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PREPARED DIRECT TESTIMONY OF
RON KOZOMAN
ON BEHALF OF
LAS QUINTAS SERENAS WATER COMPANY
IN
DOCKET NOS. W-01583A-04-0178, W-01583A-05-0326
AND W-01583A-05-0340

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DIRECT TESTIMONY
RONALD L. KOZOMAN
DOCKET NOS. W-01583A-04-0178, W-01583A-05-0326 AND W-01583A-05-0340

Q.1 PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A.1 My name is Ronald L. Kozoman. My address is 1605 W. Mulberry Drive, Phoenix, Arizona 85015.

Q.2 BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A.2 I am self employed and provide consulting services to utility companies.

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(Ron Kozoman)

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Q.3 HAVE YOU PREPARED A RESUME OF YOUR PROFESSIONAL EDUCATIONAL AND WORK EXPERIENCE?

A.3 Yes. A copy is attached as Appendix A to this testimony.

Q.4 WOULD YOU BRIEFLY SUMMARIZE YOUR UTILITY REGULATORY EXPERIENCE?

A.4 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 other major Illinois utility companies.

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

I have also testified as an independent consultant, on behalf of utility companies, utility consumers, and regulatory agencies. I was 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 in East Lansing, Michigan. In years past, I taught Revenue

1 Requirements accounting, and Regulatory Accounting Methods, and Cost of Service, and
2 rate design.

3
4 **Q.5 ON WHOSE BEHALF ARE YOU TESTIFYING?**

5 A.5 I am testifying on behalf of Las Quintas Serenas Water Company ("the Company" or
6 "LQS").

7
8 **Q.6 WHAT IS THE PURPOSE OF YOUR DIRECT CASE TESTIMONY?**

9 A.6 I am providing testimony and exhibits in support of the Arsenic Cost Recovery
10 Mechanism ("ACRM") for which LQS has requested authorization by the Commission in
11 Docket No. W-01583A-05-0340. If approved, the ACRM would be added to those rates
12 and charges for water service provide by the company, which were previously approved
13 by the Commission in Decision No. 67455, which was issued on January 4, 2005 in
14 Docket No W-01583A-04-0178. As indicated by LQS's policy witness, Mike Wood, the
15 purpose of the proposed ACRM is to provide LQS with the means for recovering
16 revenues which would enable it to service the long-term debt it is proposing to incur to
17 finance certain arsenic-related capital improvements which have been recommended by
18 its engineering consultant, WestLand Resources, Inc. That long-term debt is the subject
19 of Docket No W-01583A-05-0326.

20
21 **Q.7 HAVE YOU PREPARED EXHIBITS THAT SUPPORT THE ACRM?**

22 A.7 Yes. I have prepared Exhibit A-8, as marked for identification, which contains the results
23 of Decision No.67455 and the ACRM revenues. Additionally I have prepared Exhibit A-
24 9, which contains the proposed debt as to interest payments, principal payments and
25 related income taxes on the principal payments. I have also prepared, as Exhibit A-10,
26 certain schedules which annualize the customer base and the gallons sold during the 2003

1 test year, and show the impact based on average usage by customers. Finally, I have
2 prepared, as Exhibit A-11, various schedules showing the monthly ACRM charges, the
3 arsenic treatment charges on a per 1,000 gallon basis, and, as Exhibit A-12, schedules
4 showing the impact on customers' bills.

5
6 **Q.8 PLEASE EXPLAIN THE DATA CONTAINED IN EXHIBIT A-8.**

7 A.8 This exhibit starts with revenues and expenses as found in Decision No. 67455. To these
8 results, I have added the debt payments and income taxes on the loan principal payments
9 for the arsenic-related capital improvements, along with the anticipated annualized
10 expense of operating the arsenic treatment facilities, and the amortization of the loan
11 origination fees.

12
13 **Q.9 WHAT INCOME TAX RATE DID YOU USE TO COMPUTE THE INCOME
14 TAXES BASED ON PRINCIPAL PAYMENTS?**

15 A.9 I used the income tax rate from the rate case, which included an effective income tax rate
16 for State of Arizona tax of 6.9680% and a Federal Income tax rate of 13.954% after
17 deducting the State of Arizona tax rate (15.00% prior to State of Arizona tax rate of
18 6.9680%) or $(15.00\% \times (1 - 6.968\%))$.

19
20 **Q.10 WHAT ARE THE TERMS OF THE LOAN YOU USED, AND WHAT DEBT DID
21 YOU ASSUME?**

22 A.10 I used a ten year amortized loan with an assumed interest rate of 8.00%. I assumed a debt
23 of \$1,648,750. The origination fees are 3/4 of 1.00% plus \$300. The total origination
24 fees are \$12,667. $(0.75\% \times \$1,648,750 = \$12,366 + \$300 = \$12,667)$. These
25 assumptions are all based on the September 2, 2005 Loan Commitment Letter from
26 Commerce Bank of Arizona to the Company.

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Q.11 HOW IS THE COMPANY PROPOSING TO SPREAD THE PROPOSED RATE INCREASES DUE TO THE LOAN?

A.11 The proposed rate increases will be applied to the monthly minimums for water service. The origination fees will be amortized over a ten year period, and will also be recovered through the monthly minimum charged customers.

Q.12 HOW WILL THIS ADDITIONAL CHARGE BE SHOWN ON CUSTOMERS' BILLS?

A.12 The additional charge will be listed on the customer's monthly statement as an arsenic treatment surcharge.

Q.13 HOW DID YOU COMPUTE THE MONTHLY ACRM CHARGE?

A.13 I used the customers from the end of the test year. I converted all meters to equivalent 5/8 inch meters. This is shown on Exhibit A-11, Page 2.

Q.14 WHAT ARE THE CURRENT MONTHLY MINIMUMS FOR THE COMPANY?

