999	539.36	539.36	0.5
38	Plant includes Common Plant which ACC Staff Retired this as water plant								
39				<u>\$ 130,251</u>	<u>130,251</u>				
40	(a) Tax and Book Depreciation must use the same convention (1/2 year) to qualify for tax normalization.						<u>1,456.16</u>	<u>\$ 7,728</u>	

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Adjustments to Accumulated Deferred Taxes

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Line
No.

1	For depreciation on retired plant, which should not have	
2	been recorded for the years 1993 through 1999	\$ 7,728
3	(From Reb. Sch. B-2, Page 4, Line 5)	
4	Income Tax Rate at Proposed Rates	<u>38.60%</u>
5		
6	Additional Deferred Income Taxes	<u>\$ 2,983</u>
7		

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Income Statement

Exhibit
 Rebuttal Schedule C-1
 Page 1
 Witness: Kozoman

Line No.	Test Year Adjusted Results	ACC Staff, RUCO Staff or RVCA Adjustments Accepted or Company's Proposed		Rebuttal Adjusted Results	Company Proposed Rate Increase	Company Proposed Rebuttal Rates
		Rebuttal Adjustment Label	Amount			
1 Revenues						
2 Water Revenues	\$ 912,925			\$ 912,925	\$ 379,286	\$ 1,292,211
3 Hook-Up Fees	35,000	ACC (B)	\$ (35,000)	35,000		35,000
4		Company 1	35,000			
5 Misc Service Revenues	5,274			5,274		5,274
6 C.A.P. Surcharge						
7 Total Revenues	\$ 953,199		\$ -	\$ 953,199	\$ 379,286	\$ 1,332,485
8 Operating Expenses						
9 Salaries & Wages	\$ 104,146	ACC (C)	\$ (8,543)	\$ 95,603		\$ 95,603
10 Purchased Power	156,637			156,637		156,637
11 SRP Ground water Charge	9,525			9,525		9,525
12 CAP Purchased Water	52,528			52,528		52,528
13 DWR Surcharge	5,329			5,329		5,329
14 Maintenance	86,213	ACC (D)	(6,670)	79,543		79,543
15 Chemicals	1,007			1,007		1,007
16 Administrative Office	12,009			12,009		12,009
17 Automotive	4,712			4,712		4,712
18 RVUI Lab Operations	2,003			2,003		2,003
19 Outside Lab	7,134			7,134		7,134
20 Supplies	11			11		11
21 Postage/Express/UPS	1,804			1,804		1,804
22 Office Supplies	1,575			1,575		1,575
23 Payroll Taxes	11,504	ACC (E)	(2,276)	9,228		9,228
24 Employee Benefits	7,399			7,399		7,399
25 Taxes & Licenses	41,820	Company 3	(4,625)	37,195		37,195
26 Telephone	3,800			3,800		3,800
27 Insurance	7,539			7,539		7,539
28 Legal Fees	739			739		739
29 Professional Fees	6,248			6,248		6,248
30 Education & Training	205			205		205
31 Travel & Entertainment	593			593		593
32 Security Charges	862			862		862
33 Outside Services	27,839	ACC (G)	(172)	27,667		27,667
34 Miscellaneous	139	ACC (H)	(88)	51		51
35 Rate Case Expense	12,000	ACC (I)	(2,000)	10,000		10,000
36 Depreciation	162,599	Company 2	(8,318)	154,281		154,281
37 Income Taxes	23,017	Income Tax	15,560	38,577	146,397	184,974
38 Total Operating Expenses	\$ 750,938		\$ (17,132)	\$ 733,807	\$ 146,397	\$ 880,204
39 Operating Income	\$ 202,261		\$ 17,132	\$ 219,392	\$ 232,889	\$ 452,281
40 Other Income (Expense)						
41 Interest Income	11,452	Company 4	(11,452)	(0)		(0)
42 Other income						
43 Interest Expense	178,132	Company 5	(20,109)	158,023		158,023
44 Other Expense						
45 Gain/Loss Sale of Fixed Assets						
46 Total Other Income, Expense	166,681		(8,657)	158,023		158,023
47 Net Profit (Loss)	35,580		25,789	61,369	232,889	294,259

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Adjustments to Revenues and/or Expenses

Exhibit
 Rebuttal Schedule C-2
 Page 1
 Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						Subtotal
	1	2	3	4	5	6	
1	Revenues	35,000					35,000
2							
3	Expenses		(8,318)	(7,325)		-	(15,643)
4							
5	Operating						
6	Income	35,000	8,318	7,325	-	-	50,643
7							
8	Interest						
9	Expense					(20,109)	(20,109)
10	Other						
11	Income /			(11,452)			
12	Expense			(11,452)			(11,452)
13							
14	Net Income	35,000	8,318	7,325	-	-	70,752
15		Hook-up	Depr.	Property	Interest	Patronage	Interest
16		Fees as	Expense	Taxes	Income	Dividend	Expense
17		Revenue				to Rebuttal	
18						Sch. D-1	
19		<u>Adjustments to Revenues and Expenses</u>					
20		Income					
21		Tax	ACC B	ACC C	ACC D	ACC E	ACC G
22	Revenues		(35,000)				
23							
24	Expenses	15,560		(8,543)	(6,670)	(2,276)	(17,744)
25							
26	Operating						
27	Income	(15,560)	(35,000)	8,543	6,670	2,276	17,744
28							
29	Interest						
30	Expense						(20,109)
31	Other						
32	Income /						
33	Expense						(11,452)
34							
35	Net Income	(15,560)	(35,000)	8,543	6,670	2,276	26,401
36		Income	Hook-up	Wages &	Main't.	Payroll	Outside
37		Tax	Fees as	Salary		Taxes	Services
38			Revenue	Expense			Expense
39							
40		<u>Adjustments to Revenues and Expenses</u>					
41		ACC H	ACC I				Total
42	Revenues						-
43							
44	Expenses	(88)	(2,000)				(19,832)
45							
46	Operating						
47	Income	88	2,000	-	-	-	19,832
48							
49	Interest						
50	Expense						(20,109)
51	Other						
52	Income /						
53	Expense						(11,452)
54							
55	Net Income	88	2,000	-	-	-	28,489
56		Misc.	Rate Case				
57		Expense	Expense				

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Adjustments to Revenues and/or Expenses
Adjustment to Hook-up Fee Revenue

Exhibit
Rebuttal Schedule C-2
Page 2
Witnesss: Bourassa

Line

No.

1	Company Proposed Hook-up Fee Revenue:	
2	Limit Accounting for Hook-up Fee as Revenue to the first 35	35
3	customers per year. (Hook-up fees from customers in excess of	
4	35 per year accounted for as a Contributions in Aid of Construction.) (a)	
5	Increase Hook-up Fee to ACC Staff Proposed Fee of \$1,000	<u>\$ 1,000</u>
6		
7	Adjustment to Hook-up Fee Revenue	<u>\$ 35,000</u>
8		
9	(a) Reflect gradual elimination of Hook-up Fee.	
10		
11		

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Adjustments to Revenues and/or Expenses
 Depreciation Annualization

Exhibit
 Rebuttal Schedule C-2
 Page 3
 Witness: Bourassa

Line No.	Acct. No.	Plant Description	Balance
1			
2			
3	301	Organization Cost	1,380
4	302	Franchise Cost	-
5	303	Land and Land Rights	37,512
6	304	Structures and Improvements	(26,213)
7	307	Wells and Springs	1,610,304
8	310	Power Generation Equipment	35,397
9	311	Electric Pumping Equipment	957,185
10	320	Water Treatment Equipment	12,184
11	330	Distribution Reservoirs & Standpipe	360,282
12	331	Transmission and Distribution Mains	2,699,640
13	333	Services	327,002
14	334	Meters	81,524
15	335	Hydrants	183,259
16	339	Plant Structures and Improvements	105,744
17	340	Office Furniture and Fixtures	-
18	341	Transportation Equipment	18,278
19	343	Tools and Work Equipment	10,269
20	344	Laboratory Equipment	6,136
21	345	Communications Equipment	60,799
22	346	Miscellaneous Equipment	1,083
23	348	Other Tangible Plant	10,128
24	Total Plant		<u>6,491,893</u>
25	Less: Non Depreciable Plant		
26	Organization Cost		(1,380)
27	Land and Land Rights		<u>(37,512)</u>
28	Depreciable Plant		6,453,001
29	Depreciable Rate		<u>3.064119%</u>
30	Depreciation Expense, before Amortization of		
31	Contributions in Aid of Construction ("CIAC")		197,728
32	CIAC Balance - Gross	1,417,924	
33	Amortization Rate	<u>3.064119%</u>	
34	CIAC Reduction in Depreciation Expense	<u>43,447</u>	(43,447)
35	Adjusted Depreciation Expense		154,281
36	Company Adjusted Test Year Depreciation Expense		<u>162,599</u>
37	Adjustment to Depreciation Expense		<u><u>(8,318)</u></u>

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Property Tax Computation Using Arizona Department of
 Revenue's New Proposed Full Cash Valuation Method

Exhibit
 Rebuttal Schedule C-2
 Page 4
 Witness: Bourassa

Line					
<u>No.</u>					
1	Proposed Revenues				1,332,485
2	Multiplier for Revenues				<u>2</u>
3	Revenues for Full Cash Value				2,664,970
4					
5	Add:				
6	Construction Work in Progress ("CWIP")			0	
7	Valuation of CWIP For Full Cash Value Computation			<u>10%</u>	0
8	Less:				
9			Minus	Book	
10	Licensed Vehicles, at Net Book Value		<u>Acc. Depr.</u>	<u>Value</u>	
11	Licensed Golf Cart, acquired in 1991	2,700	620	2,080	(2,080)
12	Improvements to Golf Cart in 1997	1,448	111	1,337	(1,337)
13	1995 Ford Ranger, acquired in 1995	5,636	777	4,859	(4,859)
14	1999 Ford Ranger, acquired in 1999	8,494	130	8,364	<u>(8,364)</u>
15					
16	Full Cash Value				2,648,331
17	Assessment Ratio				<u>25%</u>
18	Assessed Value				662,083
19	Property Tax Rate				<u>0.05615912</u>
20	Property Tax				\$ 37,182
21	Tax on Parcels				<u>13</u>
22	Property Tax at Proposed Rates				\$ 37,195
23	Test Year Adjusted Property Tax Expense in <u>Company's Direct Filing</u>				<u>41,820</u>
24	Increase or (Decrease) in Property Tax Expense				<u>\$ (4,625)</u>
25					
26	Adjustment to Property Tax Expense from Company's Direct Filing				<u>\$ (4,625)</u>
27					
28					
29					
30			<u>Yrs. of Depr.</u>	<u>Acc. Depr.</u>	
31	Golf Cart	2,700	7.5	620	
32	Golf Cart	1,448	2.5	111	
33	1995 Ford Ranger	5,636	4.5	777	
34	1999 Ford Ranger	8,494	0.5	130	

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Property Tax Computation / With Margin of Error Subtracted

Exhibit
 Rebuttal Schedule C-2
 Page 4 Supplemental
 Witness: Bourassa

Line No.		
1	Revenues - Annualized - Proposed Rates	1,332,485
2	Two Times Revenue	2,664,970
3	Gross Plant	6,491,892
4	Less: Accumulated Depreciation	1,020,690
5		
6	Net Plant or Book Value	5,471,203
7		
8	Revenue / Net Plant = Utilization Factor	24.35%
9		
10	Department of Revenue Factor for Plant	45%
11	Two Times Revenue without sales tax	2,664,970
12	Net Plant Times Utilization Factor, plus materials & supplies of:	904 2,462,041
13	Correlated Value, assuming 50% of plant and 50% of revenue	
14	plus Material and Supplies	2,564,410
15	CWIP at 35%	
16	Transportation Equipment Deduction	(7,220)
17		
18	Full Cash Value	2,557,189
19		
20	Times Assessment Ratio at 25%	25%
21		
22	Assessed Value	639,297
23		
24	Property Tax Rate	5.61591%
25	Property Tax Expense, base on full cash value	<u>35,902</u>
26	Property tax on parcels	13
27	Total Property Tax Expense at Proposed Rates	<u>35,915</u>
28	Less: Margin of Error in Computation	<u>(1,421)</u>
29		34,495
30	Test Year Adjusted Property Tax Expense in <u>Company's Direct Filing</u>	41,820
31	Increase or (Decrease) in Property Tax Expense	<u>(7,325)</u>
32		
33	Adjustment to Property Tax Expense from Company's Direct Filing	<u>(7,325)</u>

Rio Verde Utilities, Inc. - Water
Margin of Error in Property Tax Computations
Based on 50% of Plant and 50% of Proposed Revenues

