ORIGINAL NEW APPLICATION

0000015832

Richard L. Sallquist, Esq. (002677)
SALLQUIST & DRUMMOND, P.C.
2525 E. Arizona Biltmore Circle, Suite 117
Phoenix, Arizona 85016
Telephone: (602) 224-9222
Fax: (602) 224-9366
Attorneys for Rio Verde Utilities, Inc.

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AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

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

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

1. The Company is a public service corporation duly organized and existing under the laws of the State of Arizona.

2. The Company provided water and wastewater utility service to approximately 1,200 customers in Maricopa County, Arizona as of the end of its test year, December 31, 1999.

3. The Company's business office is located at 25609 N. Danny Lane, Suite 1, Rio Verde, Arizona 85263-7139. The Company's management contact is David S. Ritchie, President.

4. The Company's present rates and charges were authorized in Commission Decision No. 58525, dated February 2, 1994 and based upon test year ending December 31, 1992.

5. The revenues as generated from the Company's customers at the existing rates are inadequate to provide the Company a just and reasonable rate of return on the Company's Fair Value Rate Base. During the test year, the Company has operated with an operating income that has not

provided a just and reasonable return. Nor have the authorized rates permitted the Company to make the needed capital improvements with internally generated funds.

6. Attached hereto as Exhibit A are a series of schedules for the Water Division as contemplated in A.A.C. R-14-2-103.

7. Attached hereto as Exhibit B are a series of schedules for the Wastewater Division as contemplated in A.A.C. R-14-2-103.

8. Attached hereto as Exhibit C is the direct testimony of Ronald L. Kozoman in support of this Application.

9. Attached hereto as Exhibits D and E are the Direct Testimonies of Tom Bourassa summarizing the water and wastewater applications respectively.

10. Attached hereto as Exhibit F and incorporated herein by this reference for all purposes is the Company's proposed form of water and wastewater Tariff based upon the Schedules contained in Exhibits A and B and as explained in the testimony of Messrs. Kozoman and Bourassa, Exhibits C, D and E hereto.

WHEREFORE, the Company respectfully requests the Commission to (a) issue a Procedural Order setting this matter for hearing and establishing the appropriate timetable for conduct of a hearing (b) following hearing in this matter, establish the Fair Value Rate Base of the Company, (c) authorize revenue levels as requested herein to support the expenses as set forth in the Application, (d) include within those authorized revenues a fair rate of return on the Fair Value Rate Base so established, and thereafter (e) authorize the rates and charges set forth in the Company's proposed form of Tariff appended to this Application, and (f) authorize such other and further relief as may be appropriate according to the applicable law.

DATED this 11TH day of May, 2000.

Richard L. Sallquist, Esq.
SALLQUIST & DRUMMOND, P.C.
2525 E. Arizona Biltmore Circle
Suite 117
Phoenix, Arizona 85016
Attorneys for Applicant

Original and ten copies filed
this 11th day of May, 2000, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Copies of the foregoing hand delivered
this 11th day of May, 2000, to:

Hearing Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Legal Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Stephanie Sawyer

80017.00000.59

LIST OF EXHIBITS

A. Supporting Schedules for Water Division per A.A.C. R-14-2-103

B. Supporting Schedules for Wastewater Division per A.A.C. R-14-2-103

C. Direct Testimony of Ronald L. Kozoman

D. Direct Testimony of Tom Bourassa regarding Water Division

E. Direct Testimony of Tom Bourassa regarding Wastewater Division

F. Tariff

A

SUPPORTING SCHEDULES

PER A.A.C. R-14-2-103

FOR

RIO VERDE UTILITIES, INC.

PERMANENT RATE APPLICATION
(Water Division)

FILED MAY 11, 2000

80017.00000.68

EXHIBIT A

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

Index of Standard Filing Schedules

Schedule No.	
A-1	Summary of the increase in revenue requirement and the spread of the revenue increase by customer classification
A-2	Summary of the results of operations for the test year and for the test year and the two fiscal years ended prior to the end of the test year, compared with the projected year.
A-3	Summary of capital structure for the test year and two fiscal years ended prior to the end of the test year, compared to the projected year
A-4	Construction expenditures and gross utility plant in service for the test year and the two fiscal years ended prior to the end of the test year, compared with the projected year.
A-5	Summary of changes in financial position for the test year and the two fiscal years ended prior to the test year, compared to the projected year
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-3	Schedule listing pro forma adjustments to gross plant in service and accumulated depreciation for the RCND rate base Omitted RCND Not Requested
B-4	Schedule demonstrating the determination of reproduction cost new less accumulated depreciation for the RCND rate base Omitted RCND Not Requested
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 expesnes 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-3	Schedule showing the detail of preferred stock at the end of the test year and the projected year, and their total cost.
D-4	Schedule summaring conclusions of the required return on common equity at the end of the test year and the projected year.
D-4-A	Discounted Cash Flow using water companies using Value Line companies
D-4-B	Capital Asset Pricing Model using Value Line companies
D-4-C	Risk adjustment factors
D-4-C2	Summary of Schedules D-4-E through D-4-o,and D-4-R, showing Applicant's degree of financial integrity.
D-4-D	Value Line projected equity returns
D-4-E	Interest coverages
D-4-F	Earnings retention ratio
D-4-G	Dividend payout ratio
D-4-H	Capital financing plant in service
D-4-I	Market to book equity ratioes
D-4-J1	Internal cash flow to change in gross plant, and
D-4-J2	Internal cash flow to change to debt
D-4-K	Safety margin
D-4-L	Earning growth
D-4-M	Growth in book value
D-4-N	Price / earnings ratio

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

Index of Standard Filing Schedules

Schedule No.	
D-4-O	Return earned on average common equity
D-4-P	Yields of other debt instruments
D-4-Q	Interest coverage and debt service
D-4-R	Test of financial viability of comparison companies to applicant
D-4-S	C.A. Turner Equity Returns
E-1	Comparative balance sheets for the end of the test year and the two fiscal years ended prior to the end of the test year.
E-2	Comparative income statements for the end of the test year and the two fiscal years ended prior to the end of the test year.
E-3	Comparative statements of changes in financial position for the test year and the two fiscal years ended prior to the test year
E-4	Statement of changes in stockholder's equity for the test year and the two fiscal years ended prior to the test year
E-5	Comparative schedule showing by detail account number, utility plant balances at the end of the test year and the end of the prior fiscal year.
E-7	Comparative operating statistics on customers, consumption, revenues, and expenses for the test year and the two fiscal years ending prior to the end of the test year.
E-8	Comparative schedule of all significant taxes charged to operations for the test year and the two fiscal years ended prior to the end of the test year.
E-9	Notes to Audited or Compiled Financial Statements
F-1	Projected income statements for the projected year compared with the test year, at present and proposed rates.
F-2	Projected changes in financial position for the projected year compared with the test year, at present and proposed rates
F-3	Projected annual construction requirements by property classification, for one year subsequent to the test year, compared with the test year.
F-4	Important assumption used in preparing forecasts and projections.
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.
H-5	Bill counts.

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

Exhibit
Schedule A-1
Page
Witness: Bourassa

Line No.		
1	Adjusted Rate Base	$ 4,248,575
2		
3	Adjusted Operating Income	202,261
4		
5	Current Rate of Return	4.76%
6		
7	Required Operating Income	$ 486,388
8		
9	Required Rate of Return	11.45%
10		
11	Operating Income Deficiency	$ 284,127
12		
13	Gross Revenue Conversion Factor	1.6469
14		
15	Increase in Gross Revenue	
16	Requirement	$ 467,930
17		
18		

19		Present	Proposed	Dollar	Percent
20	Customer	Rates	Rates	Increase	Increase
21	Classification				
22	3/4 and 1 Inch Residential	275,451	490,855	215,404	78.20%
23	2 Inch Residential	-	-	-	0.00%
24	4 Inch Residential	-	-	-	0.00%
25	6 Inch Residential	-	-	-	0.00%
26	5/8 Inch Commercial	-	-	-	0.00%
27	3/4 Inch Commercial	-	-	-	0.00%
28	1 Inch Commercial	6,531	11,652	5,121	78.42%
29	2 Inch Commercial	34,591	60,716	26,125	75.53%
30	4 Inch Commercial	150	503	353	235.64%
31	6 Inch Commercial	3,922	8,939	5,018	127.95%
32	4 Inch Irrigation				
33	6 Inch Irrigation	1,231	4,052	2,822	229.25%
34	6 Inch Irrigation - Potable	1,200	4,014	2,814	234.49%
35	8 Inch Irrigation	125,778	172,747	46,969	37.34%
36	12 Inch Irrigation	458,477	617,323	158,846	34.65%
37	3/4 Inch Residential customer revenue			-	0.00%
38	annualized to end of year, based on			-	0.00%
39	year end number of customers *	5,594	9,999	4,405	78.75%
40					0.00%
41	Subtotal of Water Revenues	$ 912,925	$ 1,380,802	$ 467,877	51.25%
42	Hook up fees **	35,000	35,000	-	0%
43	Miscellaneous Revenues	5,274	5,274	-	0%
44	C.A.P. Surcharge		-	-	0%
45	Total Revenues	$ 953,199	$ 1,421,076	$ 467,877	49.08%

46
47 * Includes Annualization of Revenues to Year End Customers for residential on 3/4 inch meters.
48 ** Using 70 customers for hook-up fees, accounted for as revenue.
49
50
51 SUPPORTING SCHEDULES:
52 B-1
53 C-1
54 G-2
55 H-1

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

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 12/31/97	Prior Years Ended 12/31/98	Test Year Actual 12/31/99	Test Year Adjusted 12/31/99	Projected Year Present Rates 12/31/00	Projected Year Proposed Rates 12/31/00
1	Gross Revenues	$ 749,628	$ 788,598	$ 948,286	$ 953,199	$ 953,199	$ 1,421,076
2							
3	Revenue Deductions and	581,176	603,705	693,821	750,938	750,938	934,720
4	Operating Expenses						
5							
6	Operating Income	$ 168,452	$ 184,893	$ 254,465	$ 202,261	$ 202,261	$ 486,356
7							
8	Other Income and	8,714	6,020	5,645	11,452	11,452	11,452
9	Deductions						
10							
11	Interest Expense	23,651	46,611	64,409	178,132	178,132	178,132
12							
13	Net Income	$ 153,515	$ 144,302	$ 195,701	$ 35,580	$ 35,580	$ 319,675
14							
15	Earned Per Average						
16	Common Share	0.11	0.10	0.14	0.03	0.03	0.23
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	4.14%	3.18%	3.68%	0.67%	0.64%	5.76%
25							
26	Return on Year End						
27	Capital	3.79%	2.88%	3.47%	0.63%	0.65%	5.85%
28							
29	Return on Average						
30	Common Equity	7.68%	6.72%	8.44%	1.59%	1.46%	12.41%
31							
32	Return on Year End						
33	Common Equity	7.40%	6.50%	8.10%	1.58%	1.45%	11.69%
34							
35	Times Interest Earned						
36	Before Income Taxes	9.84	3.80	4.20	3.68	1.33	3.97
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	7.49	4.10	4.04	3.32	1.20	2.80
41							
42							
43	SUPPORTING SCHEDULES						
44	(a) E-2						
45	(b) C-1						
46	(c) F-1						

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

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/97	12/31/98	Test Year 12/31/99	Projected Year 12/31/00
1					
2	Long-Term Debt	590,707	578,598	1,856,612	1,796,663
3					
4	Total Debt	$ 590,707	$ 578,598	$ 1,856,612	$ 1,796,663
5					
6					
7	Preferred Stock	-	-	-	-
8					
9	Common Equity	2,075,627	2,219,929	2,415,630	2,735,305
10					
11					
12	Total Capital & Debt	$ 2,666,334	$ 2,798,527	$ 4,272,242	$ 4,531,968
13					
14					
15	Capitalization Ratios:				
16					
17	Long-Term Debt	22.15%	20.68%	43.46%	39.64%
18					
19	Total Debt	22.15%	20.68%	43.46%	39.64%
20					
21					
22	Preferred Stock	-	-	-	-
23					
24	Common Equity	77.85%	79.32%	56.54%	60.36%
25					
26					
27	Total Capital	100.00%	100.00%	100.00%	100.00%
28					
29					
30	Weighted Cost of				
31	Senior Capital	0.89%	1.67%	4.24%	3.87%
32					
33					
34					
35					
36					
37	SUPPORTING SCHEDULES: (a) E-1				
38					
39					

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
4	Prior Year Ended 12/31/97	1,084,500	589,574	4,299,272
5				
6	Prior Year Ended 12/31/98	1,086,637	1,581,051	5,880,323
7				
8	Test Year Ended 12/31/99	738,538	739,050	6,619,373
9				
10	Projected Year Ended 12/31/00	-	0	6,619,373
11				
12	SUPPORTING SCHEDULES:			
13	F3			
14	C2, Page 4			

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Summary Changes in Financial Position

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 12/31/97	Prior Year Ended 12/31/98	Test Year Ended 12/31/99	Projected Year Present Rates 12/31/00	Projected Year Proposed Rates 12/31/00
5	Cash Flows from Operating Activities					
6	Net Income	$ 153,515	$ 144,302	$ 195,701	$ 35,580	$ 319,675
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	99,027	130,676	155,865	162,599	162,599
10	Changes in Certain Assests and Liabilities:					
11	Deferred Income Taxes & Credits	(3,458)	3,990	4,515		
12	Accounts Receivable	20,749	(7,409)	(21,958)		
13	Materials & Supplies	767	71	(507)		
14	Prepaid Expenses	28,268	(3,778)	4,523		
15	Other Assets	(500)	6,497	-		
16	Accounts Payable and Accrued Liabilities	29,031	(25,572)	19,719		
17	Accrued Taxes	1,919	5,856	(4,012)		
18	Other Liabilities	(9,795)	(17,321)	-		
19						
20	Net Cash Flow provided by Operating Activities	$ 319,523	$ 237,312	$ 353,846	$ 198,179	$ 482,274
21	Cash Flow From Investing Activities:					
22	Capital Expenditures	(1,084,500)	(1,086,637)	(738,538)		
23	Increase in Debt Reserve Fund	-	-	-		
24	Net Cash Flows from Investing Activities	$ (1,084,500)	$ (1,086,637)	$ (738,538)	$ -	$ -
25	Cash Flow From Financing Activities					
26	(Decrease) Increase in Net Amounts due to Parent and					
27	Affiliates	533,275	749,176	(134,821)	(1,148,446)	(1,148,446)
28	Change in Restricted Cash	-	-	-	(129,039)	(129,039)
29	Changes In Meter Deposits	13,658	26,283	7,264		
30	Changes in Advances for Construction	-	-	-		
31	Proceeds from Contributions in Aid of Construction	4,500	103,310	586,980		
32	Proceeds from Long-Term Debt Borrowing	-	-	-	1,290,389	1,290,389
33	Repayments of Long-Term Debt	(9,293)	(12,109)	(12,373)	(35,673)	(35,673)
34	Dividends Paid	-	-	-		
35	Deferred Financing Costs	-	-	-	(12,904)	(12,904)
36	Proceeds From Sale Of Common Stock				(0)	(0)
37	Net Cash Flows Provided by Financing Activities	$ 542,140	$ 866,660	$ 447,050	$ (35,673)	$ (35,673)
38	Increase(decrease) in Cash and Cash Equivalents	(222,837)	17,335	62,358	162,506	446,601
39	Cash and Cash Equivalents at Beginning of Year	226,697	3,860	21,195	83,553	83,553
40	Cash and Cash Equivalents at End of Year	$ 3,860	$ 21,195	$ 83,553	$ 246,059	$ 530,154

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

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.			
1	Gross Utility Plant in Service	$	6,619,373
2	Less: Accumulated Depreciation		1,158,669
3			
4	Net Utility Plant in Service	$	5,460,704
5			
6	Less:		
7	Advances in Aid of		
8	Construction		
9	Contributions in Aid of		
10	Construction - Net of amortization		1,269,935
11	Customer Meter Deposits		120,684
12	Deferred Income Taxes & Credits		61,793
13	Plus:		
14	Unamortized Finance Charges		12,904
15	Allowance for Working Capital		98,339
16	Debt Reserve Fund (proposed Cobank loan)		129,039
17	Total Rate Base	$	4,248,575
18			
19			
20			
21	SUPPORTING SCHEDULES:		
22	(a) B-2		
23	(b) B-3		
24	(c) B-5		
25			
26			

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

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments Label	Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	$ 6,619,373			$ 6,619,373
3					
4	Less:				
5					
6	Accumulated				
7	Depreciation	1,158,560	(1)	109	1,158,669
8					
9	Net Utility Plant				
10	in Service	$ 5,460,813			$ 5,460,704
11					
12	Less:				
13	Advances in Aid of				
14	Construction	-			-
15	Contributions in Aid of				
16	Construction - Net	1,269,935			1,269,935
17	Customer Meter Deposits	120,684			120,684
18	Deferred Income Taxes & Credits	61,793			61,793
19					
20	Plus:				
21	Unamortized Finance	-	(4)	12,904	12,904
22	Charges	-			-
23	Working capital	-	(2)	98,339	98,339
24	Debt Reserve Fund (proposed CoBank loan)	-	(3)	129,039	129,039
25	Total	$ 4,008,401			$ 4,248,575
26					
27					
28	(1) Difference between Accumulated Depreciation per Book and Plant Schedule B2, page 2a-2e.				
29	(2) Schedule B5.				
30	(3) Debt Reserve requirement 10 percent on proposed Cobank loan of			$ 1,290,389 .	
31	(4) Points on proposed Cobank Loan.				
32					
33					
34	SUPPORTING SCHEDULES:				
35	E1				
36	C2, Page 4				
37	B2				
38	B2, Page 2a-2e				
39					

Rio Verde Utilities, Inc.- Water
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2 a
Witness: Bourassa

Account No.	Description	Deprec. Rate Thru Dec-92	Deprec. Rate After Dec-92	Staff Plant At 12/31/92	Allocated Staff 12/31/92 Accum. Depr. (a)	1993 Plant Additions	1993 Plant Adjustments	1993 Adjusted Plant Additions	1993 Plant Retirements	1993 Plant Balance	1993 Depr.	1993 Depreciable Balance	1994 Plant Additions	1994 Plant Adjustments	1994 Adjusted Plant Additions	1994 Plant Retirements	1994 Plant Balance
301	Organization Cost	0.000000%	0.000000%	1,380				-		1,380	-	1,380			-		1,380
302	Franchise Cost	0.000000%	0.000000%	-				-		-	-	-			-		-
303	Land and Land Rights	0.000000%	0.000000%	41,512				-		41,512	-	41,512			-		41,512
304	Structures and Improvements	3.064119%	3.064119%	24,238	5,911	7,403		7,403		31,641	856	31,641	384		384		32,026
307	Wells and Springs	3.064119%	3.064119%	567,188	138,323	31,486		31,486		598,674	17,862	598,674	22,735		22,735		621,409
310	Power Generation Equipment	3.064119%	3.064119%	23,703	5,781	393		393		24,096	732	24,096	-		-		24,096
311	Electric Pumping Equipment	3.064119%	3.064119%	239,677	58,451	2,632		2,632		242,309	7,384	242,309	16,814		16,814		259,122
320	Water Treatment Equipment	3.064119%	3.064119%	8,318	2,029			-		8,318	255	8,318	-		-		8,318
330	Distribution Reservoirs & Standpipe	3.064119%	3.064119%	78,353	19,108			-		78,353	2,401	78,353	-		-		78,353
331	Transmission and Distribution Mains	3.064119%	3.064119%	518,671	126,491	14,177		14,177		532,848	16,110	532,848	163,411		163,411		696,259
333	Services	3.064119%	3.064119%	35,850	8,743			-		35,850	1,098	35,850	47,838		47,838		83,688
334	Meters	3.064119%	3.064119%	18,553	4,525	4,645		4,645		23,198	640	23,198	6,302		6,302		29,500
335	Hydrants	3.064119%	3.064119%	45,577	11,115			-		45,577	1,397	45,577	28,380		28,380		73,957
339	Plant Structures and Improvements	3.064119%	3.064119%	-	-			-		-	-	-			-		-
340	Office Furniture and Fixtures	3.064119%	3.064119%	-	-			-		-	-	-			-		-
341	Transportation Equipment	3.064119%	3.064119%	12,606	3,074			-		12,606	386	12,606	8,675		8,675		21,281
343	Tools and Work Equipment	3.064119%	3.064119%	5,359	1,307	716		716		6,075	175	6,075	421		421		6,496
344	Laboratory Equipment	3.064119%	3.064119%	1,117	272			-		1,117	34	1,117	1,916		1,916		3,033
345	Communications Equipment	3.064119%	3.064119%	30,688	7,484			-		30,688	940	30,688	1,512		1,512		32,200
346	Miscellaneous Equipment	3.064119%	3.064119%	-	-			-		-	-	-			-		-
348	Other Tangible Plant	3.064119%	3.064119%	8,073	1,969			-		8,073	247	8,073			-		8,073
	Plant Held for Future Use																
	TOTAL WATER PLANT			1,660,863	394,584	61,451		61,451	-	1,722,314			298,389		298,389	-	2,020,703
	Depreciation									50,518							56,031
(a)	Staff Accumulated Depreciation Allocated to Plant.			1,617,971													
	Retirements (excluding land)									-							-
	Accumulated Depreciation Balance				394,584					445,102							501,133
	Half Year Convention used on depreciation																

Rio Verde Utilities, Inc. - Water
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2 b
Witness: Bourassa

Account No.	Description	1994 Depreciable Balance	1994 Deprec.	1995 Plant Additions	1995 Plant Adjustments	1995 Adjusted Plant Additions	1995 Plant Retirements	1995 Plant Balance	1995 Depreciable Balance	1995 Deprec.	1996 Plant Additions	1996 Plant Adjustments	1996 Adjusted Plant Additions	1996 Plant Retirements	1996 Plant Balance
301	Organization Cost	1,380	-			-		1,380	1,380	-			-		1,380
302	Franchise Cost	-	-			-		-	-	-			-		-
303	Land and Land Rights	41,512	-			-		41,512	41,512	-			-		41,512
304	Structures and Improvements	32,026	975			-		32,026	32,026	981	820		820		32,846
307	Wells and Springs	621,409	18,692	9,830		9,830		631,239	631,239	19,191	-		-		631,239
310	Power Generation Equipment	24,096	738	-		-		24,096	24,096	738	-		-		24,096
311	Electric Pumping Equipment	259,122	7,682	5,920	264,606	270,526		529,648	529,648	12,084	3,698		3,698		533,346
320	Water Treatment Equipment	8,318	255	1,907		1,907		10,225	10,225	284	-		-		10,225
330	Distribution Reservoirs & Standpipe	78,353	2,401	-	281,929	281,929		360,282	360,282	6,720	-		-		360,282
331	Transmission and Distribution Mains	696,259	18,831	156,307	634,603	790,910		1,487,169	1,487,169	33,451	95,520		95,520		1,582,688
333	Services	83,688	1,831	26,400		26,400		110,088	110,088	2,969	17,199		17,199		127,287
334	Meters	29,500	807	6,620		6,620		36,120	36,120	1,005	7,961		7,961		44,082
335	Hydrants	73,957	1,831	46,305		46,305		120,262	120,262	2,976	14,160		14,160		134,422
339	Plant Structures and Improvements	-	-			-		-	-	-	105,744		105,744		105,744
340	Office Furniture and Fixtures	-	-			-		-	-	-			-		-
341	Transportation Equipment	21,281	519	5,636		5,636		26,917	26,917	738			-		26,917
343	Tools and Work Equipment	6,496	193			-		6,496	6,496	199	382		382		6,879
344	Laboratory Equipment	3,033	64	3,470		3,470		6,503	6,503	146			-		6,503
345	Communications Equipment	32,200	963			-		32,200	32,200	987	86		86		32,286
346	Miscellaneous Equipment	-	-			-		-	-	-			-		-
348	Other Tangible Plant	8,073	247			-		8,073	8,073	247			-		8,073
	Plant Held for Future Use														
	TOTAL WATER PLANT			262,395		1,443,532	-	3,464,235			245,570		245,570	-	3,709,806
	Depreciation							82,718							108,596
(a)	Staff Accumulated Depreciation Allocated to Plant.														
	Retirements (excluding land)							-							-
	Accumulated Depreciation Balance							583,851							692,448
	Half Year Convention used on depreciation														

Rio Verde Utilities, Inc.- Water
Plant Additions and Retirements

Exhibit
Schedule B-2
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Witness: Bourassa

Account No.	Description	1996 Depreciable Balance	1996 Deprec.	1997 Plant Additions	1997 Plant Adjustments	1997 Adjusted Plant Additions	1997 Plant Retirements	1997 Plant Balance	1997 Depreciable Balance	1997 Deprec.	1998 Plant Additions	1998 Plant Adjustments	1998 Adjusted Plant Additions	1998 Plant Retirements	1998 Plant Balance
301	Organization Cost	1,380	-			-		1,380	1,380	-			-		1,380
302	Franchise Cost	-	-			-		-	-	-			-		-
303	Land and Land Rights	41,512	-			-		41,512	41,512	-			-		41,512
304	Structures and Improvements	32,846	994	601		601		33,447	33,447	1,016			-		33,447
307	Wells and Springs	631,239	19,342	76,410	310,614	387,024		1,018,263	1,018,263	25,271	1,925	590,837	592,762		1,611,025
310	Power Generation Equipment	24,096	738	-		-		24,096	24,096	738	-		-		24,096
311	Electric Pumping Equipment	533,346	16,286	54,212	83,641	137,852		671,199	671,199	18,454	11,083	286,842	297,925		969,124
320	Water Treatment Equipment	10,225	313	477		477		10,702	10,702	321	1,482		1,482		12,184
330	Distribution Reservoirs & Standpipe	360,282	11,039	-		-		360,282	360,282	11,039	-		-		360,282
331	Transmission and Distribution Mains	1,582,688	47,032	3,036		3,036		1,585,724	1,585,724	48,542	697,081	(70,674)	626,407		2,212,131
333	Services	127,287	3,637	47,365		47,365		174,652	174,652	4,626	242	11,095	11,338		185,990
334	Meters	44,082	1,229	(108)	7,310	7,202		51,284	51,284	1,461	11,610	7,270	18,880		70,164
335	Hydrants	134,422	3,902			-		134,422	134,422	4,119	713		713		135,135
339	Plant Structures and Improvements	105,744	1,620			-		105,744	105,744	3,240			-		105,744
340	Office Furniture and Fixtures	-	-			-		-	-	-			-		-
341	Transportation Equipment	26,917	825		1,448	1,448		28,365	28,365	847			-		28,365
343	Tools and Work Equipment	6,879	205	488		488		7,366	7,366	218	2,902		2,902		10,269
344	Laboratory Equipment	6,503	199	-		-		6,503	6,503	199	619		619		7,121
345	Communications Equipment	32,286	988	3,973		3,973		36,259	36,259	1,050	26,366		26,366		62,625
346	Miscellaneous Equipment	-	-			-		-	-	-			-		-
348	Other Tangible Plant	8,073	247			-		8,073	8,073	247	1,658		1,658		9,731
	Plant Held for Future Use														
	TOTAL WATER PLANT			186,453		589,466	-	4,299,272			755,681		1,581,051	-	5,880,323
	Depreciation							121,390							154,643
(a)	Staff Accumulated Depreciation Allocated to Plant.														
	Retirements (excluding land)							-							-
	Accumulated Depreciation Balance							813,837							968,480
	Half Year Convention used on depreciation														

Rio Verde Utilities, Inc.- Water
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2 d
Witness: Bourassa

Account No.	Description	1998 Depreciable Balance	1998 Deprec.	1999 Plant Additions	1999 Plant Adjustments	1999 Adjusted Plant Additions	1999 Plant Retirements	1999 Plant Balance	1999 Depreciable Balance	1999 Deprec.
301	Organization Cost	1,380	-			-		1,380	1,380	-
302	Franchise Cost	-	-			-		-	-	-
303	Land and Land Rights	41,512	-			-		41,512	41,512	-
304	Structures and Improvements	33,447	1,025	3,686		3,686		37,133	37,133	1,081
307	Wells and Springs	1,611,025	40,282		(722)	(722)		1,610,304	1,610,304	49,353
310	Power Generation Equipment	24,096	738	11,302		11,302		35,397	35,397	911
311	Electric Pumping Equipment	969,124	25,131	4,160		4,160		973,284	973,284	29,759
320	Water Treatment Equipment	12,184	351	-		-		12,184	12,184	373
330	Distribution Reservoirs & Standpipe	360,282	11,039	-		-		360,282	360,282	11,039
331	Transmission and Distribution Mains	2,212,131	58,185	489,207	(197)	489,009		2,701,140	2,701,140	75,274
333	Services	185,990	5,525	160,323	919	161,242		347,232	347,232	8,169
334	Meters	70,164	1,861	9,355	2,005	11,360		81,524	81,524	2,324
335	Hydrants	135,135	4,130	48,124		48,124		183,259	183,259	4,878
339	Plant Structures and Improvements	105,744	3,240	-		-		105,744	105,744	3,240
340	Office Furniture and Fixtures	-	-			-		-	-	-
341	Transportation Equipment	28,365	869	8,494	(175)	8,319	-	36,684	36,684	997
343	Tools and Work Equipment	10,269	270			-		10,269	10,269	315
344	Laboratory Equipment	7,121	209	215		215		7,336	7,336	221
345	Communications Equipment	62,625	1,515	874		874		63,499	63,499	1,932
346	Miscellaneous Equipment	-	-	1,083		1,083		1,083	1,083	17
348	Other Tangible Plant	9,731	273	398		398		10,128	10,128	304
	Plant Held for Future Use									
	TOTAL WATER PLANT			737,221		739,051	-	6,619,374		
	Depreciation							190,189		
(a)	Staff Accumulated Depreciation Allocated to Plant.									
	Retirements (excluding land)							-		
	Accumulated Depreciation Balance							1,158,669		
	Half Year Convention used on depreciation									

Rio Verde Utilities, Inc.- Water
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2 e
Witness: Bourassa

Account No.	Description	Year End Accumulated Depreciation by Account Dec-92 1992	Dec-93 1993	Dec-94 1994	Dec-95 1995	Dec-96 1996	Dec-97 1997	Dec-98 1998	Dec-99 1999
301	Organization Cost	-	-	-	-	-	-	-	-
302	Franchise Cost	-	-	-	-	-	-	-	-
303	Land and Land Rights	-	-	-	-	-	-	-	-
304	Structures and Improvements	5,911	6,767	7,743	8,724	9,718	10,733	11,758	12,840
307	Wells and Springs	138,323	156,185	174,878	194,069	213,411	238,682	278,964	328,317
310	Power Generation Equipment	5,781	6,513	7,251	7,990	8,728	9,466	10,205	11,116
311	Electric Pumping Equipment	58,451	65,836	73,518	85,602	101,888	120,342	145,473	175,232
320	Water Treatment Equipment	2,029	2,283	2,538	2,822	3,136	3,456	3,807	4,180
330	Distribution Reservoirs & Standpipe	19,108	21,509	23,910	30,630	41,670	52,709	63,749	74,788
331	Transmission and Distribution Mains	126,491	142,601	161,432	194,883	241,915	290,457	348,643	423,917
333	Services	8,743	9,841	11,673	14,642	18,278	22,904	28,430	36,599
334	Meters	4,525	5,164	5,972	6,977	8,206	9,667	11,527	13,851
335	Hydrants	11,115	12,512	14,343	17,319	21,220	25,339	29,469	34,347
339	Plant Structures and Improvements	-	-	-	-	1,620	4,860	8,100	11,340
340	Office Furniture and Fixtures	-	-	-	-	-	-	-	-
341	Transportation Equipment	3,074	3,461	3,980	4,718	5,543	6,390	7,259	8,256
343	Tools and Work Equipment	1,307	1,482	1,675	1,874	2,079	2,297	2,567	2,882
344	Laboratory Equipment	272	307	370	516	716	915	1,124	1,345
345	Communications Equipment	7,484	8,424	9,388	10,375	11,362	12,413	13,928	15,860
346	Miscellaneous Equipment	-	-	-	-	-	-	-	17
348	Other Tangible Plant	1,969	2,216	2,464	2,711	2,958	3,206	3,478	3,783
	Plant Held for Future Use								
	TOTAL WATER PLANT	394,584	445,102	501,133	583,851	692,448	813,837	968,480	1,158,669
	Depreciation								
(a)	Staff Accumulated Depreciation Allocated to Plant.								
	Retirements (excluding land)								
	Accumulated Depreciation Balance								
	Half Year Convention used on depreciation								

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

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	51,086
3	Pumping Power (1/24 of Pumping Power)		6,527
4	Material and Supplies Inventories		904
5	Prepayments		39,823
6			
7			
8	Total Working Capital Allowance	$	98,339
9			
10			
11			
12			
13			
14	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
15	(a) E-1	(b) B-1	
16			

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

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	Adjustment Label	Adjustments	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**						
2	Water Revenues	$ 910,422	(1)	5,594	$ 912,925	467,877	$ 1,380,802
3			(12)	(3,092)			$ -
4	Hook-Up Fees	30,000	(2)	5,000	35,000		35,000
5	Misc Service Revenues	5,274			5,274		5,274
6	C.A.P. Surcharge	2,589	(11)	(2,589)	-		-
7					-		-
8	**Total Revenues**	$ 948,286		$ 4,913	$ 953,199	$ 467,877	$ 1,421,076
9	**Operating Expenses**						
10	Salaries & Wages	$ 96,432	(4)	7,715	$ 104,146		$ 104,146
11	Purchased Power	156,060	(9)	577	156,637		156,637
12	SRP Ground water Charge	9,525			9,525		9,525
13	CAP Purchased Water	51,706	(6)	822	52,528		52,528
14	DWR Surcharge	5,329			5,329		5,329
15	Maintenance	85,896	(15a)	318	86,213		86,213
16	Chemicals	1,003	(15b)	4	1,007		1,007
17	Administrative Office	12,009			12,009		12,009
18	Automotive	4,712			4,712		4,712
19	RVUI Lab Operations	2,003			2,003		2,003
20	Outside Lab	7,134			7,134		7,134
21	Supplies	11	(15c)	0	11		11
22	Postage/Express/UPS	1,717	(7)(15d)	87	1,804		1,804
23	Office Supplies	1,544	(15e)	31	1,575		1,575
24	Payroll Taxes	10,760	(4)	744	11,504		11,504
25	Employee Benefits	7,399			7,399		7,399
26	Taxes & Licenses	26,372	(10)	15,448	41,820		41,820
27	Telephone	3,800			3,800		3,800
28	Insurance	7,539			7,539		7,539
29	Legal Fees	739			739		739
30	Professional Fees	6,248			6,248		6,248
31	Education & Training	205			205		205
32	Travel & Entertainment	593			593		593
33	Security Charges	862			862		862
34	Outside Services	27,839			27,839		27,839
35	Miscellaneous	139			139		139
36	Rate Case Expense	-	(5)	12,000	12,000		12,000
37	Depreciation	155,874	(3)	6,725	162,599		162,599
38		-			-		-
39	Income Taxes	10,370			23,017		206,799
40	**Total Operating Expenses**	$ 693,821		$ 44,470	$ 750,938		$ 934,720
41	**Operating Income**	$ 254,465		$ (39,557)	$ 202,261		$ 486,356
42	**Other Income (Expense)**						
43	Interest Income	5,645	(14)	5,807	11,452		11,452
44	Other income				-		-
45	Interest Expense	(64,409)	(8)(13)	(113,723)	(178,132)		(178,132)
46	Other Expense				-		-
47	Gain/Loss Sale of Fixed Assets				-		-
48	**Total Other Income (Expense)**	$ (58,764)		$ (107,916)	$ (166,681)		$ (166,681)
49	**Net Profit (Loss)**	$ 195,701		$ (147,473)	$ 35,580		$ 319,675

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

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Adjustments to Revenues and Expenses

Line No.		1	2	3	4	5	6	Subtotal
1	Revenues	5,594	5,000					10,594
2								
3	Expenses			6,725	8,459	12,000	822	28,006
4								
5	Operating							
6	Income	5,594	5,000	(6,725)	(8,459)	(12,000)	(822)	(17,412)
7								
8	Interest							
9	Expense							
10	Other							
11	Income /							
12	Expense							
13								
14	Net Income	5,594	5,000	(6,725)	(8,459)	(12,000)	(822)	(17,412)
15								
16								
17								

Adjustments to Revenues and Expenses

18		7	8	9	10	11	12	Subtotal
19	Revenues					(2,589)	(3,092)	(5,681)
20								
21	Expenses	52		577	15,448			16,077
22								
23	Operating							
24	Income	(52)	-	(577)	(15,448)	(2,589)	(3,092)	(21,758)
25								
26	Interest							
27	Expense		113,078					113,078
28	Other							
29	Income /							
30	Expense							
31								
32	Net Income	(52)	(113,078)	(577)	(15,448)	(2,589)	(3,092)	(134,836)
33								
34								
35								

Adjustments to Revenues and Expenses

36		13	14	15	16	17	18	Total
37	Revenues							4,913
38								
39	Expenses			387				44,470
40								
41	Operating							
42	Income	-	-	(387)	-	-	-	(39,557)
43								
44	Interest							
45	Expense	645						113,723
46	Other							
47	Income /		5,807					5,807
48	Expense							-
49								
50	Net Income	(645)	5,807	(387)	-	-	-	(147,473)

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Line No.		Present Rates Dollars	Proposed Rates Dollars	Additional Gallons (1,000's)	Billings
1					
2					
3	**Proforma for Actual Customer Change**				
4	3/4 Inch and 1 Inch Residential Meters	5,594	9,999	3,042,910	297
5					
6	Total Proforma Revenues	$ 5,594	$ 9,999	3,042,910	297
7					
8	Total Proforma Revenues				$ 5,594
9					
10					
11	Adjustment to Revenues and/or Expenses				$ 5,594
12					
13	SUPPORTING SCHEDULES:				
14	C-2, Page 2a				
15					
16					

Rio Verde Utilities, Inc. / Water Division
Revenue Anualization to Year-end Number of Customers
Residential 3/4 inch & 1 Inch

Exhibit
Schedule C-2
Page 2a
Witness: Bourassa

Line No.		Month Jan-99	Feb	March	April	May	June	July
1	Year End Number of Customers	1,208	1,208	1,208	1,208	1,208	1,208	1,208
2	Actual Customers	1,146	1,150	1,161	1,165	1,178	1,189	1,189
3	Increase in Number of Customers/Bills	62	58	47	43	30	19	19
4	Average Revenue / Present Rates	$ 17.15	$ 19.94	$ 18.92	$ 18.65	$ 19.20	$ 18.88	$ 19.89
5	Revenue Annualization / Present Rates	$ 1,063	$ 1,157	$ 889	$ 802	$ 576	$ 359	$ 378
6								
7	Increase in Number of Customers	62	58	47	43	30	19	19
8	Average Revenue / Proposed Rates	$ 30.62	$ 35.67	$ 33.82	$ 33.34	$ 34.33	$ 33.74	$ 35.57
9	Revenue Annualization / Proposed Rates	$ 1,899	$ 2,069	$ 1,589	$ 1,434	$ 1,030	$ 641	$ 676
10	Additional Gallons to be Produced	553,484	644,518	484,620	434,525	315,949	195,293	210,334
11		553483.928	644518.2922	484620.0159	434524.5597	315949.1002	195292.6266	210333.5076
12								
13		Month						Total
14		Aug.	Sept.	Oct.	Nov.	Dec.		Year
15	Year End Number of Customers	1,208	1,208	1,208	1,208	1,208		
16	Actual Customers	1,198	1,189	1,198	1,207	1,202		
17	Increase in Number of Customers/Bills	10	1	6	2	-		297
18	Average Revenue / Present Rates	$ 19.21	$ 20.12	$ 19.16	$ 21.41	$ 19.36		
19	Revenue Annualization / Present Rates	$ 192	$ 20	$ 115	$ 43	$ -		$ 5,594
20								
21	Increase in Number of Customers	10	1	6	2	-		
22	Average Revenue / Proposed Rates	$ 34.35	$ 35.98	$ 34.26	$ 38.31	$ 34.62		
23	Revenue Annualization / Proposed Rates	$ 192	$ 20	$ 115	$ 43	$ -		$ 9,999
24	Additional Gallons to be Produced	105,423	11,247	63,010	24,508	-		3,042,910

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Line No.			
1	Adjustment for hook-up fees		
2			
3	Projected Customer Growth		70
4	Current Tariff	$	500
5			
6	Projected Hook-up Fees based on Customer Growth	$	35,000
7			
8	Test Year Amount		30,000
9			
10			
11	Adjustment to Revenues and/or Expenses	$	5,000

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses
ADJUSTMENT TO REVENUE AND/OR EXPENSES
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Line No.							
1	**Annualization of Depreciation Expense**						
2			Test		Projected		Proposed
3	Account		Year End		Year End	Depreciation	Depreciation
4	Number	Plant Asset:	Balance		Balance	Rate	Expense
5	301	Organization Cost	$ 1,380.00		$ 1,380.00	0.000000%	-
6	302	Franchise Cost	-		-	0.000000%	-
7	303	Land and Land Rights	41,512		41,512	0.000000%	-
8	304	Structures and Improvements	37,133		37,133	3.064119%	1,138
9	307	Wells and Springs	1,610,304		1,610,304	3.064119%	49,342
10	310	Power Generation Equipment	35,397		35,397	3.064119%	1,085
11	311	Electric Pumping Equipment	973,284		973,284	3.064119%	29,823
12	320	Water Treatment Equipment	12,184		12,184	3.064119%	373
13	330	Distribution Reservoirs & Standpipe	360,282		360,282	3.064119%	11,039
14	331	Transmission and Distribution Mains	2,701,140		2,701,140	3.064119%	82,766
15	333	Services	347,232		347,232	3.064119%	10,640
16	334	Meters	81,524		81,524	3.064119%	2,498
17	335	Hydrants	183,259		183,259	3.064119%	5,615
18	339	Plant Structures and Improvements	105,744		105,744	3.064119%	3,240
19	340	Office Furniture and Fixtures	-		-	3.064119%	-
20	341	Transportation Equipment	36,684		36,684	3.064119%	1,124
21	343	Tools and Work Equipment	10,269		10,269	3.064119%	315
22	344	Laboratory Equipment	7,336		7,336	3.064119%	225
23	345	Communications Equipment	63,499		63,499	3.064119%	1,946
24	346	Miscellaneous Equipment	1,083		1,083	3.064119%	33
25	348	Other Tangible Plant	10,128		10,128	3.064119%	310
26							
27	Total Plant		$ 6,619,374	$ -	$ 6,619,374		$ 201,511
28							
29							
30	Depreciation			$ 201,511			
31							
32	Less: Amortization of Contributions in Aid of Construction			$ 1,269,935			
33	Commission Approved Amortization Rate			3.064119%			
34	Amortization			$ 38,912			
35							
36	Adjusted Test Year Depreciation Expense			$ 162,599			
37	Test Year Depreciation Per Books			155,874			
38	Increase (decrease) in Depreciation Expense			$ 6,725			
39							
40	Adjustment to Revenues and/or Expenses			$ 6,725			

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Line No.			
1	**Increase in Salaries & Wages**		
2			
3	Test Year Salaries & Wages		$ 96,432
4			
5	Projected Increase (as a percent)		8%
6			
7	Projected Salaries and Wages		$ 104,146
9			
10	Projected Increase		$ 7,715
11			
12	Payroll Taxes in Projected Increase		
13	Social Security & Medicare	$ 590	
14	Federal Unemployment	62	
15	State Unemployment	93	
16	Total Projected Increase in Payroll Taxes		$ 744
17			
18			
19	Adjustment to Revenues and/or Expenses		$ 8,459
20			
22			
23			

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Adjustment for Rate Case Expense

Line No.			
1	Estimated Rate Case Expense	$	60,000
2			
3	Estimated Amortization Period in Years		5
4			
5	Adjustment to Rate Case Expense	$	12,000
6			
7			
8	Adjustment to Revenue and/or Expense	$	12,000
9			
10			
11			

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Line. No.			Projected Year	
1	**CAP Charges**			
2				
3				
4	CAP Charges Calculations			
5	M&I Capital Charges per af	$ 54		
6	Allocation (af)	812		
7	Total M&I Capital Charges		$ 43,848	
8	M&I Usage Charge per af	$ 70		
9		124		
10			8,680	
11				
12	Total CAP Charges		$ 52,528	
13				
14				
15	Test Year CAP Charges		$ 51,706	
16	Projected CAP Charges		52,528	
17	Increase (decrease) in CAP Charges		$ 822	
18				
19	Adjustment to Revenues and/or Expense		$ 822	
20				

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Line. No.			
1	**Annual mailing costs**		
2			
3			
4	Test Year Postage	$	1,717
5			
6	Number of Customer Billings in Test Year		14,665
7			
8	Average Mailing Cost Per Customer Bill	$	0.11711
9			
10	Projected Increase in Cost (as a Percent)		3.03%
11			
12	Adjusted Average Mailing Cost Per Customer Bill	$	0.12066
13			
14	Adjusted Mailing Costs at Test Year Number of Billings	$	1,769.54
15			
16	Increase in Expenses	$	52
17			
18			
19	Adjustment to Revenues and/or Expenses	$	52
20			
21			
22			

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 8

Exhibit
Schedule C-6
Page 9a
Witness: Bourassa

Line. No.			
1	**Interest Expense on Long Term Debt**		
2			
3	Interest Expense on Long Term Debt for Projected Year (Including proposed CoBank loan)	$	177,487
4			
5	Test Year Interest Expense on Long Term Debt		64,409
6			
7	Adjustment to Interest Expense		113,078
8			
9	Adjustment to Revenues and/or Expenses	$	113,078
10			
11			
12			
13	See Schedule D2, Page 1		
14	See amortization schedules page 9b and 9c.		
15			

Rio Verde Utilities, Inc - Water
Existing Second Arizona Rio Verde Company Loan
Amortization Schedule

Exhibit
Schedule C2
Page 9b
Witness: Bourassa

Line No.						
1						
2						
3	Annual Interest Rate		9.80%			
4	Payment		$ 5,711.00			
5						
6	Pay No.	Principle	Interest	Payment	Balance	
7	1	$ 985.78	$ 4,725.22	$ 5,711.00	$ 578,598.00	**<-Balance 12/98**
8	2	993.83	4,717.17	5,711.00	577,612.22	
9	3	1,001.95	4,709.05	5,711.00	576,618.38	
10	4	1,010.13	4,700.87	5,711.00	575,616.43	
11	5	1,018.38	4,692.62	5,711.00	574,606.30	
12	6	1,026.70	4,684.30	5,711.00	573,587.92	
13	7	1,035.08	4,675.92	5,711.00	572,561.22	
14	8	1,043.54	4,667.46	5,711.00	571,526.14	
15	9	1,052.06	4,658.94	5,711.00	570,482.60	
16	10	1,060.65	4,650.35	5,711.00	569,430.54	
17	11	1,069.31	4,641.69	5,711.00	568,369.89	
18	12	1,078.05	4,632.95	5,711.00	567,300.58	
19	13	1,086.85	4,624.15	5,711.00	566,222.53	**<-Balance 12/99**
20	14	1,095.73	4,615.27	5,711.00	565,135.68	
21	15	1,104.67	4,606.33	5,711.00	564,039.96	
22	16	1,113.70	4,597.30	5,711.00	562,935.29	
23	17	1,122.79	4,588.21	5,711.00	561,821.59	
24	18	1,131.96	4,579.04	5,711.00	560,698.80	
25	19	1,141.20	4,569.80	5,711.00	559,566.84	
26	20	1,150.52	4,560.48	5,711.00	558,425.64	
27	21	1,159.92	4,551.08	5,711.00	557,275.11	
28	22	1,169.39	4,541.61	5,711.00	556,115.19	
29	23	1,178.94	4,532.06	5,711.00	554,945.80	
30	24	1,188.57	4,522.43	5,711.00	553,766.86	
31	25	1,198.28	4,512.72	5,711.00	552,578.29	**<-Balance 12/00**
32	26	1,208.06	4,502.94	5,711.00	551,380.01	
33	27	1,217.93	4,493.07	5,711.00	550,171.95	
34	28	1,227.88	4,483.12	5,711.00	548,954.02	
35	29	1,237.90	4,473.10	5,711.00	547,726.14	
36	30	1,248.01	4,462.99	5,711.00	546,488.24	
37	31	1,258.20	4,452.80	5,711.00	545,240.22	
38	32	1,268.48	4,442.52	5,711.00	543,982.02	
39	33	1,278.84	4,432.16	5,711.00	542,713.54	
40	34	1,289.28	4,421.72	5,711.00	541,434.70	
41	35	1,299.81	4,411.19	5,711.00	540,145.42	
42	36	1,310.43	4,400.57	5,711.00	538,845.60	
43	37	1,321.13	4,389.87	5,711.00	537,535.18	

Rio Verde Utilities, Inc. - Water
CoBank Loan (proposed)
Amortization Schedule

Exhibit
Schedule C2
Page 9c
Witness: Bourassa

Line No.		
1	Principle	$ 1,290,389.00
2	No. of Months	240
3	Annual Interest Rate	9.75%
4	Payment	$12,239.56
5		

6	Pay No.	Principle	Interest	Payment	Balance
7	1	$ 1,755.15	$ 10,484.41	$ 12,239.56	$ 1,290,389.00
8	2	1,769.41	10,470.15	$12,239.56	1,288,633.85
9	3	1,783.78	10,455.77	$12,239.56	1,286,864.45
10	4	1,798.28	10,441.28	$12,239.56	1,285,080.66
11	5	1,812.89	10,426.67	$12,239.56	1,283,282.39
12	6	1,827.62	10,411.94	$12,239.56	1,281,469.50
13	7	1,842.47	10,397.09	$12,239.56	1,279,641.88
14	8	1,857.44	10,382.12	$12,239.56	1,277,799.41
15	9	1,872.53	10,367.03	$12,239.56	1,275,941.98
16	10	1,887.74	10,351.81	$12,239.56	1,274,069.45
17	11	1,903.08	10,336.48	$12,239.56	1,272,181.71
18	12	1,918.54	10,321.01	$12,239.56	1,270,278.63
19	13	1,934.13	10,305.43	$12,239.56	1,268,360.08
20	14	1,949.85	10,289.71	$12,239.56	1,266,425.95
21	15	1,965.69	10,273.87	$12,239.56	1,264,476.10
22	16	1,981.66	10,257.90	$12,239.56	1,262,510.42
23	17	1,997.76	10,241.80	$12,239.56	1,260,528.76
24	18	2,013.99	10,225.56	$12,239.56	1,258,530.99
25	19	2,030.36	10,209.20	$12,239.56	1,256,517.00
26	20	2,046.85	10,192.70	$12,239.56	1,254,486.65
27	21	2,063.48	10,176.07	$12,239.56	1,252,439.79
28	22	2,080.25	10,159.31	$12,239.56	1,250,376.31
29	23	2,097.15	10,142.41	$12,239.56	1,248,296.06
30	24	2,114.19	10,125.37	$12,239.56	1,246,198.91
31	25	2,131.37	10,108.19	$12,239.56	1,244,084.72
32	26	2,148.69	10,090.87	$12,239.56	1,241,953.35
33	27	2,166.14	10,073.41	$12,239.56	1,239,804.66
34	28	2,183.74	10,055.81	$12,239.56	1,237,638.52
35	29	2,201.49	10,038.07	$12,239.56	1,235,454.77
36	30	2,219.37	10,020.18	$12,239.56	1,233,253.29
37	31	2,237.41	10,002.15	$12,239.56	1,231,033.91
38	32	2,255.59	9,983.97	$12,239.56	1,228,796.51
39	33	2,273.91	9,965.64	$12,239.56	1,226,540.92
40	34	2,292.39	9,947.17	$12,239.56	1,224,267.01
41	35	2,311.01	9,928.54	$12,239.56	1,221,974.62
42	36	2,329.79	9,909.77	$12,239.56	1,219,663.61
43	37	2,348.72	9,890.84	$12,239.56	1,217,333.82

Rio Verde Utilities, Inc. - Water
Test Year Ended June 30, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Line. No.		
1	**Purchased Power Costs**	
2		
3	Test Year Purchased Power Costs	156,060
4		
5	Test Year Gallons Sold (gallons in 1,000's)	823,208
6		
7	Cost per 1,000 gallons	0.18958
8		
9	Projected Gallons Sold	826,251
10		
11	Projected Purchased Power Costs	156,637
12		
13		
14	Adjustment to Revenues and/or Expenses	577
15		
16		
17		

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
Adjustment # 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Line No.				Proposed Revenues
1	Revenues - Annualized - Proposed Rates			1,421,076
2	Two Times Revenue			2,842,152
3	Gross Plant			6,619,373
4	Less: Accumulated Depreciation			1,158,669
5				
6	Net Plant or Book Value			5,460,704
7				
8	Revenue / Net Plant = Utilization Factor			26.024%
9				
10	Department of Revenue Factor for Plant			60%
11	Two Times Revenue without sales tax			2,842,152
12	Net Plant Times Utilization Factor, plus materials & supplies of:		$ 904	3,277,327
13	Correlated Value, assuming 50% of plant and 50% of revenue			
14	plus Material and Supplies	$ 904		3,060,191
15	CWIP at 35%			
16	Transportation Equipment Deduction			(16,960)
17				
18	Full Cash Value			3,043,232
19				
20	Times Assessment Ratio at 25%			25.00%
21				
22	Assessed Value			760,808
23				
24	Property Tax Rate			5.616%
25	Property Tax Expense, base on full cash value			42,726
26	Property tax on parcels			13
27	Total Property Tax Expense at Proposed Rates			42,740
28	Test Year Property Tax Expense (based on Billed Taxes at 12/99)			24,247
29	Increase in Property Tax Expense			18,492
26	Less: Margin of Error in Computation			(3,044)
27	Adjustment to Property Tax Expense			15,448
28				
29	Adjustment to Revenue and/or Expenses			$ 15,448

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 11b
Witness: Bourassa

Line No.	(From Line 2, Page 11) 2,842,152 Percentage of: Revenue	(From Line 12, Page 11) 3,277,327 Percentage of: Plant	Dollar amount of Revenue	Dollar amount of Plant (3277326.687)	Correl-ated Value	Remove Transport. Equipment	Full Cash 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: Revenue	Maximum Error as A Percentage of: Property Tax
1	100%	0%	2,842,152	0	2,842,152	(15,751)	2,826,401	706,600	39,682	42,726	3,044	0.11%	7.13%
2	99%	1%	2,813,731	32,782	2,846,513	(15,775)	2,830,738	707,684	39,743	42,726	2,983	0.10%	6.98%
3	98%	2%	2,785,309	65,565	2,850,874	(15,799)	2,835,074	708,769	39,804	42,726	2,922	0.10%	6.84%
4	97%	3%	2,756,888	98,347	2,855,235	(15,824)	2,839,411	709,853	39,865	42,726	2,862	0.10%	6.70%
5	96%	4%	2,728,466	131,129	2,859,595	(15,848)	2,843,747	710,937	39,926	42,726	2,801	0.10%	6.56%
6	95%	5%	2,700,045	163,912	2,863,956	(15,872)	2,848,084	712,021	39,986	42,726	2,740	0.10%	6.41%
7	94%	6%	2,671,623	196,694	2,868,317	(15,896)	2,852,421	713,105	40,047	42,726	2,679	0.09%	6.27%
8	93%	7%	2,643,202	229,476	2,872,678	(15,920)	2,856,757	714,189	40,108	42,726	2,618	0.09%	6.13%
9	92%	8%	2,614,780	262,258	2,877,038	(15,944)	2,861,094	715,273	40,169	42,726	2,557	0.09%	5.99%
10	91%	9%	2,586,358	295,041	2,881,399	(15,969)	2,865,431	716,358	40,230	42,726	2,496	0.09%	5.84%
11	90%	10%	2,557,937	327,823	2,885,760	(15,993)	2,869,767	717,442	40,291	42,726	2,435	0.09%	5.70%
12	89%	11%	2,529,515	360,605	2,890,121	(16,017)	2,874,104	718,526	40,352	42,726	2,375	0.08%	5.56%
13	88%	12%	2,501,094	393,388	2,894,482	(16,041)	2,878,440	719,610	40,413	42,726	2,314	0.08%	5.42%
14	87%	13%	2,472,672	426,170	2,898,842	(16,065)	2,882,777	720,694	40,474	42,726	2,253	0.08%	5.27%
15	86%	14%	2,444,251	458,952	2,903,203	(16,090)	2,887,114	721,778	40,534	42,726	2,192	0.08%	5.13%
16	85%	15%	2,415,829	491,735	2,907,564	(16,114)	2,891,450	722,863	40,595	42,726	2,131	0.07%	4.99%
17	84%	16%	2,387,408	524,517	2,911,925	(16,138)	2,895,787	723,947	40,656	42,726	2,070	0.07%	4.85%
18	83%	17%	2,358,986	557,299	2,916,286	(16,162)	2,900,124	725,031	40,717	42,726	2,009	0.07%	4.70%
19	82%	18%	2,330,565	590,082	2,920,646	(16,186)	2,904,460	726,115	40,778	42,726	1,948	0.07%	4.56%
20	81%	19%	2,302,143	622,864	2,925,007	(16,210)	2,908,797	727,199	40,839	42,726	1,887	0.07%	4.42%
21	80%	20%	2,273,722	655,646	2,929,368	(16,235)	2,913,133	728,283	40,900	42,726	1,827	0.06%	4.28%
22	79%	21%	2,245,300	688,428	2,933,729	(16,259)	2,917,470	729,367	40,961	42,726	1,766	0.06%	4.13%
23	78%	22%	2,216,879	721,211	2,938,089	(16,283)	2,921,807	730,452	41,022	42,726	1,705	0.06%	3.99%
24	77%	23%	2,188,457	753,993	2,942,450	(16,307)	2,926,143	731,536	41,082	42,726	1,644	0.06%	3.85%
25	76%	24%	2,160,036	786,775	2,946,811	(16,331)	2,930,480	732,620	41,143	42,726	1,583	0.06%	3.71%
26	75%	25%	2,131,614	819,558	2,951,172	(16,355)	2,934,816	733,704	41,204	42,726	1,522	0.05%	3.56%
27	74%	26%	2,103,193	852,340	2,955,533	(16,380)	2,939,153	734,788	41,265	42,726	1,461	0.05%	3.42%
28	73%	27%	2,074,771	885,122	2,959,893	(16,404)	2,943,490	735,872	41,326	42,726	1,400	0.05%	3.28%
29	72%	28%	2,046,350	917,905	2,964,254	(16,428)	2,947,826	736,957	41,387	42,726	1,339	0.05%	3.14%
26	71%	29%	2,017,928	950,687	2,968,615	(16,452)	2,952,163	738,041	41,448	42,726	1,279	0.04%	2.99%
27	70%	30%	1,989,507	983,469	2,972,976	(16,476)	2,956,500	739,125	41,509	42,726	1,218	0.04%	2.85%
28	69%	31%	1,961,085	1,016,252	2,977,337	(16,500)	2,960,836	740,209	41,569	42,726	1,157	0.04%	2.71%
29	68%	32%	1,932,663	1,049,034	2,981,697	(16,525)	2,965,173	741,293	41,630	42,726	1,096	0.04%	2.57%
30	67%	33%	1,904,242	1,081,816	2,986,058	(16,549)	2,969,509	742,377	41,691	42,726	1,035	0.04%	2.42%
31	66%	34%	1,875,820	1,114,598	2,990,419	(16,573)	2,973,846	743,462	41,752	42,726	974	0.03%	2.28%

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 11c
Witness: Bourassa

Line No.	Percentage of Revenue (From Line 2, Page 11) 2,842,152	Percentage of Plant (From Line 12, Page 11) 3,277,327	Dollar amount of Revenue	Dollar amount of Plant	Correl-ated Value	Remove Transport. Equipment	Full Cash 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: Revenue	Maximum Error as A Percentage of: Property Tax
1	65%	35%	1,847,399	1,147,381	2,994,780	(16,597)	2,978,183	744,546	41,813	42,726	913	0.03%	2.14%
2	64%	36%	1,818,977	1,180,163	2,999,140	(16,621)	2,982,519	745,630	41,874	42,726	852	0.03%	2.00%
3	63%	37%	1,790,556	1,212,945	3,003,501	(16,645)	2,986,856	746,714	41,935	42,726	792	0.03%	1.85%
4	62%	38%	1,762,134	1,245,728	3,007,862	(16,670)	2,991,192	747,798	41,996	42,726	731	0.03%	1.71%
5	61%	39%	1,733,713	1,278,510	3,012,223	(16,694)	2,995,529	748,882	42,057	42,726	670	0.02%	1.57%
6	60%	40%	1,705,291	1,311,292	3,016,584	(16,718)	2,999,866	749,966	42,117	42,726	609	0.02%	1.43%
7	59%	41%	1,676,870	1,344,075	3,020,944	(16,742)	3,004,202	751,051	42,178	42,726	548	0.02%	1.28%
8	58%	42%	1,648,448	1,376,857	3,025,305	(16,766)	3,008,539	752,135	42,239	42,726	487	0.02%	1.14%
9	57%	43%	1,620,027	1,409,639	3,029,666	(16,790)	3,012,876	753,219	42,300	42,726	426	0.01%	1.00%
10	56%	44%	1,591,605	1,442,422	3,034,027	(16,815)	3,017,212	754,303	42,361	42,726	365	0.01%	0.86%
11	55%	45%	1,563,184	1,475,204	3,038,387	(16,839)	3,021,549	755,387	42,422	42,726	304	0.01%	0.71%
12	54%	46%	1,534,762	1,507,986	3,042,748	(16,863)	3,025,885	756,471	42,483	42,726	244	0.01%	0.57%
13	53%	47%	1,506,341	1,540,768	3,047,109	(16,887)	3,030,222	757,556	42,544	42,726	183	0.01%	0.43%
14	52%	48%	1,477,919	1,573,551	3,051,470	(16,911)	3,034,559	758,640	42,605	42,726	122	0.00%	0.29%
15	51%	49%	1,449,498	1,606,333	3,055,831	(16,935)	3,038,895	759,724	42,665	42,726	61	0.00%	0.14%
16	50%	50%	1,421,076	1,639,115	3,060,191	(16,960)	3,043,232	760,808	42,726	42,726	0	0.00%	0.00%
17	49%	51%	1,392,655	1,671,898	3,064,552	(16,984)	3,047,569	761,892	42,787	42,726	(61)	0.00%	-0.14%
18	48%	52%	1,364,233	1,704,680	3,068,913	(17,008)	3,051,905	762,976	42,848	42,726	(122)	0.00%	-0.29%
19	47%	53%	1,335,812	1,737,462	3,073,274	(17,032)	3,056,242	764,060	42,909	42,726	(183)	-0.01%	-0.43%
20	46%	54%	1,307,390	1,770,245	3,077,635	(17,056)	3,060,578	765,145	42,970	42,726	(244)	-0.01%	-0.57%
21	45%	55%	1,278,968	1,803,027	3,081,995	(17,080)	3,064,915	766,229	43,031	42,726	(304)	-0.01%	-0.71%
22	44%	56%	1,250,547	1,835,809	3,086,356	(17,105)	3,069,252	767,313	43,092	42,726	(365)	-0.01%	-0.86%
23	43%	57%	1,222,125	1,868,591	3,090,717	(17,129)	3,073,588	768,397	43,153	42,726	(426)	-0.01%	-1.00%
24	42%	58%	1,193,704	1,901,374	3,095,078	(17,153)	3,077,925	769,481	43,213	42,726	(487)	-0.02%	-1.14%
25	41%	59%	1,165,282	1,934,156	3,099,438	(17,177)	3,082,261	770,565	43,274	42,726	(548)	-0.02%	-1.28%
26	40%	60%	1,136,861	1,966,938	3,103,799	(17,201)	3,086,598	771,650	43,335	42,726	(609)	-0.02%	-1.43%
27	39%	61%	1,108,439	1,999,721	3,108,160	(17,225)	3,090,935	772,734	43,396	42,726	(670)	-0.02%	-1.57%
28	38%	62%	1,080,018	2,032,503	3,112,521	(17,250)	3,095,271	773,818	43,457	42,726	(731)	-0.03%	-1.71%
29	37%	63%	1,051,596	2,065,285	3,116,882	(17,274)	3,099,608	774,902	43,518	42,726	(792)	-0.03%	-1.85%
26	36%	64%	1,023,175	2,098,068	3,121,242	(17,298)	3,103,945	775,986	43,579	42,726	(852)	-0.03%	-2.00%
27	35%	65%	994,753	2,130,850	3,125,603	(17,322)	3,108,281	777,070	43,640	42,726	(913)	-0.03%	-2.14%
28	34%	66%	966,332	2,163,632	3,129,964	(17,346)	3,112,618	778,154	43,700	42,726	(974)	-0.03%	-2.28%

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 11d
Witness: Bourassa

Line No.	Percentage of Revenue (From Line 2, Page 11) 2,842,152	Percentage of Plant (From Line 12, Page 11) 3,277,327	Dollar amount of Revenue	Dollar amount of Plant	Correl-ated Value	Remove Transport. Equipment	Full Cash 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: Revenue	Maximum Error as A Percentage of: Property Tax
1	33%	67%	937,910	2,196,415	3,134,325	(17,370)	3,116,954	779,239	43,761	42,726	(1,035)	-0.04%	-2.42%
2	32%	68%	909,489	2,229,197	3,138,686	(17,395)	3,121,291	780,323	43,822	42,726	(1,096)	-0.04%	-2.57%
3	31%	69%	881,067	2,261,979	3,143,046	(17,419)	3,125,628	781,407	43,883	42,726	(1,157)	-0.04%	-2.71%
4	30%	70%	852,646	2,294,761	3,147,407	(17,443)	3,129,964	782,491	43,944	42,726	(1,218)	-0.04%	-2.85%
5	29%	71%	824,224	2,327,544	3,151,768	(17,467)	3,134,301	783,575	44,005	42,726	(1,279)	-0.04%	-2.99%
6	28%	72%	795,803	2,360,326	3,156,129	(17,491)	3,138,637	784,659	44,066	42,726	(1,339)	-0.05%	-3.14%
7	27%	73%	767,381	2,393,108	3,160,489	(17,515)	3,142,974	785,744	44,127	42,726	(1,400)	-0.05%	-3.28%
8	26%	74%	738,960	2,425,891	3,164,850	(17,540)	3,147,311	786,828	44,188	42,726	(1,461)	-0.05%	-3.42%
9	25%	75%	710,538	2,458,673	3,169,211	(17,564)	3,151,647	787,912	44,248	42,726	(1,522)	-0.05%	-3.56%
10	24%	76%	682,117	2,491,455	3,173,572	(17,588)	3,155,984	788,996	44,309	42,726	(1,583)	-0.06%	-3.71%
11	23%	77%	653,695	2,524,238	3,177,933	(17,612)	3,160,321	790,080	44,370	42,726	(1,644)	-0.06%	-3.85%
12	22%	78%	625,273	2,557,020	3,182,293	(17,636)	3,164,657	791,164	44,431	42,726	(1,705)	-0.06%	-3.99%
13	21%	79%	596,852	2,589,802	3,186,654	(17,660)	3,168,994	792,248	44,492	42,726	(1,766)	-0.06%	-4.13%
14	20%	80%	568,430	2,622,585	3,191,015	(17,685)	3,173,330	793,333	44,553	42,726	(1,827)	-0.06%	-4.28%
15	19%	81%	540,009	2,655,367	3,195,376	(17,709)	3,177,667	794,417	44,614	42,726	(1,887)	-0.07%	-4.42%
16	18%	82%	511,587	2,688,149	3,199,737	(17,733)	3,182,004	795,501	44,675	42,726	(1,948)	-0.07%	-4.56%
17	17%	83%	483,166	2,720,931	3,204,097	(17,757)	3,186,340	796,585	44,736	42,726	(2,009)	-0.07%	-4.70%
18	16%	84%	454,744	2,753,714	3,208,458	(17,781)	3,190,677	797,669	44,796	42,726	(2,070)	-0.07%	-4.85%
19	15%	85%	426,323	2,786,496	3,212,819	(17,805)	3,195,014	798,753	44,857	42,726	(2,131)	-0.07%	-4.99%
20	14%	86%	397,901	2,819,278	3,217,180	(17,830)	3,199,350	799,838	44,918	42,726	(2,192)	-0.08%	-5.13%
21	13%	87%	369,480	2,852,061	3,221,540	(17,854)	3,203,687	800,922	44,979	42,726	(2,253)	-0.08%	-5.27%
22	12%	88%	341,058	2,884,843	3,225,901	(17,878)	3,208,023	802,006	45,040	42,726	(2,314)	-0.08%	-5.42%
23	11%	89%	312,637	2,917,625	3,230,262	(17,902)	3,212,360	803,090	45,101	42,726	(2,375)	-0.08%	-5.56%
24	10%	90%	284,215	2,950,408	3,234,623	(17,926)	3,216,697	804,174	45,162	42,726	(2,435)	-0.09%	-5.70%
25	9%	91%	255,794	2,983,190	3,238,984	(17,950)	3,221,033	805,258	45,223	42,726	(2,496)	-0.09%	-5.84%
26	8%	92%	227,372	3,015,972	3,243,344	(17,975)	3,225,370	806,342	45,283	42,726	(2,557)	-0.09%	-5.99%
27	7%	93%	198,951	3,048,755	3,247,705	(17,999)	3,229,706	807,427	45,344	42,726	(2,618)	-0.09%	-6.13%
28	6%	94%	170,529	3,081,537	3,252,066	(18,023)	3,234,043	808,511	45,405	42,726	(2,679)	-0.09%	-6.27%
29	5%	95%	142,108	3,114,319	3,256,427	(18,047)	3,238,380	809,595	45,466	42,726	(2,740)	-0.10%	-6.41%
26	4%	96%	113,686	3,147,101	3,260,788	(18,071)	3,242,716	810,679	45,527	42,726	(2,801)	-0.10%	-6.56%
27	3%	97%	85,265	3,179,884	3,265,148	(18,095)	3,247,053	811,763	45,588	42,726	(2,862)	-0.10%	-6.70%
28	2%	98%	56,843	3,212,666	3,269,509	(18,120)	3,251,390	812,847	45,649	42,726	(2,922)	-0.10%	-6.84%
29	1%	99%	28,422	3,245,448	3,273,870	(18,144)	3,255,726	813,932	45,710	42,726	(2,983)	-0.10%	-6.98%
30	0%	100%	(0)	3,278,231	3,278,231	(18,168)	3,260,063	815,016	45,771	42,726	(3,044)	-0.11%	-7.13%

Rio Verde Utilities, Inc. - Water
Test Year Ended June 30, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

Line. No.			
1	**Remove C.A.P. Surcharge from Revenues**		
2			
3			
4	Test Year Surcharge	$	2,589
5			
6	Adjustment to Revenues and/or Expenses	$	(2,589)
7			
8			

Rio Verde Utilities, Inc. - Water
Test Year Ended June 30, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

Line. No.		
1	**Adjustment To Reconcile GL To Bill Count**	
2		
3	Revenues Per GL	948,286
4	Less: Hook up fees	30,000
5	Other	5,274
6	C.A.P Surcharge	2,589
7	Water Revenues GL	910,422
8	Water Reveneus Per Bill Count (without annualization)	907,331
9	Difference	3,092
10	Percent	0.340%
11		
12	Adjustment to Revenues and/or Expenses	$ (3,092)
13		

Rio Verde Utilities, Inc. - Water
Test Year Ended June 30, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 13

Exhibit
Schedule C-2
Page 14
Witness: Bourassa

Line. No.			
1	**Amortize Deferred Financing Costs**		
2			
3	Deferred Financing Costs (Proposed CoBank Loan)	$	12,904
4	Amortization Period (years)		20
5	Annual Amortization	$	645
6			
7			
8	Adjustment to Revenues and/or Expenses	$	645
9			
10			
11			

Rio Verde Utilities, Inc. - Water
Test Year Ended June 30, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 14

Exhibit
Schedule C-2
Page 15
Witness: Bourassa

Line. No.			
1	**Interest Income on Restricted Cash (New CoBank Loan)**		
2			
3	Restricted Cash Balance	$	129,039
4	Interest Rate		4.50%
5	Interest Income on Restricted Cash	$	5,807
6			
7			
8			
9	Adjustment to Revenues and/or Expenses	$	5,807
10			
11			

Rio Verde Utilities, Inc. - Water
Test Year Ended June 30, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 15

Exhibit
Schedule C-2
Page 16
Witness: Bourassa

Line. No.