A.14 The monthly charges at present rates are listed below:

<u>Meter Size</u>	<u>Monthly Minimum</u>
5/8 x 3/4	\$ 10.00
3/4	22.50
1	25.00
1 1/2	55.00
2	70.00

1	3	125.00
2	4	225.00
3	6	350.00
4	Standpipe	10.10

5

6 **Q.15 WHAT ARE THE PROPOSED ACRM CHARGES TO SERVICE THE DEBT,**
7 **AND OVER WHAT CUSTOMER BASE ARE THE CHARGES SPREAD?**

8 A.15 I used the customers at the end of the test year, namely September 30, 2003. Thus, the
9 customer base has been annualized to the year end number of customers. The monthly
10 charges for the ACRM charges by meter size are:

11	Meter	ACRM
12	<u>Size</u>	<u>Charges</u>
13	5/8 x 3/4	\$ 21.99
14	3 / 4	32.98
15	1	54.97
16	1 1/2	109.95
17	2	175.92
18	3	351.83
19	4	549.74
20	6	1,099.48
21	Standpipe	21.99

22

23 Combining the current monthly minimum and the ACRM charges results in the
24 following total monthly charges:

25	Meter	Monthly	ACRM	Total Monthly
26	<u>Size</u>	<u>Minimum</u>	<u>Charge</u>	<u>Charge</u>

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5/8 x 3/4	\$ 10.00	\$ 21.99	\$ 31.99
3/4	22.50	32.98	55.48
1	25.00	54.97	79.97
1 1/2	55.00	109.95	164.95
2	70.00	175.92	245.92
3	125.00	351.83	476.83
4	225.00	549.74	774.74
6	350.00	1,099.48	1,449.48
Standpipe	10.10	21.99	32.09

Q.16 WHY DID YOU USE THE NUMBER OF CUSTOMERS AT SEPTEMBER 30, 2003, AND NOT THE MOST RECENT NUMBER OF CUSTOMERS?

A.16 There are a greater number of customers in 2005 than there were at September 30, 2003. However, if I were to use the most recent number of customers, I would also propose a number of adjustments to other accounts.

It is my understanding that the Commission has allowed the Company's prior rate case to be re-opened only for the limited purpose of considering the proposed recovery of debt service and certain operating expenses associated with arsenic treatment.

If I were to use the most recent number of customers, I would also request the property taxes on the higher revenue, as the revenue requested in the instant case will cause property taxes to increase substantially, even with the decrease in the assessment

1 ratio. I would also request the increased costs associated with serving the increased
2 number of customers, the power costs to serve the increased number of customers, and
3 the cost of this proceeding,

4 Thus, to avoid going beyond the scope of the re-opening, I used only test year
5 customers.
6

7 **Q.17 WHAT IS THE ESTIMATED ANNUAL OPERATING EXPENSE ASSOCIATED**
8 **WITH ARSENIC TREATMENT?**

9 A.17 The estimated annual operating expense associated with arsenic treatment is \$21,000 for
10 the initial year.
11

12 **Q.18 HOW ARE THE ESTIMATED OPERATING EXPENSES ASSOCIATED WITH**
13 **ARSENIC TREATMENT PROPOSED TO BE RECOVERED?**

14 A.18 The operating expenses would be recovered on a per 1,000 gallons basis. The \$21,000,
15 when spread over the annualized gallons from the test year of approximately 145,477,000
16 gallons, results in a charge per 1,000 gallons of \$0.14435229, which would be added to
17 each tier from Decision No. 67455. Exhibit A-10, Page 3 shows the computation of the
18 annualized gallons.
19

20 **Q.19 DID YOU ADJUST INCOME TAXES FOR THE RECOVERY OF THE \$21,000?**

21 A.19 No, as the revenue requirement and income tax taxes are done on an incremental basis.
22 Any additional expense does not affect the income tax from the prior case as long as the
23 Commission allows the full expense to be recovered in revenues.
24

25 If the Commission allows the expense as part of the revenue component, the
26 Commission would allow \$21,000, which does not change income taxes from the prior

1 rate case. \$21,000 of revenues offset by \$21,000 of expense results in no change in
2 income taxes.

3 The same holds true for the amortization of the loan origination fees.

4 **Q.20 WHAT IS CONTAINED ON EXHIBIT A-12?**

5
6 A.20 Exhibit A-12 shows the billing at both present and proposed rates based on various usage
7 levels. The exhibit also shows the dollar increase and percentage increase at various
8 usage levels by meter size.

9
10 **Q.21 WHAT WOULD BE THE MONTHLY CHARGES IF THE COMPANY COULD**
11 **SECURE A LOAN FROM THE WATER INFRASTRUCTURE FINANCING**
12 **AUTHORITY OF ARIZONA (“WIFA”)?**

13
14 A.21 Assuming that the Company could secure a loan at 5.00% for a term of twenty years, the
15 monthly treatment arsenic charge for a 5/8 x 3/4-inch meter would be \$11.77. The
16 \$11.77 does not include any reserve that may be required by WIFA. This compares to the
17 bank loan charge of \$21.99 per month, or about 1/2 the charge.

18 The monthly ACRM under this assumed scenario is substantially lower due to the
19 interest rate, and the longer repayment period for the loan with WIFA.

20 The charges indicated below do not include any loan origination fees or debt
21 reserves that WIFA may require.

22 There would be no change in the commodity charges.

23 The monthly ACRM charges would be:

24

Meter Size	Monthly Minimum	ACRM Charge	Total Monthly Charge
5/8 x 3/4	\$ 10.00	\$ 11.65	\$ 21.65

25
26

1	3/4	22.50	17.48	39.98
2	1	25.00	29.13	54.13
3	1 1/2	55.00	58.26	113.26
4	2	70.00	93.22	163.22
5	3	125.00	186.44	331.44
6	4	225.00	291.31	526.31
7	6	350.00	582.62	922.62
8	Standpipe	10.10	11.65	21.75.

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Q.22 IF THE COMPANY CAN QUALIFY FOR A WIFA LOAN, WILL IT USE THE LOAN FROM THE BANK AS A BRIDGE LOAN; AND, WILL THE COMPANY FILE WITH THE COMMISSION TO LOWER THE ACRM CHARGE?

A.22 The answer is "Yes" to both of your questions. The Company would make an appropriate filing with the Commission to lower the ACRM charge to match the terms offered by WIFA.

Q.23 DOES THAT CONCLUDE YOUR DIRECT CASE TESTIMONY?

A.23 Yes, it does.

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Las Quintas Serenas Water Company
Income Statement Per Decision 67455 and With New Loan
Test Year Ended September 30, 2003

Exhibit A-8

Witness: Kozoman

Line No.	ACC Decision No. 67455	Revenue Requirement for Loan Arsenic Treatment Plant	Proforma Adjustment Label	Required Revenues with Loan
1				
2	\$ 295,613	\$ 269,734	(1)	\$ 565,347
3		21,000	(2)	21,000
4		1,267	(3)	1,267
5	<u>\$ 295,613</u>	<u>\$ 292,001</u>		<u>\$ 587,614</u>
6				
7				
8	282,544			282,544
9		21,000	(4)	21,000
10		1,267	(5)	1,267
11		29,687	(6)	29,687
12				-
13				29,687
14	<u>282,544</u>	<u>51,954</u>		<u>364,186</u>
15				
16				
17	<u>\$ 13,069</u>	<u>\$ 240,047</u>		<u>\$ 223,428</u>

- 18
- 19 (1) Revenue requirement with income tax for Arsenic Treatment Plant Loan . Please see Schelude
- 20 D-2.
- 21 (2) Revenues for Operation & maintenance Expenses associated with Arsenic Treatment Plant.
- 22 (3) Loan Origination Fee Annual Amortization. Please Schedule H-3, Page 3.
- 23 (4) Estimated operating expense association with arsenic treatment.
- 24 (5) Amortization of loan origination fee. Please see Schedule H-3, Page 3.
- 25 (6) Aditonal income taxes on principal payments on arsenic treatment plant loan.

