

ORIGINAL



0000024157

BEFORE THE ARIZONA CORPORATION COMMISSION

1
2 JEFF HATCH-MILLER
CHAIRMAN
3 WILLIAM A. MUNDELL
COMMISSIONER
4 MARC SPITZER
COMMISSIONER
5 MIKE GLEASON
COMMISSIONER
6 KRISTIN K. MAYES
COMMISSIONER

RECEIVED

2005 AUG 22 P 1:14

AZ CORP COMMISSION
DOCUMENT CONTROL

7
8 IN THE MATTER OF THE APPLICATION OF
9 ARIZONA WATER COMPANY, AN ARIZONA
10 CORPORATION, FOR ADJUSTMENTS TO
11 ITS RATES AND CHARGES FOR UTILITY
12 SERVICE FURNISHED BY ITS WESTERN
13 GROUP AND FOR CERTAIN RELATED
14 APPROVALS.

Docket No. W-01445A-04-0650

12
13
14
15
16
17
18
19
20
21
22
23
24

REPLY BRIEF OF THE
RESIDENTIAL UTILITY CONSUMER OFFICE

INTRODUCTION

The Residential Utility Consumer Office ("RUCO") replies to Arizona Water Company's ("Company or Arizona Water"), the Arizona Corporation Commission Staff's ("Staff"), and the City of Casa Grande's ("City") Post Hearing Briefs as follows.

RATE BASE

1) LITIGATION EXPENSES

In its Closing Brief ("Brief"), the Company mistakenly claims that all parties are opposed to the inclusion of the litigation expenses primarily based on whether the litigation expenses incurred by the Company provided a benefit to ratepayers. Brief at 18. RUCO opposes the inclusion of the litigation expenses primarily because these expenses were not incurred

1 prudently. Ratepayers should not have to pay for unnecessary and overzealous litigation.
2 RUCO's Initial Closing Brief ("RUCO's Brief") at 3.

3 It is a basic ratemaking principle that in order to be considered for rate making treatment
4 expenditures must be used and useful and made prudently. The Arizona Administrative Code
5 ("A.A.C.") defines "Prudently invested" as follows:

6
7 Investments which under ordinary circumstances would be
8 deemed reasonable and not dishonest or obviously
9 wasteful. All investments shall be presumed to have been
10 prudently made, and such presumptions may be set aside
11 only by clear and convincing evidence that such investment
12 were imprudent, when viewed in the light of all relevant
13 conditions known or which in the exercise of reasonable
14 judgment should have been known at the time such
15 investments were made. A.A.C. R14-2-103(I).

16 The Company's dogged and tenacious pursuit of its litigation with the City was not only
17 unreasonable but wasteful given that the Arizona Courts had already decided the issue.

18 In 1991, the Arizona Court of Appeals, in *Arizona Water Company v. City of Bisbee*,
19 172 Ariz. 176, 836 P.2d 389 (App. 1991), ruled, among other things, that effluent water is not
20 the same as the ground water that a company provides to its customers. This same issue,
21 concerning the Company's exclusive right to serve effluent water to its customers was raised
22 but not decided in the condemnation action. R-8, R-11. It was also the central issue in the
23 actions the Company prosecuted in state and federal court. Despite the *Bisbee* ruling, the
24 Company willingly and zealously spent over \$700,000 in legal fees seeking a different result.
This expenditure was not prudent and the Commission should reject the Company's request to
include the litigation expenses.

When explaining why the Company pursued this litigation in light of the *Bisbee* ruling,
the Company's President, William Garfield stated that the Company believed there was a
distinction between the characteristics of the effluent water in the *Bisbee* case and the Casa

1 Grande case. Transcript at 319. Specifically, the Company distinguished between the quality
2 of the effluent water in both cases, noting that Casa Grande's effluent water was a much
3 higher quality of effluent water than the City of Bisbee's effluent water. Id at 320. The Court of
4 Appeals, relying on *APS v. Long*, 160 Ariz. 429, 773 P.2d 988 (1989), rejected this argument
5 noting that the legislature, not the Courts, decides the circumstances under which effluent and
6 surface or ground water are indistinguishable. R-23 at 7. The Court of Appeals confirmed the
7 obvious - the Company should not seek a legislative remedy through the Courts. Ratepayers
8 should not have to pay for the Company's wasteful use of its resources.

9 Finally, the Company claims the litigation benefited ratepayers because if successful,
10 the Company would have been able to defer less CAP charges. Brief at 19. There is no
11 evidence in the record to support the Company's argument¹ nor is there an explanation in the
12 record which explains the Company's argument. What is obvious however, is that
13 shareholders would benefit in the form of higher returns had the Company prevailed. The
14 Commission should reject the Company's request for ratepayers to fund the cost of the Casa
15 Grande litigation.

16
17 **2) DEFERRED CAP**

18 RUCO recognizes that deferred CAP balance continues to accumulate and has
19 acknowledged its support for Staff's proposal regarding the pay-down of this significant
20 Deferred CAP balance. Brief at 10. Given the nature of what is being proposed, i.e. allowing
21 the Company to collect revenues prior to putting CAP water in use, it is imperative that there
22 are appropriate safeguards in place to assure that the CAP water use plan is developed,
23 conditions are met, and CAP water is put in use in a timely manner. Staff's conditions for the

24 ¹ During the test-year, the Company used 26% of its CAP allocation to service the power plant originally
constructed by Reliant Energy and two golf courses. Brief at 7. The Company has not provided any support in the
record to show why and how much this percentage would have changed had the City not provided effluent.

1 approval of the CAP hook-up fees provide adequate safeguards to ensure that the objectives
2 are met. In particular, the fifth condition, which provides for a refund of all CAP hook-up fees if
3 the Company's Central Arizona Project Water Use Plan ("CAPWUP") is disapproved, is an
4 important condition which RUCO requires in order to support Staff's proposal. While the
5 Company claims there is no reason to impose a refund requirement, the reason is obvious – to
6 assure that the Company will act in good faith in preparing the CAPWUP so that it will not have
7 to refund the amounts collected. This condition cannot harm the Company if it intends to act in
8 good faith and present a reasonable CAPWUP. At most the Commission might modify this
9 plan, not disapprove it outright. The Company's opposition to this condition is disconcerting
10 because it implies that the Company does not intend to set forth a viable and good faith
11 CAPWUP. Thus, as a safeguard, RUCO's support of Staff's proposal is contingent on the
12 inclusion of this condition.

13

14 **3) WORKING CAPITAL**

15 For the most part, the Company's response to Staff and RUCO's positions on what are
16 appropriate federal and state tax lead/lag days is that the Commission adopted the Company's
17 position in the Eastern Group case so it must be right². Brief 20-21. While the Commission
18 may have adopted the Company's position in another case that does not mean that it was right
19 in that case or should be applied in this case. The situation in this case provides the perfect
20 example. Here, Staff admits that it was wrong in adopting the Company's figures in the
21 Eastern Group case. Staff also takes the position that the Commission was wrong in adopting
22 the Company's methodology in the Eastern Group case. Transcript at 1241 –1243.

23

24 ² This seems to be a reoccurring argument made by the Company on issues that the Commission had decided favorably for the Company in the Eastern and Northern Group cases. For example, see the Company's argument on Property taxes. Brief at 23-24.

1 Staff has looked at this, analyzed it and reached the same conclusion as RUCO – 2.52
2 lag days for federal tax and 27.05 lag days for state taxes is inaccurate. The Company, in its
3 Brief, argues that the Commission should not look at other utility company's income tax
4 lead/lag days because each company is unique and has different operating procedures. Brief
5 at 21. Again, the Company is trying to confuse the issue with arguments that detract and
6 deviate from basic regulatory accounting practices and concepts to which all utilities must
7 comply. Each utility pays state and federal income taxes. The IRS requires that each utility
8 make quarterly payments. While each utility has different working capital needs, it does not
9 make sense that the Company's income tax lead/lag days should be so far skewed in one
10 direction when compared to other utilities, given that the IRS requires that each utility pay
11 taxes quarterly. The Company's 2.52 lag day calculation equates approximately to a weekly
12 payment period. Transcript at 987. The Company's calculation of 2.52 lag days for federal
13 taxes and 27.05 lag days for state taxes is inaccurate, defies common sense and should be
14 rejected in favor of RUCO's more realistic recommendation of 61.95 for federal income tax and
15 99.80 days for state income taxes.

16 17 **OPERATING INCOME**

18 **1) REVENUE ANNUALIZATION**

19 The Company argues that it is acceptable for water utilities to use average customer
20 growth in the annualization of revenues and expenses. Brief at 22. The Company provides no
21 explanation to support its conclusion, but cites to the hearing testimony of Darron Carlson,
22 Staff's rate analyst manager. Brief at 22. Mr. Carlson explains that Staff does not "necessarily
23 support" the Company's methodology of averaging but prefers to go to the end of the year.
24 Transcript at 1319. In this case, however, Staff did not "insist" on going to the end of the test

1 year apparently because it is harder for the Companies to “deal” with the end of the test year
2 count. Id.

3 RUCO did measure growth from the beginning of the test year to the end of the test
4 year and maintains that this is the proper way to measure growth. The Company’s
5 measurement of test-year growth only accounts for approximately one-half of the test-year
6 growth. Transcript at 989. The fact that it is easier for the Company from an accounting
7 standpoint to use an average is a poor justification for adopting what Staff admits is a less
8 accurate method. Id. Ratepayers should not be harmed because it is easier for the Company
9 to account for annualization by using an average. The Commission should reject the
10 Company’s methodology for annualizing its revenues.

11
12 **2) PURCHASED POWER EXPENSE**

13 The Company claims that RUCO is unable to explain its adjustment to the power
14 purchases from APS and should therefore be rejected. Brief at 24. This claim is untrue.
15 RUCO explained its adjustment in its direct testimony and presented schedules showing its
16 exact method of calculation. R-30 at 27-28, Schedules WAR-12 and TJC-12. Thus, RUCO
17 has fully disclosed the details of its purchased power calculation. The Company on the other
18 hand, never presented schedules or testimony that demonstrates how it arrived at its proposed
19 level of purchased power expense from APS. It is the Company’s adjustment, not RUCO’s,
20 that lacks foundation, and accordingly there is no basis in the record to support a finding that it
21 is a correct adjustment. There is however, evidence of how RUCO arrived at its recommended
22 amount. Therefore, RUCO’s adjustment should be accepted.

23 After the Company filed its Rebuttal testimony, RUCO became aware that the
24 Company was actually paying APS a higher rate under one of its tariffs than RUCO relied on in
its original calculation. Specifically, the rate increase under APS’ tariff E-221 was actually five

1 percent, not three and one-half percent as RUCO initially understood. Transcript at 1034-
2 1035. RUCO made the appropriate changes and revisions and is now recommending upward
3 adjustments of \$264 for the Stanfield system, \$4,983 for the Casa Grande system, \$4 for the
4 Ajo system, \$747 for the Coolidge system and \$396 for the White Tank system. Id. at 1036.

6 3) **PROPERTY TAXES**

7 Property taxes are entirely different from income taxes. However, since most taxes,
8 including income taxes, are typically paid when the revenue is earned, it is natural to think that
9 all taxes either work or should work this way. Property taxes do not work this way.