Test Year Ended December 31, 1999

Exhibit
 Schedule C-2
 Page 4a Supplemental
 Witness: Bourassa

Line No.	Percentage of: Revenue Plant	Dollar amount of Revenue	Plant	Correl- ated Value	Remove Transport. Equipment	Full Cash Value	Assessed Value	25.00% Property Tax Expense	Property Tax Revenue	Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of: Property Tax
1	100%	2,664,970	904	2,665,874	(7,506)	2,658,368	664,592	37,323	35,902	(1,421)	-0.05%	-3.96%
2	99%	2,638,321	25,524	2,663,845	(7,500)	2,656,345	664,086	37,294	35,902	(1,392)	-0.05%	-3.88%
3	98%	2,611,671	50,145	2,661,816	(7,495)	2,654,321	663,580	37,266	35,902	(1,364)	-0.05%	-3.80%
4	97%	2,585,021	74,765	2,659,786	(7,489)	2,652,298	663,074	37,238	35,902	(1,335)	-0.05%	-3.72%
5	96%	2,558,372	99,386	2,657,757	(7,483)	2,650,274	662,569	37,209	35,902	(1,307)	-0.05%	-3.64%
6	95%	2,531,722	124,006	2,655,728	(7,477)	2,648,250	662,063	37,181	35,902	(1,278)	-0.05%	-3.56%
7	94%	2,505,072	148,626	2,653,699	(7,472)	2,646,227	661,557	37,152	35,902	(1,250)	-0.05%	-3.48%
8	93%	2,478,422	173,247	2,651,669	(7,466)	2,644,203	661,051	37,124	35,902	(1,222)	-0.05%	-3.40%
9	92%	2,451,773	197,867	2,649,640	(7,460)	2,642,180	660,545	37,096	35,902	(1,193)	-0.04%	-3.32%
10	91%	2,425,123	222,488	2,647,611	(7,455)	2,640,156	660,039	37,067	35,902	(1,165)	-0.04%	-3.24%
11	90%	2,398,473	247,108	2,645,581	(7,449)	2,638,133	659,533	37,039	35,902	(1,136)	-0.04%	-3.17%
12	89%	2,371,824	271,729	2,643,552	(7,443)	2,636,109	659,027	37,010	35,902	(1,108)	-0.04%	-3.09%
13	88%	2,345,174	296,349	2,641,523	(7,437)	2,634,085	658,521	36,982	35,902	(1,080)	-0.04%	-3.01%
14	87%	2,318,524	320,969	2,639,494	(7,432)	2,632,062	658,015	36,954	35,902	(1,051)	-0.04%	-2.93%
15	86%	2,291,874	345,590	2,637,464	(7,426)	2,630,038	657,510	36,925	35,902	(1,023)	-0.04%	-2.85%
16	85%	2,265,225	370,210	2,635,435	(7,420)	2,628,015	657,004	36,897	35,902	(994)	-0.04%	-2.77%
17	84%	2,238,575	394,831	2,633,406	(7,415)	2,625,991	656,498	36,868	35,902	(966)	-0.04%	-2.69%
18	83%	2,211,925	419,451	2,631,376	(7,409)	2,623,968	655,992	36,840	35,902	(938)	-0.04%	-2.61%
19	82%	2,185,276	444,071	2,629,347	(7,403)	2,621,944	655,486	36,812	35,902	(909)	-0.03%	-2.53%
20	81%	2,158,626	468,692	2,627,318	(7,397)	2,619,920	654,980	36,783	35,902	(881)	-0.03%	-2.45%
21	80%	2,131,976	493,312	2,625,289	(7,392)	2,617,897	654,474	36,755	35,902	(852)	-0.03%	-2.37%
22	79%	2,105,327	517,933	2,623,259	(7,386)	2,615,873	653,968	36,726	35,902	(824)	-0.03%	-2.29%
23	78%	2,078,677	542,553	2,621,230	(7,380)	2,613,850	653,462	36,698	35,902	(795)	-0.03%	-2.22%
24	77%	2,052,027	567,173	2,619,201	(7,375)	2,611,826	652,957	36,669	35,902	(767)	-0.03%	-2.14%
25	76%	2,025,377	591,794	2,617,171	(7,369)	2,609,802	652,451	36,641	35,902	(739)	-0.03%	-2.06%
26	75%	1,998,728	616,414	2,615,142	(7,363)	2,607,779	651,945	36,613	35,902	(710)	-0.03%	-1.98%
27	74%	1,972,078	641,035	2,613,113	(7,357)	2,605,755	651,439	36,584	35,902	(682)	-0.03%	-1.90%
28	73%	1,945,428	665,655	2,611,083	(7,352)	2,603,732	650,933	36,556	35,902	(653)	-0.02%	-1.82%
29	72%	1,918,779	690,276	2,609,054	(7,346)	2,601,708	650,427	36,527	35,902	(625)	-0.02%	-1.74%
26	71%	1,892,129	714,896	2,607,025	(7,340)	2,599,685	649,921	36,499	35,902	(597)	-0.02%	-1.66%
27	70%	1,865,479	739,516	2,604,996	(7,335)	2,597,661	649,415	36,471	35,902	(568)	-0.02%	-1.58%
28	69%	1,838,830	764,137	2,602,966	(7,329)	2,595,637	648,909	36,442	35,902	(540)	-0.02%	-1.50%
29	68%	1,812,180	788,757	2,600,937	(7,323)	2,593,614	648,403	36,414	35,902	(511)	-0.02%	-1.42%
30	67%	1,785,530	813,378	2,598,908	(7,317)	2,591,590	647,898	36,385	35,902	(483)	-0.02%	-1.35%
31	66%	1,758,880	837,998	2,596,878	(7,312)	2,589,567	647,392	36,357	35,902	(455)	-0.02%	-1.27%

Rio Verde Utilities, Inc. - Water
Margin of Error in Property Tax Computations
Based on 50% of Plant and 50% of Proposed Revenues
Test Year Ended December 31, 1999

Exhibit
 Schedule C-2
 Page 4b Supplemental
 Witness: Bourassa

Line No.	Percentage of Revenue	Plant	Dollar amount of		Correlated Value	Remove Transport. Equipment	Full Cash Value	Assessed Value	25.00% Assessed Value Percent	5.6159% Property Tax Expense	Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of Property Tax
			Revenue	Plant									
1	65%		1,732,231	862,618	2,594,849	(7,306)	2,587,543	646,886	36,329	35,902	(426)	-0.02%	-1.19%
2	64%		1,705,581	887,239	2,592,820	(7,300)	2,585,520	646,380	36,300	35,902	(398)	-0.01%	-1.11%
3	63%		1,678,931	911,859	2,590,791	(7,295)	2,583,496	645,874	36,272	35,902	(369)	-0.01%	-1.03%
4	62%		1,652,282	936,480	2,588,761	(7,289)	2,581,472	645,368	36,243	35,902	(341)	-0.01%	-0.95%
5	61%		1,625,632	961,100	2,586,732	(7,283)	2,579,449	644,862	36,215	35,902	(313)	-0.01%	-0.87%
6	60%		1,598,982	985,720	2,584,703	(7,277)	2,577,425	644,356	36,186	35,902	(284)	-0.01%	-0.79%
7	59%		1,572,333	1,010,341	2,582,673	(7,272)	2,575,402	643,850	36,158	35,902	(256)	-0.01%	-0.71%
8	58%		1,545,683	1,034,961	2,580,644	(7,266)	2,573,378	643,345	36,130	35,902	(227)	-0.01%	-0.63%
9	57%		1,519,033	1,059,582	2,578,615	(7,260)	2,571,355	642,839	36,101	35,902	(199)	-0.01%	-0.55%
10	56%		1,492,383	1,084,202	2,576,586	(7,255)	2,569,331	642,333	36,073	35,902	(170)	-0.01%	-0.47%
11	55%		1,465,734	1,108,823	2,574,556	(7,249)	2,567,307	641,827	36,044	35,902	(142)	-0.01%	-0.40%
12	54%		1,439,084	1,133,443	2,572,527	(7,243)	2,565,284	641,321	36,016	35,902	(114)	0.00%	-0.32%
13	53%		1,412,434	1,158,063	2,570,498	(7,237)	2,563,260	640,815	35,988	35,902	(85)	0.00%	-0.24%
14	52%		1,385,785	1,182,684	2,568,468	(7,232)	2,561,237	640,309	35,959	35,902	(57)	0.00%	-0.16%
15	51%		1,359,135	1,207,304	2,566,439	(7,226)	2,559,213	639,803	35,931	35,902	(28)	0.00%	-0.08%
16	50%		1,332,485	1,231,925	2,564,410	(7,220)	2,557,189	639,297	35,902	35,902	0	0.00%	0.00%
17	49%		1,305,835	1,256,545	2,562,380	(7,215)	2,555,166	638,791	35,874	35,902	28	0.00%	0.08%
18	48%		1,279,186	1,281,165	2,560,351	(7,209)	2,553,142	638,286	35,846	35,902	57	0.00%	0.16%
19	47%		1,252,536	1,305,786	2,558,322	(7,203)	2,551,119	637,780	35,817	35,902	85	0.00%	0.24%
20	46%		1,225,886	1,330,406	2,556,293	(7,197)	2,549,095	637,274	35,789	35,902	114	0.00%	0.32%
21	45%		1,199,237	1,355,027	2,554,263	(7,192)	2,547,072	636,768	35,760	35,902	142	0.01%	0.40%
22	44%		1,172,587	1,379,647	2,552,234	(7,186)	2,545,048	636,262	35,732	35,902	170	0.01%	0.47%
23	43%		1,145,937	1,404,267	2,550,205	(7,180)	2,543,024	635,756	35,704	35,902	199	0.01%	0.55%
24	42%		1,119,288	1,428,888	2,548,175	(7,175)	2,541,001	635,250	35,675	35,902	227	0.01%	0.63%
25	41%		1,092,638	1,453,508	2,546,146	(7,169)	2,538,977	634,744	35,647	35,902	256	0.01%	0.71%
26	40%		1,065,988	1,478,129	2,544,117	(7,163)	2,536,954	634,238	35,618	35,902	284	0.01%	0.79%
27	39%		1,039,338	1,502,749	2,542,088	(7,157)	2,534,930	633,733	35,590	35,902	313	0.01%	0.87%
28	38%		1,012,689	1,527,370	2,540,058	(7,152)	2,532,907	633,227	35,561	35,902	341	0.01%	0.95%
29	37%		986,039	1,551,990	2,538,029	(7,146)	2,530,883	632,721	35,533	35,902	369	0.01%	1.03%
26	36%		959,389	1,576,610	2,536,000	(7,140)	2,528,859	632,215	35,505	35,902	398	0.01%	1.11%
27	35%		932,740	1,601,231	2,533,970	(7,135)	2,526,836	631,709	35,476	35,902	426	0.02%	1.19%
28	34%		906,090	1,625,851	2,531,941	(7,129)	2,524,812	631,203	35,448	35,902	455	0.02%	1.27%

Rio Verde Utilities, Inc. - Water

Computation of Maximum Error from the Use
of 50% of Revenues and 50% of Net Plant