**Las Quintas Serenas Water Company
Computation of Revenue Conversion Factor
Test Year Ended September 30, 2003**

Exhibit
Schedule C-3
Page 1
Witness: Kozoman

Line
No.

1	<u>Compute Revenue Conversion Factor</u>			
2	Effective State of Arizona Income Tax Rate			6.9860%
3	Effective Federal Income Tax Rate			13.95210%
4	((1-.06986) = 0.93014 x .15)			
5	Combined Income Tax Rate			<u>20.9381%</u>
6				
7	1	/	(1-0.209381)	=
8	1	/	79.0619%	=
				<u><u>1.2648317</u></u>
9				
10	Revenue Conversion Factor used is			
11	ACC Staff's in Decision No.67455			<u><u>1.26459000</u></u>

Las Quintas Serenas Water Company
Estimated Payments on Bank Loan to Acquire Arsenic Treatment Plant
Assumed Bank Loan with 10 Year Repayment

Exhibit
Schedule D-2
Page 1
Witness: Kozoman

<u>Line</u> <u>No.</u>	<u>Col. 1</u>	<u>Col. 2</u>	<u>Col. 3</u>	<u>Col. 4</u>	<u>Col. 5</u>
1	Assumed Loan				
1	8.00%	= Interest Rate		Term =	10 Years
2					
3	Payment		Interest	Principal	<u>Balance</u>
4	<u>Number</u>	<u>Payment</u>	<u>Expense</u>	<u>Payment</u>	1,648,750
5	1	20,004	10,992	9,012	1,639,738
6	2	20,004	10,932	9,072	1,630,665
7	3	20,004	10,871	9,133	1,621,533
8	4	20,004	10,810	9,194	1,612,339
9	5	20,004	10,749	9,255	1,603,084
10	6	20,004	10,687	9,317	1,593,767
11	7	20,004	10,625	9,379	1,584,389
12	8	20,004	10,563	9,441	1,574,947
13	9	20,004	10,500	9,504	1,565,443
14	10	20,004	10,436	9,568	1,555,875
15	11	20,004	10,373	9,631	1,546,244
16	12	20,004	10,308	9,696	1,536,549
17	Totals	<u>240,047</u>	<u>127,845</u>	112,201	-
18	Times Gross Up Income Tax Factor			<u>1.26459</u>	-
19	Income Tax Effect of Principal Payment			<u>141,889</u>	-
20	Total Revenues Requirement for Loan =				<u>\$ 269,734</u>
21	(Col. 3, Line 17 + Col 4, Line 19)				
22					
23					
24					
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28					
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Las Quintas Serenas Water Company With 8.00% Loan
 Customer Count Summary
 Test Year Ended September 30, 2003

Exhibit
 Schedule H-2
 Page 2
 Witness: Kozoman

<u>Meter Classification</u>	Month of <u>Oct-02</u>	Month of <u>Nov-02</u>	Month of <u>Dec-02</u>	Month of <u>Jan-03</u>	Month of <u>Feb-03</u>	Month of <u>Mar-03</u>	Month of <u>Apr-03</u>
5/8 Inch	676	676	679	679	680	696	690
1 Inch	36	36	36	36	36	36	36
1.5 Inch	8	8	8	8	8	8	8
2 Inch	4	4	4	4	4	4	4
4 Inch	-	-	-	-	-	-	-
Standpipe	144	142	139	140	139	141	140
Totals	868	866	866	867	867	885	878

<u>Meter Classification</u>	Month of <u>May-03</u>	Month of <u>Jun-03</u>	Month of <u>Jul-03</u>	Month of <u>Aug-03</u>	Month of <u>Sep-03</u>	Total Year	Change from Beginning of Year to Year End
5/8 Inch	687	692	696	701	700	8,252	24
1 Inch	36	36	36	36	36	432	-
1.5 Inch	8	8	8	8	6	94	(2)
2 Inch	4	4	4	4	4	48	-
4 Inch	-	-	-	1	1	2	1
Standpipe	141	145	147	151	150	1,719	6
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Totals	876	885	891	901	897	10,547	29

Las Quintas Serenas Water Company With 8.00% Loan
 Gallons Sold Summary
 Test Year Ended September 30, 2003

Exhibit
 Schedule H-2
 Page 3
 Witness: Kozoman

<u>Meter Classification</u>	Month of <u>Oct-02</u>	Month of <u>Nov-02</u>	Month of <u>Dec-02</u>	Month of <u>Jan-03</u>	Month of <u>Feb-03</u>	Month of <u>Mar-03</u>	Month of <u>Apr-03</u>	Month of <u>May-03</u>
5/8 Inch	7,785,356	7,784,157	6,905,058	5,433,510	7,091,856	5,233,761	6,806,913	7,664,112
1 Inch	352,701	442,051	414,401	360,401	388,051	301,951	516,850	345,151
1.5 Inch	61,800	51,800	43,800	37,800	39,800	79,601	48,800	60,800
2 Inch	424,800	366,800	282,100	201,800	240,800	196,800	264,800	307,800
4 Inch	-	-	-	-	-	-	-	-
Standpipe	2,193,504	2,262,954	2,292,603	1,695,702	2,192,053	1,467,055	1,794,754	2,021,202
Actual Gallons Sold	10,818,161	10,907,761	9,937,961	7,729,213	9,952,559	7,279,168	9,432,117	10,399,064