10 Property taxes are not paid when revenues are earned. There are three different points
11 in time that occur in this process –1) when the revenues are realized by the Company 2) when
12 those revenues are recognized in the ADOR formula, and 3) when property taxes based on
13 those revenues are paid. For example, if an Order is issued at the end of 2005, a full year of
14 the revenues at the new rates will not be realized by the Company until the end of 2006.
15 ADOR will not use the new revenues for its assessment of property taxes until 2007, and the
16 Company will not actually have to pay these taxes until October 2007 and March 2008. The
17 test year in this case is 2003. The Company's methodology disregards the time lags between
18 the above noted events and recovers a level of property tax expense that will not be incurred
19 until 2008. The Company's methodology overstates its current property tax liability and
20 should be rejected.

21 RUCO/ADOR's methodology takes into consideration the time lags while at the same
22 time recognizing that ADOR's formula has a historical element to it. That is why
23 RUCO/ADOR's methodology consistently and accurately approximates what the actual
24 property taxes will be. The Company, however, claims that RUCO/ADOR's methodology does
not take into account future rate increases. Brief at 24. At first blush, the Company's argument

1 can appear valid. The reason it seems to make sense is because of the natural tendency to
2 think of taxes as being paid when the revenue is earned. That is not the case with property
3 taxes, and explains the flaw in the Company's argument. Assume the example outlined
4 above. The first year of revenues with the new rates will be in 2006. The Company's 2007
5 property tax bill, using the RUCO/ADOR methodology, will consider the 2006 revenues along
6 with the 2004 and 2005 revenues. The 2008 property tax bill will consider the 2006 and 2007
7 revenues, and the 2005 revenues and on and on. The average of the revenues will also be
8 multiplied by a factor of two. Therefore, RUCO/ADOR's methodology will always factor in the
9 new rates. However, unlike the Company's methodology, RUCO/ADOR's methodology will not
10 over-account for the additional revenues. The Commission should adopt the RUCO/ADOR
11 methodology.

12

13 **PURCHASED WATER AND PURCHASE POWER ADJUSTMENT MECHANISMS**

14 **THE CIRCUMSTANCES IN THIS CASE DO NOT SUPPORT THE CONTINUATION** 15 **OF THE COMPANY'S PURCHASED WATER AND PURCHASE POWER ADJUSTOR** 16 **MECHANISMS**

17 Again, the Company in its Brief provides no argument to RUCO's position other than a
18 bald conclusion that RUCO does not provide a legitimate basis for its position. Brief at 29.
19 RUCO relied primarily on the Commission's Decision in the Eastern Group case (Decision No.
20 66849) in formulating its recommendation since the circumstances in that case parallel the
21 circumstances in this case. R-31 at 21-22. RUCO explained those parallels in its testimony
22 and in its Closing Brief and will not repeat them in this Reply Brief. The Commission's reasons
23 for denying the Company the adjustor mechanisms in the Eastern Group case apply here, and
24 are a legitimate basis for the Commission to discontinue the Company's PWAM and PPAM.

In addition, neither the PPAM nor PWAM meet the legal criteria necessary for the
Commission to continue to approve them. The Company's purchased power and water

1 expenses have not been, nor are likely to, be volatile or fluctuate greatly in the future. S -10 at
2 8 -10. The Commission should reject the Company's request to continue its PPAM and
3 PWAM.

4 5 **RATE DESIGN**

6 RUCO's proposed rate design is a balanced approach that does not discriminate
7 between classes or meter sizes. Since the break-over points are based on average customer
8 use, RUCO's proposed rate design provides a price incentive against above-average use. In
9 turn, this could result in the conservation of water resources. With RUCO's rate design, each
10 class of customer pays the same commodity rate for the same level of usage. The
11 Commission should adopt RUCO's proposed rate design.

12 13 **COST OF CAPITAL**

14 RUCO continues to urge the Commission to adopt RUCO's recommended 9.44 percent
15 return on common equity for Arizona Water. There is no disagreement between the Company
16 and RUCO over the use of the basic sustainable growth, or discounted cash flow ("DCF")
17 model. However, the Company claims that the methods and inputs used by RUCO in
18 performing its DCF analysis are biased downward. Brief at 33. Specifically, the Company
19 critiques Mr. Rigsby's "subjective" methodology in determining the sv component of his DCF
20 growth figure and his belief that, in theory, the market price of a utility's common stock will tend
21 to move toward book value, or a market-to-book ratio of 1.0, if regulators allow a rate of return
22 that is equal to the cost of capital. Brief at 51-52.

1 In essence, the Company argues that an objective, narrow focus must be maintained in
2 determining what inputs should be considered in a DCF analysis³. On the contrary, each case
3 is different and a subjective analysis that considers which inputs are best for the circumstances
4 at hand should be made. Moreover, despite what the Company suggests, all analysts make
5 subjective choices on the inputs that are used in the various models that are used to calculate
6 the cost of common equity. The Company's witness, Dr. Zepp, is no exception. In calculating
7 his cost of common equity for Arizona Water, Mr. Rigsby looked critically at historical data and
8 projections of security analysts in order to arrive at objective estimates of growth. R-4 at 14-
9 21. The Company simply relied on projections without attributing any significance to the
10 historical data. Brief at 53-54, A-15 at 29, Table 11. Mr. Rigsby's estimates take into account
11 the fact that past projections of Value Line analysts have tended to be somewhat higher than
12 the actual returns on the common equity of water providers. While the Company believes that
13 Mr. Rigsby's growth estimates are too low, the fact is that Mr. Rigsby's average br + sv growth
14 estimate is 50 basis points higher than Zack's average 5-year earnings per share projection for
15 water utilities and is a full 61 basis points higher than the average of Value Line's projections
16 on earnings per share, dividends per share and book value per share. R-4 at 20. Mr. Rigsby's
17 growth estimate is 471 basis points higher than five-year projections of both Zacks and Value
18 Line. Id.

19 Mr. Rigsby's belief that the market price of a utility's common stock will tend to move
20 toward book value, or a market-to-book ratio of 1.0, if regulators allow a rate of return that is
21 equal to the cost of capital, is in fact a valid theoretical assumption that the Company's witness
22 refuses to acknowledge. Mr. Rigsby incorporated this assumption into his DCF model based
23 on his objective reliance on the work of Dr. Roger A. Morin as well as other academics in the

24 ³ The Company's position is interesting, considering the Company advocates the Commission consider a
Comparable Earnings Analysis, in order to get a subjective idea of what would be a fair equity cost estimate.
Brief at 34-36.

1 field of finance. Transcript at 142. Mr. Rigsby's reliance on this assumption should encourage
2 the Commission to adopt his recommended 9.44 percent cost of common equity for Arizona
3 Water.

4
5 **MISCELLANEOUS ISSUES**

6 **1) RATE CASE EXPENSE**

7 RUCO has not proposed an adjustment to the Company's original estimate of
8 \$253,550 for rate case expense. However, it appears from the Company's Brief and a recent
9 update to a RUCO Data Request that the Company will be requesting more for rate case
10 expense than the original estimate. Brief at 25 and 2nd Supplemental Response to RUCO's
11 Data Request No. 1.10(b), attached hereto as Exhibit 1. The Commission should not approve
12 rate case expense beyond what the Company originally estimated - \$253,550. In the Eastern
13 Group case, the Commission set forth the following criteria it considers in determining rate
14 case expense: 1) complexity of the proceeding, 2) number of systems involved and 3) a
15 comparison to other cases. In the Eastern Group case, the Company was seeking \$329,550
16 in rate case expense. The application considered eight divisions compared to the three
17 divisions under consideration here. The Commission approved \$250,000. Decision No.
18 66849 at 14-15. In the Northern Group case, the Commission approved rate case expense of
19 \$217,000 for the five divisions at issue in that case. Id., at 15, Decision No. 64282 at 16.

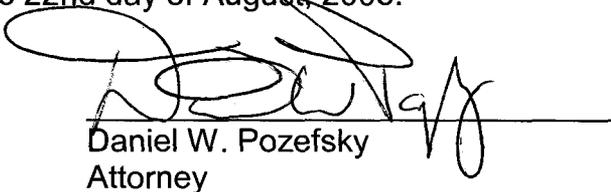
20 This case involves fewer divisions than the Northern and Eastern Group cases and is
21 not, in any manner, more complex than either of those applications. This is a straightforward
22 rate case with no extraordinarily complex issues. The Commission should not approve rate
23 case expense greater than \$253,550.

1 **CONCLUSION**

2 RUCO recommends that the Arizona Corporation Commission ("Commission") approve
3 a total revenue increase of no more than \$138,057. RUCO also recommends the Commission
4 deny: the Company's request for \$767,454 in capitalized legal expenses related to the
5 Company's litigation with the City of Casa Grande; recovery of deferred CAP charges
6 associated with the Western Group systems; the Company's requested level of cash working
7 capital; and the Company's request for the continuation of automatic adjustors for purchased
8 water and purchased power.

9 RUCO further recommends the Commission adopt RUCO's recommended test-year
10 revenue and expense annualization based on the level of customer growth for the entire test-
11 year; RUCO's adjustment for purchased power expense and property tax expense; RUCO's
12 proposed three-tier inverted block structure; and RUCO's 9.17% weighted average cost of
13 capital. Finally, RUCO recommends that the Commission not approve rate case expense
14 beyond the \$253,550 the Company originally estimated.

15
16 RESPECTFULLY SUBMITTED this 22nd day of August, 2005.

17 
18 Daniel W. Pozefsky
19 Attorney

20 AN ORIGINAL AND THIRTEEN COPIES
21 of the foregoing filed this 22nd day of August, 2005.

22 Docket Control
23 Arizona Corporation Commission
24 1200 West Washington
Phoenix, Arizona 85007

COPIES of the foregoing hand delivered/
mailed this 22nd day of August, 2005 to:

1 Lyn Farmer, Chief Administrative Law
Judge
2 Hearing Division
Arizona Corporation Commission
3 1200 West Washington
Phoenix, Arizona 85007

4 Christopher Kempley, Chief Counsel
5 Legal Division
Arizona Corporation Commission
6 1200 West Washington
Phoenix, Arizona 85007

7 Ernest Johnson, Director
8 Utilities Division
Arizona Corporation Commission
9 1200 West Washington
Phoenix, Arizona 85007

10 Robert W. Geake
11 Vice President and General Counsel
Arizona Water Company
12 3805 N. Black Canyon Highway
Phoenix, Arizona 85015-5351

13 Norman D. James
14 Jay L. Shapiro
Fennemore Craig
15 3003 North Central Avenue
Suite 2600
16 Phoenix, Arizona 85012-2913

17 Joan S. Burke
Osborn Maledon, P.A.
18 2929 North Central Avenue
Suite 2100
19 Phoenix, Arizona 85012-2794

20 Ursula H. Gordwin
Casa Grande Assistant City Attorney
21 510 E. Florence Blvd.
Casa Grande, AZ 85249

22 Jeffrey W. Crockett
23 Deborah R. Scott
Snell & Wilmer
24 One Arizona Center
400 E. Van Buren
Phoenix, Arizona 85004-2202

Marvin S. Cohen
Sacks Tierney, P.A.
4230 Drinkwater Blvd., 4th Floor
Scottsdale, Arizona 85251

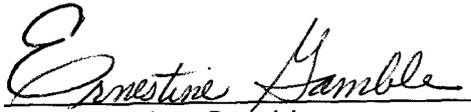
By 
Ernestine Gamble

EXHIBIT 1

ARIZONA WATER COMPANY

Western Group

Docket No. W-01445A-04-0650

Witness (es) Hubbard

Data Request No. RUCO 1.10

Rate Case Expense: Please provide the following information regarding rate case expense:

- a) How much is allocated to each system? Please list separately.**
 - b) Provide copies of all rate case expense invoices received to date.**
- Please update on a going forward basis as additional invoices are received.**

Response To Data Request No. RUCO 1.10 b), 2nd Supplement

- b) The total amount of rate case expenses that have been invoiced since March 31, 2005 applicable to the Western Group proceeding is \$168,744.64. Invoices in support of this amount are attached. The rate case expenses recorded or invoiced as of July 15, 2005 total \$226,815.36. The Company expects to update this data response in conjunctions with the filing of its reply brief in this proceeding.**



Invoice Number: 5-497-27817
 Invoice Date: Apr 28, 2005
 Account Number: 1129-6668-4
 Page: 5 of 6

FedEx Express Shipment Detail By Payor Type (Original)

Dropped off: Apr 20, 2005 **Payor: Shipper** **Reference: NO REFERENCE INFORMATION**

- Fuel Surcharge - FedEx has applied a fuel surcharge of 8.50% to this shipment.
- Distance Based Pricing, Zone 5
- Package sent from: 85034 zip code
- FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount.