Test Year Ended December 31, 1999

Exhibit
Schedule C-2

Page 4c Supplemental

Witness: Bourassa

Line No.	Percentage of Revenue	Plant	Dollar amount of		Correlated Value	Remove Transport. Equipment	Full Cash Value	25.00% Assessed Value		Property Tax	50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of:
			Revenue	Plant				Value	Percent				
1	33%		879,440	1,650,472	2,529,912	(7,123)	2,522,789	630,697	35,419	35,902	483	0.02%	1.55%
2	32%		852,791	1,675,092	2,527,883	(7,117)	2,520,765	630,191	35,391	35,902	511	0.02%	1.42%
3	31%		826,141	1,699,712	2,525,853	(7,112)	2,518,741	629,685	35,363	35,902	540	0.02%	1.50%
4	30%		799,491	1,724,333	2,523,824	(7,106)	2,516,718	629,179	35,334	35,902	568	0.02%	1.58%
5	29%		772,841	1,748,953	2,521,795	(7,100)	2,514,694	628,674	35,306	35,902	597	0.02%	1.66%
6	28%		746,192	1,773,574	2,519,765	(7,095)	2,512,671	628,168	35,277	35,902	625	0.02%	1.74%
7	27%		719,542	1,798,194	2,517,736	(7,089)	2,510,647	627,662	35,249	35,902	653	0.02%	1.82%
8	26%		692,892	1,822,814	2,515,707	(7,083)	2,508,624	627,156	35,221	35,902	682	0.03%	1.90%
9	25%		666,243	1,847,435	2,513,677	(7,077)	2,506,600	626,650	35,192	35,902	710	0.03%	1.98%
10	24%		639,593	1,872,055	2,511,648	(7,072)	2,504,576	626,144	35,164	35,902	739	0.03%	2.06%
11	23%		612,943	1,896,676	2,509,619	(7,066)	2,502,553	625,638	35,135	35,902	767	0.03%	2.14%
12	22%		586,293	1,921,296	2,507,590	(7,060)	2,500,529	625,132	35,107	35,902	795	0.03%	2.22%
13	21%		559,644	1,945,917	2,505,560	(7,055)	2,498,506	624,626	35,078	35,902	824	0.03%	2.29%
14	20%		532,994	1,970,537	2,503,531	(7,049)	2,496,482	624,121	35,050	35,902	852	0.03%	2.37%
15	19%		506,344	1,995,157	2,501,502	(7,043)	2,494,459	623,615	35,022	35,902	881	0.03%	2.45%
16	18%		479,695	2,019,778	2,499,472	(7,037)	2,492,435	623,109	34,993	35,902	909	0.03%	2.53%
17	17%		453,045	2,044,398	2,497,443	(7,032)	2,490,411	622,603	34,965	35,902	938	0.04%	2.61%
18	16%		426,395	2,069,019	2,495,414	(7,026)	2,488,388	622,097	34,936	35,902	966	0.04%	2.69%
19	15%		399,746	2,093,639	2,493,385	(7,020)	2,486,364	621,591	34,908	35,902	994	0.04%	2.77%
20	14%		373,096	2,118,259	2,491,355	(7,015)	2,484,341	621,085	34,880	35,902	1,023	0.04%	2.85%
21	13%		346,446	2,142,880	2,489,326	(7,009)	2,482,317	620,579	34,851	35,902	1,051	0.04%	2.93%
22	12%		319,796	2,167,500	2,487,297	(7,003)	2,480,294	620,073	34,823	35,902	1,080	0.04%	3.01%
23	11%		293,147	2,192,121	2,485,267	(6,997)	2,478,270	619,567	34,794	35,902	1,108	0.04%	3.09%
24	10%		266,497	2,216,741	2,483,238	(6,992)	2,476,246	619,062	34,766	35,902	1,136	0.04%	3.17%
25	9%		239,847	2,241,361	2,481,209	(6,986)	2,474,223	618,556	34,738	35,902	1,165	0.04%	3.24%
26	8%		213,198	2,265,982	2,479,180	(6,980)	2,472,199	618,050	34,709	35,902	1,193	0.04%	3.32%
27	7%		186,548	2,290,602	2,477,150	(6,975)	2,470,176	617,544	34,681	35,902	1,222	0.05%	3.40%
28	6%		159,898	2,315,223	2,475,121	(6,969)	2,468,152	617,038	34,652	35,902	1,250	0.05%	3.48%
29	5%		133,249	2,339,843	2,473,092	(6,963)	2,466,128	616,532	34,624	35,902	1,278	0.05%	3.56%
26	4%		106,599	2,364,464	2,471,062	(6,957)	2,464,105	616,026	34,595	35,902	1,307	0.05%	3.64%
27	3%		79,949	2,389,084	2,469,033	(6,952)	2,462,081	615,520	34,567	35,902	1,335	0.05%	3.72%
28	2%		53,299	2,413,704	2,467,004	(6,946)	2,460,058	615,014	34,539	35,902	1,364	0.05%	3.80%
29	1%		26,650	2,438,325	2,464,974	(6,940)	2,458,034	614,509	34,510	35,902	1,392	0.05%	3.88%
30	0%		(0)	2,462,945	2,462,945	(6,935)	2,456,011	614,003	34,482	35,902	1,421	0.05%	3.96%

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Adjustments to Revenues and/or Expenses
Reclassify Interest Income

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Line
No.

1	Remove Interest Income from Tax Computation		<u><u>(11,452)</u></u>
2			
3	Interest Components:		
4	Debt Reserve Earnings (a)	\$ 5,807	
5	Other Interest (b)	<u>5,645</u>	
6		<u><u>\$ 11,452</u></u>	
7			
8	(a) Earnings on Debt Reserve used as offset to interest expense and		
9	resulting interest rate on Rebuttal Schedule D-1		
10			
11	(b) Other Interest Income removed from Rebuttal Schedule C-1 so that		
12	customers don't pay income on interest income.		
13			
14			

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Adjustments to Revenues and/or Expenses
Recognize Patronage Dividend from CoBank

Exhibit
Rebuttal Schedule C-2
Page 6
Witnesss: Bourassa

Line
No.

1	Estimated Patronage Dividend as an Offset to Interest Expense and	
2	Offset Interest Rate on Debt	
3		
4	CoBank Proposed Debt, Average Balance from Reb. Sch. D-2, Page	1,277,780
5	Estimated Patronage Dividend (as a Percent of Debt Balance Acct) (a)	<u>0.74%</u>
6		
7	Estimated Patronage Dividend	<u>\$ 9,461</u>
8		
9	(a) ACC Staff adjusted patronage dividend of \$13,287 (for Sewer Utility)	
10	divided by CoBank average loan balance of \$1,867,534 at 12/31/99 balance)	
11		

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Adjustments to Revenues and/or Expenses
Interest Synchronization

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Line No.		
1	Company's Proposed Rate Base	\$ 4,248,417
2		
3	Weighted Cost of Debt from Rebuttal Schedule D-1, Line 11	<u>3.72%</u>
4		
5	Interest Expense using Interest Synchronization	158,023
6	Interest Expense in Company's Direct Filing	<u>(178,132)</u>
7	Increase (Decrease) in Interest Expense	<u><u>(20,109)</u></u>
8		

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Computation of Gross Revenue Conversion Factor

Exhibit
 Rebuttal Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	<u>0.00%</u>
6		
7		
8	Total Tax Percentage	38.60%
9		
10	Operating Income % = 100% - Tax Percentage	61.40%
11		
12		
13		
14		
15	1	= Gross Revenue Conversion Factor
16	<u>Operating Income %</u>	1.6286
17		
18		
19		
20		

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Summary of Cost of Capital

Exhibit
 Rebuttal Schedule D-1
 Page 1
 Witness: Kozoman

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	Cost Rate	Dollar Amount	Percent of Total	Cost Rate
1	Long-Term Debt	566,223	13.25%	9.77%	552,578	12.26%	9.77%
2				1.29%			1.20%
3	Proposed CoBank Loan (1)	1,290,389	30.20%	8.03%	1,244,085	27.61%	8.03%
4				2.43%			2.22%
5	Stockholder's Equity	2,415,521	56.54%	12.25%	2,709,780	60.13%	12.25%
6				6.93%			7.37%
7							
8							
9	Totals	<u>4,272,133</u>	<u>100.00%</u>		<u>4,506,443</u>	<u>100.00%</u>	
10				<u>10.646%</u>			<u>10.780%</u>
11	Weighted Cost of Debt			<u>3.72%</u>			
12							
13	(1)						
14	See Rebuttal Schedule D-2, Page 1						
15	Loan Amount			1,290,389			13,827
16	Annual Interest Rate			9.75%			1844602
17	Annual Interest			<u>125,813</u>			<u>0.750%</u>
18	Deduct: Estimated Patronage Dividend (a)			(9,673)			
19	Deduct: Estimated Interest Earnings on Reserve Acct. (b)			(5,807)			
20	Add: Amortization of Deferred Finance Cost						
21	Deferred Finance Cost			12,904			
22	Amortization Period in years			<u>20</u>			<u>4.50%</u>
23	Annual Amortization			645			
24	Total Annual Loan Cost			<u>110,978</u>			
25	Loan Amount			1,290,389			
26	Effective Interest Cost			<u>8.60%</u>			
27							

(a) Patronage Dividend Per ACC Staff 13,827
 12/31/99 CoBank Loan balance 1844602
 (for sewer utility)
 Patronage Dividend Rate 0.750%

(b) Interest Earned on Debt Reserve Account
 Estimated at (on Year End Bal.) 4.50%

Rio Verde Utilities, Inc. - Water
 Test Year Ended December 31, 1999
 Computation of Effective Interest Rate for Rate of Return
 or Cost of Capital Computations

Exhibit
 Rebuttal Schedule D-2
 Page 2
 Witness: Kozoman

Line No.					
1	Computations for Proposed CoBank Loan for Water Utility				
2					
3	Loan Amount				\$ 1,290,389
4	Annual Interest Rate Per CoBank E-Mail Jan. 4, 2001				9.19%
5	Monthly Interest Rate				0.7658333%
6	Loan Term in Years				20
7	Loan Term in Months				240
8	Annuity Factor for Monthly Payments				109.65133
9	Monthly Payment				\$ 11,768.11
10					
11	Payment	Payment	Interest	Principal	
12	<u>Number</u>	<u>Amount</u>	<u>Payment</u>	<u>Payment</u>	<u>Loan Balance</u>
13					\$ 1,290,389
14	1	\$ 11,768.11	\$ 9,882.23	\$ 1,885.88	1,288,503
15	2	11,768.11	9,867.79	1,900.32	1,286,603
16	3	11,768.11	9,853.23	1,914.88	1,284,688
17	4	11,768.11	9,838.57	1,929.54	1,282,758
18	5	11,768.11	9,823.79	1,944.32	1,280,814
19	6	11,768.11	9,808.90	1,959.21	1,278,855
20	7	11,768.11	9,793.90	1,974.21	1,276,881
21	8	11,768.11	9,778.78	1,989.33	1,274,891
22	9	11,768.11	9,763.54	2,004.57	1,272,887
23	10	11,768.11	9,748.19	2,019.92	1,270,867
24	11	11,768.11	9,732.72	2,035.39	1,268,831
25	12	11,768.11	9,717.13	2,050.98	1,266,780
26	Totals	<u>\$ 141,217</u>	<u>\$ 117,609</u>	<u>\$ 23,609</u>	
27					
28	Average Loan Balance				<u>1,277,780</u>
29					
30	Average Loan Balance		1,277,780		
31	ACC Staff Patronage Dividend at		0.740%		
32	From (Wastewater Reb. Sch. D-1, Page 1, Line 30)				
33	Patronage Dividend		<u>\$ 9,460.53</u>		
34					
35	Interest Expense Paid for the Year				\$ 117,609
36	Add: Amortization of Deferred Finance Charge				
37	Deferred Finance Charge Balance			\$ 12,904	
38	Amortization Period in Years			<u>20</u>	645
39	Deduct Interest Income on Debt Reserve & Patronage				
40	Dividend				
41	Interest Income for Year Ended 12/31/99, assuming				
42	Interest Earned at 4.80% on the Average Loan Bal.				(6,194)
43	Patronage Dividend, Staff Adjusted				<u>(9,461)</u>
44	Net Interest Cost				\$ 102,600
45	Average Loan Balance				<u>1,277,780</u>
46	Effective Interest Rate (Line 44 / Line 45)				<u>8.0295%</u>

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Return which will Actually be Earned
on Common Equity

Exhibit
Rebuttal Schedule D-4
Page 1
Witness: Kozoman

Line
No.

1	Proposed Net Income		
2	Wastewater Utility	\$	108,991
3	Water Utility		<u>294,259</u>
4	Total Net Income	\$	<u>403,250</u>
5			
6	Equity		
7	Wastewater Utility	\$	1,325,092
8	Water Utility		<u>2,415,521</u>
9	Total Equity	\$	<u>3,740,613</u>
10	Equity Return		<u><u>10.78%</u></u>

Rio Verde Utilities, Inc.

Test Year Ended December 31, 1999

Nationally Traded Water Companies, Data from

Value Line August 4, 2000 (Amounts, except Dividend per Share in 000's)

Exhibit
Rebuttal Schedule D-4
Page 2
Witness: Kozoman

Line No.	Company	Book Value of Common Equity	Number of Shares Outstanding	Total Book Value of Common Stock	Per Share Dividend to Common Equity	(b) Total Dividend to Common Stock	Dividend Percentage Rate	Per Company Basis Dividend Percentage Rate
1	American States Water	17.73	8.96	158.86	1.28	11.47	7.219%	7.22%
2	American Water Works	16.80	97.30	1,634.64	0.86	83.68	5.119%	5.12%
3	California Water	13.43	12.94	173.78	1.09	14.10	8.116%	8.12%
4	Connecticut Water Services	12.78	12.92	165.12	1.18	15.25	9.233%	9.23%
5	E'Town Corp.	26.26	8.93	234.50	2.04	18.22	7.768%	7.77%
6	Middlesex Water	13.91	5.00	69.55	1.19	5.95	8.555%	8.55%
7	Philadelphia Suburban	12.05	41.01	494.17	0.70	28.71	5.809%	5.81%
8	SJW Corp.	47.25	3.05	144.11	2.40	7.32	5.079%	5.08%
9	Southwest Water	6.17	6.48	39.98	0.22	1.43	3.566%	3.57%
10	United Water Resources	8.92	38.91	347.08	0.96	37.35	10.762%	10.76%
11	Totals and Weighted Dividend Returns		235.50	3,461.80		223.47	6.455%	
12								
13								
14	ACC Staff Method: Average Dividend on book value							7.12%
15								
16	(a) Value Line's book value times Value Line's number of shares of common stock.							
17	(a) Value Line's number of shares of common stock times Value Line's dividend per share.							
18								
19								
20	ACC Staff's Common Equity for Rio Verde Utilities, Inc.							
21	Wastewater				1,325,092			
22	Water				2,415,521			
23	Total Common Equity				3,740,613			
24								
25	Dividend Requirement as a Percentage							6.455%
26	Dividend Requirement in Dollars							\$ 241,469
								\$ 266,435