1 **Annualization of Variable Expenses to Match Annualization of Customers**
2 **and Gallons to Test Year Year End Levels**
3
4
5

Expense Description	Test Year Amount	Basis	Factor (a)	Additional Expense	Adjustment Label
Maintenance	85,896	Gallons	0.003696403	317.51	15a
Chemicals	1,003	Gallons	0.003696403	3.71	15b
Supplies	11	Bills	0.020252301	0.22	15c
Postage (b)	**1,717**	Bills	0.020252301	34.78	15d
Office Supplies	1,544	Bills	0.020252301	31.27	15e
				$ 387.49	

12
13
14 Adjustment to Revenues and/or Expenses $ 387.49
15
16 (a) Allocation Factors
17 Gallons
18 Gallons Sold in Test Year (1,000's) 823,208
19 Additional Gallons Due to Annualization (1,000's) 3,043
20 Factor (Line 17 Divided By Line 16) 0.003696403
21 Bills
22 Test Year Number of Billings 14665
23 Additional Billings Due to Annualization 297
24 Factor (Line 21 Divided By Line 20) 0.020252301
25
26 (b) See Schedule C2, Page 8.

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

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.28%
2		
3	State Income Taxes	8.00%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	39.28%
9		
10	Operating Income % = 100% - Tax Percentage	60.72%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.6469
17		
18		
19		
20		

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

Exhibit
Schedule D-1
Page 1
Witness: Kozoman

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt (a)	566,223	13.25%	9.77%	1.29%	552,578	12.19%	9.77%	1.19%
2									
3	Proposed CoBank Loan (a) (d)	1,290,389	30.20%	9.75%	2.94%	1,244,085	27.45%	9.75%	2.68%
4									
5	Stockholder's Equity (c)	2,415,521	56.54%	12.75%	7.21%	2,735,305	60.36%	12.75%	7.70%
6									
7									
8									
9	Totals	4,272,133	100.00%		11.448%	4,531,968	100.00%		11.563%
10									
11									
12	SUPPORTING SCHEDULES:				RECAP SCHEDULES:				
13	(a) D-2				(e) A-3				
14									
15	(c) Reconciliation of Stockholder's Equity to Company's books								
16	Balance Per Company's books				2,415,630				
17	Less: Correction to Accumulated Depreciation				109				
18	Corrected Stockholder's Equity				2,415,521				
19									
20	(d) Proceeds from proposed CoBank loan to retire Payable to Associated Companies.								

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Kozoman

Line No.	Description of Debt	End of Test Year Amount Outstanding	End of Test Year (a) Annual Interest	End of Test Year Interest Rate	End of Projected Year Amount Outstanding	End of Projected Year (a) Annual Interest	End of Projected Year Interest Rate
1							
2							
3	Second Rio Verde Company	566,223	56,157	9.80%	552,578	54,888	9.80%
4							
5	CoBank (proposed new loan)(a)	1,290,389	124,846	9.75%	1,244,085	122,599	9.75%
6							
7	Totals	1,856,612	181,002	9.77%	1,796,663	177,487	9.77%
8							
9							
10	(a) Proceeds used to retire Payable to Associated Companies.						

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

Exhibit
Schedule D-3
Page 1
Witness: Kozoman

Line No.	Description of Issue	End of Test Year Shares Outstandin	Amount	Dividend Requirement	End of Projected Year Shares Outstanding	Amount	Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10	Total (a)						
11							
12	Cost Rate (a)						
13							
14							

SUPPORTING SCHEDULES:
(a) E-1

RECAP SCHEDULES:
(a) D-1

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
SUMMARY OF RETURN ON COMMON EQUITY

EXHIBIT
SCHEDULE D-4
PAGE 1
WITNESS: KOZOMAN

LINE NO.		
1	REQUIRED COMMON EQUITY RETURN - DCF METHOD	
2	Using Value Line Water Utilities	
3	Projected Returns for 2002 to 2004	12.00%
4		
5		
6	C.A. Turner Earned Equity Returns	10.71%
7		
8		
9		
10	REQUIRED COMMON EQUITY RETURN - CAPM METHOD	
11	USING MARKET WEIGHTED BETA, AND MID AND SMALL	
12	PREMIUMS. BETA's FROM VALUE LINE	12.19%
13		
14		
15	REQUIRED COMMON EQUITY RETURN - DCF METHOD	
16	WITH Value Line WATER UTILITIES	7.21%
17		
18		
19	REQUESTED COMMON EQUITY RETURN	12.75%
20		
21		

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Estimate of Cost of Equity Using Unadjusted
Discounted Cash Flow Method Market Weighted

Exhibit
Schedule D-4-A
Page 1
Witness: Kozoman

Line No.	Company and Stock Exchange	Actual Dividend	Spot Price	52 Week Average Price	Actual Dividend Yield Using Spot Price	Actual Dividend Yield Using Average Price
1	American States Water	$ 1.28	$ 26.38	$ 30.97	4.85%	4.13%
2	American Water Works - NYSE	0.45	19.75	25.38	2.28%	1.77%
3	California Water - NYSE	1.10	26.38	27.28	4.17%	4.03%
4	E'Town - NYSE	2.04	64.38	52.06	3.17%	3.92%
5	Philadelphia Suburban - NYSE	0.72	17.75	21.38	4.06%	3.37%
6	United Water Resources -NYSE	0.96	34.50	26.63	2.78%	3.61%
7	Unweighted Average Dividend Yield				3.55%	3.47%

Line No.	Company and Stock Exchange	(a) Value Line Dividend Growth Estimate	Projected Dividend Yield via Dividend Yield times Value Line's Estimated Dividend Growth Rate: Spot Price	Average Price	Unweighted Cost of Capital using Spot Price (Dividend Yield plus Dividend Growth)	Average Price
8						
9						
10						
11						
12						
13						
14						
15						
16	American States Water	2.00%	4.95%	4.22%	6.95%	6.22%
17	American Water Works - NYSE	7.00%	2.44%	1.90%	9.44%	8.90%
18	California Water - NYSE	1.50%	4.23%	4.09%	5.73%	5.59%
19	E'Town	2.00%	3.23%	4.00%	5.23%	6.00%
20	Philadelphia Suburban - NYSE	5.00%	4.26%	3.54%	9.26%	8.54%
21	United Water Resources -NYSE	1.50%	2.82%	3.66%	4.32%	5.16%
22	Unweighted Average				6.82%	6.73%

Market Weighted Cost of Capital

Line No.	Company and Stock Exchange	(b) Shares of Stock Outstanding in Millions	Market Value using Spot Prices (Market Value in Million of Dollars)	Market Value using Average Prices (Market Value in Million of Dollars)	Percent of Market Using Spot Prices	Percent of Market Using Average Prices
23						
24						
25						
26						
27						
28						
29						
30	American States Water	8.96	236.32	277.48	4.58%	5.06%
31	American Water Works - NYSE	96.50	1,905.88	2,448.69	36.96%	44.69%
32	California Water - NYSE	13.00	342.88	354.66	6.65%	6.47%
33	E'Town - NYSE	8.70	560.06	452.94	10.86%	8.27%
34	Philadelphia Suburban - NYSE	41.20	731.30	880.65	14.18%	16.07%
35	United Water Resources -NYSE	40.00	1,380.00	1,065.00	26.76%	19.44%
36	Totals		5,156.43	5,479.42	100.00%	100.00%

Market Weighted Cost Using

Line No.	Company and Stock Exchange	Spot Prices	Average Prices
37			
38			
39			
40			
41	American States Water	0.32%	0.31%
42	American Water Works - NYSE	3.49%	3.98%
43	California Water - NYSE	0.38%	0.36%
44	Consumers Water -NDQ	0.57%	0.50%
45	Philadelphia Suburban - NYSE	1.31%	1.37%
46	United Water Resources -NYSE	1.16%	1.00%
47	Cost of Capital Market Weighted	6.91%	7.21%

48 (a) Wall Street Journal February 29, 2000
49 (b) Value Line February 4, 2000

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Cost of Equity using Unadjusted Capital Asset Pricing Model

Exhibit
Schedule D-4-B
Page 1
Witness: Kozoman

Line No.	Betas for Water Companies published by	Value Line
1		(a)
2	American States Water	0.60
3	American Water Works	0.50
4	California	0.55
5	E'Town	0.50
6	Philadelphia Suburban	0.55
7	United Water Resources	0.60
8	Simple Average of Betas	0.54
9		
10	Risk Free rates of return:	(b)
11	Intermediate - horizon	**6.67%**
12	(Five (5) year U.S. Obligation at February 29, 2000)	
13		
14		

Line No.	**Market Weighted Beta**	(	Value		Percent	Market
16	**Horizon**	+	Line's	x	of Total	Weighted
17	Intermediate -		Betas		Market)	Beta
18	Horizon				(c)	
19	American States Water		0.60		5.06%	3.04%
20	American Water Works		0.50		44.69%	22.34%
21	California		0.55		6.47%	3.56%
22	Consumers Water		0.50		8.27%	4.13%
23	Philadelphia Suburban		0.55		16.07%	8.84%
24	United Water Resources		0.60		19.44%	11.66%
25	Unweighted Average Beta		0.54			
26	Market Weighted Betas				**100.00%**	**53.58%**
27						
28						
29	Market Weighted Beta:					
30						

Line No.		Risk		(Market		(d)		CAPM
32		Fee	+	Weighted	x	Risk	=	Computed
33		Rate		Beta		Premium)		Return
34	Intermediate -							
35	Horizon	6.67%	+	53.58%	x	7.90%	=	**10.90%**
36								
37								
38								

39 (a) Source of betas: **Value Line** February 4, 2000
40 (b) Source of Yields: **Wall Street Journal** February 29, 2000
41 February 2005, 7.50% Gov't. Issue
42 (c) Market Weighting using 52 Week Average Stock Prices
43 (d) Sources of Risk Premium: **SBBI 2000 Yearbook**

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Cost of Equity using Market Weighted
and Adjusted Capital Asset Pricing Model

Exhibit
Schedule D-4-B
Page 2
Witness: Kozoman

Line No.		Risk Free Rate	Plus	(Market Weighted Beta (a)	Times	Risk Premium)	CAPM Computed Return
1							
2							
3							
4	Intermediate - Horizon	6.67%	+	53.58%	x	10.30%	12.19%

Line No.	Market Value in Millions	Value Line Water Company	Capitalization Classifications	Estimated Risk Premium	Percent of Total Market (a)	Market Weighted Risk Premium
10	277.48	American States Water	Small Cap (2)	12.20%	5.06%	0.62%
11	2,448.69	American Water Works	Mid Cap (1)	10.05%	44.69%	4.49%
12	354.66	California Water	Small Cap (2)	12.20%	6.47%	0.79%
13	452.94	E'Town	Small Cap (2)	10.05%	8.27%	0.83%
14	880.65	Philadelphia Suburban	Mid Cap (1)	10.05%	16.07%	1.62%
15	1,065.00	United Water Resources	Mid Cap (1)	10.05%	19.44%	1.95%
16					100.00%	10.30%

17

18 (1) Mid Cap Risk Premium Computed as Average of Arithmetic
19 Mean Return of Large Capitalization and Small Capitalization
20 Returns minus Arithmetic Mean Return of Intermediate-Term
21 Government Returns for 1926 to 1997.
22 (2) Small-Cap Risk Premium Computed as Arithmetic Mean Return of Small Company
23 Stock minus Arithmetic Mean Return of Intermediate-Term Government

Line No.		Mid-Cap	Small-Cap
24			
25	Ibbotson Associates' Large Company Arithmetic Mean Return	13.30%	
26	Ibbotson Assoicates' Small Company Arithmetic Mean Return	17.60%	17.60%
27	Computed Average of Large and Small Arithmetic Mean Returns		
28	Equals Estimate of Mid-Cap Arithmetic Mean Return	15.45%	
29	Less Ibbotson Associates' Intermediate-Term Government Return	5.40%	5.40%
30	Computed Estimate of Mid-Cap Risk Premium	10.05%	12.20%

31

32 Capitalization Classifications
33 Large-Cap = $5 Billion +
34 Mid-Cap = $500 Million to $5 Billion
35 Small-Cap = $150 to $500 Million
36 Micro-Cap = Less Than $150 Million
37 Capitalization Classification from the "The Motley Fool", The
38 Arizona Republic, Tuesday, December 8, 1998, page E3.
39
40 (a) Market Weighting using 52 Week Average Stock Prices from Schedule D-4-B, Page 1
41 (b) Source of betas: Value Line February 4, 2000
42 (c) Source of Yields: Wall Street Journal February 29, 2000
43 February 2005, 7.50% Gov't. Issue
44 (d) Sources of Risk Premiums: SBBI 2000 Yearbook

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Risk Factors to be Should be Considered
in Common Equity Return

Exhibit
Schedule D-4-C
Page 1
Witness: KOZOMAN

Line No.

1 **Business and Financial Risks:**

2
3
4 1 Extremely Small Size in Comparison to Nationally Traded Water
5 Utilties.
6
7 2 Lack of Ready Access to Capital Markets.
8
9 3 Impact of Changes in Requirements at the:
10 Arizona Corporation Commission and,
11 Arizona Department of Environment Quality.
12
13 4 Lack of Expense Adjusters which includes both
14 price and volume changes. And, possible court actions
15 if Commission actually authorizes adjuster.
16
17 5 High Financial Risk due to level of financing with Contributions
18 in Aid of Construction and Long-term Debt
19
20 6 Low Depreciation Rates.
21
22 7 Lack of reasonable cash flow from operations.
23
24 8 Possible Liability for water provided for Interior Sprinkler Systems.
25
26

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Summary of Schedules D-4-E Through D-4-O
and D-4-R

Exhibit
Schedule D-4-C-2
Page 2
Witness Kozoman

Line No.	Measure of Financial Integrity and Schedule Number	1998	1997	1996	(a) Weighted Average 1996-98
1	**Interest Coverage (Pre-Tax), Schedule D-4-E**				
2	All Companies Weighted	3.47	3.67	3.55	3.56
3	**Rio Verde Utilities, Inc.**	1.11	1.55	3.40	1.48
4	**With Proposed Rates**	2.27			
5					
6					
7	**Retention Ratio, Schedule D-4-F**				
8	All Companies Weighted	29.98%	31.19%	28.72%	29.99%
9	**Rio Verde Utilities, Inc.**	100.00%	100.00%	100.00%	100.00%
10					
11					
12	**Dividend Payout Ratio, Schedule D-4-G**				
13	All Companies Weighted	70.02%	68.81%	71.81%	70.17%
14	**Rio Verde Utilities, Inc.**	0.00%	0.00%	0.00%	0.00%
15					
16					
17	**Capital Financing Net Plant, Schedule D-4-H**				
18	COMMON EQUITY	34.81%	35.10%	35.26%	
19	PREFERRED STOCK	1.01%	1.09%	1.02%	
20	LONG-TERM DEBT	33.44%	32.03%	31.13%	
21	DEFERRED INCOME TAXES AND	0.00%			
22	ADVANCES AND CONTRIBUTIONS	30.74%	31.78%	32.60%	
23	TOTALS	100.00%	100.00%	100.00%	
24					
25	**Rio Verde Utilities, Inc.**				
26	COMMON EQUITY	45.79%	45.79%	46.23%	
27	LONG-TERM DEBT	30.16%	30.16%	31.57%	
28	DEFERRED INCOME TAXES AND	0.00%			
29	ADVANCES AND CONTRIBUTIONS	24.05%	24.05%	22.20%	
30	TOTALS	100.00%	100.00%	100.00%	
31					
32	**Test Year Ended December 31, 1999:**				
33	COMMON EQUITY	38.19%			
34	LONG-TERM DEBT	25.09%			
35	DEFERRED INCOME TAXES AND	0.00%			
36	ADVANCES AND CONTRIBUTIONS	36.72%			
37	TOTALS	100.00%			
38					
39	Market To Book Ratio, Schedule D-4-I				
40	All Companies Weighted	166.72%			
41	**Rio Verde Utilities, Inc.**	EQUITY IS PUBLICLY NOT TRADED			
42					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Summary of Schedules D-4-E Through D-4-O
and Schedule D-4-R

Exhibit
Schedule D-4-C-2
Page 3
Witness Kozoman

Line No.	Measure of Financial Integrity and Schedule Number	1998	1997	1996	(a) Weighted Average 1996-98
1	**Internal Cash Flow to Change in Gross Plant, Schedule D-4-J-1**				
2	All Companies Weighted	91.04%	101.81%	60.44%	79.95%
3	**Rio Verde Utilities, Inc.**	13.40%	16.47%	16.47%	15.05%
4	Test Year Ended 12/31/99	12.46%			
5					
6	**Internal Cash Flow as a Percent of Long-Term Debt, Schedule D-4-J-2**				
7	All Companies Weighted	19.35%	20.83%	24.22%	21.30%
8	**Rio Verde Utilities, Inc.**	8.74%	10.35%	12.78%	10.66%
9	Test Year Ended 12/31/99				
10					
11					
12	**Safety Margin, Schedule D-4-K**				
13	All Companies Weighted	20.67%	20.94%	20.08%	20.57%
14	**Rio Verde Utilities, Inc.**	6.24%	12.10%	19.34%	12.29%
15	Test Year Ended 12/31/99	6.78%			
16					
17	**Weighted Earnings Per Share Compound Growth, Schedule D-4-L**				
18	All Companies Weighted	3.13%			
19	**Rio Verde Utilities, Inc.**	-41.00%			
20					
21					
22	**Compound Growth in Book Value, Schedule D-4-M**				
23	All Companies Weighted	4.66%			
24	**Rio Verde Utilities, Inc.**	1.97%			
25					
26					
27	**Price Earnings Ratio, Schedule D-4-N**				
28	All Companies Weighted	16.76	14.71	13.04	14.89
29	**Rio Verde Utilities, Inc.**	Equity Not Publicly Traded			
30					
31	**Return on Average Common Equity, Schedule D-4-O**				
32	All Companies Weighted	10.83%	11.52%	11.38%	11.23%
33	**Rio Verde Utilities, Inc.**	0.450%	0.86%	3.20%	1.47%
34	**Test Year Ended 12/31/99**	0.447%			
35					
36	**Test of Financial Viability, Schedule D-4-R**				
			Financial Viability Rating		
37	All Companies Weighted	3.33	Weak to Marginal		
38	**Rio Verde Utilities, Inc.**	2.21	Distress		
39					
40	Weighted 1996-98, If Applicable				

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Value Line Cover Page

Exhibit
Schedule D-4-D
Page 1
Witness: Kozoman

Line No.	
1	Cover Page for Value Line, Dated February 4, 2000
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Value Line's Projected Returns on Equity
C.A. Turner Earned Rates of Return

Exhibit
Schedule D-4-D-1
Page 2
Witness: Kozoman

Line No.		Value Line's (a) Equity Return Projections for: 2000	2002-04
1			
2			
3			
4			
5			
6	Composite Statistics Water Utility		
7	Industry:	11.00%	12.00%
8			
9			
10			
11	(a) Value Line February 4, 2000, Page 1400		
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
INTEREST COVERAGE (PRE-TAX)

EXHIBIT
SCHEDULE D-4-E
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998	1997	1996	Weighted Average 1996-98
1	AMERICAN STATES WATER CO.	3.21	3.35	3.21	3.26
2					
3	CALIFORNIA WATER SERVICE	3.33	4.13	3.62	3.69
4					
5	CONNECTICUT WATER SERVICE	3.54	3.62	4.10	3.74
6					
7	E'TOWN	2.95	2.76	2.70	2.82
8					
9	MIDDLESEX WATER	3.85	3.68	3.32	3.64
10					
11	SJW	5.57	6.03	5.69	5.76
12					
13	ALL COMPANIES -				
14	WEIGHTED	3.47	3.67	3.55	3.56
15					
16					
17					
18	**Rio Verde Utilities, Inc.**				
19		1.11	1.55	3.40	1.48
20	**Rio Verde Utilities, Inc.**				
21	**At December 31, 1999**	1.10			
22					
23	**Rio Verde Utilities, Inc.**				
24	**at Proposed Rates**	1.82			
25					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
RETENTION RATIO

EXHIBIT
SCHEDULE D-4-F
PAGE 1
WITNESS: KOZOMAN

Line No.	Company	1998	1997	1996	1996-98 (1 - (Dividends / Earnings))
1	American States Water	22.34%	20.16%	27.65%	23.31%
2	California Water	28.35%	42.50%	30.89%	34.58%
3	Service				
4	Connecticut	23.75%	22.92%	22.41%	23.04%
5	Water				
6	E'Town	24.19%	16.23%	-3.72%	14.06%
7	Middlesex Water	19.27%	15.53%	8.08%	14.69%
8	SJW	53.68%	52.50%	61.41%	56.20%
9					
10	All Companies				
11	Weighted	29.98%	31.19%	28.72%	29.99%
12					
13	**Rio Verde Utilities, Inc.**				
14		100.00%	100.00%	100.00%	100.00%
15					
16					
17					
18					
19					
20					
21					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
DIVIDEND PAYOUT RATIO

Exhibit
Schedule D-4-G
PAGE 1
WITNESS: KOZOMAN

Line No.	Company	1998	1997	1996	1996-98 (Dividends / Earnings)
1	American States				
2	Water Company	77.66%	79.84%	72.35%	76.69%
3	California Water	71.65%	57.50%	69.11%	65.42%
4	Service				
5	Connecticut	76.25%	77.08%	77.59%	76.96%
6	Water				
7	E'Town	75.81%	83.77%	103.72%	85.94%
8	Middlesex Water	80.73%	84.47%	100.00%	87.71%
9	SJW	46.32%	47.50%	38.59%	43.80%
10	All Companies				
11	Weighted	70.02%	68.81%	71.81%	70.17%
12					
13	**Rio Verde Utilities, Inc.**				
14		0.00%	0.00%	0.00%	0.00%
15					
16					
17					
18					
19					
20					
21					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
CAPITAL FINANCING OF NET PLANT IN $000

EXHIBIT
SCHEDULE D-4-H
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998 DOLLAR AMOUNT	1998 PERCENT OF TOTAL	1997 DOLLAR AMOUNT	1997 PERCENT OF TOTAL	1996 DOLLAR AMOUNT	1996 PERCENT OF TOTAL
1	AMERICAN STATES WATER CO.						
2	COMMON EQUITY	154,299	36.66%	151,053	37.68%	146,766	38.05%
3	PREFERRED STOCK	2,000	0.48%	2,040	0.51%	1,600	0.41%
4	LONG-TERM DEBT	120,809	28.70%	115,286	28.76%	107,190	27.79%
5	DEFERRED INCOME TAXES AND						
6	ADVANCES AND CONTRIBUTIONS	143,795	34.16%	132,515	33.05%	130,198	33.75%
7	TOTALS	420,903	100.00%	400,894	100.00%	385,754	100.00%
8							
9	CALIFORNIA WATER SERVICE						
10	COMMON EQUITY	168,804	34.24%	164,065	33.61%	154,226	32.29%
11	PREFERRED STOCK	3,475	0.70%	3,475	0.71%	3,475	0.73%
12	LONG-TERM DEBT	136,345	27.66%	139,205	28.52%	142,153	29.76%
13	DEFERRED INCOME TAXES AND						
14	ADVANCES AND CONTRIBUTIONS	184,347	37.40%	181,408	37.16%	177,742	37.22%
15	TOTALS	492,971	100.00%	488,153	100.00%	477,596	100.00%
16							
17	CONNECTICUT WATER SERVICE						
18	COMMON EQUITY	57,945	31.76%	56,069	32.89%	54,395	32.64%
19	PREFERRED STOCK	772	0.42%	772	0.45%	772	0.46%
20	LONG-TERM DEBT	62,501	34.26%	54,532	31.99%	54,430	32.66%
21	DEFERRED INCOME TAXES AND						
22	ADVANCES AND CONTRIBUTIONS	61,212	33.55%	59,110	34.67%	57,074	34.24%
23	TOTALS	182,430	100.00%	170,483	100.00%	166,671	100.00%
24							
25	E'TOWN						
26	COMMON EQUITY	215,472	31.57%	193,923	31.50%	183,512	33.23%
27	PREFERRED STOCK	12,227	1.79%	12,000	1.95%	12,000	2.17%
28	LONG-TERM DEBT	286,908	42.04%	247,298	40.17%	193,481	35.03%
29	DEFERRED INCOME TAXES AND						
30	ADVANCES AND CONTRIBUTIONS	167,843	24.59%	162,480	26.39%	163,258	29.56%
31	TOTALS	682,450	100.00%	615,701	100.00%	552,251	100.00%
32							
33	MIDDLESEX WATER						
34	COMMON EQUITY	66,729	35.06%	51,226	34.90%	49,216	35.48%
35	PREFERRED STOCK	4,996	2.63%	4,996	3.40%	2,666	1.92%
36	LONG-TERM DEBT	78,032	41.00%	52,918	36.05%	52,961	38.17%
37	DEFERRED INCOME TAXES AND						
38	ADVANCES AND CONTRIBUTIONS	40,545	21.31%	37,653	25.65%	33,890	24.43%
39	TOTALS	190,302	100.00%	146,793	100.00%	138,733	100.00%
40							

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
CAPITAL FINANCING OF NET PLANT in $000

EXHIBIT
SCHEDULE D-4-H
PAGE 2
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998 DOLLAR AMOUNT	1998 PERCENT OF TOTAL	1997 DOLLAR AMOUNT	1997 PERCENT OF TOTAL	1996 DOLLAR AMOUNT	1996 PERCENT OF TOTAL
1	SJW						
2	COMMON EQUITY	143,149	41.18%	133,533	42.49%	120,028	41.74%
3	PREFERRED STOCK		0.00%		0.00%		0.00%
4	LONG-TERM DEBT	90,000	25.89%	75,000	23.87%	75,000	26.08%
5	DEFERRED INCOME TAXES AND						
6	ADVANCES AND CONTRIBUTIONS	114,477	32.93%	105,730	33.64%	92,554	32.18%
7	TOTALS	347,626	100.00%	314,263	100.00%	287,582	100.00%
8							
9	CUMULATIVE CAPITAL STRUCTURES OF COMPARATIVE COMPANIES						
10	COMMON EQUITY	806,398	34.81%	749,869	35.10%	708,143	35.26%
11	PREFERRED STOCK	23,470	1.01%	23,283	1.09%	20,513	1.02%
12	LONG-TERM DEBT	774,595	33.44%	684,239	32.03%	625,215	31.13%
13	DEFERRED INCOME TAXES AND						
14	ADVANCES AND CONTRIBUTIONS	712,219	30.74%	678,896	31.78%	654,716	32.60%
15	TOTALS	2,316,682	100.00%	2,136,287	100.00%	2,008,587	100.00%
16							
17	**Rio Verde Utilities, Inc.**						
18	COMMON EQUITY	$ 3,652	45.79%	$ 3,622	45.79%	$ 3,512	46.23%
19	LONG-TERM DEBT	2,405	30.16%	2,473	30.16%	2,529	31.57%
20	DEFERRED INCOME TAXES AND						
21	ADVANCES AND CONTRIBUTIONS	1,918	24.05%	1,740	24.05%	1,770	22.20%
22	TOTALS	$7,976	100.00%	$7,835	100.00%	$7,811	100.00%
23							
24							
25							
26	**Rio Verde Utilities, Inc. at End of Test Year**						
27	COMMON EQUITY	$ 3,669	38.19%				
28	LONG-TERM DEBT	2,411	25.09%				
29	DEFERRED INCOME TAXES AND						
30	ADVANCES AND CONTRIBUTIONS	3,528	36.72%				
31	TOTALS	$9,607	100.00%				
32							
33							
34							
35							
36	**Rio Verde Utilities, Inc. Proposed:**						
37	COMMON EQUITY	3,741	30.79%				
38	LONG-TERM DEBT	4,881	40.17%				
39	DEFERRED INCOME TAXES AND						
40	ADVANCES AND CONTRIBUTIONS	3,528	29.04%				
41	TOTALS	$ 12,149	100.00%				

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
MARKET TO BOOK RATIO
(Amounts in $000's)

EXHIBIT
SCHEDULE D-4-I
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPANY	At December 31, 1998 MARKET VALUE	BOOK VALUE	RATIO OF MARKET VALUE TO BOOK VALUE	At December 31, 1997 MARKET VALUE	BOOK VALUE	RATIO OF MARKET VALUE TO BOOK VALUE	At December 31, 1996 MARKET VALUE	BOOK VALUE	RATIO OF MARKET VALUE TO BOOK VALUE
1	AMERICAN STATES									
2	WATER COMPANY	244,097	154,299	158.20%	194,829	151,053	128.98%	193,274	146,800	131.66%
3										
4	CALIFORNIA WATER									
5	SERVICE	339,080	168,804	200.87%	331,252	164,065	201.90%	265,002	155,215	170.73%
6										
7	CONNETICUT WATER									
8	SERVICE	122,480	57,945	211.37%	98,099	56,069	174.96%	88,103	54,398	161.96%
9										
10	E'TOWN	402,893	215,472	186.98%	323,689	193,923	166.92%	246,920	183,794	134.35%
11										
12	MIDDLESEX WATER	105,582	66,729	158.23%	96,057	51,226	187.52%	71,484	49,216	145.25%
13										
14	SJW	186,093	143,149	130.00%	191,806	133,553	143.62%	145,440	106,175	136.98%
15										
16										
17	WEIGHTED MARKET & BOOK VALUES									
18		583,177	323,103	180.49%	526,081	315,118	166.95%	458,276	302,015	151.74%
19	Three Year Weighted Average:									
20		1,567,534	940,236	166.72%						
21										
22	**Rio Verde Utilities, Inc.**									
23	EQUITY IS PUBLICLY NOT TRADED									

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
INTERNAL CASH FLOW TO CHANGE IN GROSS PLANT
AMOUNTS IN $000's

EXHIBIT
SCHEDULE D-4-J-1
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998 CASH FLOW ($000's)	1998 CHANGE IN GROSS PLANT ($000's)	1998 RATIO	1997 CASH FLOW ($000's)	1997 CHANGE IN GROSS PLANT ($000's)	1997 RATIO	1996 CASH FLOW ($000's)	1996 CHANGE IN GROSS PLANT ($000's)	1996 RATIO
1	AMERICAN STATES									
2	WATER COMPANY	32,194	37,418	86.04%	27,454	35,590	77.14%	24,517	31,515	77.79%
3										
4	CALIFORNIA WATER									
5	SERVICE	34,887	33,042	105.58%	38,767	29,216	132.69%	40,993	34,040	120.43%
6										
7	CONNECTICUT WATER									
8	SERVICE	11,908	12,979	91.75%	12,314	12,253	100.50%	13,325	8,316	160.23%
9										
10	E'TOWN	32,388	39,395	82.21%	25,438	23,877	106.54%	33,891	152,141	22.28%
11										
12	MIDDLESEX WATER	9,308	9,761	95.36%	8,724	10,251	85.10%	8,806	6,260	140.67%
13										
14	SJW	29,194	32,027	91.15%	29,854	28,832	103.54%	29,905	18,270	163.68%
15										
16	TOTALS BY YEAR	149,879	164,622	91.04%	142,551	140,019	101.81%	151,437	250,542	60.44%
17										
18	**Rio Verde Utilities, Inc.**									
19		210	1,569	13.40%	256	1,554	16.47%	256	1,554	16.47%
20	**Rio Verde Utilities, Inc. at December 31, 1999:**									
21		217	1,744	12.46%						

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
INTERNAL CASH GENERATION AS A
PERCENT OF LONG-TERM DEBT

EXHIBIT
SCHEDULE D-4-J-2
PAGE 2
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998	1997	1996	WEIGHTED 1996-98 AVERAGE
1	AMERICAN STATES WATER CO.	26.65%	23.81%	22.87%	24.52%
2					
3	CALIFORNIA WATER SERVICE	25.59%	27.85%	28.84%	27.45%
4					
5	CONNECTICUT WATER SERVICE	19.05%	22.58%	24.48%	21.90%
6					
7	E'TOWN	11.29%	10.29%	17.52%	12.60%
8					
9	MIDDLESEX WATER	11.93%	16.49%	16.63%	14.59%
10					
11	SJW	32.44%	39.81%	39.87%	37.06%
12					
13	ALL COMPANIES - WEIGHTED	19.35%	20.83%	24.22%	21.30%
14					
15	**Rio Verde Utilities, Inc.**	8.74%	10.35%	12.78%	10.66%
16					
17	Rio Verde Utilities, Inc., during Test Year ended December 31, 1999:				
18		9.29%			

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
SAFETY MARGIN

EXHIBIT
SCHEDULE D-4-K
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPANY	1998	1997	1996	WEIGHTED 1996 - 1998 Average
1	AMERICAN STATES WATER CO.	16.72%	15.54%	15.67%	15.97%
2					
3					
4	CALIFORNIA WATER SERVICE	15.54%	19.07%	17.08%	17.26%
5					
6	CONNECTICUT WATER SERVICE	28.86%	29.32%	31.90%	30.04%
7					
8	E'TOWN	23.94%	22.84%	20.54%	22.60%
9					
10	MIDDLESEX WATER	29.32%	22.33%	20.23%	24.15%
11					
12	SJW	24.25%	26.04%	26.93%	25.73%
13					
14	ALL COMPANIES - WEIGHTED	20.67%	20.94%	20.08%	20.57%
15					
16	**Rio Verde Utilities, Inc.**	6.24%	12.10%	19.34%	12.29%
17					
18	**Rio Verde Utilities, Inc. at December 31, 1999:**				
19		11.36%			
20					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Weighted Earnings Per Share Compound Growth
(Earnings and Shares in 000's)

EXHIBIT
SCHEDULE D-4-L
PAGE 1
WITNESS: KOZOMAN

Line No.	Company	1998	1997	1996	1996-98 Compound Earnings Growth Per Share
1	American States Water Company				
2	Earnings	$ 14,533	$ 13,967	$ 13,366	
3	Number of Shares	8,958	8,958	8,886	
4	Earnings Per Share	$ 1.62	$ 1.56	$ 1.50	3.86%
5					
6	California Water Service				
7	Earnings	$ 18,242	$ 23,152	$ 18,914	
8	Number of Shares	12,619	12,619	12,619	
9	Earnings Per Share	$ 1.45	$ 1.83	$ 1.50	-1.79%
10					
11	Connecticut Water				
12	Earnings	$ 6,927	$ 6,766	$ 6,565	
13	Number of Shares	4,536	4,527	4,518	
14	Earnings Per Share	$ 1.53	$ 1.49	$ 1.45	2.52%
15					
16	E'Town				
17	Earnings	$ 22,330	$ 19,260	$ 15,073	
18	Number of Shares	8,504	8,054	7,808	
19	Earnings Per Share	$ 2.63	$ 2.39	$ 1.93	16.63%
20					
21	Middlesex Water				
22	Earnings	$ 6,202	$ 5,636	$ 5,009	
23	Number of Shares	4,354	4,269	4,205	
24	Earnings Per Share	$ 1.42	$ 1.32	$ 1.19	9.35%
25					
26	SJW				
27	Earnings	$ 16,018	$ 15,216	$ 18,560	
28	Number of Shares	3,168	3,170	3,170	
29	Earnings Per Share	$ 5.06	$ 4.80	$ 5.85	-7.07%
30					
31					
32	Sum of All Companies				
33	Total Earnings	$ 84,252	$ 83,997	$ 77,487	
34	Total Number of Shares	42,139	41,597	41,206	
35	Earnings Per Share	$ 2.00	$ 2.02	$ 1.88	3.13%
36					
37	**Rio Verde Utilities, Inc.**				
38					
39	Total Earnings	$ 31	$ 109	$ 182	
40	Total Number of Shares	2,840.72	2,840.72	2,840.72	
41	Earnings Per Share	$ 0.0108	$ 0.0385	$ 0.0641	-41.00%
42					
43					
44					
45					
46					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
COMPOUND GROWTH IN BOOK VALUE
(AMOUNTS IN $000's)

EXHIBIT
SCHEDULE D-4-M
PAGE 1
WITNESS: KOZOMAN

Line No.	COMPARATIVE COMPANIES	1998	1997	1996	1996-98 Compound Growth Rate
1	American States Water				
2	Total Equity	$ 154,299	$ 151,053	$ 146,766	
3	Number of Shares	8,958	8,958	8,886	
4	Book Value Per Share	$ 17.22	$ 16.86	$ 16.52	2.12132%
5					
6	California Water Service				
7	Total Equity	$ 168,804	$ 164,065	$ 154,226	
8	Number of Shares	12,619	12,619	12,619	
9	Book Value Per Share	$ 13.38	$ 13.00	$ 12.22	4.61950%
10					
11	Connecticut Water				
12	Total Equity	$ 57,945	$ 56,069	$ 54,395	
13	Number of Shares	4,536	4,527	4,518	
14	Book Value Per Share	$ 12.77	$ 12.39	$ 12.04	2.99000%
15					
16	E'Town				
17	Total Equity	$ 215,472	$ 193,923	$ 183,512	
18	Number of Shares	8,504	8,054	7,808	
19	Book Value Per Share	$ 25.34	$ 24.08	$ 23.50	3.82966%
20					
21	Middlesex Water				
22	Total Equity	$ 66,729	$ 51,226	$ 49,216	
23	Number of Shares	4,354	4,269	4,205	
24	Book Value Per Share	$ 15.33	$ 12.00	$ 11.70	14.43080%
25					
26	SJW				
27	Total Equity	$ 143,149	$ 133,533	$ 120,028	
28	Number of Shares	3,168	3,170	3,170	
29	Book Value Per Share	$ 45.19	$ 42.12	$ 37.86	12.16335%
30					
31	Sum of All Companies				
32	Total Equity	$ 806,398	$ 749,869	$ 708,143	
33	Total Number of Shares	42,139	41,597	41,206	
34	Book Value Per Share	$ 19.14	$ 18.03	$ 17.19	4.65593%
35					
36	**Rio Verde Utilities, Inc.**				
37	Ending Equity	$ 3,652	$ 3,622	$ 3,512	
38	Total Number of Shares	2,840.72	2,840.72	2,840.72	
39	Book Value Per Share	$ 1.29	$ 1.27	$ 1.24	1.97450%
40					
41					
42					
43					
44					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
PRICE / EARNING RATIO
(AMOUNTS IN 000'S)

EXHIBIT
SCHEDULE D-4-N
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998	1997	1996	1996-98 Average
1	AMERICAN STATES WATER COMPANY				
2	NET INCOME TO COMMON EQUITY	$ 14,533	$ 13,967	$ 13,366	$ 41,866
3	TOTAL MARKET VALUE	244,097	194,829	193,274	632,200
4	PRICE EARNINGS RATIO	16.80	13.95	14.46	15.10
5					
6	CALIFORNIA WATER SERVICE				
7	NET INCOME TO COMMON EQUITY	18,242	$ 23,152	$ 18,914	$ 60,308
8	TOTAL MARKET VALUE	399,080	331,252	$ 265,002	995,334
9	PRICE EARNINGS RATIO	21.88	14.31	14.01	16.50
10					
11	CONNECTICUT WATER SERVICE				
12	NET INCOME TO COMMON EQUITY	6,927	6,766	$ 6,565	$ 20,258
13	TOTAL MARKET VALUE	122,480	98,099	$ 88,103	308,682
14	PRICE EARNINGS RATIO	17.68	14.50	13.42	15.24
15					
16	E'TOWN				
17	NET INCOME TO COMMON EQUITY	22,330	19,260	$ 15,073	$ 56,663
18	TOTAL MARKET VALUE	402,893	323,689	$ 246,920	973,502
19	PRICE EARNINGS RATIO	18.04	16.81	16.38	17.18
20					
21	MIDDLESEX WATER				
22	NET INCOME TO COMMON EQUITY	6,202	5,635	5,009	$ 16,846
23	TOTAL MARKET VALUE	105,582	96,057	71,484	273,123
24	PRICE EARNINGS RATIO	17.02	17.05	14.27	16.21
25					
26	SJW				
27	NET INCOME TO COMMON EQUITY	16,018	15,216	18,556	$ 49,790
28	TOTAL MARKET VALUE	138,351	191,806	145,440	475,597
29	PRICE EARNINGS RATIO	8.64	12.61	7.84	9.55
30					
31	WEIGHTED AVERAGE				
32	NET INCOME TO COMMON EQUITY	$ 84,252	$ 83,996	$ 77,483	$ 245,731
33	TOTAL MARKET VALUE	$ 1,412,483	$ 1,235,732	$ 1,010,223	3,658,438
34	PRICE EARNINGS RATIO	16.76	14.71	13.04	14.89
35					
36	**Rio Verde Utilities, Inc.**				
37	Equity not publicly traded, thus no price to earnings ratio is computed.				

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
RETURN ON AVERAGE COMMON EQUITY
(AVERAGE EQUITY AND NET INCOME IN $000)

EXHIBIT
SCHEDULE D-4-O
PAGE 1
WITNESS: KOZOMAN

Line No.	Comparative Companies	1998	1997	1996	Three Year Totals and Averages
1	American States Water				
2	Average Equity	$ 152,676	$ 148,910	$ 134,171	$ 435,757
3	Net Income	$ 14,533	$ 13,967	$ 13,366	$ 41,866
4	Return on Average Equity	9.52%	9.38%	9.96%	9.61%
5					
6	California Water Service				
7	Average Equity	$ 166,435	$ 159,146	$ 150,588	$ 476,169
8	Net Income	$ 18,242	$ 23,152	$ 18,914	$ 60,308
9	Return on Average Equity	10.96%	14.55%	12.56%	12.67%
10					
11	Connecticut Water				
12	Average Equity	$ 57,007	$ 55,232	$ 53,092	$ 165,331
13	Net Income	$ 6,927	$ 6,766	$ 6,565	$ 20,258
14	Return on Average Equity	12.15%	12.25%	12.37%	12.25%
15					
16	E'Town				
17	Average Equity	$ 204,698	$ 188,718	$ 180,297	$ 573,713
18	Net Income	$ 22,330	$ 19,260	$ 15,073	$ 56,663
19	Return on Average Equity	10.91%	10.21%	8.36%	9.88%
20					
21	Middlesex Water				
22	Average Equity	$ 58,978	$ 50,221	$ 48,430	$ 157,629
23	Net Income	$ 6,202	$ 5,635	$ 5,009	$ 16,846
24	Return on Average Equity	10.52%	11.22%	10.34%	10.69%
25					
26	SJW				
27	Average Equity	$ 138,351	$ 126,791	$ 114,441	$ 379,583
28	Net Income	$ 16,018	$ 15,216	$ 18,560	$ 49,794
29	Return on Average Equity	11.58%	12.00%	16.22%	13.12%
30					
31	Sum of All Companies				
32	Total Equity	$ 778,145	$ 729,018	$ 681,019	$ 2,188,182
33	Total Net Income	$ 84,252	$ 83,996	$ 77,487	$ 245,735
34	Return on Average Equity	10.83%	11.52%	11.38%	11.23%
35					
36					
37	**Rio Verde Utilities, Inc.**				
38	Average Equity	$ 3,637	$ 3,567	$ 3,421	$ 10,625
39	Net Income	$ 16	$ 31	$ 109	$ 156
40	Return on Average Equity	0.45%	0.86%	3.20%	1.47%
41					
42	**Rio Verde Utilities, Inc. 12/31/99**				
43	Average Equity	$ 3,661			
44	Net Income	16			
45	Return on Average Equity	0.4472%			

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
YIELDS OF OTHER DEBT INSTRUMENTS

EXHIBIT
SCHEDULE D-4-P
PAGE 1
WITNESS: KOZOMAN

LINE NO.	PRIME RATE	90 DAY COMMERCIAL PAPER	13 WEEK TREASURY BILLS	26 WEEK TREASURY BILLS	(a) TREASURY BOND MAY 2004-09 9.125%
1			1994		
2	8.50%	6.27%	5.56%	6.24%	8.00%
3					
4			1995		
5	8.50%	5.58%	4.91%	5.04%	5.72%
6					
7			1996		
8	8.25%	5.63%	5.08%	5.11%	6.48%
9					
10			1997		
11	8.50%	5.70%	5.285%	5.285%	5.88%
12					
13			1998		
14			December 10, 1998		
15	7.75%	5.05%	4.32%	4.38%	4.70%
16					
17			December 31, 1999		
18	8.50%	5.78%	5.30%	5.05%	6.65%
19					
20					
21			February 29, 2000		
22	9.00%	5.92%	5.67%	5.77%	6.86%
23	(a)				
24			Change From:		
25			1994 to 1995		
26	0.00%	-0.69%	-0.65%	-1.20%	-2.28%
27			1995 to 1996		
28	-0.25%	0.05%	0.17%	0.07%	0.76%
29			1996 to 1997		
30	0.25%	0.07%	0.21%	0.18%	-0.60%
31			1997 to 1998		
32	-0.75%	-0.65%	-0.97%	-0.91%	-1.18%
33			1998 to 1999		
34	0.75%	0.73%	0.98%	0.68%	1.95%
35			1999 to 2000		
36	0.50%	0.14%	0.37%	0.72%	0.21%
37					

38 (a) This debt instrument will approach its stated interest
39 rate the closer it gets to maturity
40
41 SOURCE: WALL STREET JOURNAL
42
43 (a) The prime rate at April 1, 2000
44
45

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1998
Interest Coverage and Debt Service
At Present and Proposed Rates

EXHIBIT
SCHEDULE D-4-Q
PAGE 1
WITNESS: Kozoman

At Present Rates

Line No.		Interest Coverage	Debt Service
1	Operating Income	$ 385,681	
2	Interest Income	26,862	
3	Income Taxes	(35,461)	
4	Available for Interest Coverage:	377,081	
5	Interest Expense	467,359	
6	Interest Coverage	0.81	
7			
8	Operating Income		$ 385,681
9	Add:		
10	Interest Income		26,862
11	Depreciation and Amortization Expense		253,710
12	Available for Debt Service		$ 666,252
13	Debt Service (Interest and Principal		
14	Payments)		576,688
15	Debt Service Coverage		1.16
16			

At Company Proposed Rates

17			
18		Interest	Debt
19		Coverage	Service
20	Operating Income	799,690	
21	Interest Income	26,862	
22	Income Taxes	232,363	
23	Available for Interest Coverage:	1,058,915	
24	Interest Expense	467,359	
25	Interest Coverage	2.27	
26			
27	Operating Income		799,690
28	Add:		
29	Interest Income		26,862
30	Depreciation and Amortization Expense		253,710
31	Available for Debt Service		1,080,262
32	Debt Service (Interest and Principal		
33	Payments)		576,688
34	Debt Service Coverage		1.87
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50			
51			
52			
53			
54			
55			

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Test of Financial Viability

Exhibit
Schedule D-4-R
Page 1
Witness: Kozoman

Line No.	Ratio Label	Ratio	American States Water 1998	Calif. Water Service 1998	Con-necticut Water Service 1998	E'Town 1998	Middle-sex Water 1998	SJW Corp. 1998	Weighted Ratioes of All Companies 1998	Rio Verde Utilities, Inc. 1999
1	Profit-	Net Income + Depreciation	0.18	0.18	0.27	0.25	0.22	0.24	0.21	0.19
2	ability	Annual Operating Revenues								
3										
4	Liquid-	Current Assets	0.62	0.51	0.70	0.56	2.10	1.81	0.71	0.14
5	ity	Current Liabilities								
6										
7	Lever-	Common Stock Equity	0.32	0.31	0.30	0.28	0.33	0.40	0.31	0.24
8	age	Total Assets								
9										
10	Profit	Retained Earnings	0.37	0.73	0.26	0.24	0.32	0.73	0.46	0.29
11	Trend	Common Stock Equity								
12										
13	Growth &									
14	Effic-	Annual Operating Revenues	0.31	0.34	0.20	0.19	0.21	0.29	0.26	0.13
15	iency	Total Assets								
16										
17	Effic-									
18	iency &	Annual Operating Revenues	1.20	1.19	1.37	1.38	1.27	1.22	1.25	1.21
19	Profit-	Annual Operating Expenses								
20	ability									
21										
22	Profit-	Net Income	0.10	0.10	0.18	0.15	0.14	0.15	0.13	0.01
23	ability	Annual Operating Revenues								
24										
25		Totals	3.09	3.36	3.27	3.04	4.60	4.84	3.33	2.21
26										
27									Viability Rating	
28									Weak to Marginal	Distressed

Test of Financial Viability from:
Viability Policies and Assessment Methods for Small Water Utilities,
The National Regulatory Research Institute

Distress Classification Model

If Distress Score is:	System classified as:
4.00 or more	Good to excellent
3.00 to 3.99	Weak to marginal
3.00 or less	Distressed

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Returns on Equity of Nationally Traded Water
Utilities as Reported in C.A. Turner Utility Reports **(a)**
February 2000

Exhibit
Schedule D-4-S
Page 1
Witness: Kozoma

Line No.		Authorized Rate of Return	Current Rate of Return	Net Plant **(b)** ($ Millions)	Operating Revenues ($ Millions)	Water & Sewer Revenues
1	American States Water Co.	10.40%	11.30%	$ 401.20	$165.9	94%
2	American Water Works	11.21%	9.20%	4,553.9	1,162.8	98%
3	California	10.30%	10.50%	447.2	197.6	100%
4	Connecticut Water Service	12.70%	12.30%	155.8	40.6	100%
5	Dominguez Services	10.60%	9.80%	38.3	27.2	100%
6	E'Town Corp.	11.30%	11.10%	584.8	159.4	100%
7	Middlesex Water Co.	12.05%	12.70%	161.1	51.5	100%
8	Philadelphia Suburban	11.05%	11.30%	957.6	231.8	100%
9	SJW Corp.	10.20%	10.70%	205.1	114.3	99%
10	United Water Resources	10.00%	8.20%	1,247.6	364.2	91%
11						
12	Simple Averages	10.98%	10.71%	$ 875.26	$251.5	
13						
14	**Rio Verde Utilities, Inc.**	**8.22%**	**0.45%**	**$ 8.04**	**$1.54**	100%
15						
16						

17 **(a)** Data reported in C. A. Turner Utility Reports (Feb. 2000). Southwest Water Company
18 has been removed due to the utility's extremely low percentage of water revenues, only
19 50%. All other C.A. Turner water utilities have water revenues of at least 94%.
20
21 **(b)** Net Plant is defined as total property, plant and equipment less
22 accumulated depreciation and contributions in aid of construction
23
24 **(c)** Authorized Rate of Return based on OCLD rate base and net operating income for Rio Verde Utilit
25 Inc. based on Decision No. 58525. Water Rate of Return of 8.62% and Sewer Rate of Return of 7.85%
26 weighted by Rate Bases to derive return for combined utilities, shown below.
27

		Rate Base	Operating Income	Rate of Return
30	Water Utility	1,166,983	100,620	8.62%
31	Sewer Utility	1,298,833	101,980	7.85%
32	Combined	2,465,816	202,600	8.22%

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	Prior Year Ended 12/31/98	Prior Year Ended 12/31/97
1	ASSETS			
2	Plant In Service	$ 6,619,373	$ 5,880,323	$ 4,299,272
3	Construction Work in Progress	-	512	494,926
4	Less: Accumulated Depreciation	1,158,560	968,343	813,700
5	Net Plant	$ 5,460,813	$ 4,912,492	$ 3,980,498
6				
7	Debt Reserve Fund	$ -	$ -	$ -
8				
9	CURRENT ASSETS			
10	Cash and Equivalents	$ 83,552	$ 21,195	$ 3,860
11	Accounts Receivable, Net	52,275	30,317	22,908
12	Materials and Supplies	904	397	468
13	Prepaids	39,823	44,346	40,568
14	Other Current Assets	500	500	6,996
15	Total Current Assets	$ 177,054	$ 96,755	$ 74,800
16				
17	Deferred Debits	$ -	$ -	$ -
18	Investments	-	-	-
19	Total Other Assets	$ -	$ -	$ -
20				
21	TOTAL ASSETS	$ 5,637,867	$ 5,009,247	$ 4,055,298
22				
23				
24	LIABILITIES AND STOCKHOLDERS' EQUITY			
25				
26	Common Equity	$ 1,412,364	$ 1,412,364	$ 1,412,364
27	Retained Earnings	1,003,266	807,565	663,263
28	Total Equity	$ 2,415,630	$ 2,219,929	$ 2,075,627
29				
30	Long-Term Debt	$ 552,581	$ 566,225	$ 579,484
31				
32	CURRENT LIABILITIES			
33	Accounts Payable	$ 28,625	$ 15,050	$ 40,622
34	Current Portion of Long-Term Debt	13,644	12,373	11,223
35	Payables to Associated Companies	1,148,446	1,283,267	534,091
36	Meter Deposits, Current Portion	15,000	11,400	9,000
37	Taxes Payable	11,720	15,732	9,876
38	Interest Payable	7,165	7,165	20,123
39	Other Current Liabilities	7,644	1,500	5,863
40	Total Current Liabilities	$ 1,232,244	$ 1,346,487	$ 630,798
41	DEFERRED CREDITS			
42	Meter Deposits	$ 105,684	$ 102,020	$ 78,138
43	Advances in Aid of Construction	$ -	$ -	$ -
44	Contributions In Aid of Construction	1,269,935	717,307	637,964
45	Accumulated Deferred Income Taxes	-	20,494	14,107
46	Accumulated Deferred Income Credits	61,793	36,785	39,180
47	Total Deferred Credits	$ 1,437,412	$ 876,606	$ 769,389
48				
49	Total Liabilities & Common Equity	$ 5,637,867	$ 5,009,247	$ 4,055,298
50				
51	SUPPORTING SCHEDULES:	RECAP SCHEDULES:		
52	(a) E-5	(b) A-3		

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

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	Prior Year Ended 12/31/98	Prior Year Ended 12/31/97
1	Operating Revenues	$ 948,286	$ 788,598	$ 749,628
2	Operation and Maintenance			
3	Expense	$ 490,445	$ 454,325	$ 392,346
4	Depreciation & Amortization	155,874	130,676	99,027
5	Other Taxes	37,132	32,401	34,335
6	Income Taxes	10,370	(13,697)	55,468
7	Total Expense	$ 693,821	$ 603,705	$ 581,176
8	Operating Income	$ 254,465	$ 184,893	$ 168,452
9	Other Income Net	5,645	6,020	8,714
10	Less:			
11	Long-Term Interest	64,409	46,611	23,651
12	Other Expense	-	-	-
13	Miscellaneous Other Expense (Income)	-	-	-
14				
15	Net Income	$ 195,701	$ 144,302	$ 153,515
16				
17				

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Comparative Changes in Financial Position

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	Prior Year Ended 12/31/98	Prior Year Ended 12/31/97
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	$ 195,701	$ 144,302	$ 153,515
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	155,865	130,676	99,027
8	Changes in Certain Assests and Liabilities:			
9	Deferred Income Taxes & Credits	4,515	3,990	(3,458)
10	Accounts Receivable	(21,958)	(7,409)	20,749
11	Materials & Supplies	(507)	71	767
12	Prepaid Expenses	4,523	(3,778)	28,268
13	Other Assets	-	6,497	(500)
14	Accounts Payable and Accrued Liabilities	19,719	(25,572)	29,031
15	Accrued Taxes	(4,012)	5,856	1,919
16	Other Liabilities	-	(17,321)	(9,795)
17		-		
18	Net Cash Flow provided by Operating Activities	$ 353,846	$ 237,312	$ 319,523
19	Cash Flow From Investing Activities:			
20	Capital Expenditures	(738,538)	(1,086,637)	(1,084,500)
21	Increase in Debt Reserve Fund	-	-	-
22	Net Cash Flows from Investing Activities	$ (738,538)	$ (1,086,637)	$ (1,084,500)
23	Cash Flow From Financing Activities			
24	(Decrease) Increase in Net Amounts due to Parent and			
25	Affiliates	(134,821)	749,176	533,275
26	Change in Restricted Cash	-	-	-
27	Changes In Meter Deposits	7,264	26,283	13,658
28	Changes in Advances for Construction			
29	Proceeds from Contributions in Aid of Construction	586,980	103,310	4,500
30	Proceeds from Long-Term Debt Borrowing	-	-	
31	Repayments of Long-Term Debt	(12,373)	(12,109)	(9,293)
32	Dividends Paid	-	-	-
33	Deferred Financing Costs	-	-	-
34	Net Cash Flows Provided by Financing Activities	$ 447,050	$ 866,660	$ 542,140
35	Increase(decrease) in Cash and Cash Equivalents	62,358	17,335	(222,837)
36	Cash and Cash Equivalents at Beginning of Year	21,195	3,860	226,697
37	Cash and Cash Equivalents at End of Year	$ 83,553	$ 21,195	$ 3,860
38				
39				

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line No.		Common Stock	Additional Paid-In-Capital	Retained Earnings	Total
1					
2					
3					
4	Balance, December 31, 1997	$ 1,412,364	$ -	$ 663,263	$ 2,075,627
5					
6	Net Income			144,302	144,302
7					
8	Dividends on common stock			-	-
9					
10	Balance, December 31, 1998	1,412,364	-	807,565	2,219,929
11					
12	Net Income			195,701	195,701
13					
14	Dividends on common stock			-	-
15					
16	Balance, December 31, 1999	1,412,364	-	1,003,266	2,415,630
17					

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

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/98	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 12/31/99
1	301	Organization Cost	1,380	-	1,380
2	302	Franchise Cost	-	-	-
3	303	Land and Land Rights	41,512	-	41,512
4	304	Structures and Improvements	33,447	3,686	37,133
5	307	Wells and Springs	1,611,025	(722)	1,610,304
6	310	Power Generation Equipment	24,096	11,302	35,397
7	311	Electric Pumping Equipment	969,124	4,160	973,284
8	320	Water Treatment Equipment	12,184	-	12,184
9	330	Distribution Reservoirs & Standpipe	360,282	-	360,282
10	331	Transmission and Distribution Mains	2,212,131	489,009	2,701,140
11	333	Services	185,990	161,242	347,232
12	334	Meters	70,164	11,360	81,524
13	335	Hydrants	135,135	48,124	183,259
14	339	Plant Structures and Improvements	105,744	-	105,744
15	340	Office Furniture and Fixtures	-	-	-
16	341	Transportation Equipment	28,365	8,319	36,684
17	343	Tools and Work Equipment	10,269	-	10,269
18	344	Laboratory Equipment	7,121	215	7,336
19	345	Communications Equipment	62,625	874	63,499
20	346	Miscellaneous Equipment	-	1,083	1,083
21	348	Other Tangible Plant	9,731	398	10,128
22					
23	Total Plant		5,880,323	739,051	6,619,374
24					
25					
26					

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	Prior Year Ended 12/31/98	Prior Year Ended 12/31/97
1	WATER STATISTICS:			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	823,134	669,668	631,799
6				
7				
8				
9	Water Revenues from Customer:	$ 910,422	$ 756,081	$ 717,564
10				
11				
12				
13				
14	Year End Number of Customers	1,222	1,167	1,056
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	673.55	573.84	598.29
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 744.98	$ 647.88	$ 679.51
23				
24	Pumping Cost Per 1,000 Gallons	$ 0.1896	$ 0.2126	$ 0.1913
25	Purchased Water Cost per 1,000 Gallons	$ 0.0628	$ 0.0717	$ 0.0698

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended 12/31/99	Prior Year Ended 12/31/98 *	Prior Year Ended 12/31/97 *
1	Description			
2				
3	Federal & State Income Taxes	$ 10,370	$ (11,303)	$ 52,000
4	Payroll Taxes	10,760	10,268	9,494
5	Property Taxes	22,815	19,175	19,506
6	Other Taxes	3,557	2,958	5,334
7				
8	Totals	$ 47,501	$ 21,098	$ 86,334
9				
10				
11				
12	*Source: ACC Annual Reports			
13				
14				

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

The Following Audited Financial Statements and Footnotes by Tom Wentz, CPA are included per the Requirements of the Arizona Corporation Commission.