Tracking ID	833135145960	<u>Sender</u>		<u>Recipient</u>	
Service Type	FedEx Priority Overnight	R W GEAKE		THOMAS M ZEPP	
Package Type	FedEx Pak	ARIZONA WATER COMPANY		UTILITY RESOURCES INC	
Zone	5	3805 N BLACK CANYON HWY		1500 LIBERTY ST SE STE 250	
Packages	1	PHOENIX AZ 85015-5351 US		SALEM OR 97302 US	
Weight	4.0 lbs, 1.8 kgs				
Delivered	Apr 21, 2005 09:30	Transportation Charge			36.00
Svc Area	AA	Fuel Surcharge			2.54
Signed by	P.DAVIDSON	Discount			-6.12
FedEx Use	110215740/0000015/				
Total Charge					USD \$ 32.42

Picked up: Apr 21, 2005 **Payor: Shipper** **Reference: NO REFERENCE INFORMATION**

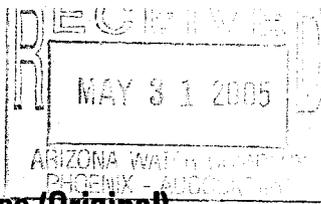
- Fuel Surcharge - FedEx has applied a fuel surcharge of 8.50% to this shipment.
- Distance Based Pricing, Zone 4
- FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount.

Tracking ID	848177094520	<u>Sender</u>		<u>Recipient</u>	
Service Type	FedEx Priority Overnight	R W GEAKE		R H NICHOLSON JR	
Package Type	FedEx Pak	ARIZONA WATER COMPANY		SAN GABRIEL VALLEY WATER CO	
Zone	4	3805 N BLACK CANYON HWY		11142 GARVEY AVE	
Packages	1	PHOENIX AZ 85015-5351 US		EL MONTE CA 91733 US	
Weight	2.0 lbs, 0.9 kgs				
Delivered	Apr 22, 2005 09:19	Transportation Charge			27.25
Svc Area	A2	Courier Pickup Charge			4.00
Signed by	D.CAZAR	Fuel Surcharge			1.92
FedEx Use	111195060/0000015/	Discount			-4.63
Total Charge					USD \$ 28.54

Picked up: Apr 21, 2005 **Payor: Shipper** **Reference: NO REFERENCE INFORMATION**

- Fuel Surcharge - FedEx has applied a fuel surcharge of 8.50% to this shipment.
- Distance Based Pricing, Zone 5
- FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount.

Tracking ID	848177094530	<u>Sender</u>		<u>Recipient</u>	
Service Type	FedEx Priority Overnight	R W GEAKE		THOMAS M ZEPP	
Package Type	FedEx Pak	ARIZONA WATER COMPANY		UTILITY RESOURCES INC	
Zone	5	3805 N BLACK CANYON HWY		1500 LIBERTY ST SE STE 250	
Packages	1	PHOENIX AZ 85015-5351 US		SALEM OR 97302 US	
Weight	2.0 lbs, 0.9 kgs				
Delivered	Apr 22, 2005 09:42	Transportation Charge			29.75
Svc Area	AA	Discount			-5.06
Signed by	G.CARTER	Fuel Surcharge			2.10
FedEx Use	111195060/0000015/	Courier Pickup Charge			4.00
Total Charge					USD \$ 30.79



Invoice Number: 3-845-99272
Invoice Date: May 26, 2005
Account Number: 1129-6668-4
Page: 5 of 6

FedEx Express Shipment Detail By Payor Type (Original)

Picked up: May 17, 2005 **Payor: Shipper** **Reference: NO REFERENCE INFORMATION**

- Fuel Surcharge - FedEx has applied a fuel surcharge of 11.50% to this shipment.
- Distance Based Pricing, Zone 5
- FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount.

Tracking ID	843351136501	Sender		Recipient	
Service Type	FedEx Standard Overnight	R W GEAKE		THOMAS M ZEPP	
Package Type	FedEx Pak	ARIZONA WATER COMPANY		UTILITY RESOURCES INC	
Zone	5	3805 N BLACK CANYON HWY		1500 LIBERTY ST SE STE 250	
Packages	1	PHOENIX AZ 85015-5351 US		SALEM OR 97302 US	
Weight	3.0 lbs, 1.4 kgs				
Delivered	May 18, 2005 11:45				
Svc Area	AA	Transportation Charge			28.50
Signed by	P.DAVIDSON	Discount			-4.85
FedEx Use	137203650/0000013/	Fuel Surcharge			2.72
		Courier Pickup Charge			4.00
		Total Charge		USD \$	30.37

Picked up: May 17, 2005 **Payor: Shipper** **Reference: NO REFERENCE INFORMATION**

- Fuel Surcharge - FedEx has applied a fuel surcharge of 11.50% to this shipment.
- Distance Based Pricing, Zone 4
- FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount.

Tracking ID	843351136512	Sender		Recipient	
Service Type	FedEx 2Day	R W GEAKE		R H NICHOLSON JR	
Package Type	FedEx Pak	ARIZONA WATER COMPANY		SAN GABRIEL WATER CO VALLEY	
Zone	4	3805 N BLACK CANYON HWY		11142 GARVEY AVE	
Packages	1	PHOENIX AZ 85015-5351 US		EL MONTE CA 91733 US	
Weight	3.0 lbs, 1.4 kgs				
Delivered	May 18, 2005 13:48				
Svc Area	A2	Transportation Charge			9.40
Signed by	P.SEQUIN	Discount			-1.60
FedEx Use	137204030/0000060/	Fuel Surcharge			0.90
		Courier Pickup Charge			4.00
		Total Charge		USD \$	12.70

Picked up: May 17, 2005 **Payor: Shipper** **Reference: NO REFERENCE INFORMATION**

- Fuel Surcharge - FedEx has applied a fuel surcharge of 11.50% to this shipment.
- Distance Based Pricing, Zone 4
- FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount.

Tracking ID	843351136556	Sender		Recipient	
Service Type	FedEx 2Day	R W GAEKE		M L WHITEHEAD	
Package Type	FedEx Pak	ARIZONA WATER COMPANY		SAN GABRIEL VALLEY WATER CO	
Zone	4	3805 N BLACK CANYON HWY		11142 GARVEY AVE	
Packages	1	PHOENIX AZ 85015-5351 US		EL MONTE CA 91733 US	
Weight	3.0 lbs, 1.4 kgs				
Delivered	May 18, 2005 13:48				
Svc Area	A2	Transportation Charge			9.40
Signed by	P.SEQUIN	Courier Pickup Charge			4.00
FedEx Use	137203650/0000060/	Fuel Surcharge			0.90
		Discount			-1.60
		Total Charge		USD \$	12.70

INVOICE

LAW OFFICES
FENNEMORE CRAIG, P.C.

SUITE 2600
3003 N. CENTRAL AVENUE
PHOENIX, ARIZONA 85012-2913
(602) 916-5000

Federal ID No. 86-0293128

ARIZONA WATER COMPANY
P O BOX 29006
PHOENIX AZ 85038-9006

ATTENTION: ROBERT W GEAKE

FILE NO.: 12001-189-TB

Please Return Top Portion of Statement With Remittance

RE: Western Group Rate Case

Date: 04/20/05
Invoice: 487558

For Professional Services Rendered

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
03/10/05	Norman D. James: Review Staff's sixth set of data requests.	0.20	75.00
03/15/05	Norman D. James: Review Staff's seventh set of data requests to company.	0.20	75.00
03/31/05	Norman D. James: Telephone conference with B. Geake on status of rate case and position taken by Staff and RUCO in pending rate case for Chaparral City Water Company.	0.30	112.50

TOTAL Hours and Fees	0.70	\$262.50
----------------------	------	----------

Services Performed By	Hours	Rate	Amount
Norman D. James	0.70	375.00	262.50

continued on next page

FENNEMORE CRAIG

ARIZONA WATER COMPANY
04/20/05
Page 2

Client: 12001
Matter: 189
Invoice: 487558

TOTAL Current Fees	-----	\$262.50
Current Balance Due		\$262.50
	=====	

FENNEMORE CRAIG

INVOICE

LAW OFFICES
FENNEMORE CRAIG, P.C.