3,740,613

3,740,613

3,740,613

7.12%

6.455%

8.92

8.92

Rio Verde Utilities, Inc. / Water Division

Revenue Summary
 With Annualized Revenues to Year End Number of Customers
 Test Year Ended December 31, 1999

Exhibit
 Rebuttal Schedule H-1
 Page 1
 Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch Residential, 3/4 Inch, and 1 Inch Residential	\$ 275,451	\$ 397,220	\$ 121,769	44.21%	30.17%	30.74%
3	3/4 Inch Residential customer revenue annualized to end of year, based on year end number of customers	5,594	8,113	2,519	45.03%	0.61%	0.63%
2	2 Inch Residential	.	.	.	0.00%	0.00%	0.00%
4	4 Inch Residential	.	.	.	0.00%	0.00%	0.00%
6	6 Inch Residential	.	.	.	0.00%	0.00%	0.00%
8	5/8 Inch Commercial	.	.	.	0.00%	0.00%	0.00%
9	3/4 Inch Commercial	.	.	.	0.00%	0.00%	0.00%
10	1 Inch Commercial	6,531	9,236	2,705	41.42%	0.72%	0.71%
11	2 Inch Commercial	34,591	45,880	11,289	32.64%	3.79%	3.55%
12	4 Inch Commercial	150	503	353	235.02%	0.02%	0.04%
13	6 Inch Commercial	3,922	7,614	3,692	94.15%	0.43%	0.59%
14	6 Inch Irrigation	1,231	4,054	2,823	229.40%	0.13%	0.31%
15	6 Inch Irrigation - Potable	1,200	4,010	2,810	234.18%	0.13%	0.31%
16	8 Inch Irrigation	125,778	178,247	52,469	41.72%	13.78%	13.79%
17	12 Inch Irrigation	458,477	637,510	179,032	39.05%	50.22%	49.33%
18	Total Water Revenues	912,925	1,292,386	379,462	41.57%	100.00%	100.00%
20							
21	Hook-Up Fees (a)	35,000	35,000	.			
22	Misc Service Revenues (a)	5,274	5,274	.			
23	Total Revenues	953,199	1,332,661	379,462			
24	Summary by Classification						
25	Residential	281,045	405,333	124,288	44.22%	30.79%	31.36%
26	Commercial	45,193	63,232	18,039	39.92%	4.95%	4.89%
27	Irrigation	586,687	823,821	237,135	40.42%	64.26%	63.74%
28	Hook-Up Fees and Miscellaneous Revenues	40,274	40,274	.			
29	Total	953,199	1,332,661	379,462	0.00%	100.00%	100.00%

Rio Verde Utilities, Inc. / Water Division
 Test Year Ended December 31, 1999
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 1999

Exhibit
 Rebuttal Schedule H-2
 Page 1
 Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Average Number of Customers at 12/31/99	Average Consumption	Monthly		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8 Inch Residential, 3/4 Inch, and 1 Inch Residential	1,183	10,636	19.33	27.98	8.64	44.692%
2	2 Inch Residential						
3	4 Inch Residential						
4	6 Inch Residential						
5	5/8 Inch Commercial						
6	3/4 Inch Commercial						
7	1 Inch Commercial						
8	2 Inch Commercial	22	14,626	24	35	10.28	42.046%
9	4 Inch Commercial	9	234,600	339	450	110.80	32.683%
10	6 Inch Commercial	0	500	50	168	117.51	235.023%
11	6 Inch Commercial	1	178,183	327	634	307.67	94.147%
12	6 Inch Irrigation	1	3,834	102	338	235.36	229.637%
13	6 Inch Irrigation - Potable	1	500	100	334		
14	8 Inch Irrigation	2	5,729,063	5,241	7,427	2,186.27	41.717%
15	12 Inch Irrigation	3	14,018,593	12,735	17,709	4,973.12	39.049%
16							
17	Totals	<u>1,222</u>					
18							
19	Customer Classification						
20	Residential	1,183					
21	Commercial	32					
22	Irrigation	7					
23							
24	Totals	<u>1,222</u>					

Rio Verde Utilities, Inc. / Water Division
 Present and Proposed Rates
 Test Year Ended December 31, 1999

Exhibit
 Rebuttal Schedule H-3
 Page 1
 Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1	Monthly Usage Charge for:			
2	<u>Residential</u>			
3	3/4 Inch	\$ 7.00	\$ 10.00	42.86%
4	3/4 Inch	7.00	10.00	42.86%
5	1 Inch	7.00	10.00	42.86%
6	2 Inch	40.00	53.33	33.33%
7	4 Inch	50.00	166.67	233.33%
8	6 Inch	100.00	333.33	233.33%
9	<u>Commercial</u>			
10	5/8 Inch	7.00	10.00	42.86%
11	3/4 Inch	7.00	10.00	42.86%
12	1 Inch	7.00	10.00	42.86%
13	2 Inch	40.00	53.33	33.33%
14	4 Inch	50.00	166.67	233.33%
15	6 Inch	100.00	333.33	233.33%
16	<u>Irrigation</u>			
17	4 Inch	50.00	166.67	233.33%
18	6 Inch	100.00	333.33	233.33%
19	6 Inch - Potable	100.00	333.33	233.33%
20	8 Inch	200.00	666.67	233.33%
21	12 Inch	400.00	1,166.67	191.67%
22	<u>Standpipe</u>			
23	5/8 Inch	7.00	10.00	42.86%
24	3/4 Inch	7.00	10.00	42.86%
25	1 Inch	7.00	10.00	42.86%
26	2 Inch	40.00	53.33	33.33%
27	4 Inch	50.00	166.67	233.33%
28	6 Inch	100.00	333.33	233.33%
29	<u>Construction</u>			
30	5/8 Inch	7.00	10.00	42.86%
31	3/4 Inch	7.00	10.00	42.86%
32	1 Inch	7.00	10.00	42.86%
33	2 Inch	40.00	53.33	33.33%
34	4 Inch	50.00	166.67	233.33%
35	6 Inch	100.00	333.33	233.33%
36				
37				
38	<u>Gallons In Minimum</u>			
39	Residential, all	1,000	-	
40	Commercial, all	1,000	-	
41	Irrigation, all	1,000	-	
42	Standpipe, all	1,000	-	
43	Construction, all	1,000	-	
44				
45	<u>Commodity Charge (per 1,000 gallons over minimum)</u>			
46	Residential, all	1.28	1.69000	32.03%
47	Commercial, all	1.28	1.69000	32.03%
48	Irrigation, all except potable	0.88	1.18000	34.09%
49	Irrigation, potable	1.28	1.69000	32.03%
50	Standpipe, all	1.28	1.69000	32.03%
51	Construction, all	1.28	1.69000	32.03%
52	Irrigation Surcharge when potable water is used, per 1,000 gallons	0.40	0.51000	27.50%
53				
54	Interior Sprinkler Rate, when separate line serves sprinkler system	(a)	\$ 5.00	
55	(a) Or 1.00% of monthly minimum charge for applicable, whichever is greater			

Rio Verde Utilities, Inc. / Water Division
 Present and Proposed Rates
 Test Year Ended December 31, 1999

Exhibit
 Rebuttal Schedule H-3
 Page 2
 Witness: Kozoman

Line No.	<u>Other Service Charges</u>	Present <u>Rates</u>	Proposed <u>Rates</u>
1	Establishment	\$ 25.00	\$ 25.00
2	Establishment (After Hours)	50.00	50.00
3	Re-Establishment (With-in 12 Months)	(b)	(b)
4	Re-Establishment (After Hours)	40.00	40.00
5	Reconnection (Deliquent)	(c)	(c)
6	Reconnection (Deliquent and After Hours)	30.00	30.00
7	Meter Test	25.00	45.00
8	Meter Re-Read	5.00	5.00
9	Min Deposit Requirement (Residential)	(a)	(a)
10	Min Deposit Requirement (Non-Residential)	(a)	(a)
11	Deposit Interest	6.00%	6.00%
12	NSF Check (d)	10.00	25.00
13	Deferred Payment finance charge, Per Month	1.50%	1.50%
14	Charge of Moving Customer Meter -		
15	Customer Requested per Rule R14-2-405B	Cost	Cost
16	Late Payment Charge, Per Month	1.50%	1.50%
17			
18			
19	(a) <u>Residential</u> - two times the average bill. <u>Non-residential</u> - two and one-half times the average bill.		
20	The Company does not normally require a deposit prior to the provision of service. However, in the		
21	event a customer is disconnected for non-payment, this deposit is required.		
22	(b) Minimum charge times number of full months disconnected.		
23	(c) Actual cost of physical disconnection and reconnection (if same customer) and there shall be no		
24	charge if there is no physical work performed.		
25	(d) This charge shall not apply if water service is paid with the same NSF check used to pay for		
26	wastewater service for which a NSF fee is charged.		
27			
28	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
29	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
30	TAX. PER COMMISSION RULE (14-2-409.D 5).		
31	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
32	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		
33	Cost to include labor, materials and parts, overheads and all applicable taxes.		

Rio Verde Utilities, Inc. / Water Division
 Bill Comparison
 Customer Classification
 Residential 3/4 inch & 1 Inch

Exhibit
 Rebuttal Schedule H-4
 Page 1
 Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
	\$ 7.00	\$ 10.00	\$ 3.00	42.86%
1,000	7.00	11.69	4.69	67.00%
2,000	8.28	13.38	5.10	61.59%
3,000	9.56	15.07	5.51	57.64%
4,000	10.84	16.76	5.92	54.61%
5,000	12.12	18.45	6.33	52.23%
6,000	13.40	20.14	6.74	50.30%
7,000	14.68	21.83	7.15	48.71%
8,000	15.96	23.52	7.56	47.37%
9,000	17.24	25.21	7.97	46.23%
10,000	18.52	26.90	8.38	45.25%
11,000	19.80	28.59	8.79	44.39%
12,000	21.08	30.28	9.20	43.64%
13,000	22.36	31.97	9.61	42.98%
14,000	23.64	33.66	10.02	42.39%
15,000	24.92	35.35	10.43	41.85%
16,000	26.20	37.04	10.84	41.37%
17,000	27.48	38.73	11.25	40.94%
18,000	28.76	40.42	11.66	40.54%
19,000	30.04	42.11	12.07	40.18%
20,000	31.32	43.80	12.48	39.85%
21,000	32.60	45.49	12.89	39.54%
22,000	33.88	47.18	13.30	39.26%
23,000	35.16	48.87	13.71	38.99%
24,000	36.44	50.56	14.12	38.75%
25,000	37.72	52.25	14.53	38.52%
26,000	39.00	53.94	14.94	38.31%
27,000	40.28	55.63	15.35	38.11%
28,000	41.56	57.32	15.76	37.92%
29,000	42.84	59.01	16.17	37.75%
30,000	44.12	60.70	16.58	37.58%
31,000	45.40	62.39	16.99	37.42%
32,000	46.68	64.08	17.40	37.28%
33,000	47.96	65.77	17.81	37.14%
34,000	49.24	67.46	18.22	37.00%
35,000	50.52	69.15	18.63	36.88%
36,000	51.80	70.84	19.04	36.76%
37,000	53.08	72.53	19.45	36.64%
38,000	54.36	74.22	19.86	36.53%
39,000	55.64	75.91	20.27	36.43%
40,000	56.92	77.60	20.68	36.33%
41,000	58.20	79.29	21.09	36.24%
42,000	59.48	80.98	21.50	36.15%
43,000	60.76	82.67	21.91	36.06%
44,000	62.04	84.36	22.32	35.98%
45,000	63.32	86.05	22.73	35.90%
46,000	64.60	87.74	23.14	35.82%
47,000	65.88	89.43	23.55	35.75%
48,000	67.16	91.12	23.96	35.68%
49,000	68.44	92.81	24.37	35.61%
50,000	69.72	94.50	24.78	35.54%
Average Usage				
10,636	\$ 19.33	\$ 27.98	\$ 8.64	44.69%
Median Usage				
10,001	\$ 18.52	\$ 26.90	\$ 8.38	45.25%

Present Rates:

Monthly Minimum:	\$ 7.00
Gallons in Minimum	1,000
Charge Per 1,000 Gallons	
Up to	1,001 \$ 1.28
Over	1,002 \$ 1.28
	1,003 \$ 1.28
	\$ 1.28

Proposed Rates:

Monthly Minimum:	\$ 10.00
Gallons in Minimum	
Charge Per 1,000 Gallons	
Up to	1 \$ 1.69
Up to	2 \$ 1.69
Over	3 \$ 1.69
	\$ 1.69

Rio Verde Utilities, Inc. / Water Division
 Bill Comparison
 Customer Classification
 1 Inch Commercial