<u>Meter Classification</u>	Month of <u>Jun-03</u>	Month of <u>Jul-03</u>	Month of <u>Aug-03</u>	Month of <u>Sep-03</u>	Total Year	Percent of Total Water Usage	Revenue Annualization Gallons	Total Gallons
5/8 Inch	12,633,810	12,990,056	10,949,960	8,310,159	99,588,705	72.12%	100,800	99,689,505
1 Inch	313,900	386,251	407,601	403,502	4,632,808	3.36%	-	4,632,808
1.5 Inch	48,350	51,350	74,800	69,800	668,501	0.48%	(149,675)	518,826
2 Inch	377,800	467,800	335,800	331,800	3,798,900	2.75%	-	3,798,900
4 Inch	-	-	1,112,450	873,450	1,985,900	1.44%	6,228,000	8,213,900
Standpipe	3,242,253	3,765,953	2,471,604	2,005,805	27,405,440	0.00%	-	-
Total Water Actually Sold	16,616,112	17,661,409	15,352,215	11,994,516	138,080,253	100.00%	1,218,050	28,623,489
							7,397,175	145,477,428

Las Quintas Serenas Water Company With 8.00% Loan
Present and Proposed Rates Including Estimated Surcharge for ARSM Surcharge
Estimated Operation & Maintenance Expense Associated with Arsenic Treatment Plant
Test Year Ended September 30, 2003

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:		(a)	
2	5/8 x 3/4 Inch	\$ 10.00	\$ 31.99	219.90%
3	3/4 Inch	22.50	55.48	146.58%
4	1 Inch	25.00	79.97	219.88%
5	1 1/2 Inch	55.00	164.95	199.91%
6	2 Inch	70.00	245.92	251.31%
7	3 Inch	125.00	476.83	281.46%
8	4 Inch	225.00	774.74	244.33%
9	6 Inch	350.00	1,449.48	314.14%
10	Standpipe	10.10	32.09	217.72%
11				
12	<u>Gallons included in Minimums all meters but 4"</u>		-	
13				
14	<u>Tier 1: Gallons upper limit</u>			
15	5/8 x 3/4 Inch All (a)	4,000	4,000	N/A
16	3/4 Inch All (a)	4,000	4,000	N/A
17	1 Inch All (a)	40,000	40,000	N/A
18	1.5 Inch All (a)	100,000	100,000	N/A
19	2 Inch All (a)	150,000	150,000	N/A
20	3 Inch All (a)			N/A
21	4 Inch All (a)	400,000	400,000	N/A
22	6 Inch All (a)	400,000	400,000	N/A
23	Standpipe All (a)	4,000	4,000	N/A
24				
25	<u>Tier 2: (Gallon upper limit, up to, but not exceeding)</u>			
26	5/8 x 3/4 Inch All (b)	23,000	23,000	N/A
27	3/4 Inch All (b)	23,000	23,000	N/A
28	1 Inch All (b)	40,001	99,999,999	N/A
29	1.5 Inch All (b)	100,001	99,999,999	N/A
30	2 Inch All (b)	150,001	99,999,999	N/A
31	3 Inch All (b)		99,999,999	N/A
32	4 Inch All (b)	400,001	99,999,999	N/A
33	6 Inch All (b)	400,001	99,999,999	N/A
34	<u>Tier 3: (Gallon upper limit, up to, but not exceeding)</u>			
35	5/8 x 3/4 Inch	23,001	23,001	N/A
36	3/4 Inch	23,001	23,001	N/A
37	1 Inch	99,999,999	99,999,999	N/A
38	1.5 Inch	99,999,999	99,999,999	N/A
39	2 Inch	99,999,999	99,999,999	N/A
40	3 Inch	99,999,999	99,999,999	N/A
41	4 Inch	99,999,999	99,999,999	N/A
42	6 Inch	99,999,999	99,999,999	N/A
43	<u>Commodity Rates (per 1,000 gallons in excess of gallons in Each Tier)</u>			
44	All Tier 1	\$ 0.950	\$ 1.094342290	15.19%
45	All Tier 2	1.150	\$ 1.294352290	12.55%
46	All Tier 3	1.350	\$ 1.494352290	10.69%
47	All Tier 4	1.350	\$ 1.494352290	10.69%

**Las Quintas Serenas Water Company
Using Metered Customers at September 30, 2003 and
Equivalent 5/8 Inch Meters**

Exhibit
Schedule H-3
Page 2
Witness: Kozoman

Line No.	<u>Meter Size</u>	Test Year Customers At <u>9/30/2003</u>	<u>Arizona Corporation Commission</u> Equivalent 5/8 Inch Conversion Factor	Equivalent <u>Monthly</u> 5/8 Inch Meters	Equivalent <u>Annual</u> 5/8 Inch Meters Times 12 Months
1	5/8 x 3/4 Inch Meter	700	1	700	8,400
3	3/4 Inch Meter	-	1.5	-	-
4	1 Inch Meter	36	2.5	90	1,080
5	1 1/2 Inch Meter	6	5	30	360
6	2 Inch Meter	4	8	32	384
7	3 Inch Meter		16	-	-
8	4 Inch Meter	1	25	25	300
9	6 Inch Meter		50	-	-
10	Standpipe	150	1	150	1,800
11		<u>897</u>		<u>1,027</u>	<u>12,324</u>

Las Quintas Serenas Water Company
 Monthly Customer Charge
 And Annual Arsenic Surcharge Mechanism Collections

Exhibit A - 11

Witness: Kozoman

Line

No.

1	Assumed Interest Rate		8.00%
2	Annual Payment with Income		
3	Tax on Principal Payment	\$	269,734
4	Plus Amortization of Loan Origination Fees over 10 years (a)		1,267
5	(3/4 of a Point Origination Fee plus \$300)		
6	Total Annual Loan Cost with Amortization of Origination Fees		271,001
7			
8	Equivalent 5/8 Inch Meter (Please see Schedule H-3, Page 2)		
9	billings for full year		12,324
10			
11	Customer Monthly Payment per		
12	Equivalent 5/8 Inch Meter	\$	21.99
13	(Line 6 divided by Line 12)		

Monthly Customer Payment by Meter Size

<u>Meter Size</u>	<u>Monthly Charge</u>	<u>Meters</u>	<u>Monthly Revenue</u>	<u>Annual Revenue</u>
21 5/8 x 3/4 Inch Meter	\$ 21.99	700	\$ 15,393	\$ 184,713
22 3/4 Inch Meter	32.98	0	-	-
23 1 Inch Meter	54.97	36	1,979	23,749
24 1 1/2 Inch Meter	109.95	6	660	7,916
25 2 Inch Meter	175.92	4	704	8,444
26 3 Inch Meter	351.83	0	-	-
27 4 Inch Meter	549.74	1	550	6,597
28 6 Inch Meter	1,099.48	0	-	-
29 Standpipe	21.99	150	3,298	39,581
30				
31 Totals		897	\$ 22,583	\$ 271,001