SUITE 2600
3003 N. CENTRAL AVENUE
PHOENIX, ARIZONA 85012-2913
(602) 916-5000

Federal ID No. 86-0293128

ARIZONA WATER COMPANY
P O BOX 29006
PHOENIX AZ 85038-9006

ATTENTION: ROBERT W GEAKE

FILE NO.: 12001-189-TB

Please Return Top Portion of Statement With Remittance

RE: Western Group Rate Case

Date: 05/16/05
Invoice: 490169

For Professional Services Rendered and Charges and Costs Advanced

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
04/01/05	Whitney Birk: Prepare Chaparral City Water documents for delivery to R. Kennedy.	0.30	27.00
04/11/05	Jay Shapiro: Several e-mails and voice mails with clients and opposing parties regarding discovery, witness and procedural issues; discuss same with T. Sabo.	0.50	150.00
04/12/05	Whitney Birk: Prepare RUCO direct filings for delivery to S. Hubbard.	0.60	54.00
04/12/05	Norman D. James: Review and respond to memorandum on testimony and deadlines for remainder of rate case.	0.20	75.00
04/13/05	Norman D. James: Review procedural order changing date for rejoinder filing and pre-hearing conference; confer with J.	0.50	187.50

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	Shapiro on Staff's request to extend deadlines for testimony.		
04/14/05	Jay Shapiro: Several calls with C. Kempley and with R. Geake regarding Staff request for extension of filing deadline; analysis of schedule to determine impact of same.	0.80	240.00
04/15/05	Norman D. James: Confer with S. Hubbard on issues concerning case, including Staff request to change filing deadlines and ALJ's procedural order; follow up e-mail communication forwarding procedural order.	0.40	150.00
04/15/05	Jay Shapiro: Calls with C. Kempley regarding Staff request for extension to file direct filing.; call with B. Geake regarding same.	0.30	90.00
04/18/05	Norman D. James: Review and respond to e-mail communications on rebuttal testimony and revised schedule.	0.30	112.50
04/19/05	Norman D. James: Telephone conference with S. Hubbard on meeting to discuss rebuttal strategy, other issues concerning rate case.	0.30	112.50
04/21/05	Jay Shapiro: Call with S. Hubbard and begin review and analysis of direct filings by other parties.	4.70	1,410.00
04/21/05	Norman D. James: Preliminary review of Staff and RUCO testimony; e-mail communications on same.	0.90	337.50
04/22/05	Jay Shapiro: Continue review and analysis of other parties' direct filings; begin preparing data testimony requests; review Garfield and Hubbard directs and other materials in connection with evaluation of issues in dispute, particularly issues	4.50	1,350.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	related to CAP water.		
04/22/05	Norman D. James: Begin review and analysis of Staff testimony (Ludders and Hammon); review Harvey (Casa Grande) testimony; e-mail communications on obtaining Staff and RUCO work papers; locate and review materials on prior Staff cost of equity estimates.	5.40	2,025.00
04/24/05	Norman D. James: Continue review and analysis of Staff and RUCO direct filings.	6.50	2,437.50
04/25/05	Norman D. James: Continue review of Staff and RUCO testimony; prepare outline of issues and positions, and note possible data requests; travel to offices of Arizona Water and attend strategy meeting with company witnesses; return to office, and begin drafting data requests to parties.	8.40	3,150.00
04/25/05	Jay Shapiro: Call with clients to discuss direct filings of other parties and strategy for rebuttal filing.	3.00	900.00
04/26/05	Jay Shapiro: Work on data requests to Staff and Casa Grande.	0.50	150.00
04/26/05	Norman D. James: Confer with S. Hubbard on data requests; revise and finalize data requests to Staff; draft data requests to Casa Grande and RUCO; forward to client representatives; review changes received from R. Kennedy and S. Hubbard; revise data requests; review additional changes received from client representatives; further edits to data requests; e-mail communications with B. Geake on same.	6.40	2,400.00
04/26/05	Whitney Birk: Draft cover letters to D. Pozefsky and T. Sabo regarding Data Requests;	2.90	261.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	prepare work papers for delivery to S. Hubbard and T. Zepp.		
04/27/05	Norman D. James: Telephone conference with T. Zepp on correction of rebuttal table 5, cost of equity issues and strategy; various e-mail communications on data requests; edit data requests to RUCO and Casa Grande; finalize data requests and transmittal letters; review APS rate decision; e-mail communications with S. Hubbard on same; review materials in connection with rebuttal testimony.	3.40	1,275.00
04/27/05	Whitney Birk: Revise letter to D. Pozefsky regarding DRs; draft letter to S. Burke regarding DRs; prepare for mailing to RUCO, Casa Grande, and AZ Water; draft letter to S. Burke responding to DRs.	3.30	297.00
04/28/05	Norman D. James: Confer on data requests, other issues.	0.30	112.50
04/28/05	Whitney Birk: Draft LT to J. Burke regarding misinformation about DR responses.	0.90	81.00
04/29/05	Jay Shapiro: Review additional schedules provided by Staff; review and revision of Whitehead rebuttal.	1.40	420.00
04/29/05	Norman D. James: Telephone conference with T. Zepp on strategy for cost of equity rebuttal, related issues; e-mail communications with company on various matters relating to rebuttal testimony; review cost of capital testimony, and begin drafting cost of capital testimony for R. Kennedy.	4.60	1,725.00
04/29/05	Whitney Birk: Review work papers of L. Hammon and A. Ramirez; prepare work papers for delivery to S. Hubbard; review letter to J.	1.10	99.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	Burke regarding data request CCG 1-2 and prepare for mailing.		
04/30/05	Norman D. James: Continue drafting cost of capital testimony for R. Kennedy's rebuttal; various e-mail communications with R. Kennedy on same.	7.20	2,700.00
TOTAL Hours and Fees		69.60	\$22,329.00

Services Performed By	Hours	Rate	Amount
Norman D. James	44.80	375.00	16,800.00
Jay Shapiro	15.70	300.00	4,710.00
Whitney Birk	9.10	90.00	819.00
TOTAL Current Fees			\$22,329.00

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
04/01/05	Messenger Services - deliver to Ralph Kennedy	9.25
04/12/05	In-House Doc. Reproduction - General Copies	32.40
04/14/05	CD Reproduction - WBIRK	30.00
04/21/05	In-House Doc. Reproduction - General Copies	110.80
04/21/05	In-House Doc. Reproduction - General Copies	3.00
04/21/05	In-House Doc. Reproduction - General Copies	2.40
04/21/05	In-House Doc. Reproduction - General Copies	110.20
04/22/05	In-House Doc. Reproduction - General Copies	9.60
04/22/05	In-House Doc. Reproduction - General Copies	7.20
04/22/05	In-House Doc. Reproduction - General Copies	2.60

continued on next page

FENNEMORE CRAIG

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
04/25/05	In-House Doc. Reproduction - General Copies	1.60
04/26/05	In-House Doc. Reproduction - General Copies	5.40
04/26/05	In-House Doc. Reproduction - General Copies	8.80
04/26/05	Postage - NJAM	0.60
04/27/05	In-House Doc. Reproduction - General Copies	25.60
04/27/05	In-House Doc. Reproduction - General Copies	6.40
04/27/05	In-House Doc. Reproduction - General Copies	11.80
04/27/05	In-House Doc. Reproduction - General Copies	6.80
04/27/05	In-House Doc. Reproduction - General Copies	0.80
04/27/05	Postage - NJAM	0.60
04/27/05	Postage - NJAM	0.60
04/27/05	Postage - NJAM	3.87
04/28/05	In-House Doc. Reproduction - General Copies	0.60
04/29/05	In-House Doc. Reproduction - General Copies	0.60
04/29/05	Telephone toll charges - (503)370-9563	0.20
04/29/05	Telephone toll charges - (503)370-9563	0.85
04/30/05	In-House Doc. Reproduction - General Copies	0.80
04/30/05	In-House Doc. Reproduction - General Copies	0.40
	TOTAL Current Charges and Costs	----- \$393.77

continued on next page

FENNEMORE CRAIG

ARIZONA WATER COMPANY
05/16/05
Page 7

Client: 12001
Matter: 189
Invoice: 490169

Current Balance Due	\$22,722.77
Previous Balance Due	\$262.50
TOTAL Balance Due	\$22,985.27
	=====

FENNEMORE CRAIG

INVOICE

LAW OFFICES
FENNEMORE CRAIG, P.C.

SUITE 2600
3003 N. CENTRAL AVENUE
PHOENIX, ARIZONA 85012-2913
(602) 916-5000

Federal ID No. 86-0293128

ARIZONA WATER COMPANY
P O BOX 29006
PHOENIX AZ 85038-9006

ATTENTION: ROBERT W GEAKE

FILE NO.: 12001-189-TB

Please Return Top Portion of Statement With Remittance

RE: Western Group Rate Case

Date: 06/08/05
Invoice: 492960

For Professional Services Rendered and Charges and Costs Advanced

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
05/02/05	Norman D. James: Continue drafting cost of capital testimony for R. Kennedy; telephone conference with S. Hubbard on various issues concerning CAP; locate prior ACC decisions on CAP cost recovery, other background materials; forward materials to S. Hubbard with explanatory memo; subsequent e-mail communications on CAP cost recovery issues.	5.50	2,062.50
05/02/05	Whitney Birk: E-mail data requests to S. Hubbard.	0.20	18.00
05/02/05	Jay Shapiro: E-mails and consider info on deferred CAP; call with S. Hubbard regarding Whitehead testimony.	0.30	90.00
05/03/05	Norman D. James: Review and revise draft rebuttal testimony of T. Zepp; prepare e-mail	6.20	2,325.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	forwarding revised Zepp testimony; review and revise first draft of W. Garfield testimony; locate and review various materials on CAP cost recovery, adjustor mechanisms and inverted tier rates; various e-mail communications with company witnesses and T. Zepp on rebuttal testimony.		
05/03/05	Jay Shapiro: Discuss revisions to and concerns over Garfield testimony with N. James.	0.20	60.00
05/04/05	Norman D. James: Review and comment on T. Zepp rebuttal tables; various e-mail communications on same; continue revising Garfield rebuttal; forward revised Garfield rebuttal to client; review new section of Garfield rebuttal responding to Casa Grande and comment on same; e-mail communications with T. Zepp and S. Hubbard on various issues.	5.20	1,950.00
05/04/05	Whitney Birk: Make testimony notebooks for J. Shapiro.	0.60	54.00
05/04/05	Jay Shapiro: Confer with S. Hubbard regarding status of rebuttal preparation; call with T. Zepp regarding scheduling and status; call with and faxes from B. Geake regarding Whitehead rebuttal; review comments from M.L. Whitehead on Whitehead rebuttal; substantial review and revision of Whitehead rebuttal; discuss issues related to Garfield testimony with N. James; e-mail to and from R. Geake regarding Whitehead rebuttal.	2.50	750.00
05/04/05	Sandra Baker: (Document Clerk) Create Testimony Binders for J. Shapiro	1.70	59.50
05/05/05	Norman D. James: Review and revise draft	4.20	1,575.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	rebuttal testimony of M. Whitehead and S. Hubbard; conference call with B. Geake, S. Hubbard and J. Shapiro on status of testimony and other issues; further revisions to testimony.		
05/05/05	Jay Shapiro: Call with S. Hubbard regarding rebuttal preparation; work on rebuttal testimonies of M. Whitehead, B. Garfield and S. Hubbard; call with R. Geake and S. Hubbard.	5.00	1,500.00
05/06/05	Whitney Birk: Telephone call to S. Hubbard regarding Staff's work papers.	0.10	9.00
05/06/05	Jay Shapiro: Several calls and e-mail with clients regarding preparation of rebuttal testimony and related issues; work on rebuttal filing.	0.70	210.00
05/08/05	Jay Shapiro: Work on rebuttal filing, testimony of R. Kennedy and M. Whitehead.	3.50	1,050.00
05/09/05	Norman D. James: Numerous e-mail communications with client representatives and T. Zepp on testimony; review draft testimony of R. Kennedy; review materials on cost of capital analysis; review Casa Grande's second set of data requests, and prepare draft responses.	3.80	1,425.00
05/09/05	Whitney Birk: Telephone calls with J. Burke regarding numbering sequence in Second Set of DRs; telephone calls with S. Hubbard regarding Second Set of DRs.	0.50	45.00
05/09/05	Jay Shapiro: Continue working on rebuttal of Whithead and Hubbard; several e-mails to and from clients regarding same; call with counsel for Casa Grande concerning data	4.00	1,200.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	request responses; review data requests from Casa Grande and comments on same..		
05/09/05	Allison Knippen: (Library Research Assistant) Obtain: article from the Journal of Economic Perspectives and article from the Journal of Finance per the request of N. James.	0.70	31.50
05/10/05	Norman D. James: Various e-mail communications with Company on rebuttal testimony; review new drafts of rebuttal testimony.	2.40	900.00
05/10/05	Whitney Birk: Prepare data request responses for delivery to Staff and RUCO.	0.30	27.00
05/10/05	Jay Shapiro: Review data request responses by RUCO and Casa Grande; consider use of and need to require more adequate answers; e-mails to client regarding same.	0.60	180.00
05/11/05	Norman D. James: Review revised drafts of M. Whitehead and B. Garfield testimony; various e-mail communications with company representatives; review new draft of Kennedy rebuttal; review and evaluate Staff and RUCO data request responses; edit R. Kennedy rebuttal testimony.	4.70	1,762.50
05/11/05	Jay Shapiro: Review and analyze Staff's response to second set of data requests and e-mail to clients regarding same; e-mail to T. Sabo regarding inadequate response to data request 2.12; e-mail to D. Pozefsky regarding clarification of RUCO data request responses; several e-mails to and from clients regarding testimony preparation; review latest versions of rebuttal received from clients.	2.00	600.00
05/12/05	Whitney Birk: Draft Third Set of Data	1.10	99.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	Requests to RUCO and cover letter; prepare for mailing.		
05/12/05	Norman D. James: Revise and finalize new draft of R. Kennedy testimony and forward to client representatives; review final draft of S. Hubbard testimony; telephone conference with T. Zepp on Zepp rebuttal; telephone conferences with B. Geake and S. Hubbard on various issues; various e-mail communications on various issues concerning rebuttal testimony; forward exhibits to S. Hubbard; telephone conference with W. Garfield on CAP issues.	4.30	1,612.50
05/12/05	Jay Shapiro: E-mails to and from RUCO regarding their refusal to clarify answers and need for additional data requests; e-mails to and from S. Hubbard regarding same; review third draft of Garfield testimony; review second draft of Hubbard testimony; review latest draft of Kennedy rebuttal.	2.50	750.00
05/13/05	Norman D. James: Confer with S. Hubbard on status of rebuttal testimony and related issues; telephone conference with W. Garfield on various issues, including CAP cost recovery, meeting with S. Olea and rebuttal filing; additional e-mail communications with company representatives on rebuttal testimony.	1.40	525.00
05/16/05	Norman D. James: Telephone conferences with b. Garfield on CAP issues, meeting with S. Olea and other issues concerning rate case; telephone conference with R. Kennedy on various issues relating to rebuttal filing and response to Casa Grande data requests; telephone conference with S. Hubbard on	1.30	487.50