Exhibit
 Rebuttal Schedule H-4
 Page 2
 Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
	\$ 7.00	\$ 10.00	\$ 3.00	42.86%
1,000	7	12	4.69	67.00%
2,000	8.28	13.38	5.10	61.59%
3,000	9.56	15.07	5.51	57.64%
4,000	10.84	16.76	5.92	54.61%
5,000	12.12	18.45	6.33	52.23%
6,000	13.40	20.14	6.74	50.30%
7,000	14.68	21.83	7.15	48.71%
8,000	15.96	23.52	7.56	47.37%
9,000	17.24	25.21	7.97	46.23%
10,000	18.52	26.90	8.38	45.25%
11,000	19.80	28.59	8.79	44.39%
12,000	21.08	30.28	9.20	43.64%
13,000	22.36	31.97	9.61	42.98%
14,000	23.64	33.66	10.02	42.39%
15,000	24.92	35.35	10.43	41.85%
16,000	26.20	37.04	10.84	41.37%
17,000	27.48	38.73	11.25	40.94%
18,000	28.76	40.42	11.66	40.54%
19,000	30.04	42.11	12.07	40.18%
20,000	31.32	43.80	12.48	39.85%
21,000	32.60	45.49	12.89	39.54%
22,000	33.88	47.18	13.30	39.26%
23,000	35.16	48.87	13.71	38.99%
24,000	36.44	50.56	14.12	38.75%
25,000	37.72	52.25	14.53	38.52%
26,000	39.00	53.94	14.94	38.31%
27,000	40.28	55.63	15.35	38.11%
28,000	41.56	57.32	15.76	37.92%
29,000	42.84	59.01	16.17	37.75%
30,000	44.12	60.70	16.58	37.58%
31,000	45.40	62.39	16.99	37.42%
32,000	46.68	64.08	17.40	37.28%
33,000	47.96	65.77	17.81	37.14%
34,000	49.24	67.46	18.22	37.00%
35,000	50.52	69.15	18.63	36.88%
36,000	51.80	70.84	19.04	36.76%
37,000	53.08	72.53	19.45	36.64%
38,000	54.36	74.22	19.86	36.53%
39,000	55.64	75.91	20.27	36.43%
40,000	56.92	77.60	20.68	36.33%
41,000	58.20	79.29	21.09	36.24%
42,000	59.48	80.98	21.50	36.15%
43,000	60.76	82.67	21.91	36.06%
44,000	62.04	84.36	22.32	35.98%
51,200.0	71.26	96.53	25.27	35.47%
53,760.0	74.53	100.85	26.32	35.32%
60,000.0	82.52	111.40	28.88	35.00%
68,700.0	93.66	126.10	32.45	34.64%
83,090.0	112.08	150.42	38.35	34.22%
107,200.0	142.94	191.17	48.23	33.74%
153,600.0	202.33	269.58	67.26	33.24%
185,200.0	242.78	322.99	80.21	33.04%
192,000.0	251.48	334.48	83.00	33.00%

Present Rates:

Monthly Minimum:	\$	7.00
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	1,001	\$ 1.28
Over	1,002	\$ 1.28
	1,003	\$ 1.28
		\$ 1.28

Proposed Rates:

Monthly Minimum:	\$	10.00
Gallons in Minimum		
Charge Per 1,000 Gallons		
Up to	1	\$ 1.69
Up to	2	\$ 1.69
Over	3	\$ 1.69
		\$ 1.69

Average Usage							
14,626	\$	24.44	\$	34.72	\$	10.28	42.05%
Median Usage							
38,002	\$	54.36	\$	74.22	\$	19.86	36.53%

Rio Verde Utilities, Inc. / Water Division
 Bill Comparison
 Customer Classification
 2 Inch Commercial

Exhibit
 Rebuttal Schedule H-4
 Page 3
 Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 40.00	\$ 53.33	\$ 13.33	33.33%
1,000	40.00	55.02	15.02	37.56%
2,000	41.28	56.71	15.43	37.39%
3,000	42.56	58.40	15.84	37.23%
4,000	43.84	60.09	16.25	37.07%
5,000	45.12	61.78	16.66	36.93%
6,000	46.40	63.47	17.07	36.80%
7,000	47.68	65.16	17.48	36.67%
8,000	48.96	66.85	17.89	36.55%
9,000	50.24	68.54	18.30	36.43%
10,000	51.52	70.23	18.71	36.32%
11,000	52.80	71.92	19.12	36.22%
12,000	54.08	73.61	19.53	36.12%
13,000	55.36	75.30	19.94	36.02%
14,000	56.64	76.99	20.35	35.93%
15,000	57.92	78.68	20.76	35.85%
16,000	59.20	80.37	21.17	35.77%
17,000	60.48	82.06	21.58	35.69%
18,000	61.76	83.75	21.99	35.61%
19,000	63.04	85.44	22.40	35.54%
20,000	64.32	87.13	22.81	35.47%
212,600.0	310.85	412.63	101.78	32.74%
215,000.0	313.92	416.68	102.76	32.74%
217,400.0	316.99	420.74	103.75	32.73%
218,800.0	318.78	423.11	104.32	32.72%
229,300.0	332.22	440.85	108.63	32.70%
238,600.0	344.13	456.57	112.44	32.67%
240,300.0	346.30	459.44	113.14	32.67%
245,800.0	353.34	468.74	115.39	32.66%
281,400.0	398.91	528.90	129.99	32.59%
293,200.0	414.02	548.84	134.83	32.57%
301,000.0	424.00	562.02	138.02	32.55%
321,300.0	449.98	596.33	146.35	32.52%
322,400.0	451.39	598.19	146.80	32.52%
352,100.0	489.41	648.38	158.97	32.48%
363,400.0	503.87	667.48	163.61	32.47%
366,900.0	508.35	673.39	165.04	32.47%
367,100.0	508.61	673.73	165.12	32.47%
367,900.0	509.63	675.08	165.45	32.47%
372,800.0	515.90	683.37	167.46	32.46%
379,400.0	524.35	694.52	170.17	32.45%
393,000.0	541.76	717.50	175.74	32.44%
402,500.0	553.92	733.56	179.64	32.43%
406,200.0	558.66	739.81	181.16	32.43%
413,000.0	567.36	751.30	183.94	32.42%
424,600.0	582.21	770.91	188.70	32.41%
451,000.0	616.00	815.52	199.52	32.39%
457,600.0	624.45	826.68	202.23	32.39%
612,500.0	822.72	1,088.46	265.74	32.30%
656,500.0	879.04	1,162.82	283.78	32.28%
746,200.0	993.86	1,314.41	320.56	32.25%
796,300.0	1,057.98	1,399.08	341.10	32.24%
1,065,900.0	1,403.07	1,854.70	451.63	32.19%
1,523,100.0	1,988.29	2,627.37	639.08	32.14%
1,918,100.0	2,493.89	3,294.92	801.03	32.12%
1,992,800.0	2,589.50	3,421.17	831.66	32.12%
2,311,100.0	2,996.93	3,959.09	962.16	32.11%

Present Rates:

Monthly Minimum:	\$	40.00
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	1,001	\$ 1.28
Over	1,002	\$ 1.28
	1,003	\$ 1.28
		\$ 1.28

Proposed Rates:

Monthly Minimum:	\$	53.33
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	1	\$ 1.69
Up to	2	\$ 1.69
Over	3	\$ 1.69
		\$ 1.69

Average Usage				
234,600	\$ 339.01	\$ 449.81	\$ 110.80	32.68%
Median Usage				
212,600	\$ 310.85	\$ 412.63	\$ 101.78	32.74%

Rio Verde Utilities, Inc. / Water Division
 Bill Comparison
 Customer Classification
 4 Inch Commercial

Exhibit
 Rebuttal Schedule H-4
 Page 4
 Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
	\$ 50.00	\$ 166.67	\$ 116.67	233.33%
1,000	50.00	168.36	118.36	236.71%
2,000	51.28	170.05	118.77	231.60%
3,000	52.56	171.74	119.18	226.74%
4,000	53.84	173.43	119.59	222.11%
5,000	55.12	175.12	120.00	217.70%
6,000	56.40	176.81	120.41	213.49%
7,000	57.68	178.50	120.82	209.46%
8,000	58.96	180.19	121.23	205.61%
9,000	60.24	181.88	121.64	201.92%
10,000	61.52	183.57	122.05	198.39%
11,000	62.80	185.26	122.46	194.99%
12,000	64.08	186.95	122.87	191.74%
13,000	65.36	188.64	123.28	188.61%
14,000	66.64	190.33	123.69	185.60%
15,000	67.92	192.02	124.10	182.71%
16,000	69.20	193.71	124.51	179.92%
17,000	70.48	195.40	124.92	177.24%
18,000	71.76	197.09	125.33	174.65%
19,000	73.04	198.78	125.74	172.15%
20,000	74.32	200.47	126.15	169.73%
21,000	75.60	202.16	126.56	167.40%
22,000	76.88	203.85	126.97	165.15%
23,000	78.16	205.54	127.38	162.97%
24,000	79.44	207.23	127.79	160.86%
25,000	80.72	208.92	128.20	158.82%
26,000	82.00	210.61	128.61	156.84%
27,000	83.28	212.30	129.02	154.92%
28,000	84.56	213.99	129.43	153.06%
29,000	85.84	215.68	129.84	151.25%
30,000	87.12	217.37	130.25	149.50%
31,000	88.40	219.06	130.66	147.80%
32,000	89.68	220.75	131.07	146.15%
33,000	90.96	222.44	131.48	144.54%
34,000	92.24	224.13	131.89	142.98%
35,000	93.52	225.82	132.30	141.46%
36,000	94.80	227.51	132.71	139.99%
37,000	96.08	229.20	133.12	138.55%
38,000	97.36	230.89	133.53	137.15%
Average Usage				
500	\$ 50.00	\$ 167.51	\$ 117.51	235.02%
Median Usage				
500	\$ 50.00	\$ 167.51	\$ 117.51	235.02%

Present Rates:

Monthly Minimum:	\$	50.00
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	1,001	\$ 1.28
Over	1,002	\$ 1.28
	1,003	\$ 1.28
		\$ 1.28

Proposed Rates:

Monthly Minimum:	\$	166.67
Gallons in Minimum		
Charge Per 1,000 Gallons		
Up to	1	\$ 1.69
Up to	2	\$ 1.69
Over	3	\$ 1.69
		\$ 1.69

Rio Verde Utilities, Inc. / Water Division
 Bill Comparison
 Customer Classification
 6 Inch Commercial

Exhibit
 Rebuttal Schedule H-4
 Page 5
 Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
.	\$ 100.00	\$ 333.33	\$ 233.33	233.33%
1,000	100.00	335.02	235.02	235.02%
2,000	101.28	336.71	235.43	232.46%
3,000	102.56	338.40	235.84	229.96%
4,000	103.84	340.09	236.25	227.52%
5,000	105.12	341.78	236.66	225.14%
6,000	106.40	343.47	237.07	222.81%
7,000	107.68	345.16	237.48	220.55%
8,000	108.96	346.85	237.89	218.33%
9,000	110.24	348.54	238.30	216.17%
10,000	111.52	350.23	238.71	214.05%
11,000	112.80	351.92	239.12	211.99%
12,000	114.08	353.61	239.53	209.97%
13,000	115.36	355.30	239.94	208.00%
14,000	116.64	356.99	240.35	206.06%
15,000	117.92	358.68	240.76	204.18%
16,000	119.20	360.37	241.17	202.33%
17,000	120.48	362.06	241.58	200.52%
18,000	121.76	363.75	241.99	198.75%
55,100.0	169.25	426.45	257.20	151.97%
88,000.0	211.36	482.05	270.69	128.07%
102,100.0	229.41	505.88	276.47	120.52%
111,900.0	241.95	522.44	280.49	115.93%
122,600.0	255.65	540.53	284.88	111.43%
137,800.0	275.10	566.22	291.11	105.82%
166,500.0	311.84	614.72	302.88	97.13%
175,300.0	323.10	629.59	306.49	94.86%
215,300.0	374.30	697.19	322.89	86.26%
278,100.0	454.69	803.32	348.63	76.68%
287,800.0	467.10	819.72	352.61	75.49%
397,700.0	607.78	1,005.45	397.67	65.43%
Average Usage				
178,183	\$ 326.79	\$ 634.46	\$ 307.67	94.15%
Median Usage				
152,150	\$ 293.47	\$ 590.47	\$ 296.99	101.20%

Present Rates:

Monthly Minimum:	\$ 100.00
Gallons in Minimum	1,000
Charge Per 1,000 Gallons	
Up to 1,001	\$ 1.28
Over 1,002	\$ 1.28
1,003	\$ 1.28
	\$ 1.28

Proposed Rates:

Monthly Minimum:	\$ 333.33
Gallons in Minimum	.
Charge Per 1,000 Gallons	
Up to 1	\$ 1.69
Up to 2	\$ 1.69
Over 3	\$ 1.69

Rio Verde Utilities, Inc. / Water Division
 Bill Comparison
 Customer Classification
 6 Inch Irrigation