34	(a)		
35	3/4 of 1.00% of Loan Balance Origination Fee	Loan Balance	= \$ 12,366
36	\$300 Origination Fee	\$ 1,648,750	= \$ 12,366
37	Total Loan Origination Fee		300
38	Amortized Over Ten Years		\$ 12,666
39	Annual Amortization (Line 37 divided by 10 years)		10
40			1,266.56

41
42
43

Las Quintas Serenas Water Company
 Monthly Customer Charge
 And Annual Arsenic Surcharge Mechanism Collections

Exhibit
 Schedule H-3
 Page 3
 Witness: Kozoman

Line No.		8.00%
1	Assumed Interest Rate	
2	Annual Payment with Income	
3	Tax on Principal Payment	\$ 269,734
4	Plus Amortization of Loan Origination Fees over 10 years (a)	1,267
5	(3/4 of a Point Origination Fee plus \$300)	
6	Total Annual Loan Cost with Amortization of Origination Fees	271,001
7		
8	Equivalent 5/8 Inch Meter (Please see Schedule H-3, Page 2)	
9	billings for full year	12,324
10		
11	Customer Monthly Payment per	
12	Equivalent 5/8 Inch Meter	\$ 21.99
13	(Line 6 divided by Line 12)	

Monthly Customer Payment by Meter Size

Meter Size	Monthly Charge	Meters	Monthly Revenue	Annual Revenue
21 5/8 x 3/4 Inch Meter	\$ 21.99	700	\$ 15,393	\$ 184,713
22 3/4 Inch Meter	32.98	0	-	-
23 1 Inch Meter	54.97	36	1,979	23,749
24 1 1/2 Inch Meter	109.95	6	660	7,916
25 2 Inch Meter	175.92	4	704	8,444
26 3 Inch Meter	351.83	0	-	-
27 4 Inch Meter	549.74	1	550	6,597
28 6 Inch Meter	1,099.48	0	-	-
29 Standpipe	21.99	150	3,298	39,581
30				
31 Totals		897	\$ 22,583	\$ 271,001

34 (a)		Loan Balance	
35 3/4 of 1.00% of Loan Balance Origination Fee		\$ 1,648,750	= \$ 12,366
36 \$300 Origination Fee			300
37 Total Loan Origination Fee			\$ 12,666
38 Amortized Over Ten Years			10
39 Annual Amortization (Line 37 divided by 10 years)			1,266.56

40
 41
 42
 43

Las Quintas Serenas Water Company
Combined Monthly Minimum and ARSM Charge

Exhibit
Schedule H-3
Page 4
Witness: Kozoman

Line <u>No.</u>		<u>Monthly Minimum</u>	<u>ARSM Charge</u>	<u>Combined Charge</u>
1	<u>Meter Size</u>			
2	5/8 x 3/4 Inch Meter	\$ 10.00	\$ 21.99	\$ 31.99
3	3/4 Inch Meter	22.50	32.98	55.48
4	1 Inch Meter	25.00	54.97	79.97
5	1 1/2 Inch Meter	55.00	109.95	164.95
6	2 Inch Meter	70.00	175.92	245.92
7	3 Inch Meter	125.00	351.83	476.83
8	4 Inch Meter	225.00	549.74	774.74
9	6 Inch Meter	350.00	1,099.48	1,449.48
10	Standpipe	10.10	21.99	32.09
11				
12				
13				

Las Quintas Serenas Water Company
Customer Charge for Operation and Maintenance
Cost of Arsenic Treatment Plant

Exhibit
Schedule H-3
Page 5
Witness: Kozoman

Estimated Operating Cost from Severn Trent	<u>\$ 21,000</u>
Net Revenue Requirement	\$ 21,000
Gallons Sold in Test Year ended September 30, 2003 in 1,000's of gallons from Schedule H-2, Page 2	<u>145,477</u>
Treatment Charge per 1,000 gallons	<u>0.14435229</u>

Las Quintas Serenas Water Company With 8.00% Loan
 Bill Comparison of Present and Proposed Rates
 Customer Classification Residential 5/8 Inch
 Test Year Ended September 30, 2003

Exhibit
 Schedule H-4
 Page 1
 Witness: Kozoman

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 10.00	\$ 31.99	\$ 21.99	219.90%
900	10.86	32.97	\$ 22.12	203.78%
1,900	11.81	34.07	\$ 22.26	188.60%
2,900	12.76	35.16	\$ 22.41	175.68%
3,900	13.71	36.26	\$ 22.55	164.56%
4,900	14.84	37.53	\$ 22.70	153.00%
5,900	15.99	38.83	\$ 22.84	142.89%
6,900	17.14	40.12	\$ 22.99	134.15%
7,900	18.29	41.42	\$ 23.13	126.50%
8,900	19.44	42.71	\$ 23.27	119.76%
9,900	20.59	44.00	\$ 23.42	113.77%
10,900	21.74	45.30	\$ 23.56	108.41%
11,900	22.89	46.59	\$ 23.71	103.60%
12,900	24.04	47.89	\$ 23.85	99.24%
13,900	25.19	49.18	\$ 24.00	95.28%
14,900	26.34	50.48	\$ 24.14	91.67%
15,900	27.49	51.77	\$ 24.29	88.36%
16,900	28.64	53.06	\$ 24.43	85.31%
17,900	29.79	54.36	\$ 24.57	82.50%
18,900	30.94	55.65	\$ 24.72	79.90%
19,900	32.09	56.95	\$ 24.86	77.49%
20,900	33.24	58.24	\$ 25.01	75.24%
21,900	34.39	59.54	\$ 25.15	73.15%
22,900	35.54	60.83	\$ 25.30	71.19%
23,900	36.87	62.30	\$ 25.44	69.01%
24,900	38.22	63.80	\$ 25.58	66.95%
25,900	39.57	65.29	\$ 25.73	65.03%
26,900	40.92	66.79	\$ 25.87	63.24%
27,900	42.27	68.28	\$ 26.02	61.56%
28,900	43.62	69.78	\$ 26.16	59.98%
29,900	44.97	71.27	\$ 26.31	58.50%
30,900	46.32	72.77	\$ 26.45	57.11%
31,900	47.67	74.26	\$ 26.59	55.80%
32,900	49.02	75.75	\$ 26.74	54.55%
33,900	50.37	77.25	\$ 26.88	53.38%
34,900	51.72	78.74	\$ 27.03	52.26%
35,900	53.07	80.24	\$ 27.17	51.21%
36,900	54.42	81.73	\$ 27.32	50.20%
37,900	55.77	83.23	\$ 27.46	49.24%
38,900	57.12	84.72	\$ 27.61	48.33%
39,900	58.47	86.21	\$ 27.75	47.46%
Average Usage				
12,068 \$	23.08	\$ 46.81	\$ 23.73	102.83%
Median Usage				
8,450 \$	18.92	\$ 42.13	\$ 23.21	122.69%