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	responses to Casa Grande's data requests.		
05/16/05	Whitney Birk: Create matrix for scheduled dates and deadlines.	0.40	36.00
05/17/05	Jay Shapiro: Call with S. Hubbard regarding rejoinder issue--APS rate increases and regarding pick up and distribution of surebuttal; calls with client and Staff re work papers from rebuttal.	0.30	90.00
05/20/05	Sandra Baker: (Document Clerk) Update J. Shapiro's Testimony Notebooks- inserting Rebuttal testimonies.	0.50	17.50
05/20/05	Norman D. James: Telephone conference with B. Garfield regarding meeting with S. Olea on CAP cost recovery and possible settlement, rejoinder testimony and related issues; e-mail communications on various issues concerning rate case.	0.50	187.50
05/23/05	Norman D. James: Telephone conference with B. Garfield on his discussion with S. Olea on CAP settlement, related issues concerning rate case; confer with J. Shapiro on strategy concerning CAP settlement, other issues.	0.50	187.50
05/23/05	Jay Shapiro: Discuss possible resolution of dispute over CAP recovery with Staff and strategies.	0.30	90.00
05/24/05	Norman D. James: Conference call with B. Garfield, B. Geake and J. Shapiro on discussion with T. Sabo on settlement on CAP cost recovery, other issues; review materials on CAP policy and other background.	1.20	450.00
05/24/05	Whitney Birk: Several emails and telephone calls regarding pick up of Surrebuttal	0.30	27.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	filing.		
05/24/05	Jay Shapiro: Call with T. Sabo regarding possible resolution of CAP cost recovery dispute with Staff, manner of documenting, impact on testimony; call with N. James regarding same; call with clients to discuss CAP recovery, possible settlement and related procedural issues.	0.60	180.00
05/25/05	Norman D. James: Arrange for pick-up and delivery of Staff and intervenor surrebuttal testimony; communications with company on same, settlement meeting on CAP cost recovery; review background on same in preparation for meeting.	1.30	487.50
05/25/05	Sandra Baker: (Document Clerk) Go to RUCO and the ACC to pick up Surrebuttal Testimonies.	0.80	28.00
05/25/05	Whitney Birk: Several emails and telephone calls regarding pick up of surrebuttal filings.	0.60	54.00
05/25/05	Jay Shapiro: Arrangements regarding obtaining surrebuttal and work papers.	0.20	60.00
05/26/05	Norman D. James: Prepare for and attend settlement meeting at ACC on CAP cost recovery; review and analysis of Staff, RUCO and Casa Grande surrebuttal testimony.	5.20	1,950.00
05/26/05	Sandra Baker: (Document Clerk) Update J. Shapiro Testimony Notebooks- Set up Index.	0.70	24.50
05/26/05	Jay Shapiro: review and analyse surrebuttal testimony of RUCO, Staff and Casa Grande.	2.50	750.00
05/27/05	Norman D. James: E-mail communications with S. Hubbard on rejoinder testimony and witness	0.90	337.50

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	summaries; prepare data requests to Staff.		
05/27/05	Sandra Baker: (Document Clerk) Research for J. Shapiro-re: Ludder's surrebuttal testimony.	0.60	21.00
05/27/05	Whitney Birk: Revise and update matrix; several telephone calls to Staff and RUCO regarding work papers.	1.50	135.00
05/27/05	Jay Shapiro: Call with J. Burke regarding hearing issues; continue analysis of surrebuttal filings.	0.50	150.00
05/31/05	Whitney Birk: Print surrebuttal work papers of A. Ramirez.	0.60	54.00

 TOTAL Hours and Fees 85.50 \$26,675.00
 =====

Services Performed By	Hours	Rate	Amount
Norman D. James	48.60	375.00	18,225.00
Jay Shapiro	25.70	300.00	7,710.00
Whitney Birk	6.20	90.00	558.00
Sandra Baker	4.30	35.00	150.50
Allison Knippen	0.70	45.00	31.50

		TOTAL Current Fees	\$26,675.00

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
04/12/05	Messenger Services - deliver to Az Water Company	8.33
04/21/05	Messenger Services - deliver to Jay Shapiro	12.00
04/26/05	Express Charges - Tom Zepp	12.18
04/29/05	Messenger Services - deliver to Arizona Water Company	6.75

continued on next page

FENNEMORE CRAIG

ARIZONA WATER COMPANY
06/08/05
Page 9

Client: 12001
Matter: 189
Invoice: 492960

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
05/02/05	In-House Doc. Reproduction - General Copies	2.40
05/03/05	In-House Doc. Reproduction - General Copies	3.20
05/04/05	In-House Doc. Reproduction - General Copies	18.20
05/05/05	In-House Doc. Reproduction - General Copies	12.80
05/06/05	CD Reproduction - WBIRK	40.00
05/09/05	In-House Doc. Reproduction - General Copies	21.60
05/12/05	In-House Doc. Reproduction - General Copies	34.80
05/12/05	In-House Doc. Reproduction - General Copies	1.80
05/12/05	In-House Doc. Reproduction - General Copies	1.80
05/13/05	In-House Doc. Reproduction - General Copies	3.00
05/13/05	In-House Doc. Reproduction - General Copies	1.00
05/20/05	In-House Doc. Reproduction - General Copies	94.00
05/26/05	In-House Doc. Reproduction - General Copies	5.60
05/27/05	In-House Doc. Reproduction - General Copies	3.00
05/27/05	Postage - NJAM	1.20
05/31/05	In-House Doc. Reproduction - General Copies	1.00
	TOTAL Current Charges and Costs	----- \$284.66

Current Balance Due \$26,959.66

continued on next page

FENNEMORE CRAIG

ARIZONA WATER COMPANY
06/08/05
Page 10

Client: 12001
Matter: 189
Invoice: 492960

pd 062505
Previous Balance Due ~~\$22,722.77~~

TOTAL Balance Due ~~\$49,682.43~~
=====

FENNEMORE CRAIG

INVOICE

LAW OFFICES
FENNEMORE CRAIG, P.C.

SUITE 2600
3003 N. CENTRAL AVENUE
PHOENIX, ARIZONA 85012-2913
(602) 916-5000

Federal ID No. 86-0293128

ARIZONA WATER COMPANY
P O BOX 29006
PHOENIX AZ 85038-9006

ATTENTION: ROBERT W GEAKE

FILE NO.: 12001-189-TB

Please Return Top Portion of Statement With Remittance

RE: Western Group Rate Case

Date: 07/14/05
Invoice: 497065

For Professional Services Rendered and Charges and Costs Advanced

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
06/02/05	Norman D. James: Telephone conference with T. Zepp on Staff workpapers and rejoinder strategy; e-mail to T. Sabo on problem with workpapers; telephone conference with A. Ramirez on same; forward additional workpapers to T. Zepp; telephone conference with T. Zepp on same.	1.20	450.00
06/03/05	Norman D. James: Review e-mail from R. Kennedy on rescheduling cost of capital witnesses; telephone conference with R. Kennedy on same; telephone conference with T. Zepp on availability to testify, other issues; conference call with B. Geake, R. Kennedy and J. Shapiro on hearing schedule and other issues; telephone conference with S. Hubbard on issues concerning rejoinder filing; review and respond to e-mail	3.40	1,275.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	communications regarding Zepp data request responses; additional e-mail communications with T. Zepp, S. Hubbard and R. Kennedy; edit draft of Zepp rejoinder testimony.		
06/03/05	Jay Shapiro: Address procedural and scheduling issues and calls with clients regarding same; call with counsel for Pivotal regarding scheduling and Pivotal involvement in the rate case; messages to counsel for other parties regarding scheduling issues.	0.80	240.00
06/05/05	Jay Shapiro: Work on Hubbard rejoinder and e-mails to and from S. Hubbard regarding rejoinder	2.00	600.00
06/06/05	Norman D. James: Participate in informal conference with ALJ Wolfe, counsel for ACC Staff and RUCO on extension of deadline for rejoinder testimony; further edits to Zepp rejoinder and forward to company; e-mail communications with S. Hubbard on same; prepare extended e-mail on deadline and other procedural deadlines.	1.60	600.00
06/06/05	Jay Shapiro: Discussions with opposing counsel of settlement status and rejoinder/hearing schedule; appear before Judge Wolfe to discuss same; call to client.	0.50	150.00
06/06/05	Whitney Birk: Several emails with J. Burke requesting extension of filing date for rejoinder testimony.	0.20	18.00
06/07/05	Norman D. James: Review procedural order modifying deadlines; telephone conference with R. Kennedy on additional revisions to Zepp testimony, other issues; revise Zepp rejoinder and forward to client; prepare exhibits to Zepp rejoinder and deliver to	3.70	1,387.50