Tom Wentz, CPA has not audited this rate filing

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	1999	**1998**
ASSETS		
PROPERTY, PLANT AND EQUIPMENT (NOTE 2)	$13,404,031	$11,660,283
Accumulated Depreciation	2,154,920	1,802,182
TOTAL PROPERTY, PLANT AND EQUIPMENT	**11,249,111**	**9,858,101**
CURRENT ASSETS		
Cash and Cash Equivalents	157,580	115,266
Accounts Receivable ($0 allowance for Doubtful Accounts)	94,369	58,141
Unbilled Revenue	19,086	17,245
Materials and Supplies Inventory	904	397
Income Tax Refunds	16,660	16,660
Prepaid Expenses	44,155	27,686
TOTAL CURRENT ASSETS	**332,754**	**235,395**
OTHER ASSETS		
Deferred Finance Fees (Note 3)	17,226	18,792
Restricted Cash (Note 4)	224,500	224,500
Investment	39,243	29,293
Due From Related Party	3,925	-
Deposits	1,000	1,000
TOTAL OTHER ASSETS	**285,894**	**273,585**
TOTAL ASSETS	**$11,867,759**	**$10,367,081**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	1999	1998
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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	1999	1998
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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31 1999	DECEMBER 31 1998
STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common Stock ($1 par value, 10,000,000 shares Authorized: 2,840,721 Shares Issued and Outstanding	$2,840,721	$2,840,721
Retained Earnings	828,107	811,736
TOTAL STOCKHOLDERS' EQUITY	**3,668,828**	**3,652,457**
LONG-TERM DEBT (NET OF CURRENT MATURITIES) (NOTE 4)	**2,337,459**	**2,405,241**
CURRENT LIABILITIES		
Current Maturity of Long-Term Debt (Note 4)	73,368	67,152
Accounts Payable	38,404	30,100
Current Portion of Meter Deposits	15,000	11,400
Advances From Related Parties (Note 6)	2,198,112	2,132,654
Accrued Interest Payable	14,556	14,330
Accrued Property Taxes	22,980	19,993
Other Accrued Liabilities and Expenses	22,947	13,626
TOTAL CURRENT LIABILITIES	**2,385,367**	**2,289,255**
DEFERRED LIABILITIES		
Meter Deposits (Net of Current Portion)	105,684	102,020
Deferred Income Taxes and Investment Tax Credits (Note 5)	157,291	139,672
TOTAL DEFERRED LIABILITIES	**262,975**	**241,692**
CONTRIBUTIONS IN AID OF CONSTRUCTION	**3,213,130**	**1,778,436**
TOTAL STOCKHOLDER'S EQUITY AND LIABILITIES	**$11,867,759**	**$10,367,081**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31 1999	DECEMBER 31 1998
STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common Stock ($1 par value, 10,000,000 shares Authorized: 2,840,721 Shares Issued and Outstanding	$2,840,721	$2,840,721
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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF EARNINGS
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED DECEMBER 31	
	1999	**1998**
OPERATING REVENUE		
Water Revenue	$948,286	$788,598
Sewer Services	587,970	540,259
TOTAL OPERATING REVENUE	**1,536,256**	**1,328,857**
OPERATING EXPENSE		
Salaries	190,932	173,128
Employee Benefits	14,798	12,948
Payroll Taxes	21,520	20,537
Purchased Water	61,231	57,424
Purchased Power	219,797	196,061
Repairs and Maintenance	162,826	159,809
Water Testing and Treatment	29,514	17,862
Professional Fees	13,228	5,263
Transportation	10,250	7,177
General Office and Administrative	6,488	4,772
Telephone	6,190	4,863
Management Fee	79,687	77,941
General Insurance	16,311	17,045
Depreciation (Note 2)	271,069	233,495
Other Utility Expense	33,828	42,473
Property Taxes	45,358	39,425
Income Taxes (Note 5)	87,852	52,111
TOTAL OPERATING EXPENSES	**1,270,879**	**1,122,334**
EARNINGS FROM OPERATIONS	**265,377**	**206,523**
OTHER INCOME <EXPENSE>		
Interest Income	11,289	12,040
Patronage Dividend	14,600	14,534
Amortization Finance Fees (Note 3)	(1,566)	(1,566)
Interest Expense (Note 4)	(343,562)	(254,863)
Income Tax Benefit (Note 5)	70,233	54,086
TOTAL OTHER INCOME <EXPENSE>	**(249,006)**	**(175,769)**
NET EARNINGS	**$16,371**	**$30,754**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF EARNINGS
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED DECEMBER 31	
	1999	**1998**
OPERATING REVENUE		
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NET EARNINGS	**$16,371**	**$30,754**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31,1999 AND 1998
(SEE INDEPENDENT AUDITOR'S REPORT)

	COMMON STOCK		
	NUMBER OF SHARES	AMOUNT	RETAINED EARNINGS
BALANCE - DECEMBER 31,1997	**2,840,721**	**$2,840,721**	**$780,982**
NET EARNINGS			30,754
BALANCE - DECEMBER 31,1998	**2,840,721**	**2,840,721**	**811,736**
NET EARNINGS			16,371
BALANCE - DECEMBER 31,1999	**2,840,721**	**$2,840,721**	**$828,107**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31,1999 AND 1998
(SEE INDEPENDENT AUDITOR'S REPORT)

	COMMON STOCK		
	NUMBER OF SHARES	AMOUNT	RETAINED EARNINGS
BALANCE - DECEMBER 31,1997	**2,840,721**	**$2,840,721**	**$780,982**
NET EARNINGS			30,754
BALANCE - DECEMBER 31,1998	**2,840,721**	**2,840,721**	**811,736**
NET EARNINGS			16,371
BALANCE - DECEMBER 31,1999	**2,840,721**	**$2,840,721**	**$828,107**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF CASH FLOWS
RECONCILIATION OF NET EARNINGS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED DECEMBER 31	
	1999	**1998**
NET EARNINGS	**$16,371**	**$30,754**
ADJUSTMENTS		
Depreciation and Amortization	272,636	235,060
Accounts Receivable	(53,202)	(28,396)
Inventory	(507)	71
Prepaid Income Taxes	0	10,186
Prepaid Expense	(16,469)	(11,248)
Investments	(9,950)	(9,849)
Accounts Payable	8,304	(51,143)
Accrued Property Taxes	2,987	242
Accrued Liabilities	9,321	(16,916)
Accrued Interest Payable	226	(5,793)
Deferred Income Taxes and Investment Tax	17,619	15,804
TOTAL ADJUSTMENTS	**230,965**	**138,018**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$247,336**	**$168,772**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF CASH FLOWS
RECONCILIATION OF NET EARNINGS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED DECEMBER 31	
	1999	**1998**
NET EARNINGS	**$16,371**	**$30,754**
ADJUSTMENTS		
Depreciation and Amortization	272,636	235,060
Accounts Receivable	(53,202)	(28,396)
Inventory	(507)	71
Prepaid Income Taxes	0	10,186
Prepaid Expense	(16,469)	(11,248)
Investments	(9,950)	(9,849)
Accounts Payable	8,304	(51,143)
Accrued Property Taxes	2,987	242
Accrued Liabilities	9,321	(16,916)
Accrued Interest Payable	226	(5,793)
Deferred Income Taxes and Investment Tax	17,619	15,804
TOTAL ADJUSTMENTS	**230,965**	**138,018**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$247,336**	**$168,772**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
The Company is a regulated utility providing water and sewer services in a certified area located in Rio Verde, Arizona. The Company's financial instruments that are exposed to credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company is wholly owned by Second Arizona Rio Verde Company, 1974.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost. Periodically, the Arizona Corporation Commission reviews the basis of the plant and equipment and may require adjustments for establishing rates the company may charge its customers. The Company has adjusted the basis of its assets to comply with the Arizona Corporation Commission orders. In accordance with standard accounting practices prescribed for water and sewer utilities, renewals and betterment are charged to plant accounts and the cost of depreciable property retired less salvage value is removed from the utility plant accounts and charged to accumulated depreciation.

Depreciation of property, plant and equipment is computed using the straight line method over the useful life of the assets as prescribed by the Arizona Corporation Commission.

Deferred Income Taxes
Income taxes have been provided for temporary differences between income tax and financial accounting. Temporary differences relate primarily to the different methods and useful lives used for the calculation of depreciation. Investment tax credits are deferred for financial statement reporting and amortized over the estimated useful life of the related property. (see note 6)

Customer Meter Deposits
The Company is refunding meter deposits received from customers in equal installments, without interest, over a ten-year period.

Revenue Recognition
Revenues are recognized as services are rendered. Rates and service charges are set by the Arizona Corporation Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions in Aid of Construction
Contributions in aid of construction are nonrefundable contributions by developers and customers for plant expansion. In addition, this amount includes the remaining balance, if any, of advances in aid of construction at the end of the repayment period. The contributions in aid of construction are being amortized at a rate equal to the rate allowed for depreciation, as a reduction of depreciation expense.

Accounting Records
The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners.

Cash Equivalents
The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

Major classifications of property, plant and equipment are summarized below:

Water Utility Plant	**1999**	**1998**
Land	$41,512	$41,512
Construction Work in Process		512
Utility Plant	6,541,177	5,810,446
Transportation Equipment	36,684	28,365
	6,619,373	5,880,835
Accumulated Depreciation and Amortization	1,158,560	968,343
Net Water Utility Plant	$5,460,813	$4,912,492

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Sewer Utility Plant	**1999**	**1998**
Land	$50,513	$50,513
Construction Work in Process		13,233
Utility Plant	6,697,465	5,687,337
Transportation Equipment	36,680	28,365
	6,784,658	5,779,448
Accumulated Depreciation and Amortization	996,360	833,839
Net Sewer Utility Plant	$5,788,298	$4,945,609
Total Property, Plant and Equipment	$11,249,111	$9,858,101

Depreciation and amortization charged to earnings:

Depreciation	Rate		
Water Utility	3.064119%	$190,217	$154,644
Sewer Utility	2.603750%	162,521	135,780
		$352,738	$290,424
Amortization of Contributions in Aid of Construction			
Water Utility	3.064119%	$34,342	$23,967
Sewer Utility	2.603750%	47,327	32,962
		$81,669	$56,929
Net Depreciation and Amortization		$271,069	$233,495

NOTE 3 - DEFERRED CHARGES

Deferred Finance Fees:		
Finance Fees	$23,490	$23,490
Accumulated Amortization	(6,264)	(4,698)
	$17,226	$18,792

Finance fees are being amortized over a period of 180 months.

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

	1999	1998
Note payable to CoBank due in monthly installments of principal and interest, final payment due May 20, 2016, current payment is $18,920. Interest is at a fixed rate of 9.8% on one-half of the outstanding principal and at a variable rate on the other half. The variable rate at December 31, 1998 was 7.75%. The note is secured by assignment of the capital stock of the Company. The Company is required to maintain a debt service reserve of $224,500.	1,844,603	1,893,795
9.8% note payable to Second Arizona Rio Verde Company, 1974 (the shareholder of the Company) due in monthly principal and interest installments of $5,711, final payment due December 31, 2016.	566,224	578,598
Total Long-Term Debt	**$2,410,827**	**$2,472,393**
Current Portion	**73,368**	**67,152**
Long Term Portion	**$2,337,459**	**$2,405,241**

Debt Maturities	
2000	73,368
2001	80,170
2002	87,611
2003	95651
Thereafter	2,074,027
	$2,410,827

Interest		
Charged to Operations	343,562	254,863
Charged to Construction Work in Process	0	36,400
	$343,562	**$291,263**

NOTE 5 - INCOME TAXES

The provision for income taxes is as follows:

	1999	1998
Current		
Federal	0	(17,828)
State	50	50
Total Current	50	(17,778)
Deferred		
Federal	16,258	15,592
State	6,100	5,000
ITC Amortization	(4,789)	(4,789)
Total Deferred	17,569	15,803
Tax Expense (Benefit)	**$17,619**	**($1,975)**
Deferred Income Taxes and Investment Tax Credits:		
Deferred Income Tax	88,709	66,101
Investment Tax Credits	68,582	73,571
	$157,291	**$139,672**

Certain items of income and expenses are recognized in different years for financial reporting and income tax purposes. Deferred income taxes are accounted for in recognition of these temporary differences.

As required by the regulatory agency, deferred investment tax credits are recognized for financial statement purposes in the year in which they are utilized for federal income taxes and amortized over the estimated remaining life of the assets from which the investment tax credit originated.

The Company has a 1999 Federal income tax loss of approximately $137,000 The loss will be carried forward to offset future years taxable income.

NOTE 6 - RELATED PARTY TRANSACTIONS

Related Company transactions are as follows:

	1999	1998
Management and Administrative Services	$79,267	$77,941
Salaries, Benefits and Payroll Taxes	222,243	201,472
Interest	174,882	57,511
Plant Expansion Cash Advances	0	1,900,000
Supplies and Services	23,126	22,060
Working Capital	155,000	600,000

NOTE 7 - SUPPLEMENTAL CASH FLOW INFORMATION

The Company engaged in the following non - cash transactions:

Customer meter deposits refunds applied to amounts due from customers	15,133	11,368
Plant acquired through contributions in aid of construction	1,507,362	139,040

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/00	At Proposed Rates Year Ended 12/31/00
1				
2				
3				
4				
5				
6	**Revenues**			
7	Water Revenues	$ 525,628	$ 538,937	$ 752,894
8	Hook-Up Fees	60,000	70,000	70,000
9	Misc Service Revenues	2,341	2,341	2,341
10	C.A.P. Surcharge	-	-	-
11				
12	**Total Water Revenues**	$ 587,969	$ 611,278	$ 825,235
13	**Operating Expenses**			
14	Salaries & Wages	$ 94,501	$ 102,061	$ 102,061
15	Purchased Power	63,737	65,656	65,656
16	SRP Ground water Charge	75,752	78,032	78,032
17	CP Purchased Water	364	375	375
18	DWR Surcharge	793	816	816
19	Maintenance	12,876	13,264	13,264
20	Chemicals	14,247	14,676	14,676
21	Administrative Office	12,000	12,000	12,000
22	Automotive	5,538	5,538	5,538
23	RVUI Lab Operations	5,670	5,670	5,670
24	Outside Lab	828	828	828
25	Supplies	11	11	11
26	Postage/Express/UPS	1,718	1,823	1,823
27	Office Supplies	1,510	1,556	1,556
28	Payroll Taxes	10,760	11,490	11,490
29	Employee Benefits	7,399	7,399	7,399
30	Taxes & Licenses	26,675	26,631	26,631
31	Telephone	2,390	2,390	2,390
32	Insurance	8,772	8,772	8,772
33	Legal Fees	138	138	138
34	Professional Fees	6,103	6,103	6,103
35	Education & Training	1,740	1,740	1,740
36	Travel & Entertainment	576	576	576
37	Security Charges	1,724	1,724	1,724
38	Outside Services	27,839	27,839	27,839
39	Miscellaneous	719	719	719
40	Rate Case Expense	-	12,000	12,000
41	Depreciation	115,195	91,101	91,101
42	Patronage Divided Sewer	(14,600)	(14,600)	(14,600)
43	Income Taxes	7,250	(58,474)	25,568
44	**Total Operating Expenses**	$ 492,224	$ 427,852	$ 511,894
45	**Profit (Loss) Before Interest**	$ 95,745	$ 183,426	$ 313,341
46	**Other Income (Expense)**			
47	Interest Income	5,645	15,410	15,410
48	Other income	-	-	-
49	Interest Expense	(280,719)	(289,227)	(289,227)
50	Other Expense	-	-	-
51	Gain/Loss Sale of Fixed Assets	-	-	-
52	**Total Other Income (Expense)**	$ (275,074)	$ (273,817)	$ (273,817)
53	**Net Profit (Loss)**	$ (179,329)	$ (90,391)	$ 39,524
54				

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	At Present Rates Year Ended 12/31/00	At Proposed Rates Year Ended 12/31/00
5	Cash Flows from Operating Activities			
6	Net Income	$ (179,329)	$ (90,391)	$ 39,524
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	115,194	91,101	91,101
10	Changes in Certain Assests and Liabilities:			
11	Deferred Income Taxes & Credits	13,104	-	-
12	Accounts Receivable	(16,111)	-	-
13	Materials & Supplies	-	-	-
14	Prepaid Expenses	(20,992)	-	-
15	Other Assets	(3,925)	-	-
16	Accounts Payable and Accrued Liabilities	(5,044)	-	-
	Customer Deposits	-	-	-
17	Accrued Taxes	6,999	-	-
18	Other Liabilities	3,177		
19	Net Cash Flow provided by Operating Activities	$ (86,927)	$ 710	$ 130,624
20	Cash Flow From Investing Activities:			
21	Capital Expenditures	(1,005,209)	-	-
22	Purchase of Investments	(9,950)	-	-
23	Net Cash Flows from Investing Activities	$ (1,015,159)	$ -	$ -
24	Cash Flow From Financing Activities			
25	(Decrease) Increase in Net Amounts due to Parent and			
26	Affiliates	200,278	(1,049,664)	(1,049,664)
27	Change in Restricted Cash	-	(117,940)	(117,940)
	Changes in Advances for Construction	-	-	-
28	Proceeds from Contributions in Aid of Construction	929,391	-	-
29	Proceeds from Long-Term Debt Borrowing	-	1,179,398	1,179,398
30	Repayments of Long-Term Debt	(49,192)	(74,210)	(74,210)
31	Dividends Paid	-	-	-
32	Deferred Financing Costs	1,566	(11,794)	(11,794)
33	Proceeds from Sale of Common Stock	-	(0)	(0)
34	Net Cash Flows Provided by Financing Activities	$ 1,082,043	$ (74,210)	$ (74,210)
35	Increase(decrease) in Cash and Cash Equivalents	(20,043)	(73,501)	56,414
36	Cash and Cash Equivalents at Beginning of Year	94,070	74,027	187,038
37	Cash and Cash Equivalents at End of Year	$ 74,027	$ 527	$ 130,441

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

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	2000	2001	2002	2003
1						
2						
3						
4	301	Organization Cost	$ -	$ -	$ -	$ -
5	302	Franchise Cost	-	-	-	-
6	353	Land and Land Rights	-	-	-	-
7	354	Structures and Improvements	50,000	-	-	-
8	361	Sewer Line	-	125,000	-	-
9	363	Services	-	-	-	-
10	368	Lift Station	-	-	-	-
11	371	Effluent Pump	-	-	-	-
12	380	Treatment Plant	-	-	-	-
13	382	Effluent Lines	-	-	-	-
14	391	Transportation Equipment	-	-	-	-
15	393	Tools and Work Equipment	-	-	-	-
16	394	Laboratory Equipment	-	-	-	-
17	396	Communications Equipment	-	-	-	-
18	398	Other Tangible Plant	-	-	-	-
19			-	-	-	-
20			-	-	-	-
21						
22	Total		$ 50,000	$ 125,000	$ -	$ -
23						
24						
25						

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7	
8	Accumulated depreciation and depreciation expense were computed at Arizona Corporation
9	Commission allowed rated in Prior Commission Decision.
10	
11	Income taxes were computed using statutory state and federal income tax rates.
12	
13	
14	
15	

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/00	At Proposed Rates Year Ended 12/31/00
1				
2				
3				
4				
5				
6	**Revenues**			
7	Water Revenues	$ 910,422	$ 912,925	$ 1,380,802
8	Hook-Up Fees	30,000	35,000	35,000
9	Misc Service Revenues	5,274	5,274	5,274
10	C.A.P. Surcharge	2,589	-	-
11				
12	**Total Water Revenues**	$ 948,286	$ 953,199	$ 1,421,076
13	**Operating Expenses**			
14	Salaries & Wages	$ 96,432	$ 104,146	$ 104,146
15	Purchased Power	156,060	156,637	156,637
16	SRP Ground water Charge	9,525	9,525	9,525
17	CP Purchased Water	51,706	52,528	52,528
18	DWR Surcharge	5,329	5,329	5,329
19	Maintenance	85,896	86,213	86,213
20	Chemicals	1,003	1,007	1,007
21	Administrative Office	12,009	12,009	12,009
22	Automotive	4,712	4,712	4,712
23	RVUI Lab Operations	2,003	2,003	2,003
24	Outside Lab	7,134	7,134	7,134
25	Supplies	11	11	11
26	Postage/Express/UPS	1,717	1,804	1,804
27	Office Supplies	1,544	1,575	1,575
28	Payroll Taxes	10,760	11,504	11,504
29	Employee Benefits	7,399	7,399	7,399
30	Taxes & Licenses	26,372	41,820	41,820
31	Telephone	3,800	3,800	3,800
32	Insurance	7,539	7,539	7,539
33	Legal Fees	739	739	739
34	Professional Fees	6,248	6,248	6,248
35	Education & Training	205	205	205
36	Travel & Entertainment	593	593	593
37	Security Charges	862	862	862
38	Outside Services	27,839	27,839	27,839
39	Miscellaneous	139	139	139
40	Rate Case Expense	-	12,000	12,000
41	Depreciation	155,874	162,599	162,599
42	ITC Amortization Water PL	-	-	-
43	Income Taxes	10,370	23,017	206,799
44	**Total Operating Expenses**	$ 693,821	$ 750,938	$ 934,720
45	**Profit (Loss) Before Interest & Taxes**	$ 254,465	$ 202,261	$ 486,356
46	**Other Income (Expense)**			
47	Interest Income	5,645	11,452	11,452
48	Other income	-	-	-
49	Interest Expense	(64,409)	(178,132)	(178,132)
50	Other Expense	-	-	-
51	Gain/Loss Sale of Fixed Assets	-	-	-
52	**Total Other Income (Expense)**	$ (58,764)	$ (166,681)	$ (166,681)
53	**Net Profit (Loss)**	$ 195,701	$ 35,580	$ 319,675
54				

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	At Present Rates Year Ended 12/31/00	At Proposed Rates Year Ended 12/31/00
5	*Cash Flows from Operating Activities*			
6	Net Income	$ 195,701	$ 35,580	$ 319,675
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	155,865	162,599	162,599
10	Changes in Certain Assests and Liabilities:			
11	Deferred Income Taxes & Credits	4,515	-	-
12	Accounts Receivable	(21,958)	-	-
13	Materials & Supplies	(507)	-	-
14	Prepaid Expenses	4,523	-	-
15	Other Assets	-	-	-
16	Accounts Payable and Accrued Liabilities	19,719	-	-
17	Accrued Taxes	(4,012)	-	-
18	Other Liabilities	-	-	-
19				
20	Net Cash Flow provided by Operating Activities	$ 353,846	$ 198,179	$ 482,274
21	Cash Flow From Investing Activities:			
22	Capital Expenditures	(738,538)	-	-
23	Increase in Debt Reserve Fund	-	-	-
24	Net Cash Flows from Investing Activities	$ (738,538)	$ -	$ -
25	Cash Flow From Financing Activities			
26	(Decrease) Increase in Net Amounts due to Parent and			
27	Affiliates	(134,821)	(1,148,446)	(1,148,446)
28	Change in Restricted Cash	-	(129,039)	(129,039)
29	Changes In Meter Deposits	7,264	-	-
30	Changes in Advances for Construction	-	-	-
31	Proceeds from Contributions in Aid of Construction	586,980	-	-
32	Proceeds from Long-Term Debt Borrowing	-	1,290,389	1,290,389
33	Repayments of Long-Term Debt	(12,373)	(35,673)	(35,673)
34	Dividends Paid	-	-	-
35	Deferred Financing Costs	-	(12,904)	(12,904)
36	Proceeds From Sale Of Common Stock	-	(0)	(0)
37	Net Cash Flows Provided by Financing Activities	$ 447,050	$ (35,673)	$ (35,673)
38	Increase(decrease) in Cash and Cash Equivalents	62,358	162,506	446,601
39	Cash and Cash Equivalents at Beginning of Year	21,195	83,553	83,553
40	Cash and Cash Equivalents at End of Year	$ 83,553	$ 246,059	$ 530,154

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	2000	2001	2002	2003
1						
2						
3						
4	301	Organization Cost	$ -	$ -	$ -	$ -
5	302	Franchise Cost	-	-	-	-
6	303	Land and Land Rights	-	-	-	-
7	304	Structures and Improvements	-	-	-	-
8	307	Wells and Springs	-	645,000	-	-
9	311	Electric Pumping Equipment	-	-	-	-
10	320	Water Treatment Equipment	-	-	-	-
11	330	Distribution Reservoirs & Standpipe	-	-	750,000	-
12	331	Transmission and Distribution Mains	-	150,000	-	-
13	333	Services	-	-	-	-
14	334	Meters	-	-	-	-
15	335	Hydrants	-	-	-	-
16	339	Plant Structures and Improvements	-	-	-	-
17	340	Office Furniture and Fixtures	-	-	-	-
18	341	Transportation Equipment	-	-	-	-
19	343	Tools and Work Equipment	-	-	-	-
20	344	Power Operated Equipment	-	-	-	-
21	345	Communications Equipment	-	-	-	-
22	346	Miscellaneous Equipment	-	-	-	-
23	348	Other Tangible Plant	-	-	-	-
24						
25	Total		$ -	$ 795,000	$ 750,000	$ -
26						
27						
28						

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7	
8	Accumulated depreciation and depreciation expense were computed at Arizona Corporation
9	Commission allowed rated in Prior Commission Decision.
10	
11	Income taxes were computed using statutory state and federal income tax rates.
12	
13	
14	
15	

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Allocation of Present Revenues and Expenses to Customer Classes

Exhibit
Schedule G-1
Page 1
Witness: Kozoman

Description	Total	Residential	1"	2"	4"	6" Com.	6" Irr	6" Irr Pot	8"	12"	Totals
REVENUES											
Water Revenues, and Miscellaneous Revenues	953,199	321,319	6,531	34,591	150	3,922	1,231	1,200	125,778	458,477	953,199
TOTAL REVENUES	953,199	321,319	6,531	34,591	150	3,922	1,231	1,200	125,778	458,477	953,199
OPERATING EXPENSES											
Operating Expense	549,874	243,388	6,456	23,616	2,286	5,200	4,558	4,546	59,711	200,113	549,874
Depreciation	162,599	98,705	2,706	8,538	1,170	2,368	2,331	2,330	11,607	32,844	162,599
Income Tax	23,017	(37,520)	(1,677)	(1,970)	(1,403)	(1,894)	(2,507)	(2,512)	13,147	59,352	23,017
Total Operating Expense	735,490	304,573	7,485	30,184	2,053	5,674	4,383	4,364	84,465	292,309	735,490
OPERATING INCOME/LOSS	217,709	16,746	(955)	4,407	(1,903)	(1,753)	(3,152)	(3,164)	41,313	166,169	217,709
RATE BASE	4,248,574	2,547,080	70,444	223,639	30,766	62,360	61,322	61,303	310,092	881,567	4,248,574
PERCENT RETURN	5.12%	0.66%	-1.35%	1.97%	-6.19%	-2.81%	-5.14%	-5.16%	13.32%	18.85%	5.12%

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Allocation of Proposed Revenues and Expenses to Customer Classes

Exhibit
Schedule G-2
Page 1
Witness: Kozoman

Description	Total Company Computed	Residential Company Computed	1" Company Computed	2" Company Computed	4" Company Computed	6" Com. Company Computed	6" Irr Company Computed	6" Irr Pot Company Computed	8" Company Computed	12" Company Computed
					Revenues Needed For a Uniform Rate of Return from Each Customer Class					
REVENUES										
Water Revenues (Present Rates) and Miscellaneous Revenues	953,199	321,319	6,531	34,591	150	3,922	1,231	1,200	125,778	458,477
Proposed Rate Increase	471,737	447,457	14,431	35,039	8,457	14,090	15,925	15,939	(2,356)	(77,245)
TOTAL REVENUES	1,424,936	768,776	20,962	69,630	8,607	18,012	17,156	17,139	123,422	381,232
OPERATING EXPENSES										
Operating Expense	549,874	243,388	6,456	23,616	2,286	5,200	4,558	4,546	59,711	200,113
Additional Property Taxes at Proposed Rates	15,448	9,319	258	817	113	229	225	225	1,114	3,148
Depreciation	162,599	98,705	2,706	8,538	1,170	2,368	2,331	2,330	11,607	32,844
Income Taxes at Proposed Rates	208,315	124,689	3,448	10,954	1,505	3,051	2,999	2,998	15,250	43,421
Total Expenses	936,237	476,101	12,868	43,924	5,074	10,848	10,114	10,100	87,683	279,525
Operating Income	488,699	292,675	8,094	25,706	3,533	7,163	7,042	7,039	35,740	101,707
Interest Expense	178,132	106,793	2,954	9,377	1,290	2,615	2,571	2,570	13,001	36,962
Interest Income	11,452	6,865	190	603	83	168	165	165	836	2,376
Net Income	322,019	192,748	5,330	16,932	2,326	4,717	4,636	4,634	23,574	67,121
RATE BASE	4,248,574	2,547,080	70,444	223,639	30,766	62,360	61,322	61,303	310,092	881,567
PERCENT RETURN	11.502671%	11.490622%	11.48937%	11.494416%	11.483326%	11.487162%	11.48360%	11.483096%	11.525538%	11.537060%
Percent Increase	49.49%	139.26%	220.97%	101.30%	5638.00%	359.30%	1293.87%	1328.25%	-1.87%	-16.85%
Difference in Computed Return	0.0544099%	0.0423602%	0.041105%	0.0461547%	0.0350643%	0.0389010%	0.0353419%	0.0348350%	0.0772766%	0.0887985%
Required Rate of Return	11.4483%	11.4483%	11.4483%	11.4483%	11.4483%	11.4483%	11.4483%	11.4483%	11.4483%	11.4483%
Taxable Income	530,334	317,437	8,778	27,886	3,831	7,768	7,635	7,632	38,824	110,542
Return from Schedule D-1	11.4483%									
Income Taxes at Proposed Rates from Schedule C-1	206,799									
Income Tax Rate	39.2800%	39.28%	39.28%	39.28%	39.28%	39.28%	39.28%	39.28%	39.28%	39.28%
Total Revenues	1,424,936									
Total Expenses	727,921									
Net Interest Expense	166,681									
Taxable Income	530,334									
Taxable Income	530,334	317,437	8,778	27,886	3,831	7,768	7,635	7,632	38,824	110,542
Allocated Income Tax	208,315	124,689	3,448	10,954	1,505	3,051	2,999	2,998	15,250	43,421

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Allocation of Proposed Revenues and Expenses to Customer Classes

Exhibit
Schedule G-2
Page 2
Witness: Kozoman

Description	Total Company Proposed	Residential Company Proposed	1" Company Proposed	2" Company Proposed	4" Company Proposed	6" Com. Company Proposed	6" Irr Company Proposed	6" Irr Pot Company Proposed	8" Company Proposed	12" Company Proposed
					Rates of Return based on Company's Proposed Rates					
REVENUES										
Water Revenues (Present Rates) and Miscellaneous Revenues	953,199	321,319	6,531	34,591	150	3,922	1,231	1,200	125,778	458,477
Proposed Rate Increase	467,877	219,809	5,121	26,125	353	5,018	2,822	2,814	46,969	158,846
TOTAL REVENUES	1,421,076	541,129	11,652	60,716	503	8,939	4,052	4,014	172,747	617,323
OPERATING EXPENSES										
Operating Expense	549,874	243,388	6,456	23,616	2,286	5,200	4,558	4,546	59,711	200,113
Additional Property Taxes at Proposed Rates	15,448	9,319	258	817	113	229	225	225	1,114	3,148
Depreciation	162,599	98,705	2,706	8,538	1,170	2,368	2,331	2,330	11,607	32,844
Income Taxes at Proposed Rates	206,799	35,269	(209)	7,452	(1,678)	(512)	(2,148)	(2,158)	34,625	136,157
Total Expenses	934,720	386,681	9,211	40,423	1,891	7,285	4,967	4,944	107,057	372,262
Operating Income	486,356	154,448	2,441	20,294	(1,388)	1,655	(914)	(930)	65,690	245,061
Interest Expense	178,132	106,793	2,954	9,377	1,290	2,615	2,571	2,570	13,001	36,962
Interest Income	11,452	6,865	190	603	83	168	165	165	836	2,376
Net Income	319,675	54,520	(323)	11,520	(2,595)	(792)	(3,320)	(3,335)	53,524	210,475
RATE BASE	4,248,574	2,547,080	70,444	223,639	30,766	62,360	61,322	61,303	310,092	881,567
PERCENT RETURN	11.447506%	6.063717%	3.464542%	9.074321%	-4.509919%	2.653496%	-1.49101%	-1.517296%	21.183950%	27.798363%
Percent Increase	49.08%	68.41%	78.42%	75.53%	235.64%	127.95%	229.25%	234.49%	37.34%	34.65%
Difference in Computed Return	-0.001%	-5.385%	-7.984%	-2.374%	-15.958%	-8.795%	-12.939%	-12.966%	9.736%	16.350%

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets by Functions to Customer Classes

Exhibit
Schedule G-3
Page 1
Witness: Kozoman

Description	Total	Residential	1"	2"	4"	6" Com.	6" Irr	6" Irr Pot	8"	12"	Totals
NET PLANT IN SERVICE (Net of Accumulated Depreciation, CIAC and Customer Deposits From Schedule G-5, Page 1											
Commodity	350,918	64,499	1,660	10,196	1	911	20	3	58,588	215,041	350,918
Demand	3,335,675	2,061,123	59,718	191,098	28,437	56,874	56,874	56,874	227,497	597,180	3,335,675
Customer	68,105	65,346	1,136	1,136	54	54	54	54	108	162	68,105
Service	209,634	197,225	3,740	4,239	344	511	511	511	1,021	1,532	209,634
Meters	43,960	29,735	665	5,243	483	979	979	979	1,959	2,938	43,960
Total	4,008,292	2,417,928	66,919	211,912	29,319	59,329	58,438	58,421	289,173	816,852	4,008,292
ADD: ALLOWANCE FOR WORKING CAPITAL FROM SCHEDULE G-1, PAGE 1											
Commodity	45,151	8,299	214	1,312	0	117	3	0	7,538	27,668	45,151
Demand	44,432	27,455	795	2,545	379	758	758	758	3,030	7,955	44,432
Customer	4,376	4,199	73	73	3	3	3	3	7	10	4,376
Service	2,316	2,179	41	47	4	6	6	6	11	17	2,316
Meters	2,065	1,397	31	246	23	46	46	46	92	138	2,065
Total	98,339	43,527	1,155	4,223	409	930	815	813	10,679	35,788	98,339
Add: Unamortized Finance Charges and Investment in CoBank from Schedule G-5, Page 1											
Commodity	12,427	2,284	59	361	0	32	1	0	2,075	7,615	12,427
Demand	118,124	72,989	2,115	6,767	1,007	2,014	2,014	2,014	8,056	21,148	118,124
Customer	2,412	2,314	40	40	2	2	2	2	4	6	2,412
Service	7,424	6,984	132	150	12	18	18	18	36	54	7,424
Meters	1,557	1,053	24	186	17	35	35	35	69	104	1,557
Total	141,943	85,624	2,370	7,504	1,038	2,101	2,069	2,069	10,240	28,927	141,943
Total of Rate Bases at Original Cost	4,248,574	2,547,080	70,444	223,639	30,766	62,360	61,322	61,303	310,092	881,567	4,248,574
Rate Base by Meter Size as a Percent of Total Rate		59.951%	1.658%	5.264%	0.724%	1.468%	1.443%	1.443%	7.299%	20.750%	100.000%
Interest Expense Based on Rate Base:	178,132	106,793	2,954	9,377	1,290	2,615	2,571	2,570	13,001	36,962	178,132
Interest Income Based on Rate Base	11,452	6,865	190	603	83	168	165	165	836	2,376	11,452

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Allocation of Functions to Customer Classes

Exhibit
Schedule G-4
Page 1
Witness: Kozoman

	Total	Residential	1"	2"	4"	6" Com.	6" Irr	6" Irr Pot	8"	12"	Totals
Operating Revenues	$ 953,199	$ 321,319	$ 6,531	$ 34,591	$ 150	$ 3,922	$ 1,231	$ 1,200	$ 125,778	$ 458,477	$ 953,199
Operating Expenses, From Schedule G-4, Page 1a	712,473	342,093	9,162	32,154	3,456	7,568	6,889	6,876	71,318	232,956	232,956
Income Taxes at Present Rates	23,017	(37,520)	(1,677)	(1,970)	(1,403)	(1,894)	(2,507)	(2,512)	13,147	59,352	23,017
Total Operating Expenses:	735,490	304,573	7,485	30,184	2,053	5,674	4,383	4,364	84,465	292,309	735,490
Operating Income	$ 217,709	$ 16,746	$ (955)	$ 4,407	$ (1,903)	$ (1,753)	$ (3,152)	$ (3,164)	$ 41,313	$ 166,169	$ 217,709

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Allocation of Functions to Customer Classes

Exhibit
Schedule G-4
Page 1a
Witness: Kozoman

Description	Total	Residential	1"	2"	4"	6" Com.	6" Irr	6" Irr Pot	8"	12"	Totals
OPERATING EXPENSES											
Operating Expense from Schedule G-6, Page 1a											
Commodity	252,465	46,403	1,195	7,336	0	655	14	2	42,151	154,709	252,465
Demand	248,447	153,516	4,448	14,233	2,118	4,236	4,236	4,236	16,944	44,479	248,447
Customer	24,468	23,477	408	408	19	19	19	19	39	58	24,468
Service	12,948	12,181	231	262	21	32	32	32	63	95	12,948
Meters	11,546	7,810	175	1,377	127	257	257	257	514	772	11,546
Total	549,874	243,388	6,456	23,616	2,286	5,200	4,558	4,546	59,711	200,113	549,874
Depreciation Expense from Schedule G-6, Page 2											
Commodity	14,698	2,702	70	427	0	38	1	0	2,454	9,007	14,698
Demand	131,738	81,401	2,358	7,547	1,123	2,246	2,246	2,246	8,985	23,585	131,738
Customer	3,025	2,902	50	50	2	2	2	2	5	7	3,025
Service	10,640	10,010	190	215	17	26	26	26	52	78	10,640
Meters	2,498	1,690	38	298	27	56	56	56	111	167	2,498
Total	162,599	98,705	2,706	8,538	1,170	2,368	2,331	2,330	11,607	32,844	162,599
PAGE TOTAL	712,473	342,093	9,162	32,154	3,456	7,568	6,889	6,876	71,318	232,956	712,473

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Distribution of Net Plant Values

Exhibit
Schedule G-5
Page 1
Witness: Kozoman

Line No.	Acct. No.	Description		Gross Plant	Accumulated Depreciation	Deferred Tax Allocation	Plant Less Accum. Depr., Customer Deposits, and Contributions,	Commodity	Demand	Customer	Service	Meter	Totals
1	301	Organization Cost		1,380			1,380	138	1,242				1,380
2	302	Franchise Cost		-			-		-				0
3	303	Land and Land Rights		41,512			41,512	4,151	37,361				41,512
4	304	Structures & Improvements		37,133	(12,840)	(349)	23,944	2,394	21,549				23,944
5	307	Wells and Springs		1,610,304	(328,317)	(15,131)	1,266,856	126,686	1,140,170				1,266,856
6	310	Power Generation Equip.		35,397	(11,116)	(333)	23,949	2,395	21,554				23,949
7	311	Electric Pumping Equip.		973,284	(175,232)	(9,145)	788,907	78,891	710,016				788,907
8	320	Water Treatment Equip.		12,184	(4,180)	(114)	7,889	789	7,100				7,889
9	330	Dist.Reserv. & Standpipes		360,282	(74,788)	(3,385)	282,109	28,211	253,898				282,109
10	331	Trans.& Dist. Mains		2,701,140	(423,917)	(25,380)	981,908	98,191	883,718				981,908
11	Less:	Advances	-				-						
12	Less:	CIAC	(1,269,935)				-						0
13	333	Services		347,232	(36,599)	(3,263)	209,634				209,634		209,634
14	Less:	Deposits **(a)**	(97,737)				-						0
15	334	Meters		81,524	(13,851)	(766)	43,960					43,960	43,960
16	Less:	Deposits **(a)**	(22,947)				-						0
17	335	Hydrants		183,259	(34,347)	(1,722)	147,190		147,190				147,190
18	339	Plant Struct. & Improve.		105,744	(11,340)	(994)	93,410		93,410				93,410
19	340	Office Furn, & Fixtures		-			-		-	-			0
20	341	Transportation Equipment		36,684	(8,256)	(345)	28,084	7,021		21,063			28,084
21	343	Tools and Work Equipment		10,269	(2,882)	(96)	7,290	729	6,561				7,290
22	344	Laboratory Equipment		7,336	(1,345)	(69)	5,922	592	5,330				5,922
23	345	Communications Equipment		63,499	(15,860)	(597)	47,042			47,042			47,042
24	346	Miscellaneous Equipment		1,083	(17)	(10)	1,056	106	951				1,056
25	348	Other Tangible Plant		10,128	(3,783)	(95)	6,250	625	5,625				6,250
26	Total Depreciable Plant												
27	Equals		6,576,482										0
28	Deferred Taxes Equals		(61,793)										0
29													0
30				6,619,374	(1,158,670)	(61,793)	4,008,292	350,918	3,335,675	68,105	209,634	43,960	4,008,292
31	**(a)** Deposits Ratioed on Value of Services and Meters												
32	CoBank Debt Reserve Requirements and						129,039	11,297	107,385	2,193	6,749	1,415	129,039
33	Deferred Finance Charges (Ratioed on Net Plant by Function to Total Net Plant)						12,904	1,130	10,739	219	675	142	12,904
34	Total Allocation of Debt Reserve & Deferred Finance Charges						141,943	12,427	118,124	2,412	7,424	1,557	141,943
35	Working Capital Allocation from Schedule G-6						$98,339	$45,151	$44,432	$4,376	$2,316	$2,065	$98,339
36	Total Rate Bases						4,248,574	408,496	3,498,231	74,893	219,373	47,581	4,248,574

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Distribution of Expenses

Exhibit
Schedule G-6
Page 1
Witness: Kozoman

Expense Description	Adjusted Total	Commodity	Demand	Customer	Service	Meter	Totals
Operating Expenses							
Salaries & Wages	104,146	9,373	84,358		5,207	5,207	104,146
Purchased Power	156,637	156,637					156,637
SRP Ground water Charge	9,525	9,525					9,525
CAP Purchased Water	52,528	52,528					52,528
DWR Surcharge	5,329	5,329					5,329
Maintenance	86,213	7,759	69,833		4,311	4,311	86,213
Chemicals	1,007	1,007					1,007
Administrative Office	12,009	1,081	9,727		600	600	12,009
Automotive	4,712			4,712			4,712
RVUI Lab Operations	2,003	178	1,604		110	110	2,003
Outside Lab	7,134	713	6,420				7,134
Supplies	11	1	9		1	1	11
Postage/Express/UPS	1,804			1,804			1,804
Office Supplies	1,575			1,575			1,575
Payroll Taxes	11,504	1,035	9,319		575	575	11,504
Employee Benefits	7,399	666	5,993		370	370	7,399
Taxes & Licenses at Present Rates (a)	26,372	2,309	21,946	448	1,379	289	26,372
Telephone	3,800			3,800			3,800
Insurance	7,539	660	6,274	128	394	83	7,539
Legal Fees	739	74	665				739
Professional Fees	6,248	625	5,623				6,248
Education & Training	205	21	185				205
Travel & Entertainment	593	59	534				593
Security Charges	862	86	776				862
Outside Services	27,839	2,784	25,055				27,839
Miscellaneous	139	14	125				139
Rate Case Expense	12,000			12,000			12,000
Total Operation and Maintenance and General Administrative Expense	549,874	252,465	248,447	24,468	12,948	11,546	549,874
Percent of Expenses	100.00%	45.91%	45.18%	4.45%	2.35%	2.10%	100.00%
Working Capital Requirements	$98,339	45,151	44,432	4,376	2,316	2,065	98,339

(a) Allocated based on Plant, Please see Schedule G-5, Page 1.

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Distribution of Plant Depreciation

Exhibit
Schedule G-6
Page 2
Witness: Kozoman

Acct. No.	Description	Gross Plant in Service	Depreciation Rate	Depreciation Expense	Commodity	Demand	Customer	Service	Meter	Totals
301	Organization Cost	1,380								
302	Franchise Cost	-								-
303	Land and Land Rights	41,512					-			-
304	Structures and Improvements	37,133	3.0641%	1,138	114	1,024				1,138
307	Wells and Springs	1,610,304	3.0641%	49,342	4,934	44,407				49,342
310	Power Generation Equipment	35,397	3.0641%	1,085	1,085					1,085
311	Electric Pumping Equipment	973,284	3.0641%	29,823	2,982	26,840				29,823
320	Water Treatment Equipment	12,184	3.0641%	373	37	336				373
330	Dist. Reservoirs & Standpipe	360,282	3.0641%	11,039	1,104	9,936				11,039
331	Trans. and Distribution Mains	2,701,140	3.0641%	82,766	8,277	74,490				82,766
333	Services	347,232	3.0641%	10,640				10,640		10,640
334	Meters	81,524	3.0641%	2,498					2,498	2,498
335	Hydrants	183,259	3.0641%	5,615		5,615				5,615
339	Plant Structures and Improvements	105,744	3.0641%	3,240		3,240				3,240
340	Office Furniture and Fixtures	-	3.0641%	-						-
341	Transportation Equipment	36,684	3.0641%	1,124		281	843			1,124
343	Tools and Work Equipment	10,269	3.0641%	315		79	236			315
344	Laboratory Equipment	7,336	3.0641%	225	22	202				225
345	Communications Equipment	63,499	3.0641%	1,946			1,946			1,946
346	Miscellaneous Equipment	1,083	3.0641%	33	3	30				33
348	Other Tangible Plant	10,128	3.0641%	310	31	279				310
	Less:			-			-			-
	Contribution in Aid of Construction	(1,269,935)	3.0641%	(38,912)	(3,891)	(35,021)				(38,912)
TOTAL PLANT (AFTER CIAC) & DEPR. EXPENSE		5,349,439		162,599	14,698	131,738	3,025	10,640	2,498	162,599

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Summary of Allocation Factors

Exhibit
Schedule G-7
Page 1
Witness: Kozoman

Customer Class

Description	Residential	1"	2"	4"	6" Com	6"Irr	6"Irr Pot.	8"	12"
Commodity	18.380%	0.473%	2.906%	0.000%	0.260%	0.006%	0.001%	16.696%	61.279%
Demand	61.790%	1.790%	5.729%	0.853%	1.705%	1.705%	1.705%	6.820%	17.903%
Customer	95.949%	1.668%	1.668%	0.079%	0.079%	0.079%	0.079%	0.159%	0.238%
Services	94.081%	1.784%	2.022%	0.164%	0.244%	0.244%	0.244%	0.487%	0.731%
Meters	67.641%	1.512%	11.927%	1.098%	2.228%	2.228%	2.228%	4.456%	6.683%

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using
Commodity / Demand Method
Summary of Allocation Factors

Exhibit
Schedule G-7
Page 2
Witness: Kozoman

Description	Total	Commodity	Demand	Customer
Wells	1.00	0.10	0.90	
Reservors	1.00	0.10	0.90	
Pumps	1.00	0.10	0.90	
Water Treatment	1.00	0.10	0.90	
Distribution Mains	1.00	0.10	0.90	
Services	1.00			1.00
Meters	1.00			1.00
Transporation Equip.	1.00		0.25	0.75
Tools	1.00	0.10	0.90	
Communications Equip.	1.00			1.00
Misc. & Other Plant	1.00	0.10	0.90	

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Development of Allocation Factors

Exhibit
Schedule G-7
Page 3
Witness: Kozoman

COMMODITY ALLOCATION FACTOR

Meter Size	Annualized Total Gallons (in 1,000's) Sold During Test Year	Percent of Total
3/4" Residential	151,369.6	18.3800%
1"	3,896.9	0.4732%
2"	23,929.2	2.9056%
4"	1.5	0.0002%
6" Com.	2,138.2	0.2596%
6" Irr.	46.0	0.0056%
6" Irr. Pot.	6.0	0.0007%
8"	137,497.5	16.6956%
12"	504,669.3	61.2794%
Totals	823,554.2	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	Year End Number of Meters	Equivalent Weight	Weighted No. of Meters	Percent of Total
3/4" Residential	1,208.00	1.00	1,208	61.790%
1"	21.00	1.67	35	1.790%
2"	21.00	5.33	112	5.729%
4"	1.00	16.67	17	0.853%
6" Com.	1.00	33.33	33	1.705%
6" Irr.	1.00	33.33	33	1.705%
6" Irr. Pot.	1.00	33.33	33	1.705%
8"	2.00	66.67	133	6.820%
12"	3.00	116.67	350	17.903%
Totals	1,259.00		1,955	100.00%

Flow Capacity 8" gpm= 2,000 **12" gpm=** 3,500

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
3/4" Residential	1,208	95.9492%
1"	21	1.6680%
2"	21	1.6680%
4"	1	0.0794%
6" Com.	1	0.0794%
6" Irr.	1	0.0794%
6" Irr. Pot.	1	0.0794%
8"	2	0.1589%
12"	3	0.2383%
Totals	1,259	100.00%

SERVICES ALLOCATION FACTOR

Meter Size	Number of Services	Installation Cost	Weighted No. of Services	Percent of Total
3/4" Residential	1,208	$275	$ 332,200	94.0810%
1"	21	300	$ 6,300	1.7842%
2"	21	340	7,140	2.0221%
4"	1	580	580	0.1643%
6" Com.	1	860	860	0.2436%
6" Irr.	1	860	860	0.2436%
6" Irr. Pot.	1	860	860	0.2436%
8"	2	860	1,720	0.4871%
12"	3	860	2,580	0.7307%
Totals	1,259		353,100	100.00%

METERS ALLOCATION FACTOR

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
3/4" Residential	1,208	$140	$ 169,120	67.6412%
1"	21	180	3,780	1.5118%
2"	21	1,420	29,820	11.9268%
4"	1	2,745	2,745	1.0979%
6" Com.	1	5,570	5,570	2.2278%
6" Irr.	1	5,570	5,570	2.2278%
6" Irr. Pot.	1	5,570	5,570	2.2278%
8"	2	5,570	11,140	4.4556%
12"	3	5,570	16,710	6.6833%
Totals	1,259		250,025	100.00%

Base Meter is 3/4 Inch
Residential Gallons include Revenue Annualization Gallons

(a) Based on Staff Memorandum of January 13, 1997 / Typical Meter and Service Line Costs (Average of High and Low values for compound meters used). Memo from Calvin Nowack.

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums and Commodity Rates

Exhibit
Schedule G-8
Page 1
Witness: Kozoman

	Customer	Service	Meter	Total
Rate Bases, Schedule G-5, Page 1	68,105	209,634	43,960	321,698
Multiply by weighted Rate of Return for Debt, Sch.D-1	4.24%	4.24%	4.24%	4.24%
Required Operating Income - for Debt	2,887	8,887	1,864	13,638
Rate Bases	68,105	209,634	43,960	321,698
Weighted Rate of Return for Equity, Schedule D-1	7.21%	7.21%	7.21%	7.21%
Required Operating Income for Equity	4,910	15,113	3,169	23,191
Multiply by Revenue Conversion Factor, Schedule C-3	1.647	1.647	1.647	1.647
Equity Return plus Income tax component	8,086	24,889	5,219	38,194
Operating Income for Debt Component	2,887	8,887	1,864	13,638
Operating Income for Equity	8,086	24,889	5,219	38,194
Total Return Requirement with Income Tax	10,973	33,776	7,083	51,831
Customer,Services and Meter Expenses, Sch. G-6, Page 1a	24,468	12,948	11,546	48,962
Depreciation on Customer, Services, & Meter Plant Sch. G-6, P. 2	3,025	10,640	2,498	16,162
Total Revenue Requirement / Customer, Meter & Service	49,439	91,139	28,210	168,787

Customer Charge

Number of Bills =	1,259	times	12	15,108
Charge per Bill				**$ 3.27**

(Customer Revenue Requirement divided by Annual Number of Bills)

Service Line and Meter Charge

Equivalent x 3/4 Meters	1,955	times	12	23,460	23,460
Charge per Equivalent Meter				**$ 3.88**	**$ 1.20**

CUSTOMER CHARGE:

Monthly Minimum for 3/4 Inch Meter (with no water included in Minimum)

Charge per Bill (Customer Charge)	$ 3.27
Charge per Equivalent Meter **(For Service Line Charge)**	**3.88**
Charge per Equivalent Meter **(For Meter Charge)**	**1.20**
(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)	
Monthly Minimum for 3/4 Inch Meter (with no demnd charge or water included)	**$ 8.36**

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Demand Charge

Exhibit
Schedule G-8
Page 2
Witness: Kozoman

DEMAND CHARGE:

Demand Rate Base	3,335,675
Multiply by weighted Rate of Return for Debt, Sch. D-1	4.24%
Required Operating Income for Debt	141,407
Rate Bases	3,335,675
Weighted Rate of Return for Equity, Schedule D-1	7.21%
Required Operating Income for Equity	240,470
Multiply by Revenue Conversion Factor, Schedule C-3	1.647
Equity Return plus Income tax component	396,030
Operating Income for Debt Component	141,407
Operating Income for Equity	396,030
Total Return Requirement	537,437
Demand Expenses, Schedule G-6, Page 1a	248,447
Depreciation Expense, Schedule G-6, Page 2	131,738
Total Revenue Requirement / Demand Component	1,455,061
Equivalent Number of 3/4 Inch Meters	23,460
Demand Charge for 3/4 Inch Meter	$ 62.02

Demand Charge Per Equivalent	Demand Charge	Customer Charge	Computed Monthly Minimums	Requested Monthly Minimums	Ratio of Computed to Requested	Flow Ratio
3/4 Inch Meter	62.02	8.36	70.38	10.00	14.21%	1.00
1 Inch Meter	62.02	8.36	70.38	10.00	14.21%	1.67
2 Inch Meter	413.49	43.97	457.46	53.33	11.66%	5.33
3 Inch Meter	620.23	84.67	704.90	N/A		
4 Inch Meter	1,033.72	130.46	1,164.17	166.67	14.32%	16.67
6 Inch Meter, Commercial	2,067.43	257.64	2,325.07	333.33	14.34%	33.33
6 Inch Meter, Irrigation	2,067.43	257.64	2,325.07	333.33	14.34%	33.33
6 Inch Meter, Irrigation, Potable	2,067.43	257.64	2,325.07	333.33	14.34%	33.33
8 Inch Meter	4,134.87	512.00	4,646.87	666.67	14.35%	66.67
12 Inch Meter	7,236.02	893.55	8,129.58	1,166.67	14.35%	116.67

Rio Verde Utilities, Inc. - Water
Test Year Ended December 31, 1999
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums and Commodity Rates

Exhibit
Schedule G-8
Page 3
Witness: Kozoman

Commodity Rate Base, Schedule G-5, Page 1	$	408,496
Multiply by weighted Rate of Return for Debt, Sch.D-1		4.24%
Required Operating Income - for Debt	$	17,317
Rate Bases	$	408,496
Weighted Rate of Return for Equity, Schedule D-1		7.21%
Required Operating Income for Equity	$	29,449
Multiply by Revenue Conversion Factor, Schedule C-3		1.647
Equity Return plus Income tax component	$	48,499
Operating Income for Debt Component	$	17,317
Operating Income for Equity		48,499
Total Return Requirement with Income Tax	$	65,816
Commodity Expenses, Sch. G-6, Page 1a		252,465
Depreciation on Commodity Plant Sch. G-6, P. 2		14,698
Total Revenue Requirement / Commodity Function	$	332,979
Total Gallons Sold, including Gallons in Monthly Minimum in thousands		823,554
Price per 1,000 Gallons of Water	$	0.404

Rio Verde Utilities, Inc. / Water Division
Revenue Summary
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 1999

Exhibit
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	(a) Revenue Per Cost of Service Study	(b) (Over-Payment) Under Payment base on of Service Study Required Revenues	Difference from Cost of Service Study Revenue Requirement in Percent
1	5/8 Inch Residential, 3/4 Inch,	$ -	$ -	$ -	0.00%	0.00%	0.00%			
2	and1 Inch Residential	275,451	490,855	215,404	78.20%	30.17%	35.55%			
3	**3/4 Inch Residential customer revenue**			-	0.00%	0.00%	0.00%			
4	**annualized to end of year, based on**			-	0.00%	0.00%	0.00%			
5	**year end number of customers**	5,594	9,999	4,405	78.75%	0.61%	0.72%	728,502	227,648	31.25%
6	2 Inch Residential	-	-	-	0.00%	0.00%	0.00%			
7	4 Inch Residential	-	-	-	0.00%	0.00%	0.00%			
8	6 Inch Residential	-	-	-	0.00%	0.00%	0.00%			
9	5/8 Inch Commercial	-	-	-	0.00%	0.00%	0.00%			
10	3/4 Inch Commercial	-	-	-	0.00%	0.00%	0.00%			
11	1 Inch Commercial	6,531	11,652	5,121	78.42%	0.72%	0.84%	20,962	9,310	44.41%
12	2 Inch Commercial	34,591	60,716	26,125	75.53%	3.79%	4.40%	69,630	8,914	12.80%
13	4 Inch Commercial	150	503	353	235.64%	0.02%	0.04%	8,607	8,104	94.15%
14	6 Inch Commercial	3,922	8,939	5,018	127.95%	0.43%	0.65%	18,012	9,072	50.37%
15	6 Inch Irrigation	1,231	4,052	2,822	229.25%	0.13%	0.29%	17,156	13,103	76.38%
16	6 Inch Irrigation - Potable	1,200	4,014	2,814	234.49%	0.13%	0.29%	17,139	13,125	76.58%
17	8 Inch Irrigation	125,778	172,747	46,969	37.34%	13.78%	12.51%	123,422	(49,325)	-39.96%
18	12 Inch Irrigation	458,477	617,323	158,846	34.65%	50.22%	44.71%	381,232	(236,091)	-61.93%
19	Total Water Revenues	912,925	1,380,802	467,877	51.25%	100.00%	100.00%	1,384,662	3,860	
20										
21	Hook-Up Fees (a)	30,000	35,000	5,000				35,000	-	
22	Misc Service Revenues (a)	5,274	5,274					5,274	-	
23	Total Revenues	948,199	1,421,076	472,877				1,424,936	3,860	
24	Summary by Classification									
25	Residential	281,045	500,854	219,809	78.21%	30.79%	36.27%			
26	Commercial	45,193	81,811	36,618	81.02%	4.95%	5.92%			
27	Irrigation	586,687	798,136	211,450	36.04%	64.26%	57.80%			
28	Hook-Up Fees and Miscellaneous Revenues	35,274	40,274							
29	Total	948,199	1,421,076		0.00%	100.00%	100.00%			

30 **(a)** Hook-up Fees and Miscellaneous revenues combined with 3/4" residential revenues in cost of service study on Schedules G-1 and G-1. Revenues
31 from Hook-up fees and Miscellananeous revenues are shown separately on Schedule H-1.
32 **(b)** Positive number indicates proposed rates generate less than cost of service study's required increase. Negative number indicates that proposed rates generate
33 more than cost of service study required increase.

