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BEFORE THE ARIZONA CORPORATION COMMISSION

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JEFF HATCH-MILLER  
CHAIRMAN  
WILLIAM A. MUNDELL  
COMMISSIONER  
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COMMISSIONER  
MIKE GLEASON  
COMMISSIONER  
KRISTIN K. MAYES  
COMMISSIONER

2006 MAR -6 P 2: 35

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS PARADISE  
VALLEY WATER DISTRICT.

Docket No. W-01303A-05-0405

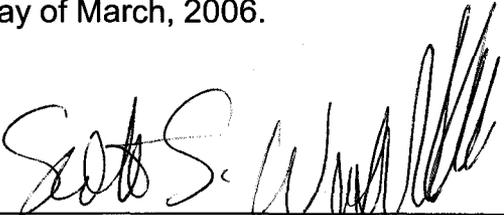
IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY  
FOR APPROVAL OF AN AGREEMENT  
WITH THE PARADISE VALLEY COUNTRY  
CLUB.

Docket No. W-01303A-05-0910

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing  
the Surrebuttal Testimony of Marylee Diaz Cortez, William A. Rigsby, Rodney L. Moore  
and Timothy J. Coley, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 6<sup>th</sup> day of March, 2006.

  
\_\_\_\_\_  
Scott S. Wakefield  
Chief Counsel

1 AN ORIGINAL AND FIFTEEN COPIES  
2 of the foregoing filed this 6<sup>th</sup> day  
3 of March, 2006 with:

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

5 COPIES of the foregoing hand delivered/  
6 mailed this 6<sup>th</sup> day of March, 2006 to:

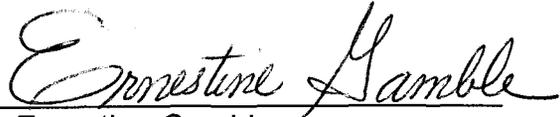
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By   
Ernestine Gamble

**ARIZONA-AMERICAN WATER COMPANY**

**RECEIVED**

**DOCKET NO. W-01303A-05-0405**

**and**

2006 MAR -6 P 2:35

**DOCKET NO. W-01303A-05-0910**

AZ CORP COMMISSION  
DOCUMENT CONTROL

**SURREBUTTAL TESTIMONY**

**OF**

**MARYLEE DIAZ CORTEZ, CPA**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**MARCH 6, 2006**

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2	PUBLIC SAFETY SURCHARGE .....	3
3	HIGH BLOCK USAGE SURCHARGE.....	8

1 INTRODUCTION

2 Q. Please state your name for the record.

3 A. My name is Marylee Diaz Cortez.

4

5 Q. Have you previously filed testimony in this docket?

6 A. Yes. I filed direct testimony on January 17, 2006.

7

8 Q. What is the purpose of your surrebuttal testimony?

9 A. In my surrebuttal testimony I will respond to the positions and arguments  
10 set forth by the Arizona American witnesses in their rebuttal testimonies.

11

12 Q. What areas will you address in your surrebuttal testimony?

13 A. I will address the following issues in my surrebuttal testimony:

14 \* Public Safety Surcharge

15 \* High Block Usage Surcharge

16

17 RUCO witnesses Timothy Coley will address rate base and rate design  
18 and Rodney Moore will address the operating income and arsenic plant  
19 issues in their surrebuttal testimonies. William Rigsby will address the  
20 cost of capital issues in his surrebuttal testimony.

21

1 **PUBLIC SAFETY SURCHARGE**

2 Q. Please discuss the Company's rebuttal comments regarding RUCO's  
3 position on its proposed Public Safety Surcharge.

4 A. The Company provides very little rebuttal comment to RUCO's position on  
5 the proposed Public Safety Surcharge. Company witness Townsley  
6 comments that fire flow is "critically" important to the Town of Paradise  
7 Valley (Town) leadership and to the residents of the Town, and that PV  
8 has worked with the Town to achieve this goal.

9  
10 Q. As a regulated public utility is it PV Water's responsibility to fulfill the  
11 desires of local government?

12 A. No. As a regulated public utility it is PV Water's responsibility to provide  
13 safe, potable, and reliable water service to the customers within its CC&N,  
14 not to fund discretionary infrastructure desired by local governments.

15  
16 Q. What other comments does the Company provide in its rebuttal  
17 testimony?

18 A. In response to RUCO's position that the appropriate treatment of a non-  
19 revenue producing infrastructure request made by a third party to a  
20 regulated public utility is a Contribution in Aid of Construction (CIAC), the  
21 Company merely states that the Town Attorney believes that a transfer of  
22 funds to PV Water "would not be legal".

1 Q. Is this PV Water's argument for why it is not requiring a CIAC from the  
2 Town for the fire flow infrastructure?

3 A. No. The Company's testimony represents this as the Town's position.  
4

5 Q. Is the Town a party to this docket?

6 A. No. Thus, there is no evidence in the record in this docket or otherwise  
7 that would support this position.  
8

9 Q. Assuming arguendo there were evidence substantiating a legal conflict to  
10 the Town making a CIAC, would your position be any different?

11 A. No. The issue before the Commission is not the Town of Paradise  
12 Valley's legal opinion but rather should the Commission authorize a large  
13 rate increase to fund what is admittedly discretionary infrastructure.  
14

15 Q. Are you aware of any other instances where public utility companies have  
16 waived requirements for a CIAC from third parties requesting non-revenue  
17 producing infrastructure?

18 A. No. Normally, if a third party does not make a CIAC the utility does not  
19 build the requested infrastructure. For, example if a developer were to  
20 request a main extension to serve his planned real estate development,  
21 and refuse to make a contribution, the utility would not simply waive the  
22 CIAC and fund the developer's project itself. Yet this is precisely what PV  
23 Water is doing in this case. The Town will not make a CIAC because of a

1           perceived legal issue and PV Water benignly agrees to fund the \$16.6  
2           million cost of the requested infrastructure.

3

4   Q.   Does the Company somewhat revise its position on its proposed Public  
5       Safety Surcharge in its surrebuttal testimony?

6   A.   Yes. The Company has revised its position somewhat to adopt certain  
7       aspects of the Commission Staff's recommendations.

8

9   Q.   Do you agree with the Staff positions that the Company has adopted?

10  A.   No. While the Staff has opposed the proposal that the fire flow  
11       infrastructure be funded by a surcharge, the Staff has recommended that  
12       the fire flow projects completed to-date should be included in rate base.  
13       Thus, under the Staff's recommendation, PV Water's rates will increase to  
14       fund the infrastructure requested by the Town.

15

16  Q.   What is Staff's rationale for recommending rate base recovery of non-  
17       revenue producing infrastructure built at the request of a third party?

18  A.   The Staff testimony is silent on why they believe this to be an appropriate  
19       ratemaking treatment.

20

21

22

1 Q. What ratemaking treatment is the Staff recommending regarding any  
2 future fire flow construction?

3 A. Like RUCO, Staff also opposes automatic surcharge increases to fund  
4 future fire flow projects. As discussed in the High Usage Surcharge  
5 section of my testimony, Staff, unlike RUCO recommends the approval of  
6 that surcharge and that the funds generated by the High Usage Surcharge  
7 be used to fund future fire flow projects.

8

9 Q. Does the Staff express any concerns about creating precedent in this case  
10 for ratepayer funding of discretionary construction projects requested by  
11 third parties?

12 A. No. The Staff testimony is silent on this issue.

13

14 Q. Did RUCO make any attempt to ascertain the Staff's rationale for making  
15 the recommendation that it did regarding the proposed fire flow  
16 infrastructure projects?

17 A. Yes. RUCO issued a set of data requests to Staff in attempt to  
18 understand the rationale for Staff's fire flow recommendations.

19

20 Q. Do you now understand the Staff's rationale?

21 A. No. Staff's response does nothing to shed any further light on their  
22 rationale (see Attachment MDC-A for a copy of these data requests and  
23 responses).

1 Q. Do you have any reason to believe approval of ratepayer funding of fire  
2 flow infrastructure would create precedent that could have widespread  
3 impact on Arizona ratepayers?

4 A. Yes. In Arizona-American's recent filing for its Mohave Water District the  
5 Company indicated that it is attempting to convince Sun City/Youngtown  
6 and Mohave ratepayers that they should support funding for over-sizing  
7 their system for fire flow, based on the same request they are making in  
8 this case.

9

10 Q. How have the Mohave and Sun City/Youngtown ratepayers reacted?

11 A. According to the Company's testimony in that case, "we are still  
12 attempting to build community understanding and support for the  
13 willingness to pay increased water rates to support the required  
14 infrastructure investments to increase fire flows." Thus, it is clear from the  
15 Company's testimony<sup>1</sup> that it is actively promoting large unnecessary  
16 investments in fire flow infrastructure in its other systems, and that  
17 ratepayers have resisted the large rate increases that such investment  
18 would require.

19

20

21

---

<sup>1</sup> See Exhibit B

1 Q. Has the Company or Staff presented any testimony that would modify  
2 RUCO's position regarding the proposed Public Safety Surcharge?

3 A. No. Neither the Company or Staff has presented any substantive  
4 arguments that address RUCO's concerns regarding setting policies that  
5 would require ratepayer funding of discretionary non-revenue producing  
6 construction projects requested by third parties. Further, the Company  
7 has already confirmed RUCO's concerns regarding the potential impact on  
8 Arizona water rates if such a fire flow policy were adopted in this case, by  
9 promoting fire flow infrastructure expenditures in its other systems.  
10 Between the escalating cost of pumping power and the arsenic mandate  
11 there is already rate increase pressure on Arizona water rates. A policy of  
12 ratepayer funding of discretionary utility investment in fire flow will  
13 exacerbate an already costly situation, as well as provide precedent for  
14 every other water utility looking for ways to increase their return on  
15 investment. Such a policy could ultimately threaten the affordability of  
16 water in Arizona.

17

18 **HIGH BLOCK USAGE SURCHARGE**

19 Q. Please discuss the Company's rebuttal comments concerning RUCO's  
20 position on the proposed High Block Usage Surcharge.

21 A. The Company's rebuttal testimony contains no substantive comments  
22 regarding RUCO's opposition to the proposed High Block Usage  
23 Surcharge. Company witness Townsley merely states that RUCO

1 opposes the surcharge, however, provides no testimony that addresses  
2 the reasons why RUCO does so. Company witness Kozoman likewise  
3 fails to address RUCO's substantive arguments against the proposed  
4 surcharge and merely observes that "RUCO just says no to this laudable  
5 goal".

6  
7 Q. What concerns does RUCO have with the proposed surcharge that remain  
8 unaddressed?

9 A. As discussed in my direct testimony, the proposed surcharge is "non-  
10 revenue requirement" based. In other words it is designed to collect  
11 approximately \$1.6 million annually from ratepayers for which the  
12 Company has no corresponding revenue requirement. Implementation of  
13 this surcharge would essentially cast ratepayers in the role of investors by  
14 having them provide large sums of cost free capital to the Company.

15  
16 Q. Has the Company somewhat modified its High Block Usage Surcharge  
17 request in its rebuttal testimony?

18 A. Yes. In response to a Commission Staff position, the Company now  
19 proposes that the money collected from the proposed surcharge be used  
20 to fund fire flow construction projects.

21

22

1 Q. Does this new proposal of the Company change your position on this  
2 issue?

3 A. No. RUCO's concerns remain the same. These surcharges are still non-  
4 revenue requirement based and will provide the Company with large sums  
5 of cost-free capital at ratepayer expense. Further, the Company's new  
6 proposal violates the ratemaking principle of cost causation that requires  
7 that costs be assigned to those ratepayers who caused those costs. The  
8 surcharge would be charged to large water users to fund discretionary fire  
9 flow projects. There is no logical relationship between the individuals that  
10 would have to pay this surcharge and the use of the funds. Additionally, it  
11 continues to cast ratepayers in the role of investors by requiring them to  
12 provide up-front funding of infrastructure.

13  
14 Q. What other problems are there with the Company's revised High Usage  
15 Surcharge proposal?

16 A. The revised surcharge continues to require ratepayers to pay for  
17 discretionary fire flow projects that are not required by the Commission  
18 and are being undertaken at a third party's request. The revised  
19 surcharge has the effect of continuing to require ratepayers to fund what  
20 appropriately should be funded by the third party requesting the projects.  
21 As discussed in the Public Safety Surcharge section of my surrebuttal  
22 testimony, the approval of ratepayer funding of expensive discretionary

1 projects to over-size Arizona's privately owned water systems will reduce  
2 the affordability of water service in Arizona.

3

4 Q. Does the Company's revised position on the High Usage Surcharge in any  
5 way change RUCO's position on this issue?

6 A. No. The Company's revisions to its proposed surcharge do nothing to  
7 address RUCO's concerns as stated in my direct and surrebuttal  
8 testimony.

9

10 Q. Does this conclude your surrebuttal testimony?

11 A. Yes.

# **ATTACHMENT A**

**COMMISSIONERS**  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES



BRIAN C. McNEIL  
Executive Director

**ARIZONA CORPORATION COMMISSION**

February 24, 2006

Daniel W. Pozefsky, Attorney  
RUCO  
1110 West Washington Street  
Suite 220  
Phoenix, Arizona 85007

*Via E-mail and United States Mail*

Re: Arizona Corporation Commission's Responses to RUCO's First Set of Data Requests  
Docket No. WS-01303A-05-0405

Dear Mr. Pozefskuy:

Enclosed are Staff's responses to RUCO's First Set of Data Requests to the Arizona Corporation Commission in the above-referenced matter. If you have any questions and/or concerns regarding the above, Please give me call.

Very truly yours,

Keith A. Layton  
Attorney, Legal Division  
(602) 542-3402

KAL:klc

Enclosure

cc: Marylee Diaz Cortez  
Darron Carlson  
Steve Olea

COMMISSION STAFF'S RESPONSE TO  
RUCO'S FIRST SET OF DATA REQUESTS TO STAFF REGARDING  
Arizona-American Water Company, Inc.  
(Paradise Valley Water District)  
ACC Docket No. W-01303A-05-0405

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- 1.01. Does Staff believe that the fire flow projects are required under the Commission's Rules and/or Service Standards?

If so, please identify the specific Commission standard that requires the inclusion of fire flow costs in rate base.

**Response from Steve Olea:** Staff is unaware of any State standard, Commission or otherwise, that requires fire flow projects, i.e., installation of fire hydrants. However, there may be local government standards that require the installation of fire hydrants. In those cases where a water system has installed fire hydrants, either through its own choice or because of a local government requirement, Staff has recommended that the water system install all the necessary equipment to make the hydrants function properly. The primary reason is because Staff believes that fire hydrants are a benefit to the public and in the public interest.

- 1.02. Is Staff aware of any Commission policy which approves the inclusion of fire flow costs in rate base?

If so, please state the policy, identify the context in which the policy was made, and list any instances in which the Commission utilized the policy.

**Response from Steve Olea:** This seems to be a legal question. However, as far as Staff is aware, fire flow costs are treated the same as any other plant costs when it comes to inclusion or exclusion from rate base.

- 1.03. To the extent not listed in response to the previous question, please identify any precedent for Staff's position that fire flow costs should be included in the Company's rate base.

**Response from Steve Olea:** See response to 1.02.

- 1.04. Does Staff agree with Company witness Stephenson that the fire flow projects are an entirely discretionary undertaking?

**Response from Darron Carlson:** Staff would not agree, simply because the Company did not "volunteer" to undertake the investment.

COMMISSION STAFF'S RESPONSE TO  
RUCO'S FIRST SET OF DATA REQUESTS TO STAFF REGARDING  
Arizona-American Water Company, Inc.  
(Paradise Valley Water District)  
ACC Docket No. W-01303A-05-0405

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- 1.05. If Staff does not agree, explain why the fire flow project is not discretionary.

**Response from Darron Carlson:** The "concept" of the undertaking appears to be from the Town of Paradise Valley, not the Company. The plans were developed in cooperation with the Town of Paradise Valley and the Commission will have regulatory oversight of the undertaking. Staff would not call this discretionary.

- 1.06. If Staff agrees, explain why ratepayers and not the party requesting the discretionary service should pay for a discretionary project.

**Response from Darron Carlson:** Whether Staff agrees or not, there are obvious ratepayer benefits such as better fire fighting protection and lower hazard insurance rates.

- 1.07. Admit\* that, in general, the party requesting a discretionary service normally funds that service.

**Response from Darron Carlson:** In general, Staff would admit; however, Staff treats each request independently and would make any recommendations based upon the individual circumstances of that request. All ratepayers will benefit from this investment.

- 1.08. If admitted, explain what is different in this situation that ratepayers should fund a discretionary project.

**Response from Darron Carlson:** Staff believes that every ratepayer will directly benefit from the completion of the fire flow project.

- 1.09. Admit\* that the inclusion of the fire flow costs will nearly double the Company's rate base.

**Response from Darron Carlson:** Staff admits that the Company's rate base might double, however that is why the Commission has oversight of this investment. The Commission would only allow expenditures that are prudent and in the public interest.

- 1.10. Admit\* that the Town of Paradise Valley could issue debt to pay the costs of the fire flow projects at a lower cost than the 12% return on equity that the Company is requesting.

**Response from Darron Carlson:** Staff has no information and/or authority to determine the Town of Paradise Valley's cost of debt, so Staff is unable to respond to this data request item.

COMMISSION STAFF'S RESPONSE TO  
RUCO'S FIRST SET OF DATA REQUESTS TO STAFF REGARDING  
Arizona-American Water Company, Inc.  
(Paradise Valley Water District)  
ACC Docket No. W-01303A-05-0405

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- 1.11. If admitted, explain why ratepayers would be better off paying for the fire flow projects through rates rather than through taxes.

**Response from Darron Carlson:** See response to data request item 1.10.

- 1.12. Does Staff believe that the fire flow improvements are prudent expenditures?

Why / Why not?

**Response from Darron Carlson:** The expenditures that Staff included in the rate base of the subject proceeding have been found to be prudent. Staff has not determined the prudence of any future expenditures as they have not yet occurred.

- 1.13. Does Staff believe that the fire flow improvements are necessary expenditures?

Why / Why not?