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	company; finalize Zepp witness summary; review and revise Garfield rejoinder testimony; review and evaluate motion filed by Casa Grande seeking reinstatement of procedural conference and delay in hearing; telephone call to J. Burke (attorney for Casa Grande); e-mail communications with R. Geake on same.		
06/07/05	Sandra Baker: (Document Clerk) Go to the Arizona Corporation Commission to pick up latest set of Data requests/ responses.	0.80	28.00
06/07/05	Jay Shapiro: Address procedural issues related to schedule changes and Casa Grande motion and several e-mails; discuss hearing preparations, split of witnesses and related issues with N. James; begin working on preparations for direct examination and cross examination of witnesses; review Staff's response to Company's second set of data requests.	2.50	750.00
06/07/05	Whitney Birk: Organize exhibits for 6/16/05 hearing; create exhibits checklist.	2.90	261.00
06/08/05	Norman D. James: Review Staff's responses to Third Set of Data Requests; review new version of Zepp rejoinder and revised tables; e-mail communications with R. Kennedy on same; telephone conference with J. Burke (Casa Grande) on motion to reinstate procedural conference; review new procedural order issued by ALJ Wolfe on same.	1.80	675.00
06/08/05	Sandra Baker: (Document Clerk) Go to the Arizona Corporation Commission for decisions for other water companies.	0.80	28.00
06/08/05	Jay Shapiro: Call with counsel for Casa	0.40	120.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	Grande regarding scheduling issues; call with R. Kennedy regarding settlement status; review procedural order.		
06/08/05	Whitney Birk: Organize exhibits for 6/16/05 hearing.	1.40	126.00
06/09/05	Norman D. James: E-mail communications with R. Geake on discussion with J. Burke (Casa Grande), hearing witnesses and other issues; conference call with B. Garfield and R. Kennedy on various issues concerning rejoinder testimony and hearing strategy; revise Zepp rejoinder; call to T. Zepp on same; further edits to Zepp rejoinder to incorporate additional data; prepare additional exhibit; review and edit R. Kennedy rejoinder; review schedule on CAP cost recovery; review e-mail communication from D. Pozefsky (RUCO) on RUCO's position on settlement and respond to same.	5.80	2,175.00
06/09/05	Sandra Baker: (Document Clerk) Prepare Data Request Responses Notebook for J. Shapiro.	1.50	52.50
06/09/05	Jay Shapiro: Consider RUCO rejection of latest settlement offer and discuss impact of same; numerous e-mails/calls regarding rejoinder, scheduling, settlement and related issues; continue review of filings in preparation for hearings and begin preparation of witness outlines; work on witness summaries.	5.00	1,500.00
06/09/05	Whitney Birk: Organize exhibits for 6/16/05 hearing; revise exhibit checklist.	1.30	117.00
06/10/05	Norman D. James: Telephone conference with T. Zepp on rejoinder testimony, workpapers and other issues; review pre-filed testimony;	5.80	2,175.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	prepare for and attend procedural conference on Casa Grande's motion to postpone; review and evaluate CAP settlement documents; telephone conference with T. Zepp on hearing schedule; telephone conference with R. Kennedy on same, arsenic cost recovery mechanism and other issues; confer on exhibits and other issues; various e-mail communications on hearing, other issues.		
06/10/05	Jay Shapiro: Continue review of filings in preparation for hearings and work on witness summaries; review Casa Grande settlement information and requirements.	5.00	1,500.00
06/11/05	Norman D. James: Review pre-filed testimony and draft witness summaries for Garfield and Kennedy; e-mail communications with company representatives on various issues; including settlement on CAP issues.	7.20	2,700.00
06/12/05	Norman D. James: Continue drafting Kennedy witness summary; review cost of capital testimony and draft hearing exhibits.	4.20	1,575.00
06/13/05	Sandra Baker: (Document Clerk) Prepare Rejoinder testimonies for Testimony Binders.	0.50	17.50
06/13/05	Sandra Baker: (Document Clerk) Locate Decisions requested by N. James. Go to the ACC for copy of Decision.	0.70	24.50
06/13/05	Norman D. James: Finish drafting Garfield and Kennedy witness summaries and forward to client for review; various e-mail communications on rate hearing and testimony; review settlement documents, including proposed tariffs for hook-up fees; review testimony and other materials and work on witness outlines and hearing exhibits;	7.80	2,925.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	prepare list of issues, Staff and RUCO adjustments and CAP water costs.		
06/13/05	Jay Shapiro: Finalize summaries of Henderson, Whitehead and Hubbard testimony; consider manner of handling dispute over property tax and Staff's calculation errors and review e-mail concerning same.	4.50	1,350.00
06/13/05	Whitney Birk: Organize exhibits for 6/16/05 hearing; organize rejoinder work papers; prepare cover letters to Staff, RUCO, and J. Burke enclosing work papers; prepare for delivery to Staff, RUCO, and J. Burke.	3.10	279.00
06/14/05	Norman D. James: Telephone conference with B. Garfield on CAP settlement and company's proposal; review and revise company's settlement proposal; review and revise Staff settlement agreement; locate and forward workpapers; continue review of testimony and work on hearing preparation, including exhibits; prepare witness outlines for use at hearing.	5.20	1,950.00
06/14/05	Jay Shapiro: Several e-mails regarding various hearing preparation issues, property tax strategy; work on hearing prep--AWC witness outlines and cross outlines.	5.00	1,500.00
06/14/05	Whitney Birk: Organize R. Kennedy rejoinder work papers; prepare cover letters to Staff, RUCO, and J. Burke enclosing rejoinder work papers and prepare for delivery; revise exhibits checklist and reorganize exhibits; several emails and telephone calls regarding S. Hubbard work papers and M. Whitehead summary.	3.30	297.00
06/15/05	Norman D. James: Continue preparation for	9.60	3,600.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	hearing, including review of testimony and preparation of hearing exhibits; various e-mail communications with company representatives and T. Zepp on hearing issues and CAP settlement; conference call with S. Hubbard and J. Shapiro to review rate base and operating expense adjustments; revise and finalize witness summaries; review notice and schedule filed by Casa Grande on litigation expense; review property tax recalculations.		
06/15/05	Jay Shapiro: Work on finalizing witness summaries filing and several e-mails and call with S. Hubbard regarding same; e-mails regarding CAP settlement efforts and assess impact of lack of settlement on hearing strategy; call with S. Hubbard to address scope of issues in dispute; review and assess revised property tax schedule; review filing by Casa Grande on legal fees and call to and from J. Burke regarding same; prepare for meetings with client to prepare for hearings; continue working on preparations for hearing.	7.00	2,100.00
06/15/05	Whitney Birk: Draft Notice of Filing Summary of Pre-Filed Testimony; prepare witness summaries for filing and delivery; finalize exhibits and exhibits checklist for hearing; check Market to Book Ratios; create hearing notebook for J. Shapiro.	4.40	396.00
06/16/05	Jay Shapiro: Attend public comment session and rehearing conference; meeting with all parties regarding legal fee issues; meeting with clients at AWC's office to discuss hearing preparations and strategy; review schedule regarding breakout of legal fees between different suits; review Olea testimony; begin review of invoices form	7.00	2,100.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	attorneys fees to be included in rate base; continue hearing preparations		
06/16/05	Whitney Birk: Revisions to exhibit checklist.	0.20	18.00
06/16/05	Norman D. James: Prepare for and attend public comment session and pre-hearing conference at ACC; meeting with Arizona Water witnesses, B. Geake and J. Shapiro to discuss testimony and hearing strategy; continue hearing preparation; meeting with T. Zepp to discuss testimony; prepare opening statement.	11.40	4,275.00
06/17/05	Jay Shapiro: 1st day of hearings on rate case; finish review of invoices for legal services in connection with condemnation and effluent; discussion of issues and schedules for use as exhibits with clients; revise filing re property tax expense; other matters in preparation for next day of hearing..	9.00	2,700.00
06/17/05	Norman D. James: Participate in hearing at ACC, including opening statement and presentation and examination of witnesses on cost of capital; review supplemental testimony of S. Olea (ACC) on CAP cost recovery; review new spreadsheet on Account 303 entries.	10.80	4,050.00
06/18/05	Jay Shapiro: Meeting with B. Garfield to prepare him for his testimony and to prepare for cross of Casa Grande and Staff witnesses; prepare various documents and exhibits for hearings; continue with preparations for cross examination of Casa Grande and RUCO witnesses.	7.00	2,100.00
06/18/05	Norman D. James: Meeting with B. Garfield and	5.60	2,100.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	J. Shapiro to review and evaluate Olea testimony, dispute over entries in Account 303, strategy on CAP cost recovery, Casa Grande proposal and testimony; additional work on hearing preparation, including CAP issues; draft notice of filing revised property tax calculation; edit examination outline of Garfield and forward to Garfield for review.		
06/19/05	Jay Shapiro: Continue preparing for cross examination of other parties' witnesses and preparing exhibits.	5.00	1,500.00
06/19/05	Norman D. James: Review of testimony on CAP issues; work on examination outlines and exhibits; prepare for resumption of hearing, including W. Garfield testimony.	3.40	1,275.00
06/20/05	Norman D. James: Participate in hearing at ACC, including testimony of W. Garfield; work on hearing outlines, exhibits and other background based on upcoming witnesses.	10.80	4,050.00
06/20/05	Whitney Birk: Go to Arizona Corporation Commission to file Notice of Filing Property Tax Expense Calculation.	0.90	81.00
06/20/05	Jay Shapiro: Represent client and 2nd day of hearings on rate case; continue preparations for cross examination of other party witnesses.	11.50	3,450.00
06/21/05	Patrick Black: Attend to e-mails concerning issue raised by ACC Staff concerning Arizona Water Company's ability to shop for power, thus supporting Staff's position to eliminate AWC surcharge.	0.50	112.50
06/21/05	Norman D. James: Participate in hearing at	10.40	3,900.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	ACC, including examination of W. Garfield, M. Whitehead and R. Kennedy; work on preparation for resumption of hearing and examination of other parties witnesses.		
06/21/05	Whitney Birk: Go to Arizona Corporation Commission to deliver documents for hearing.	0.90	81.00
06/21/05	Jay Shapiro: Represent client at 3rd day of hearings; finish preparation for cross of RUCO witnesses.	12.00	3,600.00
06/22/05	Patrick Black: Legal research of issues concerning power available to Arizona Water Company in competitive electric market, including ability to Direct Access programs offered by Electric Service Providers; review APS rate case decision No. 67744 and attached Schedule 10 Tariff (Direct Access); e-mails to and follow up discussions with N. James and J. Shapiro concerning same; begin draft of Cross-examination questions for S. Olea based on Commission policies concerning competitive power market.	3.20	720.00
06/22/05	Norman D. James: Participate in hearing at ACC, including examination of S. Hubbard and Casa Grande witness; work on materials and exhibits for cross-examination of RUCO and Staff witnesses.	10.50	3,937.50
06/22/05	Sandra Baker: (Document Clerk) Go to the Arizona Corporation Commission to deliver documents to N. James and J. Shapiro.	0.80	28.00
06/22/05	Jay Shapiro: Prepare for and represent Arizona Water at 4th day of hearings; prepare for 5th day of rate case hearings.	9.00	2,700.00
06/23/05	Norman D. James: Participate in ACC hearing,	7.50	2,812.50