Present Rates:

Monthly Minimum:	\$	10.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	0.95
Up to 23,000	\$	1.15
Over 23,001	\$	1.35
Over 23,001	\$	1.35

Proposed Rates:

Monthly Minimum:	\$	31.99
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	1.09434229
Up to 23,000	\$	1.29435229
Over 23,001	\$	1.49435229
Over 23,001	\$	1.49435229

Las Quintas Serenas Water Company With 8.00% Loan
 Bill Comparison of Present and Proposed Rates
 Customer Classification Residential 1 Inch
 Test Year Ended September 30, 2003

Exhibit
 Schedule H-4
 Page 2
 Witness: Kozoman

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 25.00	\$ 79.97	\$ 54.97	219.88%
900	26.04	81.13	\$ 55.10	211.64%
1,900	27.19	82.43	\$ 55.24	203.22%
2,900	28.34	83.72	\$ 55.39	195.48%
3,900	29.49	85.02	\$ 55.53	188.34%
4,900	30.64	86.31	\$ 55.68	181.74%
5,900	31.79	87.61	\$ 55.82	175.62%
6,900	32.94	88.90	\$ 55.97	169.93%
7,900	34.09	90.20	\$ 56.11	164.62%
8,900	35.24	91.49	\$ 56.25	159.66%
9,900	36.39	92.78	\$ 56.40	155.01%
10,900	37.54	94.08	\$ 56.54	150.64%
11,900	38.69	95.37	\$ 56.69	146.54%
12,900	39.84	96.67	\$ 56.83	142.67%
13,900	40.99	97.96	\$ 56.98	139.02%
14,900	42.14	99.26	\$ 57.12	135.57%
15,900	43.29	100.55	\$ 57.27	132.30%
16,900	44.44	101.84	\$ 57.41	129.20%
17,900	45.59	103.14	\$ 57.55	126.26%
18,900	46.74	104.43	\$ 57.70	123.46%
19,900	47.89	105.73	\$ 57.84	120.79%
20,900	49.04	107.02	\$ 57.99	118.26%
21,900	50.19	108.32	\$ 58.13	115.83%
22,900	51.34	109.61	\$ 58.28	113.52%
23,900	52.49	110.91	\$ 58.42	111.31%
24,900	53.64	112.20	\$ 58.56	109.19%
25,900	54.79	113.49	\$ 58.71	107.16%
26,900	55.94	114.79	\$ 58.85	105.22%
27,900	57.09	116.08	\$ 59.00	103.35%
28,900	58.24	117.38	\$ 59.14	101.56%
29,900	59.39	118.67	\$ 59.29	99.83%
30,900	60.54	119.97	\$ 59.43	98.18%
31,900	61.69	121.26	\$ 59.57	96.58%
32,900	62.84	122.55	\$ 59.72	95.04%
33,900	63.99	123.85	\$ 59.86	93.56%
34,900	65.14	125.14	\$ 60.01	92.13%
35,900	66.29	126.44	\$ 60.15	90.75%
36,900	67.44	127.73	\$ 60.30	89.41%
37,900	68.59	129.03	\$ 60.44	88.13%
38,900	69.74	130.32	\$ 60.59	86.88%
39,900	70.89	131.61	\$ 60.73	85.67%
40,900	72.22	133.09	\$ 60.87	84.30%
41,900	73.57	134.58	\$ 61.02	82.94%
42,900	74.92	136.08	\$ 61.16	81.64%
43,900	76.27	137.57	\$ 61.31	80.39%
44,900	77.62	139.07	\$ 61.45	79.17%
45,900	78.97	140.56	\$ 61.60	78.00%
46,900	80.32	142.06	\$ 61.74	76.87%
47,900	81.67	143.55	\$ 61.88	75.78%
48,900	83.02	145.04	\$ 62.03	74.72%
49,900	84.37	146.54	\$ 62.17	73.70%
50,900	85.72	148.03	\$ 62.32	72.70%
Average Usage				
10,724	\$ 37.33	\$ 93.85	\$ 56.52	151.39%
Median Usage				
12,450	\$ 39.32	\$ 96.08	\$ 56.77	144.38%

Present Rates:

Monthly Minimum:	\$	25.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	40,000	\$ 1.15
Over	40,001	\$ 1.35
Over	40,001	\$ 1.35
Over	40,001	\$ 1.35

Proposed Rates:

Monthly Minimum:	\$	79.97
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	40,000	\$ 1.29435229
Over	40,001	\$ 1.49435229
Over	40,001	\$ 1.49435229
Over	40,001	\$ 1.49435229

Las Quintas Serenas Water Company With 8.00% Loan
 Bill Comparison of Present and Proposed Rates
 Customer Classification Residential 1 1/2 Inch
 Test Year Ended September 30, 2003