**Response from Darron Carlson:** In this case, yes, because of the Town of Paradise Valley and the Company's cooperation in dealing with the fire flow situation. In addition, see response to 1.01.

- 1.14. What does Staff believe is the proper ratemaking treatment for the balance of fire flow improvement expenditures that the Company anticipates?

Why?

**Response from Darron Carlson:** As per Carlson direct testimony at page 3, lines 12 through 19, Staff believes that future fire flow expenditures will be reviewed during future rate case proceedings. The Commission will then decide what the proper ratemaking treatment should be.

- 1.15. Did Staff's engineer observe each main that makes up the additions described in Staff's Engineering Report at page 7?

**Response from Steve Olea:** As was stated in the Staff Engineering Report, "It was not practical to visit all of the new hydrants that have been installed." However, "the Company took Staff to the areas where the transmission and distribution mains have been installed..." As is the case with all water companies, Staff does not actually "observe" mains that have been installed and are in operation, since they are underground.

COMMISSION STAFF'S RESPONSE TO  
RUCO'S FIRST SET OF DATA REQUESTS TO STAFF REGARDING  
Arizona-American Water Company, Inc.  
(Paradise Valley Water District)  
ACC Docket No. W-01303A-05-0405

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- 1.16. Did Staff's investigation consider other, less expensive alternatives to provide additional fire-flow protection?

**Response from Steve Olea:** No.

- 1.17. If so, please describe what Staff found out, and why the recommended improvements are a better alternative.

**Response from Steve Olea:** See response to 1.16.

\*To the extent the statement is denied, please provide an explanation for the denial.

# **ATTACHMENT B**

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS MOHAVE  
WATER AND WASTEWATER DISTRICTS

DOCKET NO. W-01303A-06-\_\_\_\_\_

**DIRECT TESTIMONY  
OF  
BRIAN K. BIESEMAYER  
ON BEHALF OF  
ARIZONA-AMERICAN WATER COMPANY  
JANUARY 13, 2006**

1 The Secondary (non-enforceable) Drinking Water Standard for these contaminants is:

2 Manganese: 0.05 mg/l

3 Sulfate: 250 mg/l

4 Chloride: 250 mg/l

5  
6 The Company plans to make an additional connection to Bermuda Water for purposes of  
7 purchasing and blending water. However, we expect only slight improvement in the  
8 levels of these contaminants.

9  
10 **Q. FIRE FLOW HAS BEEN AN ISSUE IN SEVERAL OTHER COMMUNITITES**  
11 **SERVED BY ARIZONA-AMERICAN. HAS IT BECOME AN ISSUE IN THE**  
12 **MOHAVE DISTRICT?**

13 **A.** In November 2005, the Bullhead City Mayor and the Bullhead City Fire Chief called for  
14 a meeting with Arizona American Water to discuss this issue. I was unable to attend,  
15 however the Mayor and Fire Chief voiced their concern for adequate fire flow to our  
16 local Operations Superintendent. The City recently adopted the 2003 International Fire  
17 Code and would like to see a minimum of 1000 gallons-per-minute flow throughout  
18 Bullhead City. Currently our system cannot meet this standard in many locations. I am  
19 working to schedule a meeting in early 2006 to continue the discussion on the issue.

20  
21 **Q. IF BULLHEAD CITY CONTINUES TO PUSH FOR FIRE FLOW SYSTEM**  
22 **IMPROVEMENTS, HOW DO YOU INTEND TO HANDLE THEIR CONCERNS?**

23 **A.** We have been very successful in two communities, Paradise Valley and Sun  
24 City/Youngtown, in forming community-based task forces to address this issue in a  
25 comprehensive and strategic manner. I would propose the same task force approach with  
26 Bullhead City. These investments are discretionary in nature and the community support

1           in Paradise Valley has been strong and unwavering. In Sun City / Youngtown, we are  
2           still attempting to build community understanding and support for the willingness to pay  
3           increased water rates to support the required infrastructure investments to increase fire  
4           flows. This same cooperative effort between the Company, the community and the  
5           Commission would be necessary in Bullhead City.

6

7   **Q.    DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8   **A.    Yes.**

**ARIZONA-AMERICAN WATER COMPANY**

**DOCKET NO. W-01303A-05-0405**

**and**

**DOCKET NO. W-01303A-05-0910**

**SURREBUTTAL TESTIMONY**

**OF**

**WILLIAM A. RIGSBY**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**MARCH 6, 2006**

1	<b>INTRODUCTION.....</b>	<b>1</b>
2	<b>SUMMARY OF ARIZONA-AMERICAN'S REBUTTAL TESTIMONY.....</b>	<b>2</b>
3	<b>COST OF DEBT.....</b>	<b>5</b>
4	<b>COST OF EQUITY CAPITAL .....</b>	<b>6</b>
5	<b>ATTACHMENT A</b>	
6	<b>ATTACHMENT B</b>	
7	<b>ATTACHMENT C</b>	
8		

1 **INTRODUCTION**

2 Q. Please state your name, occupation, and business address.

3 A. My name is William A. Rigsby. I am a Public Utilities Analyst V employed  
4 by the Residential Utility Consumer Office ("RUCO") located at 1110 W.  
5 Washington, Suite 220, Phoenix, Arizona 85007.

6  
7 Q. Please state the purpose of your surrebuttal testimony.

8 A. The purpose of my testimony is to respond to Arizona-American Water  
9 Company Inc.'s ("Arizona-American" or "Company") rebuttal testimony on  
10 RUCO's recommended rate of return on invested capital (which includes  
11 RUCO's recommended cost of debt and cost of common equity) for the  
12 Company's Paradise Valley Water District ("PV Water") located in  
13 Maricopa County.

14  
15 Q. Have you filed any prior testimony in this case on behalf of RUCO?

16 A. Yes, on January 17, 2006, I filed direct testimony with the Arizona  
17 Corporation Commission ("ACC" or "Commission"). My direct testimony  
18 addressed the cost of capital issues that were raised in Arizona-  
19 American's application requesting a permanent rate increase  
20 ("Application") based on a test year ended December 10, 2004 ("Test  
21 Year").

1 Q. How is your surrebuttal testimony organized?

2 A. My surrebuttal testimony contains four parts: the introduction that I have  
3 just presented; a summary of Arizona-American's rebuttal testimony; a  
4 section on the cost of debt; and, a section on the cost of equity capital.

5

6 **SUMMARY OF ARIZONA-AMERICAN'S REBUTTAL TESTIMONY**

7 Q. Have you reviewed Arizona-American's rebuttal testimony?

8 A. Yes. I have reviewed the rebuttal testimony of Company witness A.  
9 Lawrence Kolbe, Ph.D. Dr. Kolbe's rebuttal testimony, filed on February  
10 13, 2006, addresses the cost of common equity issue in this case.

11

12 Q. Please summarize the Company's rebuttal testimony that addresses the  
13 cost of capital issues in this case.

14 A. Dr. Kolbe's rebuttal testimony takes issue with the cost of equity capital  
15 recommendations made by ACC Staff witness Dennis Rogers and myself.  
16 Dr. Kolbe agrees with our decisions to make upward adjustments to our  
17 original cost of equity estimates in order to reflect the Company's  
18 leveraged (i.e. debt-heavy capital structure). However, Dr. Kolbe is critical  
19 of our final recommended costs of equity and argues that they are not high  
20 enough to compensate investors for the amount of financial risk that  
21 Arizona-American is exposed to. Dr. Kolbe continues to advocate the use  
22 of his after tax weighted average cost of capital ("ATWACC")  
23 methodology, which produces estimates ranging from 12.00 to 13.00

1           percent, to justify Arizona-American's request for a 12.00 percent return  
2           on common equity.

3  
4    Q.    Briefly summarize the positions of the parties to the case in regard to  
5           capital structure, cost of debt, cost of equity and weighted cost of capital.

6    A.    Despite a difference of opinion between ACC Staff and the Company  
7           regarding Mr. Rogers' recommendation to require Arizona-American to  
8           achieve an equity ratio of 40 percent prior to the Company's next rate  
9           case filing, all of the parties to the case, who have filed testimony on cost  
10          of capital issues, appear to be in agreement on the Company-proposed  
11          capital structure of 63.0 percent debt and 37.0 percent equity. Likewise  
12          there appears to be a consensus on the Company-proposed 5.4 percent  
13          weighted cost of debt. The main point of contention appears to be a cost  
14          of common equity estimate that reflects the Company's debt-heavy capital  
15          structure. The costs of common equity being recommended are as  
16          follows:

17                    Arizona-American	12.00%
18                    ACC Staff	10.40%
19                    RUCO	10.00%

20          The parties are much closer in terms of their recommended weighted  
21          costs of capital, which are as follows:

1	Arizona-American	7.80%
2	ACC Staff	7.20%
3	RUCO	7.10%

4

5 As can be seen above, there is only a 70 basis point difference between  
6 the Company-proposed 7.80 percent weighted cost of capital and RUCO's  
7 recommended weighted cost of capital of 7.10 percent.

8

9 Q. In your direct testimony, you described the differences between how you  
10 arrived at your final recommended 10.00 percent cost of common equity  
11 and how Company witness Dr. Michael J. Vilbert, arrived at his estimates.  
12 Please provide a similar comparison between your estimate and the  
13 estimate recommended by ACC Staff witness Dennis Rogers.

14 A. Mr. Rogers arrived at his original estimate of 9.80 percent by averaging  
15 the results of his DCF and CAPM models. He then made an upward  
16 adjustment of 60 basis points, to arrive at his final recommended cost of  
17 equity figure of 10.40 percent. The 60-basis point adjustment was based  
18 on the results that Mr. Rogers obtained from a technique developed by  
19 Robert Hamada, which relies on the use of a levered beta in the CAPM.

20

21 ...

22

1 Q. What would your original unadjusted cost of equity estimate be if you were  
2 to average the results of your DCF and CAPM models as ACC Staff has?

3 A. Averaging the results of my water company sample DCF result of 9.50  
4 percent, and my water company sample CAPM result (using an arithmetic  
5 mean) of 10.08 percent produces the same 9.80 percent original  
6 unadjusted result obtained by Mr. Rogers. My 50 basis point adjustment  
7 for Arizona-American's increased leverage, which was based on the return  
8 on common equity authorized in the Company's most recent rate case  
9 decision, is only ten basis points lower than the results produced by the  
10 Hamada technique employed by Mr. Rogers. My final estimate, after  
11 averaging the results of my DCF and arithmetic mean CAPM models as  
12 ACC Staff has, would be 10.30 percent as opposed to Mr. Rogers'  
13 recommended 10.40 percent. Using the aforementioned 10.30 percent  
14 cost of common equity in the Company-proposed capital structure  
15 produces the same 7.20 percent weighted cost of capital recommended  
16 by ACC Staff. Consequently, there is little difference between the result  
17 rendered under ACC Staff's methodology versus mine.

18  
19 **COST OF DEBT**

20 Q. Has the Company accepted RUCO's recommended cost of debt?

21 A. I am not aware of any rebuttal testimony filed by the Company on the cost  
22 of debt recommendations made by either ACC Staff or RUCO. Both Mr.  
23 Rogers and I are recommending that the Commission adopt the

1 Company-proposed 5.4 percent cost of debt, which is the weighted cost of  
2 Arizona-American's various long-term debt instruments and PILR  
3 arrangements. At this juncture I believe it is safe to say that all of the  
4 parties to the case are in agreement on the aforementioned 5.4 percent  
5 figure and that the cost of debt is not an issue.

6  
7 **COST OF EQUITY CAPITAL**

8 Q. Please summarize the rebuttal testimony of Dr. Kolbe.

9 A. As I noted in my introduction, Dr. Kolbe agrees with my decision to make  
10 an upward adjustment to my original DCF derived cost of equity capital of  
11 9.50 percent, but believes that my final recommended cost of equity of  
12 10.00 percent does not adequately reflect the level of financial risk that  
13 Arizona-American faces, and that I have failed to adequately quantify my  
14 upward adjustment of 50 basis points. Dr. Kolbe has also taken the  
15 position that the views that I expressed in my direct testimony regarding  
16 his ATWACC methodology for determining an appropriate cost of capital  
17 were unwarranted and has claimed I disparaged his reliance on the work  
18 of Profs. Franco Modigliani and Merton Miller. He further states that my  
19 dismissal of their work on capital structure is unwarranted given my own  
20 reliance on the work of scholars such as Myron Gordon and William  
21 Sharpe.

1 Q. Please address Dr. Kolbe's assertion that you failed to quantify the  
2 upward 50 basis point adjustment that you made to your original DCF  
3 result of 9.50 percent?

4 A. I have made no secret of how I arrived at my 50 basis point adjustment.  
5 As I stated earlier in my introduction, and also in my direct testimony, I  
6 used the 50-basis point adjustment that was authorized in the most recent  
7 Arizona-American rate case proceeding. Given the fact that ACC Staff  
8 has produced an adjustment that is only ten basis points higher leads me  
9 to conclude that my adjustment is in the ballpark for Arizona-American and  
10 that I have recommended a reasonable final estimate for the Company's  
11 cost of common equity. It is interesting to note here that the Commission  
12 recently adopted a 9.50 percent return on common equity for Southwest  
13 Gas Corporation (a local gas distribution company that has similar risk  
14 characteristics to water providers), which had slightly less common equity  
15 in its actual capital structure than Arizona-American. From the  
16 perspective of the Commission's decision on Southwest Gas Corporation,  
17 the 10.40 percent and 10.00 percent costs of common equity being  
18 recommended by Mr. Rogers and myself appear to be generous. They  
19 also appear to be much more reasonable than the 12.00 percent cost of  
20 common equity being requested by the Company, which is close to the  
21 historical 12.40 percent return on the stock market that I used in my  
22 CAPM model using an arithmetic mean.

23

1 Q. Were your direct testimony remarks intended to disparage Dr. Kolbe's  
2 reliance on the work of other noted scholars in the field of finance?

3 A. No they were not. If I offended Dr. Kolbe, I apologize. However, Dr.  
4 Kolbe even admits, on page 30 of his rebuttal testimony, that the same  
5 principles he is advocating in this case have only been adopted by one  
6 state utility commission out of fifty. As a practitioner in the field of finance,  
7 as opposed to being an academician, I tend to take a more practical  
8 approach in these cases. My remarks were mainly intended to put a  
9 sanity check on this process and to illustrate the fact that as a regulated  
10 utility, Arizona-American cannot be viewed in the same light as companies  
11 that operate in a purely competitive environment, a point on which Dr.  
12 Kolbe and I appear to be at odds.

13  
14 Q. Can you give an example that supports your position that Arizona-  
15 American faces less risk, even with a leveraged capital structure, as a  
16 result of being a regulated utility as opposed to a business that operates in  
17 a competitive environment?

18 A. I believe I can. I happen to enjoy eating pizza, so just for the sake of  
19 argument I will use a pizza parlor as an example of a business that  
20 operates in a competitive environment.

21 Suppose you are the owner of a pizza parlor in a large metropolitan area  
22 such as Phoenix. You not only compete with a large number of small local  
23 pizza businesses, such as your own, but also with several large national

1 pizza chains. Because of this, you not only have to make a good pizza  
2 but you also have to price your pizza competitively in order to attract and  
3 keep your customers. You are somewhat fortunate by virtue of the fact  
4 that all of the assets that you use to make and sell your pizzas have been  
5 paid for entirely, so you have 100 percent equity in your pizza business.  
6 Now let's say that one night, just before closing, your oven, which is a key  
7 asset in your business, breaks down. To your dismay the oven is beyond  
8 repair and has to be replaced. This could not have happened at a worse  
9 time since you do not have enough funds available in either your pizza  
10 business cash account or your own personal savings account to purchase  
11 a new oven. In order to stay in business, you have no choice but to  
12 borrow money and buy a new oven. The next morning you manage to  
13 obtain a 3-year loan for \$15,000 from your bank by using your business  
14 assets as collateral. You are able to buy a new oven and get it installed  
15 before regular business hours. So you are back in business, but it is now  
16 costing you more to make the pizzas that you sell. This is because you  
17 now have depreciation expense on the new oven, which will be used to  
18 pay down the principal portion of the loan that financed it, and you now  
19 have interest expense as well. This means your bottom line is not as big  
20 as it was when you had no debt so your business is not as profitable. Nor  
21 is your business producing the same rate of return that it was before you  
22 had to take on the debt to buy the new oven. Does this mean you simply  
23 raise the price of your pizza to restore your original level of bottom line

1 profit and your old rate of return? No. More than likely you can't because  
2 you will lose business because your pizza would no longer be  
3 competitively priced. Does this mean that you go before the Arizona Pizza  
4 Commission and seek an increase in your prices to be able to restore the  
5 level of profit that you have become accustomed to, or will make your  
6 business attractive to a potential buyer? No, because there is no Arizona  
7 Pizza Commission to go to. The pizza business is not a regulated  
8 business. You are in a competitive business and if another major asset  
9 fails you or your other operating expenses (such as the price of gasoline,  
10 needed to deliver your product, or natural gas, used to heat your oven)  
11 increase to the point that you are operating at a loss that exceeds your  
12 operating cash flows you may not have any other choice but to file for  
13 bankruptcy or liquidate your business. Compare this scenario with a  
14 regulated utility, like Arizona-American, that does have a regulatory  
15 commission to go to and seek increases in its rates when it is not making  
16 its required rate of return.

17 If you think my pizza parlor example is silly, then think about the airline  
18 industry for a moment. A good argument could be made that the airline  
19 industry has a lot in common with the utility industry. Like utilities, airlines  
20 are capital intensive. They must spend large sums of money to obtain  
21 their planes either through leasing or debt financing. This of course is a  
22 barrier to entry and limits the number of companies that can get into the  
23 airline business. The airline industry was regulated once but during the

1           Seventies the airline industry was deregulated and forced to operate in a  
2           competitive environment. As anyone who reads the business pages  
3           knows, since the advent of airline deregulation Chapter 11 bankruptcy  
4           protection has become routine for the major carriers that have managed to  
5           survive in a business that can no longer seek fare increases from a civil  
6           aeronautics board<sup>1</sup>.

7  
8    Q.    Does the investment community at large recognize the fact that regulated  
9           utilities, such as Arizona-American, are indeed different from non-  
10          regulated entities in terms of how they recover their costs?