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
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 Present Rates	Monthly Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch Residential, 3/4 Inch,	-	-	$ -	$ -	-	0%
2	and1 Inch Residential	1,183	10,636	19.33	34.57	15.24	78.799%
3	2 Inch Residential						
4	4 Inch Residential						
5	6 Inch Residential						
6	5/8 Inch Commercial						
7	3/4 Inch Commercial						
8	1 Inch Commercial	22	14,626	24	44	19.34	79.148%
9	2 Inch Commercial	9	234,600	339	595	256.25	75.589%
10	4 Inch Commercial	0	500	50	168	117.82	235.643%
11	6 Inch Commercial	1	178,183	327	745	418.14	127.953%
12	6 Inch Irrigation	1	3,834	102	338	235.21	229.487%
13	6 Inch Irrigation - Potable	1	500	100	334		
14	8 Inch Irrigation	2	5,729,063	5,241	7,198	1,957.10	37.344%
15	12 Inch Irrigation	3	14,018,593	12,735	17,148	4,412.38	34.646%
16							
17	Totals	1,222					
18							
19	**Customer Classification**						
20	Residential	1,183					
21	Commercial	32					
22	Irrigation	7					
23							
24	Totals	1,222					

Rio Verde Utilities, Inc. / Water Division
Gallons Sold Summary
Test Year Ended December 31, 1999

Exhibit
Schedule H-2
Page 2
Witness: Kozoman

Meter Classification	Month Jan-99	Feb	March	April	May	June	July
5/8 Inch Residential, 3/4 Inc and1 Inch Residential	10,230,526	12,779,242	11,971,146	11,772,584	12,406,268	12,221,207	13,162,450
2 Inch Residential	-	-	-	-	-	-	-
4 Inch Residential	-	-	-	-	-	-	-
6 Inch Residential	-	-	-	-	-	-	-
5/8 Inch Commercial	-	-	-	-	-	-	-
3/4 Inch Commercial	-	-	-	-	-	-	-
1 Inch Commercial	318,098	413,410	247,011	252,011	296,010	276,008	454,707
2 Inch Commercial	611,300	790,200	890,801	1,649,301	1,566,801	945,201	858,701
4 Inch Commercial	500	500	500	-	-	-	-
6 Inch Commercial	287,800	278,100	397,700	175,300	137,800	122,600	111,900
6 Inch Irrigation	4,501	500	3,501	13,501	10,501	3,501	1,501
6 Inch Irrigation - Potable	500	500	500	500	500	500	500
8 Inch Irrigation	6,985,000	7,425,501	16,862,000	10,518,500	15,601,500	23,206,500	16,787,000
12 Inch Irrigation	13,312,000	11,176,000	20,542,000	27,657,000	57,817,000	71,732,000	48,570,000
Actual Gallons Sold	31,750,224	32,863,952	50,915,157	52,038,696	87,836,379	108,507,516	79,946,758

Summary by Classification	Month Jan-99	Feb	March	April	May	June	July
Residential	10,230,526	12,779,242	11,971,146	11,772,584	12,406,268	12,221,207	13,162,450
Commercial	1,217,698	1,482,210	1,536,011	2,076,611	2,000,611	1,343,809	1,425,308
Irrigation	20,302,001	18,602,501	37,408,001	38,189,501	73,429,501	94,942,501	65,359,001
Actual Gallons Sold	31,750,224	32,863,952	50,915,157	52,038,696	87,836,379	108,507,516	79,946,758

Meter Classification	Month Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
5/8 Inch Residential, 3/4 Inc and1 Inch Residential	12,629,630	13,574,804	12,623,016	14,778,611	12,874,365	151,023,847
2 Inch Residential						
4 Inch Residential						
6 Inch Residential						
5/8 Inch Commercial						
3/4 Inch Commercial						
1 Inch Commercial	459,608	226,208	454,268	278,010	221,510	3,896,857
2 Inch Commercial	860,501	1,112,001	1,044,701	1,117,601	12,482,101	23,929,206
4 Inch Commercial	-	-	-	-	-	1,500
6 Inch Commercial	88,000	55,100	102,100	166,500	215,300	2,138,200
6 Inch Irrigation	1,501	1,501	2,501	2,501	500	46,005
6 Inch Irrigation - Potable	500	500	500	500	500	6,000
8 Inch Irrigation	24,827,000	9,543,000	232,500	4,492,000	1,017,000	137,497,501
12 Inch Irrigation	60,696,000	51,732,000	79,917,334	35,888,000	25,630,000	504,669,334
Actual Gallons Sold	99,562,739	76,245,113	94,376,919	56,723,722	52,441,276	823,208,450

Summary by Classification	Month Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
Residential	12,629,630	13,574,804	12,623,016	14,778,611	12,874,365	151,023,847
Commercial	1,408,109	1,393,308	1,601,069	1,562,111	12,918,911	29,965,763
Irrigation	85,525,001	61,277,001	80,152,835	40,383,001	26,648,000	642,218,840
Actual Gallons Sold	99,562,739	76,245,113	94,376,919	56,723,722	52,441,276	823,208,450

Rio Verde Utilities, Inc. / Water Division
Customer Count Summary
Test Year Ended December 31, 1999

Exhibit
Schedule H-2
Page 3
Witness: Kozoman

Meter Classification	Month Jan-99	Feb	March	April	May	June	July
5/8 Inch Residential, 3/4 Inch, and1 Inch Residential	1,146	1,150	1,161	1,165	1,178	1,189	1,189
2 Inch Residential							
4 Inch Residential							
6 Inch Residential							
5/8 Inch Commercial							
3/4 Inch Commercial							
1 Inch Commercial	21	22	22	22	22	22	22
2 Inch Commercial	7	7	7	8	8	7	7
4 Inch Commercial	1	1	1	-	-	-	-
6 Inch Commercial	1	1	1	1	1	1	1
6 Inch Irrigation	1	1	1	1	1	1	1
6 Inch Irrigation - Potable	1	1	1	1	1	1	1
8 Inch Irrigation	2	2	2	2	2	2	2
12 Inch Irrigation	3	3	3	3	3	3	3
Totals	1,183	1,188	1,199	1,203	1,216	1,226	1,226

Summary by Classification	Month Jan-99	Feb	March	April	May	June	July
Residential	1,146	1,150	1,161	1,165	1,178	1,189	1,189
Commercial	30	31	31	31	31	30	30
Irrigation	7	7	7	7	7	7	7
Totals	1,183	1,188	1,199	1,203	1,216	1,226	1,226

Meter Classification	Month Aug.	Sept.	Oct.	Nov.	Dec.	Total Year	Change from Beginning of Year to Year End
5/8 Inch Residential, 3/4 Inch, and1 Inch Residential	1,198	1,207	1,202	1,206	1,208	14,199	62
2 Inch Residential							
4 Inch Residential							
6 Inch Residential							
5/8 Inch Commercial							
3/4 Inch Commercial							
1 Inch Commercial	24	22	23	22	21	265	-
2 Inch Commercial	7	7	7	9	21	102	14
4 Inch Commercial	-	-	-	-	-	3	(1)
6 Inch Commercial	1	1	1	1	1	12	-
6 Inch Irrigation	1	1	1	1	1	12	-
6 Inch Irrigation - Potable	1	1	1	1	1	12	-
8 Inch Irrigation	2	2	2	2	2	24	-
12 Inch Irrigation	3	3	3	3	3	36	-
Totals	1,237	1,244	1,240	1,245	1,258	14,665	75

Summary by Classification	Month Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
Residential	1,198	1,207	1,202	1,206	1,208	14,199
Commercial	32	30	31	32	43	382
Irrigation	7	7	7	7	7	84
Totals	1,237	1,244	1,240	1,245	1,258	14,665

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

Exhibit
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	Residential			
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	Commercial			
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	Irrigation			
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	Standpipe			
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	Construction			
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	Gallons In Minimum			
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	Commodity Charge (per 1,000 gallons over minimum)			
46	Residential, all	1.28	2.31	80.47%
47	Commercial, all	1.28	2.31	80.47%
48	Irrigation,all except potable	0.88	1.14	29.55%
49	Irrigation, potable	1.28	2.31	80.47%
50	Standpipe, all	1.28	2.31	80.47%
51	Construction, all	1.28	2.31	80.47%
52	Irrigation Surcharge when potable water is used, per 1,000 gallons	0.40	1.17	192.50%
53				
54	Interior Sprinkler Rate, when separate line servies 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
Schedule H-3
Page 2
Witness: Kozoman

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)	(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	10.00
13	Deferred Payment finance charge, Per Month	1.50%	10.00
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) Residential - two times the average bill. Non-residential - two and one-half times the average bill.
20 The Company does no 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
Present and Proposed Rates
Test Year Ended December 31, 1999

Exhibit
Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Service Line Tariff and Meter Advance Policy,		
2	Refundable per Rule R14-2-405B		**(a)**
3	5/8X3/4 Inch Meter	$ 275.00	$ 410.00
4	3/4 Inch Meter	300.00	455.00
5	1 Inch Meter	325.00	520.00
6	1.5 Inch Meter	475.00	740.00
7	2 Inch Meter	650.00	1,800.00
8	3 Inch Meter	1,475.00	2,340.00
9	4 Inch Meter	2,450.00	3,405.00
10	6 Inch Meter	4,350.00	6,510.00
11	Meters larger than 6 Inches		Cost
12			
13			**(b)**
14	2 Inch Meter		$ 1,235
15	3 Inch Meter		1,705
16	4 Inch Meter		2,700
17	6 Inch Meter		5,035
18	Meters larger than 6 Inches		Cost
19	**(a)** Compound Meters, **(b)** Turbo Meters		
20	Main Extension Tariff, per Rule R14-2-406B	Cost	Cost
21			
22	Hook-Up Fee for New Service	500.00	500.00
23			

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

Exhibit
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	12.31	5.31	75.86%
2,000	8.28	14.62	6.34	76.57%
3,000	9.56	16.93	7.37	77.09%
4,000	10.84	19.24	8.40	77.49%
5,000	12.12	21.55	9.43	77.81%
6,000	13.40	23.86	10.46	78.06%
7,000	14.68	26.17	11.49	78.27%
8,000	15.96	28.48	12.52	78.45%
9,000	17.24	30.79	13.55	78.60%
10,000	18.52	33.10	14.58	78.73%
11,000	19.80	35.41	15.61	78.84%
12,000	21.08	37.72	16.64	78.94%
13,000	22.36	40.03	17.67	79.03%
14,000	23.64	42.34	18.70	79.10%
15,000	24.92	44.65	19.73	79.17%
16,000	26.20	46.96	20.76	79.24%
17,000	27.48	49.27	21.79	79.29%
18,000	28.76	51.58	22.82	79.35%
19,000	30.04	53.89	23.85	79.39%
20,000	31.32	56.20	24.88	79.44%
21,000	32.60	58.51	25.91	79.48%
22,000	33.88	60.82	26.94	79.52%
23,000	35.16	63.13	27.97	79.55%
24,000	36.44	65.44	29.00	79.58%
25,000	37.72	67.75	30.03	79.61%
26,000	39.00	70.06	31.06	79.64%
27,000	40.28	72.37	32.09	79.67%
28,000	41.56	74.68	33.12	79.69%
29,000	42.84	76.99	34.15	79.72%
30,000	44.12	79.30	35.18	79.74%
31,000	45.40	81.61	36.21	79.76%
32,000	46.68	83.92	37.24	79.78%
33,000	47.96	86.23	38.27	79.80%
34,000	49.24	88.54	39.30	79.81%
35,000	50.52	90.85	40.33	79.83%
36,000	51.80	93.16	41.36	79.85%
37,000	53.08	95.47	42.39	79.86%
38,000	54.36	97.78	43.42	79.87%
39,000	55.64	100.09	44.45	79.89%
40,000	56.92	102.40	45.48	79.90%
41,000	58.20	104.71	46.51	79.91%
42,000	59.48	107.02	47.54	79.93%
43,000	60.76	109.33	48.57	79.94%
44,000	62.04	111.64	49.60	79.95%
45,000	63.32	113.95	50.63	79.96%
46,000	64.60	116.26	51.66	79.97%
47,000	65.88	118.57	52.69	79.98%
48,000	67.16	120.88	53.72	79.99%
49,000	68.44	123.19	54.75	80.00%
50,000	69.72	125.50	55.78	80.01%
Average Usage				
10,636	$ 19.33	$ 34.57	$ 15.24	78.80%
Median Usage				
10,001	$ 18.52	$ 33.10	$ 14.58	78.73%

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	$ 2.31
Up to	2	$ 2.31
Over	3	$ 2.31
		$ 2.31

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

Exhibit
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	5.31	75.86%
2,000	8.28	14.62	6.34	76.57%
3,000	9.56	16.93	7.37	77.09%
4,000	10.84	19.24	8.40	77.49%
5,000	12.12	21.55	9.43	77.81%
6,000	13.40	23.86	10.46	78.06%
7,000	14.68	26.17	11.49	78.27%
8,000	15.96	28.48	12.52	78.45%
9,000	17.24	30.79	13.55	78.60%
10,000	18.52	33.10	14.58	78.73%
11,000	19.80	35.41	15.61	78.84%
12,000	21.08	37.72	16.64	78.94%
13,000	22.36	40.03	17.67	79.03%
14,000	23.64	42.34	18.70	79.10%
15,000	24.92	44.65	19.73	79.17%
16,000	26.20	46.96	20.76	79.24%
17,000	27.48	49.27	21.79	79.29%
18,000	28.76	51.58	22.82	79.35%
19,000	30.04	53.89	23.85	79.39%
20,000	31.32	56.20	24.88	79.44%
21,000	32.60	58.51	25.91	79.48%
22,000	33.88	60.82	26.94	79.52%
23,000	35.16	63.13	27.97	79.55%
24,000	36.44	65.44	29.00	79.58%
25,000	37.72	67.75	30.03	79.61%
26,000	39.00	70.06	31.06	79.64%
27,000	40.28	72.37	32.09	79.67%
28,000	41.56	74.68	33.12	79.69%
29,000	42.84	76.99	34.15	79.72%
30,000	44.12	79.30	35.18	79.74%
31,000	45.40	81.61	36.21	79.76%
32,000	46.68	83.92	37.24	79.78%
33,000	47.96	86.23	38.27	79.80%
34,000	49.24	88.54	39.30	79.81%
35,000	50.52	90.85	40.33	79.83%
36,000	51.80	93.16	41.36	79.85%
37,000	53.08	95.47	42.39	79.86%
38,000	54.36	97.78	43.42	79.87%
39,000	55.64	100.09	44.45	79.89%
40,000	56.92	102.40	45.48	79.90%
41,000	58.20	104.71	46.51	79.91%
42,000	59.48	107.02	47.54	79.93%
43,000	60.76	109.33	48.57	79.94%
44,000	62.04	111.64	49.60	79.95%
51,200.0	71.26	128.27	57.02	80.02%
53,760.0	74.53	134.19	59.65	80.04%
60,000.0	82.52	148.60	66.08	80.08%
68,700.0	93.66	168.70	75.04	80.12%
83,090.0	112.08	201.94	89.86	80.18%
107,200.0	142.94	257.63	114.70	80.24%
153,600.0	202.33	364.82	162.49	80.31%
185,200.0	242.78	437.81	195.04	80.34%
192,000.0	251.48	453.52	202.04	80.34%
Average Usage				
14,626	$ 24.44	$ 43.79	$ 19.34	79.15%
Median Usage				
38,002	$ 54.36	$ 97.78	$ 43.42	79.87%

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	$	2.31
Up to	2	$	2.31
Over	3	$	2.31
		$	2.31

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

Exhibit
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	55.64	15.64	39.11%
2,000	41.28	57.95	16.67	40.39%
3,000	42.56	60.26	17.70	41.60%
4,000	43.84	62.57	18.73	42.73%
5,000	45.12	64.88	19.76	43.80%
6,000	46.40	67.19	20.79	44.81%
7,000	47.68	69.50	21.82	45.77%
8,000	48.96	71.81	22.85	46.68%
9,000	50.24	74.12	23.88	47.54%
10,000	51.52	76.43	24.91	48.36%
11,000	52.80	78.74	25.94	49.14%
12,000	54.08	81.05	26.97	49.88%
13,000	55.36	83.36	28.00	50.58%
14,000	56.64	85.67	29.03	51.26%
15,000	57.92	87.98	30.06	51.90%
16,000	59.20	90.29	31.09	52.52%
17,000	60.48	92.60	32.12	53.11%
18,000	61.76	94.91	33.15	53.68%
19,000	63.04	97.22	34.18	54.22%
20,000	64.32	99.53	35.21	54.75%
212,600.0	310.85	544.44	233.59	75.15%
215,000.0	313.92	549.98	236.06	75.20%
217,400.0	316.99	555.53	238.54	75.25%
218,800.0	318.78	558.76	239.98	75.28%
229,300.0	332.22	583.02	250.79	75.49%
238,600.0	344.13	604.50	260.37	75.66%
240,300.0	346.30	608.43	262.12	75.69%
245,800.0	353.34	621.13	267.79	75.79%
281,400.0	398.91	703.37	304.46	76.32%
293,200.0	414.02	730.63	316.61	76.47%
301,000.0	424.00	748.64	324.64	76.57%
321,300.0	449.98	795.54	345.55	76.79%
322,400.0	451.39	798.08	346.69	76.80%
352,100.0	489.41	866.68	377.28	77.09%
363,400.0	503.87	892.79	388.92	77.19%
366,900.0	508.35	900.87	392.52	77.21%
367,100.0	508.61	901.33	392.73	77.22%
367,900.0	509.63	903.18	393.55	77.22%
372,800.0	515.90	914.50	398.60	77.26%
379,400.0	524.35	929.75	405.40	77.31%
393,000.0	541.76	961.16	419.40	77.41%
402,500.0	553.92	983.11	429.19	77.48%
406,200.0	558.66	991.66	433.00	77.51%
413,000.0	567.36	1,007.36	440.00	77.55%
424,600.0	582.21	1,034.16	451.95	77.63%
451,000.0	616.00	1,095.14	479.14	77.78%
457,600.0	624.45	1,110.39	485.94	77.82%
612,500.0	822.72	1,468.21	645.49	78.46%
656,500.0	879.04	1,569.85	690.81	78.59%
746,200.0	993.86	1,777.06	783.20	78.80%
796,300.0	1,057.98	1,892.79	834.80	78.91%
1,065,900.0	1,403.07	2,515.56	1,112.49	79.29%
1,523,100.0	1,988.29	3,571.69	1,583.41	79.64%
1,918,100.0	2,493.89	4,484.14	1,990.26	79.81%
1,992,800.0	2,589.50	4,656.70	2,067.20	79.83%
2,311,100.0	2,996.93	5,391.97	2,395.05	79.92%
Average Usage				
234,600	$ 339.01	$ 595.26	$ 256.25	75.59%
Median Usage				
212,600	$ 310.85	$ 544.44	$ 233.59	75.15%

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	$	2.31
Up to	2	$	2.31
Over	3	$	2.31
		$	2.31

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

Exhibit
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	168.98	118.98	237.95%
2,000	51.28	171.29	120.01	234.02%
3,000	52.56	173.60	121.04	230.28%
4,000	53.84	175.91	122.07	226.72%
5,000	55.12	178.22	123.10	223.32%
6,000	56.40	180.53	124.13	220.08%
7,000	57.68	182.84	125.16	216.98%
8,000	58.96	185.15	126.19	214.02%
9,000	60.24	187.46	127.22	211.18%
10,000	61.52	189.77	128.25	208.46%
11,000	62.80	192.08	129.28	205.85%
12,000	64.08	194.39	130.31	203.35%
13,000	65.36	196.70	131.34	200.94%
14,000	66.64	199.01	132.37	198.63%
15,000	67.92	201.32	133.40	196.40%
16,000	69.20	203.63	134.43	194.26%
17,000	70.48	205.94	135.46	192.19%
18,000	71.76	208.25	136.49	190.20%
19,000	73.04	210.56	137.52	188.28%
20,000	74.32	212.87	138.55	186.42%
21,000	75.60	215.18	139.58	184.63%
22,000	76.88	217.49	140.61	182.89%
23,000	78.16	219.80	141.64	181.21%
24,000	79.44	222.11	142.67	179.59%
25,000	80.72	224.42	143.70	178.02%
26,000	82.00	226.73	144.73	176.50%
27,000	83.28	229.04	145.76	175.02%
28,000	84.56	231.35	146.79	173.59%
29,000	85.84	233.66	147.82	172.20%
30,000	87.12	235.97	148.85	170.85%
31,000	88.40	238.28	149.88	169.54%
32,000	89.68	240.59	150.91	168.27%
33,000	90.96	242.90	151.94	167.04%
34,000	92.24	245.21	152.97	165.84%
35,000	93.52	247.52	154.00	164.67%
36,000	94.80	249.83	155.03	163.53%
37,000	96.08	252.14	156.06	162.42%
38,000	97.36	254.45	157.09	161.35%
Average Usage				
500	$ 50.00	$ 167.82	$ 117.82	235.64%
Median Usage				
500	$ 50.00	$ 167.82	$ 117.82	235.64%

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	$	2.31
Up to	2	$	2.31
Over	3	$	2.31
		$	2.31

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

Exhibit
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	335.64	235.64	235.64%
2,000	101.28	337.95	236.67	233.68%
3,000	102.56	340.26	237.70	231.77%
4,000	103.84	342.57	238.73	229.90%
5,000	105.12	344.88	239.76	228.09%
6,000	106.40	347.19	240.79	226.31%
7,000	107.68	349.50	241.82	224.58%
8,000	108.96	351.81	242.85	222.88%
9,000	110.24	354.12	243.88	221.23%
10,000	111.52	356.43	244.91	219.61%
11,000	112.80	358.74	245.94	218.03%
12,000	114.08	361.05	246.97	216.49%
13,000	115.36	363.36	248.00	214.98%
14,000	116.64	365.67	249.03	213.51%
15,000	117.92	367.98	250.06	212.06%
16,000	119.20	370.29	251.09	210.65%
17,000	120.48	372.60	252.12	209.27%
18,000	121.76	374.91	253.15	207.91%
55,100.0	169.25	460.61	291.37	172.15%
88,000.0	211.36	536.61	325.25	153.89%
102,100.0	229.41	569.18	339.78	148.11%
111,900.0	241.95	591.82	349.87	144.60%
122,600.0	255.65	616.54	360.89	141.17%
137,800.0	275.10	651.65	376.55	136.87%
166,500.0	311.84	717.95	406.11	130.23%
175,300.0	323.10	738.28	415.17	128.49%
215,300.0	374.30	830.68	456.37	121.93%
278,100.0	454.69	975.74	521.06	114.60%
287,800.0	467.10	998.15	531.05	113.69%
397,700.0	607.78	1,252.02	644.24	106.00%
Average Usage				
178,183	$ 326.79	$ 744.94	$ 418.14	127.95%
Median Usage				
152,150	$ 293.47	$ 684.80	$ 391.33	133.34%

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	$	2.31
Up to	2	$	2.31
Over	3	$	2.31

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

Exhibit
Schedule H-4
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Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 100.00	$ 333.33	$ 233.33	233.33%
1,000	100	334	234.47	234.47%
2,000	100.88	335.61	234.73	232.69%
3,000	101.76	336.75	234.99	230.93%
4,000	102.64	337.89	235.25	229.20%
5,000	103.52	339.03	235.51	227.51%
6,000	104.40	340.17	235.77	225.84%
7,000	105.28	341.31	236.03	224.20%
8,000	106.16	342.45	236.29	222.58%
9,000	107.04	343.59	236.55	221.00%
10,000	107.92	344.73	236.81	219.43%
11,000	108.80	345.87	237.07	217.90%
12,000	109.68	347.01	237.33	216.39%
13,000	110.56	348.15	237.59	214.90%
14,000	111.44	349.29	237.85	213.44%
15,000	112.32	350.43	238.11	212.00%
16,000	113.20	351.57	238.37	210.58%
17,000	114.08	352.71	238.63	209.18%
18,000	114.96	353.85	238.89	207.81%
19,000	115.84	354.99	239.15	206.45%
20,000	116.72	356.13	239.41	205.12%
21,000	117.60	357.27	239.67	203.80%
22,000	118.48	358.41	239.93	202.51%
23,000	119.36	359.55	240.19	201.23%
Average Usage				
3,834	$ 102.49	$ 337.70	$ 235.21	229.49%
Median Usage				
2,001	$ 100.88	$ 335.61	$ 234.73	232.68%

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	$	1.14
Up to	2	$	1.14
Over	3	$	1.14
		$	1.14

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

Exhibit
Schedule H-4
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Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 100.00	$ 333.33	$ 233.33	233.33%
1,000	100.00	335.64	235.64	235.64%
2,000	101.28	337.95	236.67	233.68%
3,000	102.56	340.26	237.70	231.77%
4,000	103.84	342.57	238.73	229.90%
5,000	105.12	344.88	239.76	228.09%
6,000	106.40	347.19	240.79	226.31%
7,000	107.68	349.50	241.82	224.58%
8,000	108.96	351.81	242.85	222.88%
9,000	110.24	354.12	243.88	221.23%
10,000	111.52	356.43	244.91	219.61%
11,000	112.80	358.74	245.94	218.03%
12,000	114.08	361.05	246.97	216.49%
13,000	115.36	363.36	248.00	214.98%
14,000	116.64	365.67	249.03	213.51%
15,000	117.92	367.98	250.06	212.06%
16,000	119.20	370.29	251.09	210.65%
17,000	120.48	372.60	252.12	209.27%
18,000	121.76	374.91	253.15	207.91%
19,000	123.04	377.22	254.18	206.59%
20,000	124.32	379.53	255.21	205.29%
21,000	125.60	381.84	256.24	204.02%
22,000	126.88	384.15	257.27	202.77%
23,000	128.16	386.46	258.30	201.55%
24,000	129.44	388.77	259.33	200.35%
25,000	130.72	391.08	260.36	199.18%
26,000	132.00	393.39	261.39	198.03%
27,000	133.28	395.70	262.42	196.90%
Average Usage				
500	$ 100.00	$ 334.49	$ 234.49	234.49%
Median Usage				
500	$ 100.00	$ 334.49	$ 234.49	234.49%

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	$	2.31
Up to	2	$	2.31
Over	3	$	2.31
		$	2.31

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

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Schedule H-4
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Witness: Kozoman

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 200.00	$ 666.67	$ 466.67	233.33%
1,000	200.00	667.81	467.81	233.90%
2,000	200.88	668.95	468.07	233.01%
3,000	201.76	670.09	468.33	232.12%
4,000	202.64	671.23	468.59	231.24%
5,000	203.52	672.37	468.85	230.37%
6,000	204.40	673.51	469.11	229.50%
7,000	205.28	674.65	469.37	228.65%
8,000	206.16	675.79	469.63	227.80%
9,000	207.04	676.93	469.89	226.95%
10,000	207.92	678.07	470.15	226.12%
11,000	208.80	679.21	470.41	225.29%
12,000	209.68	680.35	470.67	224.47%
13,000	210.56	681.49	470.93	223.65%
14,000	211.44	682.63	471.19	222.85%
15,000	212.32	683.77	471.45	222.05%
16,000	213.20	684.91	471.71	221.25%
17,000	214.08	686.05	471.97	220.46%
18,000	214.96	687.19	472.23	219.68%
19,000	215.84	688.33	472.49	218.91%
20,000	216.72	689.47	472.75	218.14%
232,000	403.28	931.15	527.87	130.89%
379,000	532.64	1,098.73	566.09	106.28%
460,000.0	603.92	1,191.07	587.15	97.22%
557,000.0	689.28	1,301.65	612.37	88.84%
1,156,000.0	1,216.40	1,984.51	768.11	63.15%
1,678,000.0	1,675.76	2,579.59	903.83	53.94%
1,882,000.0	1,855.28	2,812.15	956.87	51.58%
4,113,000.0	3,818.56	5,355.49	1,536.93	40.25%
4,457,000.0	4,121.28	5,747.65	1,626.37	39.46%
4,186,000.0	3,882.80	5,438.71	1,555.91	40.07%
5,103,000.0	4,689.76	6,484.09	1,794.33	38.26%
5,357,000.0	4,913.28	6,773.65	1,860.37	37.86%
7,414,000.0	6,723.44	9,118.63	2,395.19	35.62%
10,518,000.0	9,454.96	12,657.19	3,202.23	33.87%
15,109,000.0	13,495.04	17,890.93	4,395.89	32.57%
15,601,000.0	13,928.00	18,451.81	4,523.81	32.48%
15,706,000.0	14,020.40	18,571.51	4,551.11	32.46%
20,370,000.0	18,124.72	23,888.47	5,763.75	31.80%
23,206,000.0	20,620.40	27,121.51	6,501.11	31.53%
Average Usage				
5,729,063	$ 5,240.70	$ 7,197.80	$ 1,957.10	37.34%
Median Usage				
3,169,500	$ 2,988.28	$ 4,279.90	$ 1,291.62	43.22%

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	$	1.14
Up to	2	$	1.14
Over	3	$	1.14
		$	1.14

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

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MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 400.00	$ 1,166.67	$ 766.67	191.67%
1,000	400.00	1,167.81	767.81	191.95%
2,000	400.88	1,168.95	768.07	191.60%
3,000	401.76	1,170.09	768.33	191.24%
4,000	402.64	1,171.23	768.59	190.89%
5,000	403.52	1,172.37	768.85	190.53%
6,000	404.40	1,173.51	769.11	190.18%
7,000	405.28	1,174.65	769.37	189.84%
8,000	406.16	1,175.79	769.63	189.49%
9,000	407.04	1,176.93	769.89	189.14%
10,000	407.92	1,178.07	770.15	188.80%
11,000	408.80	1,179.21	770.41	188.46%
12,000	409.68	1,180.35	770.67	188.11%
13,000	410.56	1,181.49	770.93	187.77%
14,000	411.44	1,182.63	771.19	187.44%
15,000	412.32	1,183.77	771.45	187.10%
16,000	413.20	1,184.91	771.71	186.76%
17,000	414.08	1,186.05	771.97	186.43%
18,000	414.96	1,187.19	772.23	186.10%
19,000	415.84	1,188.33	772.49	185.77%
20,000	416.72	1,189.47	772.75	185.44%
1,274,000.0	1,520.24	2,619.03	1,098.79	72.28%
3,045,000.0	3,078.72	4,637.97	1,559.25	50.65%
3,509,000.0	3,487.04	5,166.93	1,679.89	48.18%
4,186,000.0	4,082.80	5,938.71	1,855.91	45.46%
4,622,000.0	4,466.48	6,435.75	1,969.27	44.09%
4,679,000.0	4,516.64	6,500.73	1,984.09	43.93%
6,304,000.0	5,946.64	8,353.23	2,406.59	40.47%
6,337,000.0	5,975.68	8,390.85	2,415.17	40.42%
7,852,000.0	7,308.88	10,117.95	2,809.07	38.43%
8,312,000.0	7,713.68	10,642.35	2,928.67	37.97%
8,341,000.0	7,739.20	10,675.41	2,936.21	37.94%
9,559,000.0	8,811.04	12,063.93	3,252.89	36.92%
9,570,000.0	8,820.72	12,076.47	3,255.75	36.91%
9,577,000.0	8,826.88	12,084.45	3,257.57	36.91%
9,739,000.0	8,969.44	12,269.13	3,299.69	36.79%
10,981,000.0	10,062.40	13,685.01	3,622.61	36.00%
11,416,000.0	10,445.20	14,180.91	3,735.71	35.76%
13,452,000.0	12,236.88	16,501.95	4,265.07	34.85%
13,611,000.0	12,376.80	16,683.21	4,306.41	34.79%
14,902,000.0	13,512.88	18,154.95	4,642.07	34.35%
15,135,000.0	13,717.92	18,420.57	4,702.65	34.28%
16,073,000.0	14,543.36	19,489.89	4,946.53	34.01%
16,224,000.0	14,676.24	19,662.03	4,985.79	33.97%
17,211,000.0	15,544.80	20,787.21	5,242.41	33.72%
18,439,000.0	16,625.44	22,187.13	5,561.69	33.45%
19,214,000.0	17,307.44	23,070.63	5,763.19	33.30%
19,664,000.0	17,703.44	23,583.63	5,880.19	33.21%
19,714,000.0	17,747.44	23,640.63	5,893.19	33.21%
20,317,000.0	18,278.08	24,328.05	6,049.97	33.10%
21,402,000.0	19,232.88	25,564.95	6,332.07	32.92%
24,036,000.0	21,550.80	28,567.71	7,016.91	32.56%
24,669,000.0	22,107.84	29,289.33	7,181.49	32.48%
25,099,000.0	22,486.24	29,779.53	7,293.29	32.43%
25,409,000.0	22,759.04	30,132.93	7,373.89	32.40%
27,379,000.0	24,492.64	32,378.73	7,886.09	32.20%
33,416,334.0	29,805.49	39,261.29	9,455.79	31.73%
Average Usage				
14,018,593	$ 12,735.48	$ 17,147.86	$ 4,412.38	34.65%
Median Usage				
13,531,500	$ 12,306.84	$ 16,592.58	$ 4,285.74	34.82%

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	$	1.14
Up to	2	$	1.14
Over	3	$	1.14
		$	1.14

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
Residential 3/4 inch & 1 Inch

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Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
-	1,000	95	64	69	76	120	153	184	194	176	169	64	77	1,441
1,001	2,000	47	32	35	48	52	57	42	50	44	59	56	51	573
2,001	3,000	60	43	39	57	61	52	57	51	58	35	50	64	627
3,001	4,000	58	45	64	55	56	60	46	57	55	65	54	54	669
4,001	5,000	79	51	64	62	57	67	42	46	44	48	53	57	670
5,001	6,000	83	76	63	67	69	72	68	69	62	65	49	76	819
6,001	7,000	84	74	90	64	59	79	75	75	64	72	64	72	872
7,001	8,000	92	62	76	78	83	58	66	79	69	89	62	84	898
8,001	9,000	87	78	98	86	64	74	70	69	81	69	73	69	918
9,001	10,000	76	81	70	89	68	63	60	66	63	47	69	77	829
10,001	11,000	58	73	65	77	71	46	45	50	50	55	59	59	708
11,001	12,000	56	60	81	53	56	30	38	45	45	41	64	65	634
12,001	13,000	42	65	65	59	43	52	42	34	42	53	59	57	613
13,001	14,000	34	58	39	47	46	37	36	47	30	36	49	56	515
14,001	15,000	33	34	33	41	39	28	26	30	31	37	53	28	413
15,001	16,000	34	32	38	36	32	33	25	19	37	33	34	32	385
16,001	17,000	18	36	26	28	20	32	34	16	20	34	34	25	323
17,001	18,000	17	34	22	20	24	25	20	22	25	18	32	18	277
18,001	19,000	14	29	20	21	17	19	21	23	21	13	28	33	259
19,001	20,000	17	10	15	4	12	19	18	18	19	26	24	28	210
20,001	21,000	12	10	11	14	13	17	26	15	20	19	15	15	187
21,001	22,000	4	10	15	10	12	11	13	14	20	5	15	11	140
22,001	23,000	-	17	5	6	7	6	17	14	14	12	16	9	123
23,001	24,000	5	9	8	8	9	12	13	5	9	9	20	17	124
24,001	25,000	7	11	2	4	7	9	11	11	4	13	12	8	99
25,001	26,000	8	10	7	5	6	11	10	7	11	4	4	6	89
26,001	27,000	1	7	4	7	15	6	3	8	10	8	13	5	87
27,001	28,000	-	4	7	6	7	5	10	6	1	9	8	8	71
28,001	29,000	2	1	2	6	4	6	7	1	10	3	8	6	56
29,001	30,000	3	4	2	6	3	4	8	3	5	5	9	2	54
30,001	31,000	1	2	2	3	3	2	6	3	6	4	3	2	37
31,001	32,000	1	2	1	4	2	3	4	4	6	2	5	3	37
32,001	33,000	3	2	-	1	1	2	1	5	3	4	3	7	32
33,001	34,000	1	-	2	-	4	1	4	2	2	2	1	4	23
34,001	35,000	-	3	1	-	2	3	2	2	3	3	2	1	22
35,001	36,000	-	2	-	-	3	1	-	2	1	5	5	2	21
36,001	37,000	1	4	1	-	2	4	3	1	2	1	2	1	22
37,001	38,000	2	-	-	-	3	1	1	-	2	1	-	1	11
38,001	39,000	-	-	2	-	2	2	2	2	2	-	2	-	14
39,001	40,000	1	2	1	2	-	1	2	1	-	2	-	-	12
40,001	41,000	2	3	1	2	2	1	3	2	1	1	3	3	24
41,001	42,000	1	4	1	-	-	1	3	3	3	1	3	3	23
42,001	43,000	1	-	-	2	1	2	4	2	-	2	4	1	19
43,001	44,000	-	-	-	-	1	3	-	-	3	-	1	2	10
44,001	45,000	1	-	2	1	1	-	3	-	3	2	2	-	15
45,001	46,000	-	-	1	1	1	2	1	2	2	1	-	1	12
46,001	47,000	1	-	-	1	2	2	-	2	2	1	1	-	12
47,001	48,000	-	-	1	-	2	-	-	-	-	3	2	-	8
48,001	49,000	-	-	2	2	-	-	3	-	2	-	-	-	9
49,001	50,000	-	1	-	1	1	1	1	1	2	-	1	-	9
50,001	51,000	-	-	-	1	1	1	-	1	-	-	1	1	6
51,001	52,000	1	-	-	-	-	-	-	-	2	1	-	-	4
52,001	53,000	1	-	1	-	-	3	4	-	1	-	2	1	13
53,001	54,000	-	-	3	-	-	1	-	-	1	-	-	1	6
54,001	55,000	-	-	-	-	-	-	-	-	2	1	-	-	3
55,001	56,000	-	-	-	1	3	2	-	2	2	1	1	1	13
56,001	57,000	1	-	-	-	2	-	1	1	-	2	2	-	9
57,001	58,000	-	-	-	-	-	1	-	-	-	1	1	-	3
58,001	59,000	-	-	-	-	-	1	-	-	-	-	-	-	1
59,001	60,000	-	-	1	-	-	-	-	1	-	-	-	2	4
60,001	61,000	-	1	-	-	-	-	-	-	-	1	-	-	2
61,001	62,000	-	-	-	-	-	-	-	-	-	-	1	-	1
62,001	63,000	-	-	-	-	-	-	1	-	-	-	-	-	1
63,001	64,000	-	1	-	1	1	-	1	-	-	-	1	-	5
64,001	65,000	1	-	-	-	-	1	-	-	-	1	-	-	3
65,001	66,000	-	-	-	-	-	-	-	-	2	-	1	-	3
66,001	67,000	-	-	1	-	-	-	-	-	-	1	-	-	2
67,001	68,000	-	-	-	-	-	1	-	-	-	1	-	-	2
68,001	69,000	-	-	-	-	-	-	-	1	1	1	-	-	3
69,001	70,000	-	-	1	-	1	-	-	-	1	-	-	1	4
70,001	71,000	-	-	-	-	1	-	-	1	-	-	1	-	3
71,001	72,000	-	-	-	-	-	-	-	1	-	-	1	-	2
72,001	73,000	-	-	-	-	1	-	-	-	-	-	1	-	2
73,001	74,000	-	-	-	-	-	-	-	1	1	-	-	-	2
74,001	75,000	-	-	-	-	-	-	-	-	-	1	-	-	1
75,001	76,000	-	-	-	1	-	-	-	1	-	-	-	-	2
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
Residential 3/4 inch & 1 Inch

Exhibit
Exhibit
Schedule H5
Page 1a
Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
78,001	79,000	.	.	.	.	.	.	.	.	.	.	.	.	.
79,001	80,000	.	.	.	.	.	.	.	.	.	.	.	.	.
80,001	81,000	.	.	.	.	.	.	.	1	.	.	.	.	1
81,001	82,000	.	.	.	.	.	.	.	2	.	.	.	.	2
82,001	83,000	.	.	.	.	.	.	.	1	1	.	.	.	2
83,001	84,000	.	.	.	.	.	.	.	.	1	.	.	.	1
84,001	85,000	.	.	.	.	.	.	.	.	.	.	.	.	.
85,001	86,000	.	1	.	.	.	.	.	.	.	.	.	.	1
86,001	87,000	.	.	.	.	.	.	.	.	.	.	.	.	.
87,001	88,000	.	.	.	.	.	1	.	.	1	.	.	.	2
88,001	89,000	.	.	.	.	1	.	.	.	.	.	.	.	1
89,001	90,000	.	.	.	.	.	.	.	.	.	1	.	.	1
90,001	91,000	.	.	.	.	.	.	.	.	.	.	.	.	.
91,001	92,000	.	.	.	.	.	.	.	.	.	.	.	.	.
92,001	93,000	.	.	.	.	.	.	.	.	1	.	.	.	1
93,001	94,000	.	.	.	.	.	.	.	.	.	.	.	.	.
94,001	95,000	.	.	.	.	.	.	.	.	.	.	1	.	1
95,001	96,000	.	.	.	.	.	.	.	1	.	.	.	.	1
96,001	97,000	.	.	.	.	.	.	.	.	.	1	.	.	1
97,001	98,000	.	.	.	.	.	.	.	1	.	.	1	.	2
98,001	99,000	.	.	.	.	.	.	.	.	1	1	.	.	2
99,001	100,000	.	.	.	.	.	.	.	.	1	.	.	.	1
Over 100,000 gallons														
100,990	100,990	.	.	.	.	.	.	.	1	1	.	.	.	2
101,000	101,000	.	.	.	.	.	.	.	.	1	.	.	.	1
102,300	102,300	.	.	.	.	.	.	.	.	.	.	.	1	1
103,140	103,140	.	.	.	.	.	1	.	.	.	.	.	.	1
104,300	104,300	.	.	.	.	1	.	.	.	1	.	.	.	2
107,000	107,000	.	.	.	.	.	.	.	.	.	1	.	.	1
107,660	107,660	.	.	.	.	.	.	1	.	.	.	.	.	1
109,040	109,040	.	.	.	1	.	.	.	.	.	.	.	.	1
111,800	111,800	.	.	.	.	.	.	1	.	.	.	.	.	1
116,440	116,440	.	.	.	.	1	.	.	.	.	.	.	.	1
117,540	117,540	.	.	.	.	.	.	.	.	.	.	1	.	1
120,420	120,420	.	.	.	.	.	.	.	1	.	.	.	.	1
120,600	120,600	.	.	.	.	.	.	1	.	.	.	.	.	1
135,700	135,700	.	1	.	.	.	.	.	.	.	.	.	.	1
138,710	138,710	.	.	.	.	.	.	1	.	.	.	.	.	1
139,050	139,050	.	.	.	.	.	1	.	.	.	.	.	.	1
162,250	162,250	.	.	.	.	.	.	1	.	.	.	.	.	1
170,600	170,600	.	.	1	.	.	.	.	.	.	.	.	.	1
171,430	171,430	.	.	.	.	.	.	1	.	.	.	.	.	1
180,420	180,420	.	.	.	.	.	.	.	1	.	.	.	.	1
188,300	188,300	.	.	.	.	.	.	.	1	.	.	.	.	1
195,000	195,000	.	1	.	.	.	.	.	.	.	.	.	.	1
Totals		1,146	1,150	1,161	1,165	1,178	1,189	1,189	1,198	1,207	1,202	1,206	1,208	14,199

Average Usage	10,636
Median Usage	7,001
Average # Customers	9,501

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
1 Inch Commercial

Exhibit
Schedule H-5
Page 2
Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
-	1,000	4	1	1	1	2	6	7	6	6	5	2	1	42
1,001	2,000	2	2	-	1	2	-	-	-	2	4	2	2	17
2,001	3,000	1	1	1	-	-	1	-	2	-	1	1	-	8
3,001	4,000	-	-	2	1	2	-	1	1	1	1	3	2	14
4,001	5,000	2	1	1	3	-	1	-	1	1	-	-	2	12
5,001	6,000	1	1	-	2	1	1	-	-	1	1	1	2	11
6,001	7,000	1	1	1	1	-	-	-	-	1	-	1	1	7
7,001	8,000	-	-	1	1	2	2	-	1	1	-	-	-	8
8,001	9,000	-	-	3	-	1	1	-	-	1	2	1	2	11
9,001	10,000	-	1	1	2	2	1	1	1	1	-	1	1	12
10,001	11,000	-	1	2	2	-	-	1	-	1	-	2	1	10
11,001	12,000	-	2	1	-	1	-	1	-	-	-	-	2	7
12,001	13,000	1	1	1	1	1	-	1	1	-	-	1	-	8
13,001	14,000	-	1	1	-	-	1	1	1	2	1	-	1	9
14,001	15,000	1	-	1	3	1	-	-	1	-	1	1	-	9
15,001	16,000	-	1	-	-	1	1	-	1	-	-	1	-	5
16,001	17,000	1	-	1	-	-	1	3	-	1	-	-	-	7
17,001	18,000	-	2	1	-	1	-	-	-	-	-	-	1	5
18,001	19,000	-	-	-	-	-	-	-	-	-	1	-	-	1
19,001	20,000	1	1	-	-	-	-	-	-	-	1	-	-	3
20,001	21,000	-	-	-	-	-	-	1	-	-	-	1	-	2
21,001	22,000	-	-	1	-	-	-	1	-	-	-	-	-	2
22,001	23,000	1	-	-	1	-	-	-	1	-	-	-	-	3
23,001	24,000	1	-	1	1	-	-	-	-	-	-	-	-	3
24,001	25,000	1	-	-	-	1	-	-	1	-	-	-	-	3
25,001	26,000	-	-	-	-	-	1	-	1	1	-	-	1	4
26,001	27,000	-	-	-	-	-	1	-	1	1	-	-	-	3
27,001	28,000	-	1	-	-	-	1	-	-	-	1	-	-	3
28,001	29,000	-	-	-	1	-	-	-	1	-	-	-	1	3
29,001	30,000	-	-	-	-	-	-	-	1	-	-	1	-	2
30,001	31,000	-	-	-	-	1	-	1	-	-	-	-	-	2
31,001	32,000	-	1	1	-	-	1	-	-	-	-	-	-	3
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-
33,001	34,000	1	-	-	-	-	-	-	-	-	-	-	-	1
34,001	35,000	-	1	-	-	1	1	-	-	-	-	-	-	3
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-
36,001	37,000	-	-	-	-	-	1	-	-	-	-	1	-	2
37,001	38,000	-	-	-	1	1	-	-	-	-	1	-	-	3
38,001	39,000	-	-	-	-	1	-	-	-	-	-	1	-	2
39,001	40,000	1	-	-	-	-	-	1	-	-	-	-	1	3
40,001	41,000	-	-	-	-	-	-	-	-	-	1	-	-	1
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-
42,001	43,000	-	-	-	-	-	-	-	-	-	-	1	-	1
43,001	44,000	-	-	-	-	-	-	1	-	-	-	-	-	1
51,200	51,200	-	1	-	-	-	-	-	-	-	-	-	-	1
53,760	53,760	-	-	-	-	-	-	-	-	-	1	-	-	1
60,000	60,000	-	-	-	-	-	-	-	1	-	-	-	-	1
68,700	68,700	-	-	-	-	-	-	-	-	1	-	-	-	1
83,090	83,090	1	-	-	-	-	-	-	-	-	-	-	-	1
107,200	107,200	-	1	-	-	-	-	-	-	-	-	-	-	1
153,600	153,600	-	-	-	-	-	-	-	1	-	-	-	-	1
185,200	185,200	-	-	-	-	-	-	1	-	-	-	-	-	1
192,000	192,000	-	-	-	-	-	-	-	-	-	1	-	-	1
Totals		21	22	22	22	22	22	22	24	22	23	22	21	265

Average Usage	14,626
Median Usage	38,002
Average # Customers	22

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
2 Inch Commercial

Exhibit
Schedule H-5
Page 3
Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
.	1,000	3	2	1	1	.	1	2	1	1	1	3	3	19
1,001	2,000	.	.	1	.	1	1	.	1	.	1	.	.	5
2,001	3,000	.	.	.	1	.	.	1	.	1	.	.	1	4
3,001	4,000	.	.	.	.	.	.	.	.	.	.	1	.	1
4,001	5,000	.	.	.	.	.	.	.	.	.	.	.	.	.
5,001	6,000	.	.	.	.	.	.	.	.	.	.	.	.	.
6,001	7,000	.	.	.	.	.	.	.	.	.	.	.	.	.
7,001	8,000	.	.	.	.	.	.	.	.	.	.	.	.	.
8,001	9,000	.	.	.	.	.	.	.	.	.	.	.	.	.
9,001	10,000	.	.	.	.	.	.	.	.	.	.	.	.	.
10,001	11,000	.	.	.	.	.	.	.	.	.	.	.	.	.
11,001	12,000	.	.	.	.	.	.	.	.	.	.	.	.	.
12,001	13,000	.	.	.	.	.	.	.	.	.	.	.	.	.
13,001	14,000	.	.	.	.	.	.	.	.	.	.	.	.	.
14,001	15,000	.	.	.	.	.	.	.	.	.	.	.	.	.
15,001	16,000	.	.	.	.	.	.	.	.	.	.	.	.	.
16,001	17,000	.	.	.	.	.	.	.	.	.	.	.	.	.
17,001	18,000	.	.	.	.	.	.	.	.	.	.	.	.	.
18,001	19,000	.	.	.	.	.	.	.	.	.	.	.	.	.
19,001	20,000	.	.	.	.	.	.	.	.	.	.	.	.	.
212,600	212,600	1	.	.	.	.	.	.	.	.	.	.	.	1
215,000	215,000	.	1	.	.	.	.	.	.	.	.	.	.	1
217,400	217,400	.	.	1	.	.	.	.	.	.	.	.	.	1
218,800	218,800	.	.	.	.	.	.	.	.	.	.	.	1	1
229,300	229,300	.	.	.	.	.	.	.	.	.	.	.	1	1
238,600	238,600	.	.	.	.	.	1	.	.	.	.	.	.	1
240,300	240,300	.	.	.	.	1	.	.	.	.	.	.	.	1
245,800	245,800	.	.	.	1	.	.	.	.	.	.	.	.	1
281,400	281,400	1	.	.	.	.	.	.	.	.	.	.	.	1
293,200	293,200	.	.	.	.	.	.	.	.	.	.	1	.	1
301,000	301,000	.	.	.	.	.	.	.	1	.	.	.	.	1
321,300	321,300	.	.	.	.	.	.	.	.	.	1	.	.	1
322,400	322,400	.	.	.	.	.	.	.	.	.	.	.	1	1
352,100	352,100	.	.	.	.	.	.	.	1	.	.	.	.	1
363,400	363,400	.	.	.	.	.	.	1	.	.	.	.	.	1
366,900	366,900	.	1	.	.	.	.	.	.	.	.	.	.	1
367,100	367,100	.	.	.	.	.	.	1	.	.	.	.	.	1
367,900	367,900	.	.	.	.	.	1	.	.	.	.	.	.	1
372,800	372,800	.	.	.	1	.	.	.	.	.	.	.	.	1
379,400	379,400	.	.	.	.	.	.	.	.	1	.	.	.	1
393,000	393,000	.	.	.	.	1	.	.	.	.	.	.	.	1
402,500	402,500	.	.	.	.	.	.	.	.	.	1	.	.	1
406,200	406,200	.	.	.	.	.	.	.	.	.	.	.	1	1
413,000	413,000	.	.	1	.	.	.	.	.	.	.	.	.	1
424,600	424,600	.	.	.	.	.	.	.	.	1	.	.	.	1
451,000	451,000	.	.	.	.	1	.	.	.	.	.	.	.	1
457,600	457,600	.	.	.	.	.	.	.	.	.	.	1	.	1
612,500	612,500	.	.	.	.	.	.	.	.	.	.	.	1	1
656,500	656,500	.	.	.	.	.	.	.	.	.	.	.	1	1
746,200	746,200	.	.	.	.	.	.	.	.	.	.	.	1	1
796,300	796,300	.	.	.	1	.	.	.	.	.	.	.	.	1
1,065,900	1,065,900	.	.	.	.	.	.	.	.	.	.	.	1	1
1,523,100	1,523,100	.	.	.	.	.	.	.	.	.	.	.	1	1
1,918,100	1,918,100	.	.	.	.	.	.	.	.	.	.	.	1	1
1,992,800	1,992,800	.	.	.	.	.	.	.	.	.	.	.	1	1
2,311,100	2,311,100	.	.	.	.	.	.	.	.	.	.	.	1	1
Totals		7	7	7	8	8	7	7	7	7	7	9	21	102

Average Usage	234,600
Median Usage	212,600
Average # Customers	9

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
4 Inch Commercial

Exhibit
Schedule H-5
Page 4
Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
-	1,000	1	1	1	-	-	-	-	-	-	-	-		3
1,001	2,000	-	-	-	-	-	-	-	-	-	-	-		-
2,001	3,000	-	-	-	-	-	-	-	-	-	-	-		-
Totals		1	1	1	-	-	-	-	-	-	-	-	-	3

Average Usage	500
Median Usage	500
Average # Customers	0.25

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
6 Inch Commercial

Exhibit
Schedule H-5
Page 5
Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
-	1,000													-
1,001	2,000													-
2,001	3,000													-
3,001	4,000													-
4,001	5,000													-
5,001	6,000													-
6,001	7,000													-
7,001	8,000													-
8,001	9,000													-
9,001	10,000													-
10,001	11,000													-
11,001	12,000													-
12,001	13,000													-
13,001	14,000													-
14,001	15,000													-
15,001	16,000													-
16,001	17,000													-
17,001	18,000													-
55,100	55,100	-	-	-	-	-	-	-	-	1	-	-	-	1
88,000	88,000	-	-	-	-	-	-	-	1	-	-	-	-	1
102,100	102,100	-	-	-	-	-	-	-	-	-	1	-	-	1
111,900	111,900	-	-	-	-	-	-	1	-	-	-	-	-	1
122,600	122,600	-	-	-	-	-	1	-	-	-	-	-	-	1
137,800	137,800	-	-	-	-	1	-	-	-	-	-	-	-	1
166,500	166,500	-	-	-	-	-	-	-	-	-	-	1	-	1
175,300	175,300	-	-	-	1	-	-	-	-	-	-	-	-	1
215,300	215,300	-	-	-	-	-	-	-	-	-	-	-	1	1
278,100	278,100	-	1	-	-	-	-	-	-	-	-	-	-	1
287,800	287,800	1	-	-	-	-	-	-	-	-	-	-	-	1
397,700	397,700	-	-	1	-	-	-	-	-	-	-	-	-	1
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12

Average Usage	178,183
Median Usage	152,150
Average # Customers	1

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
6 Inch Irrigation

Exhibit
Schedule H-5
Page 6
Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
-	1,000	-	1	-	-	-	-	-	-	-	-	-	1	2
1,001	2,000	-	-	-	-	-	-	1	1	1	-	-	-	3
2,001	3,000	-	-	-	-	-	-	-	-	-	1	1	-	2
3,001	4,000	-	-	1	-	-	1	-	-	-	-	-	-	2
4,001	5,000	1	-	-	-	-	-	-	-	-	-	-	-	1
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-
7,001	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-
10,001	11,000	-	-	-	-	1	-	-	-	-	-	-	-	1
11,001	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-
12,001	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-
13,001	14,000	-	-	-	1	-	-	-	-	-	-	-	-	1
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12

Average Usage	3,834
Median Usage	2,001
Average # Customers	1

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
6 Inch Irrigation with Potable Water

Exhibit
Schedule H-5
Page 7
Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
-	1,000	1	1	1	1	1	1	1	1	1	1	1	1	12
1,001	2,000													.
2,001	3,000													.
3,001	4,000													.
4,001	5,000													.
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12

Average Usage	500
Median Usage	500
Average # Customers	1

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
8 Inch Irrigation

Exhibit
Schedule H-5
Page 8
Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
-	1,000	-	-	-	1	1	1	-	-	-	1	-	-	4
11,001	12,000	-	1	-	-	-	-	-	-	-	-	-	-	1
232,000	232,000										1			1
379,000	379,000											1		1
460,000	460,000	-	-	-	-	-	-	-	-	-	-	-	1	1
557,000	557,000												1	1
1,156,000	1,156,000	-	-	1	-	-	-	-	-	-	-	-	-	1
1,678,000	1,678,000	-	-	-	-	-	-	1	-	-	-	-	-	1
1,882,000	1,882,000	1	-	-	-	-	-	-	-	-	-	-	-	1
4,113,000	4,113,000	-	-	-	-	-	-	-	-	-	-	1	-	1
4,457,000	4,457,000	-	-	-	-	-	-	-	1	-	-	-	-	1
4,186,000	4,186,000									1				1
5,103,000	5,103,000	1	-	-	-	-	-	-	-	-	-	-	-	1
5,357,000	5,357,000	-	-	-	-	-	-	-	-	1	-	-	-	1
7,414,000	7,414,000	-	1	-	-	-	-	-	-	-	-	-	-	1
10,518,000	10,518,000	-	-	-	1	-	-	-	-	-	-	-	-	1
15,109,000	15,109,000	-	-	-	-	-	-	1	-	-	-	-	-	1
15,601,000	15,601,000	-	-	-	-	1	-	-	-	-	-	-	-	1
15,706,000	15,706,000	-	-	1	-	-	-	-	-	-	-	-	-	1
20,370,000	20,370,000	-	-	-	-	-	-	-	1	-	-	-	-	1
23,206,000	23,206,000	-	-	-	-	-	1	-	-	-	-	-	-	1
Totals		2	2	2	2	2	2	2	2	2	2	2	2	24

Average Usage	5,729,063
Median Usage	3,169,500
Average # Customers	2

Rio Verde Utilities, Inc. / Water Division
Test Year Ended December 31, 1999
Customer Classification
12 Inch Irrigation

Exhibit
Schedule H-5
Page 9
Witness: Kozoman

Usage From:	Usage To:	Month Jan-99	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total Year
1,274,000	1,274,000	1	-	-	-	-	-	-	-	-	-	-	-	1
3,045,000	3,045,000	-	1	-	-	-	-	-	-	-	-	-	-	1
3,509,000	3,509,000	-	1	-	-	-	-	-	-	-	-	-	-	1
4,186,000	4,186,000	1	-	-	-	-	-	-	-	-	-	-	-	1
4,622,000	4,622,000	-	1	-	-	-	-	-	-	-	-	-	-	1
4,679,000	4,679,000	-	-	1	-	-	-	-	-	-	-	-	-	1
6,304,000	6,304,000	-	-	1	-	-	-	-	-	-	-	-	-	1
6,337,000	6,337,000	-	-	-	-	-	-	-	-	-	-	-	1	1
7,852,000	7,852,000	1	-	-	-	-	-	-	-	-	-	-	-	1
8,312,000	8,312,000	-	-	-	-	-	-	-	-	-	-	-	1	1
8,341,000	8,341,000	-	-	-	1	-	-	-	-	-	-	-	-	1
9,559,000	9,559,000	-	-	1	-	-	-	-	-	-	-	-	-	1
9,570,000	9,570,000	-	-	-	-	-	-	-	-	-	-	1	-	1
9,577,000	9,577,000	-	-	-	1	-	-	-	-	-	-	-	-	1
9,739,000	9,739,000	-	-	-	1	-	-	-	-	-	-	-	-	1
10,981,000	10,981,000	-	-	-	-	-	-	-	-	-	-	-	1	1
11,416,000	11,416,000	-	-	-	-	-	-	-	-	-	-	1	-	1
13,452,000	13,452,000	-	-	-	-	-	-	-	-	1	-	-	-	1
13,611,000	13,611,000	-	-	-	-	-	-	-	-	1	-	-	-	1
14,902,000	14,902,000	-	-	-	-	-	-	-	-	-	-	1	-	1
15,135,000	15,135,000	-	-	-	-	-	-	1	-	-	-	-	-	1
16,073,000	16,073,000	-	-	-	-	-	-	-	1	-	-	-	-	1
16,224,000	16,224,000	-	-	-	-	-	-	1	-	-	-	-	-	1
17,211,000	17,211,000	-	-	-	-	-	-	1	-	-	-	-	-	1
18,439,000	18,439,000	-	-	-	-	1	-	-	-	-	-	-	-	1
19,214,000	19,214,000	-	-	-	-	-	-	-	1	-	-	-	-	1
19,664,000	19,664,000	-	-	-	-	1	-	-	-	-	-	-	-	1
19,714,000	19,714,000	-	-	-	-	1	-	-	-	-	-	-	-	1
20,317,000	20,317,000	-	-	-	-	-	1	-	-	-	-	-	-	1
21,402,000	21,402,000	-	-	-	-	-	-	-	-	-	1	-	-	1
24,036,000	24,036,000	-	-	-	-	-	1	-	-	-	-	-	-	1
24,669,000	24,669,000	-	-	-	-	-	-	-	-	1	-	-	-	1
25,099,000	25,099,000	-	-	-	-	-	-	-	-	-	1	-	-	1
25,409,000	25,409,000	-	-	-	-	-	-	-	1	-	-	-	-	1
27,379,000	27,379,000	-	-	-	-	-	1	-	-	-	-	-	-	1
33,416,334	33,416,334	-	-	-	-	-	-	-	-	-	1	-	-	1
Totals		3	3	3	3	3	3	3	3	3	3	3	3	36

Average Usage	14,018,593
Median Usage	13,531,500
Average # Customers	3

B

SUPPORTING SCHEDULES

PER A.A.C. R-14-2-103

FOR

RIO VERDE UTILITIES, INC.

PERMANENT RATE APPLICATION
(Wastewater Division)

FILED MAY 11, 2000

80017.00000.69

EXHIBIT B

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

Index of Standard Filing Schedules

Schedule No.	
A-1	Summary of the increase in revenue requirement and the spread of the revenue increase by customer classification
A-2	Summary of the results of operations for the test year and for the test year and the two fiscal years ended prior to the end of the test year, compared with the projected year.
A-3	Summary of capital structure for the test year and two fiscal years ended prior to the end of the test year, compared to the projected year
A-4	Construction expenditures and gross utility plant in service for the test year and the two fiscal years ended prior to the end of the test year, compared with the projected year.
A-5	Summary of changes in financial position for the test year and the two fiscal years ended prior to the test year, compared to the projected year
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-3	Schedule listing pro forma adjustments to gross plant in service and accumulated depreciation for the RCND rate base Omitted RCND Not Requested
B-4	Schedule demonstrating the determination of reproduction cost new less accumulated depreciation for the RCND rate base Omitted RCND Not Requested
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 expesnes 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-3	Schedule showing the detail of preferred stock at the end of the test year and the projected year, and their total cost.
D-4	Schedule summaring conclusions of the required return on common equity at the end of the test year and the projected year.
D-4-A	Discounted Cash Flow using water companies using Value Line companies
D-4-B	Capital Asset Pricing Model using Value Line companies
D-4-C	Risk adjustment factors
D-4-C2	Summary of Schedules D-4-E through D-4-o,and D-4-R, showing Applicant's degree of financial integrity.
D-4-D	Value Line projected equity returns
D-4-E	Interest coverages
D-4-F	Earnings retention ratio
D-4-G	Dividend payout ratio
D-4-H	Capital financing plant in service
D-4-I	Market to book equity ratioes
D-4-J1	Internal cash flow to change in gross plant, and
D-4-J2	Internal cash flow to change to debt
D-4-K	Safety margin
D-4-L	Earning growth
D-4-M	Growth in book value
D-4-N	Price / earnings ratio

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

Index of Standard Filing Schedules

Schedule No.	
D-4-O	Return earned on average common equity
D-4-P	Yields of other debt instruments
D-4-Q	Interest coverage and debt service
D-4-R	Test of financial viability of comparison companies to applicant
D-4-S	C.A. Turner Equity Returns
E-1	Comparative balance sheets for the end of the test year and the two fiscal years ended prior to the end of the test year.
E-2	Comparative income statements for the end of the test year and the two fiscal years ended prior to the end of the test year.
E-3	Comparative statements of changes in financial position for the test year and the two fiscal years ended prior to the test year
E-4	Statement of changes in stockholder's equity for the test year and the two fiscal years ended prior to the test year
E-5	Comparative schedule showing by detail account number, utility plant balances at the end of the test year and the end of the prior fiscal year.
E-7	Comparative operating statistics on customers, consumption, revenues, and expenses for the test year and the two fiscal years ending prior to the end of the test year.
E-8	Comparative schedule of all significant taxes charged to operations for the test year and the two fiscal years ended prior to the end of the test year.
E-9	Notes to Audited or Compiled Financial Statements
F-1	Projected income statements for the projected year compared with the test year, at present and proposed rates.
F-2	Projected changes in financial position for the projected year compared with the test year, at present and proposed rates
F-3	Projected annual construction requirements by property classification, for one year subsequent to the test year, compared with the test year.
F-4	Important assumption used in preparing forecasts and projections.
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.
H-5	Bill counts.