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
	including cross-examination of RUCO witnesses; review background materials on power availability and confer with P. Black on same; work on materials for cross-examination of Staff witnesses.		
06/23/05	Whitney Birk: Set up index for Post Hearing Exhibits notebooks.	0.50	45.00
06/23/05	Jay Shapiro: Represent AWC at 5th day of hearings; prepare for final day of hearings--cross of Staff witnesses.	6.50	1,950.00
06/23/05	Patrick Black: Continue research regarding past Commission decisions and current Commission information on state of electric competition in Arizona; edit and finalize cross-examination questions for S. Olea regarding Commission's current information and efforts to develop retail electric competition; conference with N. James concerning same.	2.70	607.50
06/24/05	Norman D. James: Participate in final day of hearing on rate application, and cross-examination of Staff witnesses.	9.00	3,375.00
06/24/05	Whitney Birk: Sort exhibits for Post Hearing Exhibits notebooks; add information to Post Hearing Exhibits index.	0.50	45.00
06/24/05	Jay Shapiro: Represent Arizona Water at final day of hearings.	7.50	2,250.00
06/27/05	Whitney Birk: Sort exhibits for Post Hearing Exhibits notebooks; revise Post Hearing Exhibits index.	6.10	549.00
06/27/05	Sandra Baker: (Document Clerk) Assist W. Birk in preparation of Exhibit notebooks.	2.40	84.00

continued on next page

FENNEMORE CRAIG

DATE	PROFESSIONAL SERVICES	HOURS	AMOUNT
06/28/05	Whitney Birk: Organize documents from hearing; revise Post Hearing Exhibits index.	3.10	279.00
06/28/05	Sandra Baker: (Document Clerk) Organize documents- prepare post hearing exhibit notebooks.	3.50	122.50
06/29/05	Whitney Birk: Look for ACC Rules on Electric Deregulation; finalize Post Hearing Exhibits index.	0.60	54.00
06/29/05	Jay Shapiro: Several e-mails and discuss timing of transcripts with N. James.	0.20	60.00
06/30/05	Sandra Baker: (Document Clerk) Complete Post Hearing Exhibits Notebooks- prepare 1 set for delivery to Client.	1.10	38.50
06/30/05	Whitney Birk: Several emails regarding Post Hearing Exhibits notebooks; review of completed notebooks to check for accuracy; telephone call to M. Finical regarding Staff's Exhibit No. 14.	0.60	54.00

 TOTAL Hours and Fees 292.60 \$88,046.00
 =====

Services Performed By	Hours	Rate	Amount
Norman D. James	136.70	375.00	51,262.50
Jay Shapiro	107.40	300.00	32,220.00
Patrick Black	6.40	225.00	1,440.00
Whitney Birk	30.00	90.00	2,700.00
Sandra Baker	12.10	35.00	423.50

 TOTAL Current Fees \$88,046.00

Less Adjustment 1,200.00cr

continued on next page

FENNEMORE CRAIG

Net Current Fees Due -----
\$86,846.00

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
05/10/05	Messenger Services - deliver to Az Water Company	7.50
05/12/05	Messenger Services - Deliver to Sherly Hubbard	7.50
05/25/05	Mileage reimbursement - S. Baker	2.84
06/07/05	In-House Doc. Reproduction - General Copies	0.40
06/07/05	In-House Doc. Reproduction - General Copies	171.30
06/07/05	In-House Doc. Reproduction - General Copies	0.80
06/07/05	In-House Doc. Reproduction - General Copies	4.30
06/07/05	In-House Doc. Reproduction - General Copies	11.40
06/07/05	In-House Doc. Reproduction - General Copies	1.20
06/07/05	In-House Doc. Reproduction - General Copies	0.10
06/07/05	In-House Doc. Reproduction - General Copies	11.10
06/07/05	In-House Doc. Reproduction - General Copies	0.40
06/07/05	Messenger Services - deliver envelope to Bob Geake	8.50
06/08/05	Mileage reimbursement - S. Baker	1.42
06/08/05	Copies - S. Baker	2.20
06/08/05	Copies - S. Baker	0.55
06/09/05	In-House Doc. Reproduction - General Copies	8.80
06/09/05	In-House Doc. Reproduction - General Copies	0.80
06/09/05	In-House Doc. Reproduction - General Copies	15.20

continued on next page

FENNEMORE CRAIG

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
06/09/05	In-House Doc. Reproduction - General Copies	0.30
06/09/05	Telephone toll charges - (503)370-9563	0.15
06/10/05	In-House Doc. Reproduction - General Copies	1.00
06/10/05	In-House Doc. Reproduction - General Copies	4.00
06/10/05	In-House Doc. Reproduction - General Copies	7.60
06/10/05	In-House Doc. Reproduction - General Copies	64.20
06/10/05	Telephone toll charges - (503)370-9563	1.30
06/10/05	Telephone toll charges - (503)370-9563	0.65
06/13/05	In-House Doc. Reproduction - General Copies	4.70
06/13/05	In-House Doc. Reproduction - General Copies	100.20
06/13/05	In-House Doc. Reproduction - General Copies	0.70
06/13/05	In-House Doc. Reproduction - General Copies	2.20
06/13/05	In-House Doc. Reproduction - General Copies	3.30
06/13/05	In-House Doc. Reproduction - General Copies	20.70
06/13/05	In-House Doc. Reproduction - General Copies	0.40
06/13/05	In-House Doc. Reproduction - General Copies	2.50
06/13/05	In-House Doc. Reproduction - General Copies	8.20
06/13/05	In-House Doc. Reproduction - General Copies	0.40
06/13/05	In-House Doc. Reproduction - General Copies	0.60
06/13/05	In-House Doc. Reproduction - General Copies	2.50

continued on next page

FENNEMORE CRAIG

ARIZONA WATER COMPANY
07/14/05
Page 15

Client: 12001
Matter: 189
Invoice: 497065

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
06/13/05	Mileage reimbursement - S. Baker	1.42
06/13/05	Copies - S. Baker	2.60
06/13/05	Messenger Services - NJAM	3.00
06/13/05	CD Reproduction - WBIRK	40.00
06/13/05	Messenger Services - deliver to Residential Utility Consumer	4.50
06/13/05	Messenger Services - deliver to Arizona Corp Commission	4.50
06/14/05	In-House Doc. Reproduction - General Copies	0.40
06/14/05	In-House Doc. Reproduction - General Copies	4.10
06/14/05	In-House Doc. Reproduction - General Copies	35.50
06/14/05	Telephone toll charges - (626)448-6183	0.10
06/14/05	Messenger Services - NJAM	3.00
06/14/05	CD Reproduction - wbirk	40.00
06/15/05	In-House Doc. Reproduction - General Copies	0.40
06/15/05	In-House Doc. Reproduction - General Copies	2.50
06/15/05	In-House Doc. Reproduction - General Copies	0.80
06/15/05	In-House Doc. Reproduction - General Copies	191.60
06/15/05	In-House Doc. Reproduction - General Copies	0.60
06/15/05	In-House Doc. Reproduction - General Copies	0.40
06/15/05	In-House Doc. Reproduction - General Copies	0.40

continued on next page

FENNEMORE CRAIG

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
06/15/05	Postage - NDJ	7.00
06/15/05	Messenger Services - deliver envelope to Dan Pozefsky	5.50
06/16/05	In-House Doc. Reproduction - General Copies	23.70
06/16/05	In-House Doc. Reproduction - General Copies	0.60
06/16/05	In-House Doc. Reproduction - General Copies	5.20
06/17/05	In-House Doc. Reproduction - General Copies	3.60
06/17/05	In-House Doc. Reproduction - General Copies	14.00
06/17/05	In-House Doc. Reproduction - General Copies	0.60
06/17/05	In-House Doc. Reproduction - General Copies	5.50
06/18/05	In-House Doc. Reproduction - General Copies	5.80
06/18/05	In-House Doc. Reproduction - General Copies	15.40
06/18/05	In-House Doc. Reproduction - General Copies	0.80
06/18/05	In-House Doc. Reproduction - General Copies	7.10
06/18/05	In-House Doc. Reproduction - General Copies	0.80
06/19/05	In-House Doc. Reproduction - General Copies	2.50
06/19/05	In-House Doc. Reproduction - General Copies	0.60
06/19/05	In-House Doc. Reproduction - General Copies	15.20
06/19/05	In-House Doc. Reproduction - General Copies	1.20
06/19/05	In-House Doc. Reproduction - General Copies	2.70
06/19/05	In-House Doc. Reproduction - General Copies	2.70

continued on next page

FENNEMORE CRAIG

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
06/20/05	In-House Doc. Reproduction - General Copies	2.70
06/20/05	In-House Doc. Reproduction - General Copies	6.90
06/20/05	In-House Doc. Reproduction - General Copies	32.90
06/20/05	In-House Doc. Reproduction - General Copies	12.40
06/20/05	In-House Doc. Reproduction - General Copies	9.60
06/20/05	In-House Doc. Reproduction - General Copies	8.50
06/20/05	In-House Doc. Reproduction - General Copies	6.90
06/20/05	In-House Doc. Reproduction - General Copies	4.10
06/20/05	Messenger Services - NJAM	3.00
06/20/05	Postage - NDJ	0.60
06/20/05	Postage - NDJ	0.60
06/21/05	In-House Doc. Reproduction - General Copies	1.80
06/21/05	In-House Doc. Reproduction - General Copies	4.10
06/22/05	In-House Doc. Reproduction - General Copies	1.40
06/22/05	In-House Doc. Reproduction - General Copies	6.20
06/22/05	In-House Doc. Reproduction - General Copies	4.90
06/22/05	In-House Doc. Reproduction - General Copies	2.20
06/22/05	In-House Doc. Reproduction - General Copies	3.00
06/23/05	In-House Doc. Reproduction - General Copies	32.90
06/23/05	In-House Doc. Reproduction - General Copies	0.10

continued on next page

FENNEMORE CRAIG

DATE	CHARGES AND COSTS ADVANCED	AMOUNT
06/23/05	In-House Doc. Reproduction - General Copies	3.00
06/27/05	In-House Doc. Reproduction - 1980 AZ GROUNDWATER MNGT CODE	12.80
06/27/05	In-House Doc. Reproduction - General Copies	20.00
06/27/05	In-House Doc. Reproduction - General Copies	1.00
06/28/05	In-House Doc. Reproduction - General Copies	2.20
06/29/05	In-House Doc. Reproduction - General Copies	12.10
06/29/05	In-House Doc. Reproduction - General Copies	72.50
06/29/05	In-House Doc. Reproduction - General Copies	81.00
06/29/05	In-House Doc. Reproduction - General Copies	7.30
06/30/05	In-House Doc. Reproduction - General Copies	2.30
06/30/05	In-House Doc. Reproduction - General Copies	1.20
	TOTAL Current Charges and Costs	----- \$1,298.43
	Current Balance Due	\$88,144.43
	Previous Balance Due	\$26,959.66
	TOTAL Balance Due	----- \$115,104.09 =====