11   A.    Yes, I believe more so than Dr. Kolbe probably would like to admit. For  
12          example, over the past year several articles on investing in the water  
13          infrastructure industry have appeared on the Internet, such as MSN  
14          Money/CNBC, and in the print and online editions of Forbes magazine. In  
15          the MSN Money/CNBC piece<sup>2</sup> (Attachment A), author Jon D. Markman, a  
16          weekly columnist for CNBC, pitched his suggestions for investing in what  
17          some believe to be a coming global water shortage. In regard to domestic  
18          utilities, Markman had this to say:

19                            "Virtually all of the U.S. water utility stocks are regulated by  
20                            states and counties, which makes them pretty dull. Govern-  
21                            mental entities typically give utilities a monopoly in a geo-  
22                            graphic region, then set their profit margin a smidge above

---

<sup>1</sup> U.S. Centennial of Flight Commission website:  
[http://www.centennialofflight.gov/essay/Commercial\\_Aviation/Bankruptcy/Tran9.htm](http://www.centennialofflight.gov/essay/Commercial_Aviation/Bankruptcy/Tran9.htm)

<sup>2</sup> Markman, Jon D, "Invest in the Coming Global Water Shortage," MSN.com, January 12, 2005,  
<http://moneycentral.msn.com/content/P102152.asp>.

1 costs. Just about the only distinguishing factor among them  
2 are the growth rates of their regions and their ability to  
3 efficiently manage their underground pipe and pumping infra-  
4 structure.”

5  
6 Even though investors are aware of these facts, it appears that it has not  
7 deterred them from investing in water utility stocks according to John  
8 Dickerson, an analyst with Summit Global Management of San Diego who  
9 offered these observations in the Markman article:

10  
11 “Although not widely appreciated, water has been recog-  
12 nized by conservative investors as an investment opportunity  
13 -- and it has rewarded them. Over the past 10 years, the  
14 Media General water utilities index is up 133%, double the  
15 Return of the Dow Jones Utilities Index. Over the past five  
16 Years, water utilities are up 32% -- clobbering the flat returns  
17 of both the Dow Jones Utilities and the Dow Industrials. One  
18 of water’s key long-term value drivers as an investment,  
19 according to Dickerson: Demand is not affected by inflation,  
20 recession, interest rates or changing tastes.”

21  
22 Both Mr. Markman’s and Mr. Dickerson’s views are shared by Jeffrey R.  
23 Kosnett, the senior editor of Kiplinger’s Personal Finance, who had this to  
24 say in his February 21, 2006 Kiplinger.com column<sup>3</sup> (Attachment C):

25  
26 “If only there were more water stocks. The few publicly traded  
27 water companies are pumping marvelous total returns: 25%  
28 a year over the past ten years at industry giant Aqua America  
29 (symbol WTR) and close to that at others, such as California  
30 Water Services (CWT), American States Water (AWR) and  
31 SJW Corp. (SJW). Water stocks are also remarkably con-  
32 sistent, with double-digit annualized total returns common  
33 across one, three, five and ten years.”

34  

---

<sup>3</sup> Kosnett, Jeffrey R, “California Water: Refreshing,” Kiplinger.com, February 21, 2006,  
<http://www.kiplinger.com/personalfinance/columns/picks/archive/2006/pick0221.htm>.

1 Mr. Kosnett went on to state:

2 "Water companies' returns are regulated, so the companies  
3 are classified as public utilities. But for investors, they're more  
4 like dividend-paying growth stocks -- and not just because of  
5 their past performance. Water usage expands with population  
6 and housing growth, and water companies are also able to  
7 grow by making acquisitions. California Water started expand-  
8 ing to other states in 1999 when it bought into Washington and  
9 says it is always scouting around for more opportunities."  
10

11  
12 What is interesting here is that water stocks are performing well despite  
13 the fact that they are typically awarded rates of return that only provide  
14 them with a thin operating margin over their costs.

15  
16 Q. Other than the reasons that you cited in your direct testimony, are there  
17 any other reasons why you believe that a cost of equity in the area of  
18 10.00 percent, as opposed to the higher return advocated by Dr. Kolbe, is  
19 appropriate for Arizona-American at this time?

20 A. As I noted in my direct testimony, RWE AG, the parent company of  
21 Arizona-American, announced its intentions to sell off its water business  
22 segments in the UK and North America. In the November 8, 2005 online  
23 edition of Forbes magazine John Dickerson, the same analyst interviewed  
24 in the Markman article just cited, stated that he believed that RWE AG will  
25 make a public offering of its water holdings. This means that Thames  
26 Water and American Water, which was one of the largest and most  
27 successful of all of the U.S. water utilities prior to RWE AG's acquisition of

1           it, will probably be purchased on the open market through an initial public  
2           offering ("IPO"). From that point the two companies will be traded on a  
3           stock market as the other water utilities in my sample are. Mr. Dickerson  
4           believes that this is good news for investors, because it will bring down the  
5           inflated values of smaller U.S. water utilities. This would mean that water  
6           utilities could still offer attractive yields to investors without having to pay  
7           out the same percentage of their earnings in dividends that they do now.

8  
9    Q.    Has any of the rebuttal testimony presented by either Dr. Kolbe or the  
10       other witnesses for Arizona-American convinced you to make adjustments  
11       to your recommended cost of common equity?

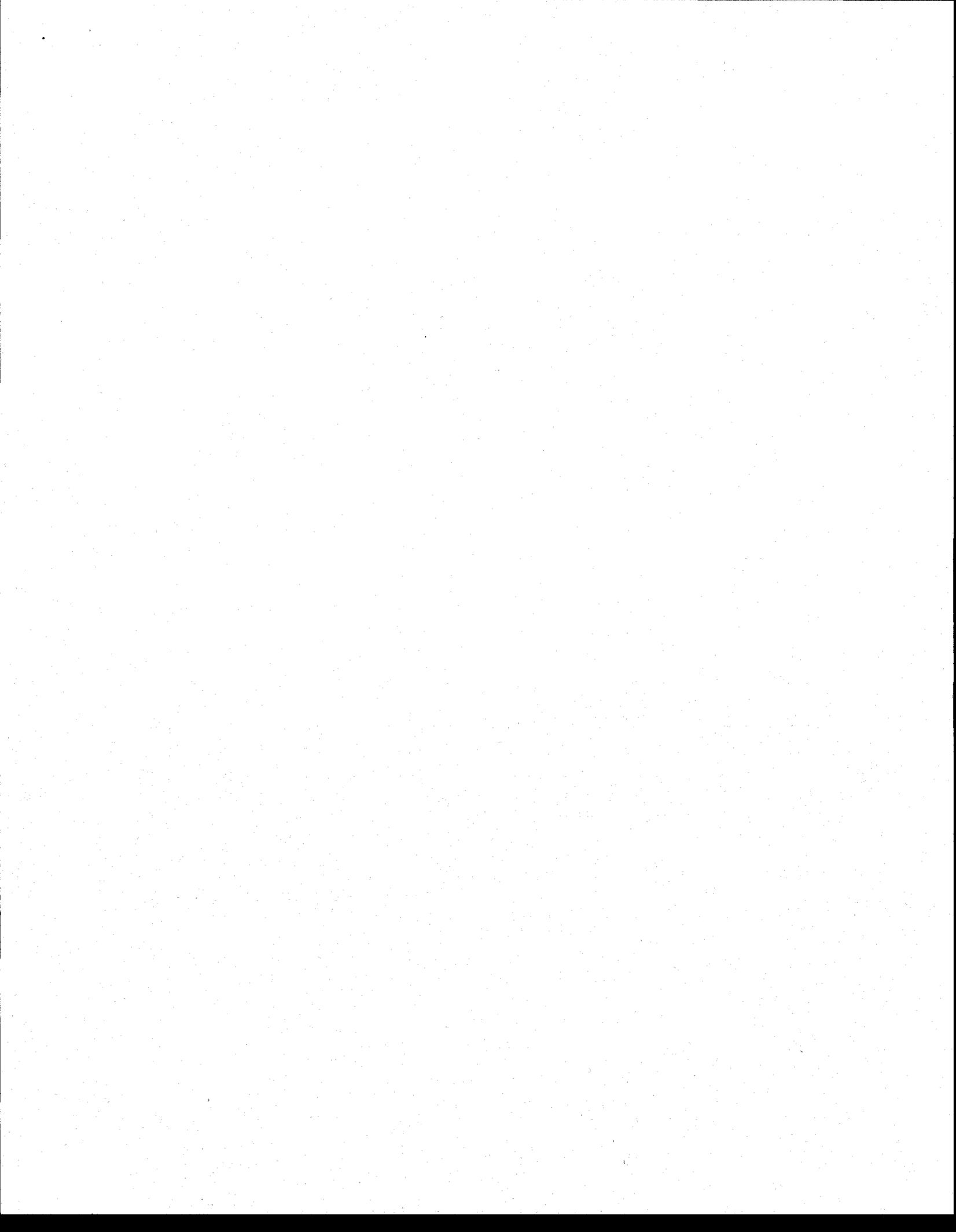
12   A.    No.

13  
14   Q.    Does your silence on any of the issues or positions addressed in the  
15       rebuttal testimony of the Company's witnesses constitute acceptance?

16   A.    No, it does not.

17  
18   Q.    Does this conclude your surrebuttal testimony on Arizona-American?

19   A.    Yes, it does.



# **ATTACHMENT A**



**Jon Markman**

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**SuperModels**

**Invest in the coming global water shortage**

Fresh water's getting scarce, and it has no substitutes. For investors in companies that can supply our increasingly thirsty planet, that spells opportunity.

By [Jon D. Markman](#)

Ten years ago next Monday, a massive earthquake rolled under the Japanese city of Kobe at dawn, toppling 140,000 buildings, causing 300 major fires, killing more than 5,000 people and leaving 300,000 homeless.

To help cover the story for the L.A. Times, I left my wife to care for our 10-day-old daughter and 2-year-old son and flew into the city with a small team of Los Angeles-based trauma doctors and nurses. We found a surreal, smoking ruin of a city with roads twisted like coils of rope, high-rises tilted at Dr. Seuss angles and thousands of middle-class families jammed into dingy, ice-cold rooms in the few public buildings left standing.

Just as in the tsunami zone of South Asia this month, the immediate health danger, besides a possible outbreak of disease, was a lack of fresh water. More than 75% of the city's water supply was destroyed when underground pipes fractured. As much as they desired pallets of drugs, food, blankets and tents sent from throughout Japan and abroad, the Kobe survivors coveted -- and needed -- clean, bottled water for cooking, drinking and bathing.

Both incidents are a stark reminder that water is our most precious resource. Because it is seemingly ubiquitous in the United States, it is taken for granted.

Massive snowstorms in California this month have loaded up the snowpack that provides water there, and rains in the Southeast are filling reservoirs in that part of the country.

The rest of the world, however, is not so fortunate.

**Not making any more water**

There is no more fresh water on Earth today than there was a million years ago. Yet today, 6 billion people share it. Since 1950, the world population has doubled, but water use has tripled, notes John Dickerson, an analyst and fund manager based in San Diego. Unlike petroleum, he adds, no technological innovation can ever replace water.

China, which is undergoing a vast rural-to-urban population migration, is emblematic of the places where water has become scarce. It has about as much

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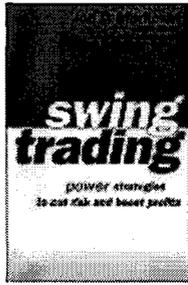
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water as Canada but 100 times more people. Per-capita water reserves are only about a fourth the global average, according to experts. Of its 669 cities, 440 regularly suffer moderate to critical water shortages.

Although not widely appreciated, water has been recognized by conservative investors as an investment opportunity -- and it has rewarded them. Over the past 10 years, the Media General water utilities index is up 133%, double the return of the **Dow Jones Utilities Index** ([\\$UTIL](#)). Over the past five years, water utilities are up 32% -- clobbering the flat returns of both the Dow Jones Utilities and the **Dow Industrials** ([\\$INDU](#)). One of water's key long-term value drivers as an investment, according to Dickerson: Demand is not affected by inflation, recession, interest rates or changing tastes.

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Virtually all of the U.S. water utility stocks are regulated by states and counties, which makes them pretty dull. Governmental entities typically give utilities a monopoly in a geographic region, then set their profit margin a smidge above costs. Just about the only distinguishing factor among them are the growth rates of their regions and their ability to efficiently manage their underground pipe and pumping infrastructure. Among the best are **Aqua America** ([WTR](#), [news](#), [msgs](#)) of Philadelphia, **Southwest Water** ([SWWC](#), [news](#), [msgs](#)) of Los Angeles; **California Water Service Group** ([CWT](#), [news](#), [msgs](#)), based in San Jose, Calif.; and **American States Water** ([AWR](#), [news](#), [msgs](#)) of San Dimas, Calif.

In a moment, I'll offer a couple of potentially more impactful ways to invest in water, but first let's look a little more broadly at world demand.

### Aquifers in India are being sucked dry

The tsunami has focused attention on water demand in South Asia -- and it's a good thing, as it was already reaching critical status in rural areas. Several decades ago, farmers in the Indian state of Gujarat used oxen to haul water in buckets from a few feet below the surface. Now they pump it from 1,000 feet below the surface. That may sound good, but they have been drawing water from the earth to feed a mushrooming population at such a terrific rate that ancient aquifers have been sucked dry -- turning once-fertile fields slowly into sand.

According to New Scientist magazine, farmers using crude oilfield technology in India have drilled 21 million "tube wells" into the strata beneath the fields, and every year millions more wells throughout the region -- all the way to Vietnam -- are being dug to service water-needy crops like rice and sugar cane. The magazine quoted research from the annual Stockholm Water Symposium that the pumps that transformed Indian farming are drawing 200 cubic kilometers of water to the surface each year, while only a fraction is replaced by monsoon

rains. At this rate, the research suggested, groundwater supplies in some areas will be exhausted in five to 10 years, and millions of Indians will see their farmland turned to desert.

In China, the magazine reported, 30 cubic kilometers more water is being pumped to the surface each year than is replaced by rain -- one of the reasons that the country has become dependent on grain imports from the West. This is not just an issue for agriculture. Earlier this year, the Indian state of Kerala ordered the **PepsiCo** ([PEP](#), [news](#), [msgs](#)) and **Coca-Cola** ([KO](#), [news](#), [msgs](#)) bottling plants closed due to water shortages, costing the companies millions of dollars.

In this country, shareholder activists already are lobbying companies to share water-dependency concerns worldwide with their stakeholders in their financial statements.

### **Water, water everywhere, but . . .**

The central problem is that less than 2% of the world's ample store of water is fresh. And that amount is bombarded by industrial pollution, disease and cyclical shifts in rain patterns. Its increasing scarcity has impelled private companies and countries to attempt to lock up rights to key sources. In [an article last month](#), the Christian Science Monitor suggested that the next decade may see a cartel of water-exporting countries rivaling the Organization of Petroleum Exporting Countries for dominance in the world economy.

"Water is blue gold; it's terribly precious," Maude Barlow, chair of the Council of Canadians, told the Monitor. "Not too far in the future, we're going to see a move to surround and commodify the world's fresh water. Just as they've divvied up the world's oil, in the coming century, there's going to be a grab."

Besides the domestic water utilities listed above -- and similarly plodding foreign utilities such as **United Utilities** ([UU](#), [news](#), [msgs](#)) of the United Kingdom, which sports a 6.9% dividend yield, and **Suez** ([SZE](#), [news](#), [msgs](#)) of France -- investors interested in the sector can consider a number of variant plays. None are extremely exciting, but my guess is that, over the next few years, some more interesting purification technologies will emerge, along with, perhaps, a vibrant attempt at worldwide industry consolidation.

One current idea is Tennessee-based copper pipe and valve maker **Mueller Industries** ([MLI](#), [news](#), [msgs](#)), a \$1 billion business with a trailing price/earnings multiple of 15 that is still not expensive despite a 47% run-up in the past year. Its leading outside investor is **Berkshire Hathaway** ([BRK.A](#), [news](#), [msgs](#)), the

investment vehicle of legendary investor Warren Buffett.

Another is flow-control products maker **Watts Water Technologies** ([WTS](#), [news](#), [msgs](#)), which is a little richer at a \$975 million market cap and a trailing P/E multiple of 19, but is still owned by several leading value managers, including Mario Gabelli.

And possibly the most interesting is **Consolidated Water** ([CWCO](#), [news](#), [msgs](#)), a \$160 million company based in the Cayman Islands that specializes in developing and operating ocean-water desalinization plants and water-distribution systems in areas where natural supplies of drinking water are scarce, such as the Caribbean and South America. It currently supplies water to Belize, Barbados, the British Virgin Islands and the Bahamas, and it has expansion plans. It is the most expensive, but it may also have the greatest growth prospects. Of all of these, it is up the most over the past five years, a relatively steady 355%.

Of course, there is one other benefit to water investing: When these companies say they're going to do a dilutive deal, it's not something to worry about.

### Fine Print

Dickerson runs a hedge fund in San Diego strictly focused on water investing, the Summit Water Equity Fund. . . To learn more about Southwest Water, [click here](#). . . . To learn more about California Water Service Group, which runs systems in New Mexico, Hawaii and Washington State, as well as California, [click here](#). . . . To learn more about American States Water, [click here](#). . . To learn more about Mueller, [click here](#), and, for Consolidated Water, [click here](#). . . Seems like talk is cheap. Since mid-December, the value of the company radio personality Howard Stern is leaving, **Viacom** ([VIA.B](#), [news](#), [msgs](#)), has risen 9% while the value of the company he's headed to, **Sirius Satellite Radio** ([SIRI](#), [news](#), [msgs](#)), is down 13.5%. . . . For background on the Kobe earthquake, approaching its 10th anniversary, [click here](#) and [here](#).