Exhibit
 Schedule H-4
 Page 3
 Witness: Kozoman

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 55.00	\$ 164.95	\$ 109.95	199.91%
900	56.04	166.11	\$ 110.08	196.45%
1,900	57.19	167.41	\$ 110.22	192.75%
2,900	58.34	168.70	\$ 110.37	189.20%
3,900	59.49	170.00	\$ 110.51	185.78%
4,900	60.64	171.29	\$ 110.66	182.50%
5,900	61.79	172.59	\$ 110.80	179.33%
6,900	62.94	173.88	\$ 110.95	176.29%
7,900	64.09	175.18	\$ 111.09	173.35%
8,900	65.24	176.47	\$ 111.23	170.51%
9,900	66.39	177.76	\$ 111.38	167.78%
10,900	67.54	179.06	\$ 111.52	165.13%
11,900	68.69	180.35	\$ 111.67	162.58%
12,900	69.84	181.65	\$ 111.81	160.11%
13,900	70.99	182.94	\$ 111.96	157.72%
14,900	72.14	184.24	\$ 112.10	155.40%
15,900	73.29	185.53	\$ 112.25	153.16%
16,900	74.44	186.82	\$ 112.39	150.99%
17,900	75.59	188.12	\$ 112.53	148.88%
18,900	76.74	189.41	\$ 112.68	146.84%
19,900	77.89	190.71	\$ 112.82	144.86%
20,900	79.04	192.00	\$ 112.97	142.93%
21,900	80.19	193.30	\$ 113.11	141.06%
22,900	81.34	194.59	\$ 113.26	139.25%
23,900	82.49	195.89	\$ 113.40	137.48%
24,900	83.64	197.18	\$ 113.54	135.76%
25,900	84.79	198.47	\$ 113.69	134.09%
26,900	85.94	199.77	\$ 113.83	132.46%
27,900	87.09	201.06	\$ 113.98	130.88%
28,900	88.24	202.36	\$ 114.12	129.34%
29,900	89.39	203.65	\$ 114.27	127.84%
30,900	90.54	204.95	\$ 114.41	126.37%
31,900	91.69	206.24	\$ 114.55	124.94%
32,900	92.84	207.53	\$ 114.70	123.55%
33,900	93.99	208.83	\$ 114.84	122.19%
34,900	95.14	210.12	\$ 114.99	120.87%
35,900	96.29	211.42	\$ 115.13	119.57%
36,900	97.44	212.71	\$ 115.28	118.31%
37,900	98.59	214.01	\$ 115.42	117.08%
38,900	99.74	215.30	\$ 115.57	115.87%
39,900	100.89	216.59	\$ 115.71	114.69%
40,900	102.04	217.89	\$ 115.85	113.54%
41,900	103.19	219.18	\$ 116.00	112.42%
42,900	104.34	220.48	\$ 116.14	111.32%
43,900	105.49	221.77	\$ 116.29	110.24%
44,900	106.64	223.07	\$ 116.43	109.19%
45,900	107.79	224.36	\$ 116.58	108.16%
46,900	108.94	225.66	\$ 116.72	107.15%
47,900	110.09	226.95	\$ 116.86	106.16%
Average Usage				
7,112	\$ 63.18	\$ 174.16	\$ 110.98	175.66%
Median Usage				
3,450	\$ 58.97	\$ 169.42	\$ 110.45	187.30%

Present Rates:

Monthly Minimum:	\$	55.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 100,000	\$	1.15
Over 100,001	\$	1.35
Over 100,001	\$	1.35
Over 100,001	\$	1.35

Proposed Rates:

Monthly Minimum:	\$	164.95
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 100,000	\$	1.29435229
Over 100,001	\$	1.49435229
Over 100,001	\$	1.49435229
Over 100,001	\$	1.49435229

Las Quintas Serenas Water Company With 8.00% Loan
 Bill Comparison of Present and Proposed Rates
 Customer Classification Residential 2 Inch
 Test Year Ended September 30, 2003

Exhibit
 Schedule H-4
 Page 4
 Witness: Kozoman

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 70.00	\$ 245.92	\$ 175.92	251.31%
900	71.04	247.08	\$ 176.05	247.84%
1,900	72.19	248.38	\$ 176.19	244.09%
2,900	73.34	249.67	\$ 176.34	240.46%
3,900	74.49	250.97	\$ 176.48	236.94%
4,900	75.64	252.26	\$ 176.63	233.53%
5,900	76.79	253.56	\$ 176.77	230.22%
6,900	77.94	254.85	\$ 176.92	227.00%
7,900	79.09	256.15	\$ 177.06	223.89%
8,900	80.24	257.44	\$ 177.20	220.86%
9,900	81.39	258.73	\$ 177.35	217.91%
10,900	82.54	260.03	\$ 177.49	215.05%
11,900	83.69	261.32	\$ 177.64	212.27%
12,900	84.84	262.62	\$ 177.78	209.56%
13,900	85.99	263.91	\$ 177.93	206.93%
14,900	87.14	265.21	\$ 178.07	204.36%
15,900	88.29	266.50	\$ 178.22	201.86%
16,900	89.44	267.79	\$ 178.36	199.43%
17,900	90.59	269.09	\$ 178.50	197.06%
18,900	91.74	270.38	\$ 178.65	194.74%
19,900	92.89	271.68	\$ 178.79	192.49%
20,900	94.04	272.97	\$ 178.94	190.29%
21,900	95.19	274.27	\$ 179.08	188.14%
22,900	96.34	275.56	\$ 179.23	186.04%
23,900	97.49	276.86	\$ 179.37	184.00%
24,900	98.64	278.15	\$ 179.51	182.00%
25,900	99.79	279.44	\$ 179.66	180.05%
26,900	100.94	280.74	\$ 179.80	178.14%
27,900	102.09	282.03	\$ 179.95	176.27%
28,900	103.24	283.33	\$ 180.09	174.45%
29,900	104.39	284.62	\$ 180.24	172.66%
30,900	105.54	285.92	\$ 180.38	170.92%
31,900	106.69	287.21	\$ 180.52	169.21%
32,900	107.84	288.50	\$ 180.67	167.54%
33,900	108.99	289.80	\$ 180.81	165.91%
34,900	110.14	291.09	\$ 180.96	164.31%
35,900	111.29	292.39	\$ 181.10	162.74%
36,900	112.44	293.68	\$ 181.25	161.20%
37,900	113.59	294.98	\$ 181.39	159.70%
38,900	114.74	296.27	\$ 181.54	158.22%
39,900	115.89	297.56	\$ 181.68	156.78%
40,900	117.04	298.86	\$ 181.82	155.36%
41,900	118.19	300.15	\$ 181.97	153.97%
42,900	119.34	301.45	\$ 182.11	152.61%
43,900	120.49	302.74	\$ 182.26	151.27%
44,900	121.64	304.04	\$ 182.40	149.96%
45,900	122.79	305.33	\$ 182.55	148.67%
46,900	123.94	306.63	\$ 182.69	147.41%
Average Usage				
79,144	\$ 161.02	\$ 348.36	\$ 187.34	116.35%
Median Usage				
192,450	\$ 299.81	\$ 503.51	\$ 203.70	67.94%

Present Rates:

Monthly Minimum:	\$	70.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	150,000	\$ 1.15
Up to	150,001	\$ 1.35
Over	150,001	\$ 1.35
Over	150,001	\$ 1.35

Proposed Rates:

Monthly Minimum:	\$	245.92
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	150,000	\$ 1.294352
Over	150,001	\$ 1.494352
Over	150,001	\$ 1.494352
Over	150,001	\$ 1.494352

Las Quintas Serenas Water Company With 8.00% Loan
 Bill Comparison of Present and Proposed Rates
 Customer Classification 4 Inch
 Test Year Ended September 30, 2003