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

Exhibit
Schedule A-1
Page
Witness: Bourassa

Line No.		
1	Adjusted Rate Base	$ 2,967,530
2		
3	Adjusted Operating Income	183,426
4		
5	Current Rate of Return	6.18%
6		
7	Required Operating Income	$ 313,341
8		
9	Required Rate of Return	10.56%
10		
11	Operating Income Deficiency	$ 129,914
12		
13	Gross Revenue Conversion Factor	1.6469
14		
15	Increase in Gross Revenue	
16	Requirement	$ 213,957
17		

18					
19	Customer	Present Rates *	Proposed Rates *	Dollar Increase	Percent Increase
20	Classification				
21	Residential	$ 463,148	$ 632,276	$ 169,128	36.52%
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	63,716	20,289	46.72%
25	Residential customer revenue				
26	annualized to end of year, based on				
27	year end number of customers	14,212	19,402	5,190	36.52%
28					
29					
30	Subtotal of Sewer Revenues	$ 538,937	$ 752,894	$ 213,957	39.70%
31	Hook up fees	70,000	70,000	-	0%
32	Miscellaneous Revenues	2,341	2,341	-	0%
33				-	0%
34	Total Revenues	$ 611,278	$ 825,235	$ 213,957	35.00%

35
36 * Includes Annualization of Revenues to Year End Customers for Residential & Commercial
37
38
39
40 SUPPORTING SCHEDULES:
41 B-1
42 C-1
43 G-2
44 H-1

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

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 12/31/97	Prior Years Ended 12/31/98	Test Year Actual 12/31/99	Test Year Adjusted 12/31/99	Projected Year Present Rates 12/31/00	Projected Year Proposed Rates 12/31/00
1	Gross Revenues	$ 506,598	$ 540,258	$ 587,969	$ 611,278	$ 611,278	$ 825,235
2							
3	Revenue Deductions and	407,613	464,541	492,224	427,852	427,852	511,894
4	Operating Expenses						
5							
6	Operating Income	$ 98,985	$ 75,717	$ 95,745	$ 183,426	$ 183,426	$ 313,341
7							
8	Other Income and	8,714	6,020	5,645	15,410	15,410	15,410
9	Deductions						
10							
11	Interest Expense	151,889	195,285	280,719	289,227	289,227	289,227
12							
13	Net Income	$ (44,190)	$ (113,548)	$ (179,329)	$ (90,391)	$ (90,391)	$ 39,524
14							
15	Earned Per Average						
16	Common Share	(0.03)	(0.08)	(0.13)	(0.06)	(0.06)	0.03
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	-0.92%	-2.21%	-3.15%	-1.77%	-1.46%	0.64%
25							
26	Return on Year End						
27	Capital	-0.89%	-2.12%	-2.88%	-1.45%	-1.46%	0.64%
28							
29	Return on Average						
30	Common Equity	-2.82%	-7.62%	-13.35%	-6.51%	-7.27%	3.02%
31							
32	Return on Year End						
33	Common Equity	-2.86%	-7.93%	-14.31%	-6.73%	-7.32%	2.90%
34							
35	*Times Interest Earned*						
36	Before Income Taxes	0.33	0.48	0.39	0.50	0.49	1.23
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	0.71	0.42	0.36	0.71	0.69	1.15
41							
42							
43	SUPPORTING SCHEDULES						
44	(a) E-2						
45	(b) C-1						
46	(c) F-1						

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

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/97	12/31/98	Test Year 12/31/99	Projected Year 12/31/00
1					
2					
3	Long-Term Debt (1)	1,938,993	1,893,795	3,024,000	2,949,790
4					
5	Total Debt	$ 1,938,993	$ 1,893,795	$ 3,024,000	$ 2,949,790
6					
7					
8	Preferred Stock	-	-	-	-
9					
10	Common Equity	1,546,076	1,432,528	1,325,092	1,364,124
11					
12					
13	Total Capital & Debt	$ 3,485,069	$ 3,326,323	$ 4,349,093	$ 4,313,914
14					
15					
16	Capitalization Ratios:				
17					
18	Long-Term Debt	55.64%	56.93%	69.53%	68.38%
19					
20	Total Debt	55.64%	56.93%	69.53%	68.38%
21					
22					
23	Preferred Stock	-	-	-	-
24					
25	Common Equity	44.36%	43.07%	30.47%	31.62%
26					
27					
28	Total Capital	100.00%	100.00%	100.00%	100.00%
29					
30					
31	Weighted Cost of				
32	Senior Capital	4.36%	5.87%	6.67%	6.56%
33					
34					
35					
36	(1) Includes proposed CoBank Loan in Test Year 12/1999 and 12/2000.				
37					
38	SUPPORTING SCHEDULES: (a) E-1				
39					
40					

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2	Prior Year Ended 12/31/97	469,472	8,391	4,836,288
3				
4	Prior Year Ended 12/31/98	482,080	929,928	5,766,216
5				
6	Test Year Ended 12/31/99	1,005,209	1,018,442	6,784,658
7				
8	Projected Year Ended 12/31/00	50,000		6,784,658
9				
10	SUPPORTING SCHEDULES:			
11	F3			
12	C2, Page 4			

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Summary Changes in Financial Position

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 12/31/97	Prior Year Ended 12/31/98	Test Year Ended 12/31/99	Projected Year Present Rates 12/31/00	Projected Year Proposed Rates 12/31/00
5	Cash Flows from Operating Activities					
6	Net Income	$ (44,190)	$ (113,548)	$ (179,329)	$ (90,391)	$ 39,524
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	92,380	103,730	115,194	91,101	91,101
10	Changes in Certain Assests and Liabilities:					
11	Deferred Income Taxes & Credits	17,370	11,812	13,104		
12	Accounts Receivable	(7,324)	(6,903)	(16,111)		
13	Materials & Supplies	-	-	-		
14	Prepaid Expenses	51,110	-	(20,992)		
15	Other Assets	500	6,496	(3,925)		
16	Accounts Payable and Accrued Liabilities	31,202	(28,283)	(5,044)		
17	Customer Deposits	-	-	-		
18	Accrued Taxes	(7,957)	4,261	6,999		
19	Other Liabilities	6,928	(12,552)	3,177		
20	Net Cash Flow provided by Operating Activities	$ 140,019	$ (34,987)	$ (86,927)	$ 710	$ 130,624
21	Cash Flow From Investing Activities:					
22	Capital Expenditures	(469,472)	(482,080)	(1,005,209)		
23	Purchase of Investments	(18,444)	(9,849)	(9,950)		
24	Net Cash Flows from Investing Activities	$ (487,916)	$ (491,929)	$ (1,015,159)	$ -	$ -
25	Cash Flow From Financing Activities					
26	(Decrease) Increase in Net Amounts due to Parent and					
27	Affiliates	330,387	518,183	200,278	(1,049,664)	(1,049,664)
28	Change in Restricted Cash	6,021	-	-	(117,940)	(117,940)
29	Changes in Advances for Construction	-	-	-		
30	Proceeds from Contributions in Aid of Construction	6,000	116,319	929,391		
31	Proceeds from Long-Term Debt Borrowing	-	-	-	1,179,398	1,179,398
32	Repayments of Long-Term Debt	(41,526)	(45,198)	(49,192)	(74,210)	(74,210)
33	Dividends Paid	-	-	-		
34	Deferred Financing Costs	1,566	1,566	1,566	(11,794)	(11,794)
35	Proceeds from Sale of Common Stock				(0)	(0)
36	Net Cash Flows Provided by Financing Activities	$ 302,448	$ 590,870	$ 1,082,043	$ (74,210)	$ (74,210)
37	Increase(decrease) in Cash and Cash Equivalents	(45,449)	63,954	(20,043)	(73,501)	56,414
38	Cash and Cash Equivalents at Beginning of Year	75,565	30,116	94,070	74,027	74,027
39	Cash and Cash Equivalents at End of Year	$ 30,116	$ 94,070	$ 74,027	$ 527	$ 130,441

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

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.			
1	Gross Utility Plant in Service	$	5,494,303
2	Less: Accumulated Depreciation		878,277
3			
4	Net Utility Plant in Service	$	4,616,026
5			
6	Less:		
7	Advances in Aid of		
8	Construction		-
9	Contributions in Aid of		
10	Construction - Net of amortization		1,943,194
11	Customer Meter Deposits		-
12	Deferred Income Taxes & Credits		141,682
13	Plus:		
14	Unamortized Finance Charges		29,016
15	Allowance for Working Capital		64,924
16	Debt Reserve Fund (existing CoBank loan)		224,500
17	Debt Reserve Fund (proposed CoBank loan)		117,940
18	Total Rate Base	$	2,967,530
19			
20			
21			
22	SUPPORTING SCHEDULES:		
23	(a) B-2		
24	(b) B-3		
25	(c) B-5		
26			
27			

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

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment Label	Proforma Adjustment Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	$ 6,784,658	(5)	(1,290,350)	$ 5,494,303
3					
4	Less:				
5					
6	Accumulated				
7	Depreciation	996,360	(1)	(492)	878,277
8			(5)	(117,591)	
9	Net Utility Plant				
10	in Service	$ 5,788,298			$ 4,616,026
11					
12	Less:				
13	Advances in Aid of				
14	Construction	-			-
15	Contributions in Aid of				
16	Construction - Net	1,943,194			1,943,194
17	Customer Meter Deposits	-			-
18	Deferred Income Taxes & Credits	95,497	(5)	46,190	141,682
19					
20	Plus:				
21	Unamortized Finance				
22	Charges	17,226	(4)	11,794	29,016
23	Working capital	-	(2)	64,924	64,924
24	Debt Reserve Fund (existing CoBank loan)	224,500			224,500
25	Debt Reserve Fund (proposed CoBank loan)		(3)	117,940	117,940
26	Total				$ 2,967,530
27					
28					
29	(1) Difference between Accumulated Depreciation per Book and Plant Schedule B2, page 2a-2e.				
30	(2) Schedule B5.				
31	(3) Debt reserve requirement 10 percent on proposed Cobank loan of $ 1,179,398 .				
32	(4) Points on proposed CoBank loan.				
33	(5) Excess capacity adjustments:				
34	Remove excess treatment plant - 35% of $ 3,868,714.				
35	Remove depreciation on sewer treatment plant since 1996. Half-year convention.				
36	Additional (net) deferred tax from removal of sewer treatment plant. Tax Depreciation of 4%.				
37					
38	SUPPORTING SCHEDULES:				
39	E1				
40	C2, Page 4				
41	B2				
42	B2, Page 2a-2e				
43					

Rio Verde Utilities, Inc. - Sewer
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2 a
Witness: Bourassa

Account No.	Description	Deprec. Rate Thru Dec-92	Deprec. Rate After Dec-92	Staff Plant At 12/31/92	Allocated Staff 12/31/92 Accum. Depr. (a)	1993 Plant Additions	1993 Plant Adjustments	1993 Adjusted Plant Additions	1993 Plant Retirements	1993 Plant Balance	1993 Depr.	1993 Depreciable Balance	1994 Plant Additions	1994 Plant Adjustments	1994 Adjusted Plant Additions	1994 Plant Retirements	1994 Plant Balance
301	Organization Cost	0.000000%	0.000000%	1,380				-		1,380	-	1,380			-		1,380
302	Franchise Cost	0.000000%	0.000000%					-		-	-	-			-		-
353	Land and Land Rights	0.000000%	0.000000%	50,513				-		50,513	-	50,513			-		50,513
354	Structures and Improvements	2.603750%	2.603750%	251,842	39,780			-		251,842	6,557	251,842			-		251,842
361	Sewer Line	2.603750%	2.603750%	624,837	98,698			-		624,837	16,269	624,837	186,449		186,449		811,286
363	Services	2.603750%	2.603750%	261,292	41,273	2,512		2,512		263,804	6,836	263,804	78,836		78,836		342,640
368	Lift Station	2.603750%	2.603750%		-			-		-	-	-			-		-
371	Effluent Pump	2.603750%	2.603750%	22,088	3,489	4,566		4,566		26,654	635	26,654	-		-		26,654
380	Treatment Plant	2.603750%	2.603750%	690,470	109,065	373		373		690,843	17,983	690,843	20,298		20,298		711,140
382	Effluent Lines	2.603750%	2.603750%	20,562	3,248			-		20,562	535	20,562	71,307		71,307		91,869
391	Transportation Equipment	2.603750%	2.603750%	14,050	2,219			-		14,050	366	14,050	8,675		8,675		22,725
393	Tools and Work Equipment	2.603750%	2.603750%	101	16	716		716		817	12	817	421		421		1,238
394	Laboratory Equipment	2.603750%	2.603750%	53,659	8,476			-		53,659	1,397	53,659			-		53,659
396	Communications Equipment	2.603750%	2.603750%	4,132	653			-		4,132	108	4,132			-		4,132
398	Other Tangible Plant	2.603750%	2.603750%	4,620	730			-		4,620	120	4,620	112		112		4,732
	Plant Held for Future Use																
	TOTAL SEWER PLANT			1,999,546	307,646	8,167		8,167	-	2,007,713			366,098		366,098	-	2,373,811
	Depreciation									50,818							55,691
(a)	Staff Accumulated Depreciation Allocated to Plant.			1,947,653													
	Retirements (excluding land)									-							-
	Accumulated Depreciation Balance				307,646					358,464							414,155
	Half Year Convention used on depreciation																

Rio Verde Utilities, Inc. - Sewer
Plant Additions and Retirements

Exhibit
Schedule B-2
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Witness: Bourassa

Account No.	Description	1994 Depreciable Balance	1994 Deprec.	1995 Plant Additions	1995 Plant Adjustments	1995 Adjusted Plant Additions	1995 Plant Retirements	1995 Plant Balance	1995 Depreciable Balance	1995 Deprec.	1996 Plant Additions	1996 Plant Adjustments	1996 Adjusted Plant Additions	1996 Plant Retirements	1996 Plant Balance
301	Organization Cost	1,380	-			-		1,380	1,380	-			-		1,380
302	Franchise Cost	-	-			-		-	-	-			-		-
353	Land and Land Rights	50,513	-			-		50,513	50,513	-			-		50,513
354	Structures and Improvements	251,842	6,557			-		251,842	251,842	6,557	3,761		3,761		255,603
361	Sewer Line	811,286	18,697	124,759		124,759		936,044	936,044	22,748	90,634		90,634		1,026,678
363	Services	342,640	7,895	87,165		87,165		429,805	429,805	10,056	11,349		11,349		441,154
368	Lift Station	-	-			-		-	-	-			-		-
371	Effluent Pump	26,654	694			-		26,654	26,654	694	3,250		3,250		29,905
380	Treatment Plant	711,140	18,252			-		711,140	711,140	18,516	2,125,487		2,125,487		2,836,628
382	Effluent Lines	91,869	1,464			-		91,869	91,869	2,392			-		91,869
391	Transportation Equipment	22,725	479	5,636		5,636		28,361	28,361	665			-		28,361
393	Tools and Work Equipment	1,238	27			-		1,238	1,238	32	597		597		1,836
394	Laboratory Equipment	53,659	1,397			-		53,659	53,659	1,397	-		-		53,659
396	Communications Equipment	4,132	108			-		4,132	4,132	108	888		888		5,020
398	Other Tangible Plant	4,732	122			-		4,732	4,732	123	560		560		5,292
	Plant Held for Future Use														
	TOTAL SEWER PLANT			217,560		217,560	-	2,591,371			2,236,527		2,236,527	-	4,827,898
	Depreciation							63,289							95,238
(a)	Staff Accumulated Depreciation Allocated to Plant.														
	Retirements (excluding land)							-							-
	Accumulated Depreciation Balance							477,444							572,683
	Half Year Convention used on depreciation														

Rio Verde Utilities, In. - Sewer
Plant Additions and Retirements

Exhibit
Schedule B-2
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Witness: Bourassa

Account No.	Description	1996 Depreciable Balance	1996 Deprec.	1997 Plant Additions	1997 Plant Adjustments	1997 Adjusted Plant Additions	1997 Plant Retirements	1997 Plant Balance	1997 Depreciable Balance	1997 Deprec.	1998 Plant Additions	1998 Plant Adjustments	1998 Adjusted Plant Additions	1998 Plant Retirements	1998 Plant Balance
301	Organization Cost	1,380	-			-		1,380	1,380	-			-		1,380
302	Franchise Cost	-	-			-		-	-	-			-		-
353	Land and Land Rights	50,513	-			-		50,513	50,513	-			-		50,513
354	Structures and Improvements	255,603	6,606	659	4,134	4,793		260,396	260,396	6,718	4,500		4,500		264,896
361	Sewer Line	1,026,678	25,552			-		1,026,678	1,026,678	26,732	6,414	66,479	72,893		1,099,571
363	Services	441,154	11,339			-		441,154	441,154	11,487			-		441,154
368	Lift Station	-	-			-		-	-	-			-		-
371	Effluent Pump	29,905	736			-		29,905	29,905	779			-		29,905
380	Treatment Plant	2,836,628	46,188	669		669		2,837,297	2,837,297	73,867	880	844,380	845,260		3,682,557
382	Effluent Lines	91,869	2,392			-		91,869	91,869	2,392			-		91,869
391	Transportation Equipment	28,361	738			-		28,361	28,361	738			-		28,361
393	Tools and Work Equipment	1,836	40			-		1,836	1,836	48	467		467		2,303
394	Laboratory Equipment	53,659	1,397			-		53,659	53,659	1,397	3,222		3,222		56,881
396	Communications Equipment	5,020	119	2,929		2,929		7,950	7,950	169			-		7,950
398	Other Tangible Plant	5,292	130			-		5,292	5,292	138	3,584		3,584		8,876
	Plant Held for Future Use														
	TOTAL SEWER PLANT			4,257		8,391	-	4,836,289			19,068		929,927	-	5,766,215
	Depreciation							124,464							136,680
(a)	Staff Accumulated Depreciation Allocated to Plant.														
	Retirements (excluding land)							-							-
	Accumulated Depreciation Balance							697,147							833,828
	Half Year Convention used on depreciation														

Rio Verde Utilities, In. - Sewer
Plant Additions and Retirements

Exhibit
Schedule B-2
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Witness: Bourassa

Account No.	Description	1998 Depreciable Balance	1998 Deprec.	1999 Plant Additions	1999 Plant Adjustments	1999 Adjusted Plant Additions	1999 Plant Retirements	1999 Plant Balance	1999 Depreciable Balance	1999 Deprec.
301	Organization Cost	1,380	-			-		1,380	1,380	-
302	Franchise Cost	-	-			-		-	-	-
353	Land and Land Rights	50,513	-			-		50,513	50,513	-
354	Structures and Improvements	264,896	6,839	12,987		12,987		277,883	277,883	7,066
361	Sewer Line	1,099,571	27,681	624,127		624,127		1,723,698	1,723,698	36,755
363	Services	441,154	11,487	119,000		119,000		560,154	560,154	13,036
368	Lift Station	-	-	194,885		194,885		194,885	194,885	2,537
371	Effluent Pump	29,905	779			-		29,905	29,905	779
380	Treatment Plant	3,682,557	84,880	4,157		4,157		3,686,714	3,686,714	95,939
382	Effluent Lines	91,869	2,392			-		91,869	91,869	2,392
391	Transportation Equipment	28,361	738	8,319		8,319		36,680	36,680	847
393	Tools and Work Equipment	2,303	54			-		2,303	2,303	60
394	Laboratory Equipment	56,881	1,439			1,342		58,223	58,223	1,499
396	Communications Equipment	7,950	207	-		-		7,950	7,950	207
398	Other Tangible Plant	8,876	184	53,228		53,228		62,103	62,103	924
	Plant Held for Future Use									
	TOTAL SEWER PLANT			1,016,703		1,018,045	-	6,784,261		
	Depreciation							162,040		
(a)	Staff Accumulated Depreciation Allocated to Plant.									
	Retirements (excluding land)							-		
	Accumulated Depreciation Balance							995,868		
	Half Year Convention used on depreciation									

Rio Verde Utilities, In. - Sewer
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 2 e
Witness: Bourassa

Account No.	Description	Year End Accumulated Depreciation by Account Dec-92 1992	Dec-93 1993	Dec-94 1994	Dec-95 1995	Dec-96 1996	Dec-97 1997	Dec-98 1998	Dec-99 1999
301	Organization Cost	-	-	-	-	-	-	-	-
302	Franchise Cost	-	-	-	-	-	-	-	-
353	Land and Land Rights	-	-	-	-	-	-	-	-
354	Structures and Improvements	39,780	46,338	52,895	59,452	66,059	72,776	79,615	86,681
361	Sewer Line	98,698	114,967	133,663	156,411	181,964	208,696	236,377	273,132
363	Services	41,273	48,109	56,004	66,060	77,399	88,886	100,372	113,408
368	Lift Station	-	-	-	-	-	-	-	2,537
371	Effluent Pump	3,489	4,124	4,818	5,512	6,248	7,027	7,805	8,584
380	Treatment Plant	109,065	127,048	145,300	163,816	210,004	283,871	368,751	464,690
382	Effluent Lines	3,248	3,783	5,247	7,639	10,031	12,423	14,815	17,207
391	Transportation Equipment	2,219	2,585	3,064	3,729	4,467	5,206	5,944	6,791
393	Tools and Work Equipment	16	28	55	87	127	175	229	289
394	Laboratory Equipment	8,476	9,873	11,270	12,667	14,064	15,462	16,901	18,399
396	Communications Equipment	653	760	868	975	1,095	1,263	1,470	1,677
398	Other Tangible Plant	730	850	972	1,095	1,226	1,363	1,548	2,472
	Plant Held for Future Use								
	TOTAL SEWER PLANT	307,646	358,464	414,155	477,444	572,683	697,147	833,828	995,868
	Depreciation								

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

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	41,196
3	Pumping Power (1/24 of Pumping Power)		2,736
4	Material and Supplies Inventories		-
5	Prepayments		20,992
6			
7			
8	Total Working Capital Allowance	$	64,924
9			
10			
11			
12			
13			
14	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
15	(a) E-1	(b) B-1	
16			

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

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	Adjust-ment Label	Adjustments	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**						
2	Sewer Revenues	$ 525,628	(1)	14,212	$ 538,937	213,957	$ 752,894
			(9)	(903)			
3	Hook-Up Fees	60,000	(2)	10,000	70,000		70,000
4	Misc Service Revenues	2,341			2,341		2,341
5					-		-
6					-		-
7	**Total Sewer Reveneus**	$ 587,969			$ 611,278		$ 825,235
8	**Operating Expenses**						
9	Salaries & Wages	$ 94,501	(4)	7,560	$ 102,061		$ 102,061
10	Purchased Power	63,737	(12h)	1,918	65,656		65,656
11	Maintenance - Plant	75,752	(12c)	2,280	78,032		78,032
12	Maintenance - Electronics	364	(12d)	11	375		375
13	Equipment Repairs	793	(12e)	24	816		816
14	Chemicals	12,876	(12f)	388	13,264		13,264
15	Sludge Processing	14,247	(12g)	429	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	1,718	(7)(12a)	105	1,823		1,823
22	Office Supplies	1,510	(12b)	45	1,556		1,556
23	Payroll Taxes	10,760	(4)	730	11,490		11,490
24	Employee Benefits	7,399			7,399		7,399
25	Taxes & Licenses	26,675	(10)	(44)	26,631		26,631
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			27,839		27,839
34	Miscellaneous	719			719		719
35	Rate Case Expense	-	(5)	12,000	12,000		12,000
36	Depreciation	115,195	(3)	(24,094)	91,101		91,101
37	Patronage Divided Sewer	(14,600)			(14,600)		(14,600)
38		-			-		-
39	Income Taxes	7,250			(58,474)		25,568
40	**Total Operating Expenses**	$ 492,224			$ 427,852		$ 511,894
41	**Profit (Loss) Before Interest**	$ 95,745			$ 183,426		$ 313,341
42	**Other Income (Expense)**						
43	Interest Income	5,645	(6)	9,765	15,410		15,410
44	Other income				-		-
45	Interest Expense	(280,719)	(8)(11)	(8,508)	(289,227)		(289,227)
46	Other Expense				-		-
47	Gain/Loss Sale of Fixed Assets				-		-
48	**Total Other Income (Expense)**	$ (275,074)			$ (273,817)		$ (273,817)
49	**Net Profit (Loss)**	$ (179,329)			$ (90,391)		$ 39,524
50							

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

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Adjustments to Revenues and Expenses

Line No.		1	2	3	4	5	6	Subtotal
1	Revenues	14,212	10,000					24,212
2								
3	Expenses			(24,094)	8,290	12,000		(3,805)
4								
5	Operating							
6	Income	14,212	10,000	24,094	(8,290)	(12,000)	-	28,017
7								
8	Interest							
9	Expense							
10	Other							
11	Income/						9,765	9,765
12	Expense							
13								
14	Net Income	14,212	10,000	24,094	(8,290)	(12,000)	9,765	37,781
15								
16								

Adjustments to Revenues and Expenses

17								
18		7	8	9	10	11	12	Subtotal
19	Revenues			(903)				(903)
20								
21	Expenses	52			(44)		5,148	5,156
22								
23	Operating							
24	Income	(52)	-	(903)	44	-	(5,148)	(6,059)
25								
26	Interest							
27	Expense		6,352			2,156		8,508
28	Other							
29	Income /							
30	Expense							
31								
32	Net Income	(52)	(6,352)	(903)	44	(2,156)	(5,148)	(14,567)
33								
34								

Adjustments to Revenues and Expenses

35								
36		13	14	15	16	17	18	Total
37	Revenues							23,309
38								
39	Expenses							1,352
40								
41	Operating							
42	Income	-	-	-	-	-	-	21,957
43								
44	Interest							
45	Expense							8,508
46	Other							
47	Income /							9,765
48	Expense							
49								
50	Net Income	-	-	-	-	-	-	23,214

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
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Line No.		Additional Billings	Present Rates Dollars
1	**Annualization of Revenues to Year-end Number of Customers**		
2			
3			
4	Residential	418	$ 34.00
5			
6	Total Proforma Revenues	$ 418	$ 34.00
7			
8	Total Proforma Revenues		$ 14,212
9			
10			
11	Adjustment to Revenues and/or Expenses		$ 14,212
12			
13	SUPPORTING SCHEDULES:		
14	C-2, Pages 2a		
15	H1		
16			
17			

Rio Verde Utilities, Inc. - Sewer
Revenue Anualization to Year-end Number of Customers
Residential

Exhibit
Schdule C2
Page 2a
Witness: Bourassa

Line No.		Month Jan-99	Feb	Mar	Apr	May	Jun
1	Year End Number of Customers	1,170	1,170	1,170	1,170	1,170	1,170
2	Actual Customers	1,106	1,108	1,114	1,120	1,122	1,127
3	Increase in Number of Customers/Bills	64	62	56	50	48	43
4	Average Revenue / Present Rates	$ 34.00	$ 34.00	$ 34.00	$ 34.00	$ 34.00	$ 34.00
5	Revenue Annualization / Present Rates	$ 2,176	$ 2,108	$ 1,904	$ 1,700	$ 1,632	$ 1,462
6							
7	Increase in Number of Customers	64	62	56	50	48	43
8	Average Revenue / Proposed Rates	$ 41.51	$ 41.51	$ 41.51	$ 41.51	$ 41.51	$ 41.51
9	Revenue Annualization / Proposed Rates	$ 2,657	$ 2,574	$ 2,324	$ 2,075	$ 1,992	$ 1,785
10							
11							
12							
13		Month					
14		Jul	Aug	Sep	Oct	Nov	Dec
15	Year End Number of Customers	1,170	1,170	1,170	1,170	1,170	1,170
16	Actual Customers	1,137	1,140	1,152	1,156	1,170	1,170
17	Increase in Number of Customers/Bills	33	30	18	14	-	-
18	Average Revenue / Present Rates	$ 34.00	$ 34.00	$ 34.00	$ 34.00	$ 34.00	$ 34.00
19	Revenue Annualization / Present Rates	$ 1,122	$ 1,020	$ 612	$ 476	$ -	$ -
20							
21	Increase in Number of Customers	33	30	18	14	-	-
22	Average Revenue / Proposed Rates	$ 41.51	$ 41.51	$ 41.51	$ 41.51	$ 41.51	$ 41.51
23	Revenue Annualization / Proposed Rates	$ 1,370	$ 1,245	$ 747	$ 581	$ -	$ -
24							

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Line No.			
1	Adjustment for hook-up fees		
2			
3	Projected Customer Growth		70
4	Current Charge Per Hook-Up	$	1,000
5	Total Projected Hook-Up Fees		70,000
6			
7	Test Year Amount	$	60,000
8			
9			
10	Adjustment to Revenues and/or Expenses	$	10,000
11			
12			
13			

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Adjustments to Revenues and Expenses
ADJUSTMENT TO REVENUE AND/OR EXPENSES
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Line No.							
1	**Annualization of Depreciation Expense**						
2			Test		Projected	Proposed	Proposed
3	Account		Year End		Year End	Depreciation	Depreciation
4	Number	Plant Asset:	Balance	Adjustment	Balance	Rate	Expense
5	301	Organization Cost	$ 1,380.00		$ 1,380.00	0.000000%	-
6	302	Franchise Cost	-		-	0.000000%	-
7	353	Land and Land Rights	50,513		50,513	0.000000%	-
8	354	Structures and Improvements	277,883		277,883	2.603750%	7,235
9	361	Sewer Line	1,723,698		1,723,698	2.603750%	44,881
10	363	Services	560,154		560,154	2.603750%	14,585
11	368	Lift Station	194,885		194,885	2.603750%	5,074
12	371	Effluent Pump	29,905		29,905	2.603750%	779
13	380	Treatment Plant (a)	3,686,714	(1,290,350)	2,396,364	2.603750%	62,395
14	382	Effluent Lines	91,869		91,869	2.603750%	2,392
15	391	Transportation Equipment	36,680		36,680	2.603750%	955
16	393	Tools and Work Equipment	2,303		2,303	2.603750%	60
17	394	Laboratory Equipment	58,223		58,223	2.603750%	1,516
18	396	Communications Equipment	7,950		7,950	2.603750%	207
19	398	Other Tangible Plant	62,103		62,103	2.603750%	1,617
20							
21							
22	Total Plant		$ 6,784,261	$ (1,290,350)	$ -	$ 5,493,911	$ 141,697
23							
24							
25	Depreciation				$ 141,697		
26							
27	Less: Amortization of Contributions in Aid of Construction				$ 1,943,194		
28	Commission Approved Amortization Rate				2.603750%		
29	Amortization				$ 50,596		
30							
31	Adjusted Test Year Depreciation Expense				$ 91,101		
32	Test Year Depreciation Per Books				115,195		
33	Increase (decrease) in Depreciation Expense				$ (24,094)		
34							
35	Adjustment to Revenues and/or Expenses				$ (24,094)		
36							
37	(a) Remove plant for excess capacity of 35%						

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Line No.					
1	**Increase in Salaries & Wages**				
2					
3	Test Year Salaries & Wages			$	94,501
4					
5	Projected Increase (as a percent)				8.0%
6					
7	Projected Salaries and Wages			$	102,061
8					
9	Projected Increase			$	7,560
10					
11	Payroll Taxes in Projected Increase				
12	Social Security & Medicare	$	578		
13	Federal Unemployment		60		
14	State Unemployment		91		
15	Total Projected Increase in Payroll Taxes			$	730
16					
17					
18					
19	Adjustment to Revenues and/or Expenses			$	8,290
20					

Rio Verde Utilities, Inc. - Sewer
Test Year Ended June 30, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Adjustment for Rate Case Expense

Line No.		
1	Estimated Rate Case Expense	$ 60,000
2		
3	Estimated Amortization Period in Years	5
4		
5	Adjustment to Rate Case Expense	$ 12,000
6		
7		
8	*Adjustment to Revenue and/or Expense*	$ 12,000
9		
10		
11		

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Line. No.			
1	**Interest on Debt Reserve Fund**		
2			
3	Short-Term Investment Interest Rate		4.5000%
4			
5	Cash Restricted by debt covenant - Existing CoBank Loan	$	224,500
6	Cash Restricted by debt covenant - Proposed CoBank Loan		117,940
7	Total Debt Reserve Fund	$	342,440
8			
9			
10	Interest on Debt Reserve Fund	$	15,410
11	Test Year Interest Income		5,645
12			
13	Additional Interest Income	$	9,765
14			
15	Adjustment to Revenues and/or Expenses	$	9,765
16			
17			
18			

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Line. No.			
1	**Annual mailing costs**		
2			
3			
4	Test Year Postage	$	1,718
5			
6	Number of Customer Billings in Test Year		13,622
7			
8	Average Mailing Cost Per Customer Bill	$	0.12609
9			
10	*Projected Increase in Cost (as a Percent)*		3.03%
11			
12	Adjusted Average Mailing Cost Per Customer Bill	$	0.12991
13			
14	Adjusted Mailing Costs at Test Year Number of Billings	$	1,770
15			
16	Increase in Expenses	$	52
17			
18			
19	Adjustment to Revenues and/or Expenses	$	52
20			
21			

Chaparral City Water Company
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Line. No.			
1	**Interest Expense on Long Term Debt**		
2			
3	Interest Expense on Long Term Debt for Projected Year (Including proposed CoBank loan)	$	287,071
4			
5	Test Year Interest Expense on Long Term Debt		280,719
6			
7	Adjustment to Interest Expense		6,352
8			
9	Adjustment to Revenues and/or Expenses	$	6,352
10			
11			
12			
13	See Schedule D2, Page 1		
14	See amortization schedules 9a and 9b.		
15			

Rio Verde Utilities, Inc. - Sewer
Existing Cobank Loan
Amortization Schedule

Exhibit
Schedule C2
Page 9b
Witness: Bourassa

Line No.						
1			1/2 Fixed	1/2 Variable Rate		
2			Fixed	1999	2000	
3	Annual Interest Rate		9.80%	9.2045%	9.2045%	
4	Payment		$ 18,920.00	9.2045%	9.2045%	
5						
6	Pay No.	Principle	Interest	Payment	Balance	
7	1	$ 3,923.91	$ 14,996.09	$ 18,920.00	$ 1,893,795.00	**<-Balance 12/98**
8	2	3,954.98	14,965.02	18,920.00	1,889,871.09	
9	3	3,986.29	14,933.71	18,920.00	1,885,916.12	
10	4	4,017.86	14,902.14	18,920.00	1,881,929.82	
11	5	4,049.68	14,870.32	18,920.00	1,877,911.96	
12	6	4,081.74	14,838.26	18,920.00	1,873,862.29	
13	7	4,114.06	14,805.94	18,920.00	1,869,780.54	
14	8	4,146.64	14,773.36	18,920.00	1,865,666.48	
15	9	4,179.48	14,740.52	18,920.00	1,861,519.84	
16	10	4,212.57	14,707.43	18,920.00	1,857,340.36	
17	11	4,245.93	14,674.07	18,920.00	1,853,127.79	
18	12	4,279.55	14,640.45	18,920.00	1,848,881.86	
19	13	4,313.44	14,606.56	18,920.00	1,844,602.30	**<-Balance 12/99**
20	14	4,347.60	14,572.40	18,920.00	1,840,288.86	
21	15	4,382.02	14,537.98	18,920.00	1,835,941.27	
22	16	4,416.72	14,503.28	18,920.00	1,831,559.24	
23	17	4,451.70	14,468.30	18,920.00	1,827,142.52	
24	18	4,486.95	14,433.05	18,920.00	1,822,690.83	
25	19	4,522.48	14,397.52	18,920.00	1,818,203.88	
26	20	4,558.29	14,361.71	18,920.00	1,813,681.40	
27	21	4,594.38	14,325.62	18,920.00	1,809,123.12	
28	22	4,630.76	14,289.24	18,920.00	1,804,528.73	
29	23	4,667.43	14,252.57	18,920.00	1,799,897.97	
30	24	4,704.39	14,215.61	18,920.00	1,795,230.54	
31	25	4,741.64	14,178.36	18,920.00	1,790,526.14	**<-Balance 12/00**
32	26	4,779.19	14,140.81	18,920.00	1,785,784.50	
33	27	4,817.04	14,102.96	18,920.00	1,781,005.31	
34	28	4,855.18	14,064.82	18,920.00	1,776,188.27	
35	29	4,893.63	14,026.37	18,920.00	1,771,333.09	
36	30	4,932.38	13,987.62	18,920.00	1,766,439.47	
37	31	4,971.43	13,948.57	18,920.00	1,761,507.09	
38	32	5,010.80	13,909.20	18,920.00	1,756,535.66	
39	33	5,050.48	13,869.52	18,920.00	1,751,524.86	
40	34	5,090.47	13,829.53	18,920.00	1,746,474.38	
41	35	5,130.78	13,789.22	18,920.00	1,741,383.91	
42	36	5,171.41	13,748.59	18,920.00	1,736,253.13	
43	37	5,212.36	13,707.64	18,920.00	1,731,081.73	

Rio Verde Utilities, Inc. - Sewer
CoBank Loan (Proposed)
Amortization Schedule

Exhibit
Schedule C2
Page 9b
Witness: Bourassa

Line No.		
1	Principle	$ 1,179,398.00
2	No. of Months	240
3	Annual Interest Rate	9.75%
4	Payment	$ 11,186.79
5		

6	Pay No.	Principle	Interest	Payment	Balance
7	1	$ 1,604.18	$ 9,582.61	$11,186.79	$ 1,179,398.00
8	2	1,617.21	9,569.57	11,186.79	1,177,793.82
9	3	1,630.35	9,556.43	11,186.79	1,176,176.61
10	4	1,643.60	9,543.19	11,186.79	1,174,546.25
11	5	1,656.95	9,529.83	11,186.79	1,172,902.65
12	6	1,670.42	9,516.37	11,186.79	1,171,245.70
13	7	1,683.99	9,502.80	11,186.79	1,169,575.28
14	8	1,697.67	9,489.12	11,186.79	1,167,891.29
15	9	1,711.47	9,475.32	11,186.79	1,166,193.62
16	10	1,725.37	9,461.42	11,186.79	1,164,482.15
17	11	1,739.39	9,447.40	11,186.79	1,162,756.78
18	12	1,753.52	9,433.27	11,186.79	1,161,017.39
19	13	1,767.77	9,419.02	11,186.79	1,159,263.87
20	14	1,782.13	9,404.66	11,186.79	1,157,496.10
21	15	1,796.61	9,390.18	11,186.79	1,155,713.97
22	16	1,811.21	9,375.58	11,186.79	1,153,917.35
23	17	1,825.93	9,360.86	11,186.79	1,152,106.14
24	18	1,840.76	9,346.03	11,186.79	1,150,280.22
25	19	1,855.72	9,331.07	11,186.79	1,148,439.45
26	20	1,870.80	9,315.99	11,186.79	1,146,583.74
27	21	1,886.00	9,300.79	11,186.79	1,144,712.94
28	22	1,901.32	9,285.47	11,186.79	1,142,826.94
29	23	1,916.77	9,270.02	11,186.79	1,140,925.62
30	24	1,932.34	9,254.45	11,186.79	1,139,008.86
31	25	1,948.04	9,238.75	11,186.79	1,137,076.51
32	26	1,963.87	9,222.92	11,186.79	1,135,128.47
33	27	1,979.83	9,206.96	11,186.79	1,133,164.60
34	28	1,995.91	9,190.88	11,186.79	1,131,184.78
35	29	2,012.13	9,174.66	11,186.79	1,129,188.86
36	30	2,028.48	9,158.31	11,186.79	1,127,176.73
37	31	2,044.96	9,141.83	11,186.79	1,125,148.26
38	32	2,061.57	9,125.21	11,186.79	1,123,103.30
39	33	2,078.32	9,108.46	11,186.79	1,121,041.72
40	34	2,095.21	9,091.58	11,186.79	1,118,963.40
41	35	2,112.23	9,074.55	11,186.79	1,116,868.19
42	36	2,129.40	9,057.39	11,186.79	1,114,755.95
43	37	2,146.70	9,040.09	11,186.79	1,112,626.56

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Line. No.		
1	**Adjustment To Reconcile GL To Bill Count**	
2		
3	Revenues Per GL	587,969
4	Less: Hook up fees	60,000
5	Other	2,341
6		
7	Water Revenues GL	525,628
8	Water Reveneus Per Bill Count (w/out annualization)	524,725
9	Difference	903
10	Percent	0.172%
11		
12	Adjustment to Revenues and/or Expenses	$ (903)
13		
14		
15		
16		

Rio Verde Utilities, Inc.
Margin of Error in Property Tax Computations
Based on 50% of Plant and 50% of Proposed Revenues
Test Year December 31, 1999
Adjustment # 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Line No.				Proposed Revenues
1	Revenues - Annualized - Proposed Rates			825,235
2	Two Times Revenue			1,650,471
3	Gross Plant			5,494,303
4	Less: Accumulated Depreciation			878,277
5				
6	Net Plant or Book Value			4,616,026
7				
8	Revenue / Net Plant = Utilization Factor			17.878%
9				
10	Department of Revenue Factor for Plant			35%
11	Two Times Revenue without sales tax			1,650,471
12	Net Plant Times Utilization Factor, plus materials & supplies of:		$ -	1,615,609
13	Correlated Value, assuming 50% of plant and 50% of revenue			
14	plus Material and Supplies	$ -		1,633,040
15	CWIP at 35%			
16	Transportation Equipment Deduction			(10,902)
17				
18	Full Cash Value			1,622,138
19				
20	Times Assessment Ratio at 25%			25.00%
21				
22	Assessed Value			405,534
23				
24	Property Tax Rate			5.404%
25	Property Tax Expense, base on full cash value			21,914
26	Property tax on parcels			0
27	Total Property Tax Expense at Proposed Rates			21,914
28	Test Year Property Tax Expense (based on Billed Taxes at 12/99)			21,724
29	Increase in Property Tax Expense			190
26	Less: Margin of Error in Computation			(234)
27	Adjustment to Property Tax Expense			(44)
28				
29	Adjustment to Revenue and/or Expenses			$ (44)

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

Exhibit
Schedule C-2
Page 11b
Witness: Bourassa

Line No.	(From Line 2, Page Xa) 1,650,471 Percentage of: Revenue	(From Line 12, Page Xa) 1,615,609 Percentage of: Plant	Dollar amount of Revenue	1615609.263 Dollar amount of Plant	Correl-ated Value	Remove Transport. Equipment	Full Cash Value	25.00% Assessed Value Percent	5.4037% Property Tax Expense	Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of: Revenue	Maximum Error as A Percentage of: Property Tax
1	100%	0%	1,650,471	0	1,650,471	(11,019)	1,639,452	409,863	22,148	21,914	(234)	-0.01%	-1.07%
2	99%	1%	1,633,966	16,156	1,650,122	(11,016)	1,639,106	409,776	22,143	21,914	(229)	-0.01%	-1.05%
3	98%	2%	1,617,461	32,312	1,649,773	(11,014)	1,638,760	409,690	22,138	21,914	(225)	-0.01%	-1.02%
4	97%	3%	1,600,957	48,468	1,649,425	(11,012)	1,638,413	409,603	22,134	21,914	(220)	-0.01%	-1.00%
5	96%	4%	1,584,452	64,624	1,649,076	(11,009)	1,638,067	409,517	22,129	21,914	(215)	-0.01%	-0.98%
6	95%	5%	1,567,947	80,780	1,648,728	(11,007)	1,637,721	409,430	22,124	21,914	(211)	-0.01%	-0.96%
7	94%	6%	1,551,442	96,937	1,648,379	(11,005)	1,637,374	409,344	22,120	21,914	(206)	-0.01%	-0.94%
8	93%	7%	1,534,938	113,093	1,648,030	(11,002)	1,637,028	409,257	22,115	21,914	(201)	-0.01%	-0.92%
9	92%	8%	1,518,433	129,249	1,647,682	(11,000)	1,636,682	409,170	22,110	21,914	(196)	-0.01%	-0.90%
10	91%	9%	1,501,928	145,405	1,647,333	(10,998)	1,636,336	409,084	22,106	21,914	(192)	-0.01%	-0.88%
11	90%	10%	1,485,424	161,561	1,646,985	(10,995)	1,635,989	408,997	22,101	21,914	(187)	-0.01%	-0.85%
12	89%	11%	1,468,919	177,717	1,646,636	(10,993)	1,635,643	408,911	22,096	21,914	(182)	-0.01%	-0.83%
13	88%	12%	1,452,414	193,873	1,646,287	(10,991)	1,635,297	408,824	22,092	21,914	(178)	-0.01%	-0.81%
14	87%	13%	1,435,909	210,029	1,645,939	(10,988)	1,634,950	408,738	22,087	21,914	(173)	-0.01%	-0.79%
15	86%	14%	1,419,405	226,185	1,645,590	(10,986)	1,634,604	408,651	22,082	21,914	(168)	-0.01%	-0.77%
16	85%	15%	1,402,900	242,341	1,645,241	(10,984)	1,634,258	408,564	22,078	21,914	(164)	-0.01%	-0.75%
17	84%	16%	1,386,395	258,497	1,644,893	(10,981)	1,633,912	408,478	22,073	21,914	(159)	-0.01%	-0.73%
18	83%	17%	1,369,891	274,654	1,644,544	(10,979)	1,633,565	408,391	22,068	21,914	(154)	-0.01%	-0.70%
19	82%	18%	1,353,386	290,810	1,644,196	(10,977)	1,633,219	408,305	22,063	21,914	(150)	-0.01%	-0.68%
20	81%	19%	1,336,881	306,966	1,643,847	(10,974)	1,632,873	408,218	22,059	21,914	(145)	-0.01%	-0.66%
21	80%	20%	1,320,377	323,122	1,643,498	(10,972)	1,632,526	408,132	22,054	21,914	(140)	-0.01%	-0.64%
22	79%	21%	1,303,872	339,278	1,643,150	(10,970)	1,632,180	408,045	22,049	21,914	(136)	-0.01%	-0.62%
23	78%	22%	1,287,367	355,434	1,642,801	(10,967)	1,631,834	407,958	22,045	21,914	(131)	-0.01%	-0.60%
24	77%	23%	1,270,862	371,590	1,642,453	(10,965)	1,631,488	407,872	22,040	21,914	(126)	-0.01%	-0.58%
25	76%	24%	1,254,358	387,746	1,642,104	(10,963)	1,631,141	407,785	22,035	21,914	(122)	-0.01%	-0.56%
26	75%	25%	1,237,853	403,902	1,641,755	(10,960)	1,630,795	407,699	22,031	21,914	(117)	-0.01%	-0.53%
27	74%	26%	1,221,348	420,058	1,641,407	(10,958)	1,630,449	407,612	22,026	21,914	(112)	-0.01%	-0.51%
28	73%	27%	1,204,844	436,215	1,641,058	(10,956)	1,630,102	407,526	22,021	21,914	(108)	-0.01%	-0.49%
29	72%	28%	1,188,339	452,371	1,640,709	(10,953)	1,629,756	407,439	22,017	21,914	(103)	-0.01%	-0.47%
26	71%	29%	1,171,834	468,527	1,640,361	(10,951)	1,629,410	407,352	22,012	21,914	(98)	-0.01%	-0.45%
27	70%	30%	1,155,329	484,683	1,640,012	(10,949)	1,629,063	407,266	22,007	21,914	(94)	-0.01%	-0.43%
28	69%	31%	1,138,825	500,839	1,639,664	(10,946)	1,628,717	407,179	22,003	21,914	(89)	-0.01%	-0.41%
29	68%	32%	1,122,320	516,995	1,639,315	(10,944)	1,628,371	407,093	21,998	21,914	(84)	-0.01%	-0.38%
30	67%	33%	1,105,815	533,151	1,638,966	(10,942)	1,628,025	407,006	21,993	21,914	(80)	0.00%	-0.36%
31	66%	34%	1,089,311	549,307	1,638,618	(10,939)	1,627,678	406,920	21,989	21,914	(75)	0.00%	-0.34%

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

Exhibit
Schedule C-2
Page 11c
Witness: Bourassa

Line No.	Percentage of Revenue (From Line 2, Page Xa)	Percentage of Plant (From Line 12, Page Xa)	Dollar amount of Revenue	Dollar amount of Plant	Correl-ated Value	Remove Transport. Equipment	Full Cash Value	25.00% Assessed Value Percent	5.4037% Property Tax Expense	Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of: Revenue	Maximum Error as A Percentage of: Property Tax
1	65%	35%	1,072,806	565,463	1,638,269	(10,937)	1,627,332	406,833	21,984	21,914	(70)	0.00%	-0.32%
2	64%	36%	1,056,301	581,619	1,637,921	(10,935)	1,626,986	406,746	21,979	21,914	(65)	0.00%	-0.30%
3	63%	37%	1,039,797	597,775	1,637,572	(10,932)	1,626,639	406,660	21,975	21,914	(61)	0.00%	-0.28%
4	62%	38%	1,023,292	613,932	1,637,223	(10,930)	1,626,293	406,573	21,970	21,914	(56)	0.00%	-0.26%
5	61%	39%	1,006,787	630,088	1,636,875	(10,928)	1,625,947	406,487	21,965	21,914	(51)	0.00%	-0.23%
6	60%	40%	990,282	646,244	1,636,526	(10,925)	1,625,601	406,400	21,961	21,914	(47)	0.00%	-0.21%
7	59%	41%	973,778	662,400	1,636,177	(10,923)	1,625,254	406,314	21,956	21,914	(42)	0.00%	-0.19%
8	58%	42%	957,273	678,556	1,635,829	(10,921)	1,624,908	406,227	21,951	21,914	(37)	0.00%	-0.17%
9	57%	43%	940,768	694,712	1,635,480	(10,918)	1,624,562	406,140	21,947	21,914	(33)	0.00%	-0.15%
10	56%	44%	924,264	710,868	1,635,132	(10,916)	1,624,215	406,054	21,942	21,914	(28)	0.00%	-0.13%
11	55%	45%	907,759	727,024	1,634,783	(10,914)	1,623,869	405,967	21,937	21,914	(23)	0.00%	-0.11%
12	54%	46%	891,254	743,180	1,634,434	(10,911)	1,623,523	405,881	21,933	21,914	(19)	0.00%	-0.09%
13	53%	47%	874,749	759,336	1,634,086	(10,909)	1,623,177	405,794	21,928	21,914	(14)	0.00%	-0.06%
14	52%	48%	858,245	775,492	1,633,737	(10,907)	1,622,830	405,708	21,923	21,914	(9)	0.00%	-0.04%
15	51%	49%	841,740	791,649	1,633,389	(10,905)	1,622,484	405,621	21,918	21,914	(5)	0.00%	-0.02%
16	50%	50%	825,235	807,805	1,633,040	(10,902)	1,622,138	405,534	21,914	21,914	0	0.00%	0.00%
17	49%	51%	808,731	823,961	1,632,691	(10,900)	1,621,791	405,448	21,909	21,914	5	0.00%	0.02%
18	48%	52%	792,226	840,117	1,632,343	(10,898)	1,621,445	405,361	21,904	21,914	9	0.00%	0.04%
19	47%	53%	775,721	856,273	1,631,994	(10,895)	1,621,099	405,275	21,900	21,914	14	0.00%	0.06%
20	46%	54%	759,216	872,429	1,631,645	(10,893)	1,620,753	405,188	21,895	21,914	19	0.00%	0.09%
21	45%	55%	742,712	888,585	1,631,297	(10,891)	1,620,406	405,102	21,890	21,914	23	0.00%	0.11%
22	44%	56%	726,207	904,741	1,630,948	(10,888)	1,620,060	405,015	21,886	21,914	28	0.00%	0.13%
23	43%	57%	709,702	920,897	1,630,600	(10,886)	1,619,714	404,928	21,881	21,914	33	0.00%	0.15%
24	42%	58%	693,198	937,053	1,630,251	(10,884)	1,619,367	404,842	21,876	21,914	37	0.00%	0.17%
25	41%	59%	676,693	953,209	1,629,902	(10,881)	1,619,021	404,755	21,872	21,914	42	0.00%	0.19%
26	40%	60%	660,188	969,366	1,629,554	(10,879)	1,618,675	404,669	21,867	21,914	47	0.00%	0.21%
27	39%	61%	643,684	985,522	1,629,205	(10,877)	1,618,329	404,582	21,862	21,914	51	0.00%	0.23%
28	38%	62%	627,179	1,001,678	1,628,857	(10,874)	1,617,982	404,496	21,858	21,914	56	0.00%	0.26%
29	37%	63%	610,674	1,017,834	1,628,508	(10,872)	1,617,636	404,409	21,853	21,914	61	0.00%	0.28%
26	36%	64%	594,169	1,033,990	1,628,159	(10,870)	1,617,290	404,322	21,848	21,914	65	0.00%	0.30%
27	35%	65%	577,665	1,050,146	1,627,811	(10,867)	1,616,943	404,236	21,844	21,914	70	0.00%	0.32%
28	34%	66%	561,160	1,066,302	1,627,462	(10,865)	1,616,597	404,149	21,839	21,914	75	0.00%	0.34%

Rio Verde Utilities, Inc.
Computation of Maximum Error from the Use
of 50% of Revenues and 50% of Net Plant
Test Year December 31, 1999

Exhibit
Schedule C-2
Page 11d
Witness: Bourassa

Line No.	Percentage of Revenue (From Line 2, Page Xa)	Percentage of Plant (From Line 12, Page Xa)	Dollar amount of Revenue	Dollar amount of Plant	Correl-ated Value	Remove Transport. Equipment	Full Cash Value	25.00% Assessed Value Percent	5.4037% Property Tax Expense	Property Tax with 50% of Plant & Revenue	Maximum Error in Property Tax	Maximum Error as A Percentage of: Revenue	Maximum Error as A Percentage of: Property Tax
1	33%	67%	544,655	1,082,458	1,627,114	(10,863)	1,616,251	404,063	21,834	21,914	80	0.00%	0.36%
2	32%	68%	528,151	1,098,614	1,626,765	(10,860)	1,615,905	403,976	21,830	21,914	84	0.01%	0.38%
3	31%	69%	511,646	1,114,770	1,626,416	(10,858)	1,615,558	403,890	21,825	21,914	89	0.01%	0.41%
4	30%	70%	495,141	1,130,926	1,626,068	(10,856)	1,615,212	403,803	21,820	21,914	94	0.01%	0.43%
5	29%	71%	478,636	1,147,083	1,625,719	(10,853)	1,614,866	403,716	21,816	21,914	98	0.01%	0.45%
6	28%	72%	462,132	1,163,239	1,625,370	(10,851)	1,614,519	403,630	21,811	21,914	103	0.01%	0.47%
7	27%	73%	445,627	1,179,395	1,625,022	(10,849)	1,614,173	403,543	21,806	21,914	108	0.01%	0.49%
8	26%	74%	429,122	1,195,551	1,624,673	(10,846)	1,613,827	403,457	21,802	21,914	112	0.01%	0.51%
9	25%	75%	412,618	1,211,707	1,624,325	(10,844)	1,613,481	403,370	21,797	21,914	117	0.01%	0.53%
10	24%	76%	396,113	1,227,863	1,623,976	(10,842)	1,613,134	403,284	21,792	21,914	122	0.01%	0.56%
11	23%	77%	379,608	1,244,019	1,623,627	(10,839)	1,612,788	403,197	21,787	21,914	126	0.01%	0.58%
12	22%	78%	363,104	1,260,175	1,623,279	(10,837)	1,612,442	403,110	21,783	21,914	131	0.01%	0.60%
13	21%	79%	346,599	1,276,331	1,622,930	(10,835)	1,612,095	403,024	21,778	21,914	136	0.01%	0.62%
14	20%	80%	330,094	1,292,487	1,622,582	(10,832)	1,611,749	402,937	21,773	21,914	140	0.01%	0.64%
15	19%	81%	313,589	1,308,644	1,622,233	(10,830)	1,611,403	402,851	21,769	21,914	145	0.01%	0.66%
16	18%	82%	297,085	1,324,800	1,621,884	(10,828)	1,611,057	402,764	21,764	21,914	150	0.01%	0.68%
17	17%	83%	280,580	1,340,956	1,621,536	(10,825)	1,610,710	402,678	21,759	21,914	154	0.01%	0.70%
18	16%	84%	264,075	1,357,112	1,621,187	(10,823)	1,610,364	402,591	21,755	21,914	159	0.01%	0.73%
19	15%	85%	247,571	1,373,268	1,620,838	(10,821)	1,610,018	402,504	21,750	21,914	164	0.01%	0.75%
20	14%	86%	231,066	1,389,424	1,620,490	(10,818)	1,609,671	402,418	21,745	21,914	168	0.01%	0.77%
21	13%	87%	214,561	1,405,580	1,620,141	(10,816)	1,609,325	402,331	21,741	21,914	173	0.01%	0.79%
22	12%	88%	198,056	1,421,736	1,619,793	(10,814)	1,608,979	402,245	21,736	21,914	178	0.01%	0.81%
23	11%	89%	181,552	1,437,892	1,619,444	(10,811)	1,608,633	402,158	21,731	21,914	182	0.01%	0.83%
24	10%	90%	165,047	1,454,048	1,619,095	(10,809)	1,608,286	402,072	21,727	21,914	187	0.01%	0.85%
25	9%	91%	148,542	1,470,204	1,618,747	(10,807)	1,607,940	401,985	21,722	21,914	192	0.01%	0.88%
26	8%	92%	132,038	1,486,361	1,618,398	(10,804)	1,607,594	401,898	21,717	21,914	196	0.01%	0.90%
27	7%	93%	115,533	1,502,517	1,618,050	(10,802)	1,607,247	401,812	21,713	21,914	201	0.01%	0.92%
28	6%	94%	99,028	1,518,673	1,617,701	(10,800)	1,606,901	401,725	21,708	21,914	206	0.01%	0.94%
29	5%	95%	82,524	1,534,829	1,617,352	(10,797)	1,606,555	401,639	21,703	21,914	211	0.01%	0.96%
26	4%	96%	66,019	1,550,985	1,617,004	(10,795)	1,606,209	401,552	21,699	21,914	215	0.01%	0.98%
27	3%	97%	49,514	1,567,141	1,616,655	(10,793)	1,605,862	401,466	21,694	21,914	220	0.01%	1.00%
28	2%	98%	33,009	1,583,297	1,616,306	(10,790)	1,605,516	401,379	21,689	21,914	225	0.01%	1.02%
29	1%	99%	16,505	1,599,453	1,615,958	(10,788)	1,605,170	401,292	21,685	21,914	229	0.01%	1.05%
30	0%	100%	(0)	1,615,609	1,615,609	(10,786)	1,604,823	401,206	21,680	21,914	234	0.01%	1.07%

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

Line. No.					
1	**Amortization of Deferred Financing Costs**				
2					
3	Deferred Financing Costs (Existing Cobank Loan)	$	23,490		
4	Amortization Period		15		
5	Annual Amortization Amount			$	1,566
6					
7	Deferred Financing Costs (New Cobank Loan)	$	11,794		
8	Amortization Period		20		
9	Annual Amortization Amount			$	590
10					
11	Total Annual Amortization of Deferred Financing Costs			$	2,156
12					
13					
14					
15	Adjustment to Revenues and/or Expenses			$	2,156
16					
17					

Rio Verde Utilities, Inc. - Sewer
Test Year Ended June 30, 1999
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

Line. No.						
1	**Annualization of Variable Expenses to Match Annualization of Customers**					
2	**to Test Year Year End Levels**					
3						
4		Test Year			Additional	Adjustment
5	Expense Description	Amount	Basis	Factor (a)	Expense	Label
6	Postage (b)	1,770	Bills	0.030097926	53.26	12a
7	Office Supplies	1,510	Bills	0.030097926	45.45	12b
8	Maintenance - Plant	75,752	Bills	0.030097926	2,279.97	12c
9	Maintenance - Electronics	364	Bills	0.030097926	10.97	12d
10	Equipment Repairs	793	Bills	0.030097926	23.85	12e
11	Chemicals	12,876	Bills	0.030097926	387.55	12f
12	Sludge Processing	14,247	Bills	0.030097926	428.81	12g
13	Purchased Power	63,737	Bills	0.030097926	1,918.36	12h
14						
15						
16						
17						
18						
19						
20						
21					$ 5,148.23	
22						
23						
24	Adjustment to Revenues and/or Expenses				$ 5,148.23	
25						
26	(a) Allocation Factors					
27	Bills					
28	Test Year Number of Billings at Year-end Levels			13,888		
29	Additional Billings Due to Annualization of Residential Customers			418		
30	Factor (Line 21 Divided By Line 20)			0.030097926		
31						
32						
33						
34						
35						
36	(b) See Schedule C2, Page 8.					

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

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.28%
2		
3	State Income Taxes	8.00%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	39.28%
9		
10	Operating Income % = 100% - Tax Percentage	60.72%
11		
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.6469
17		
18		
19		
20		

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

Exhibit
Schedule D-1
Page 1
Witness: Kozoman

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt (a)	1,844,602	42.41%	9.50%	4.03%	1,790,526	41.51%	9.50%	3.94%
2									
3	Proposed CoBank Loan (e)	1,179,398	27.12%	9.75%	2.64%	1,159,264	26.87%	9.75%	2.62%
4									
5	Stockholder's Equity (c)	1,253,691	28.83%	12.75%	3.68%	1,292,723	29.97%	12.75%	3.82%
6									
7	Equity Adjustment (d)	71,401	1.64%	12.75%	0.21%	71,401	1.66%	12.75%	0.21%
8									
9	Totals	4,349,093	100.00%		10.56%	4,313,914	100.00%		10.60%
10									
11									
12	SUPPORTING SCHEDULES:				RECAP SCHEDULES:				
13	(a) D-2				(e) A-3				
14									
15	(c) Reconciliation of Stockholder's Equity to Company's books								
16	Balance Per Company's books				1,253,199				
17	Less: Correction to Accumulated Depreciation				(492)				
18	Corrected Stockholder's Equity				1,253,691				
19									
20	(d) Additional equity from recapture of accumulated depreciation on excess plant and decrease in deferred taxes.								
21	(e) Proceeds from proposed CoBank loan will be used to retire Payables to Associated Companies.								

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Kozoman

Line No.	Description of Debt	End of Test Year Amount Outstanding	End of Test Year Annual Interest	End of Test Year Interest Rate	End of Projected Year Amount Outstanding	End of Projected Year Annual Interest	End of Projected Year Interest Rate
1							
2							
3	Cobank	1,844,602	177,847	9.50%	1,790,526	172,964	9.50%
4							
5	CoBank (proposed loan)(a)	1,179,398	114,107	9.75%	1,159,264	114,107	9.75%
6							
7	Totals	3,024,000	291,955	9.60%	2,949,790	287,071	9.60%
8							
9							
10	(a) Proceeds used to retire Payables to Associated Companies.						

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

Exhibit
Schedule D-3
Page 1
Witness: Kozoman

Line No.	Description of Issue	End of Test Year Shares Outstandin	Amount	Dividend Requirement	End of Projected Year Shares Outstanding	Amount	Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10	Total (a)						
11							
12	Cost Rate (a)						
13							
14							

SUPPORTING SCHEDULES:
(a) E-1

RECAP SCHEDULES:
(a) D-1

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
SUMMARY OF RETURN ON COMMON EQUITY

EXHIBIT
SCHEDULE D-4
PAGE 1
WITNESS: KOZOMAN

LINE NO.		
1	REQUIRED COMMON EQUITY RETURN - DCF METHOD	
2	Using Value Line Water Utilities	
3	Projected Returns for 2002 to 2004	12.00%
4		
5		
6	C.A. Turner Earned Equity Returns	10.71%
7		
8		
9		
10	REQUIRED COMMON EQUITY RETURN - CAPM METHOD	
11	USING MARKET WEIGHTED BETA, AND MID AND SMALL	
12	PREMIUMS. BETA's FROM VALUE LINE	12.19%
13		
14		
15	REQUIRED COMMON EQUITY RETURN - DCF METHOD	
16	WITH Value Line WATER UTILITIES	7.21%
17		
18		
19	REQUESTED COMMON EQUITY RETURN	12.75%
20		
21		

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Estimate of Cost of Equity Using Unadjusted
Discounted Cash Flow Method Market Weighted

Exhibit
Schedule D-4-A
Page 1
Witness: Kozoman

Line No.	Company and Stock Exchange	Actual Dividend	Spot Price	52 Week Average Price	Actual Dividend Yield Using Spot Price	Actual Dividend Yield Using Average Price
1	American States Water	$ 1.28	$ 26.38	$ 30.97	4.85%	4.13%
2	American Water Works - NYSE	0.45	19.75	25.38	2.28%	1.77%
3	California Water - NYSE	1.10	26.38	27.28	4.17%	4.03%
4	E'Town - NYSE	2.04	64.38	52.06	3.17%	3.92%
5	Philadelphia Suburban - NYSE	0.72	17.75	21.38	4.06%	3.37%
6	United Water Resources -NYSE	0.96	34.50	26.63	2.78%	3.61%
7	Unweighted Average Dividend Yield				3.55%	3.47%

Line No.	Company and Stock Exchange	(a) Value Line Dividend Growth Estimate	Projected Dividend Yield via Dividend Yield times Value Line's Estimated Dividend Growth Rate: Spot Price	Average Price	Unweighted Cost of Capital using Spot Price (Dividend Yield plus Dividend Growth)	Average Price
16	American States Water	2.00%	4.95%	4.22%	6.95%	6.22%
17	American Water Works - NYSE	7.00%	2.44%	1.90%	9.44%	8.90%
18	California Water - NYSE	1.50%	4.23%	4.09%	5.73%	5.59%
19	E'Town	2.00%	3.23%	4.00%	5.23%	6.00%
20	Philadelphia Suburban - NYSE	5.00%	4.26%	3.54%	9.26%	8.54%
21	United Water Resources -NYSE	1.50%	2.82%	3.66%	4.32%	5.16%
22	Unweighted Average				6.82%	6.73%

Market Weighted Cost of Capital

Line No.	Company and Stock Exchange	(b) Shares of Stock Outstanding in Millions	Market Value using Spot Prices (Market Value in Million of Dollars)	Average Prices	Percent of Market Using Spot Prices	Average Prices
30	American States Water	8.96	236.32	277.48	4.58%	5.06%
31	American Water Works - NYSE	96.50	1,905.88	2,448.69	36.96%	44.69%
32	California Water - NYSE	13.00	342.88	354.66	6.65%	6.47%
33	E'Town - NYSE	8.70	560.06	452.94	10.86%	8.27%
34	Philadelphia Suburban - NYSE	41.20	731.30	880.65	14.18%	16.07%
35	United Water Resources -NYSE	40.00	1,380.00	1,065.00	26.76%	19.44%
36	Totals		5,156.43	5,479.42	100.00%	100.00%

Market Weighted Cost Using

Line No.	Company and Stock Exchange	Spot Prices	Average Prices
41	American States Water	0.32%	0.31%
42	American Water Works - NYSE	3.49%	3.98%
43	California Water - NYSE	0.38%	0.36%
44	Consumers Water -NDQ	0.57%	0.50%
45	Philadelphia Suburban - NYSE	1.31%	1.37%
46	United Water Resources -NYSE	1.16%	1.00%
47	Cost of Capital Market Weighted	6.91%	7.21%

48 (a) **Wall Street Journal** February 29, 2000
49 (b) **Value Line** February 4, 2000

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Cost of Equity using Unadjusted Capital Asset Pricing Model

Exhibit
Schedule D-4-B
Page 1
Witness: Kozoman

Line No.	Betas for Water Companies published by	Value Line
1		(a)
2	American States Water	0.60
3	American Water Works	0.50
4	California	0.55
5	E'Town	0.50
6	Philadelphia Suburban	0.55
7	United Water Resources	0.60
8	Simple Average of Betas	0.54
9		
10	Risk Free rates of return:	(b)
11	Intermediate - horizon	**6.67%**
12	(Five (5) year U.S. Obligation at February 29, 2000)	
13		
14		

Line No.	**Market Weighted Beta**	(	Value		Percent	Market
16	Horizon	+	Line's	x	of Total	Weighted
17	Intermediate -		Betas		Market)	Beta
18	Horizon				(c)	
19	American States Water		0.60		5.06%	3.04%
20	American Water Works		0.50		44.69%	22.34%
21	California		0.55		6.47%	3.56%
22	Consumers Water		0.50		8.27%	4.13%
23	Philadelphia Suburban		0.55		16.07%	8.84%
24	United Water Resources		0.60		19.44%	11.66%
25	Unweighted Average Beta		0.54			
26	Market Weighted Betas				**100.00%**	**53.58%**
27						
28						
29	Market Weighted Beta:					
30						

Line No.		Risk Fee Rate	+	(Market Weighted Beta	x	(d) Risk Premium)	=	CAPM Computed Return
34	Intermediate -							
35	Horizon	6.67%	+	53.58%	x	7.90%	=	**10.90%**
36								
37								
38								

39 (a) Source of betas: **Value Line** February 4, 2000
40 (b) Source of Yields: **Wall Street Journal** February 29, 2000
41 February 2005, 7.50% Gov't. Issue
42 (c) Market Weighting using 52 Week Average Stock Prices
43 (d) Sources of Risk Premium: **SBBI 2000 Yearbook**

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Cost of Equity using Market Weighted
and Adjusted Capital Asset Pricing Model

Exhibit
Schedule D-4-B
Page 2
Witness: Kozoman

Line No.		Risk Free Rate	Plus	(Market Weighted Beta (a)	Times	Risk Premium)	CAPM Computed Return
4	Intermediate - Horizon	6.67%	+	53.58%	x	10.30%	12.19%

Market Value in Millions	Value Line Water Company	Capitalization Classifications	Estimated Risk Premium	Percent of Total Market (a)	Market Weighted Risk Premium
277.48	American States Water	Small Cap (2)	12.20%	5.06%	0.62%
2,448.69	American Water Works	Mid Cap (1)	10.05%	44.69%	4.49%
354.66	California Water	Small Cap (2)	12.20%	6.47%	0.79%
452.94	E'Town	Small Cap (2)	10.05%	8.27%	0.83%
880.65	Philadelphia Suburban	Mid Cap (1)	10.05%	16.07%	1.62%
1,065.00	United Water Resources	Mid Cap (1)	10.05%	19.44%	1.95%
				100.00%	10.30%

(1) Mid Cap Risk Premium Computed as Average of Arithmetic Mean Return of Large Capitalization and Small Capitalization Returns minus Arithmetic Mean Return of Intermediate-Term Government Returns for 1926 to 1997.

(2) Small-Cap Risk Premium Computed as Arithmetic Mean Return of Small Company Stock minus Arithmetic Mean Return of Intermediate-Term Government

	Mid-Cap	Small-Cap
Ibbotson Associates' Large Company Arithmetic Mean Return	13.30%	
Ibbotson Assoicates' Small Company Arithmetic Mean Return	17.60%	17.60%
Computed Average of Large and Small Arithmetic Mean Returns Equals Estimate of Mid-Cap Arithmetic Mean Return	15.45%	
Less Ibbotson Associates' Intermediate-Term Government Return	5.40%	5.40%
Computed Estimate of Mid-Cap Risk Premium	10.05%	12.20%

Capitalization Classifications

Large-Cap =	$5 Billion +
Mid-Cap =	$500 Million to $5 Billion
Small-Cap =	$150 to $500 Million
Micro-Cap =	Less Than $150 Million

Capitalization Classification from the "The Motley Fool", The *Arizona Republic*, Tuesday, December 8, 1998, page E3.

(a) Market Weighting using 52 Week Average Stock Prices from Schedule D-4-B, Page 1
(b) Source of betas: **Value Line** February 4, 2000
(c) Source of Yields: **Wall Street Journal** February 29, 2000
February 2005, 7.50% Gov't. Issue
(d) Sources of Risk Premiums: SBBI 2000 Yearbook

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Risk Factors to be Should be Considered
in Common Equity Return

Exhibit
Schedule D-4-C
Page 1
Witness: KOZOMAN

Line No.