*Jon D. Markman is publisher of [StockTactics Advisor](#), an independent weekly investment newsletter, as well as senior strategist and portfolio manager at Pinnacle Investment Advisors. While he cannot provide personalized investment advice or recommendations, he welcomes column critiques and comments at [jon.markman@gmail.com](mailto:jon.markman@gmail.com); put COMMENT in the subject line. At the time of publication he held positions in the following stocks mentioned in this column: Coca-Cola.*

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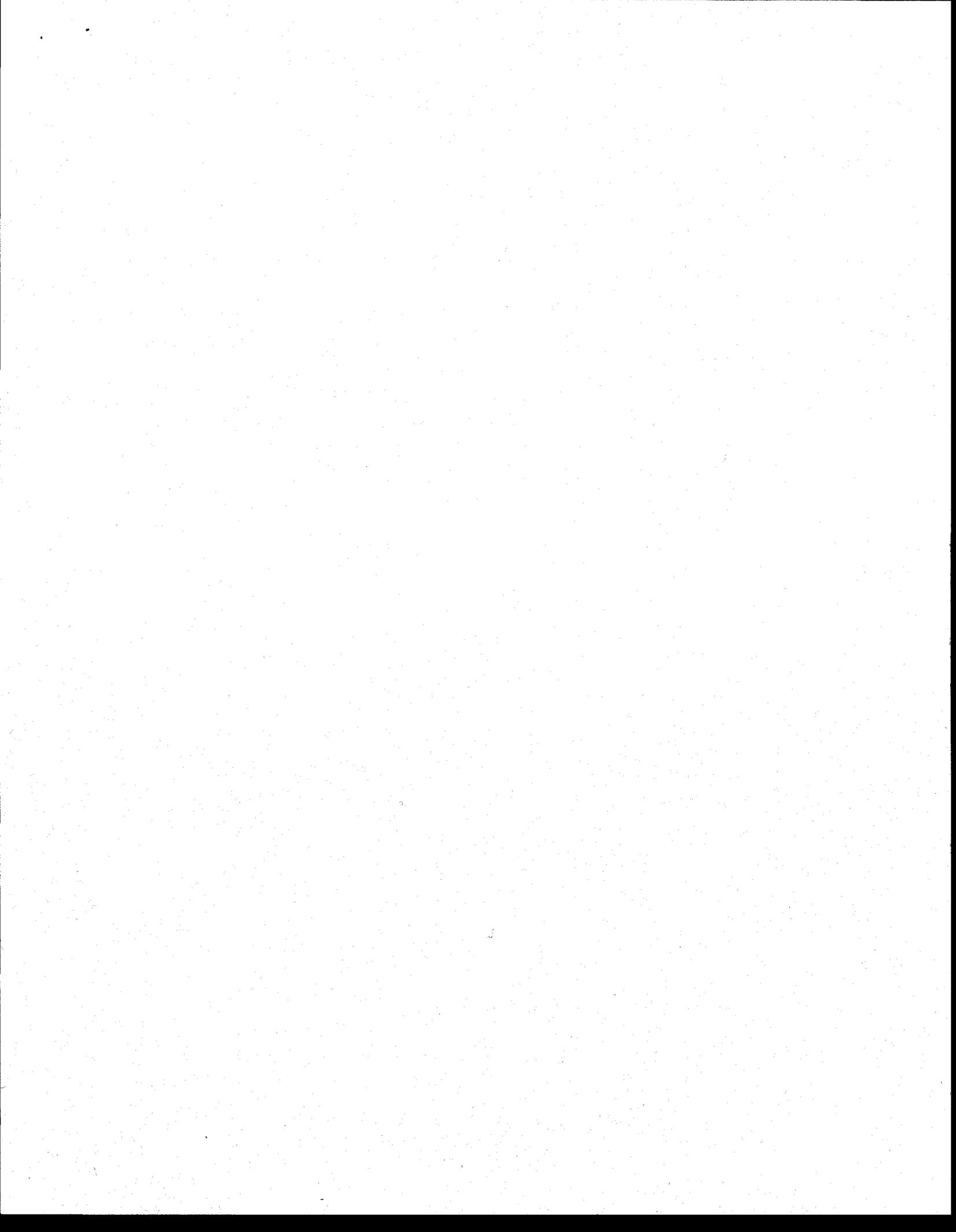
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# **ATTACHMENT B**



Faces In The News

## Money Manager Hails RWE Water Divestiture

Tatiana Serafin, 11.08.05, 2:24 PM ET

In "Liquid Stocks", Summit Global Management's **John Dickerson** discussed opportunities to invest in water companies that were helping build water systems in China and other developing nations. His pick, **RWE**, had investments in the U.K.'s Thames Water and American Water Works of the U.S. and provided investors with dividend yields above the market average and price/earnings ratio well below. On November 4, however, RWE announced it would divest its water assets and focus on electricity and gas markets in Europe.

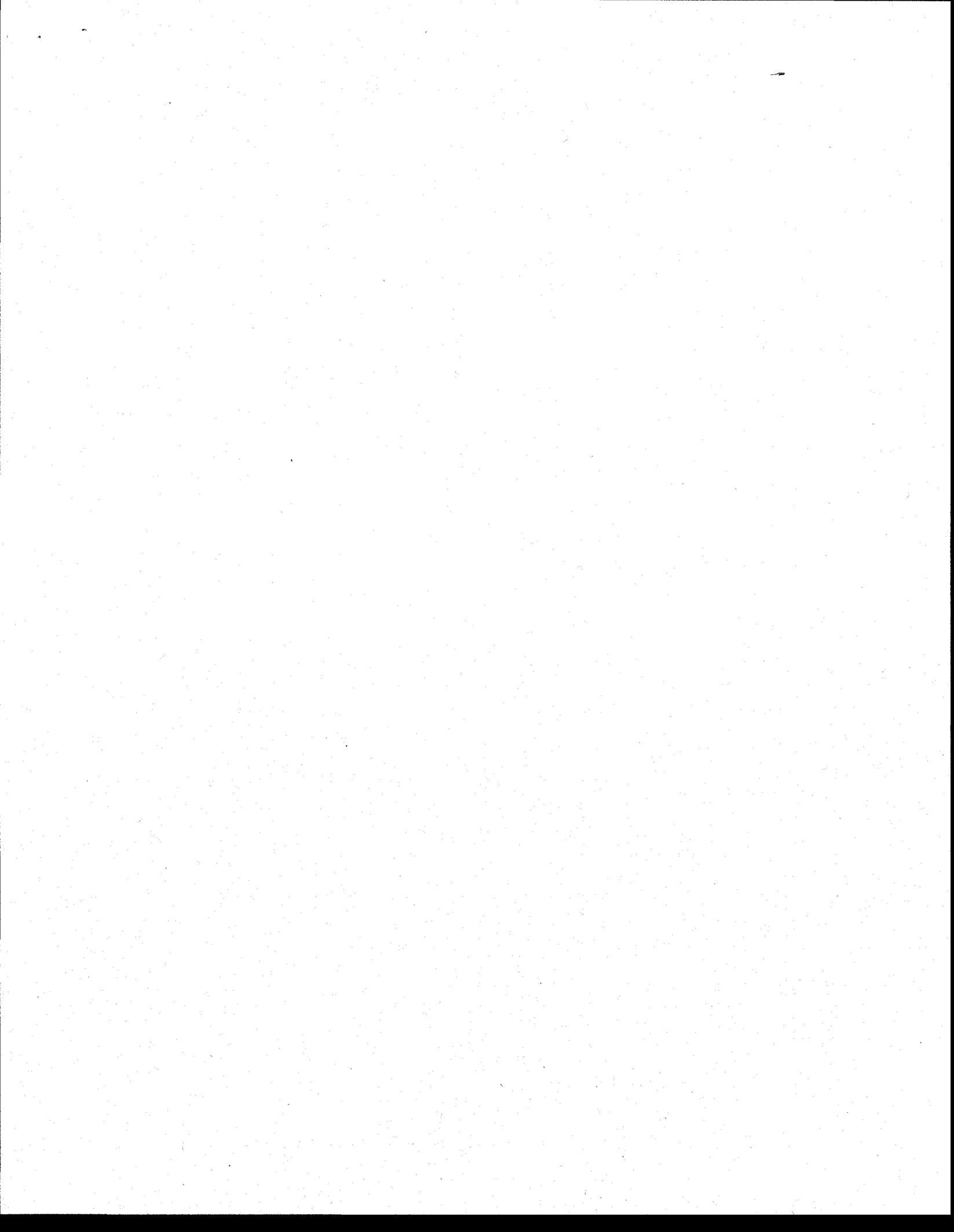
"We are very happy that RWE is planning to get out of the water business," says Dickerson, "and we think in the longer run it will be a healthy development for investors in the U.S. water industry. The disposition of water utility assets in the U.S. is absolutely not an indication that this is a bad business that should be avoided by investors."

Dickerson says that American Water Works was the largest and most successful of all the U.S. water utilities before the RWE purchase (today he says that accolade is with **Aqua-America** (nyse: [WTR](#) - news - people ) (See "Splash") and predicts that RWE will choose to publicly offer its utility assets because it can get better premiums in public markets. Dickerson does not believe either private equity investors or any other water utility companies would be interested in American Water Works because of the potential high price. He says only **General Electric** (nyse: [GE](#) - news - people ) would be large enough to swallow American Water Works whole, but companies like GE, **ITT Industries** (nyse: [ITT](#) - news - people ) and **3M** (nyse: [MMM](#) - news - people ) have not shown previous interest in water utility assets, preferring to stick to water industrial assets--e.g. filtration, desalination and instrumentation markets.

That's good news for investors. Dickerson says an initial public offering for American Water Works would help bring down inflated multiples of smaller U.S. utilities which is the reason Dickerson moved most of his funds outside the U.S. Better valuations would mean more investment options.

For the moment, Dickerson also recommends sticking with RWE because there is not enough information about pending transactions. He says holding RWE might give existing investors preferential rights with respect to new water shares--a two-for-one bonus.

**More Faces In The News**



# **ATTACHMENT C**

## Kiplinger.com

February 21, 2006

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### STOCK WATCH

#### California Water: Refreshing

by

*Water utility stocks are good growth investments, and they have decent dividends.*

If only there were more water stocks. The few publicly traded water companies are pumping marvelous total returns: 25% a year over the past ten years at industry giant **Aqua America** (symbol **WTR**) and close to that at others, such as **California Water Services (CWT)**, **American States Water (AWR)** and **SJW Corp. (SJW)**. Water stocks are also remarkably consistent, with double-digit annualized total returns common across one, three, five and ten years.

One of the best performers so far in 2006 is California Water, which is headquartered in San Jose and also has operations in Hawaii, New Mexico and Washington. At \$42, it's up 9% from \$38 at the start of 2006. Cal Water just announced a strong finish to 2005, with fourth-quarter earnings of 32 cents a share, up from 20 cents a year earlier. Cal Water's full-year 2005 profits were basically flat because of the rainy weather early in 2005 that restrained water consumption. But business is improving again. There's also a \$1.15-a-share dividend that works out to a yield of 2.7%. California Water has now raised dividends for 39 straight years.

Assuming normal weather conditions in 2006, analysts James Lykins of Hilliard Lyons and David Schanzer of Janney Montgomery Scott are calling for Cal Water's earnings to jump this year, from \$1.48 a share for 2005 to \$1.75 and \$1.86, respectively. Both reviewed the recent quarter and have a buy rating on the shares. Since water companies are generally trading at 25 to 30 times earnings, the shares would then appear to be headed for around \$50.

Water companies' returns are regulated, so the companies are classified as public utilities. But, for investors, they're more like dividend-paying growth stocks -- and not just because of their past performance. Water usage expands with population and housing growth, and water companies are also able to grow by making acquisitions. California Water started expanding to other states in 1999 when it bought into Washington and says it is always scouting around for more opportunities.

--Jeffrey R. Kosnett

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**ARIZONA-AMERICAN WATER COMPANY**

**DOCKET NO. W-01303A-05-0405**

**and**

**DOCKET NO. W-01303A-05-0910**

**SURREBUTTAL TESTIMONY**

**OF**

**RODNEY L. MOORE**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**MARCH 6, 2006**

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1 **INTRODUCTION**

2 Q. Please state your name for the record.

3 A. My name is Rodney Lane Moore.

4

5 Q. Have you previously filed testimony regarding this docket?

6 A. Yes, I have. I filed direct testimony in this docket on January 26, 2006.

7

8 Q. What is the purpose of your surrebuttal testimony?

9 A. My surrebuttal testimony will address the Company's rebuttal comments  
10 pertaining to adjustments I sponsored in my direct testimony.

11

12 **SUMMARY OF ADJUSTMENTS**

13 Q. What areas will you address in your surrebuttal testimony?

14 A. My surrebuttal testimony will address the following RUCO proposed  
15 adjustments:

16 1. Operating Income Adjustment No. 1 – Reclassification of Office  
17 Lease;

18 2. Operating Income Adjustment No. 4 – Rate Case Expense;

19 3. Operating Income Adjustment No. 5 – Pension Expense;

20 4. Operating Income Adjustment No. 7 – Normalize Labor;

21 5. Operating Income Adjustment No. 8 – Depreciation Expense;

22 6. Operating Income Adjustment No. 9 – Property Taxes;

23 7. Operating Income Adjustment No. 11 – Normalize Payroll Taxes;

- 1           8.     Operating Income Adjustment No. 12 – Administration and General  
2                    Allocated Costs;  
3           9.     Operating Income Adjustment No. 16 – Income Tax Expense; and  
4           10.    Arsenic Cost Recovery Mechanism.

5  
6           To support the adjustments to my surrebuttal testimony I prepared eight  
7           Surrebuttal Schedules numbered SURR RLM-1, SURR RLM-2, SURR  
8           RLM-3, SURR RLM-6, SURR RLM-7, SURR RLM-11, SURR RLM-12 and  
9           SURR RLM-13, which are filed concurrently in my surrebuttal testimony.

10

11   **OPERATING INCOME**

12   **Operating Income Adjustment No. 1 – Reclassification of Office Lease**

13   Q.    Have you reviewed the Company's rebuttal testimony concerning your  
14           adjustment to reclassify the office lease expense?

15   A.    Yes. RUCO accepts the Company's calculation of this expense.

16

17           Therefore, I made the following correction in my surrebuttal testimony:

18           RUCO's Adjusted Expense	(\$1,185)
19           RUCO's Direct Testimony Adjusted Expense	<u>(\$14,593)</u>
20           RUCO's Surrebuttal Adjustment	\$13,408

21

22           As shown on Schedule SURR RLM-3, page 1, column (A), line 22, this  
23           adjustment increases adjusted test-year expenses by:

24           \$13,408.

1 **Operating Income Adjustment No. 4 – Rate Case Expense**

2 Q. After analyzing the Company's rebuttal testimony, is RUCO revising its  
3 adjustment to rate case expenses?

4 A. Yes, in light of the Company witness Mr. Townsley's rebuttal testimony  
5 announcing the Company's intention to file the next PV Water rate case  
6 not later than September 30, 2008; RUCO has recalculated the  
7 appropriate annual level of rate case expenses associated with this  
8 proceeding. RUCO accepts the Company's proposed amortization period  
9 of three years.

10  
11 However, RUCO does not agree with the Company's Rebuttal  
12 recommendation to burden the ratepayers with \$301,832 in rate case  
13 expenses, an increase of \$18,985 over its initial filing in this proceeding.  
14 RUCO maintains its direct testimony analysis was thorough and an  
15 accurate basis for determining a reasonable financial burden on  
16 ratepayers for rate case expenses.

17  
18 Moreover, to further illuminate the reasonableness of RUCO's position I  
19 refer to the Commissioners' position on such expenses in AZ-AM's most  
20 recent rate case affecting ten of AZ-AM's districts as stated in Decision  
21 No. 67093, dated June 30, 2004 on page 20, lines 17 to 19:

22 "Based on our review of the complexity of this proceeding,  
23 the number of systems involved in this rate request, and a

1 comparison of other cases, we find that rate case expense in  
2 the amount of \$418,941 is reasonable for this proceeding.”  
3

4 I incorporated the same criteria as the Commission did when it approved  
5 rate case expenses of \$418,941 (or \$41,894 per district) as part of the  
6 analysis in my direct testimony on page 10 starting at line 10.  
7

8 RUCO disagrees with respect to the Company's assertion that the instant  
9 case is "complex" because it addresses \$35 million in new investment in  
10 arsenic removal and fire flow improvement infrastructure – a tripling of the  
11 prior rate base. The costs associated with arsenic removal are not an  
12 issue in this case and will be properly addressed in the Company's filing  
13 for ACRM Step One capital costs later this year.  
14

15 The costs incurred by the Company to argue its request to recover capital  
16 investments associated with fire flow improvements in the instant case are  
17 not a justifiable ratepayer expense. Ratepayers should not be charged for  
18 the Company's choice to incur the expense necessary to present  
19 unorthodox arguments about discretionary items, and that the amount of  
20 allowable rate case expense should therefore be reduced. This position is  
21 concurrent with statements approved by the Commissioners in Decision  
22 No. 67093, dated June 30, 2004 on page 19, lines 3 to 5.  
23

...

1           Therefore, I calculated my surrebuttal adjustment to rate case expenses

2           as:

3           RUCO's Adjusted Expense ( $\$73,179 / 3 = \$24,393$ )	\$24,393
4           RUCO's Direct Testimony Adjusted Expense	<u>\$14,636</u>
5           RUCO's Surrebuttal Adjustment	\$9,757

6

7           As shown on Schedule SURR RLM-3, page 1, column (D), line 22, this

8           adjustment increases adjusted test-year expenses by:

9           \$9,757.

10

11       **Operating Income Adjustment No. 5 – Pension Expense**

12       Q.     After analyzing the Company's rebuttal testimony, is RUCO revising its  
13           adjustment to the pension expense?

14       A.     Yes.   After reviewing the Company's rebuttal adjustment to normalize  
15           labor, RUCO revised its test-year labor costs to include additional labor  
16           costs.

17           Therefore, in association with an increase in labor costs, pension  
18           expenses increased because of the additional number of full time  
19           equivalent PV Water employees.

20

21           Please see the following Operating Income Adjustment No. 6 – Normalize  
22           Labor for a full explanation.

23       ...

1 As shown on Schedule SURR RLM-6, I calculated my surrebuttal  
2 adjustment to pension expenses as:

3 RUCO's Adjusted Expense	\$22,409
4 RUCO's Direct Testimony Adjusted Expense	<u>\$21,735</u>
5 RUCO's Surrebuttal Adjustment	\$674

6  
7 As shown on Schedule SURR RLM-3, page 1, column (E), line 22, this  
8 adjustment increases adjusted test-year expenses by:  
9 \$674.