Exhibit
 Schedule H-4
 Page 5
 Witness: Kozoman

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
100,000	\$ 340.00	\$ 904.18	\$ 564.18	165.93%
150,000	397.50	968.89	571.39	143.75%
200,000	455.00	1,033.61	578.61	127.17%
250,000	512.50	1,098.33	585.83	114.31%
300,000	570.00	1,163.05	593.05	104.04%
350,000	627.50	1,227.76	600.26	95.66%
400,000	685.00	1,292.48	607.48	88.68%
450,000	752.50	1,367.20	614.70	81.69%
500,000	820.00	1,441.92	621.92	75.84%
550,000	887.50	1,516.63	629.13	70.89%
600,000	955.00	1,591.35	636.35	66.63%
650,000	1,022.50	1,666.07	643.57	62.94%
700,000	1,090.00	1,740.79	650.79	59.71%
750,000	1,157.50	1,815.50	658.00	56.85%
800,000	1,225.00	1,890.22	665.22	54.30%
850,000	1,292.50	1,964.94	672.44	52.03%
900,000	1,360.00	2,039.66	679.66	49.97%
950,000	1,427.50	2,114.37	686.87	48.12%
1,000,000	1,495.00	2,189.09	694.09	46.43%
1,050,000	1,562.50	2,263.81	701.31	44.88%
1,100,000	1,630.00	2,338.53	708.53	43.47%
1,150,000	1,697.50	2,413.25	715.75	42.16%
1,200,000	1,765.00	2,487.96	722.96	40.96%
1,250,000	1,832.50	2,562.68	730.18	39.85%
1,300,000	1,900.00	2,637.40	737.40	38.81%
1,350,000	1,967.50	2,712.12	744.62	37.85%
1,400,000	2,035.00	2,786.83	751.83	36.95%
1,450,000	2,102.50	2,861.55	759.05	36.10%
1,500,000	2,170.00	2,936.27	766.27	35.31%
1,550,000	2,237.50	3,010.99	773.49	34.57%
1,600,000	2,305.00	3,085.70	780.70	33.87%
1,650,000	2,372.50	3,160.42	787.92	33.21%
1,700,000	2,440.00	3,235.14	795.14	32.59%
1,750,000	2,507.50	3,309.86	802.36	32.00%
1,800,000	2,575.00	3,384.57	809.57	31.44%
1,850,000	2,642.50	3,459.29	816.79	30.91%
1,900,000	2,710.00	3,534.01	824.01	30.41%
1,950,000	2,777.50	3,608.73	831.23	29.93%
Average Usage				
992,500	1,484.88	2,177.88	693.01	46.67%
Midian Usage				
993,400	1,486.09	2,179.23	693.14	46.64%

Present Rates:

Monthly Minimum:	\$	225.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 400,000	\$	1.15
Up to 400,001	\$	1.35
Over 400,001	\$	1.35
Over 400,001	\$	1.35

Proposed Rates:

Monthly Minimum:	\$	774.74
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 400,000	\$	1.294352
Over 400,001	\$	1.494352
Over 400,001	\$	1.494352
Over 400,001	\$	1.494352

Las Quintas Serenas Water Company With 8.00% Loan
 Bill Comparison of Present and Proposed Rates
 Customer Classification Standpipe Water
 Test Year Ended September 30, 2003
 (Excludes all Revenue Related Taxes)

Exhibit
 Schedule H-4
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 Witness: Kozoman

<u>Usage</u>	<u>Present</u> <u>Bill</u>	<u>Proposed</u> <u>Bill</u>	<u>Dollar</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
-	\$ 10.10	\$ 32.09	\$ 21.99	217.72%
900	10.96	33.07	22.12	201.92%
1,900	11.91	34.17	22.26	187.02%
2,900	12.86	35.26	22.41	174.32%
3,900	13.81	36.36	22.55	163.37%
4,900	14.94	37.63	22.70	151.97%
5,900	16.09	38.93	22.84	142.01%
6,900	17.24	40.22	22.99	133.37%
7,900	18.39	41.52	23.13	125.81%
8,900	19.54	42.81	23.27	119.14%
9,900	20.69	44.10	23.42	113.22%
10,900	21.84	45.40	23.56	107.92%
11,900	22.99	46.69	23.71	103.14%
12,900	24.14	47.99	23.85	98.83%
13,900	25.29	49.28	24.00	94.90%
14,900	26.44	50.58	24.14	91.32%
15,900	27.59	51.87	24.29	88.04%
16,900	28.74	53.16	24.43	85.02%
17,900	29.89	54.46	24.57	82.23%
18,900	31.04	55.75	24.72	79.65%
19,900	32.19	57.05	24.86	77.25%
20,900	33.34	58.34	25.01	75.02%
21,900	34.49	59.64	25.15	72.93%
22,900	35.64	60.93	25.30	70.99%
23,900	36.97	62.40	25.44	68.82%
24,900	38.32	63.90	25.58	66.77%
25,900	39.67	65.39	25.73	64.86%
26,900	41.02	66.89	25.87	63.08%
27,900	42.37	68.38	26.02	61.41%
28,900	43.72	69.88	26.16	59.85%
29,900	45.07	71.37	26.31	58.37%
30,900	46.42	72.87	26.45	56.99%
31,900	47.77	74.36	26.59	55.68%
32,900	49.12	75.85	26.74	54.44%
33,900	50.47	77.35	26.88	53.27%
34,900	51.82	78.84	27.03	52.16%
35,900	53.17	80.34	27.17	51.11%
36,900	54.52	81.83	27.32	50.11%
37,900	55.87	83.33	27.46	49.16%
38,900	57.22	84.82	27.61	48.25%
39,900	58.57	86.31	27.75	47.38%
40,900	59.92	87.81	27.89	46.56%
41,900	61.27	89.30	28.04	45.77%
42,900	62.62	90.80	28.18	45.01%
43,900	63.97	92.29	28.33	44.29%
44,900	65.32	93.79	28.47	43.59%
45,900	66.67	95.28	28.62	42.92%
46,900	68.02	96.78	28.76	42.28%
47,900	69.37	98.27	28.90	41.67%
48,900	70.72	99.76	29.05	41.08%
49,900	72.07	101.26	29.19	40.51%
50,900	73.42	102.75	29.34	39.96%
51,900	74.77	104.25	29.48	39.43%
Average Usage				
15,943	\$ 27.63	\$ 51.93	\$ 24.29	87.90%
Median Usage				
6,450	\$ 16.72	\$ 39.64	\$ 22.92	137.11%

Present Rates:

Monthly Minimum:	\$	10.10
Gallons in Minimum		
Charge Per 1,000 Gallons		
Up to 4,000	\$	0.95
Up to 23,000	\$	1.15
Over 23,001	\$	1.35
Over 23,001	\$	1.35

Proposed Rates:

Monthly Minimum:	\$	32.09
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to 4,000	\$	1.094342290
Up to 23,000	\$	1.294352290
Over 23,001	\$	1.494352290
Over 23,001	\$	1.494352290