1 **Business and Financial Risks:**

2
3
4 1 Extremely Small Size in Comparison to Nationally Traded Water
5 Utilties.
6
7 2 Lack of Ready Access to Capital Markets.
8
9 3 Impact of Changes in Requirements at the:
10 Arizona Corporation Commission and,
11 Arizona Department of Environment Quality.
12
13 4 Lack of Expense Adjusters which includes both
14 price and volume changes. And, possible court actions
15 if Commission actually authorizes adjuster.
16
17 5 High Financial Risk due to level of financing with Contributions
18 in Aid of Construction and Long-term Debt
19
20 6 Low Depreciation Rates.
21
22 7 Lack of reasonable cash flow from operations.
23
24 8 Possible Liability for water provided for Interior Sprinkler Systems.
25
26

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Summary of Schedules D-4-E Through D-4-O
and D-4-R

Exhibit
Schedule D-4-C-2
Page 2
Witness Kozoman

Line No.	Measure of Financial Integrity and Schedule Number	1998	1997	1996	(a) Weighted Average 1996-98
1	Interest Coverage (Pre-Tax), Schedule D-4-E				
2	All Companies Weighted	3.47	3.67	3.55	3.56
3	**Rio Verde Utilities, Inc.**	1.11	1.55	3.40	1.48
4	**With Proposed Rates**	2.27			
5					
6					
7	Retention Ratio, Schedule D-4-F				
8	All Companies Weighted	29.98%	31.19%	28.72%	29.99%
9	**Rio Verde Utilities, Inc.**	100.00%	100.00%	100.00%	100.00%
10					
11					
12	Dividend Payout Ratio, Schedule D-4-G				
13	All Companies Weighted	70.02%	68.81%	71.81%	70.17%
14	**Rio Verde Utilities, Inc.**	0.00%	0.00%	0.00%	0.00%
15					
16					
17	Capital Financing Net Plant, Schedule D-4-H				
18	COMMON EQUITY	34.81%	35.10%	35.26%	
19	PREFERRED STOCK	1.01%	1.09%	1.02%	
20	LONG-TERM DEBT	33.44%	32.03%	31.13%	
21	DEFERRED INCOME TAXES AND	0.00%			
22	ADVANCES AND CONTRIBUTIONS	30.74%	31.78%	32.60%	
23	TOTALS	100.00%	100.00%	100.00%	
24					
25	**Rio Verde Utilities, Inc.**				
26	COMMON EQUITY	45.79%	45.79%	46.23%	
27	LONG-TERM DEBT	30.16%	30.16%	31.57%	
28	DEFERRED INCOME TAXES AND	0.00%			
29	ADVANCES AND CONTRIBUTIONS	24.05%	24.05%	22.20%	
30	TOTALS	100.00%	100.00%	100.00%	
31					
32	Test Year Ended December 31, 1999:				
33	COMMON EQUITY	38.19%			
34	LONG-TERM DEBT	25.09%			
35	DEFERRED INCOME TAXES AND	0.00%			
36	ADVANCES AND CONTRIBUTIONS	36.72%			
37	TOTALS	100.00%			
38					
39	Market To Book Ratio, Schedule D-4-I				
40	All Companies Weighted	166.72%			
41	**Rio Verde Utilities, Inc.**	EQUITY IS PUBLICLY NOT TRADED			
42					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Summary of Schedules D-4-E Through D-4-O
and Schedule D-4-R

Exhibit
Schedule D-4-C-2
Page 3
Witness Kozoman

Line No.	Measure of Financial Integrity and Schedule Number	1998	1997	1996	(a) Weighted Average 1996-98
1	**Internal Cash Flow to Change in Gross Plant, Schedule D-4-J-1**				
2	All Companies Weighted	91.04%	101.81%	60.44%	79.95%
3	**Rio Verde Utilities, Inc.**	13.40%	16.47%	16.47%	15.05%
4	Test Year Ended 12/31/99	12.46%			
5					
6	**Internal Cash Flow as a Percent of Long-Term Debt, Schedule D-4-J-2**				
7	All Companies Weighted	19.35%	20.83%	24.22%	21.30%
8	**Rio Verde Utilities, Inc.**	8.74%	10.35%	12.78%	10.66%
9	Test Year Ended 12/31/99				
10					
11					
12	**Safety Margin, Schedule D-4-K**				
13	All Companies Weighted	20.67%	20.94%	20.08%	20.57%
14	**Rio Verde Utilities, Inc.**	6.24%	12.10%	19.34%	12.29%
15	Test Year Ended 12/31/99	6.78%			
16					
17	**Weighted Earnings Per Share Compound Growth, Schedule D-4-L**				
18	All Companies Weighted	3.13%			
19	**Rio Verde Utilities, Inc.**	-41.00%			
20					
21					
22	**Compound Growth in Book Value, Schedule D-4-M**				
23	All Companies Weighted	4.66%			
24	**Rio Verde Utilities, Inc.**	1.97%			
25					
26					
27	**Price Earnings Ratio, Schedule D-4-N**				
28	All Companies Weighted	16.76	14.71	13.04	14.89
29	**Rio Verde Utilities, Inc.**	Equity Not Publicly Traded			
30					
31	**Return on Average Common Equity, Schedule D-4-O**				
32	All Companies Weighted	10.83%	11.52%	11.38%	11.23%
33	**Rio Verde Utilities, Inc.**	0.450%	0.86%	3.20%	1.47%
34	**Test Year Ended 12/31/99**	0.447%			
35					
36	**Test of Financial Viability, Schedule D-4-R**				
			Financial Viability Rating		
37	All Companies Weighted	3.33	Weak to Marginal		
38	**Rio Verde Utilities, Inc.**	2.21	Distress		
39					
40	Weighted 1996-98, If Applicable				

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Value Line Cover Page

Exhibit
Schedule D-4-D
Page 1
Witness: Kozoman

Line No.	
1	Cover Page for Value Line, Dated February 4, 2000
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Value Line's Projected Returns on Equity
C.A. Turner Earned Rates of Return

Exhibit
Schedule D-4-D-1
Page 2
Witness: Kozoman

Line No.		Value Line's (a) Equity Return Projections for: 2000	2002-04
1			
2			
3			
4			
5			
6	Composite Statistics Water Utility		
7	Industry:	11.00%	12.00%
8			
9			
10			
11	(a) Value Line February 4, 2000, Page 1400		
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
INTEREST COVERAGE (PRE-TAX)

EXHIBIT
SCHEDULE D-4-E
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998	1997	1996	Weighted Average 1996-98
1	AMERICAN STATES WATER CO.	3.21	3.35	3.21	3.26
2					
3	CALIFORNIA WATER SERVICE	3.33	4.13	3.62	3.69
4					
5	CONNECTICUT WATER SERVICE	3.54	3.62	4.10	3.74
6					
7	E'TOWN	2.95	2.76	2.70	2.82
8					
9	MIDDLESEX WATER	3.85	3.68	3.32	3.64
10					
11	SJW	5.57	6.03	5.69	5.76
12					
13	ALL COMPANIES -				
14	WEIGHTED	3.47	3.67	3.55	3.56
15					
16					
17					
18	**Rio Verde Utilities, Inc.**				
19		1.11	1.55	3.40	1.48
20	**Rio Verde Utilities, Inc.**				
21	**At December 31, 1999**	1.10			
22					
23	**Rio Verde Utilities, Inc.**				
24	**at Proposed Rates**	1.82			
25					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
RETENTION RATIO

EXHIBIT
SCHEDULE D-4-F
PAGE 1
WITNESS: KOZOMAN

Line No.	Company	1998	1997	1996	1996-98 (1 - (Dividends / Earnings))
1	American States Water	22.34%	20.16%	27.65%	23.31%
2	California Water	28.35%	42.50%	30.89%	34.58%
3	Service				
4	Connecticut	23.75%	22.92%	22.41%	23.04%
5	Water				
6	E'Town	24.19%	16.23%	-3.72%	14.06%
7	Middlesex Water	19.27%	15.53%	8.08%	14.69%
8	SJW	53.68%	52.50%	61.41%	56.20%
9					
10	All Companies				
11	Weighted	29.98%	31.19%	28.72%	29.99%
12					
13	**Rio Verde Utilities, Inc.**				
14		100.00%	100.00%	100.00%	100.00%
15					
16					
17					
18					
19					
20					
21					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
DIVIDEND PAYOUT RATIO

Exhibit
Schedule D-4-G
PAGE 1
WITNESS: KOZOMAN

Line No.	Company	1998	1997	1996	1996-98 (Dividends / Earnings)
1	American States				
2	Water Company	77.66%	79.84%	72.35%	76.69%
3	California Water	71.65%	57.50%	69.11%	65.42%
4	Service				
5	Connecticut	76.25%	77.08%	77.59%	76.96%
6	Water				
7	E'Town	75.81%	83.77%	103.72%	85.94%
8	Middlesex Water	80.73%	84.47%	100.00%	87.71%
9	SJW	46.32%	47.50%	38.59%	43.80%
10	All Companies				
11	Weighted	70.02%	68.81%	71.81%	70.17%
12					
13	**Rio Verde Utilities, Inc.**				
14		0.00%	0.00%	0.00%	0.00%
15					
16					
17					
18					
19					
20					
21					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
CAPITAL FINANCING OF NET PLANT IN $000

EXHIBIT
SCHEDULE D-4-H
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998 DOLLAR AMOUNT	1998 PERCENT OF TOTAL	1997 DOLLAR AMOUNT	1997 PERCENT OF TOTAL	1996 DOLLAR AMOUNT	1996 PERCENT OF TOTAL
1	AMERICAN STATES WATER CO.						
2	COMMON EQUITY	154,299	36.66%	151,053	37.68%	146,766	38.05%
3	PREFERRED STOCK	2,000	0.48%	2,040	0.51%	1,600	0.41%
4	LONG-TERM DEBT	120,809	28.70%	115,286	28.76%	107,190	27.79%
5	DEFERRED INCOME TAXES AND						
6	ADVANCES AND CONTRIBUTIONS	143,795	34.16%	132,515	33.05%	130,198	33.75%
7	TOTALS	420,903	100.00%	400,894	100.00%	385,754	100.00%
8							
9	CALIFORNIA WATER SERVICE						
10	COMMON EQUITY	168,804	34.24%	164,065	33.61%	154,226	32.29%
11	PREFERRED STOCK	3,475	0.70%	3,475	0.71%	3,475	0.73%
12	LONG-TERM DEBT	136,345	27.66%	139,205	28.52%	142,153	29.76%
13	DEFERRED INCOME TAXES AND						
14	ADVANCES AND CONTRIBUTIONS	184,347	37.40%	181,408	37.16%	177,742	37.22%
15	TOTALS	492,971	100.00%	488,153	100.00%	477,596	100.00%
16							
17	CONNECTICUT WATER SERVICE						
18	COMMON EQUITY	57,945	31.76%	56,069	32.89%	54,395	32.64%
19	PREFERRED STOCK	772	0.42%	772	0.45%	772	0.46%
20	LONG-TERM DEBT	62,501	34.26%	54,532	31.99%	54,430	32.66%
21	DEFERRED INCOME TAXES AND						
22	ADVANCES AND CONTRIBUTIONS	61,212	33.55%	59,110	34.67%	57,074	34.24%
23	TOTALS	182,430	100.00%	170,483	100.00%	166,671	100.00%
24							
25	E'TOWN						
26	COMMON EQUITY	215,472	31.57%	193,923	31.50%	183,512	33.23%
27	PREFERRED STOCK	12,227	1.79%	12,000	1.95%	12,000	2.17%
28	LONG-TERM DEBT	286,908	42.04%	247,298	40.17%	193,481	35.03%
29	DEFERRED INCOME TAXES AND						
30	ADVANCES AND CONTRIBUTIONS	167,843	24.59%	162,480	26.39%	163,258	29.56%
31	TOTALS	682,450	100.00%	615,701	100.00%	552,251	100.00%
32							
33	MIDDLESEX WATER						
34	COMMON EQUITY	66,729	35.06%	51,226	34.90%	49,216	35.48%
35	PREFERRED STOCK	4,996	2.63%	4,996	3.40%	2,666	1.92%
36	LONG-TERM DEBT	78,032	41.00%	52,918	36.05%	52,961	38.17%
37	DEFERRED INCOME TAXES AND						
38	ADVANCES AND CONTRIBUTIONS	40,545	21.31%	37,653	25.65%	33,890	24.43%
39	TOTALS	190,302	100.00%	146,793	100.00%	138,733	100.00%
40							

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
CAPITAL FINANCING OF NET PLANT in $000

EXHIBIT
SCHEDULE D-4-H
PAGE 2
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998 DOLLAR AMOUNT	1998 PERCENT OF TOTAL	1997 DOLLAR AMOUNT	1997 PERCENT OF TOTAL	1996 DOLLAR AMOUNT	1996 PERCENT OF TOTAL
1	SJW						
2	COMMON EQUITY	143,149	41.18%	133,533	42.49%	120,028	41.74%
3	PREFERRED STOCK		0.00%		0.00%		0.00%
4	LONG-TERM DEBT	90,000	25.89%	75,000	23.87%	75,000	26.08%
5	DEFERRED INCOME TAXES AND						
6	ADVANCES AND CONTRIBUTIONS	114,477	32.93%	105,730	33.64%	92,554	32.18%
7	TOTALS	347,626	100.00%	314,263	100.00%	287,582	100.00%
8							
9	CUMULATIVE CAPITAL STRUCTURES OF COMPARATIVE COMPANIES						
10	COMMON EQUITY	806,398	34.81%	749,869	35.10%	708,143	35.26%
11	PREFERRED STOCK	23,470	1.01%	23,283	1.09%	20,513	1.02%
12	LONG-TERM DEBT	774,595	33.44%	684,239	32.03%	625,215	31.13%
13	DEFERRED INCOME TAXES AND						
14	ADVANCES AND CONTRIBUTIONS	712,219	30.74%	678,896	31.78%	654,716	32.60%
15	TOTALS	2,316,682	100.00%	2,136,287	100.00%	2,008,587	100.00%
16							
17	**Rio Verde Utilities, Inc.**						
18	COMMON EQUITY	$ 3,652	45.79%	$ 3,622	45.79%	$ 3,512	46.23%
19	LONG-TERM DEBT	2,405	30.16%	2,473	30.16%	2,529	31.57%
20	DEFERRED INCOME TAXES AND						
21	ADVANCES AND CONTRIBUTIONS	1,918	24.05%	1,740	24.05%	1,770	22.20%
22	TOTALS	$7,976	100.00%	$7,835	100.00%	$7,811	100.00%
23							
24							
25							
26	**Rio Verde Utilities, Inc. at End of Test Year**						
27	COMMON EQUITY	$ 3,669	38.19%				
28	LONG-TERM DEBT	2,411	25.09%				
29	DEFERRED INCOME TAXES AND						
30	ADVANCES AND CONTRIBUTIONS	3,528	36.72%				
31	TOTALS	$9,607	100.00%				
32							
33							
34							
35							
36	**Rio Verde Utilities, Inc. Proposed:**						
37	COMMON EQUITY	3,741	30.79%				
38	LONG-TERM DEBT	4,881	40.17%				
39	DEFERRED INCOME TAXES AND						
40	ADVANCES AND CONTRIBUTIONS	3,528	29.04%				
41	TOTALS	$ 12,149	100.00%				

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
MARKET TO BOOK RATIO
(Amounts in $000's)

EXHIBIT
SCHEDULE D-4-I
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPANY	At December 31, 1998 MARKET VALUE	BOOK VALUE	RATIO OF MARKET VALUE TO BOOK VALUE	At December 31, 1997 MARKET VALUE	BOOK VALUE	RATIO OF MARKET VALUE TO BOOK VALUE	At December 31, 1996 MARKET VALUE	BOOK VALUE	RATIO OF MARKET VALUE TO BOOK VALUE
1	AMERICAN STATES									
2	WATER COMPANY	244,097	154,299	158.20%	194,829	151,053	128.98%	193,274	146,800	131.66%
3										
4	CALIFORNIA WATER									
5	SERVICE	339,080	168,804	200.87%	331,252	164,065	201.90%	265,002	155,215	170.73%
6										
7	CONNETICUT WATER									
8	SERVICE	122,480	57,945	211.37%	98,099	56,069	174.96%	88,103	54,398	161.96%
9										
10	E'TOWN	402,893	215,472	186.98%	323,689	193,923	166.92%	246,920	183,794	134.35%
11										
12	MIDDLESEX WATER	105,582	66,729	158.23%	96,057	51,226	187.52%	71,484	49,216	145.25%
13										
14	SJW	186,093	143,149	130.00%	191,806	133,553	143.62%	145,440	106,175	136.98%
15										
16										
17	WEIGHTED MARKET & BOOK VALUES									
18		583,177	323,103	180.49%	526,081	315,118	166.95%	458,276	302,015	151.74%
19	Three Year Weighted Average:									
20		1,567,534	940,236	166.72%						
21										
22	**Rio Verde Utilities, Inc.**									
23	EQUITY IS PUBLICLY NOT TRADED									

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
INTERNAL CASH FLOW TO CHANGE IN GROSS PLANT
AMOUNTS IN $000's

EXHIBIT
SCHEDULE D-4-J-1
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998 CASH FLOW ($000's)	1998 CHANGE IN GROSS PLANT ($000's)	1998 RATIO	1997 CASH FLOW ($000's)	1997 CHANGE IN GROSS PLANT ($000's)	1997 RATIO	1996 CASH FLOW ($000's)	1996 CHANGE IN GROSS PLANT ($000's)	1996 RATIO
1	AMERICAN STATES									
2	WATER COMPANY	32,194	37,418	86.04%	27,454	35,590	77.14%	24,517	31,515	77.79%
3										
4	CALIFORNIA WATER									
5	SERVICE	34,887	33,042	105.58%	38,767	29,216	132.69%	40,993	34,040	120.43%
6										
7	CONNECTICUT WATER									
8	SERVICE	11,908	12,979	91.75%	12,314	12,253	100.50%	13,325	8,316	160.23%
9										
10	E'TOWN	32,388	39,395	82.21%	25,438	23,877	106.54%	33,891	152,141	22.28%
11										
12	MIDDLESEX WATER	9,308	9,761	95.36%	8,724	10,251	85.10%	8,806	6,260	140.67%
13										
14	SJW	29,194	32,027	91.15%	29,854	28,832	103.54%	29,905	18,270	163.68%
15										
16	TOTALS BY YEAR	149,879	164,622	91.04%	142,551	140,019	101.81%	151,437	250,542	60.44%
17										
18	**Rio Verde Utilities, Inc.**									
19		210	1,569	13.40%	256	1,554	16.47%	256	1,554	16.47%
20	**Rio Verde Utilities, Inc. at December 31, 1999:**									
21		217	1,744	12.46%						

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
INTERNAL CASH GENERATION AS A
PERCENT OF LONG-TERM DEBT

EXHIBIT
SCHEDULE D-4-J-2
PAGE 2
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998	1997	1996	WEIGHTED 1996-98 AVERAGE
1	AMERICAN STATES WATER CO.	26.65%	23.81%	22.87%	24.52%
2					
3	CALIFORNIA WATER SERVICE	25.59%	27.85%	28.84%	27.45%
4					
5	CONNECTICUT WATER SERVICE	19.05%	22.58%	24.48%	21.90%
6					
7	E'TOWN	11.29%	10.29%	17.52%	12.60%
8					
9	MIDDLESEX WATER	11.93%	16.49%	16.63%	14.59%
10					
11	SJW	32.44%	39.81%	39.87%	37.06%
12					
13	ALL COMPANIES - WEIGHTED	19.35%	20.83%	24.22%	21.30%
14					
15	**Rio Verde Utilities, Inc.**	8.74%	10.35%	12.78%	10.66%
16					
17	Rio Verde Utilities, Inc., during Test Year ended December 31, 1999:				
18		9.29%			

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
SAFETY MARGIN

EXHIBIT
SCHEDULE D-4-K
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPANY	1998	1997	1996	WEIGHTED 1996 - 1998 Average
1	AMERICAN STATES WATER CO.	16.72%	15.54%	15.67%	15.97%
2					
3					
4	CALIFORNIA WATER SERVICE	15.54%	19.07%	17.08%	17.26%
5					
6	CONNECTICUT WATER SERVICE	28.86%	29.32%	31.90%	30.04%
7					
8	E'TOWN	23.94%	22.84%	20.54%	22.60%
9					
10	MIDDLESEX WATER	29.32%	22.33%	20.23%	24.15%
11					
12	SJW	24.25%	26.04%	26.93%	25.73%
13					
14	ALL COMPANIES - WEIGHTED	20.67%	20.94%	20.08%	20.57%
15					
16	**Rio Verde Utilities, Inc.**	6.24%	12.10%	19.34%	12.29%
17					
18	**Rio Verde Utilities, Inc. at December 31, 1999:**				
19		11.36%			
20					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
Weighted Earnings Per Share Compound Growth
(Earnings and Shares in 000's)

EXHIBIT
SCHEDULE D-4-L
PAGE 1
WITNESS: KOZOMAN

Line No.	Company	1998	1997	1996	1996-98 Compound Earnings Growth Per Share
1	American States Water Company				
2	Earnings	$ 14,533	$ 13,967	$ 13,366	
3	Number of Shares	8,958	8,958	8,886	
4	Earnings Per Share	$ 1.62	$ 1.56	$ 1.50	3.86%
5					
6	California Water Service				
7	Earnings	$ 18,242	$ 23,152	$ 18,914	
8	Number of Shares	12,619	12,619	12,619	
9	Earnings Per Share	$ 1.45	$ 1.83	$ 1.50	-1.79%
10					
11	Connecticut Water				
12	Earnings	$ 6,927	$ 6,766	$ 6,565	
13	Number of Shares	4,536	4,527	4,518	
14	Earnings Per Share	$ 1.53	$ 1.49	$ 1.45	2.52%
15					
16	E'Town				
17	Earnings	$ 22,330	$ 19,260	$ 15,073	
18	Number of Shares	8,504	8,054	7,808	
19	Earnings Per Share	$ 2.63	$ 2.39	$ 1.93	16.63%
20					
21	Middlesex Water				
22	Earnings	$ 6,202	$ 5,636	$ 5,009	
23	Number of Shares	4,354	4,269	4,205	
24	Earnings Per Share	$ 1.42	$ 1.32	$ 1.19	9.35%
25					
26	SJW				
27	Earnings	$ 16,018	$ 15,216	$ 18,560	
28	Number of Shares	3,168	3,170	3,170	
29	Earnings Per Share	$ 5.06	$ 4.80	$ 5.85	-7.07%
30					
31					
32	Sum of All Companies				
33	Total Earnings	$ 84,252	$ 83,997	$ 77,487	
34	Total Number of Shares	42,139	41,597	41,206	
35	Earnings Per Share	$ 2.00	$ 2.02	$ 1.88	3.13%
36					
37	**Rio Verde Utilities, Inc.**				
38					
39	Total Earnings	$ 31	$ 109	$ 182	
40	Total Number of Shares	2,840.72	2,840.72	2,840.72	
41	Earnings Per Share	$ 0.0108	$ 0.0385	$ 0.0641	-41.00%
42					
43					
44					
45					
46					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
COMPOUND GROWTH IN BOOK VALUE
(AMOUNTS IN $000's)

EXHIBIT
SCHEDULE D-4-M
PAGE 1
WITNESS: KOZOMAN

Line No.	COMPARATIVE COMPANIES	1998	1997	1996	1996-98 Compound Growth Rate
1	American States Water				
2	Total Equity	$ 154,299	$ 151,053	$ 146,766	
3	Number of Shares	8,958	8,958	8,886	
4	Book Value Per Share	$ 17.22	$ 16.86	$ 16.52	2.12132%
5					
6	California Water Service				
7	Total Equity	$ 168,804	$ 164,065	$ 154,226	
8	Number of Shares	12,619	12,619	12,619	
9	Book Value Per Share	$ 13.38	$ 13.00	$ 12.22	4.61950%
10					
11	Connecticut Water				
12	Total Equity	$ 57,945	$ 56,069	$ 54,395	
13	Number of Shares	4,536	4,527	4,518	
14	Book Value Per Share	$ 12.77	$ 12.39	$ 12.04	2.99000%
15					
16	E'Town				
17	Total Equity	$ 215,472	$ 193,923	$ 183,512	
18	Number of Shares	8,504	8,054	7,808	
19	Book Value Per Share	$ 25.34	$ 24.08	$ 23.50	3.82966%
20					
21	Middlesex Water				
22	Total Equity	$ 66,729	$ 51,226	$ 49,216	
23	Number of Shares	4,354	4,269	4,205	
24	Book Value Per Share	$ 15.33	$ 12.00	$ 11.70	14.43080%
25					
26	SJW				
27	Total Equity	$ 143,149	$ 133,533	$ 120,028	
28	Number of Shares	3,168	3,170	3,170	
29	Book Value Per Share	$ 45.19	$ 42.12	$ 37.86	12.16335%
30					
31	Sum of All Companies				
32	Total Equity	$ 806,398	$ 749,869	$ 708,143	
33	Total Number of Shares	42,139	41,597	41,206	
34	Book Value Per Share	$ 19.14	$ 18.03	$ 17.19	4.65593%
35					
36	**Rio Verde Utilities, Inc.**				
37	Ending Equity	$ 3,652	$ 3,622	$ 3,512	
38	Total Number of Shares	2,840.72	2,840.72	2,840.72	
39	Book Value Per Share	$ 1.29	$ 1.27	$ 1.24	1.97450%
40					
41					
42					
43					
44					

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
PRICE / EARNING RATIO
(AMOUNTS IN 000'S)

EXHIBIT
SCHEDULE D-4-N
PAGE 1
WITNESS: KOZOMAN

LINE NO.	COMPARATIVE COMPANIES	1998	1997	1996	1996-98 Average
1	AMERICAN STATES WATER COMPANY				
2	NET INCOME TO COMMON EQUITY	$ 14,533	$ 13,967	$ 13,366	$ 41,866
3	TOTAL MARKET VALUE	244,097	194,829	193,274	632,200
4	PRICE EARNINGS RATIO	16.80	13.95	14.46	15.10
5					
6	CALIFORNIA WATER SERVICE				
7	NET INCOME TO COMMON EQUITY	18,242	$ 23,152	$ 18,914	$ 60,308
8	TOTAL MARKET VALUE	399,080	331,252	$ 265,002	995,334
9	PRICE EARNINGS RATIO	21.88	14.31	14.01	16.50
10					
11	CONNECTICUT WATER SERVICE				
12	NET INCOME TO COMMON EQUITY	6,927	6,766	$ 6,565	$ 20,258
13	TOTAL MARKET VALUE	122,480	98,099	$ 88,103	308,682
14	PRICE EARNINGS RATIO	17.68	14.50	13.42	15.24
15					
16	E'TOWN				
17	NET INCOME TO COMMON EQUITY	22,330	19,260	$ 15,073	$ 56,663
18	TOTAL MARKET VALUE	402,893	323,689	$ 246,920	973,502
19	PRICE EARNINGS RATIO	18.04	16.81	16.38	17.18
20					
21	MIDDLESEX WATER				
22	NET INCOME TO COMMON EQUITY	6,202	5,635	5,009	$ 16,846
23	TOTAL MARKET VALUE	105,582	96,057	71,484	273,123
24	PRICE EARNINGS RATIO	17.02	17.05	14.27	16.21
25					
26	SJW				
27	NET INCOME TO COMMON EQUITY	16,018	15,216	18,556	$ 49,790
28	TOTAL MARKET VALUE	138,351	191,806	145,440	475,597
29	PRICE EARNINGS RATIO	8.64	12.61	7.84	9.55
30					
31	WEIGHTED AVERAGE				
32	NET INCOME TO COMMON EQUITY	$ 84,252	$ 83,996	$ 77,483	$ 245,731
33	TOTAL MARKET VALUE	$ 1,412,483	$ 1,235,732	$ 1,010,223	3,658,438
34	PRICE EARNINGS RATIO	16.76	14.71	13.04	14.89
35					
36	**Rio Verde Utilities, Inc.**				
37	Equity not publicly traded, thus no price to earnings ratio is computed.				

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
RETURN ON AVERAGE COMMON EQUITY
(AVERAGE EQUITY AND NET INCOME IN $000)

EXHIBIT
SCHEDULE D-4-O
PAGE 1
WITNESS: KOZOMAN

Line No.	Comparative Companies	1998	1997	1996	Three Year Totals and Averages
1	American States Water				
2	Average Equity	$ 152,676	$ 148,910	$ 134,171	$ 435,757
3	Net Income	$ 14,533	$ 13,967	$ 13,366	$ 41,866
4	Return on Average Equity	9.52%	9.38%	9.96%	9.61%
5					
6	California Water Service				
7	Average Equity	$ 166,435	$ 159,146	$ 150,588	$ 476,169
8	Net Income	$ 18,242	$ 23,152	$ 18,914	$ 60,308
9	Return on Average Equity	10.96%	14.55%	12.56%	12.67%
10					
11	Connecticut Water				
12	Average Equity	$ 57,007	$ 55,232	$ 53,092	$ 165,331
13	Net Income	$ 6,927	$ 6,766	$ 6,565	$ 20,258
14	Return on Average Equity	12.15%	12.25%	12.37%	12.25%
15					
16	E'Town				
17	Average Equity	$ 204,698	$ 188,718	$ 180,297	$ 573,713
18	Net Income	$ 22,330	$ 19,260	$ 15,073	$ 56,663
19	Return on Average Equity	10.91%	10.21%	8.36%	9.88%
20					
21	Middlesex Water				
22	Average Equity	$ 58,978	$ 50,221	$ 48,430	$ 157,629
23	Net Income	$ 6,202	$ 5,635	$ 5,009	$ 16,846
24	Return on Average Equity	10.52%	11.22%	10.34%	10.69%
25					
26	SJW				
27	Average Equity	$ 138,351	$ 126,791	$ 114,441	$ 379,583
28	Net Income	$ 16,018	$ 15,216	$ 18,560	$ 49,794
29	Return on Average Equity	11.58%	12.00%	16.22%	13.12%
30					
31	Sum of All Companies				
32	Total Equity	$ 778,145	$ 729,018	$ 681,019	$ 2,188,182
33	Total Net Income	$ 84,252	$ 83,996	$ 77,487	$ 245,735
34	Return on Average Equity	10.83%	11.52%	11.38%	11.23%
35					
36					
37	**Rio Verde Utilities, Inc.**				
38	Average Equity	$ 3,637	$ 3,567	$ 3,421	$ 10,625
39	Net Income	$ 16	$ 31	$ 109	$ 156
40	Return on Average Equity	0.45%	0.86%	3.20%	1.47%
41					
42	**Rio Verde Utilities, Inc. 12/31/99**				
43	Average Equity	$ 3,661			
44	Net Income	16			
45	Return on Average Equity	0.4472%			

Rio Verde Utilities, Inc.
Test Year Ended December 31, 1999
YIELDS OF OTHER DEBT INSTRUMENTS

EXHIBIT
SCHEDULE D-4-P
PAGE 1
WITNESS: KOZOMAN

LINE NO.	PRIME RATE	90 DAY COMMERCIAL PAPER	13 WEEK TREASURY BILLS	26 WEEK TREASURY BILLS	(a) TREASURY BOND MAY 2004-09 9.125%
1			1994		
2	8.50%	6.27%	5.56%	6.24%	8.00%
3					
4			1995		
5	8.50%	5.58%	4.91%	5.04%	5.72%
6					
7			1996		
8	8.25%	5.63%	5.08%	5.11%	6.48%
9					
10			1997		
11	8.50%	5.70%	5.285%	5.285%	5.88%
12					
13			1998		
14			December 10, 1998		
15	7.75%	5.05%	4.32%	4.38%	4.70%
16					
17			December 31, 1999		
18	8.50%	5.78%	5.30%	5.05%	6.65%
19					
20					
21			February 29, 2000		
22	9.00%	5.92%	5.67%	5.77%	6.86%
23	(a)				
24			Change From:		
25			1994 to 1995		
26	0.00%	-0.69%	-0.65%	-1.20%	-2.28%
27			1995 to 1996		
28	-0.25%	0.05%	0.17%	0.07%	0.76%
29			1996 to 1997		
30	0.25%	0.07%	0.21%	0.18%	-0.60%
31			1997 to 1998		
32	-0.75%	-0.65%	-0.97%	-0.91%	-1.18%
33			1998 to 1999		
34	0.75%	0.73%	0.98%	0.68%	1.95%
35			1999 to 2000		
36	0.50%	0.14%	0.37%	0.72%	0.21%
37					

38 (a) This debt instrument will approach its stated interest
39 rate the closer it gets to maturity
40
41 SOURCE: WALL STREET JOURNAL
42
43 (a) The prime rate at April 1, 2000
44
45

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

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	Prior Year Ended 12/31/98	Prior Year Ended 12/31/97
1	ASSETS			
2	Plant In Service	$ 6,784,658	$ 5,766,216	$ 4,836,288
3	Construction Work in Progress	-	13,233	461,081
4	Less: Accumulated Depreciation	996,360	833,839	697,147
5	Net Plant	$ 5,788,298	$ 4,945,610	$ 4,600,222
6				
7	Debt Reserve Fund	$ 224,500	$ 224,500	$ 224,500
8				
9	CURRENT ASSETS			
10	Cash and Equivalents	$ 74,027	$ 94,070	$ 30,116
11	Accounts Receivable, Net	61,180	45,069	38,166
12	Materials and Supplies	-	-	-
13	Prepaids	20,992	-	-
14	Other Current Assets	4,425	500	6,996
15	Total Current Assets	$ 160,624	$ 139,639	$ 75,278
16	OTHER ASSETS			
17	Deferred Debits	$ 17,226	$ 18,792	$ 20,358
18	Investments	39,243	29,293	19,444
19	Total Other Assets	$ 56,469	$ 48,085	$ 39,802
20				
21	TOTAL ASSETS	$ 6,229,891	$ 5,357,834	$ 4,939,802
22				
23				
24	LIABILITIES AND STOCKHOLDERS' EQUITY			
25				
26	Common Equity	$ 1,428,357	$ 1,428,357	$ 1,428,357
27	Retained Earnings	(175,158)	4,171	117,719
28	Total Equity	$ 1,253,199	$ 1,432,528	$ 1,546,076
29				
30	Long-Term Debt	$ 1,784,879	$ 1,839,016	$ 1,893,796
31				
32	CURRENT LIABILITIES			
33	Accounts Payable	$ 9,779	$ 15,050	$ 40,622
34	Current Portion of Long-Term Debt	59,724	54,779	45,197
35	Payables to Associated Companies	1,049,664	849,386	331,203
36	Meter Deposits, Current Portion	-	-	-
37	Taxes Payable	11,260	4,261	-
38	Interest Payable	7,392	7,165	9,876
39	Other Current Liabilities	15,303	12,126	24,678
40	Total Current Liabilities	$ 1,153,122	$ 942,767	$ 451,576
41	DEFERRED CREDITS			
42	Meter Deposits	$ -	$ -	$ -
43	Advances in Aid of Construction	-	-	-
44	Contributions In Aid of Construction	1,943,194	1,061,130	977,773
45	Accumulated Deferred Income Taxes	34,291	45,608	31,401
46	Accumulated Deferred Income Credits	61,206	36,785	39,180
47	Total Deferred Credits	$ 2,038,691	$ 1,143,523	$ 1,048,354
48				
49	Total Liabilities & Common Equity	$ 6,229,891	$ 5,357,834	$ 4,939,802
50				
51	SUPPORTING SCHEDULES:	RECAP SCHEDULES:		
52	(a) E-5	(b) A-3		

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

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	Prior Year Ended 12/31/98	Prior Year Ended 12/31/97
1	Operating Revenues	$ 587,969	$ 540,258	$ 506,598
2	Operation and Maintenance			
3	Expense	$ 332,345	$ 316,626	$ 337,103
4	Depreciation & Amortization	115,195	102,819	92,379
5	Other Taxes	37,435	33,373	35,688
6	Income Taxes	7,250	11,723	(57,557)
7	Total Expense	$ 492,224	$ 464,541	$ 407,613
8	Operating Income	$ 95,745	$ 75,717	$ 98,985
9	Other Income Net	5,645	6,020	8,714
10	Less:			
11	Interest Expense	280,719	195,285	151,889
12	Other Expense	-	-	-
13	Miscellaneous Other Expense (Income)	-	-	-
14				
15	Net Income	$ (179,329)	$ (113,548)	$ (44,190)
16				
17				

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Comparative Changes in Financial Position

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	Prior Year Ended 12/31/98	Prior Year Ended 12/31/97
1				
2				
3	*Cash Flows from Operating Activities*			
4	Net Income	$ (179,329)	$ (113,548)	$ (44,190)
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	115,194	103,730	92,380
8	Changes in Certain Assests and Liabilities:			
9	Deferred Income Taxes & Credits	13,104	11,812	17,370
10	Accounts Receivable	(16,111)	(6,903)	(7,324)
11	Materials & Supplies	-	-	-
12	Prepaid Expenses	(20,992)	-	51,110
13	Other Assets	(3,925)	6,496	500
14	Accounts Payable and Accrued Liabilities	(5,044)	(28,283)	31,202
15	Customer Deposits	-	-	-
16	Accrued Taxes	6,999	4,261	(7,957)
17	Other Liabilities	3,177	(12,552)	6,928
18	Net Cash Flow provided by Operating Activities	$ (86,927)	$ (34,987)	$ 140,019
19	Cash Flow From Investing Activities:			
20	Capital Expenditures	(1,005,209)	(482,080)	(469,472)
21	Purchase of Investments	(9,950)	(9,849)	(18,444)
22	Net Cash Flows from Investing Activities	$ (1,015,159)	$ (491,929)	$ (487,916)
23	Cash Flow From Financing Activities			
24	(Decrease) Increase in Net Amounts due to Parent and			
25	Affiliates	200,278	518,183	330,387
26	Change in Restricted Cash	-	-	6,021
27	Changes in Advances for Construction	-	-	-
28	Proceeds from Contributions in Aid of Construction	929,391	116,319	6,000
29	Proceeds from Long-Term Debt Borrowing	-	-	-
30	Repayments of Long-Term Debt	(49,192)	(45,198)	(41,526)
31	Dividends Paid	-	-	-
32	Deferred Financing Costs	1,566	1,566	1,566
33	Net Cash Flows Provided by Financing Activities	$ 1,082,043	$ 590,870	$ 302,448
34	Increase(decrease) in Cash and Cash Equivalents	(20,043)	63,954	(45,449)
35	Cash and Cash Equivalents at Beginning of Year	94,070	30,116	75,565
36	Cash and Cash Equivalents at End of Year	$ 74,027	$ 94,070	$ 30,116
37				
38				

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line No.		Common Stock	Additional Paid-In-Capital	Retained Earnings	Total
1					
2					
3					
4	Balance, December 31, 1997	$ 1,428,357	$ -	$ 117,719	$ 1,546,076
5					
6	Net Income			(113,548)	(113,548)
7					
8	Dividends on common stock			-	-
9					
10	Balance, December 31, 1998	1,428,357	-	4,171	1,432,528
11					
12	Net Income			(179,329)	(179,329)
13					
14	Dividends on common stock			-	-
15					
16	Balance, December 31, 1999	1,428,357	-	(175,158)	1,253,199
17					

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

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/98	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 12/31/99
1	301	Organization Cost	1,380	-	1,380
2	302	Franchise Cost	-	-	-
3	353	Land and Land Rights	50,513	-	50,513
4	354	Structures and Improvements	264,896	12,987	277,883
5	361	Sewer Line	1,099,571	624,127	1,723,698
6	363	Services	441,154	119,000	560,154
7	368	Lift Station	-	194,885	194,885
8	371	Effluent Pump	29,905	-	29,905
9	380	Treatment Plant	3,682,557	4,157	3,686,714
10	382	Effluent Lines	91,869	-	91,869
11	391	Transportation Equipment	28,361	8,319	36,680
12	393	Tools and Work Equipment	2,303	-	2,303
13	394	Laboratory Equipment	56,881	1,342	58,223
14	396	Communications Equipment	7,950	-	7,950
15	398	Other Tangible Plant	8,876	53,228	62,103
16					
17	Total Plant		5,766,215	1,018,045	6,784,261
18					
19					
20					

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

Exhibit
Schedule E-7
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	Prior Year Ended 12/31/98	Prior Year Ended 12/31/97
1	SEWER STATISTICS:			
2				
3				
4				
5	Sewer Revenues from Customer:	$ 587,969	$ 540,258	$ 506,598
6				
7				
8				
9				
10	Year End Number of Customers	1,193	1,120	1,009
11				
12				
13				
14	Annual Revenue per Year End Customer	$ 492.85	$ 482.37	$ 502.08
15				

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended 12/31/99	Prior Year Ended 12/31/98 *	Prior Year Ended 12/31/97 *
1	Description			
2				
3	Federal & State Income Taxes	$ 7,250	$ 11,723	$ (57,557)
4	Payroll Taxes	10,760	10,268	9,494
5	Property Taxes	26,675	20,250	20,063
6	Other Taxes	-	2,858	6,131
7				
8	Totals	$ 44,685	$ 45,099	$ (21,869)
9				
10				
11				
12	*Source: ACC Annual Reports			
13				
14				

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

The Following Audited Financial Statements and Footnotes by Tom Wentz, CPA are included per the Requirements of the Arizona Corporation Commission.

Tom Wentz, CPA has not audited this rate filing

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	1999	1998
ASSETS		
PROPERTY, PLANT AND EQUIPMENT (NOTE 2)	$13,404,031	$11,660,283
Accumulated Depreciation	2,154,920	1,802,182
TOTAL PROPERTY, PLANT AND EQUIPMENT	**11,249,111**	**9,858,101**
CURRENT ASSETS		
Cash and Cash Equivalents	157,580	115,266
Accounts Receivable ($0 allowance for Doubtful Accounts)	94,369	58,141
Unbilled Revenue	19,086	17,245
Materials and Supplies Inventory	904	397
Income Tax Refunds	16,660	16,660
Prepaid Expenses	44,155	27,686
TOTAL CURRENT ASSETS	**332,754**	**235,395**
OTHER ASSETS		
Deferred Finance Fees (Note 3)	17,226	18,792
Restricted Cash (Note 4)	224,500	224,500
Investment	39,243	29,293
Due From Related Party	3,925	-
Deposits	1,000	1,000
TOTAL OTHER ASSETS	**285,894**	**273,585**
TOTAL ASSETS	**$11,867,759**	**$10,367,081**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	1999	1998
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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

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(SEE INDEPENDENT AUDITOR'S REPORT)

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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	1999	**1998**
STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common Stock ($1 par value, 10,000,000 shares Authorized: 2,840,721 Shares Issued and Outstanding	$2,840,721	$2,840,721
Retained Earnings	828,107	811,736
TOTAL STOCKHOLDERS' EQUITY	**3,668,828**	**3,652,457**
LONG-TERM DEBT (NET OF CURRENT MATURITIES) (NOTE 4)	**2,337,459**	**2,405,241**
CURRENT LIABILITIES		
Current Maturity of Long-Term Debt (Note 4)	73,368	67,152
Accounts Payable	38,404	30,100
Current Portion of Meter Deposits	15,000	11,400
Advances From Related Parties (Note 6)	2,198,112	2,132,654
Accrued Interest Payable	14,556	14,330
Accrued Property Taxes	22,980	19,993
Other Accrued Liabilities and Expenses	22,947	13,626
TOTAL CURRENT LIABILITIES	**2,385,367**	**2,289,255**
DEFERRED LIABILITIES		
Meter Deposits (Net of Current Portion)	105,684	102,020
Deferred Income Taxes and Investment Tax Credits (Note 5)	157,291	139,672
TOTAL DEFERRED LIABILITIES	**262,975**	**241,692**
CONTRIBUTIONS IN AID OF CONSTRUCTION	**3,213,130**	**1,778,436**
TOTAL STOCKHOLDER'S EQUITY AND LIABILITIES	**$11,867,759**	**$10,367,081**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
BALANCE SHEETS
(SEE INDEPENDENT AUDITOR'S REPORT)

	DECEMBER 31	
	1999	1998
STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF EARNINGS
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED DECEMBER 31	
	1999	**1998**
OPERATING REVENUE		
Water Revenue	$948,286	$788,598
Sewer Services	587,970	540,259
TOTAL OPERATING REVENUE	**1,536,256**	**1,328,857**
OPERATING EXPENSE		
Salaries	190,932	173,128
Employee Benefits	14,798	12,948
Payroll Taxes	21,520	20,537
Purchased Water	61,231	57,424
Purchased Power	219,797	196,061
Repairs and Maintenance	162,826	159,809
Water Testing and Treatment	29,514	17,862
Professional Fees	13,228	5,263
Transportation	10,250	7,177
General Office and Administrative	6,488	4,772
Telephone	6,190	4,863
Management Fee	79,687	77,941
General Insurance	16,311	17,045
Depreciation (Note 2)	271,069	233,495
Other Utility Expense	33,828	42,473
Property Taxes	45,358	39,425
Income Taxes (Note 5)	87,852	52,111
TOTAL OPERATING EXPENSES	**1,270,879**	**1,122,334**
EARNINGS FROM OPERATIONS	**265,377**	**206,523**
OTHER INCOME <EXPENSE>		
Interest Income	11,289	12,040
Patronage Dividend	14,600	14,534
Amortization Finance Fees (Note 3)	(1,566)	(1,566)
Interest Expense (Note 4)	(343,562)	(254,863)
Income Tax Benefit (Note 5)	70,233	54,086
TOTAL OTHER INCOME <EXPENSE>	**(249,006)**	**(175,769)**
NET EARNINGS	**$16,371**	**$30,754**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF EARNINGS
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED DECEMBER 31	
	1999	**1998**
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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31,1999 AND 1998
(SEE INDEPENDENT AUDITOR'S REPORT)

	COMMON STOCK		
	NUMBER OF SHARES	AMOUNT	RETAINED EARNINGS
BALANCE - DECEMBER 31,1997	**2,840,721**	**$2,840,721**	**$780,982**
NET EARNINGS			30,754
BALANCE - DECEMBER 31,1998	**2,840,721**	**2,840,721**	**811,736**
NET EARNINGS			16,371
BALANCE - DECEMBER 31,1999	**2,840,721**	**$2,840,721**	**$828,107**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31,1999 AND 1998
(SEE INDEPENDENT AUDITOR'S REPORT)

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	NUMBER OF SHARES	AMOUNT	RETAINED EARNINGS
BALANCE - DECEMBER 31,1997	**2,840,721**	**$2,840,721**	**$780,982**
NET EARNINGS			30,754
BALANCE - DECEMBER 31,1998	**2,840,721**	**2,840,721**	**811,736**
NET EARNINGS			16,371
BALANCE - DECEMBER 31,1999	**2,840,721**	**$2,840,721**	**$828,107**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF CASH FLOWS
RECONCILIATION OF NET EARNINGS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED DECEMBER 31	
	1999	1998
NET EARNINGS	$16,371	$30,754
ADJUSTMENTS		
Depreciation and Amortization	272,636	235,060
Accounts Receivable	(53,202)	(28,396)
Inventory	(507)	71
Prepaid Income Taxes	0	10,186
Prepaid Expense	(16,469)	(11,248)
Investments	(9,950)	(9,849)
Accounts Payable	8,304	(51,143)
Accrued Property Taxes	2,987	242
Accrued Liabilities	9,321	(16,916)
Accrued Interest Payable	226	(5,793)
Deferred Income Taxes and Investment Tax	17,619	15,804
TOTAL ADJUSTMENTS	230,965	138,018
NET CASH PROVIDED BY OPERATING ACTIVITIES	$247,336	$168,772

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RIO VERDE UTILITIES, INC.
STATEMENT OF CASH FLOWS
RECONCILIATION OF NET EARNINGS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES
(SEE INDEPENDENT AUDITOR'S REPORT)

	YEAR ENDED DECEMBER 31	
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NET CASH PROVIDED BY OPERATING ACTIVITIES	**$247,336**	**$168,772**

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a regulated utility providing water and sewer services in a certified area located in Rio Verde, Arizona. The Company's financial instruments that are exposed to credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company is wholly owned by Second Arizona Rio Verde Company, 1974.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Periodically, the Arizona Corporation Commission reviews the basis of the plant and equipment and may require adjustments for establishing rates the company may charge its customers. The Company has adjusted the basis of its assets to comply with the Arizona Corporation Commission orders. In accordance with standard accounting practices prescribed for water and sewer utilities, renewals and betterment are charged to plant accounts and the cost of depreciable property retired less salvage value is removed from the utility plant accounts and charged to accumulated depreciation.

Depreciation of property, plant and equipment is computed using the straight line method over the useful life of the assets as prescribed by the Arizona Corporation Commission.

Deferred Income Taxes

Income taxes have been provided for temporary differences between income tax and financial accounting. Temporary differences relate primarily to the different methods and useful lives used for the calculation of depreciation. Investment tax credits are deferred for financial statement reporting and amortized over the estimated useful life of the related property. (see note 6)

Customer Meter Deposits

The Company is refunding meter deposits received from customers in equal installments, without interest, over a ten-year period.

Revenue Recognition

Revenues are recognized as services are rendered. Rates and service charges are set by the Arizona Corporation Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions in Aid of Construction
Contributions in aid of construction are nonrefundable contributions by developers and customers for plant expansion. In addition, this amount includes the remaining balance, if any, of advances in aid of construction at the end of the repayment period. The contributions in aid of construction are being amortized at a rate equal to the rate allowed for depreciation, as a reduction of depreciation expense.

Accounting Records
The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners.

Cash Equivalents
The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

Major classifications of property, plant and equipment are summarized below:

Water Utility Plant	1999	1998
Land	$41,512	$41,512
Construction Work in Process		512
Utility Plant	6,541,177	5,810,446
Transportation Equipment	36,684	28,365
	6,619,373	5,880,835
Accumulated Depreciation and Amortization	1,158,560	968,343
Net Water Utility Plant	$5,460,813	$4,912,492

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Sewer Utility Plant	**1999**	**1998**
Land	$50,513	$50,513
Construction Work in Process		13,233
Utility Plant	6,697,465	5,687,337
Transportation Equipment	36,680	28,365
	6,784,658	5,779,448
Accumulated Depreciation and Amortization	996,360	833,839
Net Sewer Utility Plant	$5,788,298	$4,945,609
Total Property, Plant and Equipment	$11,249,111	$9,858,101

Depreciation and amortization charged to earnings:

Depreciation	Rate		
Water Utility	3.064119%	$190,217	$154,644
Sewer Utility	2.603750%	162,521	135,780
		$352,738	$290,424
Amortization of Contributions in Aid of Construction			
Water Utility	3.064119%	$34,342	$23,967
Sewer Utility	2.603750%	47,327	32,962
		$81,669	$56,929
Net Depreciation and Amortization		$271,069	$233,495

NOTE 3 - DEFERRED CHARGES

Deferred Finance Fees:		
Finance Fees	$23,490	$23,490
Accumulated Amortization	(6,264)	(4,698)
	$17,226	$18,792

Finance fees are being amortized over a period of 180 months.

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

	1999	1998
Note payable to CoBank due in monthly installments of principal and interest, final payment due May 20, 2016, current payment is $18,920. Interest is at a fixed rate of 9.8% on one-half of the outstanding principal and at a variable rate on the other half. The variable rate at December 31, 1998 was 7.75%. The note is secured by assignment of the capital stock of the Company. The Company is required to maintain a debt service reserve of $224,500.	1,844,603	1,893,795
9.8% note payable to Second Arizona Rio Verde Company, 1974 (the shareholder of the Company) due in monthly principal and interest installments of $5,711, final payment due December 31, 2016.	566,224	578,598
Total Long-Term Debt	**$2,410,827**	**$2,472,393**
Current Portion	**73,368**	**67,152**
Long Term Portion	**$2,337,459**	**$2,405,241**

Debt Maturities	
2000	73,368
2001	80,170
2002	87,611
2003	95651
Thereafter	2,074,027
	$2,410,827

Interest		
Charged to Operations	343,562	254,863
Charged to Construction Work in Process	0	36,400
	$343,562	**$291,263**

NOTE 5 - INCOME TAXES

The provision for income taxes is as follows:

	1999	1998
Current		
Federal	0	(17,828)
State	50	50
Total Current	50	(17,778)
Deferred		
Federal	16,258	15,592
State	6,100	5,000
ITC Amortization	(4,789)	(4,789)
Total Deferred	17,569	15,803
Tax Expense (Benefit)	**$17,619**	**($1,975)**
Deferred Income Taxes and Investment Tax Credits:		
Deferred Income Tax	88,709	66,101
Investment Tax Credits	68,582	73,571
	$157,291	**$139,672**

Certain items of income and expenses are recognized in different years for financial reporting and income tax purposes. Deferred income taxes are accounted for in recognition of these temporary differences.

As required by the regulatory agency, deferred investment tax credits are recognized for financial statement purposes in the year in which they are utilized for federal income taxes and amortized over the estimated remaining life of the assets from which the investment tax credit originated.

The Company has a 1999 Federal income tax loss of approximately $137,000 The loss will be carried forward to offset future years taxable income.

NOTE 6 - RELATED PARTY TRANSACTIONS

Related Company transactions are as follows:

	1999	1998
Management and Administrative Services	$79,267	$77,941
Salaries, Benefits and Payroll Taxes	222,243	201,472
Interest	174,882	57,511
Plant Expansion Cash Advances	0	1,900,000
Supplies and Services	23,126	22,060
Working Capital	155,000	600,000

NOTE 7 - SUPPLEMENTAL CASH FLOW INFORMATION

The Company engaged in the following non - cash transactions:

Customer meter deposits refunds applied to amounts due from customers	15,133	11,368
Plant acquired through contributions in aid of construction	1,507,362	139,040

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/00	At Proposed Rates Year Ended 12/31/00
1				
2				
3				
4				
5				
6	**Revenues**			
7	Water Revenues	$ 525,628	$ 538,937	$ 752,894
8	Hook-Up Fees	60,000	70,000	70,000
9	Misc Service Revenues	2,341	2,341	2,341
10	C.A.P. Surcharge	-	-	-
11				
12	**Total Water Revenues**	$ 587,969	$ 611,278	$ 825,235
13	**Operating Expenses**			
14	Salaries & Wages	$ 94,501	$ 102,061	$ 102,061
15	Purchased Power	63,737	65,656	65,656
16	SRP Ground water Charge	75,752	78,032	78,032
17	CP Purchased Water	364	375	375
18	DWR Surcharge	793	816	816
19	Maintenance	12,876	13,264	13,264
20	Chemicals	14,247	14,676	14,676
21	Administrative Office	12,000	12,000	12,000
22	Automotive	5,538	5,538	5,538
23	RVUI Lab Operations	5,670	5,670	5,670
24	Outside Lab	828	828	828
25	Supplies	11	11	11
26	Postage/Express/UPS	1,718	1,823	1,823
27	Office Supplies	1,510	1,556	1,556
28	Payroll Taxes	10,760	11,490	11,490
29	Employee Benefits	7,399	7,399	7,399
30	Taxes & Licenses	26,675	26,631	26,631
31	Telephone	2,390	2,390	2,390
32	Insurance	8,772	8,772	8,772
33	Legal Fees	138	138	138
34	Professional Fees	6,103	6,103	6,103
35	Education & Training	1,740	1,740	1,740
36	Travel & Entertainment	576	576	576
37	Security Charges	1,724	1,724	1,724
38	Outside Services	27,839	27,839	27,839
39	Miscellaneous	719	719	719
40	Rate Case Expense	-	12,000	12,000
41	Depreciation	115,195	91,101	91,101
42	Patronage Divided Sewer	(14,600)	(14,600)	(14,600)
43	Income Taxes	7,250	(58,474)	25,568
44	**Total Operating Expenses**	$ 492,224	$ 427,852	$ 511,894
45	**Profit (Loss) Before Interest**	$ 95,745	$ 183,426	$ 313,341
46	**Other Income (Expense)**			
47	Interest Income	5,645	15,410	15,410
48	Other income	-	-	-
49	Interest Expense	(280,719)	(289,227)	(289,227)
50	Other Expense	-	-	-
51	Gain/Loss Sale of Fixed Assets	-	-	-
52	**Total Other Income (Expense)**	$ (275,074)	$ (273,817)	$ (273,817)
53	**Net Profit (Loss)**	$ (179,329)	$ (90,391)	$ 39,524
54				

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/99	At Present Rates Year Ended 12/31/00	At Proposed Rates Year Ended 12/31/00
5	Cash Flows from Operating Activities			
6	Net Income	$ (179,329)	$ (90,391)	$ 39,524
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	115,194	91,101	91,101
10	Changes in Certain Assests and Liabilities:			
11	Deferred Income Taxes & Credits	13,104	-	-
12	Accounts Receivable	(16,111)	-	-
13	Materials & Supplies	-	-	-
14	Prepaid Expenses	(20,992)	-	-
15	Other Assets	(3,925)	-	-
16	Accounts Payable and Accrued Liabilities	(5,044)	-	-
	Customer Deposits	-	-	-
17	Accrued Taxes	6,999	-	-
18	Other Liabilities	3,177		
19	Net Cash Flow provided by Operating Activities	$ (86,927)	$ 710	$ 130,624
20	Cash Flow From Investing Activities:			
21	Capital Expenditures	(1,005,209)	-	-
22	Purchase of Investments	(9,950)	-	-
23	Net Cash Flows from Investing Activities	$ (1,015,159)	$ -	$ -
24	Cash Flow From Financing Activities			
25	(Decrease) Increase in Net Amounts due to Parent and			
26	Affiliates	200,278	(1,049,664)	(1,049,664)
27	Change in Restricted Cash	-	(117,940)	(117,940)
	Changes in Advances for Construction	-	-	-
28	Proceeds from Contributions in Aid of Construction	929,391	-	-
29	Proceeds from Long-Term Debt Borrowing	-	1,179,398	1,179,398
30	Repayments of Long-Term Debt	(49,192)	(74,210)	(74,210)
31	Dividends Paid	-	-	-
32	Deferred Financing Costs	1,566	(11,794)	(11,794)
33	Proceeds from Sale of Common Stock	-	(0)	(0)
34	Net Cash Flows Provided by Financing Activities	$ 1,082,043	$ (74,210)	$ (74,210)
35	Increase(decrease) in Cash and Cash Equivalents	(20,043)	(73,501)	56,414
36	Cash and Cash Equivalents at Beginning of Year	94,070	74,027	187,038
37	Cash and Cash Equivalents at End of Year	$ 74,027	$ 527	$ 130,441

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

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	2000	2001	2002	2003
1						
2						
3						
4	301	Organization Cost	$ -	$ -	$ -	$ -
5	302	Franchise Cost	-	-	-	-
6	353	Land and Land Rights	-	-	-	-
7	354	Structures and Improvements	50,000	-	-	-
8	361	Sewer Line	-	125,000	-	-
9	363	Services	-	-	-	-
10	368	Lift Station	-	-	-	-
11	371	Effluent Pump	-	-	-	-
12	380	Treatment Plant	-	-	-	-
13	382	Effluent Lines	-	-	-	-
14	391	Transportation Equipment	-	-	-	-
15	393	Tools and Work Equipment	-	-	-	-
16	394	Laboratory Equipment	-	-	-	-
17	396	Communications Equipment	-	-	-	-
18	398	Other Tangible Plant	-	-	-	-
19			-	-	-	-
20			-	-	-	-
21						
22	Total		$ 50,000	$ 125,000	$ -	$ -
23						
24						
25						

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7	
8	Accumulated depreciation and depreciation expense were computed at Arizona Corporation
9	Commission allowed rated in Prior Commission Decision.
10	
11	Income taxes were computed using statutory state and federal income tax rates.
12	
13	
14	
15	

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
Schedule H1
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	632,276	169,128	36.52%	85.94%	83.98%
2	**Residential customer revenue**						
3	**annualized to end of year, based on**	14,212	19,402	5,190	36.52%	2.64%	2.58%
4	**year end number of customers**						
5	Commercial	16,350	32,700	16,350	100.00%	3.03%	4.34%
6	Commercial - Restuarant	1,800	4,800	3,000	166.67%	0.33%	0.64%
7	Effluent Sales	43,427	63,716	20,289	46.72%	8.06%	8.46%
8		538,937	752,894		0.00%	100.00%	100.00%
9							

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Analysis of Revenue by Detailed Class

Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification	Average Number of Customers at 12/31/99	Average Effluent	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential	1,170	N/A	$ 34.00	$ 46.42	12.42	37%
2	Commercial	19	N/A	75.00	150.00	75.00	100%
3	Commercial - Restuarant	2	N/A	75.00	200.00	125.00	167%
4	Effluent	2	2,261,833	0.80	1.17	0.37	47%
5							
6	Total	1,193					
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							

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

Exhibit
Schedule H3
Page 1
Witness: Bourassa

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums	36.517% (Residential Only)			
2	Percentage Increase in Commodity Rates	46.720% (Effluent Only)			
3					
4	**Monthly Charge for:**				
5	Residential		$ 34.00	$ 46.42	36.52%
6	Commercial		75.00	150.00	100.00%
7	Commercial - Restaurant		75.00	200.00	166.67%
8	Effluent Sales (per 1,000 gallons)		0.80	1.17	46.72%
9					

Rio Verde Utilities, Inc. - Sewer
Present and Proposed Rates

Exhibit
Schedule H3
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)	(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	Min Deposit Requirement (Residential)	(a)	(a)
8	Min Deposit Requirement (Non-Residential)	(a)	(a)
9	Deposit Interest	6.00%	6.00%
10	NSF Check (d)	10.00	10.00
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	1,000.00
17			

18 (a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.
19 The Company does not normally require a deposit prior to the provision of service. However, in the
20 event a customer is disconnected for non-payment, this deposit is required.
21 (b) Minimum charge times number of full months disconnected.
22 (c) Actual cost of physical disconnection and reconnection (if same customer) and there shall be no
23 charge if there is no physical work performed.
24 (d) This charge shall not apply if wastewater service is paid with the same NSF check used to pay for
25 wastewater service for which a NSF fee is charged.
26 (e) Present rates - all hook-up fees in excess of 60 per year to be treated as contributions.
27 Proposed rates - all hook-up fees treated as revenues.
28
29 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
30 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
31 TAX. PER COMMISSION RULE (14-2-409.D 5).
32 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
33 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
34 COST TO INCLUDE LABOR, MATERIALS AND PARTS, OVERHEADS AND ALL APPLICABLE TAXES.
35
36
37
38
39

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

Exhibit
Schedule H4
Page 1
Witness: Bourassa

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
$ 34.00	$ 46.42	$ 12.42	36.52%

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

Exhibit
Schedule H4
Page 2
Witness: Bourassa

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
$ 75.00	$ 150.00	$ 75.00	100.00%

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

Exhibit
Schedule H4
Page 3
Witness: Bourassa

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
$ 75.00	$ 200.00	$ 125.00	166.67%

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

Exhibit
Schedule H4
Page 4
Witness: Bourassa

MidPoint Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ -	$ -	$ -	0.00%
1,000	0.80	1.17	0	46.72%
2,000	1.60	2.35	1	46.72%
3,000	2.40	3.52	1	46.72%
4,000	3.20	4.70	1	46.72%
5,000	4.00	5.87	2	46.72%
6,000	4.80	7.04	2	46.72%
7,000	5.60	8.22	3	46.72%
8,000	6.40	9.39	3	46.72%
9,000	7.20	10.56	3	46.72%
10,000	8.00	11.74	4	46.72%
11,000	8.80	12.91	4	46.72%
12,000	9.60	14.09	4	46.72%
13,000	10.40	15.26	5	46.72%
14,000	11.20	16.43	5	46.72%
15,000	12.00	17.61	6	46.72%
16,000	12.80	18.78	6	46.72%
17,000	13.60	19.95	6	46.72%
18,000	14.40	21.13	7	46.72%
19,000	15.20	22.30	7	46.72%
20,000	16.00	23.48	7	46.72%
21,000	16.80	24.65	8	46.72%
22,000	17.60	25.82	8	46.72%
23,000	18.40	27.00	9	46.72%
24,000	19.20	28.17	9	46.72%
25,000	20.00	29.34	9	46.72%
26,000	20.80	30.52	10	46.72%
27,000	21.60	31.69	10	46.72%
28,000	22.40	32.87	10	46.72%
29,000	23.20	34.04	11	46.72%
30,000	24.00	35.21	11	46.72%
31,000	24.80	36.39	12	46.72%
32,000	25.60	37.56	12	46.72%
33,000	26.40	38.73	12	46.72%
34,000	27.20	39.91	13	46.72%
35,000	28.00	41.08	13	46.72%
36,000	28.80	42.26	13	46.72%
37,000	29.60	43.43	14	46.72%
38,000	30.40	44.60	14	46.72%
39,000	31.20	45.78	15	46.72%
40,000	32.00	46.95	15	46.72%
41,000	32.80	48.12	15	46.72%
42,000	33.60	49.30	16	46.72%
43,000	34.40	50.47	16	46.72%
44,000	35.20	51.65	16	46.72%
45,000	36.00	52.82	17	46.72%
46,000	36.80	53.99	17	46.72%
47,000	37.60	55.17	18	46.72%
48,000	38.40	56.34	18	46.72%
49,000	39.20	57.51	18	46.72%
50,000	40.00	58.69	19	46.72%
Average Usage				
2,261,833	$ 1,809.47	$ 2,654.85	$ 845.38	46.72%
Median Usage				
1,459,500	$ 1,167.60	$ 1,713.10	$ 545.50	46.72%

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	$	1.17
2	$	1.17
3	$	1.17
4		

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

Exhibit
Schedule H5
Page 1
Witness: Bourassa

Month Jan-99	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total Year
1,106	1,108	1,114	1,120	1,122	1,127	1,137	1,140	1,152	1,156	1,170	1,170	13,622
1,106	1,108	1,114	1,120	1,122	1,127	1,137	1,140	1,152	1,156	1,170	1,170	13,622

Average Usage	N/A
Median Usage	N/A
Average # Customers	1,135

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

Exhibit
Schedule H5
Page 2
Witness: Bourassa

Month Jan-99	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total Year
18	18	18	18	18	18	18	18	18	18	19	19	218
18	18	18	18	18	18	18	18	18	18	19	19	218

Average Usage	N/A
Median Usage	N/A
Average # Customers	18

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Customer Classification
Commercial - Restuarant

Exhibit
Schedule H5
Page 3
Witness: Bourassa

Month Jan-99	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total Year
2	2	2	2	2	2	2	2	2	2	2	2	24
2	2	2	2	2	2	2	2	2	2	2	2	24

Average Usage	N/A
Median Usage	N/A
Average # Customers	2

Rio Verde Utilities, Inc. - Sewer
Test Year Ended December 31, 1999
Customer Classification
Effluent Sales

Exhibit
Schedule H5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month Jan-99	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total Year
.	1,000	1	1	1	1	1	1	1	1	1	1	1	1	12
1,001	2,000													.
2,001	3,000													.
3,001	4,000													.
4,001	5,000													.
5,001	6,000													.
6,001	7,000													.
7,001	8,000													.
8,001	9,000													.
9,001	10,000													.
10,001	11,000													.
11,001	12,000													.
12,001	13,000													.
13,001	14,000													.
14,001	15,000													.
15,001	16,000													.
16,001	17,000													.
17,001	18,000													.
18,001	19,000													.
19,001	20,000													.
20,001	21,000													.
21,001	22,000													.
22,001	23,000													.
23,001	24,000													.
24,001	25,000													.
25,001	26,000													.
26,001	27,000													.
27,001	28,000													.
28,001	29,000													.
29,001	30,000													.
30,001	31,000													.
31,001	32,000													.
32,001	33,000													.
33,001	34,000													.
34,001	35,000													.
35,001	36,000													.
36,001	37,000													.
37,001	38,000													.
38,001	39,000													.
39,001	40,000													.
40,001	41,000													.
41,001	42,000													.
42,001	43,000													.
43,001	44,000													.
44,001	45,000													.
45,001	46,000													.
46,001	47,000													.
47,001	48,000													.
48,001	49,000													.
49,001	50,000													.
Over 50,000 gallons														
2,919,000	2,919,000							1						1
2,974,000	2,974,000						1							1
3,007,000	3,007,000								1					1
3,048,000	3,048,000									1				1
3,638,000	3,638,000										1			1
4,045,000	4,045,000					1								1
5,239,000	5,239,000												1	1
5,374,000	5,374,000	1												1
5,444,000	5,444,000											1		1
5,465,000	5,465,000		1											1
6,296,000	6,296,000				1									1
6,829,000	6,829,000			1										1
Totals		2	2	2	2	2	2	2	2	2	2	2	2	24

Average Usage	2,261,833
Median Usage	1,459,500
Average # Customers	2

C

DIRECT TESTIMONY OF

RONALD L. KOZOMAN

FILED ON BEHALF OF

RIO VERDE UTILITIES, INC.