10

11 **Operating Income Adjustment No. 7 – Normalize Labor**

12 Q. After analyzing the Company's rebuttal testimony, is RUCO revising its  
13 adjustment to normalize labor?

14 A. Yes. This Company adjustment is based on the recommendation for  
15 inclusion of two labor elements. The first element is to replace two full-  
16 time employees for seven part-time employees, for an increase of 665.5  
17 test-year labor hours. The second element is to include an arsenic plant  
18 operator hired on October 10, 2005, for an increase of 2,080 test-year  
19 labor hours. RUCO analyzed the Company's rebuttal testimony and  
20 accepts the first element, but rejects the second element.

21 ...

22 ...

23 ...

1 Q. Please discuss RUCO's position on the Company's first element of this  
2 rebuttal adjustment.

3 A. As fully explained in my direct testimony on page 15 starting at line 16, I  
4 accurately calculated the level of test-year labor which provided the utility  
5 service to the test-year customer base. This balances the cost of  
6 providing service with the revenue generated. However, the Company  
7 provided additional information that fully explained why the pro forma  
8 adjustment attempts to reflect optimum working conditions outside the test  
9 year. RUCO accepts this adjustment as a more accurate depiction of test-  
10 year labor required to sustain adequate utility service.

11  
12 Therefore, I will increase test-year labor by 665.5 hours or \$7,825 as  
13 shown on Schedule SURR RLM-7. Subsequently, Income Adjustment No.  
14 5 – Pension Expense and Income Adjustment No. 11 – Normalized Payroll  
15 Taxes are adjusted to reflect the ramifications of this increase in test-year  
16 labor.

17  
18 Q. Please explain RUCO's rejection of the Company's second element of this  
19 rebuttal adjustment.

20 A. The Company is proposing to embed labor hours associated with the  
21 arsenic removal project into PV Water's test-year operation and  
22 maintenance expenses. This is in direct contradiction to the Company's  
23 request for ACRM cost recovery as stated in Mr. Stephenson's direct

1 testimony on page 15, starting at line 18, which states in part: "The ACRM  
2 rate recovery is based solely on actual and eligible costs and commences  
3 after new arsenic facilities are in service."

4  
5 Since costs associated with the arsenic facilities are not part of the instant  
6 case and the arsenic facilities are not in service yet, the arsenic plant  
7 operator hours cannot be allowed in test-year O & M expenses.

8  
9 Moreover, even if the inclusion of the arsenic plant operator were to be  
10 considered, his impact on PV Water operating expenses would be through  
11 a Central Division Allocation of 8.12% for these costs. Company witness  
12 Mr. Biesemeyer states, in part, in his rebuttal testimony on page 2, starting  
13 at line 6 that this new arsenic plant operator will take part in the  
14 operational testing for all of the new arsenic plants in the Central Division.

15  
16 Q. Please summarize your total adjustment to normalize labor.

17 A. I accepted the Company's recommendation to increase test-year labor to  
18 include a full time meter reader and a customer service representative; but  
19 I rejected the Company's proposal to include an arsenic plant operator.

20  
21 As shown on Schedule SURR RLM-7, I calculated my surrebuttal  
22 adjustment to normalize labor in two steps (First, labor for Operations  
23 activities; and Second, labor for Maintenance activities):

1	1.	Normalized Operations Labor:	
2		RUCO's Adjusted Expense	\$316,021
3		RUCO's Direct Testimony Adjusted Expense	<u>\$310,300</u>
4		RUCO's Surrebuttal Adjustment	\$5,721
5			
6	2.	Normalized Maintenance Labor:	
7		RUCO's Adjusted Expense	\$116,056
8		RUCO's Direct Testimony Adjusted Expense	<u>\$113,955</u>
9		RUCO's Surrebuttal Adjustment	\$2,101

10

11 As shown on Schedule SURR RLM-3, page 2, column (G), line 37, this

12 total adjustment increases adjusted test-year expenses by:

13 \$7,822 ( $\$5,721 + \$2,101 = \$7,822$ ).

14

15 **Operating Income Adjustment No. 8 –Depreciation Expense**

16 Q. After analyzing the Company's rebuttal testimony, is RUCO revising its

17 adjustments to the depreciation expenses?

18 A. No. RUCO does not accept the Company rationale for denying the

19 ratepayers their full entitlement of the compensation on the gain from the

20 sale of land.

21 ...

22 ...

23 ...

24 ...

25 ...

1 Q. Please outline the issues the Company raised over the distribution of the  
2 gain from the sale of land that you reject as part of your responsibilities in  
3 this rate proceeding.

4 A. Company witness Mr. Reiker discusses issues in his rebuttal testimony  
5 starting on page 13 concerning the gain from the sale of land, which relate  
6 to my responsibilities in this case. These issues are:

- 7 1. The Company's illusion that it has an option of whether or not to  
8 make an equitable distribution of this gain to the ratepayers;
- 9 2. The Company's position that it has been more than fair to share the  
10 after-tax gain with the ratepayers; based on the premise the  
11 Company has already paid the income taxes on the gain; and
- 12 3. The Company's misconception that RUCO's adjustment extracts  
13 from shareholders unwarranted additional amounts related to taxes  
14 and interest.

15  
16 Q. In response to your first concern, please explain the Company's regulatory  
17 responsibility with respect to proper treatment of any gain from the sale of  
18 land.

19 A. The Commission has dealt with this issue several times in the past and  
20 has historically authorized a 50/50 sharing between ratepayers and  
21 shareholders of any windfall profits realized by a public service utility<sup>1</sup>.

22 ...

---

<sup>1</sup> Decision No. 55228, dated October 9, 1986  
Decision No. 57075, dated August 31, 1990  
Decision No. 55175, dated August 21, 1986  
Decision No. 55931, dated April 1, 1988  
Decision No. 56659, dated October 24, 1989

1 Q. In response to your second concern, please explain the Company's false  
2 notion that, since the Company paid all income tax upfront the ratepayers  
3 should be burdened immediately with the tax liability associated with their  
4 share of the gain from the sale of land.

5 A. The concept that the ratepayers should pre-pay income taxes is irrelevant  
6 to whether or not the Company was assessed income taxes on the profit  
7 realized from the sale of land.

8  
9 The Company received a profit of \$784,496.48 from the sale of land and  
10 subsequently paid \$302,185.64 in income taxes out of that profit.

11  
12 However, until the Commission makes a final decision in this rate case,  
13 the ratepayers will realize no benefit from the sale of this land. To assess  
14 the full tax penalty on the ratepayers long before the full benefit is received  
15 is contrary to recognized ratemaking principles.

16  
17 If the Commission decision approves a five-year amortization period for  
18 any ratepayer compensation, the Company will have had use of the  
19 interest-free capital dedicated to the ratepayers' share of the gain.

20 ...  
21 ...  
22 ...  
23 ...

1 Q. In response to your third concern, please explain the Company's implied  
2 accusation that RUCO's adjustment extracts from shareholders additional  
3 amounts related to taxes and interest from the sale of land.

4 A. The following schedule definitively shows the Company's proposal  
5 burdens the ratepayers with a "double counting" tax liability.

6

7 ACTUAL RATEPAYER'S TAX BURDEN - 50/50 SHARING OF TAXES PAID:

8	1.	Pre-Tax Gain From Sale Of Land	\$784,496.48
9	2.	Ratepayers' 50/50 Share Of Pre-Tax Gain	\$392,248.24
10	3.	Income Tax Rate	38.60%
11	4.	Ratepayers' Income Tax Burden	<u>\$151,407.80</u>

12

13 CALCULATION OF RATEPAYER'S TAX BURDEN - 5-YEAR AMORTIZATION:

14 COMPANY'S METHODOLOGY

15	1.	Pre-Tax Gain	\$784,496.48	
16	2.	Tax Rate	38.60%	
17	3.	Taxes On Gain	<u>\$302,185.64</u>	
18	4.	50/50 Share Of Taxes		\$151,407.80
19	5.	After-Tax Gain	\$481,680.84	
20	6.	50/50 Share Of Gain	\$240,840.43	
21	7.	5-Year Amortized Amount	\$48,168.09	
22	8.	Taxes On Amortized Amount	\$18,592.88	
23	9.	Taxes After Five Years Of Amortization		<u>\$92,964.40</u>
24	10.	Company's Total Ratepayers' Tax Burden		<u>\$244,372.20</u>

25 ...

26 ...

1	RUCO'S METHODOLOGY		
2	1.	Pre-Tax Gain	\$784,496.48
3	2.	50/50 Share Of Gain	\$392,248.24
4	3.	5-Year Amortized Amount	\$78,449.65
5	4.	Taxes On Amortized Amount	\$30,281.56
6	5.	Taxes After Five Years Of Amortization	<u>\$151,407.80</u>
7	6.	RUCO's Total Ratepayers' Tax Burden	<u>\$151,407.80</u>
8			

9 This schedule clearly shows that RUCO's adjustment properly accounts  
10 for the tax burden on the annual disbursement and does not extract  
11 additional amounts related to taxes. In contrast, the Company's  
12 methodology does overstate the ratepayers' tax burden on this gain.

13  
14 Moreover, the Company's attempt to portray this disbursement as a  
15 discretionary gift that should be accepted in any amount certainly distorts  
16 established ratemaking principles and denies the ratepayers any  
17 compensation for the cost-free capital or the time value of their portion of  
18 the gain to which they are entitled.

19  
20 RUCO recommends its adjustment to the depreciation expense be  
21 accepted as stated in direct testimony and outlined in Schedule RLM-8.

22 ...

23 ...

24 ...

1 **Operating Income Adjustment No. 9 – Property Taxes**

2 Q. After analyzing the Company's rebuttal testimony, is RUCO revising its  
3 adjustments to the property tax expenses?

4 A. No, but I understand Company witness Mr. Reiker's assessment of the  
5 difference in PV Water's tax liability; thus I will clarify RUCO's adjustment  
6 to remove any confusion about a perceived "double-dip".

7  
8 Q. Please give an overview of your understanding of the difference between  
9 the Company and RUCO's adjustment to PV Water's test-year property  
10 tax expense.

11 A. Mr. Reiker states in his rebuttal testimony on page 39, line 7 that  
12 Motorola's test-year property taxes is calculated at approximately \$14,000  
13 and is reflected in PV Water's adjusted property tax expense of \$213,241.  
14 I determined through the Company's response to RUCO's data request  
15 7.04 that Motorola's actual tax liability was approximately \$56,000.

16  
17 Therefore, I made an adjustment in my direct filing to correct this error. As  
18 shown on Schedule SURR RLM-2, page 2, column (B), line 33, my total  
19 direct adjustment for property tax was approximately \$42,000 (\$56,000 -  
20 \$14,000 = \$42,000).

21  
22 RUCO acknowledges the Company's determination of the property taxes  
23 attributed to the Miller Road Treatment Facility ("MRTF"), but then makes

1 a further adjustment to increase MRTF's contribution to recover the actual  
2 assessed tax liability.

3  
4 Therefore, since I recognized the Company's adjusted test-year revenue  
5 excluded any property taxes that may be attributable to the MRTF,  
6 RUCO's adjustment is not a double-dip.

7  
8 Q. Please clarify this difference in the level of Motorola's property tax liability;  
9 where the Company's determination is about \$14,000, while RUCO's  
10 assessment is \$56,844.

11 A. The Company's witness Mr. Reiker states, in part, in his rebuttal testimony  
12 on page 39 starting on line 13 that Motorola disputes property taxes as an  
13 operating expense and that the Company has never been reimbursed for  
14 property taxes related to the MRTF.

15  
16 However, the Company's property tax calculation methodology is based  
17 on its adjusted test-year operating revenues; this property tax is already  
18 implicitly reduced by monies received from Motorola.

19  
20 Therefore, the Company's calculation using the Commission's current  
21 methodology estimates MRTF property taxes at approximately \$14,000.  
22 RUCO asserts that assessed property taxes of \$56,844 constitute a  
23 normal or recurring expense pursuant to Section VIII (A) of the NIBW

1 contract and the Company should seek redress through the dispute  
2 resolution mechanism outlined in Section XVI of the NIBW contract.  
3 Ratepayers should not be burdened with property tax expenses related to  
4 the MRTF.

5

6 Q. Please summarize RUCO's surrebuttal testimony to property tax  
7 expenses.

8 A. I calculated the direct adjustment to property tax expenses as:

9 RUCO's Direct Adjusted Expense	\$170,117
10 Company's Direct Testimony Adjusted Expense	<u>\$213,241</u>
11 RUCO's Direct Adjustment	(\$42,907)

12

13 As shown on SURR RLM-2, page 4, column (B), line 33 this direct  
14 adjustment decreased adjusted test-year expenses by:  
15 (\$42,907).

16

17 **Operating Income Adjustment No. 11 – Normalize Payroll Taxes**

18 Q. After analyzing the Company's rebuttal testimony, is RUCO revising its  
19 adjustment to Normalize Payroll Taxes?

20 A. Yes. After reviewing the Company's rebuttal adjustment to normalize  
21 labor, RUCO revised its test-year labor costs.

22 ...

23 ...

1           Therefore, in association with an increase in labor costs, payroll tax  
2           expenses also increased.

3  
4           Please see the above Operating Income Adjustment No. 6 – Normalize  
5           Labor for a full explanation.

6  
7           As shown on Schedule SURR RLM-11, I calculated my surrebuttal  
8           adjustment to the payroll tax expenses as:

9           RUCO's Adjusted Expense	\$37,965
10          RUCO's Direct Testimony Adjusted Expense	<u>\$37,367</u>
11          RUCO's Surrebuttal Adjustment	\$598

12  
13          As shown on Schedule SURR RLM-3, page 4, column (K), line 34, this  
14          adjustment increases adjusted test-year expenses by:  
15          \$598.

16  
17       **Operating Income Adjustment No. 12 – Administrative and General**  
18       **Allocated Costs**

19       Q.     After analyzing the Company's rebuttal testimony, is RUCO revising its  
20           adjustments to the administrative and general allocated costs?

21       A.     Yes. The Company's rebuttal adjustment consists of three elements. The  
22           first element is the Company's adjustment of RUCO's reduction in Arizona  
23           Corporate allocated management fees. The second element is the

1 Company's adjustment of RUCO's reduction of Central Division Corporate  
2 district allocated miscellaneous expenses. The third element is the  
3 Company's adjustment of RUCO's reduction of Arizona Corporate  
4 allocated miscellaneous expenses.

5  
6 Q. Please discuss the first element of the Company's rebuttal adjustment to  
7 Arizona Corporate allocated management fees.

8 A. The Company provides additional information and differentiates among  
9 the separate entries in this account; therefore, I will clarify and adjust my  
10 recommended expense level for this account based on the Company's  
11 rebuttal testimony.

12  
13 Q. Please outline the three separate entries in this account.

14 A. The total of the Arizona Corporate allocated management fees is \$62,478  
15 and is separated into the following entries:

- 16 1. American Water Incentive Plan ("AIP") for \$18,517;
- 17 2. Performance Pay, Stay Bonus for \$1,520; and
- 18 3. Other Reorganization/Downsizing and non-incentive pay expenses  
19 for \$42,441.

20  
21 Q. Please clarify and explain your surrebuttal adjustment to the AIP.

22 A. Company witness Mr. Townsley states in his testimony on page 16,  
23 starting on line 1 that the component weighting of the AIP that is directly  
24 related to financial measurements is approximately 30 percent.

1 Mr. Townsley explains the sound financial component benefits are a  
2 reduced cost of debt, which reduces cost of capital and allows the  
3 Company a better opportunity to raise capital.

4  
5 Stockholders are the beneficiaries of the achievement of these financial  
6 components. This is particularly true between rate cases. Any additional  
7 profit the Company is able to achieve between rate cases accrues solely  
8 to the Company's stockholders. Accordingly, since stockholders stand to  
9 gain from the achievement of the financial component, stockholders  
10 should bear all of the cost of its portion of the AIP.

11  
12 Therefore, I continue to advocate for the disallowance of the financial  
13 component or 30 percent of the AIP in the amount of \$5,555 ( $\$18,517 \times$   
14  $30\% = \$5,555$ ).

15  
16 Q. Please continue with the clarification and explanation of your surrebuttal  
17 adjustment to the AIP and the Performance Pay and Stay Bonus.

18 A. The remaining AIP of \$12,962 ( $\$18,517 - \$5,555 = \$12,962$ ) and the  
19 second separate entry of the Arizona Corporate allocated management  
20 fees of performance pay and stay bonus of \$1,520 does provide benefits  
21 to both shareholders and ratepayers. The remaining total of AIP is  
22 \$14,482 ( $\$12,962 + \$1,520 = \$14,482$ ).

23 ...

1 Mr. Townsley discusses the remaining two components of the AIP as  
2 recognition for operational and individual goals. Indicators for these  
3 components measure customer satisfaction, environmental targets, health  
4 and safety issues, and individual goals.

5 RUCO believes these criteria provide some benefit to customers.  
6 Accordingly, I am recommending a 50/50 sharing of the cost of this portion  
7 of the AIP.

8  
9 Therefore, I am reinstating 50 percent of this portion of the AIP ( $\$14,482 \times$   
10  $50\% = \$7,241$ ).

11  
12 Q. Please continue with the clarification and explanation of your surrebuttal  
13 adjustment to the Other Reorganization/Downsizing and Non-Incentive  
14 Pay expenses.

15 A. RUCO considers the amount of \$42,441 in Other  
16 Reorganization/Downsizing and Non-Incentive Pay expenses to be non-  
17 recurring and not typical of test-year expenses.

18  
19 Therefore, I am removing this amount from the Arizona Corporate  
20 allocated management fees.

21 ...

22 ...

23 ...

1 Q. Please summarize RUCO's surrebuttal adjustment to the first element of  
2 administrative and general allocated costs - the Arizona Corporate  
3 allocated management fees.

4 A. I reinstated half of 70 percent of the AIP, which is the portion that provides  
5 shared benefits to both the shareholders and ratepayers.