FENNEMORE CRAIG

ROYAL OFFICE PRODUCTS

501 N. 37TH DR. SUITE#104
 PHOENIX AZ 85009
 602-278-3333

INVOICE: 597452

CUSTOMER #: 401226
SHIP-TO # : 401250

INVOICE DATE: 05/10/05

SOLD TO:
 AZ WATER CO
 3805 N BLK CANYON HWY
 ATTN: SANDY NORTER
 PHOENIX AZ 85015

SHIP TO:
 AZ WATER CO
 3805 N BLK CANYON HWY
 ATTN: GWEN DeSEURE
 PHOENIX AZ 85015

Special Instructions

FOB/DST

Purchase Order Number

GWEN(RATE CASE-WESTERN GR)

Salesperson	Order Date	Ship Date/Via	Billed Date	Terms	OE#
CHARLES SINNARD	05/09/05	OUR TRUCK	05/10/05	NET 20 DAYS	JL-FAX

Product Number	# Ord #	Shp #	B/O	Description	Unit	Price	Extension
AVE11446	1	1	0	INDEX,MAKER,LSR,PCH,5TAB	BX	99.9900	99.99
AVE11447	2	2	0	INDEX,MAKER,LSR,PCH,8TAB	BX	102.9900	205.98

SUBTOTAL	DEL/SVC CHG	TAX	TOTAL
305.97	0.00	24.78	330.75

ROYAL OFFICE PRODUCTS

501 N. 37TH DR. SUITE#104
 PHOENIX AZ 85009
 602-278-3333

CREDIT: 782043

POST TO #: 401250
CC #:

CREDIT DATE: 05/16/2005

SOLD TO:
 AZ WATER CO
 3805 N BLK CANYON HWY
 ATTN: SANDY NORTER
 PHOENIX AZ 85015

SHIP TO:
 AZ WATER CO
 3805 N BLK CANYON HWY
 ATTN: GWEN DeSEURE
 PHOENIX AZ 85015

Special Instructions

INVOICE NO 597452

Purchase Order Number

GWEN(RATE CASE-WESTERN G

Salesperson	Order Date	Ship Date/Via	Billed Date	Terms	OE#
RICHARD FU	05/10/2005	OUR TRUCK	05/13/2005	NET 20 DAYS	DOROTHY CLEMENT

Product Number	# Ord	# Shp	# B/O	Description	Unit	List Price	Extension
AVE11447	-1	-1	0	INDEX, MAKER, LSR, PCH, 8TAB	BX	102.9900	-102.99

SUBTOTAL	DEL/SVC CHG	TAX	TOTAL
-102.99	0.00	-8.34	-111.33

ROYAL OFFICE PRODUCTS

501 N. 37TH DR. SUITE#104
PHOENIX AZ 85009
602-278-3333

INVOICE: 598961

CUSTOMER #: 401226
SHIP-TO # : 401250

INVOICE DATE: 05/11/05

SOLD TO:
AZ WATER CO
3805 N BLK CANYON HWY
ATTN: SANDY NORTER
PHOENIX AZ 85015

SHIP TO:
AZ WATER CO
3805 N BLK CANYON HWY
ATTN: GWEN DeSEURE
PHOENIX AZ 85015

Special Instructions: FOB/DST Purchase Order Number: GWEN

Salesperson: CHARLES SINNARD Order Date: 05/10/05 Ship Date/Via: OUR TRUCK Billed Date: 05/11/05 Terms: NET 20 DAYS OE#: DC-FAX

Product Number	# Ord	# Shp	# B/O	Description	Unit	Price	Extension
AVE11446	1	1	0	INDEX,MAKER,LSR,PCH,5TAB	BX	99.9900	99.99

SUBTOTAL	DEL/SVC CHG	TAX	TOTAL
99.99	0.00	8.10	108.09

ROYAL OFFICE PRODUCTS
501 N. 37TH DR. SUITE#104
PHOENIX AZ 85009
602-278-3333

INVOICE: 599778

CUSTOMER #: 401226
SHIP-TO # : 401250

INVOICE DATE: 05/12/05

SOLD TO:
AZ WATER CO
3805 N BLK CANYON HWY
ATTN: SANDY NORTER
PHOENIX AZ 85015

SHIP TO:
AZ WATER CO
3805 N BLK CANYON HWY
ATTN: GWEN DeSEURE
PHOENIX AZ 85015

Special Instructions: FOB/DST Purchase Order Number: GWEN

Salesperson: CHARLES SINNARD Order Date: 05/11/05 Ship Date/Via: OUR TRUCK Billed Date: 05/12/05 Terms: NET 20 DAYS OE#: PM-FAX

Product Number	# Ord	# Shp	# B/O	Description	Unit	Price	Extension
AVE05866	1	1	0	LABEL,LSR,F/FLDR,GN,1500	BX	35.7100	35.71
AVE05966	1	1	0	LABEL,LSR,F/FLDR,YW,1500	BX	41.2200	41.22
SMD75520	1	1	0	PKT,FILE,LTR,1*EXP,STRT	BX	36.7300	36.73

SUBTOTAL DEL/SVC CHG TAX TOTAL
113.66 0.00 9.21 122.87



OFFICE PRODUCTS COMPANY

P.O. BOX 24118
TEMPE, AZ 85285
(480) 921-2900 FAX (480) 921-2121

INVOICE 344515
PACKING LIST# 462636-000
CUSTOMER # 102730
DATE 4/22/05

VOTED BEST IN AZ BY RANKING AZ
BILL TO:

ARIZONA WATER CO
ATTN: ACCOUNTS PAYABLE
PO BOX 29006
PHOENIX, AZ 850389006

RECEIVED
APR 28 2005

SHIP TO:
102730
ARIZONA WATER CO
3805 N BLACK CANYON HWY

ARIZONA WATER COMPANY
PHOENIX - OPERATIONS

JOAN MEINEN/OPS
PHOENIX, AZ 85015

SPECIAL INSTRUCTIONS

CUSTOMER PO NUMBER

JOAN /OPERATIONS

DATE DUE

SLMN 1 ORDER DATE SHIP DATE \ VIA

TERMS

9 4/21/05 4/21/05 WIST TRUCK

NET 30

5/22/05

ITEM NO.	# ORD	# SHP	# B/O	DESCRIPTION	U/M	PRICE	EXTENSION
IMN41017	2	2		CASE JEWEL SLIMLINE 25/PK	PK	10.50	21.00
MMM6355AN	1	1		NOTE PST-IT 3X5 LND NEAST	PK	10.50	10.50
PENBL17C	2	2		PEN RBALL ENERGEL .7MM BE	EA	1.97	3.94
AVE00166	1	1		GLUE STICK .260Z.	EA	.44	.44
UNI1120BNDGN	1	1		PAPER COPY/LSR 20# LTR GN	RM	5.89	5.89
SWI35108	1	1		STAPLES STD SZ 5M/BX	BX	.85	.85
OIC99914	1	1		CLIP PAPER GIANT STD	BX	.54	.54
				Giant Paper Clip 100 Per Box			
OIC99911	2	2		CLIP PAPER #1 STD	BX	.17	.34
				Number One Paper Clip 100 Per			
OIC99100	1	1		CLIP BINDER LRG 2"W	BX	2.39	2.39
				Large Binder Clip			
OIC99050	2	2		CLIP BINDER MED 1.25"W	BX	.84	1.68
				Medium Binder Clip			
OIC99020	3	3		CLIP BINDER SM .75"W	BX	.39	1.17
				Small Binder Clip			
OIC99010	2	2		CLIP BINDER MINI 12/BX	DZ	.70	1.40
IMN17089	1		1	DVD+R 4.7GB 25 SPINDLE	PK	31.37	.00
MMMDS100VP	1		1	DISPENSER/NOTE/FLAG VALUEPA	PK	13.99	.00

SUB - TOTAL	SHIPPING & HANDLING	TAX	SUB-TOTAL	DEPOSIT	TOTAL
50.14	.00	4.06	54.20	.00	54.20

URI

UTILITY
RESOURCES, INC.

CONSULTANTS on ECONOMIC and REGULATORY MATTERS

1500 LIBERTY STREET S.E. • SUITE 250 • SALEM, OREGON 97302 • (503) 370-9563

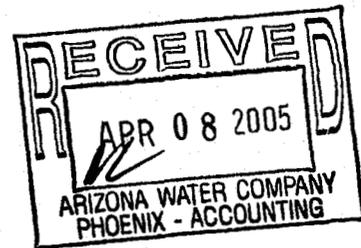
April 5, 2005

Arizona Water Company
P.O. Box 29006
Phoenix, AZ 85038-9006

Attention: Mr. Ralph J. Kennedy

Professional Services - March 2005

Thomas M. Zepp	1.50 hours	at	\$215.00/hour	\$ 322.50
				<hr/>
Total Invoice				\$ 322.50



URI

UTILITY
RESOURCES, INC.

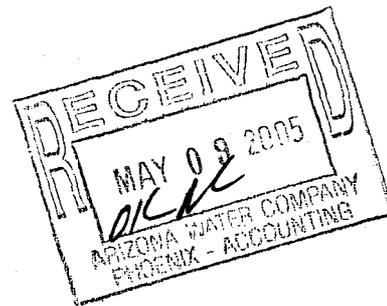
CONSULTANTS on ECONOMIC and REGULATORY MATTERS

1500 LIBERTY STREET S.E. • SUITE 250 • SALEM, OREGON 97302 • (503) 370-9563

May 6, 2005

Arizona Water Company
P.O. Box 29006
Phoenix, AZ 85038-9006

Attention: Mr. Ralph J. Kennedy



Professional Services - April 2005

Thomas M. Zepp	43.50 hours	at	\$215.00/hour	\$ 9,352.50
				<hr/>
			Total Invoice	\$ 9,352.50

URI

UTILITY
RESOURCES, INC.

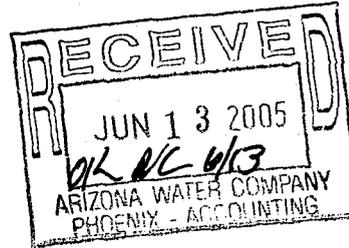
CONSULTANTS on ECONOMIC and REGULATORY MATTERS

1500 LIBERTY STREET S.E. • SUITE 250 • SALEM, OREGON 97302 • (503) 370-9563

June 8, 2005

Arizona Water Company
P.O. Box 29006
Phoenix, AZ 85038-9006

Attention: Mr. Ralph J. Kennedy



Professional Services - May 2005

Thomas M. Zepp	33.50 hours	at	\$215.00/hour	\$ 7,202.50
				<hr/>
			Total Services	\$ 7,202.50
 <u>Expenses</u>				
FedEx	\$ 20.89			\$ 20.89
				<hr/>
			Total Invoice	\$ 7,223.39

URI

UTILITY
RESOURCES, INC.

CONSULTANTS on ECONOMIC and REGULATORY MATTERS

1500 LIBERTY STREET S.E. • SUITE 250 • SALEM, OREGON 97302 • (503) 370-9563

July 12, 2005

Arizona Water Company
P.O. Box 29006
Phoenix, AZ 85038-9006

Attention: Mr. Ralph J. Kennedy

Professional Services - June 2005

Thomas M. Zepp	57.50 hours	at	\$215.00/hour	\$ 12,362.50
				<hr/>
			Total Services	\$ 12,362.50

Expenses

Travel				
Air Fare	\$ 508.40			
Hotel & Meals	250.22			
Local/Ground	85.45			
	<hr/>			\$ 844.07
				<hr/>
			Total Invoice	\$ 13,206.57