RATE APPLICATION

DOCKET NO. WS-02156A-00-___

FILED MAY 11, 2000

80017.00000.70

EXHIBIT C

DIRECT TESTIMONY OF RONALD L. KOZOMAN, C.P.A.

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

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

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

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

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

A. Yes. It is attached as Appendix A.

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR REGULATORY EXPERIENCE?

A. Yes. I was employed by the Illinois Commerce Commission ("ICC") from 1977 to 1981 in various accounting and management positions. While with the ICC, I testified as the ICC Staff's expert witness on cost of capital, rate base

and operating income in rate cases involving Commonwealth Edison Company, Illinois Bell Telephone, and several other large Illinois utility companies.

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

Since leaving the employ of the ACC, I have testified as an independent consultant in rate proceedings on behalf of utility companies, utility consumers, and regulatory agencies. I am also an instructor in the areas of public utility accounting and general regulatory practices for the National Association of Regulatory Utility Commissioners at its Annual Regulatory Studies Program held at Michigan State University. Recently, I taught Revenue Requirements Accounting, and Regulatory Accounting Methods and Applications under Changing Regulatory and Market Conditions.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Rio Verde Utilities, Inc. "the Applicant", or "the Company").

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I will testify in support of the cost of capital to which supports the proposed rates for Rio Verde Utilities Inc's. water and sewer utilities. The Company is also requesting financing of debt. Additionally, I will testify on the proposed water rates.

Q. HOW WILL YOUR TESTIMONY BE ORGANIZED?

A. My direct case testimony is presented in two parts. The first part will address the derivation of the cost of capital and fair value return, both in general and as applied to the Company. The second part covers the Company's proposed rates. I have prepared Schedules labeled as D and H.

Q. WOULD YOU PLEASE EXPLAIN WHAT DEBT FINANCING IS REQUESTED?

A. The Company currently owes it parent company $2,198,110 for water and sewer plant that has been installed recently. The

water utility owes $1,148,446, while the sewer utility owes $1,049,664.

The total financing proposed is $2,469,787. The lender will be CoBank. The repayment of the loan is twenty years, with an estimated interest rate of 9.75%. CoBank will charge a 1.00% origination fee on the loan.

Q. COULD THE COMPANY ISSUE ADDITIONAL EQUITY, RATHER THAN DEBT TO SATISFY THE MONEY OWED?

A. Yes, additional equity could be issued. However, the cost of equity financing at 12.75% would be substantially higher to the customers than debt financing at 9.75%. The equity return is higher than the debt cost, due to higher risk associated with common equity. Additionally, the interest on the debt is tax deductible, resulting in lower income taxes. The equity return is an after tax return. Thus, the lowest cost alternative would be the debt financing.

II. Rate of Return.

Q. WHAT IS THE PURPOSE OF THIS PHASE OF YOUR TESTIMONY?

A. I will testify regarding the appropriate overall rate of return to allow Rio Verde Utilities, Inc. to provide quality water and wastewater utility service to its customers while fairly compensating shareholders for their investment. The

rate of return on equity will be adjusted for business risk and/or financial risk. The equity return will also be analyzed to be certain that it provides meaningful interest and debt service coverage.

Q. HOW WILL THIS PORTION OF YOUR TESTIMONY BE ORGANIZED?

A. My rate of return testimony is organized as (1) summary of the equity return and overall rate of return; (2) discussion of cost of capital in general; (3) discussion of cost of capital techniques; (4) specific risks for Rio Verde Utilities, Inc., and (5) test of financial integrity for Rio Verde Utilities, Inc..

A. Rate Of Return Summary

Q. WOULD YOU PLEASE SUMMARIZE YOUR RECOMMENDED EQUITY RETURN?

A. Yes. I am recommending a return on equity of 12.75%. The latest Value Line lists the expected equity return for water companies at 12.00%. The higher return is requested due to the amount of debt that will make up the total capitalization, and the need for interest and debt service coverage, and the lower common equity component when compared to the nationally traded water utilities.

The Company's reduction of the sewer plant included in the Company's rate base, also adds substantial risk. The

rate increase for the customers on the sewer system would be substantially higher if all the sewer treatment plant were included in rate base. Additionally, the Company is not collecting the full property tax on the sewer plant, due to the exclusion of the plant from rate base, and the property tax computation. The rate increase would be substantially higher for the customers on the sewer system if the actual financing supporting the sewer plant removed was also removed.

Q. WOULD YOU PLEASE EXPLAIN WHAT YOU MEAN BY YOU STATEMENT THAT IF THE ACTUAL FINANCING SUPPORTING THE SEWER PLANT WERE ALSO REMOVED, THE RATE INCREASE WOULD BE HIGHER?

A. In the instant case for the sewer utility, it was assumed that the interest on the debt, which is financing the sewer plant be included in the income tax computation. This assumption resulted in the use of interest expense on all the debt to compute income taxes. The higher interest expense reduced income taxes, which lowered the rates customers pay. Had an actual source and use of funds been applied to the sewer plant removed from rate base, the financing removed would have lowered the interest expense, and increased the income taxes customers pay. Thus, customers are paying lower rates due to the inclusion of all of the debt, and the "removal of equity financing".

Although the overall cost of capital for the sewer utility was applied to determine the revenue requirement customers pay, the impact is that customers are paying a debt return, rather than an equity return. The debt return is lower, due to a lower cost rate, and the fact that interest is a deduction when computing income taxes.

Q. PLEASE CONTINUE WITH YOU EXPLANATION OF THE COST OF CAPITAL SUMMARY?

A. The common equity return computations are shown on Schedules D-4, through D-4-S respectively. A summary comparison of the financial integrity of Rio Verde Utilities, Inc. to six comparable water companies is set forth in Schedule, D-4-C-2.

Q. HOW WILL THIS PORTION OF YOUR TESTIMONY BE ORGANIZED?

A. My testimony starts with a discussion of the factors that must be considered in determining an investor's required return, such as risk, and the legal standards which need to be analyzed and met when determining a utility's cost of capital or rate of return. In light of these standards and after recognition of all risk factors, a rate of return on an original cost rate base was developed for setting rates on a prospective basis, using six nationally traded water utilities from Value Line. The six water companies listed in

Value Line are traded on the New York Stock Exchange. All are considered "large" utilities. The market value of each of the six water companies ranges from $1.906 billion to $236 million (spot price) to $2.449 billion and $277 million (average price), depending whether spot or average market prices are used.

To test whether the return determined for my sample companies is realistic, attainable and/or sustainable, I will examine six nationally traded water utilities' financial integrity. Three of the water utilities are traded on the New York Stock Exchange, one is traded on the American Stock Exchange, and two are traded on the NASDQ over-the-counter market. Thus, due to their smaller size, this sample of water utilities, as a group, would have somewhat more risk than the group of utilities listed in Value Line. The highest market value of these six companies is $402.8 million, while the lowest market capitalization is S122.5 million (at the end of 1998). These six water utilities will be referred to in this testimony as the "comparison companies." California Water is included in both the Value Line companies and the comparison companies.

In addition, I will examine the current earnings for another group of publicly-traded water utilities followed by C.A. Turner Utility Reports. These companies are also much larger than Rio Verde Utilities, Inc., and include many of the same companies as the Value Line companies and the comparison companies. With the exception of Dominguez

Services Corporation, Middlesex Water, and Connecticut Water, all of the C.A. Turner companies have over $100 million in revenues. The current returns on equity for this group will also be considered as a check on the return determined for the Value Line companies.

The return for the Value Line water utilities will then be adjusted to the appropriate return for Rio Verde Utilities, Inc., one which reflects the risks to Rio Verde Utilities, Inc.' investors relative to Value Line companies, the comparison companies, and the C.A. Turner companies.

Q. HAVE YOU PREPARED EXHIBITS TO DEMONSTRATE THE COST OF CAPITAL AND FAIR RATE OF RETURN IN THIS PROCEEDING?

A. Yes. These Schedules are labeled as "D".

Q. HOW DID YOU DERIVE YOUR COST OF COMMON EQUITY?

A. I computed the required investor returns by using Value Line's nationally traded water utilities that have organized trading on national markets to derive investor expected returns using the Discounted Cash Flow method ("DCF") and the Capital Asset Pricing Model ("CAPM"). Schedules D-4, D-4-A, and D-4-B contain the results of the DCF and the CAPM using data from Value Line.

Using the water companies listed in the February 4, 2000 Value Line, the DCF method produced an investor

expected return on common equity of 7.21% using average prices, and 6.91% using spot prices. The preceding returns have not been adjusted for risk. (See Schedule D-4-C).

The CAPM method produced an unadjusted investor expected return of 10.90% as shown on Schedule D-4-B, page 1. However, when the market value (size of these water companies) is used to determine the risk premium, the CAPM produces a return of 12.20% (see Schedule D-4-B, page 2). The market values of all of these water companies results in Mid cap and Small cap risk premiums.

To these unadjusted investor expected returns, a risk factor would have to be added. There is a high degree of financial and business risk associated with an investment in Rio Verde Utilities, Inc. In my opinion, the cost of equity for Rio Verde Utilities, Inc., adjusted for risk, produces an investor expected return of no less than 12.75% on common equity.

Q. PLEASE DESCRIBE HOW YOU COMPUTED THE COST OF CAPITAL USING THE DCF METHOD?

A. In the DCF method, the dividend yield and dividend growth are added to derive the estimated return on common equity.

Q. PLEASE DESCRIBE HOW YOU COMPUTED THE COST OF CAPITAL USING THE CAPM METHOD?

A. The CAPM method adds a risk premium for holding common stock to what is termed the "risk free" rate of return. The risk premium is multiplied by an estimated beta. Beta is the measurement of changes in the price of an individual company's stock relative to the stock market as a whole. For the risk free rate of return, I used a five-year horizon or time span for investor expectations. The five-year debt term nearly matches the term over which the Company's proposed rates will be in effect.

The other D-4 Schedules contain additional supporting data for the recommended rate of return.

Q. WOULD YOU PLEASE FURTHER EXPLAIN WHAT YOU MEAN BY MID AND SMALL CAP RISK PREMIUMS?

A. Mid cap is defined as total market capitalization of $500 million to $5 billion. A small cap stock is defined as market capitalization of $150 to $500 million. American Water Works, Philadelphia Suburban, and United Water Resources would be classified as "mid cap", while American States Water, California Water and E'Town would be classified as "small cap" stocks. The above market bounds for small and mid cap are taken from the "Motley Fool" which is an investment article column that appears in the Arizona Republic.

B. Overview Of The Regulatory Process And The Role Of Rate Of Return

Q. PLEASE EXPLAIN HOW REGULATORY COMMISSIONS ESTABLISH THE PRICE THAT CONSUMERS SHOULD PAY FOR UTILITY SERVICES?

A. The determination of the price a utility charges may be separated into two distinct issues: (1) the relative structure of prices and (2) the overall level of prices. The latter is normally determined first and simply relates to the total revenue that the utility should receive in a given time period and for a given amount of service ("Revenue Requirement"). The former refers to the specific process for determining the rates to be charged various classes and types of customers for the particular services provided. Obviously, these rates should also produce the targeted revenue requirement.

Q. FOCUSING ONLY ON THE REVENUE REQUIREMENT ASPECT, HOW SHOULD RATES FOR A REGULATED UTILITY BE DETERMINED?

A. It is widely accepted that, under regulation, a utility should be authorized to charge rates equal to its cost of service.

Q. HOW IS COST OF SERVICE MEASURED?

A. Cost of service is defined as the sum of: (1) reasonable operating expenses; (2) depreciation and amortization expenses; (3) taxes; and (4) a fair rate of return on the net property valuation. This is summarized in the following simple equation: $r = e + d + t + (p - d)k$ where r represents the total revenue requirement (cost of service); e represents all allowable operating expenses; d represents depreciation and amortization expenses; t represents taxes; p represents the gross value of the utility's property; d is accumulated depreciation and amortization; and k is the rate of return allowed on the utility company's rate base expressed as a percentage. As the formula suggests, the rate making process is broken down into three separate steps: a determination of the utility's allowable operating expenses (e); identification of the utility's rate base (p - d); and the determination of a reasonable rate of return (p-d)k.

Q. PLEASE ELABORATE FURTHER ON EACH OF THESE THREE STEPS.

A. Historically, two of the three basic steps in the rate determination process have proven to be the most controversial, i.e., net valuation of the utility's tangible property (p - d) and identification of a reasonable rate of return (k). The reasonable operating costs of an efficiently run utility have proven to be somewhat less

contentious. Often, however, there is considerable disagreement between utilities and regulatory bodies regarding what represents reasonable costs of doing business as well as how certain costs should be calculated and/or allocated.

Q. WHY HAS THERE BEEN SO MUCH CONTROVERSY WITH RESPECT TO THE VALUATION OF UTILITY PROPERTY?

A. Because the valuation of plant and equipment is the largest component of rate base. Accordingly, the method of measurement becomes a critical issue to the utility since its cost of service or total revenue requirement, other things remaining the same, increases directly with the size of its rate base.

Q. WHAT ARE THE PRINCIPAL VALUATION METHODS WHICH MAY BE APPLIED TO A UTILITY'S PROPERTY IN ORDER TO MEASURE THAT COMPONENT OF RATE BASE?

A. Essentially, there are three valuation methods which have been used historically: (1) actual or historical cost less depreciation; (2) reproduction cost new less depreciation ("RCND"); (3) and so-called "fair value." Historical or actual cost includes both the construction and acquisition cost of the properties. RCND is the cost of duplicating the existing plant and equipment at current prices, less

depreciation. Fair value is a composite method which considers, at a minimum, both actual cost and RCND. Arizona is a fair value jurisdiction. The fair value method originated following the decision of the United States Supreme Court in Smyth vs. Ames, 169 U.S. 466 (1898), which was the law of the land at the time Arizona achieved statehood. Thus, this doctrine became embodied in the Arizona Constitution (Article 15, Section 14). In the instant case, Rio Verde is requesting that original cost be used for fair value. That is, the fair value of the investment (the original cost of the plant, less the accumulated depreciation plus/minus other additions and deductions to the Company's rate base, that is being used to provide service to the Company's customers is entitled to a fair return. As original cost is be used for fair value, that return should be a fair and reasonable return on the equity investment and the debt investment used to finance the Company's rate base.

Q. WHAT IS THE SIGNIFICANCE OF THESE THREE METHODS?

A. Each of these methods of evaluation would yield approximately the same result if nominal factor input prices were constant over time. However, price stability has not been the rule throughout most of this century. As a result, this factor alone accounts for much of the controversy over the appropriate valuation of tangible property.

The effect of price instability on the method of valuation may be illustrated as follows. Assume that actual historic cost is the selected method of valuation in a period that is marked by inflation. The most obvious effect is that during this inflationary period, other things remaining the same, the use of original cost rate base results in a declining real rate of return. This is true because, as inflation progresses, a return that remains constant in dollars represents less purchasing power than before the increase in prices. In those circumstances, both common stockholders and bondholders are affected. The common stockholder may suffer a decline in the real value of his or her investment. Moreover, dividends will be paid in dollars with less purchasing power than that of the dollars invested. Similarly, bondholders in a period of inflation would be affected both because bond coverage would not rise as it would in a non-regulated industry and because principal and interest payments will be made in "cheaper" dollars.

Q. WERE THE HISTORICAL CONTROVERSIES CONCERNING RATE BASE RESOLVED?

A. Yes. In a landmark United States Supreme Court decision, Federal Power Commission vs. Natural Gas Pipeline Company, 315 U.S. 575 (1942), the Court ruled that the U.S. Constitution did not require regulatory agencies to use any

one formula or combination of formulae in the rate making process. A majority of the Court held that it was the result reached, not the method employed which was controlling. In other words, it was not the theory, but the impact of the rate order that counted for Constitutional purposes. Later, in FPC v. Hope Natural Gas, 320 U.S. 591, 603 (1944), the Court underlined and amplified this "end result" doctrine stating that:

> The fixing of just and reasonable rates involves a balancing of the investor and the consumer interests. The investor interest has a legitimate concern with the financial integrity of the company whose rates are being regulated. From the investor or company point of view it is important that there be enough revenue for not only operating expenses, but also for the capital cost of the business. These include service on the debt and dividends on the stock. By that standard, the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return moreover, should be sufficient to assure confidence to the financial integrity of the enterprise so as to maintain its credit and to attract capital.

This clarified the earlier opinion of the Court in Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679, 692-93 (1923):

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments on other business undertaking which are attended by corresponding risks and uncertainties. The return should be reasonably sufficient to assure confidence in the

> financial soundness of the utility and should be adequate, under efficient and economical management to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties.

Taken together Natural Gas Pipeline, Hope Natural Gas and Bluefield Water Works provide the foundation for virtually all later cases dealing with the issue of rate of return. In summary:

1) The rate of return should be similar to the return in businesses with similar or comparable risks;
2) The return should be sufficient to ensure confidence in the financial integrity of the utility;
3) The return should be sufficient to maintain and support the utility's credit; and
4) The return should enable the utility to attract capital necessary for the proper discharge of its duties.

Q. HOW HAVE THESE TESTS OF REASONABLENESS BEEN APPLIED IN REGULATORY PROCEDURES?

A. As practitioners in the field know, the application of the "reasonableness" criteria laid down in these Supreme Court cases has resulted in new areas of controversy. For example, the increasing regulatory emphasis on objectivity in determining rate of return has resulted in a

proliferation of quasi-mechanical techniques and formulae for use in rate of return determination. As will be discussed more fully below, none of the techniques introduced has been universally accepted.

While there is no consensus regarding the best method of measuring return, there is general agreement that the cost of capital is the most acceptable basis for determining a fair rate of return on an original cost rate base. The method of computing the cost of capital is quite straight-forward: it is the composite, weighted cost of the various classes of capital (debt, preferred stock, common equity, and retained earnings) used by the utility. The weighting is done by calculating the proportion that each class of capital bears to total capital. The capital cost concept is a direct application of the judicially enunciated capital attraction/financial integrity test and is based upon the theory that the utility should be allowed a rate of return sufficient to maintain the financial integrity of the enterprise and to allow the utility to attract new capital when necessary.

C. Overview of the Cost Of Capital

Q. COULD YOU BRIEFLY COMMENT ON THE ECONOMIC AND FINANCIAL STANDARDS GOVERNING THE COST OF CAPITAL?

A. The cost of capital to an enterprise at any given time is the result of supply and demand forces, both general and firm specific, economic and business conditions, prospects for inflation, and individual judgments regarding alternative opportunities in the marketplace where capital is hired. If, in the opinion of those who save and commit capital, the prospective return from a given investment is not equal to that from other investments of corresponding risk, the capital will tend to be shifted to the other investments. In this way, the free market system promotes an efficient allocation of scarce resources by directing capital, through appropriate pricing signals, to its most productive uses. Therefore, the cost of capital is an opportunity cost. It is the prospective return to investors from investments of similar risk. This alternative return or opportunity cost is, by definition, the utility's cost of obtaining and maintaining its capital.

Q. IS THE COST OF CAPITAL OR OPPORTUNITY COST CONCEPT WHICH YOU DESCRIBED CONSISTENT WITH THE LEGAL CRITERIA GOVERNING THE FAIR RATE OF RETURN?

A. Yes. The cost of capital should be commensurate with the return being realized on alternative investments of corresponding risk and is ordinarily sufficient to promote and maintain confidence in the financial integrity of the utility and to sustain its credit. Furthermore, it is also

consistent with the competitive value standard, which states that public utility regulation should attempt to approximate the financial conditions that would exist under competitive conditions, particularly the profits that would be earned if the industry were competitive.

Q. HOW IS THE COST OF CAPITAL FOR A PARTICULAR UTILITY DETERMINED?

A. The measurement of a utility's cost of capital is a complex topic. It requires an analysis of the factors influencing the cost of various types of capital, i.e., interest on long-term debt, dividends on preferred stock, and earnings on common stock equity. Each of these sources of funds has a cost. The unit cost of the various component sources of capital is an important input into the calculation of a utility's overall cost of capital.

The data for such an analysis comes from the capital market where the firm raises funds by issuing common stock, selling bonds, and by borrowing (both long and short term) from banks and other financial institutions. In the highly competitive capital markets, the cost of capital, whether the capital is in the form of debt or equity, is determined by two important factors:

1) The pure or real rate of interest, often called the risk-free rate of interest, and

2) The uncertainty premium (the compensation the investor requires over and above the real or pure rate of interest for subjecting his capital to uncertainty).

The pure rate of interest essentially reflects both the time preference for, and the productivity of, capital. From the standpoint of the individual, it is the rate of interest required to induce the individual to forego present consumption and offer the funds thus saved to others for a specified length of time. Moreover, the pure rate of interest concept is based on the assumption that no uncertainty affects the investment undertaken by the individual, i.e., there is no doubt that the periodic interest payments will be made and the principal returned at the end of the time period. In reality, investments without risk do not exist. Every commitment of funds involves some degree of uncertainty. U.S. Government obligations, however, may at times approach something like a risk free rate of interest. It must be pointed out, however, that U.S. Treasury obligations are only "risk free" in the sense that they are hopefully free of default risk. Holders of these obligations still face the dangers of purchasing power loss (inflation risk) and the loss of capital values if real interest rates rise (interest rate risk).

Turning to the second factor affecting the cost of capital, it is generally accepted that the higher the degree of uncertainty, the higher will be the cost of capital. This comes from the fact that investors are perceived to be

risk adverse and require that the rate of return increase as the risks (uncertainty) of an investment increase.

Q. HOW DOES THE RISK-RETURN TRADE-OFF CONCEPT WORK IN THE CAPITAL MARKET?

A. As already suggested, the allocation of capital in a free market economy is based upon the relative risk of and expected return from an investment. In general, investors tend to rank investment opportunities in order of their relative risk occurrence. Investment alternatives where the expected return is commensurate with the perceived risk become viable investment options. If all other factors remain equal, the greater the risk, the higher the rate of return investors will demand to compensate for the possibility of loss of either the principal amount invested or the expected annual income from such investment.

Q. WOULD YOU PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL COSTS?

A. Yes. With reference to specific utilities, risk is often discussed under two separate headings, the first being business risk and the second being financial risk.

Business risk, the basic risk associated with any business undertaking, is the uncertainty associated with the enterprise's day-to-day operations. In essence, it is a

function of the normal day-to-day business environment, both locally and nationally. Business risks include the condition of the economy and capital markets, the state of labor markets, regional stability, government regulation, technological obsolescence, and other similar factors that may impact demand for the business product and its cost of production. One of the biggest risks Rio Verde Utilities, Inc. faces is the ever-changing regulatory climate. Water utilities are subject to strict regulation because of the health and risks associated with their operations. The environmental rules are continually changing.

In short, the greater the degree of uncertainty regarding such factors, the greater the risk. Thus, the greater the compensation required by the investor for his investment. Moreover, the smaller the utility, the greater the impact on net income.

Financial risk, on the other hand, concerns the distribution of business risk to the various capital investors in the utility. As discussed earlier, permanent capital is normally divided into three categories: long term debt, preferred stock, and common equity. Because common equity owners have only a residual claim on earnings after debt and preferred stockholders are paid, financial risk tends to be concentrated in that element of the firm's capital. Thus, a decision by management to raise additional capital through the issue of senior debt concentrates even

more of the financial risk of the utility onto common equity owners.

Although usually discussed separately, the two types of risks are interrelated. Specifically, a common equity investor may seek to offset exposure to high financial risk by investing in a firm with a perceived low degree of business risk. In other words, the total risk to an investor would be high if the enterprise was characterized as a high business risk with a large portion of its permanent capital financed with senior debt. To attract capital under these circumstances, the firm would have to offer higher rates of return to its common equity investors.

Q. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS COST OF CAPITAL?

A. Generally, it is well understood that when a firm engages in debt financing, it exposes itself to risks that, once debt becomes significant relative to the total capital structure, increase in a geometric fashion compared to the linear percentage increase in the debt ratio itself. This risk is illustrated by considering the effect of leverage on net earnings. For example, as leverage increases, the equity ratio falls. This creates two adverse effects on the investor. First, equity earnings decline rapidly and may even disappear. Second the "cushion" of equity protection for debt falls. A decline in the protection afforded debt

holders, or the possibility of a serious decline in debt protection, will act to increase the cost of debt financing. From the above example one may conclude that each new financing, whether using debt or equity, effects the marginal cost of future financing by any alternative method. For a firm that is already believed to be too highly leveraged, this additional borrowing would cause the marginal cost of both equity and debt funds to increase. On the other hand, if the same firm were instead to employ equity funding, this could actually reduce the real marginal cost of additional borrowing, even if the particular equity issuance were at a higher unit cost than an equivalent amount of debt.

The theoretical optimum ratio of debt to equity in the capital structure will vary considerably from one industry to another and, to a very significant extent, among companies within a given industry, based on size of the utility and its ability (or inability) to attract capital. This variability complicates the problem of establishing criteria to serve as guides in postulating a theoretical optimum financial structure. As a result, it is necessary to settle for broad general principles rather than rules of precision. With respect to utilities, an appropriate rule of thumb might be as follows:

1) The capital structure for a given utility should fall within a reasonable range given the utility's particular circumstances. If the capital structure

approximates the industry range, it is within a range of reasonableness and no additional test is necessary, especially if both firm-specific business and financial risks have been taken into consideration in selecting the industry range of capital structures.

2) A theoretically balanced capital structure is one which will provide debt with adequate protection, yet contains enough leverage to produce equity earnings sufficient to attract new equity capital (but not so large a degree of leverage as to introduce earnings instability and render equity investment speculative). For smaller utilities, financial leverage often has detrimental impacts with very slight increases in expenses. As a consequence, smaller utilities cannot support the same percentage of debt in their capital structure as a larger utility.

Q. FROM YOUR TESTIMONY, I WOULD CONCLUDE THAT THE TERMS "RISK" AND "UNCERTAINTY" HAVE THE SAME MEANING. IS THAT TRUE?

A. Technically, no. Risk is susceptible to measurement and thus to predictability within the limits of probability analysis. Risks such as death, fire, illness, etc., are readily insured against when large numbers are used. Uncertainty, on the other hand, is not susceptible to measurement and thus cannot be predicted and insured against. It is uncertainty, in this sense, which is the

basis of competitive profits and that which the investors weigh in establishing their required return. Investors consider and analyze the various factors which impact the uncertainty of an investment. Based on their subjective evaluation of the relative uncertainty associated with alternative investments, they select the most desirable investments in terms of expected returns or profits. In regulatory proceedings and by common convention, however, the two terms are used interchangeably, and I will follow this convention in my testimony.

Q. WOULD YOU BRIEFLY DESCRIBE THE APPROACH YOU ARE GOING TO FOLLOW IN YOUR COST OF CAPITAL STUDY?

A. As previously noted, the proper measure of the cost of capital to a firm or the fair rate of return on capital is the opportunity rate of return on investments of equivalent risk. Thus, the development of an appropriate return for a regulated enterprise involves, first, a determination of the level of risk associated with that enterprise and, second, the calculation of the return appropriate to that risk level. This return must allow the utility to attract new capital when necessary, without diluting the financial positions of current investors.

There are several elements to determining specific firm risk. The capital structure of the utility will be evaluated in terms of its impact upon the financial risk of

the enterprise and on equity investors in particular. Some of the factors that have an impact on business risk in that industry will also be examined. The next step will be to analyze the various components of capital cost to the Company. The final step will compare the Company's capital structure to those of the selected comparison group. Based on what is determined to be an appropriate capital structure, an overall cost of capital or rate of return for the Company will be determined. This expanded capital structure will consist of the traditional long-term debt and equity, plus advances, contributions in aid of construction, deferred investment tax credits and deferred income taxes. (See Schedule D-4-H). Due to Rio Verde's extremely small size relative to the nationally traded companies and Rio Verde Utilities, Inc.' very low safety margin (operating margin), interest-bearing debt in the capital structure can not be safely serviced without a substantial rate increase.

D. Cost of Common Equity Capital for Rio Verde Utilities, Inc..

Q. HOW IS THE COST OF COMMON EQUITY DETERMINED?

A. A variety of techniques and methods are presently employed by analysts in estimating the cost of common equity. These methods fall into three general categories:

1) Subjective analysis;

2) Comparative analysis; and

3) Finance theory models.

Within the third category, finance theory models, there are two widely accepted general methodologies, discounted cash flow models ("DCF") and capital asset pricing models ("CAPM").

Q. BRIEFLY DESCRIBE EACH OF THE THREE APPROACHES TO RATE OF RETURN ANALYSIS.

A. The subjective approach to estimating the cost of common equity is generally based upon experience in the financial markets and an "intuitive" feel for capital cost. In general, the subjective approach is much less precise than the other two methodologies and, therefore, is a less useful approach than the alternatives. The comparative earnings approach to the determination of common equity cost is a direct outgrowth of the seminal judicial opinions on rate of return. The Hope and Bluefield cases suggest that opportunity cost, as defined in the economic literature, is the appropriate measure of the actual cost of common equity for a regulated utility. The proper application of this technique involves the direct observation of market returns, an assessment of the persistence of those returns, and an evaluation of the risk accepted to earn that return. Finance models are a relatively recent addition to the regulatory process. The use of these models involves the

application of quantitative techniques to risk and return measurement. The most frequently employed technique, and the technique generally used by the ACC, is the discounted cash flow ("DCF"). However, the DCF models are producing very low results which are substantially below investor expectations.

Q. YOU STATED EARLIER THAT YOU USED SIX NATIONALLY TRADED WATER COMPANIES FROM VALUE LINE TO DERIVE A COST OF EQUITY USING THE DCF AND CAPM METHODS. WHY YOU ARE USING THESE COMPANIES AND NOT RIO VERDE UTILITIES, INC. ITSELF?

A. The DCF method measures the dividend yield and the growth in dividends expected by investors to derive the investor expected or required return. Calculating dividend yield requires some measure of market price for the utility's common stock. The CAPM method requires the use of a beta to derive the expected return. Neither a market price nor a beta is available for Rio Verde Utilities, Inc. because its stock is not publicly traded.

Q. HOW DID YOU DETERMINE THE COST OF EQUITY FOR RIO VERDE UTILITIES, INC.?

A. Using the six water utilities published by Value Line, I used the estimate of what investors in nationally traded water utility common stock should expect based on Value

Lines projected equity return. I also computed the returns using the DFC and CAPM methods. Because Value Line is widely read, it provides an excellent indication of investors' expectations.

Q. HAVE THESE SAME SIX WATER COMPANIES AND THE DCF AND CAPM METHODS BEEN USED BY ACC STAFF TO DERIVE THE INVESTOR EXPECTED RETURN ON COMMON EQUITY?

A. Yes. Staff has used these six water utilities in other proceedings before the ACC. Staff has also used the DCF and CAPM methods to derive the common equity return. Additionally, Staff is now using the Value Line growth estimates to estimate the return on common equity.

Q. WOULD YOU DESCRIBE THE DCF METHOD AND HOW IT CAN BE USED TO DERIVE THE INVESTORS' REQUIRED RETURN ON EQUITY?

A. The dividend yield is the first component of the DCF method. It is defined as the expected annual dividend (the next dividend) divided by the present market price of the stock. To compute the dividend yield, I divided the actual dividend by the "spot prices" and the 52-week average of the stock prices as of February 29, 2000. The resulting dividend yield was then multiplied by the dividend growth rate as published by Value Line to derive the expected dividend yield.

Q. IS THIS THE SAME METHOD THAT IS USED BY ACC STAFF TO COMPUTE EXPECTED DIVIDEND YIELD?

A. Yes, the ACC Staff multiplies the actual dividend yield by 1 plus the dividend growth estimate to derive the projected dividend yield.

Q. PLEASE CONTINUE.

A By using the average of 52-week prices for dividend yields, I have eliminated the possibility of selecting a point in time that results in an abnormally high or low dividend yield calculation. The other option would be to use the spot prices, which reflect the latest market conditions.

The expected dividend growth is the other component in the DCF method. The investor in utility common stock anticipates regular growth in the annual dividend. This is compensation for the additional risk the common stock investor assumes.

The returns were then market weighted to measure the overall market rather than a portfolio of one share of each company.

Q. WHAT IS THE DIVIDEND GROWTH FACTOR?

A. The dividend growth factor is the growth in the dividends per share from one period to another period. Value Line uses the 1996 - 1998 dividends, as well as expected increases due to increased income, as the basis for the projected dividends for the period 2002 - 2004. I used Value Line's estimated dividend growth rate for the dividend growth.

Q. WHAT IS THE COST OF EQUITY FOR THE VALUE LINE GROUP OF WATER UTILITIES USING THE DCF METHOD?

A. An investor in these water companies can expect to achieve an unadjusted return of 7.21% (average prices), or 6.91% (spot prices) without the company-specific business risk associated with Rio Verde Utilities, Inc. The dividend yield and dividend growth are computed for the weighted water industry from Value Line. The S & P 500 Companies have recently paid out 40% of earnings in the form of dividends, and 40% of earnings in the form of stock buybacks, (BusinessWeek, "Stock Market Time Bomb", page 32, November 15, 1999). The stock buybacks result in share owners paying a lower tax (capital gains rate) rather than the higher taxed dividends. However, the low pay out ratio for dividends is distorting the DCF computations. With stock buybacks as significant as dividends, the DCF model is becoming less viable as a method to compute investor expectations.

Q. WHAT DO YOU MEAN BY THE WEIGHTED WATER INDUSTRY?

A. The dividend yield for the water industry is based on the total dividends on all the outstanding shares of stock for the Value Line water companies divided by total market value of the shares of stock outstanding. By using the total dividends (shares of each company times the dividend per share) divided by the total market value of all the companies (shares of each company times the price per share), we derive a weighted return which recognizes the differences in the market values and total dividends of each company.

Q. WHY DID YOU COMPUTE THE DIVIDEND YIELD AND DIVIDEND GROWTH RATE USING THE TOTAL MARKET VALUE OF THE VALUE LINE WATER COMPANIES?

A. I am not attempting to determine the dividend yield and dividend growth rate for one share stock of one water company. Nor am I attempting to measure the return on a portfolio consisting of one share of each water company. Instead, I am attempting to determine the return on the total investment in the these water companies reviewed by Value Line.

The market values of the companies which comprise the total water industry as reviewed by Value Line differ. For

example, American Water Works has a market value in excess of $2.448 billion dollars using the 52-week average price, while American States Water has a market value of approximately $277 million dollars. The anticipated dividend yields are 1.90% and 4.95% for American and American States Water respectively. Thus, the dividend yield and the dividend growth rate on one share of one company obliviously is not equal to one share in another water utility. If I weighted American as 1/6 of the sample (one share of stock for each of the six companies), I would understate American's yield by approximately 28% (44.69% of total market minus 16.66% (1/6 of sample companies) using average prices). American States Water's dividend yield would be overstated by 11.6% (5.06% of total market minus 16.66% (1/6 of sample companies)). The market for the water industry as a whole is being examined, not one share of each water utility. Additionally, by using the total market value, I have correctly accounted for all stock splits and stock dividends.

Measuring the return on one share of each of the evaluated water utilities would mean using the portfolio approach. The results using one share of each company would be meaningful if one were computing the return on a portfolio holding one share of stock in each of the water companies. However, you would still not use one share of each company for any length of time, as many of the water companies have had stock dividends and stock splits, which

would have to be included in the use of one share, or a fraction of one share to be used. The alternative would be to restate prior earnings and cash dividends to reflect the adjustment in the actual number of shares outstanding.

But a one-share portfolio of stock is not what is being measured. What is being measured is what an investor in the "water industry" expects the rate of return on common equity to be. If I were using the portfolio approach for investment in the water industry, I would have to establish a basis for comparing each company, and determine the number of shares of each company to purchase. Additionally, I would need to adjust the original number of shares in the portfolio to account for historic stock splits and similar events. Finally, a decision would need to be made as to whether to buy one share of each company, or to concentrate the investment in fewer companies, or just one water company.

The same would hold true if you average the income of two groups of people. Group one had income of $20,000, while group two had income of $30,000. If you simply averaged the $20,000 and $30,000, you would derive an average income of $25,000. However, if group one consisted of 10 people, and group two consisted of 20 people, the average would not be $25,000. You would have to weight the $20,000 income of group one by multiplying it by 10, and weight the income of $30,000 for group two by multiplying it by 20. The result would be an average income of $26,666.

(((\$20,000 x 10 = \$200,000) + (\$30,000 x 20 = \$600,000)) / 30).

Q. HAVE YOU EVER SEEN THE WATER COMPANIES MARKET WEIGHTED IN THE MANNER YOU JUST DESCRIBED?

A. Yes. In the book Understanding the Water Supply and Wastewater Industry, the water company stock are weighted to derive the returns as an industry as a whole, rather than each individual stock.

Q. ARE WELL KNOWN STOCK AVERAGES OR INDEXES COMPUTED USING ONE SHARE OF STOCK IN EACH COMPANY?

A. Yes and no. The Dow Jones Industrial Average ("DJIA") started out as an index based on the market value of one share in each of the original twelve companies comprising the DJIA in 1896. When one of the companies had a stock split or a stock dividend (a dividend paid in shares of stock, not cash), the denominator was reduced to reflect the increased number of shares in the average. Currently there are thirty (30) companies in the DJIA. The divisor for the DJIA was .3459 at April 1996 due to stock splits and stock dividends. Thus, even if one share of stock for each company were used, stock splits and stock dividends would need to be taken into account to derive any kind of portfolio or index.

The Standard & Poors' 500 Index uses the actual number of shares outstanding times the market price, and is thereby market weighted. The New York Stock Exchange ("NYSE") Composite index contains all the stocks on the exchange, which are market weighted.

It is quite common to have the overall NYSE or the Standard & Poors' 500 Index move in opposite directions of the DJIA. The DJIA, while widely followed, is not an accurate measure of stock market price movement. For example, most mutual funds will compare their performance to the performance of the Standard & Poors' 500 index, as the Standard & Poors' is more closely reflects overall stock market price movements.

Q. HOW WOULD THE INVESTOR COMPUTE THE EXPECTED RETURN USING THE CAPITAL ASSET PRICING MODEL?

A. The risk free yields of U.S. Government debt would be added to a risk premium to derive the investor expected return on a stock investment. As I previously testified, U.S. Government debt is not risk free due to inflation losses, but it is the best proxy for a measure of the risk free rate of return.

To compute the amount of the risk premium (market risk) that should be added to the risk free rate of return, a beta is used. Beta is a way to estimate relative risk and represents the risk associated with a particular investment

relative to that of the market as a whole. A stock with a beta of 1.0 will have a price that moves up or down as market moves up or down. Investments with a beta of less than 1.0 are assumed to have less risk than investments with a beta of 1.0. Changes in the stock price would be less than change is the market as a whole. Stocks with betas greater than 1.0 are assumed to be riskier than investments with a beta of 1.0. Their prices would tend to move up or down to a greater extent than the market as a whole. In other words, these stocks are more volatile than the market. I assumed the market weighted beta in the equity computations as a surrogate for Rio Verde Utilities, Inc. The betas were market weighted, as the beta for each company is different and the market values for each company are substantially different. Beta computations are based on historic data, thus the assumption must be made that history will repeat itself.

I used the betas of these companies to compute an investor expected return using an investment span (time horizon for the investment) of five years, which also corresponds to the time period used by Value Line data for dividends projections. The yields on government securities are taken from the Wall Street Journal publication of February 29, 2000.

However, as I previously testified, these water companies would not be classified as large companies. Instead, these water companies would be considered to be

either mid cap or small cap. In an issue of the Arizona Republic, the Motley Fool (and investment column) discussed the issue of market capitalization. The following is the complete text of that discussion.

"Q. What's the difference between "small-cap" and "large-cap" stocks? Louis Cartwight, Hanover Park, Ill.
A."Cap" refers to the market capitalization of a firm. It's a quick way of placing an approximate price tag on a company. Just multiply the stock price by the number of shares outstanding. For example, if Excelsior Hair Growth (ticker Sprout) has 10 million shares outstanding priced at $75 each, its capitalization if $750 million. Estimates vary and change over time, but here's our rough take: If a company's capitalization is $5 billion or higher, it's a large-cap; between $500 million and $5 billion, a mid-cap, $150 million to $500 million, a small-cap; and less than $150 million, a micro-cap.

If mid-cap Sprout were to be acquired by another company, that company would have to cough up $750 million - or more - as buyouts generally occur above market prices.

Be careful not to overweight your portfolio with similarly sized companies, especially those with smaller

capitalizations. Smaller companies tend to be more volatile, but they also in the long run, tend to outperform their larger brethren. It's good to diversify between larger and smaller companies, perhaps starting with larger firms and then adding smaller ones over time." ("The Motley Fool", The Arizona Republic, Tuesday, December 8, 1998, page E3.)

Q. WHAT IS THE EXPECTED INVESTOR RETURN USING THE CAPITAL ASSET PRICING MODEL?

A. Using the February 4, 2000 Value Line data, an investor would expect returns of 10.90% over 5 years. However, when small cap and mid cap risk premiums are used, the CAPM yields an expected return of 12.20%. The use of mid cap and small cap risk premiums is also supported by the article "It IS the Size of the "Dog" in the Fight, After All", page 9 - 11, Water, Volume 39, Number 2, Fall 1998.

Q. WHAT RETURNS ARE BEING EARNED BY THE WATER UTILITIES FOLLOWED BY C.A. TURNER?

A. The water utilities followed by C.A. Turner are currently earning 10.71% on equity, based on the published February 2000 data.

Q. WHICH RETURN WOULD YOU ASSUME AN INVESTOR IN RIO VERDE UTILITIES, INC. WOULD REQUIRE?

A. An equity or debt investor in a water utility such as Rio Verde Utilities, Inc. would not accept a return computed using the unadjusted return produced by the DCF or CAPM because of the number of additional risks faced by the Company. These risks include:

- Inability to construct the necessary water plant (lack of internal cash flow to fund plant additions) and pay dividends;
- Not having total expense true-ups. Although the ACC has implemented an expense adjuster, the adjuster only recovers price changes, and not changes in volumes. Additionally, the adjuster cannot represent more than 10% of the bill. Rio Verde Utilities was the first water company in the State to secure Commission approval for an adjuster for the costs associated with the purchased water from the Central Arizona Project. The Residential Utility Consumer Office ("RUCO") is suing the Commission in the Court of Appeals on the Commission's authorization of this adjuster. Thus, Rio Verde's attempt to lower business risk, could result in higher risk;
- Use of a historic test year versus a forecasted test year;
- Increasing regulatory requirements imposed by U.S.E.P.A. and the Arizona Department of Environmental Quality, and readily changing regulatory recommendations by ACC Staff;
- Small size Rio Verde would not even be considered to be a micro cap stock, if the stock were traded on an organized market) which makes financing much more difficult and expensive;
- Small size which make the inconsistent regulatory climate much more expensive;
- Lack of ready access to capital markets;

- Increasing risk that the Company may acquire water system parts that contain high levels of lead, which would lead to a violation of the state and federal rules (Please see "Water-System Gear Suit Draws Attention", Wall Street Journal, December 22, 1998, page B7); and/or the possible proposed regulation on radon, which occurs naturally in Arizona;

- Service territory located in a desert climate, which can substantially impact water sales from year to year. The test year has been an extremely dry year. However, the Commission will not accept an adjustment to water sales to reflect the higher water sales due to the extremely dry conditions experienced during the test year. When weather conditions return to normal rainfall, the Company will sell less water.

Put simply, Rio Verde Utilities, Inc. is a very small business when compared to the Value Line water utilities, C.A. Turner water utilities, or the comparison companies. Its small size, limited revenues and cash flow, small customer base and lack of diversification (e.g., multiple service areas and multiple regulatory bodies) create significant business risk. This additional risk must be accounted for in determining the investor expected rate of return on common equity for Rio Verde Utilities, Inc.

Q. DID YOU EXAMINE FINANCIAL DATA TO DETERMINE THE FINANCIAL INTEGRITY OF THE SIX NATIONALLY TRADED WATER UTILITIES, WHICH YOU TERM THE COMPARABLE COMPANIES?

A. Yes. I examined interest coverage, earning retention ratios, dividend pay-out ratios, capital structures financing net plant (which include common and preferred

equity, debt, advances and contributions in aid of construction, and deferred income taxes), market to book ratios, the ratio of cash flow to change in gross plant, internal generation as a percent of debt, safety margin, compound earnings growth, compound growth in book value, price earnings ratio, earned returns on average common equity, and yields of other debt instruments.

I computed the test of financial viability from Viability Policies and Assessment Method for Small Water Utilities, published by the National Regulatory Research Institute in June 1992 for both the comparable companies and for Rio Verde Utilities, Inc.. Rio Verde Utilities, Inc.' score is lower than the comparable companies score. It must be pointed out that the comparable companies are ranked weak to marginal.

Q. PLEASE DESCRIBE THESE VARIOUS RATIOS AND THEIR SIGNIFICANCE IN MEASURING THE RELATIVE RISK OF AN EQUITY INVESTMENT?

A. The interest coverage tells the debt investor the degree of risk to the timely receipt of interest payments. Schedule D-4-E shows that the comparable companies have a pre-tax interest coverage of 3.47 to 1 for 1998, with an average coverage of 3.56 to 1 for the period 1996-1998. Rio Verde Utilities, Inc. had an interest coverage of 1.10 for 1999, and an average interest coverage of 1.48 to 1 for the period

1996-1998. At proposed rates, Rio Verde will only have an interest coverage of 1.82.

The earnings retention ratio (shown on Schedule D-4-F) indicates how much of the current earnings have not been paid out in the form of dividends. This gives analysts/investors the ability to assess the chances of a dividend increase. A high retention ratio (low dividend pay-out ratio) for a utility indicates possible increased dividends in the future. The reinvestment of earnings also strengthens the common equity component of the capital structure lessening the financial risk. Schedule D-4-F shows that the ratio has increased from 1996 compared to 1998 for the comparison companies. This ratio will be improved by rate increases, which lead to higher earnings and a higher retention ratio. The three year average retention was 29.99% for the comparison companies, while Rio Verde Utilities, Inc. had a retention of 100.00%, as it did not pay dividends.

One minus the retention ratio results in the dividend pay-out ratio. The dividend pay-out ratio data are shown on Schedule D-4-G. The year 1998 shows increase compared to 1996. Rio Verde Utilities, Inc. did not pay dividends in any of the years being reviewed.

The six comparable companies and Rio Verde Utilities, Inc.' capital structures (financing net plant) are shown on Schedule D-4-H. They tell the analyst/investor how each utility is financing its net plant. For the comparable

companies, equity is approximately 36% of total capitalization (common and preferred equity) in 1998. The balance, or 64% is financed by long-term debt, deferred income taxes, advances in aid of construction and contributions in aid of construction.

For Rio Verde Utilities, Inc., the test year common equity equals approximately 38% of total capitalization, with the balance of 62% being financed with debt, deferred taxes, and advances and contributions in aid of construction at December 31, 1998. At December 31, 1999 the equity of Rio Verde is approximately 31% with the proposed debt financing.

The market to book ratio shown on Schedule D-4-I tells the reader how the investment community views the utility's book value per share compared to its market value per share. Water utilities are capital intensive. Therefore, it is reasonable to assume that investors realize that the book value of the assets is considerably less than the current replacement value. It follows that common stock should be expected to sell at a premium compared to book value. Furthermore, stock must sell above book value if there to avoid dilution to the existing stock when additional stock is sold. In 1998, the ratio of market to book is approximately 167%. The computations are shown on Schedule D-4-I. The Company's stock is not traded publicly, and thus data are not shown.

The ratio of cash flow to change in gross plant tells the investor how much of the utility's plant additions are financed internally by earnings, depreciation, and deferred income taxes. The six comparable companies have internally generated funds accounting for approximately 91% of plant additions during 1998. As shown on Schedule D-4-J-1, Rio Verde Utilities, Inc. generated 13.40% of its plant additions in the same manner for the year 1998. In 1999, Rio Verde generated approximately 12.5% of its plant additions via internal cash.

The internal generation as a percent of debt is a measure of how quickly the utility could repay its debt from internal sources, assuming that no additional plant is added from these internal sources. Schedule D-4-J-2 contains the data for the six comparable companies and Rio Verde Utilities, Inc. The three-year averages are 21% for the comparable companies (1996-98). Rio Verde Utilities, Inc.'s cash flow to debt was approximately 11%. In the test year, the internal cash generation to debt was 9.29%.

The safety margin, shown on Schedule D-4-K, tells the investor the extent to which sales could decline before the utility would experience a net loss. The average for the comparable companies is approximately 21%. Rio Verde Utilities, Inc. also has a safety margin of approximately 12% for this same time period. In small water utilities, even slight changes in revenues and expenses have a major impact on the safety margin. This is the "small size" risk

I referred to previously. In the test year, the safety margin was 11.36%.

The earnings growth allows the investor the ability to determine if the dividend growth can be maintained. As shown on schedule D-4-L, the compound growth has been approximately 3% for the period 1996 through 1998. As costs of meeting the Safe Drinking Water Act and other regulatory requirements continue to increase, one can expect the comparable companies to continue to seek rate increases to maintain reasonable earnings. Rio Verde Utilities, Inc.' growth rate was a negative 41% for the three-year period.

The growth in book value tells the investor the amount of income that is being reinvested or retained in the business to fund needed plant additions, and strengthen the capital structure. Additionally, the book value would grow if the company sold additional shares of stock and/or equity additions were made. The comparable companies have a compound growth rate of 4.66% for the period 1996 through 1998 and shown on Schedule D-4-M. This growth was achieved primarily via earnings with some stock sales. Rio Verde Utilities, Inc.' book value increased 1.97% during this same period. The growth is due entirely to earnings retention.

The price earnings ratio describes the level at which investors are valuing the earnings. As shown on Schedule D-4-N, the price earnings ratio has increased from 1996 to

1998. As Rio Verde Utilities, Inc. is not publicly traded, no price earnings ratio was computed.

The return on common equity tells the investor what return has been earned on book equity in the past. Note that the earned return (not the allowed return) on average common equity for the comparable companies has been 11.23% for the period 1996 through 1998.

Rio Verde Utilities, Inc.' return on average equity in 1999 was 0.447%, and 1.47% for the three-year period. Please note that Rio Verde has a hook-up fee, which is accounted for as revenue. Thus, high customer growth in certain years would tend to increase the equity return. See Schedule D-4-O.

The return on other debt instruments is shown on Schedule D-4-P. The returns are fluctuating from year to year, with a cost decline for 1998. The costs are increasing in 1999 and 2000 due to actions by the Federal Reserve Board to slow down the economy. A stock market decrease often occurs following an increase in debt cost by the Federal Reserve System.

Q. MR. KOZOMAN, YOU PREVIOUSLY TESTIFIED THAT YOU EXAMINED THE RETURNS ON COMMON EQUITY REPORTED FOR A GROUP OF WATER UTILITIES IN C. A. TURNER. PLEASE DISCUSS THE RESULTS OF C. A. TURNER RETURNS AND THE RETURN REQUESTED FOR RIO VERDE?

A. As I previously testified, I also reviewed the returns on equity and related financial information reported for a group of 12 nationally traded water companies in C.A. Turner Utility Reports for February 2000. The current return on equity for this group was 10.71%, based on an average authorized return of 10.98%. These averages are not weighted. As Schedule D-4-S shows, this group of companies, like the Value Line and comparable companies, are much larger than Rio Verde. It is readily apparent that if the comparative companies earnings averaged 11.23% from 1995 through 1997, and the C. A Turner companies are currently earning 10.71% on common equity, the appropriate return on equity for a very small company like Rio Verde should be significantly greater than either the 11.23% or the 10.71%.

An investor in the stock of a smaller Arizona utility is entitled to more return because he or she has more business and financial risk than an investor in the nationally traded water utilities. Investors in the nationally traded companies from Value Line and C.A. Turner would not encounter many of the risks I previously testified to regarding Rio Verde Utilities, Inc. In the alternative, if the investors do face risks similar to Rio Verde Utilities, Inc., the risks are not of the same magnitude. Higher risk requires a higher authorized return.

All of the nationally traded water utilities will experience additional business risk due to changes in water quality standards and other regulatory changes, and changes

(increases and decreases) in the cost of short-term and intermediate debt. However, the impact of these uncertainties on Rio Verde Utilities, Inc. will be much greater due to its very small size in contrast to the relative size of the nationally traded water utilities.

It is important to note that the stockholders of Rio Verde are not receiving a "cash" return in the form of regular dividends on their investment. All of the companies which have been compared to Rio Verde are paying dividends. An investor offered the choice of $1.00 dividend today or $1.00 dividend ten or twenty years from today, would surely choose the $1.00 today. The DCF model is based on dividends, yet stockholders of Rio Verde are not regularly receiving dividends. The lack of dividends results in even greater risk for investors in Rio Verde. It should be noted that if Rio Verde were to pay a dividend on its common equity, the financial integrity of Rio Verde would be substantially weaker than it already is.

Q. IS IT YOUR OPINION THAT RIO VERDE UTILITIES, INC. SHOULD BE GRANTED A HIGHER RETURN ON EQUITY THAN MERELY THE COMPUTED RETURN FROM THE DCF METHOD?

A. Yes. As I previously testified, the DCF computations are being distorted by companies buying back stock, rather than paying dividends. Business risks faced by Rio Verde would

substantially increase to the unadjusted returns on equity from the DCF computations.

Q. WILL RIO VERDE HAVE INTEREST COVERAGE EQUAL TO OR GREATER THAN THE COMPARISON COMPANIES UNDER THE PROPOSED RATES IN THE INSTANT CASE?

A. No, Rio Verde will have a lower interest coverage than the comparison companies. Having a lower interest coverage than the comparison companies is another risk that Rio Verde encounters. Schedule D-4-Q contains the interest coverage at proposed rates, and the debt service coverage. At proposed rates, the interest coverage for the Company will be 2.27 compared to the comparable companies of 3.47 for 1998.

Q. WILL RIO VERDE UTILITIES, INC. EARN YOUR RECOMMENDED 12.75% ON EQUITY UNDER THE PROPOSED RATES?

A. No. The removal of a portion of the sewer treatment plant from rate base will severely impact the equity return. While the rates for the sewer utility are set to provide the necessary operating income, the return on common equity is far below the 12.75% requested. The inclusion of the all the interest on the sewer utility debt, causes the income taxes to decrease substantially, which is a benefit to

customers. However, the inclusion of the interest substantially lowers the net income to stock holders.

Additionally, expenses will continue to increase beyond the adjustments proposed on Schedule C-1 causing the return on equity to be unrealized. Additionally, Rio Verde Utilities, Inc. will continue to add the excluded sewer treatment plant capacity to its rate base reducing the earned rate of return to due higher depreciation, and the increased rate base. Additionally, Rio Verde has included the revenues from customer hook-up fees (for the next year) without including the expenses or the plant needed to serve these additional customers.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON THE COST OF CAPITAL, AND APPROPRIATE EQUITY RETURN?

A. Yes, it does.

II. PROPOSED RATES AND CHARGES.

Q. WHAT ARE RIO VERDE UTILITIES / WATER DIVISION'S PRESENT RATES?

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

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8 x 3/ 4	$ 7.00	1,000
3 / 4	$ 7.00	1,000
1	$ 7.00	1,000
2	$ 40.00	1,000
4	$ 50.00	1,000
6	$100.00	1,000
8	$200.00	1,000
12	$400.00	1,000.

The present commodity rate for Rio Verde Utilities / Water Division is $1.28 per 1,000 gallons for usage above 1,001 for potable water. The irrigation rate for non-potable water is $0.88

Q. WHAT ARE THE PROPOSED RATES?

A. The proposed monthly minimum charges are:

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
3 / 4	$ 10.00	0
1	$ 10.00	0
2	$ 53.33	0
4	$ 166.00	0
6	$ 333.00	0

8	$ 666.67	0
12	$1,166.67	0.

The proposed commodity rate for Rio Verde Utilities / Water Division is $2.31 per 1,000 gallons for all usage for potable water. The irrigation rate for non-potable water is $1.14.

Q. HOW DID YOU COMPUTE THE MONTHLY MINIMUMS BASED ON METER SIZES?

A. The monthly minimums are based on the flow capacity of each meter with the 3 /4 inch meter being the base meter for pricing. 3/4 inch and 1 inch meters would be charged the same rate.

Q. WHY ARE THE 3/4 INCH AND 1 INCH METER MONTHLY MINIMUMS AT THE SAME RATE?

A. This was the method used in the prior rate case. Residential customers new to the system over the past ten years have 1 inch meters. The impact of using the 3/4 inch meter as the base meter causes substantially higher monthly

minimums for the meters larger than 1 inch. Thus, I am continuing this pricing practice.

Q. WHAT IS THE RATE IMPACT ON RESIDENTIAL CUSTOMERS USING THE MONTHLY AVERAGE WATER USAGE?

A. Customers on 3/4 or 1 inch meters who consume the average quantity of water (10,636 gallons per month) will experience a rate increase of $15.24 per month, or an increase of approximately 79%.

Q. WHAT TYPE OF COST OF SERVICE STUDY DID YOU PREPARE TO SUPPORT THE PROPOSED RATES?

A. I used the Commodity / Demand Method for the cost of service study. The monthly minimums with no water are shown on Schedule G-8, page 2. In a cost of service study, the expenses and assets are first assigned to functions (commodity, demand, customer, meter, and service), and then are reassigned to meter sizes based on the allocation factors such as number of meters, service, bills, and amount of water sold in the test year.

The percentage of the <u>requested</u> monthly minimums to the <u>computed</u> monthly minimums (including demand charges) from the cost of service study, as shown on Schedule G-8, page 2,

ranges from 14.21% for the 3/4 inch meter to 14.35% for the 8 and 12 inch meter. As the larger meter monthly minimums are based on flows of the 3/4 inch meter, a higher monthly minimum for the 3/4 inch meter results in a much higher monthly minimum for the larger meters. The 3/4 inch meter can flow 30 gallons per minimum, while the 6 inch meter can flow 1,000 gallons per minute. Thus, the monthly minimum for 6 inch meter is 33.33 times higher than the 3/4 inch meter (1,000/30 x monthly minimum for 3/4 inch meter).

The computed monthly minimums should consist of the expenses and the return on the rate bases for the functions of customer, meter, service, and demand charges. Expenses and the return on the other cost of service function, "Commodity" should be recovered in the commodity charge.

The cost of service study attempts to recover expenses and the return (debt and equity) on the rate bases for the functions of customer, meter, service, and demand charges in the monthly minimum charge. These costs are incurred regardless of the amount of water sold, and thus should be recovered in the monthly minimum.

If I strictly followed the cost of service study results, the monthly minimum for a 3/4 inch meter should have been $70.38. Instead, I only used 14% of the $70.38 to derive the proposed $10.00 monthly minimum for the 3/4 inch meter. The existing monthly minimum rate is $7.00. The

present monthly minimum includes 1,000 gallons of water. To encourage conservation, I have removed the 1,000 gallons included in the monthly minimum. Thus a customer using only 1,000 gallons of water would experience a price increase of $5.31 ($3.00 higher monthly minimum, plus $2.31 increase in commodity charges).

The computed commodity rate is approximately $0.504 if no water were included in the monthly minimum (shown on Schedule G-8, page 3). In the instant case, as I did not use the computed monthly minimums, I had to "back into" the commodity rates.

If the monthly minimums are decreased from the requested rates, two things occur. The first is that the commodity rate has to increase to recover the under collected expenses and return dollars due to the lowered monthly minimums. And the second is that the Company faces much higher risk, as it must recover fixed costs from the commodity sales, which can vary from year to year due to changes in weather. This rate design adds additional risk to the Company. There is already substantial risk in the proposed rates, which attempt to collect a substantial amount of the <u>demand costs in the commodity rates</u>.

Q. WHY ARE THE IRRIGATION CUSTOMERS ON 8 INCH AND 12 INCH METERS EXPERIENCING A LOWER RATE INCREASE THAN THE RESIDENTIAL CUSTOMERS?

A. In the instant case, the residential customers will experience a rate increase of approximately 79%, while the irrigation customers on 8 and 12 inch meters will experience a rate of approximately 37% and 34% respectively. The rate increase differential is lower for the irrigation customers because they are already paying rates which recover all expenses and rate of return. The residential customers were paying rates substantially below the cost of serving them. Even with the proposed rates, residential customers will pay substantially less than the cost to actually serve them.

The irrigation customers on 8 and 12 inch meters, are already paying rates which result in rates of return higher than requested in the instant case. These customer classes should have experienced a rate reduction, rather than an increase. The decision was made to increase the commodity rates and the monthly minimums for the 8 and 12 inch meters to lessen the rate increase from the other classes of customers.

A review of Schedule H-1 shows that the 8 and 12 inch meters are subsidizing the smaller meters via their payment of excess rates of approximately $285,000. The residential customers are paying approximately $228,000 less in rates then the cost of service study dictates.

The goal of rate design should be to have each class of customer paying the same rate of return, and recovering all expenses in their rates. In the instant case, the rates are moving in the direction of recovering costs from customers causing the cost.

In the instant case, the residential customers will experience a rate increase of approximately 79%, while the irrigation customers on 8 and 12 inch meters will experience a rate of approximately 37% and 35% respectively. The rate increase differential is lower for the irrigation customers because they are already paying rates which recover all expenses and rate of return. The residential customers were paying rates substantially below the cost of serving them. Even with the proposed rates, residential customers will pay substantially less than the cost to actually serve them.

A review of Schedule G-2, Page 2 shows the rate increases and decreases that should be assigned to each class of customer, to have each customer class pay the same rate of return. Customers on the 8 and 12 inch meters should be had their rates reduced by 1.87% and 16.85% respectively. The residential customers should have their rates increased by 139%.

Q. HOW HAS THE COMMISSION PREVIOUSLY AUTHORIZED CAP SURCHARGE BEEN TREATED IN THIS APPLICATION?

A. I have assumed that the Surcharge will continue as authorized. However, as you are aware, RUCO has challenged the Commission's authority to establish that Surcharge in an appeal to the Arizona Court of Appeals. Therefore, we believe that it would be appropriate that the Commission approve the Surcharge mechanism in this proceeding, including the establishment of the base Surcharge. In the event the Court of Appeals determines the Surcharge can not be implemented pursuant to ARS §40-360, the mechanism would then have been established in accordance with the Scates opinion and the controlling Attorney General's opinion.

Q. IF THE RUCO PREVAILS IN THE APPEALS COURT, AND THE COURT ORDER THE COMMISSION TO VOID THE COMPANY'S CAP EXPENSE ADJUSTER, WHAT WOULD THE BASE COST ON WHICH THE NEW SURCHARGE IS COMPUTED?

A. The Surcharge would be triggered or activated when the CAP Expense differs from $0.290221698, or $0.29 per 1,000 gallons of potable water. The $0.29 was derived by the dividing the CAP Expense of $52,528 by the potable water sales of 180,996,000, and then multiplying by 1,000 to express the surcharge on a per 1,000 gallon basis.

Q. WHY WERE ONLY POTABLE GALLONS USED IN THE COMPUTATION?

A. The CAP water would not be needed if the Company only pumped non-potable water.

Q. IS THE COMPANY REQUESTING ANY OTHER CHANGES IN ITS RATES AND TARIFFS?

A. Yes, the Company is requesting higher meter and service line installation charges as shown on Schedule A-3 and the Tariff. Additionally, the Company is requesting that the cap on hook-up fees be modified. Currently the Company is allowed to include hook-up fees from 60 customers in any calendar year as revenue. Hook-up fees in excess of 60 are accounted for as contributions in aid of construction. Removal of this cap on hook-up fees would allow the Company to for all hook-up fees as revenue.

Accounting for 60 hook-up fees as revenue and any excess over 60 as contributions in aid of construction was authorized by the Commission in the last rate case to avoid the possibility of the Company over earning. An examination of the earnings by year since the last rate case reveals that the Company never over earned. In fact, the Company never earned its authorized rate of return.

In the instant case, as more customers are added, the "excess capacity" of the sewer plant will lessen. The depreciation expense on this plant will increase as will the

property tax expense that should be charged to customers. These two factors will reduce net income.

Accounting for all hook-up fees as revenues will somewhat offset the decrease in net income. In the instant case, the revenues from hook-up fees was increased based on 70 customer additions.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

APPENDIX A

RESUME OF
RONALD L. KOZOMAN, CPA

EMPLOYMENT EXPERIENCE

10/1/93 TO PRESENT	SELF-EMPLOYED	
1988 TO 9/30/93	KOZOMAN & KERMODE CPA's, PARTNER	
1986-1988	KOZOMAN & KERMODE, CPA'S PC, PRESIDENT	
1982-1986	TROUPE KEHOE WHITEAKER & KENT CPA's PARTNER AND UTILITY CONSULTANT	
	RESPONSIBLE FOR OVERALL MANAGEMENT OF FIRM'S PHOENIX, ARIZONA OFFICE	
1981-1982	ARIZONA CORPORATION COMMISSION	CHIEF UTILITY RATE ANALYST

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

1977-1981	ILLINOIS COMMERCE COMMISSION	ACCOUNTANT III,IV, V, & EXECUTIVE V

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

TESTIFIED IN CASES INVOLVING ENERGY, WATER AND COMMUNICATION COMPANIES.

SOUTHERN ILLINOIS UNIVERSITY	ACCOUNTING FACULTY
NORTHERN ILLINOIS UNIVERSITY	ACCOUNTING FACULTY
INDIANA UNIVERSITY	ACCOUNTING FACULTY
MACMURRAY COLLEGE	ACCOUNTING FACULTY

ILLINOIS AND ARIZONA CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES.