6  
7 As shown on SURR RLM-12, page 1, column (A), line 2 this adjustment  
8 increases adjusted test-year expenses by:  
9 \$7,241.

10  
11 Q. Please discuss the second element of the Company's rebuttal adjustment  
12 to the Central Division Corporate district allocated miscellaneous  
13 expenses.

14 A. The Company has accepted the majority of RUCO's adjustment, but  
15 rejects three items:

- 16 1. Ice for \$1,989;
- 17 2. Lawn maintenance for \$9,137; and
- 18 3. Security services for \$1,261.

19  
20 These costs are then allocated to PV Water on an 8.12 percent allocation  
21 factor.

22 ...

23 ...

1 Q. Please explain RUCO's denial of the purchase of ice as an acceptable  
2 operating expense to be burdened on the ratepayers.

3 A. As general principle RUCO maintains certain categories of expenses  
4 should not be the financial burden of the ratepayers. For example (but not  
5 limited to): Liquor, Coffee, Water, Ice, Sodas, Smoothies, Bagels, Donuts,  
6 Subs, etc.

7

8 Q. Please explain RUCO's denial of the cost for lawn maintenance as an  
9 acceptable operating expense to be burdened on the ratepayers.

10 A. RUCO believes it is disingenuous to the ratepayers to burden them with  
11 the cost of the Company's lawn maintenance while recommending a rate  
12 design to encourage conservation and penalizes customers who consume  
13 water to enhance their own landscaping.

14

15 Q. Please discuss the Company's explanation of the security service costs.

16 A. RUCO accepts the costs of the security service as explained more fully in  
17 the Company's rebuttal testimony.

18

19 Q. Please summarize RUCO's surrebuttal adjustment to the second element  
20 of administrative and general allocated costs - the Central Division  
21 Corporate district allocated miscellaneous expenses.

22 A. I reinstated 8.12 percent of the \$1,261 cost for security services or \$102  
23 (\$1,261 X 8.12% = \$102).

1 As shown on SURR RLM-12, page 1, column (A), line 3 this adjustment  
2 increases adjusted test-year expenses by:  
3 \$102.

4  
5 Q. Please discuss the third element of the Company's rebuttal adjustment to  
6 the Arizona Corporate allocated miscellaneous expenses.

7 A. The Company has accepted the majority of RUCO's adjustment but  
8 rejects eight items:

- 9 1. Human Resources Classified Advertisement for \$5,273;
- 10 2. Indoor Plant Maintenance for \$547;
- 11 3. Security Renovations and Remodeling for \$1,023;
- 12 4. Human Resources Classified Advertisement for \$5,353;
- 13 5. Management Job Search for \$33,660;
- 14 6. NAWC Dues for \$17,895;
- 15 7. Directors' Fees for \$15,687; and
- 16 8. Amortization of Reorganization and Centralization for \$105,120.

17  
18 Q. After analyzing the Company's rebuttal testimony, is RUCO revising its  
19 adjustments to the Arizona Corporate allocated miscellaneous expenses?

20 A. Yes. RUCO will accept the Company's rebuttal testimony and reinstate  
21 items: 1, 4, 5, 6, 7 and 8; but rejects items 2 and 3 as appropriate test-  
22 year operating expenses.

23 ...

24 ...

25 ...

1 Q. Please explain your rejection of item 2 – Indoor Plant Maintenance for  
2 \$547.

3 A. RUCO disallows indoor plant maintenance as a necessary expense in the  
4 provisioning of water service.

5  
6 Q. Please explain your rejection of item 3 - Security Renovations and  
7 Remodeling for \$1,023.

8 A. RUCO disallows renovations and remodeling as a nonrecurring non-  
9 typical historical test-year expense.

10  
11 Q. Please summarize RUCO's surrebuttal adjustment to the third element of  
12 administrative and general allocated costs - the Arizona Corporate  
13 allocated miscellaneous expenses.

14 A. I reinstated 8.12 percent of: the Human Resources Classified  
15 Advertisement for \$5,273; Human Resources Classified Advertisement for  
16 \$5,353; Management Job Search for \$33,660; NAWC Dues for \$17,895;  
17 Directors' Fees for \$15,687; and Amortization of Reorganization and  
18 Centralization for \$105,120.

19  
20 Thus, this adjustment increases the direct testimony adjustment by  
21 \$14,859 [(\$5,273 + \$5,353 + \$33,660 + \$17,895 + \$15,687 + \$105,120 =  
22 \$182,988) X 8.12% = \$14,859]

23 ...

1 As shown on SURR RLM-12, column (A), line 4 this adjustment increases  
2 adjusted test-year expenses by:  
3 \$14,859.

4  
5 Q. Please summarize your total adjustment to the administrative and general  
6 allocated costs.

7 A. RUCO made the following increases to the administrative and general  
8 allocated costs:

9	1. Arizona Corporate allocated management fees	\$7,241
10	2. Central Division Corporate miscellaneous expenses	\$102
11	3. Arizona Corporate allocated miscellaneous expenses	<u>\$14,859</u>
12	Total	\$22,202

13		
14	RUCO's Adjusted Expense	\$640,236
15	RUCO's Direct Testimony Adjusted Expense	<u>\$618,034</u>
16	RUCO's Surrebuttal Adjustment	\$22,202
17		

18 As shown on Schedule SURR RLM-3, page 3, column (L), line 22, this  
19 adjustment increases adjusted test-year expenses by:  
20 \$22,202.

21 ...  
22 ...  
23 ...  
24 ...  
25 ...

1 **Operating Income Adjustment No. 16 – Income Tax Expense**

2 Q. What adjustments have you made to the test-year Income Tax Expense  
3 account?

4 A. As shown on Schedule SURR RLM-16, I recalculated total test-year  
5 income taxes to reflect calculations based on my surrebuttal adjusted test-  
6 year revenue and expenses.

7  
8 As shown on Schedule SURR RLM-3, page 4, column (P), line 35, this  
9 adjustment decreases adjusted test-year expenses by:  
10 (\$21,154).

11

12 **ARSENIC COST RECOVERY MECHANISM**

13 Q. After reviewing the Company's response to the concerns raised in your  
14 direct testimony about the prudence of a thorough review of the costs  
15 associated with PV Water's arsenic facility, does RUCO feel it is now  
16 adequately informed to accept the estimated \$23.2 million as a fair and  
17 reasonable cost for the ACRM Step One recovery of the Company's  
18 capital investment?

19 A. No. However, I appreciate PV Water's attempt to reassure RUCO. The  
20 Company has performed its due diligence, but since the cost of the  
21 Company's arsenic facility is not an issue in the instant case the time is  
22 not ripe for a thorough analysis of the estimated cost breakout.

23 ...

1           In response to RUCO's preemptive acknowledgement of concern,  
2           Company witness Mr. Gross filed 62 pages of testimony associated with  
3           arsenic recovery. This does not indicate in anyway there are irregularities  
4           in the project, but it does prove there are complex issues of far more  
5           intricacy than can be rationally disposed of during an Opening Meeting in  
6           September 2006.

7  
8           I am not a professional engineer and therefore will have to rely on Staff  
9           Engineering in large part to make a sound judgment on the various  
10          technical aspects of these projects that come into question during the  
11          ACRM Step One process.

12          Mr. Gross provided Attachment A, depicting a detailed cost breakdown  
13          among the three simultaneous projects; at first glance, unfortunately, it  
14          seems many joint expenditures are largely committed to the arsenic  
15          removal.

16  
17          Mr. Gross comments on my concern about the appropriateness of the  
18          additional storage capacity costs, which are included as an arsenic  
19          recovery expense. He explains there has been a serious shortfall of  
20          existing storage since 1997. This response hardly provides justification for  
21          the cost of a new 1.5 million gallon storage tank being included in the  
22          ACRM Step One filing.

23          ...

1 Mr. Gross alludes to the fact the project provides no capability for treating  
2 water other than the removal of arsenic, since the present supply of well  
3 water meets all other quality standards. My interest is knowing what  
4 enhancements, if any, would be required to process CAP water.

5  
6 Mr. Gross mentioned that Staff engineering visited the arsenic removal  
7 site, but no one from RUCO has done so. This is a false and uniformed  
8 statement; on October 26, 2005, I had an escorted and informative tour of  
9 the arsenic removal project site, the MRTF, the recently installed fire flow  
10 infrastructure and a general overview of the PV Water's service territory.  
11 It was during this visit that I compiled a list of concerns relevant to RUCO's  
12 involvement in PV Water's ACRM Step One filing when and if the  
13 Company begins the process by docketing its application.

14  
15 Q. Is RUCO aware, and should the Company be cognizant, of Staff's  
16 anticipated treatment for its analysis and recommendation of the  
17 appropriate level of capital expenditure for the Company's arsenic  
18 recovery costs?

19 A. Yes. Commission Staff's anticipated treatment of arsenic cost recovery  
20 was thoroughly explained during AZ-AM's previously filed Docket No. W-  
21 01303A-05-0280 requesting the implementation of an ACRM for three of  
22 its other water Districts.

23 ...

1 Transcripts of the Hearing for July 26, 2005 on page 81, starting at line 10  
2 records the Administrative Law Judge ("ACALJ") Nodes posing the  
3 following question:

4 "It sounds as if what you are saying is Staff is planning on  
5 doing some kind of more in-depth analysis at the time the  
6 Company would submit its first request for recovery through  
7 the ACRM?"

8  
9 Staff witness Mr. Chelus responded in the affirmative.

10 Further into his examination ACALJ Nodes, on page 84, starting at line 3,  
11 requested clarification in the following question:

12 "So the process, as you see it unfolding, is there will be  
13 some continuing ongoing data requests and communications  
14 with the Company as to where they are in the process of  
15 installing this equipment and then, at the time that the  
16 various ACRM step proposals are submitted, Staff will  
17 review those and attempt to determine whether those were  
18 the least cost methodology available for treating the arsenic,  
19 is that right?"

20  
21 Staff witness Mr. Chelus responded in the affirmative.

22  
23 Still further into his examination ACALJ Nodes, on page 94, starting at line  
24 14, requested additional clarification in the following question:

25 "Ms. Brown, I had originally directed this to Mr. Chelus and  
26 he kind of deferred the question to you with respect to, I  
27 guess, the procedure, process that you anticipate occurring

1           once the Company submits its request for step or ACRM  
2           charges. And so let me kind of go through, make sure I  
3           understand what, how Staff anticipates this unfolding.

4  
5           Once Staff reviews the Company's submittal and  
6           RUCO also reviews it and neither RUCO nor Staff have any  
7           concerns with it, is it your understanding then that Staff  
8           would prepare an order for the Commission's consideration  
9           at an Open Meeting?"

10  
11          Staff witness Ms. Brown responded in the affirmative.

12  
13          ACALJ Nodes continues:

14  
15          "But if there was some factual dispute by either Staff or  
16          RUCO and it was necessary to conduct a Hearing, then  
17          once that Hearing was conducted, the Hearing Division  
18          would prepare the order for the Commission's  
19          consideration?"

20  
21          Staff witness Ms. Brown responded in the affirmative.

22  
23          Q. Do you believe the Staff also anticipates that the process of implementing  
24          ACRM Step One for PV Water will ultimately entail more review and  
25          analysis than a mere Open Meeting?

26          A. Yes. Based on the above Staff testimony I believe the Staff is anticipating  
27          a comprehensive process, which is consistent with my direct testimony on  
28          this subject.

1 Q. Does this conclude your surrebuttal testimony?

2 A. Yes, it does.

**SURREBUTTAL  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCHEDULE NO.	PAGE NO.	TITLE
SURR RLM-1	1	REVENUE REQUIREMENT
SURR RLM-2	1 & 2	OPERATING INCOME
SURR RLM-3	1 TO 4	SUMMARY OF OPERATING INCOME ADJUSTMENTS
SURREBUTTAL TESTIMONY		EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1 - RECLASSIFIED OFFICE LEASE
NO ADJUSTMENT		EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2 - NORMALIZED GROUP INSURANCE
NO ADJUSTMENT		EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3 - NORMALIZED OPEB EXPENSES
SURREBUTTAL TESTIMONY		EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - RATE CASE EXPENSE
SURR RLM-6	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5 - PENSION EXPENSES
NO ADJUSTMENT		EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - MATERIALS & SUPPLIES WRITE-OFF
SURR RLM-7	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7 - NORMALIZED PAYROLL
NO ADJUSTMENT		EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - TEST YEAR DEPRECIATION EXPENSE
NO ADJUSTMENT		EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9 - PROPERTY TAX COMPUTATION - ADJ. # 1
NO ADJUSTMENT		EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10- PROPERTY TAX COMPUTATION - ADJ. # 2
SURR RLM-11	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 11- NORMALIZED PAYROLL TAXES
SURR RLM-12	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12- ADMIN. & GEN. CORPORATE ALLOCATION
NO ADJUSTMENT		EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 13- CAPITALIZED O & M EXPENSES
		ADJUSTMENT NO. 14 - LEFT BLANK
		ADJUSTMENT NO. 15 - LEFT BLANK
SURR RLM-13	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 16 - INCOME TAX EXPENSE

**SURREBUTTAL  
REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) COMPANY REBUTTAL OCRB/FVRB	(C) RUCO DIRECT OCRB/FVRB	(D) RUCO SURREB'L OCRB/FVRB
1	Adjusted Rate Base	\$ 11,651,216	\$ 15,166,114	\$ 10,898,953	\$ 10,908,989
2	Adjusted Operating Income (Loss)	\$ 742,769	\$ 864,157	\$ 1,045,440	\$ 1,012,134
3	Current Rate Of Return (Line 2 / Line 1)	6.38%	5.70%	9.6%	9.28%
4	Required Operating Income (Line 5 X Line 1)	\$ 913,455	\$ 1,188,556	\$ 773,826	\$ 774,538
5	Required Rate Of Return	7.84%	7.84%	7.10%	7.10%
6	Operating Income Deficiency (Line 4 - Line 2)	\$ 170,686	\$ 324,399	\$ (271,615)	\$ (237,596)
7	Gross Revenue Conversion Factor (Schedule RLM-1, Page 2)	1.6286	1.6286	1.6286	1.6286
8	Increase In Gross Revenue Requirement (Line 7 X Line 6)	\$ 277,980	\$ 528,328	\$ (442,361)	\$ (386,957)
9	Adjusted Test Year Revenue	\$ 5,070,680	\$ 5,079,195	\$ 5,070,680	\$ 5,070,680
10	Proposed Annual Revenue Requirement (Line 8 + Line 9)	\$ 5,348,660	\$ 5,607,523	\$ 4,628,319	\$ 4,683,723
11	Required Percentage Increase In Revenue (Line 8 / Line 9)	5.48%	10.40%	-8.72%	-7.63%
12	Rate Of Return On Common Equity	12.00%	12.50%	10.00%	10.00%

**References:**

Column (A): Company Schedule A-1, C-1 And D-1  
Column (B): Schedules TJC-3, RLM-1 (Page 2), SURR RLM-2 And WAR-1

**SURREBTAL**  
**SUMMARY OF OPERATING INCOME**

LINE NO.	DESCRIPTION	(A) COMPANY TESTIMONY AS FILED	(B) RUCO DIRECT TESTIMONY ADJUSTMENTS	(C) RUCO DIRECT TESTIMONY AS ADJUSTED	(D) RUCO SURR'L TESTIMONY ADJUSTMENTS	(E) RUCO SURR'L TESTIMONY AS ADJUSTED	(F) RUCO PROPOSED CHANGES	(G) RUCO AS RECOMMENDED
<b>OPERATING REVENUES:</b>								
1	Residential	\$ 3,868,204	-	\$ 3,868,204	-	\$ 3,868,204	-	\$ 3,868,204
2	Commercial	928,050	-	928,050	-	928,050	-	928,050
3	Turf	76,712	-	76,712	-	76,712	-	76,712
4	Turf - Country Club	166,994	-	166,994	-	166,994	-	166,994
5	Miscellaneous	925	-	925	-	925	-	925
6	Sales For Resales	13,270	-	13,270	-	13,270	-	13,270
7	Fire Service	4,439	-	4,439	-	4,439	-	4,439
8	Other	12,468	-	12,468	-	12,468	-	12,468
9	Motorola	-	-	-	-	-	-	-
	Unbilled Adjustment	-	-	-	-	-	-	-
10	Residential	-	-	-	-	-	-	-
11	Commercial	-	-	-	-	-	-	-
12	Total Water Sales	5,071,062	-	5,071,062	-	5,071,062	(442,361)	4,628,701
13	Difference To G/L	(382)	-	(382)	-	(382)	-	(382)
14	<b>TOTAL OPERATING REV.</b>	<b>\$ 5,070,680</b>	<b>-</b>	<b>\$ 5,070,680</b>	<b>-</b>	<b>\$ 5,070,680</b>	<b>\$(442,361)</b>	<b>\$ 4,628,319</b>
<b>OPERATING EXPENSES:</b>								
Operations								
15	Source Of Supply	\$ 67,292	(1,847)	\$ 65,445	-	\$ 65,445	-	\$ 65,445
16	Purchased Power	812,312	-	812,312	-	812,312	-	812,312
17	Pumping Expense	4,416	-	4,416	-	4,416	-	4,416
18	Chemicals	16,499	-	16,499	-	16,499	-	16,499
19	Water Treatment	6,914	-	6,914	-	6,914	-	6,914
20	Transmission & Distribution	74,437	(32,389)	42,048	-	42,048	-	42,048
21	Customer Accounting	62,854	-	62,854	-	62,854	-	62,854
22	Administrative & General	1,378,856	(204,438)	1,174,418	46,041	1,220,459	-	1,220,459
23	Operations Labor	403,162	(92,863)	310,299	5,721	316,020	-	316,020
24	Total Operations Exp.	\$ 2,826,742	\$(331,537)	\$ 2,495,205	\$ 51,762	\$ 2,546,967	-	\$ 2,546,967