Exhibit
 Rebuttal Schedule H-4
 Page 6
 Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
.	\$ 100.00	\$ 333.33	\$ 233.33	233.33%
1,000	100	335	234.51	234.51%
2,000	100.88	335.69	234.81	232.77%
3,000	101.76	336.87	235.11	231.05%
4,000	102.64	338.05	235.41	229.36%
5,000	103.52	339.23	235.71	227.70%
6,000	104.40	340.41	236.01	226.07%
7,000	105.28	341.59	236.31	224.46%
8,000	106.16	342.77	236.61	222.88%
9,000	107.04	343.95	236.91	221.33%
10,000	107.92	345.13	237.21	219.80%
11,000	108.80	346.31	237.51	218.30%
12,000	109.68	347.49	237.81	216.82%
13,000	110.56	348.67	238.11	215.37%
14,000	111.44	349.85	238.41	213.94%
15,000	112.32	351.03	238.71	212.53%
16,000	113.20	352.21	239.01	211.14%
17,000	114.08	353.39	239.31	209.78%
18,000	114.96	354.57	239.61	208.43%
19,000	115.84	355.75	239.91	207.11%
20,000	116.72	356.93	240.21	205.80%
21,000	117.60	358.11	240.51	204.52%
22,000	118.48	359.29	240.81	203.25%
23,000	119.36	360.47	241.11	202.01%
Average Usage 3,834	\$ 102.49	\$ 337.86	\$ 235.36	229.64%
Median Usage 2,001	\$ 100.88	\$ 335.69	\$ 234.81	232.76%

Present Rates:

Monthly Minimum:	\$ 100.00
Gallons in Minimum	1,000
Charge Per 1,000 Gallons	
Up to 1,001	\$ 0.88
Over 1,002	\$ 0.88
1,003	\$ 0.88
	\$ 0.88

Proposed Rates:

Monthly Minimum:	\$ 333.33
Gallons in Minimum	.
Charge Per 1,000 Gallons	
Up to 1	\$ 1.18
Up to 2	\$ 1.18
Over 3	\$ 1.18
	\$ 1.18

Rio Verde Utilities, Inc. / Water Division
 Bill Comparison
 Customer Classification
 6 Inch Irrigation with Potable Water

Exhibit
 Rebuttal Schedule H-4
 Page 7
 Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
.	\$ 100.00	\$ 333.33	\$ 233.33	233.33%
1,000	100.00	335.02	235.02	235.02%
2,000	101.28	336.71	235.43	232.46%
3,000	102.56	338.40	235.84	229.96%
4,000	103.84	340.09	236.25	227.52%
5,000	105.12	341.78	236.66	225.14%
6,000	106.40	343.47	237.07	222.81%
7,000	107.68	345.16	237.48	220.55%
8,000	108.96	346.85	237.89	218.33%
9,000	110.24	348.54	238.30	216.17%
10,000	111.52	350.23	238.71	214.05%
11,000	112.80	351.92	239.12	211.99%
12,000	114.08	353.61	239.53	209.97%
13,000	115.36	355.30	239.94	208.00%
14,000	116.64	356.99	240.35	206.06%
15,000	117.92	358.68	240.76	204.18%
16,000	119.20	360.37	241.17	202.33%
17,000	120.48	362.06	241.58	200.52%
18,000	121.76	363.75	241.99	198.75%
19,000	123.04	365.44	242.40	197.01%
20,000	124.32	367.13	242.81	195.31%
21,000	125.60	368.82	243.22	193.65%
22,000	126.88	370.51	243.63	192.02%
23,000	128.16	372.20	244.04	190.42%
24,000	129.44	373.89	244.45	188.85%
25,000	130.72	375.58	244.86	187.32%
26,000	132.00	377.27	245.27	185.81%
27,000	133.28	378.96	245.68	184.34%
Average Usage				
500	\$ 100.00	\$ 334.18	\$ 234.18	234.18%
Median Usage				
500	\$ 100.00	\$ 334.18	\$ 234.18	234.18%

Present Rates:

Monthly Minimum:	\$ 100.00
Gallons in Minimum	1,000
Charge Per 1,000 Gallons	
Up to 1,001	\$ 1.28
Over 1,002	\$ 1.28
1,002	\$ 1.28
	\$ 1.28

Proposed Rates:

Monthly Minimum:	\$ 333.33
Gallons in Minimum	
Charge Per 1,000 Gallons	
Up to 1	\$ 1.69
Up to 2	\$ 1.69
Over 3	\$ 1.69
	\$ 1.69

Rio Verde Utilities, Inc. / Water Division
 Bill Comparison
 Customer Classification
 8 Inch Irrigation

Exhibit
 Rebuttal Schedule H-4
 Page 8
 Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
	\$ 200.00	\$ 666.67	\$ 466.67	233.33%
1,000	200.00	667.85	467.85	233.92%
2,000	200.88	669.03	468.15	233.05%
3,000	201.76	670.21	468.45	232.18%
4,000	202.64	671.39	468.75	231.32%
5,000	203.52	672.57	469.05	230.47%
6,000	204.40	673.75	469.35	229.62%
7,000	205.28	674.93	469.65	228.78%
8,000	206.16	676.11	469.95	227.95%
9,000	207.04	677.29	470.25	227.13%
10,000	207.92	678.47	470.55	226.31%
11,000	208.80	679.65	470.85	225.50%
12,000	209.68	680.83	471.15	224.70%
13,000	210.56	682.01	471.45	223.90%
14,000	211.44	683.19	471.75	223.11%
15,000	212.32	684.37	472.05	222.33%
16,000	213.20	685.55	472.35	221.55%
17,000	214.08	686.73	472.65	220.78%
18,000	214.96	687.91	472.95	220.02%
19,000	215.84	689.09	473.25	219.26%
20,000	216.72	690.27	473.55	218.51%
232,000	403.28	940.43	537.15	133.19%
379,000	532.64	1,113.89	581.25	109.13%
460,000.0	603.92	1,209.47	605.55	100.27%
557,000.0	689.28	1,323.93	634.65	92.07%
1,156,000.0	1,216.40	2,030.75	814.35	66.95%
1,678,000.0	1,675.76	2,646.71	970.95	57.94%
1,882,000.0	1,855.28	2,887.43	1,032.15	55.63%
4,113,000.0	3,818.56	5,520.01	1,701.45	44.56%
4,457,000.0	4,121.28	5,925.93	1,804.65	43.79%
4,186,000.0	3,882.80	5,606.15	1,723.35	44.38%
5,103,000.0	4,689.76	6,688.21	1,998.45	42.61%
5,357,000.0	4,913.28	6,987.93	2,074.65	42.23%
7,414,000.0	6,723.44	9,415.19	2,691.75	40.04%
10,518,000.0	9,454.96	13,077.91	3,622.95	38.32%
15,109,000.0	13,495.04	18,495.29	5,000.25	37.05%
15,601,000.0	13,928.00	19,075.85	5,147.85	36.96%
15,706,000.0	14,020.40	19,199.75	5,179.35	36.94%
20,370,000.0	18,124.72	24,703.27	6,578.55	36.30%
23,206,000.0	20,620.40	28,049.75	7,429.35	36.03%
Average Usage				
5,729,063	\$ 5,240.70	\$ 7,426.96	\$ 2,186.27	41.72%
Median Usage				
3,169,500	\$ 2,988.28	\$ 4,406.68	\$ 1,418.40	47.47%

Present Rates:

Monthly Minimum:	\$	200.00
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	1,001	\$ 0.88
Over	1,002	\$ 0.88
	1,003	\$ 0.88
		\$ 0.88

Proposed Rates:

Monthly Minimum:	\$	666.67
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	1	\$ 1.18
Up to	2	\$ 1.18
Over	3	\$ 1.18
		\$ 1.18

Rio Verde Utilities, Inc. / Water Division
 Bill Comparison
 Customer Classification
 12 Inch Irrigation

Exhibit
 Rebuttal Schedule H-4
 Page 9
 Witness: Kozoman

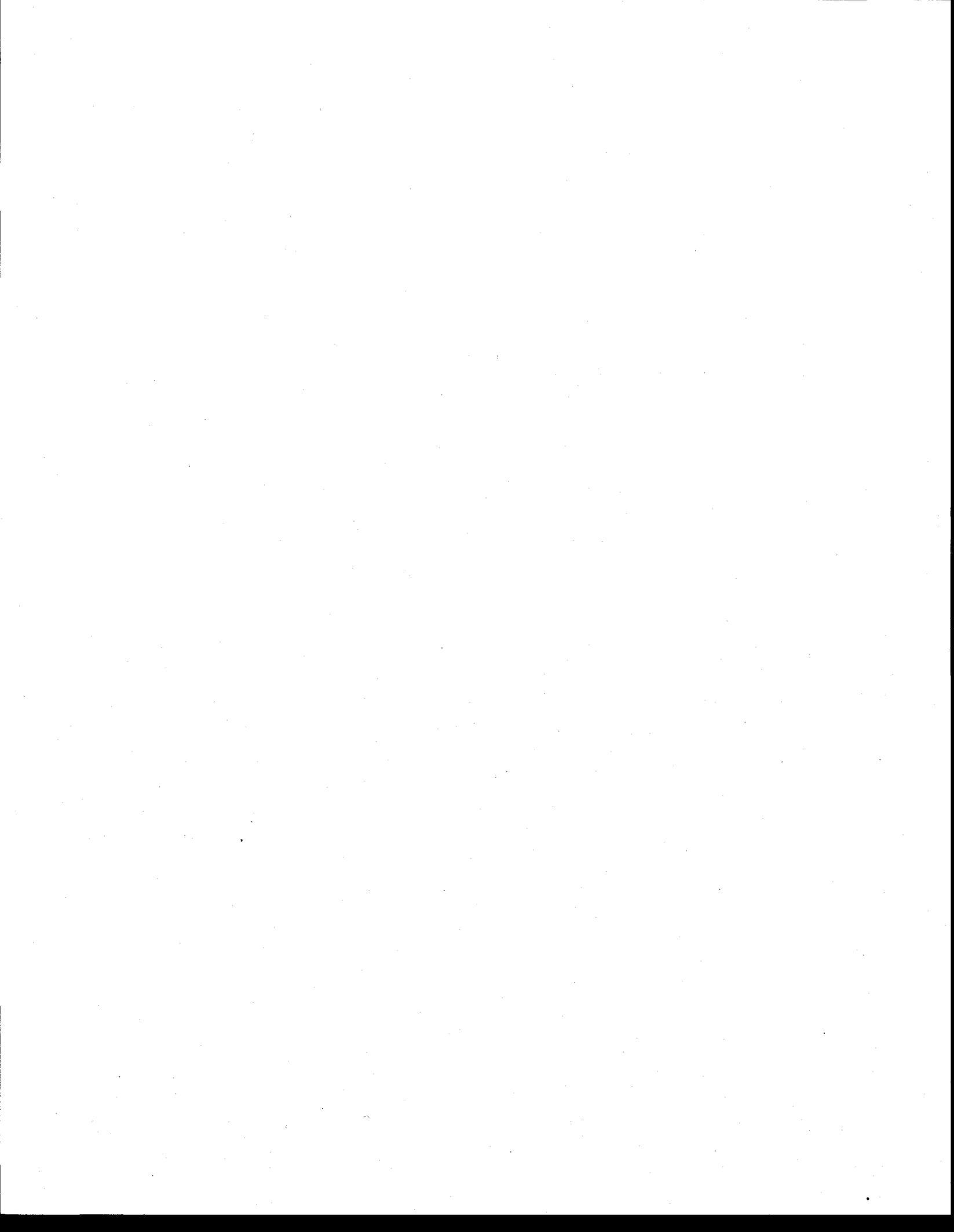
MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
.	\$ 400.00	\$ 1,166.67	\$ 766.67	191.67%
1,000	400.00	1,167.85	767.85	191.96%
2,000	400.88	1,169.03	768.15	191.62%
3,000	401.76	1,170.21	768.45	191.27%
4,000	402.64	1,171.39	768.75	190.93%
5,000	403.52	1,172.57	769.05	190.58%
6,000	404.40	1,173.75	769.35	190.24%
7,000	405.28	1,174.93	769.65	189.90%
8,000	406.16	1,176.11	769.95	189.57%
9,000	407.04	1,177.29	770.25	189.23%
10,000	407.92	1,178.47	770.55	188.90%
11,000	408.80	1,179.65	770.85	188.56%
12,000	409.68	1,180.83	771.15	188.23%
13,000	410.56	1,182.01	771.45	187.90%
14,000	411.44	1,183.19	771.75	187.57%
15,000	412.32	1,184.37	772.05	187.24%
16,000	413.20	1,185.55	772.35	186.92%
17,000	414.08	1,186.73	772.65	186.59%
18,000	414.96	1,187.91	772.95	186.27%
19,000	415.84	1,189.09	773.25	185.95%
20,000	416.72	1,190.27	773.55	185.63%
1,274,000	1,520.24	2,669.99	1,149.75	75.63%
3,045,000	3,078.72	4,759.77	1,681.05	54.60%
3,509,000	3,487.04	5,307.29	1,820.25	52.20%
4,186,000	4,082.80	6,106.15	2,023.35	49.56%
4,622,000	4,466.48	6,620.63	2,154.15	48.23%
4,679,000	4,516.64	6,687.89	2,171.25	48.07%
6,304,000	5,946.64	8,605.39	2,658.75	44.71%
6,337,000	5,975.68	8,644.33	2,668.65	44.66%
7,852,000	7,308.88	10,432.03	3,123.15	42.73%
8,312,000	7,713.68	10,974.83	3,261.15	42.28%
8,341,000	7,739.20	11,009.05	3,269.85	42.25%
9,559,000	8,811.04	12,446.29	3,635.25	41.26%
9,570,000	8,820.72	12,459.27	3,638.55	41.25%
9,577,000	8,826.88	12,467.53	3,640.65	41.25%
9,739,000	8,969.44	12,658.69	3,689.25	41.13%
10,981,000	10,062.40	14,124.25	4,061.85	40.37%
11,416,000	10,445.20	14,637.55	4,192.35	40.14%
13,452,000	12,236.88	17,040.03	4,803.15	39.25%
13,611,000	12,376.80	17,227.65	4,850.85	39.19%
14,902,000	13,512.88	18,751.03	5,238.15	38.76%
15,135,000	13,717.92	19,025.97	5,308.05	38.69%
16,073,000	14,543.36	20,132.81	5,589.45	38.43%
16,224,000	14,676.24	20,310.99	5,634.75	38.39%
17,211,000	15,544.80	21,475.65	5,930.85	38.15%
18,439,000	16,625.44	22,924.69	6,299.25	37.89%
19,214,000	17,307.44	23,839.19	6,531.75	37.74%
19,664,000	17,703.44	24,370.19	6,666.75	37.66%
19,714,000	17,747.44	24,429.19	6,681.75	37.65%
20,317,000	18,278.08	25,140.73	6,862.65	37.55%
21,402,000	19,232.88	26,421.03	7,188.15	37.37%
24,036,000	21,550.80	29,529.15	7,978.35	37.02%
24,669,000	22,107.84	30,276.09	8,168.25	36.95%
25,099,000	22,486.24	30,783.49	8,297.25	36.90%
25,409,000	22,759.04	31,149.29	8,390.25	36.87%
27,379,000	24,492.64	33,473.89	8,981.25	36.67%
33,416,334	29,805.49	40,597.94	10,792.45	36.21%
Average Usage				
14,018,593	\$ 12,735.48	\$ 17,708.61	\$ 4,973.12	39.05%
Median Usage				
13,531,500	\$ 12,306.84	\$ 17,133.84	\$ 4,827.00	39.22%