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

FRATERNITY BETA ALPHA PSI, PROFESSIONAL ACCOUNTING ACADEMIC

YEARS

FROM-TO	INSTITUTION	MAJOR	DEGREE	DATE
1959-61	JOLIET JUNIOR COLLEGE	ACCOUNTING	ASSOCIATE	6-61
1961-63	NORTHERN ILLINOIS UNIVERSITY	ACCOUNTING	B.S.	6-63
1963-65	NORTHERN ILLINOIS UNIVERSITY	BUS. ED.	M.S.	6-65

1967	CERTIFIED PUBLIC ACCOUNTANT, ILLINOIS	9-67
1980	LICENSED ACCOUNTANT, ILLINOIS (065-012256)	5-80
1983	LICENSED ACCOUNTANT, ARIZONA (3805-R)	2-83

REGULATORY AND WORK EXPERIENCE

10/1/93 TO PRESENT — SELF EMPLOYED

FEB. 1988 TO 9/30/93 — PARTNER, KOZOMAN AND KERMODE, CPA's

FEB. 1986 - JAN. 1988 — PRESIDENT, KOZOMAN AND KERMODE P.C., CPA's

OCT. 1982 TO JAN. 1986: — PHOENIX OFFICE; JOB TITLE: PARTNER
TROUPE KEHOE WHITEAKER & KENT

1981 TO 1982 — CHIEF RATE ANALYST, UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

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

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

1974 TO 1977: — ASSOCIATE PROFESSOR, MACMURRAY COLLEGE
JACKSONVILLE, ILLINOIS

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

1969 TO 1974: — INSTRUCTOR, SOUTHERN ILLINOIS UNIVERSITY
CARBONDALE, ILLINOIS

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

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

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

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

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

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

TAUGHT FINANCIAL AND MANAGERIAL ACCOUNTING.

PUBLICATIONS

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

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

SPEECHES

"WORKSHOP ON UTILITY ACCOUNTING, RATE CASES, AD VALOREM TAXES, DATA REQUESTS, FINANCING, FINANCINGS, HOUSE BILL 2562, NEW STATE INCOME TAXES RATES," WATER UTILITIES ASSOCIATION OF ARIZONA, SEPTEMBER 1990.

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

"CHANGES IN INCOME TAXES," PUBLIC UTILITIES ASSOCIATION OF ARIZONA, TUCSON, OCTOBER 1982.

"REVENUE REQUIREMENTS" 1987 - 1995, "ACCOUNTING FOR NON-ACCOUNTANTS, 1991 - 1995, COST OF SERVICE AND RATE DESIGN, 1995 NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS (NARUC) ANNUAL STUDIES FACULTY HELD IN LANSING, MICHIGAN FOR REGULATORY COMMISSION PERSONNEL EMPLOYEES AND UTILITY PERSONNEL.

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

A CHRONOLOGICAL SUMMARY OF MY WORK EXPERIENCE WITH THE ILLINOIS COMMERCE

COMMISSION IS PROVIDED BELOW.

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

EDISON		RITY, ANALYSIS OF FINANCIAL COVERAGES - ACTUAL AND PROJECTED. 2. PREPARED CROSS-EXAMINATION QUESTIONS FOR ASSISTANT ATTORNEY GENERAL. 3. SPONSORED RATE BASE, INCOME STATEMENT, AND COST OF CAPITAL. 4. PROJECT LEADER FOR CASE. 5. SUPERVISED AUDIT OF RESPONDENT'S RECORDS.
TOWN GAS CO.	81-0113	1. CROSS-EXAMINED RESPONDENT'S WITNESSES. 2. SUPERVISED AUDIT OF RESPONDENT'S RECORDS. 3. SPONSORED COST OF CAPITAL EXHIBITS AND TESTIMONY.
CONTINENTAL TELEPHONE CO. OF ILLINOIS	81-0014	1. COST OF CAPITAL TESTIMONY.
GENERAL TELEPHONE CO. OF ILLINOIS	81-0443	1. EXAMINED STATION CONNECTION EXPENSING.

SUNDRY CASES

PURCHASED GAS AND FUEL CLAUSE RECONCILIATIONS FOR:

MONARCH GAS COMPANY

TOWN GAS COMPANY

UNION ELECTRIC COMPANY

GAS UTILITIES, INC.

ADOPTION OF UNIFORM SYSTEM OF ACCOUNTS 78-0579 FOR RADIO COMMON CARRIERS (MOBILE TELEPHONE) - CASE DISMISSED.

GENERAL ORDER 210, UNIFORM FILING REQUIREMENTS FOR LARGER UTILITIES - FORECASTED TEST YEAR - ORDER ENTERED AND ADOPTED.

A CHRONOLOGICAL SUMMARY OF MY WORK EXPERIENCE WITH THE ARIZONA CORPORATION
COMMISSION IS PROVIDED BELOW.

COMPANY	DOCKET NO.	FUNCTION
SOUTHERN UNION GAS	U-1240-81-148	COST OF CAPITAL TESTIMONY*
SOUTHWEST GAS CORP.	U-1551-81-206	COST OF CAPITAL TESTIMONY*

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

*TESTIFIED AS CONSULTANT.

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

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

RATE DESIGN.

BLACK BILL & DONEY PARK WATER USERS' ASSOCIATION	TESTIFIED FOR APPLICANT ON RATE BASE, INCOME STATEMENT, RATE OF RETURN AND RATE DESIGN IN BOTH INTERIM AND MAIN CASES. TESTIFIED FOR APPLICANT ON SPECIAL ASSESSMENTS, HOOK-UP FEES, CAPITAL CREDITS AND PUMPING POWER ADJUSTER.
FLORENCE GARDENS UTILITY CO.	TESTIFIED FOR APPLICANT ON RATE BASE, INCOME STATE MENT RATE OF RETURN AND RATE DESIGN FOR WATER AND SEWER.
BOULDER CAREFREE SEWER CORP.	TESTIFIED FOR APPLICANT ON COST OF CAPITAL AND AMORTIZATION OF CONTRI-BUTIONS.
WEST END WATER COMPANY	TESTIFIED FOR APPLICANT ON COST OF CAPITAL AND AMORTIZATION OF CONTRIBUTIONS.
ARIZONA PUBLIC SERVICE CO.	DEVELOPMENT OF PUBLIC RELATIONS MANUAL TO EXPLAIN A RATE CASE TO THE NEWS MEDIA.
NEW MEXICO CORP. COMMISSION - GENERAL TELEPHONE COMPANY OF THE SOUTHWEST.	TESTIFIED FOR COMMISSION ON APPLICANT'S PROPOSED RATE BASE AND INCOME STATEMENT.
DEPARTMENT OF THE NAVY - PACIFIC GAS & ELECTRIC	EVALUATION OF APPLICANT'S AND CALIFORNIA COMMISSION STAFF'S RATE CASE FILINGS.
SUNDRY CLIENTS	TESTIFIED ON VALUATION OF WATER UTILITIES BEFORE THE ARIZONA DEPARTMENT OF REVENUE, CENTRALLY VALUED PROPERTIES.

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

COMPANY/CLIENT	FUNCTION
NEW MEXICO CORP. COMMISSION - CONTINENTAL TELEPHONE CO. OF THE WEST.	TESTIFIED FOR COMMISSION ON APPLICANT'S COST OF CAPITAL.
NEW MEXICO CORP. COMMISSION - WESTERN NEW MEXICO TELEPHONE COMPANY.	TESTIFIED FOR COMMISSION ON APPLICANT'S COST OF CAPITAL.
BERMUDA WATER COMPANY	TESTIFIED FOR APPLICANT ON RATE CASE AND FINANCING.
BELLA VISTA RANCHES (BELLA VISTA WATER CO.)	TESTIFIED FOR APPLICANT ON COST OF CAPITAL, COST OF SERVICE, RATE DESIGN, AND CONSOLIDATION OF THREE COMPANIES.

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

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

CAPITAL

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

ROOSEVELT LAKE RESORT, INC.	RATE BASE, INCOME STATEMENT, COST OF CAPITAL
RIO VERDE UTILITIES, INC.	RATE BASE, INCOME STATEMENT, COST OF CAPITAL FOR WATER AND SEWER
DONEY PARK WATER	RATE BASE, INCOME STATEMENT, RATE DESIGN, AND TIER FOR C0-OP CAPITAL
PARADISE VALLEY WATER COMPANY	RATE DESIGN AND COST OF SERVICE STUDY
BOULDERS CAREFREE SEWER CORP.	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, AND RATE DESIGN FOR SEWER
RANCHO VISTOSO WATER COMPANY	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN, AND PROPOSED ADJUSTMENT MECHANISM TO RECOVER COSTS OF PUMPING POWER, TREATED AND/OR UNTREATED CAP WATER AND/OR RECHARGE WATER
PARADISE VALLEY WATER CO.	RATE DESIGN AND COST OF SERVICE STUDY AND COST OF CAPITAL
CAMP VERDE WATER SYSTEM	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN, AND PROPOSED ADJUSTMENT MECHANISM TO RECOVER COSTS OF TREATED WATER
FAR WEST WATER COMPANY	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN
TURNER RANCHES	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN
APPALOOSA WATER	APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY
FAR WEST WATER COMPANY	REHEARING ON PROPERTY TAXES
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS	ANNUAL REGULATORY STUDIES PROGRAM 1991 - 1998 INSTRUCTOR ACCOUNTING FOR NON ACCOUNTANTS, REVENUE REQUIREMENTS, COST OF SERVICE, AND ACCOUNTING IN A DE-REGULATED WORLD
VAIL WATER COMPANY	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN

SANTA CRUZ WATER PALO VERDE UTILITIES	CERTIFICATE OF CONVENIENCE & NECESSITY
GOLDEN SHORES WATER	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN
BELLA VISTA WATER AND NICKSVILLE WATER	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN, COST OF SERVICE STUDY, CONSOLIDATION OF WATER COMPANIES
FAR WEST WATER AND SEWER INC.	EMERGENCY RATES
VAIL WATER COMPANY	EMERGENCY RATES
SEDONA VENTURE, WATER AND SEWER	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN
FAR WEST WATER AND SEWER INC.	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN, COST OF SERVICE STUDY
VAIL WATER COMPANY	RATE BASE, INCOME STATEMENT, COST OF CAPITAL, RATE DESIGN

D

DIRECT TESTIMONY OF

THOMAS BOURASSA

FILED ON BEHALF OF

RIO VERDE UTILITIES, INC.

RATE APPLICATION
(Water Division)

DOCKET NO. WS-02156A-00-___

FILED MAY 11, 2000

80017.00000.72

EXHIBIT D

DIRECT TESTIMONY OF THOMAS BOURASSA, C.P.A.

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. Thomas Bourassa, 727 W. Maryland Avenue, Unit 12, Phoenix, Arizona 85013.

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

A. I am self-employed and provide consulting services to utility companies, as well as general accounting services.

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

A. Yes. I was employed by High-Tech Institute, Inc. as controller and chief financial officer prior to entering private practice. Prior to working for High-Tech Institute I worked as a division controller for the Apollo Group, Inc.. Before joining the Apollo Group I was employed at Kozoman and Kermode, CPA's. In that position, I prepared compilations and other write-up work for water and waste water utilities, as well as tax returns.

In my private practice, I have prepared and/or assisted in the preparation of several water and water utility rate cases including Vail water Company, E&T Water Company, Ponderosa Utility Company, Diablo Village Water Company, New River Utility Company, Far West Water Company, Sedona Venture Water and Water, Bella Vista Water Company, and the Town of Oro Valley.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Rio Verde Utilities, Inc. - Water Division ("Rio Verde", "Rio Verde Water", "the Applicant", or "the Company").

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I will testify in support of the proposed rates for Rio Verde Water.

Q. HOW WILL YOUR TESTIMONY BE ORGANIZED?

A. My direct case testimony is presented in two parts. The first part addresses rate base issues. The second part addresses income statement issues. I will also testify on

various other schedules required in the Standard Filing Requirement set by the Arizona Corporation Commission.

Q. WOULD YOU PLEASE SUMMARIZE THE COMPANY'S RATE CASE?

A. Yes. The test year is the twelve-month period ended December 31, 1999. The Company's original cost depreciated rate base is being requested as its fair value rate base in order to simplify the proceedings. A return of 11.45% on original cost rate base is requested. The rate of return in Rio Verde's last rate case was 8.62%. The increase in water revenues in the instant case is approximately $467,877. This represents an increase of approximately 51.25% over the adjusted and annualized test year water revenues.

Q. WHY IS RIO VERDE WATER FILING AN APPLICATION FOR RATE INCREASES AT THIS TIME?

A. This rate increase is due to the installation of substantial plant and increase in operating expenses since the last rate case.

Rio Verde Water's last rate case was based on a test year ending December 31, 1992, approximately 7 years ago.

See Decision No. 58525 (dated February 2, 1994). In that proceeding, the Company received a rate increase of $107,211, which was an increase of approximately 27.04% over the adjusted test year revenues. The rate increase in the instant case would result in revenues of $1,421,076, adjusted operating expenses of $934,741, and a return on an original cost rate base of 11.45% or approximately $486,335 in operating income. The costs of operating the water division and plant additions have exceeded the revenues realized from customer growth, and the prior rate increase. The Company's water division adjusted original cost rate base has increased by about $3,085,190, revenues have increased by approximately $556,370 and operating expenses have increased by about approximately $347,517 since the last rate case. In addition, the investment in plant has increased by over $4,958,610 since the last rate case.

Thus, while there has been customer growth on the system, growth cannot provide the funds necessary to cover increases in operating expenses and fund the substantial plant additions and improvements. Increases in costs have outpaced increases in revenues.

Q. BEFORE YOU BEGIN YOUR TESTIMONY ON THE RATE BASE AND INCOME STATEMENT, WOULD YOU PLEASE DESCRIBE THE SCHEDULES LABELLED AS A, E, AND F?

A. Yes. The A-1 Schedule is a summary of the rate base, adjusted operating income, current rate of return, required rate of return, operating income deficiency, and the increase in gross revenue. Revenues at present and proposed rates and by customer classification (meter size) are also shown on this schedule.

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

Schedule A-3 contains the summary of the capital structure for the test year, prior years, and a projected year.

Schedule A-4 contains the plant construction and plant in service for the test year and prior years. The projected plant additions are also shown on this schedule, as well as on Schedule F-3.

Schedule A-5 contains the summary of the changes in financial position (cash flow) for the test year, prior years, and a projected year.

The E-1 Schedule contains the comparative balance sheet data. I have adjusted the Company's balance sheet to reflect the corrected plant, and corrected accumulated depreciation.

Schedule E-2 contains the Company's operating results for the years ended December 31, 1997, 1998 and the test year ended December 31, 1999.

Schedule E-3 contains comparative statement of changes in financial position, while Schedule E-4 contains the changes in stockholder's equity.

Schedule E-5 contains the plant in service at the end of the test year, and the plant additions back to December 31, 1998. The E-7 Schedule contains operating statistics for the years ended December 31, 1997, 1998, and the test year ended December 31, 1999 as to the number of customers, revenue per customer, and pumping power cost per 1,000 gallons of water sold. Schedule E-8 contains the taxes charged to operations.

Schedule E-9 contains a copy of Rio Verde's audited financial statements.

The F-1 Schedule contains the results of operations at the present rates (actual and adjusted), and at proposed rates.

The F-2 Schedule contains projected changes in financial position at present and proposed rates. The F-3 Schedule identifies projected construction requirements for 2000 and later years. Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

I. RATE BASE.

Q. WOULD YOU PLEASE EXPLAIN THE RATE BASE SCHEDULES WHICH ARE LABELLED AS THE B SCHEDULES?

A. Yes. I will start with Schedule B-5, which is working capital. The Company is requesting a working capital allowance based the formula method. Working capital is shown on Schedule B-5.

Q. WHY DIDN'T YOU COMPUTE WORKING CAPITAL USING THE LEAD / LAG METHOD?

A. While the lead / lag method of computing working capital may be more accurate than the formula method, the cost for doing a lead / lag study, and the time and cost spent in

the hearing debating the methodology used in the lead / lag study is prohibitive.

Q. DOES THE COMPANY NEED WORKING CAPITAL?

A. A number of factors indicate that the Company is entitled to, and needs working capital. Firstand foremost, there is no question that the Company requires working capital to function; (2) The Company will have to repay debt; (3)The formula method provides a reasonable and accurate measurement of needed working capital; and (4) There is no Commission rule that states that a utility company must prepare a lead / lag study to support it's working capital request. The Commission is listed in the National Association of Regulatory Utility Commissioners annual report as requiring a lead / lag study only for large companies, and accepting the formula method for smaller companies. Rio Verde would not be considered to be a large utility.

Q. HOW IS THE FORMULA METHOD FOR WORKING CAPITAL COMPUTED? WOULD YOU ALSO EXPLAIN THE LOGIC BEHIND THE COMPUTATONS?

A. The formula method is 1/8 of the allowable operating expense, less depreciation, income taxes, property taxes, and pumping power. The 1/8 in the computation represents 45 days of a business year (360 days). The 45 day requirement for working capital is derived under the assumption that the customer gets service from the first day of the month. The utility company reads the meters at the end of the month, prepares the customer's bill, and mails the bill. The customer has approximately 10 days to pay his or her utility bill. Thus, the customer pays for the service by the 15th of the following month. The utility company has had to provide service from the first of the prior month to the 15th of the next month before receiving payment from the customer. The 45 day period is computed as the time period from the date the customer takes service (the first of the month) to the date the customer pays the utility company (the 15th of the next month).

The pumping power is computed as 1/24 of the pumping power cost, or 15 days. The 15 days is computed as the time period from when the utility company takes service from the electric company to the time when the utility pays the power company and the customers pay the Company.

Q. WOULD YOU PLEASE CONTINUE WITH YOUR DESCRIPTIONS OF THE RATE BASE SCHEDULES?

A. The B-4 and B-3 Schedules are omitted as original cost is being requested as fair value.

Schedule B-2 contains adjustments to rate base to recognize the difference in calculated and book accumulated depreciation on plant, the additional debt reserve (cash restricted by debt covenants), which is required by the lender(s), and the additional deferred financing costs. The debt reserve and unamortized financing assets should be allowed to earn a return until recovered.

Q. WHAT IS RIO VERDE WATER' ORIGINAL COST RATE BASE?

A. Gross utility plant in service at the end of the test year is $6,619,373. Accumulated depreciation totals approximately $1,158,669. With advances in aid of construction, meter deposits, working capital, and restricted cash, the Company's total original cost rate base is approximately $4,248,575. The rate base in Rio Verde's prior rate case totaled approximately $1,163,385. The rate base is shown on Schedule B-1.

Q. DOES THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON SCHEDULE B-1 REFLECT THE LAST COMMISSION RATE ORDER?

A. Yes. In determining the plant shown on Schedule B-1, I started with the plant in service established by the ACC in the Company's last rate case. Plant additions since the last test year have been added to derive the total plant shown on Schedule B-1.

A half-year convention was used to compute the annual increase in accumulated depreciation and the computation of depreciation expense on plant additions. This convention assumes that while plant is added throughout the year, the plant has been in service an average of six months during the year of addition. My computation of accumulated depreciation is more than the accumulated depreciation shown on Schedule E-1 (the balance sheet from the Company's books) and reflects a correction in rounding differences.

II. INCOME STATEMENT

Q. WOULD YOU PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING AS SHOWN ON SCHEDULES C-1 AND C-2?

A. The details of the adjustments are shown on Schedule C-2. The adjustments are then carried forward to the C-1 Schedule. As shown on Schedule C-1, the Company had operating income during the test year of approximately $254,465. Based on adjusted revenues of $953,199 and adjusted operating expenses of $750,938 the Company would sustain an operating income of $202,261.

Adjustment 1 annualizes the revenue from customers receiving service from ¾ and 1 inch residential meters. Average revenues by month were computed for each month of the test year, and multiplied by the number of customers used in the revenue annualization.

Q. WOULD YOU PLEASE CONTINUE WITH YOUR TESTIMONY ON THE REVENUE AND EXPENSE ADJUSTMENTS?

A. Adjustment 2 increases revenues to reflect the amount of hook-up fees. In the Company last rate decision, the Commission authorized the Company a hook-up fee, which was to be accounted for as revenue. The Commission restricted the inclusion of hook-up fees in revenue to 60 additional customers per year. Hook-up fees for customer additions in excess of 60 were to be treated as contributions. The proposed rates keep the hook-up fee amount the same but

eliminate this restriction. I have increased the hook-up fee to reflect projected customer additions.

Q. BY LEAVING THE HOOK-UP FEE IN THE INCOME STATEMENT AS A REVENUE ITEM, ARE YOU ASSUMING THAT THE COMPANY WILL CONTINUE TO ADD CUSTOMERS IN THE YEARS AFTER THE TEST YEAR?

R. IF THE COMMISSION DEOS NOT ELIMINATE THE RESTRICTION OF 60 HOOK-UP FEES PER YEAR INCLUDED IN REVENUES, WILL THE REVENUE REQUIREMENT IN THE INSTANT CASE CHANGE?

B. Yes. The Company is projecting 70 customer additions per year or $35,000 included in revenues. This is an increase of 10 customers or $5,000 over the test year. If the restriction is not eliminated, adjustment 2 for $5,000 of hook-up fee revenue would be removed and the revenue requirement would increase. The increase in the revenue requirement will have to be made up in the other rates charged to customers.

R. HAVE YOU DETERMINED HOW MUCH THE REVENUE REQUIREMENT WOULD INCREASE?

A. No.

A. Yes.

Q. IS THE COMPANY REQUESTING PLANT OR EXPENSES TO MATCH THE EXPECTED CUSTOMER ADDITIONS?

A. No.

Q. PLEASE CONTINUE WITH YOUR TESTIMONY

A. Adjustment 3 annualizes the depreciation expense on plant after adjusting treatment plant for excess capacity. The Company is requesting the same depreciation rate as was allowed in the last rate case. In the prior rate case, the Commission authorized a 3.064119% depreciation rate on all plant. The 3.064119% equates to a 32.64 year life.

Q. PLEASE CONTINUE WITH YOUR TESTIMONY

A. Adjustment 4 reflects expected increases in wages and salaries including related payroll taxes.

Rate case expense is amortized over five (5) years in adjustment 5.

Projected increases in C.A.P. purchased water costs are reflected in Adjustment 6.

Adjustment 7 recognizes the increased cost of sending customers their bills.

Adjustment 8 computes the interest expense on debt and adjusts the test year interest expense to the computed amount.

Increases in purchased power costs are computed in the adjustment labeled as 9.

The adjustment labeled as 10 adjusts the property taxes based on plant and annualized proposed revenues.

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

A. By following the method used by the Arizona Department of Revenue - Centrally Valued Properties ("ADOR") to derive the Company's full cash value, to which the assessment ratio was applied. To derive full cash value, ADOR combines or weights two approaches: (1) an "income approach" in which annual revenue are multiplied by two, and (2) a "cost" approach based on the utility's net original cost plant. The cost approach divides net plant into annual revenues to determine the "utilization factor," which is the percentage relationship between net plant and revenue produced by net plant. The utilization factor is then converted into an "applied factor" based on an ADOR

table. The net plant is multiplied by the "applied factor" to assign a value to it under ADOR's computations. This factor can range from 35% to 300%. The higher the revenues, the higher the value assigned to the plant.

The next step involves the weighting of the approaches. To derive this correlated value, the net plant times the "applied factor" and two times revenue are each then multiplied by a percentage ranging from 0% to 100%. The two percentages must add up to 100%. To this correlated value, ADOR adds construction work in progress (at 35% of its value) and deducts transportation equipment (to ensure that licensed vehicles are not taxed twice). The result is the full cash value. The full cash value is multiplied by the assessment set by statute to devise the assessed value. The County property tax rate is then applied to the assessed value to determine the property tax.

The 1999 property tax bill for the Company was based on a full cash value which was assessed at 25.00%

Q. HOW DID YOU COMBINE OR WEIGHT THE RESULTS OF THE INCOME APPROACH AND THE COST APPROACH?

A. In the instant case, I used 50% of two times revenue (income approach), and 50% of net plant times ADOR's factor (plus materials and supplies) (cost approach) to derive the correlated value. ADOR usually weights the results of the two approaches equally or nearly equally.

Q. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH PLANT IN RATE BASE AND PRESENT REVENUES PROPER RATEMAKING?

A. Yes it is. The computation of property taxes has been described by Staff in other rate cases as containing too many variables to compute with any degree of confidence. This is not true. Actually there is one key variable in the computation - the weighting of revenue (income approach) and net plant (cost approach) in determining full cash value. In comparison, the computation of income taxes involves numerous variables. If income taxes can be adjusted based on adjusted revenues and expenses for rate making purposes, then property taxes can also be adjusted. The income tax computation is based on authorized revenues and expenses, subject to numerous adjustments. There is no guarantee that the actual revenues and expenses under new rates will actually match the authorized revenues and expenses used to compute income taxes.

It is proper rate making to include all known changes to expenses. Calculating property taxes based on data other than test year revenues at present and proposed rates and net plant is similar to using actual income tax expense in the test year. If Staff proposes to use property taxes based on the property tax bill received in September 2000, the revenue annualization, adjustment number 1, and the expense annualization, adjustment number 12, should be removed. Inclusion of adjustments 1 and 12 would result in annualized revenues and partially annualized expenses to serve the annualized number of customers. The result is a mismatch of revenues and expenses. The September 2000 property tax bill will reflect the unadjusted test year revenues for calendar year 1999, not the annualized test year revenues proposed in the instant case.

Q. DOES THE STAFF EVER REQUIRE PROPERTY TAXES TO BE COMPUTED USING ADOR'S METHODOLOGY?

A. Yes. ACC Staff has used the same method for computing property taxes for new Water utilities applying for a Certificate of Convenience and Necessity ("CC&N"). A company applying for a new CC&N must obtain a letter from ADOR stating that *pro forma* property tax expense has been

computed using ADOR's methodology. These estimated property taxes are used to set rates for the new company.

Q. HAS THE COMMISSION EVER ACCEPTED PROPERTY TAXES BASED ON THE COMPUTATIONS USING THE ADOR METHOD OF COMPUTING FULL CASH VALUE?

A. Yes, as I previously testified the Commission uses the ADOR method to set rates for new Water companies applying for a CC&N.

Additionally, the Commission accepted the ADOR method for the prior Far West Water Rate case (Decision No. 60826, dated April 13, 1998).

Further, the Court of Appeals upheld Turner Ranches Water and Sanitation Company property tax computation based on proposed revenues and plant in an appeal against the Commission. The Court of Appeals decision was dated September 21, 1999.

Q. IF THERE A MAJOR DIFFERENCE IN THE PROPERTY TAXES IS A WEIGHTING OF PLANT AND REVENUES OTHER THAN 50% IS USED?

A. The difference in property taxes computed using 50% of plant and 50% of revenues compared to computations using 0%

to 100% of either plant or revenues is very small when compared to total revenues. I have included Schedule C-2, pages 11b through page 15d, to show the impact of using 100% of revenues and 0% of the plant and 100% of net plant and 0% of revenues to compute full cash value. The possible error is + or -$227, which is + or -0.0275% of revenues and + or -1.03% of property taxes at proposed rates.

Q. MR. BOURASSA, ISN'T THERE A LAG FROM THE TIME THAT THE NEW RATES WILL GO INTO EFFECT AND THE DATE THAT THE PROPERTY TAX IS ACTUALLY PAID?

A. Yes. For example, if new rates for Rio Verde Water went into effect on January 1, 2001, the new rates (and plant) would first impact the calculation of property taxes in the bill received in September 2002. However, this is not a legitimate basis to deny the adjustment. The purpose of using a test year in setting rates is to match utility plant, revenue from Water sales and operating expenses. Property taxes are a significant operating expense. The amount of property tax expense is a function of revenues and net plant. If revenues increase or net plant changes, property tax expense also changes. The test year concept

is violated if property tax expense is based on revenues and net plant during some prior year, without any adjustment for the impact of annualized revenues and rate increases.

Q. DID YOU DEDUCT THE MARGIN OF ERROR FROM THE COMPUTED PROPERTY TAXES AS WAS DONE IN THE FAR WEST RATE CASE?

A. Yes, I deducted the margin of error from the requested property taxes.

Q. PLEASE CONTINUE WITH YOUR TESTIMONY.

A. Adjustment 11 removes the revenues from the Company's current ACC approved C.A.P purchased water adjuster. This removal is necessary since the surcharge represents collection of prior years C.A.P. cost increases. Removal from the instant case eliminates inappropriate effects on the revenue requirement. While the purchased water adjuster has be removed from the instant case revenues, the Company expects to continue to collect the adjuster until it recovers the costs specified in the ACC adjuster order and that are not being collected in current rates.

The difference in revenues between revenues recorded in the test year on the Company's books and revenues derived from the test year bill count is reflected in Adjustment 12.

Amortization of deferred financing costs is computed in Adjustment 13.

Adjustment 14 computes the interest the Company would earn on debt reserve funds using an interest rate the Company's earns on its short-term investments.

Adjustment 15 reflects the annualization of variable expenses to match the annualization of the number of customers to test year year-end levels.

Q. DOES SCHEDULE C-3 REFLECT INCOME TAX RATES BASED ON THE PROPOSED REVENUES, AND DOES IT CONTAIN A REVENUE CONVERSION FACTOR TO RECOVER INCOME TAXES?

A Yes. The Company is a "C" Corporation. Therefore, income taxes must be recovered in rates. It is standard rate making to adjust income taxes to match revenues at proposed (authorized) rates and adjusted expenses. In the instant case, the revenue conversion factor is 1.65 (rounded).

Q. DOES THAT CONCLUDE YOUR EXPLANATION OF THE ADJUSTMENTS TO TEST YEAR OPERATING RESULTS?

A. Yes, it does.

E

DIRECT TESTIMONY OF

THOMAS BOURASSA

FILED ON BEHALF OF

RIO VERDE UTILITIES, INC.

RATE APPLICATION
(Wastewater Division)

DOCKET NO. WS-02156A-00-___

FILED MAY 11, 2000

80017.00000.71

EXHIBIT E

DIRECT TESTIMONY OF THOMAS BOURASSA, C.P.A.

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. Thomas Bourassa, 727 W. Maryland Avenue, Unit 12, Phoenix, Arizona 85013.

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

A. I am self-employed and provide consulting services to utility companies, as well as general accounting services.

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

A. Yes. I was employed by High-Tech Institute, Inc. as controller and chief financial officer prior to entering private practice. Prior to working for High-Tech Institute I worked as a division controller for the Apollo Group, Inc.. Before joining the Apollo Group I was employed at Kozoman and Kermode, CPA's. In that position, I prepared compilations and other write-up work for water and waste water utilities, as well as tax returns.

In my private practice, I have prepared and/or assisted in the preparation of several sewer and water utility rate cases including Vail water Company, E&T Water Company, Ponderosa Utility Company, Diablo Village Water Company, New River Utility Company, Far West Water Company, Sedona Venture Water and Sewer, Bella Vista Water Company, and the Town of Oro Valley.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Rio Verde Utilities, Inc. - Sewer Division ("Rio Verde", "Rio Verde Sewer", "the Applicant", or "the Company").

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I will testify in support of the proposed rates for Rio Verde Sewer.

Q. HOW WILL YOUR TESTIMONY BE ORGANIZED?

A. My direct case testimony is presented in two parts. The first part addresses rate base issues. The second part addresses income statement issues. I will also testify on

various other schedules required in the Standard Filing Requirement set by the Arizona Corporation Commission.

Q. WOULD YOU PLEASE SUMMARIZE THE COMPANY'S RATE CASE?

A. Yes. The test year is the twelve-month period ended December 31, 1999. The Company's original cost depreciated rate base is being requested as its fair value rate base in order to simplify the proceedings. A return of 10.56% on original cost rate base is requested. The rate of return in Rio Verde's last rate case was 7.85%. The increase in waste water revenues in the instant case is approximately $213,957. This represents an increase of approximately 39.7% over the adjusted and annualized test year waste water revenues.

Q. WHY IS RIO VERDE SEWER FILING AN APPLICATION FOR RATE INCREASES AT THIS TIME?

A. This rate increase is due to the installation of substantial plant and increase in operating expenses since the last rate case.

Rio Verde Sewer's last rate case was based on a test year ending December 31, 1992, approximately 7 years ago.

See Decision No. 58525 (dated February 2, 1994). In that proceeding, the Company received a rate increase of $102,697, which was an increase of approximately 36.52% over the adjusted test year revenues. The rate increase in the instant case would result in revenues of $825,235, adjusted operating expenses of $511,894, and a return on an original cost rate base of 10.56% or approximately $313,341 in operating income. The costs of operating the sewer division and plant additions have exceeded the revenues realized from customer growth, and the prior rate increase. The Company's sewer division adjusted original cost rate base has increased by about $1,668,697 revenues have increased by approximately $227,351 and operating expenses have increased by about approximately $145,904 since the last rate case. In addition, the investment in plant has increased by over $5,092,759 since the last rate case.

Thus, while there has been customer growth on the system, growth cannot provide the funds necessary to cover increases in operating expenses and fund the substantial plant additions and improvements. Increases in costs have outpaced increases in revenues.

Q. BEFORE YOU BEGIN YOUR TESTIMONY ON THE RATE BASE AND INCOME STATEMENT, WOULD YOU PLEASE DESCRIBE THE SCHEDULES LABELLED AS A, E, AND F?

A. Yes. The A-1 Schedule is a summary of the rate base, adjusted operating income, current rate of return, required rate of return, operating income deficiency, and the increase in gross revenue. Revenues at present and proposed rates and by customer classification are also shown on this schedule.

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

Schedule A-3 contains the summary of the capital structure for the test year, prior years, and a projected year.

Schedule A-4 contains the plant construction and plant in service for the test year and prior years. The projected plant additions are also shown on this schedule, as well as on Schedule F-3.

Schedule A-5 contains the summary of the changes in financial position (cash flow) for the test year, prior years, and a projected year.

The E-1 Schedule contains the comparative balance sheet data. I have adjusted the Company's balance sheet to reflect the corrected plant, and corrected accumulated depreciation.

Schedule E-2 contains the Company's operating results for the years ended December 31, 1997, 1998 and the test year ended December 31, 1999.

Schedule E-3 contains comparative statement of changes in financial position, while Schedule E-4 contains the changes in stockholder's equity.

Schedule E-5 contains the plant in service at the end of the test year, and the plant additions back to December 31, 1998. The E-7 Schedule contains operating statistics for the years ended December 31, 1997, 1998, and the test year ended December 31, 1999 as to the number of customers, revenue per customer. Schedule E-8 contains the taxes charged to operations.

Schedule E-9 contains a copy of Rio Verde's audited financial statements.

The F-1 Schedule contains the results of operations at the present rates (actual and adjusted), and at proposed rates.

The F-2 Schedule contains projected changes in financial position at present and proposed rates.

The F-3 Schedule identifies projected construction requirements for 2000 and later years. Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

I. **RATE BASE**.

Q. WOULD YOU PLEASE EXPLAIN THE RATE BASE SCHEDULES WHICH ARE LABELED AS THE B SCHEDULES?

A. Yes. I will start with Schedule B-5, which is working capital. The Company is requesting a working capital allowance based the formula method. Working capital is shown on Schedule B-5.

Q. WHY DIDN'T YOU COMPUTE WORKING CAPITAL USING THE LEAD / LAG METHOD?

A. While the lead / lag method of computing working capital may be more accurate than the formula method, the cost for doing a lead / lag study, and the time and cost spent in the hearing debating the methodology used in the lead / lag study is prohibitive.

Q. DOES THE COMPANY NEED WORKING CAPITAL?

A. A number of factors indicate that the Company is entitled to, and needs working capital. First and foremost, there is no question that the Company requires working capital to function; (2) The Company will have to repay debt; (3) The formula method provides a reasonable and accurate measurement of needed working capital; and (4) There is no Commission rule that states that a utility company must prepare a lead / lag study to support it's working capital request. The Commission is listed in the National Association of Regulatory Utility Commissioners annual report as requiring a lead / lag study only for large companies, and accepting the formula method for smaller companies. Rio Verde would not be considered to be a large utility.

Q. HOW IS THE FORMULA METHOD FOR WORKING CAPITAL COMPUTED? WOULD YOU ALSO EXPLAIN THE LOGIC BEHIND THE COMPUTATONS?

A. The formula method is 1/8 of the allowable operating expense, less depreciation, income taxes, property taxes, and pumping power. The 1/8 in the computation represents 45 days of a business year (360 days). The 45 day

requirement for working capital is derived under the assumption that the customer gets service from the first day of the month. The utility company reads the meters at the end of the month, prepares the customer's bill, and mails the bill. The customer has approximately 10 days to pay his or her utility bill. Thus, the customer pays for the service by the 15th of the following month. The utility company has had to provide service from the first of the prior month to the 15th of the next month before receiving payment from the customer. The 45 day period is computed as the time period from the date the customer takes service (the first of the month) to the date the customer pays the utility company (the 15th of the next month).

The pumping power is computed as 1/24 of the pumping power cost, or 15 days. The 15 days is computed as the time period from when the utility company takes service from the electric company to the time when the utility pays the power company and the customers pay the Company.

Q. WOULD YOU PLEASE CONTINUE WITH YOUR DESCRIPTIONS OF THE RATE BASE SCHEDULES?

A. The B-4 and B-3 Schedules are omitted as original cost is being requested as fair value.

Schedule B-2 contains adjustments to rate base to recognize the difference in calculated and book accumulated depreciation on plant, the additional debt reserve (cash restricted by debt covenants), which is required by the lender(s), and the additional deferred financing costs. The debt reserve and unamortized financing assets should be allowed to earn a return until recovered.

Schedule B-2 also reflects adjustments to recognize the exclusion of the plant, which reflects the Company's estimate of projected 'excess' sewer treatment plant capacity in the instant case. The Company began investing in additional plant in 1996. Investment in plant was required to both repair and upgrade pre-1996 plant and to install new plant to obtain additional capacity. Regulatory requirements mandated capacity that exceeded capacity of pre-1996 plant.

The Company believes its investment in plant is both prudent and appropriate. However, inclusion of the entire sewer treatment plant in rate base would result in a significantly higher rate base and revenue requirement.

Q. WHAT IS RIO VERDE SEWER' ORIGINAL COST RATE BASE?

A. Gross utility plant in service at the end of the test year is $6,784,658 ($5,494,303 after adjusting for excess plant capacity). Accumulated depreciation totals approximately $995,868 ($878,277 after adjusting for recapture of accumulated depreciation on 'excess' plant). With advances in aid of construction, meter deposits, working capital, and restricted cash, the Company's total original cost rate base is approximately $2,967,530. The rate base in Rio Verde's prior rate case totaled approximately $1,298,833. The rate base is shown on Schedule B-1.

Q. DOES THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON SCHEDULE B-1 REFLECT THE LAST COMMISSION RATE ORDER?

A. Yes. In determining the plant shown on Schedule B-1, I started with the plant in service established by the ACC in the Company's last rate case. Plant additions since the last test year have been added to derive the total plant shown on Schedule B-1.

A half-year convention was used to compute the annual increase in accumulated depreciation and the computation of depreciation expense on plant additions. This convention assumes that while plant is added throughout the year, the plant has been in service an average of six months during

the year of addition. My computation of accumulated depreciation is slightly less than the accumulated depreciation shown on Schedule E-1 (the balance sheet from the Company's books) and reflects a correction in rounding differences.

II. INCOME STATEMENT

Q. WOULD YOU PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING AS SHOWN ON SCHEDULES C-1 AND C-2?

A. The details of the adjustments are shown on Schedule C-2. The adjustments are then carried forward to the C-1 Schedule. As shown on Schedule C-1, the Company had operating income during the test year of approximately $95,745. Based on adjusted revenues of $611,278 and adjusted operating expenses of $427,852 the Company would sustain an operating income of $183,426.

Adjustment number 1 annualizes the revenue from residential customers. Average revenues by month were computed for each month of the test year, and multiplied by the number of customers used in the revenue annualization.

Q. WOULD YOU PLEASE CONTINUE WITH YOUR TESTIMONY ON THE REVENUE AND EXPENSE ADJUSTMENTS?

A. Adjustment 2 increases revenues to reflect the amount of hook-up fees. In the Company last rate decision, the Commission authorized the Company a $1000 hook-up fee, which was to be accounted for as revenue. The Commission restricted the inclusion of hook-up fees in revenue to 60 addition customers per year. Hook-up fees for customer additions in excess of 60 were to be treated as contributions. The proposed rates eliminate this restriction, but leaves the hook-up fee at $1000. I have increased the hook-up fee revenue to reflect projected customer additions.

Q. BY LEAVING THE HOOK-UP FEE IN THE INCOME STATEMENT AS A REVENUE ITEM, ARE YOU ASSUMING THAT THE COMPANY WILL CONTINUE TO ADD CUSTOMERS IN THE YEARS AFTER THE TEST YEAR?

A. Yes.

Q. IF THE COMMISSION DOES NOT ELIMINATE THE RESTRICTION OF 60 HOOK-UP FEES PER YEAR INCLUDED IN REVENUES, WILL THE REVENUE REQUIREMENT IN THE INSTANT CASH CHANGE?

A. Yes. The Company is projecting 70 customer additions per year or $70,000 included in revenues. This is an increase of 10 customers or $10,000 over the test year. if the restriction is not eliminated, adjustment 2 for $10,000 of hook-up fee revenue would be removed and the revenue requirement would increase. The increase in the revenue requirement will have to be made up in the other rates charged to customers.

Q. HAVE YOU DETERMINED HOW MUCH THE REVENUE REQUIREMENT WOULD INCREASE?

A. No.

Q. IS THE COMPANY REQUESTING PLANT OR EXPENSES TO MATCH THE EXPECTED CUSTOMER ADDITIONS?

A. No.

Q. PLEASE CONTINUE WITH YOUR TESTIMONY

A. Adjustment 3 annualizes the depreciation expense on plant after adjusting treatment plant for 'excess' capacity. The

Company is requesting the same depreciation rate as was allowed in the last rate case. In the prior rate case, the Commission authorized a 2.603750% depreciation rate on all plant. The 2.60375% equates to a 38.4 year life.

Q. PLEASE CONTINUE WITH YOUR TESTIMONY

A. Adjustment 4 reflects expected increases in wages and salaries including related payroll taxes.

Rate case expense is amortized over five (5) years in adjustment 5.

Adjustment 6 computes the interest the Company would earn on debt reserve funds using interest rate the Company earns on short-term investments.

Adjustment 7 recognizes the increased cost of sending customers their bills.

Adjustment 8 computes the interest expense on debt and adjusts the test year interest expense to the computed amount.

Adjustment 9 recognizes the difference in revenues between revenues recorded in the test year on the Company's books and revenues derived from the test year bill count.

The adjustment labeled as 10 adjusts the property taxes based on plant and annualized proposed revenues.

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

A. By following the method used by the Arizona Department of Revenue - Centrally Valued Properties ("ADOR") to derive the Company's full cash value, to which the assessment ratio was applied. To derive full cash value, ADOR combines or weights two approaches: (1) an "income approach" in which annual revenue are multiplied by two, and (2) a "cost" approach based on the utility's net original cost plant. The cost approach divides net plant into annual revenues to determine the "utilization factor," which is the percentage relationship between net plant and revenue produced by net plant. The utilization factor is then converted into an "applied factor" based on an ADOR table. The net plant is multiplied by the "applied factor" to assign a value to it under ADOR's computations. This factor can range from 35% to 300%. The higher the revenues, the higher the value assigned to the plant.

The next step involves the weighting of the approaches. To derive this correlated value, the net plant times the "applied factor" and two times revenue are each then multiplied by a percentage ranging from 0% to 100%. The two percentages must add up to 100%. To this

correlated value, ADOR adds construction work in progress (at 35% of its value) and deducts transportation equipment (to ensure that licensed vehicles are not taxed twice). The result is the full cash value. The full cash value is multiplied by the assessment set by statute to devise the assessed value. The County property tax rate is then applied to the assessed value to determine the property tax.

The 1999 property tax bill for the Company was based on a full cash value which was assessed at 25.00%

Q. HOW DID YOU COMBINE OR WEIGHT THE RESULTS OF THE INCOME APPROACH AND THE COST APPROACH?

A. In the instant case, I used 50% of two times revenue (income approach), and 50% of net plant times ADOR's factor (plus materials and supplies) (cost approach) to derive the correlated value. ADOR usually weights the results of the two approaches equally or nearly equally.

Q. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH PLANT IN RATE BASE AND PRESENT REVENUES PROPER RATEMAKING?

A. Yes it is. The computation of property taxes has been described by Staff in other rate cases as containing too many variables to compute with any degree of confidence. This is not true. Actually there is one key variable in the computation - the weighting of revenue (income approach) and net plant (cost approach) in determining full cash value. In comparison, the computation of income taxes involves numerous variables. If income taxes can be adjusted based on adjusted revenues and expenses for rate making purposes, then property taxes can also be adjusted. The income tax computation is based on authorized revenues and expenses, subject to numerous adjustments. There is no guarantee that the actual revenues and expenses under new rates will actually match the authorized revenues and expenses used to compute income taxes.

It is proper rate making to include all known changes to expenses. Calculating property taxes based on data other than test year revenues at present and proposed rates and net plant is similar to using actual income tax expense in the test year. If Staff proposes to use property taxes based on the property tax bill received in September 2000, the revenue annualization, adjustment number 1, and the expense annualization, adjustment number 12, should be removed. Inclusion of adjustments 1 and 12 would result in

annualized revenues and partially annualized expenses to serve the annualized number of customers. The result is a mismatch of revenues and expenses. The September 2000 property tax bill will reflect the unadjusted test year revenues for calendar year 1999, not the annualized test year revenues proposed in the instant case.

Q. DOES THE STAFF EVER REQUIRE PROPERTY TAXES TO BE COMPUTED USING ADOR'S METHODOLOGY?

A. Yes. ACC Staff has used the same method for computing property taxes for new Sewer utilities applying for a Certificate of Convenience and Necessity ("CC&N"). A company applying for a new CC&N must obtain a letter from ADOR stating that *pro forma* property tax expense has been computed using ADOR's methodology. These estimated property taxes are used to set rates for the new company.

Q. HAS THE COMMISSION EVER ACCEPTED PROPERTY TAXES BASED ON THE COMPUTATIONS USING THE ADOR METHOD OF COMPUTING FULL CASH VALUE?

A. Yes, as I previously testified the Commission uses the ADOR method to set rates for new Sewer companies applying for a CC&N.

Additionally, the Commission accepted the ADOR method for the prior Far West Water Rate case (Decision No. 60826, dated April 13, 1998).

Futher, the Court of Appeals upheld Turner Ranches Water and Sanitation Company property tax computation based on proposed revenues and plant in an appeal against the Commission. The Court of Appeals decision was dated September 21, 1999.

Q. IF THERE A MAJOR DIFFERENCE IN THE PROPERTY TAXES IS A WEIGHTING OF PLANT AND REVENUES OTHER THAN 50% IS USED?

A. The difference in property taxes computed using 50% of plant and 50% of revenues compared to computations using 0% to 100% of either plant or revenues is very small when compared to total revenues. I have included Schedule C-2, pages 11b through page 15d, to show the impact of using 100% of revenues and 0% of the plant and 100% of net plant and 0% of revenues to compute full cash value. The possible error is + or -$234, which is + or -0.0284% of

revenues and + or -1.07% of property taxes at proposed rates.

Q. MR. BOURASSA, ISN'T THERE A LAG FROM THE TIME THAT THE NEW RATES WILL GO INTO EFFECT AND THE DATE THAT THE PROPERTY TAX IS ACTUALLY PAID?

A. Yes. For example, if new rates for Rio Verde Sewer went into effect on January 1, 2001, the new rates (and plant) would first impact the calculation of property taxes in the bill received in September 2002. However, this is not a legitimate basis to deny the adjustment. The purpose of using a test year in setting rates is to match utility plant, revenue from Sewer sales and operating expenses. Property taxes are a significant operating expense. The amount of property tax expense is a function of revenues and net plant. If revenues increase or net plant changes, property tax expense also changes. The test year concept is violated if property tax expense is based on revenues and net plant during some prior year, without any adjustment for the impact of annualized revenues and rate increases.

Q. DID YOU DEDUCT THE MARGIN OF ERROR FROM THE COMPUTED PROPERTY TAXES AS WAS DONE IN THE FAR WEST RATE CASE?

A. Yes, I deducted the margin of error from the requested property taxes.

Q. PLEASE CONTINUE WITH YOUR TESTIMONY.

A. Adjustment 11 computes the amortization of deferred financing costs.

Adjustment 12 reflects the annualization of variable expenses to match the annualization of the number of customers to test year year-end levels.

Q. DOES SCHEDULE C-3 REFLECT INCOME TAX RATES BASED ON THE PROPOSED REVENUES, AND DOES IT CONTAIN A REVENUE CONVERSION FACTOR TO RECOVER INCOME TAXES?

A Yes. The Company is a "C" Corporation. Therefore, income taxes must be recovered in rates. It is standard rate making to adjust income taxes to match revenues at proposed (authorized) rates and adjusted expenses. In the instant case, the revenue conversion factor is 1.65 (rounded).

Q. DOES THAT CONCLUDE YOUR EXPLANATION OF THE ADJUSTMENTS TO TEST YEAR OPERATING RESULTS?

A. Yes, it does.

Q. WHAT ARE THE COMPANY'S PRESENT RATES?

A. The present monthly charges for sewer service are:

Customer Class	Monthly Charge	Commodity Rate (Per 1,000 gallons)
Residential	$ 34.00	NA
Commercial	$ 75.00	NA
Commercial Restaurant	$ 75.00	NA
Effluent Sales	NA	$ .88

Q. WHAT ARE THE PROPOSED RATES?

A. The proposed monthly charges for sewer service are:

Customer Class	Monthly Charge	Commodity Rate (Per 1,000 gallons)

Residential	$ 46.42	NA
Commercial	$ 150.00	NA
Commercial - Restaurant	$ 200.00	NA
Effluent	NA	$ 1.17

Q. WHAT IS THE IMPACT ON RESIDENTIAL AND COMMERCIAL CUSTOMERS?

A. Residential will experience a rate increase of $12.41 per month, or an increase of approximately 36.52%. Commercial customers will experience a rate increase of $75.00 per month, or an increase of 100%. Commercial restaurant customers will experience a rate increase of $125.00 per month, or an increase of approximately 166.67%.

Q. IS THE COMMERCIAL RESTAURANT CLASSIFICATION NEW?

A. Yes.

Q. WHAT IS THE REASON FOR THE NEW CLASSIFICATION?

A. Restaurants typically place higher demands on the sewer treatment plant from higher sewage flows as well as from

cooking oils and grease. As such, a new classification and higher monthly charge for this classification has been proposed.

Q. WHAT IS THE IMPACT OF THE PROPOSED RATES ON EFFLUENT SALES CUSTOMERS?

A. Effluent sales for the average customer will increase by $845.38, or an increase of 46.72%. Customers at the median usage will experience a $545.50 increase, or 46.72%.

Q. IS THE COMPANY PROPOSING TO CHANGE CUSTOMER HOOK-UP FEES FOR NEW SERVCE?

A. Yes. The Company is proposing that the amount of the hook-up fee, or $1,000, remain the same, but proposes the elimination of the restriction that all hook-up fees in excess of 60 hook-ups per year be accounted for as contributions. In other words, the Company proposes that all hook-up fees irrespective of the number of hook-ups be accounted for as revenue.

Q. ARE THERE ANY OTHER PROPOSED CHANGES TO THE SEWER TARIFF?

A. No.

Q. DOES THAT CONCLUDE YOU TESTIMONY ON RATES?

A. Yes, it does.

F

RIO VERDE UTILITIES, INC.

DOCKET WS-02156

TARIFF

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

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EXHIBIT F

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Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

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ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

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ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

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Applies to all **WATER** service areas

PART ONE

STATEMENT OF CHARGES
WATER SERVICE

I. RATES

In Opinion and Order No. _____, dated _____, 2001, the Commission approved the following rates and charges to become effective with _____, 2001 usage and _____, 2001 billings:

Meter Size	Usage Included in Minimum Charge	Minimum Charge
Inches	Gallons	Per Month
A. General Residential Service		
5/8" x 3/4" Meter	-0-	$ 10.00
3/4" Meter	-0-	10.00
1" Meter	-0-	10.00
2" Meter	-0-	53.33
4" Meter	-0-	166.67
6" Meter	-0-	333.33

THE RATE FOR USE IN ADDITION TO THE MINIMUM STATED ABOVE SHALL BE THE SAME FOR ALL SIZES OF METERS. ALL ADDITIONAL USAGE SHALL BE AT THE RATE OF $2.31 PER 1,000 GALLONS.

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

STATEMENT OF CHARGES
WATER SERVICE

B. Commercial and Industrial Service

5/8" x 3/4" Meter	-0-	$ 10.00
3/4" Meter	-0-	10.00
1" Meter	-0-	10.00
2" Meter	-0-	53.33
4" Meter	-0-	166.67
6" Meter	-0-	333.33

THE RATE FOR USE IN ADDITION TO THE MINIMUM STATED ABOVE SHALL BE THE SAME FOR ALL SIZES OF METERS. ALL ADDITIONAL USAGE SHALL BE AT THE RATE OF $2.31 PER 1,000 GALLONS.

C. Irrigation Service

4" Meter	-0-	$166.67
6" Meter	-0-	333.33
8" Meter	-0-	666.67
12" Meter	-0-	1,166.67

THE RATE FOR USE IN ADDITION TO THE MINIMUM STATED ABOVE SHALL BE THE SAME FOR ALL SIZES OF METERS. ALL ADDITIONAL USAGE SHALL BE AT THE RATE OF $1.14 PER 1,000 GALLONS. IF ONLY POTABLE WATER IS USED FOR IRRIGATION THERE SHALL BE AN IRRIGATION SURCHARGE OF $1.17, MAKING THE COMBINED CHARGE $2.31 PER 1,000 GALLONS.

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

STATEMENT OF CHARGES
WATER SERVICE

D. Standpipe Service [1]

5/8" x 3/4" Meter	-0-	$ 10.00
3/4" Meter	-0-	10.00
1" Meter	-0-	10.00
2" Meter	-0-	53.33
4" Meter	-0-	166.67
6" Meter	-0-	333.33

THE RATE FOR USE IN ADDITION TO THE MINIMUM STATED ABOVE SHALL BE THE SAME FOR ALL SIZES OF METERS. ALL ADDITIONAL USAGE SHALL BE AT THE RATE OF $2.31 PER 1,000 GALLONS.

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1 Standpipe water service shall be available only to the extent water is not required by permanent customers within the certificated area. Company will attempt to provide 60 days notice of cessation of standpipe service.

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David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

STATEMENT OF CHARGES
WATER SERVICE

E. Construction Water Service

5/8" x 3/4" Meter	-0-	$ 10.00
3/4" Meter	-0-	10.00
1" Meter	-0-	10.00
2" Meter	-0-	53.33
4" Meter	-0-	166.67
6" Meter	-0-	333.33

THE RATE FOR USE IN ADDITION TO THE MINIMUM STATED ABOVE SHALL BE THE SAME FOR ALL SIZES OF METERS. ALL ADDITIONAL USAGE SHALL BE AT THE RATE OF $2.31 PER 1,000 GALLONS. SERVICE SHALL BE THROUGH A COMPANY APPROVED METER, PROVIDED BY THE CONTRACTOR ATTACHED TO A COMPANY FIRE HYDRANT. IF THE CONTRACTOR DOES NOT PROVIDE THE METER, THE COMPANY MAY REQUIRE A REFUNDABLE ADVANCE FROM THE CONTRACTOR IN THE AMOUNT OF THE COST OF AN APPROPRIATE METER.

Issued _____ Effective _____

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David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

STATEMENT OF CHARGES
WATER SERVICE

F. Fire Sprinkler Service

All meter sizes Note 2

II. TAXES AND ASSESSMENTS

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

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2 The monthly charge shall be the higher of $5.00 or 1.00% of the Monthly Minimum.

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David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

STATEMENT OF CHARGES
WATER SERVICE

III. ADDITIONAL CHARGES [3]

A.	Establishment of Service per Rule R14-2-403D (new customer charge, in addition to E, K, L and M below)	$ 25.00
	1. If after hours	50.00
B.	Re-establishment of Service per Rule R14-2-403D (same customer, same location within 12 months)	Note [4]
	1. If after hours, additional charge	40.00
C.	Reconnection of Service per Rule R14-2-403D (after disconnection due to delinquency)	Cost [5]
	1. If after hours, additional charge	30.00

---

[3] Plus all applicable wastewater service additional charges

[4] Number of months off system times the sum of the monthly minimum.

[5] This charge shall be assessed for the actual cost of physical disconnection and reconnection (if the same customer) and there shall be no charge if there is no physical work performed.

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David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

STATEMENT OF CHARGES
WATER SERVICE

D.	Charge for moving meter at customer request per Rule R14-2-405B	Cost [5]
E.	Minimum Deposit Requirement [6] per Rule R14-2-403B	
	1. Residential customer	(2 times estimated average monthly bill)
	2. Non-residential customer	(2-1/2 times estimated maximum monthly bill)
	3. Deposit Interest	6%
F.	Meter test per Rule R14-2-408F	$ 45.00
G.	Meter Reread per Rule R14-2-408C	5.00
H.	Charge for NSF Check per Rule R14-2-409F [7]	10.00

5 See Sheet No. 10.

6 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.

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

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

STATEMENT OF CHARGES
WATER SERVICE

I.	Deferred Payment Finance Charge, per month [8]	1.5%
J.	Late Payment Charge, Per Month [9] [10]	1.5%

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[8] Deferred payments for water service are only available if established in connection with deferred payments for wastewater service under PART THREE, III.F of this Tariff.

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

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

Issued _____ Effective _____

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David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

STATEMENT OF CHARGES
WATER SERVICE

K. Service Line Tariff and Meter Advance Policy, Refundable per Rule R14-2-405B:

5/8" x 3/4" Meter	$ 410.00
3/4" Meter	455.00
1" Meter	520.00
1 1/2" Meter	740.00
2" Meter Compound	1,800.00
2" Meter Turbo	1,235.00
3" Meter Compound	2,340.00
3" Meter Turbo	1,705.00
4" Meter Compound	3,405.00
4" Meter Turbo	2,700.00
6" Meter Compound	6,510.00
6" Meter Turbo	5,035.00

L. Main Extension Tariff, per Rule R14-2-406B Cost [11] [12]

M. Hook-Up Fee for New Service Under Paragraphs I.A, B and C above. $ 500.00

---

11 See Sheet No. 10.

12 In Decision No. 60929, dated May 26, 1998, the Commission authorized waiver of the refundable requirement of the Rule. Therefore, all advances pursuant to this Tariff are non-refundable.

Issued _____ Effective _____

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David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

STATEMENT OF CHARGES
WATER SERVICE

IV. PERMITTED COSTS

A. Costs shall be verified by invoice.

B. For services that are provided by the Company at cost, cost shall include labor, materials, other charges incurred, and overhead. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.

C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.

D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date.

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

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

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

PART TWO

STATEMENT OF CHARGES
WATER SERVICE

I. CROSS-CONNECTION CONTROL

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

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

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

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

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

Applies to all **WATER** service areas

PART TWO (con't)

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

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

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

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

D. **Discontinuance of Service**. In accordance with A.A.C. R14-2-407 and 410 and provisions of this tariff, the Company may terminate service or deny service to a customer who fails to install and/or test a backflow-prevention assembly as required by this tariff.

1. In the event the backflow-prevention assembly has not been installed or fails any test and A.A.C. R14-2-410.B.1.a. is applicable, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be installed and repaired by the customer and retested before service is restored.

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

PART TWO (con't)

2. In the event the backflow-prevention assembly has not been installed or fails any test and A.A.C. R14-2-410.B.1.a. is applicable, the backflow-prevention assembly shall be installed and/or repaired by the customer and tested within fourteen (14) days of written notice by the Company. Failure to install or to remedy the deficiency or disfunction of the assembly, or failure to retest shall be grounds for termination of water utility service in accordance with A.A.C. R14-2-410.

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS

II. RULES AND REGULATIONS

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

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WASTEWATER** service areas

PART THREE

STATEMENT OF CHARGES

WASTEWATER SERVICE

I. RATES

In Opinion and Order No. _____, dated _____, 2001, the Commission approved the following rates and charges to become effective with _____, 2001 billings:

	Per Connection Per Month
A. General Residential Service	
All Sizes	$ 46.62

	Per Connection Per Month
B. Commercial Service	
1. Typical	$ 150.00
2. Restaurant	200.00
C. Effluent Sales	
1. On a per 1,000 gallon basis	$ 1.17
2. On a per acre foot basis	$381.25

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WASTEWATER** service areas

STATEMENT OF CHARGES

WASTEWATER SERVICE

II. TAXES AND ASSESSMENTS

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, regulatory or other taxes and assessments as may apply now or in the future, per Rule R14-2-608(D)(5).

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WASTEWATER** service areas

STATEMENT OF CHARGES

WASTEWATER SERVICE

III. ADDITIONAL CHARGES [13]

A.	Establishment of Service per Rule R14-2-603D (new customer charge, in addition to D, H, and I below)	$ 25.00
	1. If after hours	50.00
B.	Re-establishment of Service per Rule R14-2-603D (same customer, same location within 12 months)	Note [14]
	1. If after hours, additional	40.00
C.	Reconnection of Service per Rule R14-2-603D (after disconnection due to delinquency)	Cost [15]
	1. If after hours, additional	30.00

13 Plus all applicable water service additional charges

14 Number of months off system times the sum of the monthly minimum.

15 This charge shall be assessed for the actual cost of physical disconnection and reconnection (if the same customer) and there shall be no charge if there is no physical work performed.

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WASTEWATER** service areas

STATEMENT OF CHARGES

WASTEWATER SERVICE

D.	Deposit Requirement per Rule R14-2-603B [16]	
	1. Residential customer	(2 times estimated average monthly bill)
	2. Non-residential customer	(2-1/2 times estimated maximum monthly bill)
	3. Deposit Interest	6%
E.	Charge for NSF Check per Rule R14-2-608E [17]	10.00
F.	Deferred Payment Finance Charge, per month [18]	1.5%

---

16 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.

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

18 Deferred payments for wastewater service are only available if established in connection with deferred payments for water service under Part One, III(I) of this tariff.

Issued _____ Effective _____

ISSUED BY:

David S. Ritchie, President
Rio Verde Utilities, Inc.
25609 Danny Lane
Rio Verde, Arizona 85263

Applies to all **WASTEWATER** service areas

STATEMENT OF CHARGES
WASTEWATER SERVICE

G.	Late Payment, Per Month, per Rule R14-2-608F	1.5%	19, 20
H.	Hook-Up Fee for New Service Under Paragraph I.A, and B above	$1,000	
I.	Main Extension Tariff, per Rule R14-2-606B	Cost	21, 22

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

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

21 See Sheet No. 20.

22 In Decision No. 60929, dated May 26, 1998, the Commission authorized waiver of the refundable requirement of the Rule. Therefore, all advances pursuant to this Tariff are non-refundable.

Issued _____ Effective _____

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STATEMENT OF CHARGES

WASTEWATER SERVICE

IV. PERMITTED COSTS

A. Costs shall be verified by invoice.

B. For services that are provided by the Company at cost, cost shall include labor, materials, other charges incurred, and overhead. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.

C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.

D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date.

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

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

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PART FOUR

STATEMENT OF TERMS AND CONDITIONS

WASTEWATER SERVICE

I. SERVICE SUBJECT TO REGULATION

The Company provides wastewater service using treatment and collection facilities that are regulated by numerous county, state and federal Statutes and Regulations. Those Regulations include limitations and the type of wastewater that may be discharged into the system by any person directly or indirectly connected to the plant.

II. WASTE LIMITATIONS

The Company shall have the authority to establish permissible limits of concentration for various specific substances, materials, waters, or wastes that can be accepted in the sewer system, and to specify those substances, materials, waters, or wastes that are prohibited from entering the sewer system. Each permissible limit so established shall be placed on file in the business office of the Company, with a copy filed with the Commission. No person shall discharge, or cause to be discharged, any new sources of inflow including, but not limited to, storm water, surface water, groundwater, roof runoffs, subsurface drainage, cooling water, or unpolluted industrial process waters into the sanitary sewer.

Applies to all **WASTEWATER** service areas

STATEMENT OF TERMS AND CONDITIONS

WASTEWATER SERVICE

III. INSPECTION AND RIGHT OF ENTRY

Inspections of every facility that is involved directly or indirectly with the discharge of wastewater to the Plant may be made by the Company as it deems necessary. These facilities shall include but not be limited to sewers; sewage pumping plants; all processes; devices and connection sewers; and all similar sewerage facilities. Inspections may be made to determine that such facilities are maintained and operated properly and are adequate to meet the provisions of these rules. Inspections may include the collection of samples. Authorized personnel of the Company shall be provided immediate access to all of the above facilities or to other facilities directly or indirectly connected to the Plant at all reasonable times including those occasioned by emergency conditions. Any permanent or temporary obstruction to easy access to the user's facility to be inspected shall promptly be removed by the facility user or owner at the written or verbal request of the Company and shall not be replaced. No person shall interfere with, delay, resist or refuse entrance to an authorized Company representative attempting to inspect any facility involved directly or indirectly with a discharge of wastewater to the Plant. Adequate identification shall be provided by the Company for all inspectors and other authorized personnel and these persons shall identify themselves when entering any property for inspection purposes or when inspecting the work of any contractor.

All transit motor homes, travel trailers and other units containing holding tanks must arrive at the Company's service area in any empty condition. Inspection will be required of said units prior to their being allowed to hookup to the wastewater system.

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STATEMENT OF TERMS AND CONDITIONS

WASTEWATER SERVICE

IV. TERMINATION OF WATER SERVICE FOR VIOLATION OF WASTEWATER RULES AND REGULATIONS

The Company is authorized to discontinue water service to any person connected to both its water and sewer systems who violates the Company's wastewater terms and conditions as set forth in this Part IV. This termination authority does not apply to non-payment for water or wastewater services.

V. RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-601 through A.A.C. R14-2-609 will be controlling of Company procedures, unless specifically approved tariffs or Commission Order(s) provide otherwise.

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