SURREBUTTAL  
 SUMMARY OF OPERATING INCOME - CONT'D

LINE NO.	DESCRIPTION	(A) COMPANY TESTIMONY AS FILED	(B) RUCO DIRECT TESTIMONY ADJUSTMENTS	(C) RUCO DIRECT TESTIMONY AS ADJUSTED	(D) RUCO SURR'L TESTIMONY ADJUSTMENTS	(E) RUCO SURR'L TESTIMONY AS ADJUSTED	(F) RUCO PROPOSED CHANGES	(G) RUCO AS RECOMMENDED
	Maintenance							
25	Source Of Supply	\$ 14,552	\$ (2,350)	\$ 12,202	\$ -	\$ 12,202	\$ -	\$ 12,202
26	Pumping	16,309	(6,298)	10,011	-	10,011	-	10,011
27	Water Treatment	(1,277)	-	(1,277)	-	(1,277)	-	(1,277)
28	Transmission & Distribution	118,506	(2,090)	116,416	-	116,416	-	116,416
29	Administrative & General	784	-	784	-	784	-	784
30	Maintenance Labor	148,056	(34,101)	113,955	2,101	116,056	-	116,056
31	Total Maintenance Exp.	\$ 296,930	\$ (44,839)	\$ 252,091	\$ 2,101	\$ 254,192	\$ -	\$ 254,192
32	DEPR. & AMORT. EXPENSES	\$ 720,578	\$ (72,676)	\$ 647,902	\$ -	\$ 647,902	\$ -	\$ 647,902
	TAXES							
33	Property Taxes	\$ 213,241	\$ (42,907)	\$ 170,334	\$ -	\$ 170,334	\$ -	\$ 170,334
34	Payroll & Miscellaneous	54,716	(17,204)	37,512	598	38,110	-	38,110
35	State & Federal Income	215,705	206,490	422,195	(21,154)	401,041	(149,361)	251,680
36	Total Taxes	\$ 483,662	\$ 146,379	\$ 630,041	\$ (20,556)	\$ 609,485	\$ (149,361)	\$ 460,125
37	TOTAL OPERATING EXP.	\$ 4,327,912	\$ (302,672)	\$ 4,025,240	\$ 33,306	\$ 4,058,546	\$ (149,361)	\$ 3,909,185
38	OPERATING INCOME (LOSS)	\$ 742,768		\$ 1,045,440		\$ 1,012,134		\$ 719,134

References:  
 Column (A): Company Schedules C-1 And E-6  
 Column (B): Testimony, RLM And Schedule RLM-3, Pages 1 Thru 4  
 Column (C): Column (A) + Column (B)  
 Column (D): Surrebittal Testimony, RLM And Schedule SURR RLM-3, Pages 1 Thru 4  
 Column (E): Column (C) + Column (D)

**SURREBUTTAL**  
**SUMMARY OF INCREMENTAL OPERATING INCOME ADJUSTMENTS**  
**TEST YEAR AS RUCO FILED AND SURREBUTTAL ADJUSTED**

LINE NO.	DESCRIPTION	RUCO DIRT TESTIMONY AS ADJUSTED	(A) ADJ #1	(B) ADJ #2	(C) ADJ #3	(D) ADJ #4	(E) ADJ #5	(F) ADJ #6	(G) ADJ #7	(H) ADJ #8
<b>OPERATING REVENUES:</b>										
1	Residential	\$ 3,868,204	-	\$ -	-	\$ -	-	\$ -	-	\$ -
2	Commercial	928,050	-	-	-	-	-	-	-	-
3	Turf	76,712	-	-	-	-	-	-	-	-
4	Turf - Country Club	166,994	-	-	-	-	-	-	-	-
5	Miscellaneous	925	-	-	-	-	-	-	-	-
6	Sales For Resales	13,270	-	-	-	-	-	-	-	-
7	Fire Service	4,439	-	-	-	-	-	-	-	-
8	Other	12,468	-	-	-	-	-	-	-	-
9	Motorola	-	-	-	-	-	-	-	-	-
	Unbilled Adjustment	-	-	-	-	-	-	-	-	-
10	Residential	-	-	-	-	-	-	-	-	-
11	Commercial	-	-	-	-	-	-	-	-	-
12	Total Water Sales	5,071,062	-	-	-	-	-	-	-	-
13	Difference To G/L	(382)	-	-	-	-	-	-	-	-
14	<b>TOTAL OPERATING REV.</b>	<b>\$ 5,070,680</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>OPERATING EXPENSES:</b>										
Operations										
15	Source Of Supply	\$ 65,445	-	\$ -	-	\$ -	-	\$ -	-	\$ -
16	Purchased Power	812,312	-	-	-	-	-	-	-	-
17	Pumping Expense	4,416	-	-	-	-	-	-	-	-
18	Chemicals	16,499	-	-	-	-	-	-	-	-
19	Water Treatment	6,914	-	-	-	-	-	-	-	-
20	Transmission & Distribution	42,048	-	-	-	-	-	-	-	-
21	Customer Accounting	62,854	-	-	-	-	-	-	-	-
22	Administrative & General	1,174,418	13,408	-	-	9,757	-	-	-	-
23	Operations Labor	310,299	-	-	-	-	-	-	5,721	-
24	<b>Total Operations Exp.</b>	<b>\$ 2,495,205</b>	<b>\$ 13,408</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,757</b>	<b>\$ 674</b>	<b>\$ -</b>	<b>\$ 5,721</b>	<b>\$ -</b>

**ADJUSTMENT NO.**  
1 - Reclassified Office Lease  
2 - Normalized Group Insurance  
3 - OPEB Expense  
4 - Rate Case Expense

**REFERENCE**  
Testimony, RLM  
No Surrebittal Adjustment  
No Surrebittal Adjustment  
Testimony, RLM

**ADJUSTMENT NO.**  
5 - Pension Expense  
6 - Write-Off Mat. & Supplies  
7 - Normalized Labor  
8 - Depreciation Expense

**REFERENCE**  
Testimony, RLM And Schedule SURR RLM-6  
No Surrebittal Adjustment  
Testimony, RLM And Schedule SURR RLM-7  
Testimony, RLM

**SURREBTOTAL**  
**SUMMARY OF INCREMENTAL OPERATING INCOME ADJUSTMENTS - CONT'D**  
**TEST YEAR AS RUCO FILED AND SURREBTOTAL ADJUSTED**

LINE NO.	DESCRIPTION	RUCO DIRT TESTIMONY AS ADJTD	(A) ADJ #1	(B) ADJ #2	(C) ADJ #3	(D) ADJ #4	(E) ADJ #5	(F) ADJ #6	(G) ADJ #7	(H) ADJ #8
	Maintenance									
25	Source Of Supply	\$ 12,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Pumping	10,011	-	-	-	-	-	-	-	-
27	Water Treatment	(1,277)	-	-	-	-	-	-	-	-
28	Transmission & Distribution	116,416	-	-	-	-	-	-	-	-
29	Administrative & General	784	-	-	-	-	-	-	-	-
30	Maintenance Labor	113,955	-	-	-	-	-	-	2,101	-
31	Total Maintenance Exp.	\$ 252,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,101	\$ -
32	DEPR. & AMORT. EXPENSES	\$ 647,902	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TAXES									
33	Property Taxes	\$ 170,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	Payroll & Miscellaneous	37,512	-	-	-	-	-	-	-	-
35	State & Federal Income	422,195	-	-	-	-	-	-	-	-
36	Total Taxes	\$ 630,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	TOTAL OPERATING EXP.	\$ 4,025,240	\$ 13,408	\$ -	\$ -	\$ 9,757	\$ 674	\$ -	\$ 7,822	\$ -
38	OPERATING INCOME (LOSS)	\$ 1,045,440								

- ADJUSTMENT NO.
- 1 - Reclassified Office Lease
  - 2 - Normalized Group Insurance
  - 3 - OPEB Expense
  - 4 - Rate Case Expense
  - 5 - Pension Expense
  - 6 - Write-Off Mat. & Supplies
  - 7 - Normalized Labor
  - 8 - Depreciation Expense

- REFERENCE
- Testimony, RLM
  - No Surrebuttal Adjustment
  - No Surrebuttal Adjustment
  - Testimony, RLM
  - Testimony, RLM And Schedule SURR RLM-6
  - No Surrebuttal Adjustment
  - Testimony, RLM And Schedule SURR RLM-7
  - Testimony, RLM

**SURREBUTTAL**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS - CONT'D**  
**TEST YEAR AS RUCO FILED AND SURREBUTTAL ADJUSTED**

LINE NO.	DESCRIPTION	(I) ADJ #9	(J) ADJ #10	(K) ADJ #11	(L) ADJ #12	(M) ADJ #13	(N) ADJ #14	(O) ADJ #15	(P) ADJ #16	(Q) RUCO AS AD'TED
<b>OPERATING REVENUES:</b>										
1	Residential	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,868,204
2	Commercial	-	-	-	-	-	-	-	-	928,050
3	Turf	-	-	-	-	-	-	-	-	76,712
4	Turf - Country Club	-	-	-	-	-	-	-	-	166,994
5	Miscellaneous	-	-	-	-	-	-	-	-	925
6	Sales For Resales	-	-	-	-	-	-	-	-	13,270
7	Fire Service	-	-	-	-	-	-	-	-	4,439
8	Other	-	-	-	-	-	-	-	-	12,468
9	Motorola	-	-	-	-	-	-	-	-	-
	Unbilled Adjustment	-	-	-	-	-	-	-	-	-
10	Residential	-	-	-	-	-	-	-	-	-
11	Commercial	-	-	-	-	-	-	-	-	-
12	Total Water Sales	-	-	-	-	-	-	-	-	5,071,062
13	Difference To G/L	-	-	-	-	-	-	-	-	(382)
14	<b>TOTAL OPERATING REV.</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,070,680</b>
<b>OPERATING EXPENSES:</b>										
Operations										
15	Source Of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,445
16	Purchased Power	-	-	-	-	-	-	-	-	812,312
17	Pumping Expense	-	-	-	-	-	-	-	-	4,416
18	Chemicals	-	-	-	-	-	-	-	-	16,499
19	Water Treatment	-	-	-	-	-	-	-	-	6,914
20	Transmission & Distribution	-	-	-	-	-	-	-	-	42,048
21	Customer Accounting	-	-	-	-	-	-	-	-	62,854
22	Administrative & General	-	-	-	22,202	-	-	-	-	1,220,459
23	Operations Labor	-	-	-	-	-	-	-	-	316,020
24	<b>Total Operations Exp.</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,202</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,546,967</b>

**ADJUSTMENT NO.**  
 9 - Property Tax - Adjustment No. 1  
 10 - Property Tax - Adjustment No. 2  
 11 - Payroll Taxes  
 12 - Admin. & Gen. Corporate Allocation

**REFERENCE**  
 Testimony, RLM  
 No Adjustment  
 Testimony, RLM And Schedule SURR RLM-11 15 - Left Blank  
 Testimony, RLM And Schedule SURR RLM-12 16 - Income Tax

**ADJUSTMENT NO.**  
 13 - Capitalization Of Expenses  
 14 - Left Blank

**REFERENCE**  
 No Surrebittal Adjustment  
 Testimony, RLM And Schedule SURR RLM-13

**SURREBUTTAL**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS - CONT'D**  
**TEST YEAR AS RUCO FILED AND SURREBUTTAL ADJUSTED**

LINE NO.	DESCRIPTION	(I) ADJ #9	(J) ADJ #10	(K) ADJ #11	(L) ADJ #12	(M) ADJ #13	(N) ADJ #14	(O) ADJ #15	(P) ADJ #16	(Q) RUCO AS ADJTD
	Maintenance									
25	Source Of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,202
26	Pumping	-	-	-	-	-	-	-	-	10,011
27	Water Treatment	-	-	-	-	-	-	-	-	(1,277)
28	Transmission & Distribution	-	-	-	-	-	-	-	-	116,416
29	Administrative & General	-	-	-	-	-	-	-	-	784
30	Maintenance Labor	-	-	-	-	-	-	-	-	116,056
31	Total Maintenance Exp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,192
32	DEPR. & AMORT. EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647,902
	TAXES									
33	Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,334
34	Payroll & Miscellaneous	-	-	598	-	-	-	-	-	38,110
35	State & Federal Income	-	-	-	-	-	-	-	(21,154)	401,041
36	Total Taxes	\$ -	\$ -	\$ 598	\$ -	\$ -	\$ -	\$ -	\$ (21,154)	\$ 609,485
37	TOTAL OPERATING EXP.	\$ -	\$ -	\$ 598	\$ 22,202	\$ -	\$ -	\$ -	\$ (21,154)	\$ 4,058,546
38	OPERATING INCOME (LOSS)									\$ 1,012,134

ADJUSTMENT NO.

- 9 - Property Tax - Adjustment No. 1
- 10 - Property Tax - Adjustment No. 2
- 11 - Payroll Taxes
- 12 - Admin. & Gen. Corporate Allocation
- 13 - Capitalization Of Expenses
- 14 - Left Blank
- 15 - Left Blank
- 16 - Income Tax

REFERENCE

- Testimony, RLM
- No Adjustment
- Testimony, RLM And Schedule SURR RLM-11
- Testimony, RLM And Schedule SURR RLM-12
- No Surrebittal Adjustment
- Testimony, RLM And Schedule SURR RLM-13

**SURREBUTTAL  
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5  
PENSION EXPENSE**

LINE NO.	DESCRIPTION	REFERENCE	(A)
1	Projected AZ-AM 2005 Pension Funding Expense	Company Workpapers	\$ 296,624
2	Active Pension Participants	Company Response To RUCO Data Request 5.05	136
3	Projected AZ-AM 2005 Pension Funding Expense Per Participant	Line 1 / Line 2	<u>\$ 2,181</u>
4	Direct Full-Time Equivalent Employees Working At Paradise Valley	RUCO Direct Testimony	11.16
5	Additional Full-Time Equivalent Employees Working At Paradise Valley	RUCO Surrebuttal Adjustment (SEE NOTE A)	0.32
6	Surrebuttal Full-Time Equivalent Employees Working At Paradise Valley	Line 4 + Line 5	<u>11.48</u>
7	Projected Paradise Valley 2005 Pension Funding Expense	Line 3 X Line 6	<u>\$ 25,038</u>
	Less		
	Capitalized Portion		
8	Normalized Capital Labor	\$ (45,377)	Direct Testimony RLM-7, Page 1, Line 2
9	Normalized Total Labor	<u>\$432,077</u>	Direct Testimony RLM-7, Page 1, Line 3
10	Percentage Capital Labor Is Of Total Labor	-10.50%	Line 6 / Line 7
11	Capitalized Labor	Line 7 X Capital Labor Of 10.70%	(2,630)
12	RUCO Adjustment	Line 7 + Line 11	\$ 22,409
13	RUCO Direct Adjustment	Direct Testimony Schedule RLM-6, Page 1, Line 10	<u>21,735</u>
14	RUCO Surrebuttal Adj'm't (See SURR RLM-3, Page 1, Column (E), Line 2:	Line 12 - Line 13	<u>\$ 674</u>

NOTE A

15	RUCO Additional Test-Year Labor Hours	Surrebuttal Testimony Adjustment No. 7	665.5
16	RUCO Additional Portion of "Full Time Equivalent Employees"	Line 15 / 2080 Reg. Full Time Annual Hours	<u>0.32</u>

**SURREBUTTAL**  
**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7**  
**NORMALIZATION OF LABOR - PROJECTED HOURS AND WAGES**

LINE NO.	DESCRIPTION	REFERENCE	(A) RUCO AS ADJ'ED
1	Total Payroll - Regular & Overtime (Excluding MRTF) - As Adjusted By RUCO	WP SURR RLM-7, Pg 3, C (E), L 49	\$ 477,454
2	Normalized Total Capitalized Wages - As Calculated By Company	2004 G/L Actuals Plus 3.5% Increase	(45,377)
3	Total Normalized Payroll Expense (Excluding MRTF)	Line 1 + Line 2	<u>\$ 432,077</u>
Allocation Of Normalized Payroll Expense - As Calculated By Company			
4	Operations Labor @ 73.14%	3 Year Average	\$ 316,021
5	Maintenance Labor @ 26.86%	3 Year Average	116,056
6	Total Normalized Payroll Expense (Excluding MRTF) - As Adjusted By RUCO	Line 4 + Line 5	<u>\$ 432,077</u>
Normalized Payroll Expense (Excluding MRTF) As Filed By Company			
7	Operations Labor	Company Workpapers	\$ 403,163
8	Maintenance Labor	Company Workpapers	148,056
9	Total Normalized Payroll Expense (Excluding MRTF) As Filed By Company	Line 7 + Line 8	<u>\$ 551,219</u>
Payroll Adjustments			
10	RUCO Adjustment To Operations Labor	Line 4	\$ 316,021
11	RUCO Direct Adjustment To Operations Labor	Direct Testimony Schedule RLM-7	\$ 310,300
12	RUCO Surrebuttal Adj'm't To Oper's Labor (See SURR RLM-3, Pg 1, C (G), L 23)	Line 10 - Line 11	<u>\$ 5,721</u>
13	RUCO Adjustment To Maintenance Labor	Line 5	\$ 116,056
14	RUCO Direct Adjustment To Maintenance Labor	Direct Testimony Schedule RLM-7	113,955
15	RUCO Surrebuttal Adj'm't To Maint. Labor (See SURR RLM-3, Pg 2, C (G), L 30)	Line 13 - Line 14	<u>\$ 2,101</u>
16	Total RUCO Surrebuttal Adjustment	Line 12 + Line 15	<u>\$ 7,822</u>

**SURREBUTTAL**  
**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 11**  
**NORMALIZATION OF PAYROLL TAXES**

LINE NO.	DESCRIPTION	REFERENCE	(A)
1	RUCO Adjusted Payroll Expense	SURR RLM-3, C (Q), (Pg 3, L 23) + (Pg 4, L 30)	\$ 432,076
2	RUCO Adjusted Normalized FICA-1 @ 6.20% (Max. \$90,000)	Line 1 X 6.20%	\$ 26,789
3	RUCO Adjusted Normalized FICA-2 @ 1.45%	Line 1 X 1.45%	6,265
4	RUCO Adjusted Normalized FUTA @ 0.80%	NOTE A	1,746
5	RUCO Adjusted Normalized SUTA @ 1.45%	NOTE B	3,165
6	Total	Sum Of Lines 2, 3, 4 & 5	<u>\$ 37,965</u>
7	RUCO Adjustment	Line 6	\$ 37,965
8	RUCO Direct Adjustment	Direct Testimony Schedule RLM-11	37,367
9	RUCO Surrebuttal Adjustment (See SURR RLM-3, Pg 4, Col. (K), Line 34)	Line 7 - Line 8	<u>\$ 598</u>