Present Rates:

Monthly Minimum:	\$ 400.00
Gallons in Minimum	1,000
Charge Per 1,000 Gallons	
Up to 1,001	\$ 0.88
Over 1,002	\$ 0.88
1,003	\$ 0.88
	\$ 0.88

Proposed Rates:

Monthly Minimum:	\$ 1,166.67
Gallons in Minimum	
Charge Per 1,000 Gallons	
Up to 1	\$ 1.18
Up to 2	\$ 1.18
Over 3	\$ 1.18
	\$ 1.18



RIO VERDE UTILITIES
WATER & WASTEWATER FACILITIES
REPORT

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Rio Verde Utilities Residential Water Storage Facilities

In 1993 Brooks, Hersey & Associates was contracted to provide engineering services for Rio Verde Utilities. A part of this service included an evaluation of the existing residential water facilities serving Rio Verde, including wells, transmission lines, water storage tanks and booster pumps. At that time the Rio Verde property was completely developed and approximately two thirds of the lots had homes on them. The storage facility for the residential water supply consisted of a 300,000 gallon water tank located in the northeast corner of the property. Since the tank is located at a lower elevation than the property it serves, a hydro-pneumatic tank and booster pump were utilized to pressurize the system. Additional in-line booster pumps were added as development proceeded. We concluded that the Rio Verde 300,000 gallon storage tank was marginally adequate to meet the needs of the growing community for fire flow requirements but was not adequate for fire plus 24-hour domestic demand flows. The actual useable volume of this tank is less than 200,000 gallons because the outflow pipe is located 4 feet from the tank bottom with the overflow being several feet below the tank top. Rio Verde was subject to frequent power outages at the time and even though the pressure tank and booster pump had a back up generator, the water supply stored in the tank was not adequate to supply the community for more than a few hours in the event of a general power failure interrupting well production.

A new 740,000 gallon water tank was designed in 1994 to store the average 24-hour demand and meet fire flow requirements for Rio Verde and the new development of Tonto Verde. The tank is located on Asher Hill approximately one mile west of the service area. The tank location allows Rio Verde to utilize a more dependable gravity feed system. The basis for the design was the Arizona Department of Environmental Quality's Engineering Bulletin # 10, Guidelines for the Construction of Water Systems, May 1978. This document has been retained without modification with the revisions of the Arizona Administrative Code (AAC). The AAC was revised on April 28, 1995 to allow a reduced storage capacity for multiple well systems by the amount of the total daily demand minus the production from the largest producing well. However, per ADEQ's Engineering Bulletin # 10, Chapter 6, Section D, the minimum storage capacity of a system may be reduced when the source facilities have sufficient capacity, **with standby power capability**, to supplement peak demands of the system. The Rio Verde system has no backup power capability for the well field or the booster pumps supplying the Asher Hill tank. Therefore, a reduction in the necessary storage capacity is neither justified nor prudent.

In our opinion, the Asher Hill's storage tank is fully used and useful. The Water Data sheet attached shows an average daily demand for 1999 as measured by Rio Verde Utilities of 438,000 gallons. The fire flow requirement per the Rural Metro Fire Department is 1,700 gpm for 4 hours or 408,000 gallons. This figure is low when compared to other references. The Standard Handbook for Civil Engineers, Merritt, 2nd edition, McGraw-Hill reference gives 1,500 gpm for 6 hours for a population of 2000 and 2000 gpm for 10 hours for a population of 4,000. Another Reference, Water Supply and Sewage, Steel, 2nd edition, McGraw-Hill, gives a flow of 1,500 gpm for 10 hours for populations over 2,500 and 1,500 gpm for 5 hours for populations under 2,500. We have used the lower Rural Metro requirement in calculating the needed storage capacity for the Rio Verde/Tonto Verde system. As shown on the Data Sheet, the average daily demand of 438,000 gallons and the required minimum fire flow of 408,000 gallons indicate a needed storage capacity of 846,000 gallons. In calculating the storage capacity available to the system, we have not included the 300,000 Rio Verde tank. Under the current configuration of the water system, the tank is utilized as a wet well and is not capable of supplying adequate water to the current service area.

When we evaluated and designed the water supply system for Rio Verde and Tonto Verde, we considered the remote location of the communities and the numerous power outages experienced. Our criteria was to provide a safe and dependable water supply to the communities and the gravity fed system and storage capacity that were constructed accomplish this.

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Rio Verde Utilities Wastewater Treatment Plant

The Wastewater Treatment Plant (WWTP #1) was designed to have a 300,000-gpd capacity with precast post-tensioned wafflecrete panels for a capacity of 150,000 gpd. In about 1987 an oxidation tank was added using conventional cast-in-place reinforced concrete to bring the capacity of the plant to the full 300,000-gpd. By 1992 the original wafflecrete portion of the plant was exhibiting evidence of progressive structural distress. It was evident that this would eventually lead to a catastrophic tank wall failure. WWTP #1 was obviously in need of a major overhaul and reconstruction. At that time Rio Verde Utilities decided to design and build WWTP #2 to allow for WWTP #1 to be shutdown for overhaul and reconstruction and to increase the overall capacity of the wastewater treatment plant to 700,000 gpd. In 1993 the new 400,000-gpd WWTP #2 was designed with construction completed in 1996. Once WWTP #2 was in operation, WWTP #1 was taken out of service and the necessary reconstruction and overhaul was completed in 1998.

Generally speaking, wastewater treatment plants must be capable of continuous operation while maintaining the capability to be operated at a significantly reduced capacity for short periods of time in order to accomplish necessary maintenance. While most maintenance on a wastewater treatment plant is routine and scheduled, some of it is, of necessity, unscheduled and, occasionally, repairs must be made immediately in order to resume and maintain full operating capacity. Therefore, scheduled and unscheduled maintenance will from time to time cause the operating capacity of WWTP #1 and WWTP #2 to be less than the optimal 700,000 gpd. Since the population of Rio Verde varies significantly on a seasonal basis, scheduled maintenance, especially major overhauls, is conducted during the summer months when seasonal demands are at a minimum. Occasionally, it is necessary to completely take out of service one or the other of the wastewater treatment plants for detailed inspection or major maintenance.

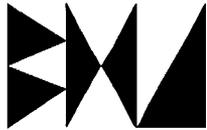
The current full capacity of the Rio Verde Utilities Wastewater Treatment Plant is 700,000 gpd (29,000 gph). According to Rio Verde Utilities records, the treatment plant experiences its highest influent flow during midday hours from approximately 9:00 am to 3:00 pm. Daily plant logs indicate that approximately 43% of total daily flow is processed during these six midday hours. This flow pattern holds true throughout the entire year, both in the winter and summer months.. The months of highest flow are March and April.

Rio Verde Utilities records indicate that the monthly average daily effluent flow for March 1999 was 221,000 gpd. When 43% of that entire daily flow is processed during the six midday hours that would equate to approximately 95,000-gallons or 16,000 gph. This 16,000 gph figure is equivalent to 54% ($16,000 \text{ gph} \div 29,000 \text{ gph}$) of the total operating capacity of the wastewater treatment plant.

The peak daily flow recorded was 354,000 gallons on April 19th, 1999. When 43% of that volume is treated during the six-hour midday period that equates to approximately 25,000 gph or 86% ($25,000 \text{ gph} \div 29,000 \text{ gph}$) of total plant capacity. This indicates that during the peak flow hours of the peak day, the wastewater treatment plant has been operating very near full capacity (86%). Any event occurring during this peak time which reduces the capacity of the plant below 700,000 gpd (29,000 gph) would cause the WWTP to be overloaded. In order to avoid this occurrence, it is appropriate to consider adding equalization basins to level out the average hourly flow entering the wastewater treatment plant. This will buffer the peaks by spreading them out more evenly over a 24-hour period rather than concentrating almost half of the load during the current six-hour peak time frame.

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Brooks, Hersey & Associates, Inc.

ARTHUR N. BROOKS PRINCIPAL-IN-CHARGE

EDUCATION

BSCE, MBA, University of Arizona

REGISTRATION

Arizona: P.E. #9628 / R.L.S. #15845
Other States: NM, WY, CO, NV, UT
NCEE, Certificate No. 4649

AFFILIATIONS

ACEC, National Director
NSPE, PEPP Chairman
ASPE, SAME, State Director
ASCE, Member
APWA, Committeeman

TECHNICAL EXPERTISE

Roads, water, wastewater, drainage, apartments, single-family housing, commercial/industrial projects.

PROFESSIONAL EXPERIENCE

Over 25 years experience in the planning, design and construction administration of many civil improvements including roads, streets, highways, drainage facilities, water lines, sewer lines pump stations, reservoirs and treatment facilities.

REPRESENTATIVE EXPERIENCE

Principal-in-Charge of the preparation of design plans and specifications for 1,400 L.F. of 54-inch water main in Deer Valley Road from the Union Hills Water Treatment Plant on the north side of the CAP to Cave Creek Road; and 8,400 L.F. of 54-inch water main in Cave Creek Road from Deer Valley Road to Happy Valley Road. This segment also includes the design of 5,700 L.F. of 36-inch reclaimed water main and a two mgd booster pumping station.

Principal-in-Charge of design plans, specifications and construction administration of a 400,000 gpd wastewater treatment plant and the remodel with a major overhaul of the 300,000 gpd wastewater treatment plant for Rio Verde Utilities Company, Rio Verde, Arizona.

Principal-in-Charge of the design and construction administration of twin 300hp booster pumps, a 740,000-gallon water storage reservoir, and three miles of 12-inch water main at nearly a 400-foot elevation difference in Rio Verde, Arizona.

Principal-in-Charge of design surveys, construction plans, specifications and construction surveys for approximately 2.5 miles of 16-inch water transmission main and two booster pump stations. The 16-inch water transmission main was a cement lined steel cylinder pipe designed to deliver water from the reservoir at Pima Road and Jomax Road north two miles in Pima Road and then west one mile in Dixileta Road. The project entailed upgrading the existing booster pump station at Jomax and Pima Road to deliver 2,500 gallons per minute at a pressure of 110 psi and the installation of a new booster pump station at Dixileta Road 1/2 mile west of Pima Road to deliver 300 gallons per minute at 80 psi.

Principal-in-Charge of the preparation of construction documents and specifications for the Reach 7 South Mountain Water main. The project consisted of 13,000LF of 48-inch water main beginning at the 20th Street alignment in Pecos Road and connecting to the existing 30-inch water main at 32nd Street and Chandler Boulevard.

Principal-In-Charge of the engineering of the Scottsdale Road Sewer Interceptor, Bell Road to Dove Valley. The project included surveys for design, construction plans and construction surveys for approximately 11 miles of 15-inch, 18-inch and 21-inch sanitary sewer in Scottsdale Road. Surveys were prepared to determine topographic features, drainage crossings, existing utilities and the location of major specimens of protected plants.

WATER DATA
for
RIO VERDE & TONTO VERDE

RESIDENTIAL DEMAND

Average daily demand = 438,000 gallons

Peak daily demand = 699,000 gallons (measured)

RECOMMENDED FIRE STORAGE

Fire Flow per Rural Metro = 1700 gpm for 4 hours = 408,000 gallons

Fire Flow per Merritt, 2nd ed. = 1500 gpm for 6 hr. = 540,000 gallons
Standard Handbook for Civil Engineers, McGraw-Hill

Fire Flow per Steel, 2nd ed. = 1500 gpm for 10 hr. = 900,000 gallons
Water Supply & Sewerage, McGraw-Hill

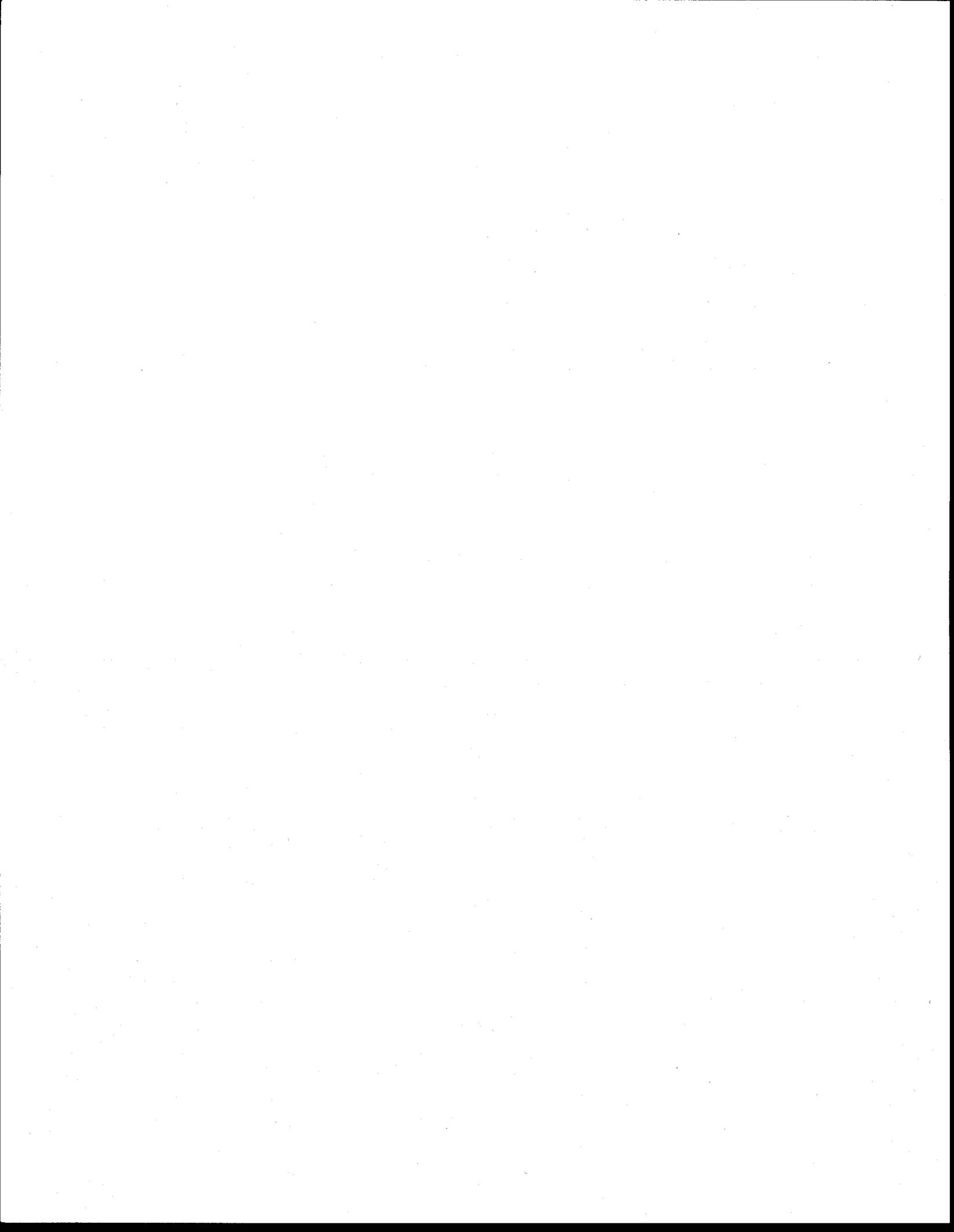
RECOMMENDED MINIMUM STORAGE CAPACITY

average daily demand = 438,000 gallons

plus

fire demand for 4 hours = 408,000 gallons

Minimum Storage Capacity = 846,000 gallons





Arizona Department of Revenue
New Valuation Methodology
for Water and Sewer Companies

Introduction

- Department values 353 water and sewer companies.
- Valuation by use of standard valuation methods, not statutory formula.
- Existing valuation methodology in place since late 1980s.
- Most CVP properties valued under statutory formula(s).

Introduction continued

- Informal discussions held with Association on problems with valuation and taxation of water and sewer companies.
- Committee formed by Association and Department to explore options to current system.
- First task to research feasibility of various alternatives.

Introduction continued

- Alternatives studied by the Committee:
 - Pass-through tax collected monthly.
 - One percent assessment ratio.
 - Statutory valuation formula.
 - Modification of existing valuation methodology.
- Modification of existing methodology selected as most feasible option at this time.

Committee set goals for the new methodology:

- **Objective**
- **Consistent values**
- **Predictable values**
- **Easy to report and administer**
- **Logical results**
- **Minimize controversy**
- **Minimize tax impact**
- **Assist taxpayer in rate cases with ACC**
- **First step toward pass-through tax**

DOR Property Tax Forms

- Form 82055 and Form 82056 are the property tax forms required by law to be filed by April 1st of the valuation year. The information provided by the taxpayer, particularly on page 4 of these forms is used by the Department in the determination of full cash value for water and sewer property in the state of Arizona. An example follows:

NONAME WATER COMPANY

INCOME AND BALANCE SHEET INFORMATION

The information contained herein is subject to verification with information reported to the Arizona Corporation Commission.

COMPANY DATA
(As of 12/31/99)

INCOME STATEMENT INFORMATION

- | | |
|--|------------|
| 1. Gross Operating Revenues means all monies collected from sales to all customer classes. | \$ 238,500 |
| 2. Monies collected for city and/or state sales and use tax. | \$ 18,000 |

BALANCE SHEET INFORMATION

- | | |
|--|------------|
| 3. Gross Plant shall include the original capitalized cost of all property owned or leased by the water company for use in its operations | \$ 620,000 |
| 4. a). Amount of Contributions in Aid of Construction included in Gross Plant above. | \$ 0 |
| b). Amount of Advances in Aid of Construction included in Gross Plant above. | \$ 0 |
| 6. Accumulated Depreciation | \$ 209,000 |
| 7. Construction Work-In-Process includes the cost of water plant in process of construction, but not yet ready for service at 12/31/99. | \$ 50,000 |
| 8. Inventory of Materials and Supplies at 12/31/99. | \$ 23,400 |
| 9. Licensed Vehicles - the original cost of transportation vehicles which are licensed and used strictly for the water company's purposes. | \$ 31,800 |

Valuation Methodology

- Using the information from page 4, the Department would develop several indicators of value, including an income value, a cost value, and a plant utilization value. A growth trend value would be developed using historic data. From these, the Department would derive a correlated value. This number would serve as a base for the calculation of full cash value. The full cash value was the correlated value plus 35% of any construction-work-in progress, minus an adjustment for licensed vehicles.

Valuation Methodology continued

• NONAME COMPANY

	GROSS REVENUES	ADJUSTED REVENUES	CHANGE
• 1999	\$238,500	\$220,500	35%
• 1998	\$178,500	\$163,500	11%
• 1997	\$159,000	\$147,000	

• GROSS PLANT NET PLANT

	GROSS PLANT CHANGE	NET PLANT	
• 1999	\$620,000	\$411,000	94%
• 1998	\$320,000	\$245,000	28%
• 1997	\$250,000	\$218,000	

• GROWTH TREND INDICATOR =

$$\begin{aligned}
 & - \text{AVERAGE OF (35\% AND 94\%)} \times \text{PRIOR YEAR FULL CASH VALUE} \\
 & \$300,000 \quad \times \quad 1.645 \quad = \quad \$493,500
 \end{aligned}$$

Valuation Methodology continued

• NONAME COMPANY

•	ADJUSTED GROSS INCOME FOR 1999			\$220,500	
-	MULTIPLIER	x	2		
•	INCOME VALUE INDICATOR			\$441,000	
•	COST VALUE INDICATOR (= NET PLANT)			\$411,000	
•	PLANT UTILIZATION FACTOR =				
-	<u>GROSS REVENUES</u>	=	58%	= 1.00 Factor	
-	NET PLANT			\$411,000	
-	PLANT UTILIZATION VALUE INDICATOR =				
-	NET PLANT	x	FACTOR	+ SUPPLIES	=
-	\$411,000	x	1.00	+ \$23,400	=
•	GROWTH TREND INDICATOR =			\$434,400	
-	(FROM PREVIOUS PAGE)			\$493,500	
•	CORRELATED VALUE			\$436,000	

Valuation Methodology continued

- The full cash value for Noname Company would then be calculated as follows:

– Correlated value	\$436,000
– plus 35% of CWIP	\$17,500
– less Licensed Vehicles	<u>(\$22,450)</u>
– Full cash value	\$431,050
– Rounded value	\$431,000

New Valuation Methodology

- The full cash value of all water and sewer utility companies, for property tax purposes, will be computed by multiplying the average of the annual gross revenues from the three previous calendar years by 2.
- If the taxpayer reports fewer than three (3) years of gross revenues, but reports gross revenues for the most recent calendar year, the gross revenue amount will be based on one year or two years' revenues, whichever is available, or on other information available to the Department.

New Valuation Methodology

- If the taxpayer fails to report gross revenue or any other information required to calculate the value, the taxpayer will be notified of the incomplete filing and will be subject to late filing fees. The Department will then estimate the value of the property.
- Construction Work In Progress will be valued at ten percent (10%) of cost as of December 31 of the most recent calendar year.

New Valuation Methodology

- The net book cost of licensed vehicles will be deducted from the value indicated by the gross revenues.
- To accurately assess ongoing business operations, and to achieve comparability, further adjustments may be necessary.

New Valuation Methodology continued

- **NONAME COMPANY**

• AVERAGE 3-YEAR REVENUES (1997 - 1999)			\$214,000
– MULTIPLIER	x	2	
• REVENUE BASE VALUE			\$428,000
• BASE VALUE USED IN FCV DETERMINATION			\$428,000

New Valuation Methodology continued

- The full cash value for Noname Company using the new methodology would then be calculated as follows:

– Base value	\$428,000
– plus 10% of CWIP	\$5,000
– less Licensed Vehicles	<u>(\$22,450)</u>
– Full cash value	\$410,550
– Rounded value	\$411,000

New Valuation Methodology continued

- The full cash value for Noname Company using the new methodology would then be calculated as follows:

– Base value	\$428,000
– plus 10% of CWIP	\$5,000
– less Licensed Vehicles	<u>(\$22,450)</u>
– Full cash value	\$410,550
– Rounded value	\$411,000

New Valuation Methodology continued

- Old Methodology • New Methodology

- Noname Company • Noname Company

• FCV, current year	\$431,000	• FCV, current year	\$411,000
• FCV, prior year	\$300,000	• FCV, prior year	\$300,000
• Increase in value:	44%	• Increase in value:	37%

New Valuation Methodology continued

- For the second year under the new methodology, Noname Company will experience an increase or decrease in value depending on its revenues and construction work-in-progress. If CWIP remains the same as in 1999, the following scenarios can be developed.

New Valuation Methodology continued

- Revenues in 2000: \$250,000
- Revenues in 2000: \$180,000
- 3-year average (1998-2000): \$222,333
- 3-year average (1998 - 2000): \$208,300
- Base value: \$445,000
- Base Value: \$416,600
- Full Cash Value: \$428,000
- Full Cash Value : \$390,000

New Valuation Methodology continued

	Gross Revenue	Base Value based on 3- year average	Gross Revenue	Base Value based on 3- year average
2000	\$250,000	\$445,000	\$180,000	\$417,000
1999	\$238,500	\$428,000	\$238,500	\$428,000
1998	\$208,500	N/a	\$208,500	N/a
1997	\$195,000	N/a	\$195,000	N/a

Summary

- The New Valuation Methodology is intended to (1) produce predictable values, (2) be easy to administer, (3) be easy to report, (4) produce logical results, and (5) be non-controversial.

• **MISSION
ACCOMPLISHED ! ! ! ! !**