NOTE A

Calculation Of RUCO Adjusted Normalized FUTA @ 0.80%

9	RUCO Adjusted No. Of Paradise Valley Employees Earning Over \$7,000	WP RLM-4, Pg 5, Col. (E) @ 31	
10	RUCO Adjusted Normalized FUTA @ 0.80%	31 X \$7,000 X 0.80%	\$ 1,736
11	RUCO Adjusted Total Annual Wages For Employees Earning Under \$7,000	WP RLM-4, Pg 5, Col. (E) @ \$1,276	
12	RUCO Adjusted Normalized FUTA @ 0.80%	\$1,276 X 0.80%	10
13	Total RUCO Adjusted Normalized FUTA @ 0.80%	Line 10 + Line 12	<u>\$ 1,746</u>

NOTE B

Calculation Of RUCO Adjusted Normalized SUTA @ 1.45%

14	RUCO Adjusted No. Of Paradise Valley Employees Earning Over \$7,000	WP RLM-4, Pg 5, Col. (E) @ 31	
15	RUCO Adjusted Normalized SUTA @ 1.45%	31 X \$7,000 X 1.45%	\$ 3,147
16	RUCO Adjusted Total Annual Wages For Employees Earning Under \$7,000	WP RLM-4, Pg 5, Col. (E) @ \$1,276	
17	RUCO Adjusted Normalized SUTA @ 1.45%	\$1,276 X 4.45%	19
18	Total RUCO Adjusted Normalized SUTA @ 1.45%	Line 15 + Line 17	<u>\$ 3,165</u>

**SURREBUTTAL**  
**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12**  
**RUCO ADJUSTMENT TO ALLOCATED ADMINISTRATION AND GENERAL EXPENSES**

LINE NO.	DESCRIPTION	REFERENCE	(A) AMOUNT
1	RUCO Direct Management Fees & Misc. Corp. Office Allocated Expenses	Direct Testimony Schedule RLM-12	\$ 618,034
2	RUCO Adjustment To Management Fees Allocated Expenses	Surrebuttal Testimony	\$ (55,237)
3	RUCO Direct Adjustment To Management Fees Allocated Expenses	Direct Testimony	(62,478)
4	RUCO Surrebuttal Adjustment To Management Fees Allocated Expenses	Line 2 -Line 3	<u>\$ 7,241</u>
5	RUCO Adjustment To Miscellaneous Central Division Allocated Expenses	SURR RLM-12, Pg 2, Col. (E), L 43	\$ (1,102)
6	RUCO Direct Adjustment To Misc. Central Division Allocated Expenses	Direct Testimony Schedule RLM-12	(1,204)
7	RUCO Surrebuttal Adjustment To Misc. Central Division Allocated Exp.	Line 5 - Line 6	<u>\$ 102</u>
8	RUCO Adjustment To Miscellaneous Corporate Allocated Expenses	SURR RLM-12, Pg 4, Col. (E), L 61	\$ (3,374)
9	RUCO Direct Adjustment To Misc. Corporate Allocated Expenses	Direct Testimony Schedule RLM-12	(18,233)
10	RUCO Surrebuttal Adjustment To Misc. Corporate Allocated Expenses	Line 8 - Line 9	<u>\$ 14,859</u>
11	RUCO Adjusted Administration And General Allocated Expenses	Sum Of Lines 4, 7, & 10	<u>\$ 22,202</u>
12	RUCO Adjustment	Line 11 + Line 1	\$ 640,236
13	RUCO Direct Adjustment	Direct Testimony Schedule RLM-12	618,034
14	RUCO Surrebuttal Adjustment (See SURR RLM-3, Pg 3, Col. (L), L 22)	Line 12 - Line 13	<u>\$ 22,202</u>

**SURREBUTTAL**  
**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 16**  
**INCOME TAX EXPENSE**

(A)

LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	RLM-2, Col. (C), L38 + L35	\$ 1,413,175
LESS:			
2	Arizona State Tax	Line 11	(72,397)
3	Interest Expense	Note (A) Line 19	(374,178)
4	Federal Taxable Income	Line 1 + Line 2 + Line 3	<u>\$ 966,600</u>
5	Federal Tax Rate	RLM-1, Page 2, Col.(A), L 9	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	<u>\$ 328,644</u>
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ 1,413,175
LESS:			
8	Interest Expense	Note (A) Line 19	(374,178)
9	State Taxable Income	Line 7 + Line 8	<u>\$ 1,038,997</u>
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	<u>\$ 72,397</u>
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ 328,644
13	State Income Tax Expense	Line 11	72,397
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	<u>\$ 401,041</u>
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		215,705
16	RUCO Adjustment (See RLM-3, Page 4, Column (P), Line 35)	Line 14 - Line 15	<u>\$ 185,336</u>
17	RUCO Adjustment	Line 16	\$ 185,336
18	RUCO Direct Adjustment	Direct Testimony Schedule RLM-13	206,490
19	RUCO Surrebuttal Adj'm't (See SURR RLM-3, Pg 4, C (I), L 33)	Line 17 - Line 18	<u>\$ (21,154)</u>

NOTE (A):

Interest Synchronization:			
17	Adjusted Rate Base	RLM-1, Page 1, Col. (F), L1	\$ 10,908,989
18	Weighted Cost Of Debt	WAR-1, Col. (F), L1 + L2	3.43%
19	Interest Expense	Line 17 X Line 18	<u>\$ 374,178</u>

**ARIZONA-AMERICAN WATER COMPANY**

**DOCKET NO. W-01303A-05-0405**

**and**

**DOCKET NO. W-01303A-05-0910**

**SURREBUTTAL TESTIMONY**

**OF**

**TIMOTHY J. COLEY**

**ON BEHALF OF**

**THE**

**RESIDENTIAL UTILITY CONSUMER OFFICE**

**MARCH 6, 2006**

1	INTRODUCTION.....	1
2	RATE BASE.....	3
3	Plant Held for Future Use.....	3
4	Gain on Sale of Land.....	5
5	Capitalized Expenses.....	7
6	Working Capital.....	7
7	RATE DESIGN.....	15
8		

1 **INTRODUCTION**

2 Q. Please state your name for the record and by whom you are employed.

3 A. My name is Timothy James Coley. I am employed by the Residential  
4 Utility Consumer Office ("RUCO").

5

6 Q. Did you file direct testimony in this docketed case (W-01303A-05-0405)  
7 before the Arizona Corporation Commission ("ACC") on behalf of RUCO?

8 A. Yes. I filed direct testimony regarding this case on January 16, 2006.

9

10 Q. What is the purpose of your surrebuttal testimony in this proceeding?

11 A. The purpose of my surrebuttal testimony in this proceeding is to present  
12 my response to Arizona-American Water Company's Paradise Valley  
13 Water District's (hereafter referred to as "AZ-AM", "PV" or "Company")  
14 rebuttal testimony filed by Company witness Mr. Joel M. Reiker. My  
15 surrebuttal will supplement and complement my direct testimony, as well  
16 as RUCO's, on matters pertaining to the Company's rebuttal positions in  
17 this docket.

18

19 Q. Is there another witness on behalf of RUCO presenting responses to the  
20 Company's rebuttal testimonies?

21 A. Yes. RUCO witness, Mr. Rodney L. Moore, will present RUCO's  
22 responses to the Company's rebuttal testimonies on operating income and  
23 expenses. Mr. Moore will also address arsenic cost recovery mechanism

1 ("ACRM") issues. Ms. Marylee Diaz Cortez discusses RUCO'S position  
2 on the fire flow and high-block usage matters in her surrebuttal testimony.  
3 RUCO witness, Mr. William A. Rigsby, presents cost of capital issues in  
4 his surrebuttal testimony.

5  
6 Q. What areas will your surrebuttal testimony address?

7 A. I will provide surrebuttal testimony in the following areas:

- 8 1. RUCO Rate Base Adjustment 1: Plant Held For Future Use  
9 ("PHFFU").
- 10 2. RUCO Rate Base Adjustment 2: Gain on Sale of Land.
- 11 3. RUCO Rate Base Adjustment 3: Capitalized Expenses.
- 12 4. RUCO Rate Base Adjustment 4: Working Capital.
- 13 5. RUCO's Rate Design.

14  
15 Q. Have you included any updated schedules and/or revenue requirements in  
16 this surrebuttal filing?

17 A. Yes. I have provided updated working capital, cash working capital, and  
18 rate design schedules to reflect RUCO's surrebuttal adjustments.

1 **RATE BASE**

2 **Plant Held for Future Use ("PHFFU")**

3 Q. Did the Company accept RUCO's adjustment to rate base to disallow  
4 PHFFU?

5 A. No.

6  
7 Q. What reasons did the Company provide in its rebuttal testimony for not  
8 accepting RUCO's adjustment to remove plant that is not used?

9 A. The Company states that it does not accept RUCO's adjustment to  
10 remove plant that currently is not used "for the same reasons we do not  
11 accept Staff Rate Base Adjustment 1," which is the identical adjustment  
12 RUCO made.

13  
14 Q. Please provide a brief synopsis of the Company's rationale for not  
15 accepting both Staff's and RUCO's adjustment to remove PHFFU from  
16 rate base?

17 A. The Company cites two prior Commission decisions (Decision No. 59079,  
18 docketed May 5, 1995 and Decision No. 61831, docketed July 20, 1999)  
19 that allowed plant in rate base and thus earn a return.

20  
21 Q. Did you review the decisions cited by the Company?

22 A. Yes. I reviewed both of the decisions in addition to Decision 67093, which  
23 is the most recent AZ-AM rate case decision docketed on June 30, 2004.

1 Q. Please discuss the two decisions that the Company cites in its rebuttal  
2 testimony.

3 A. In Decision No. 59079, the Company included a back-up pump in its rate  
4 base in the amount of \$7,544.38 (whereas the Company is requesting  
5 \$138,682 for PHFFU in the instant case, which is more than 18-times what  
6 was requested in Decision No. 59079). RUCO recommended removal of  
7 this amount since it was property that was being held for future use and  
8 thus not currently used and useful in the provision of water service.

9  
10 Decision No. 61831 is silent on the issue of plant held for future use.  
11 Therefore, it provides no precedent in this case.

12  
13 Finally, in reviewing Commission Decision No. 67093, Staff proposed an  
14 adjustment to remove \$2,270,531 from plant the Company recorded at the  
15 end of the test year. "Arizona-American accepted Staff's plant-in-service  
16 adjustments<sup>1</sup>" as "not-used-and-useful plant."

17  
18 Q. What is RUCO's recommendation for the Company's PHFFU in rate base  
19 of \$138,682?

20 A. RUCO recommends an adjustment to remove \$138,682 from rate base,  
21 which concurs with Staff's direct testimony recommendation.

22

---

<sup>1</sup> Arizona Corporation Commission Decision No. 67093, page 7, line 27.

1 **Gain on Sale of Land**

2 Q. Did the Company accept RUCO's adjustment to reduce rate base by 50  
3 percent of the sharing on a pre-tax gain of sale on land?

4 A. No.

5  
6 Q. What reason(s) does the Company provide for not sharing the gain as  
7 proposed by RUCO?

8 A. The Company states "for multiple reasons, the most apparent of which is  
9 that we already propose to share this gain with our customers."

10  
11 Q. Does RUCO agree with the Company's rebuttal position that sharing the  
12 gain with ratepayers on an after-tax basis is more than sufficient?

13 A. No. Past Commission decisions have historically ordered companies to  
14 share gains with ratepayers on a 50/50 basis. RUCO agrees that the gain  
15 should be shared but not on an after-tax basis.

16  
17 Q. Why does RUCO not accept the Company's proposal to share the gain  
18 with ratepayers on an after-tax basis?

19 A. RUCO opposes the Company's proposal because the ratepayers would  
20 be paying taxes on their entire portion of the gain before receiving any of  
21 the gain over the proposed 5-year period. That ignores the time-value of  
22 money. In present value terms, a tax dollar paid this year costs more than  
23 a tax dollar paid in a future year.

1 Q. Please discuss RUCO's rationale for reducing rate base by half of the pre-  
2 tax gain and reduce depreciation expense by one-fifth of that amount.

3 A. The asset (property) sold that created the gain was a plant item, and thus  
4 was an addition to rate base. RUCO believes the ratepayers' portion of  
5 the gain should also receive rate base recognition as a regulatory liability  
6 on the Company's balance sheet. This deduction from rate base properly  
7 recognizes that the Company has no investment (i.e., CIAC) in the free  
8 capital provided from the ratepayers' share of the gain. Otherwise, the  
9 Company has full access to the ratepayers' share of the gain to invest at a  
10 zero-percent cost. The Company's proposal would completely ignore the  
11 ratepayers' time value of money on their share of the gain until fully  
12 refunded over a five-year amortization.

13  
14 Q. Please summarize your recommendation, as made in your direct  
15 testimony, regarding the ratemaking treatment of the gain.

16 A. RUCO recommendations are as follows:

- 17 1. RUCO accepts Company's 50/50 sharing of gain.  
18 2. RUCO recommends sharing the gain on a pre-tax basis.  
19 3. RUCO recommends rate basing the ratepayers' share of gain as a  
20 regulatory liability, and  
21 4. amortize the liability over five years against depreciation expense  
22 and pay the income tax on the gain over five years.  
23  
24  
25  
26  
27

1 **Capitalized Expenses**

2 Q. Did the Company accept RUCO rate base adjustment #3 to capitalize  
3 certain expenses rather than expensing them?

4 A. Yes. The Company accepted this adjustment in Company Rate Base  
5 Adjustment AAW-6, shown on Schedule JMR-RB3, page 2, column K.  
6 Thus, this issue is no longer in contention.

7  
8 **Working Capital**

9 Q. Has the Company accepted some of your working capital  
10 recommendations?

11 A. The Company has accepted portions of my working capital adjustments as  
12 described below:

- 13 1. The Company agrees with RUCO's adjustment that reconciles the  
14 Company's lead/lag study expense amounts with the adjusted test  
15 year expenses shown on Schedule C-1 of the Company's  
16 application.  
17  
18 2. The Company agrees with RUCO's adjustment to increase working  
19 capital by \$7,774 for the Mummy Mountain acquisition cost as  
20 authorized by the Commission.  
21  
22 3. The Company agreed with RUCO's adjustment to include interest  
23 expense in the Company's lead/lag study with the condition that all  
24 capital costs be included, including the cost of equity. RUCO  
25 disagrees with the Company's conditional agreement to include  
26 cost of equity and will discuss the reason later in my testimony.  
27  
28 4. The Company agreed to restate Paradise Valley's ("PV") revenue  
29 lag to 38.3 days as calculated by RUCO using an actual PV bill  
30 sample.  
31  
32  
33

1 Q. What portions of your working capital adjustments does the Company  
2 continue to dispute?

3 A. AZ-AM does not agree with the following RUCO working capital  
4 adjustments:

5 1. The Company does not accept RUCO's calculation of  
6 recommended property tax lag days.

7  
8 2. From Company witness' Mr. Reiker's rebuttal testimony, the  
9 Company accepts RUCO's inclusion of interest expense in the  
10 lead/lag study with the condition that cost of equity is also included.  
11 RUCO does not accept the condition of including cost of equity.  
12 Therefore, the Company does not accept RUCO's inclusion of  
13 interest expense in the lead/lag study.

14  
15  
16 Q. Does RUCO agree with the Company's rebuttal position on property tax  
17 lag days?

18 A. No. The Company is essentially prepaying the expense before the due  
19 date or more aptly before the payment becomes delinquent. Aggressive  
20 cash management firms delay payment of expenses until the due date  
21 stated on the bill or invoice. Prepaying an expense before it is due  
22 creates an artificial and greater need for excessive *cash* in the working  
23 capital calculation. Prudent cash management organizations normally can  
24 earn a greater return on their investments by freeing up available cash  
25 rather than prepaying expenses before they become due. Otherwise, in a  
26 regulated public utility, ratepayers are held responsible for an unnecessary  
27 amount of cash working capital. If this practice is condoned, each and  
28 every expense could hyper-inflate the need for cash working capital by

1 simply paying before the expenses due date. This practice is not in the  
2 public interest.

3  
4 Q. Is the Company proposing any additions, deletions, and/or revisions to the  
5 cash working capital lead/lag study calculation that differs from its pre-filed  
6 direct testimony?

7 A. Yes. In the Company's rebuttal testimony, PV is proposing a revised cash  
8 working capital lead/lag study with the following supplementary additions,  
9 deletions, and revisions:

- 10 1. Depreciation & Amortization Expense – was added.
- 11 2. Return on Equity and Interest – was added.
- 12 3. Purchased Water Expense – was removed.
- 13 4. Goods and Services Expense – was revamped and broke out  
14 into several sub-accounts.
  - 15 ■ Insurance Other Than Group – was added.
  - 16 ■ Chemicals Expense – was added.
  - 17 ■ Other Operating Expenses – was added.
  - 18 ■ Taxes Other Than Income – was added to combine several  
19 accounts.
  - 20 ■ Management Fees – was added.
- 21 5. Group Insurance – had revised lead expense days.
  - 22 ■ Pension Expense – had expense lag days not provided in  
23 application.
  - 24 ■ Rent Expense – had revised expense lead days.

25  
26 Q. Please address the first of these items; the Company's position to include  
27 depreciation & amortization expense in its revised rebuttal cash working  
28 capital lead/lag study calculation?

29 A. The Company states that its accumulated depreciation account will be  
30 under-funded by 38.3 days worth of depreciation expense and proposes  
31 that depreciation expense must be included in the lead/lag study.

1 Q. Does RUCO agree that a non-cash expense such as depreciation &  
2 amortization expense be included in a cash working capital lead/lag study  
3 calculation?

4 A. No. A company's cash working capital requirement is the amount of cash  
5 the company must have on hand to cover expenses that must be paid  
6 before revenues are available (received) to make those expense  
7 payments. Depreciation and amortization is not a cash account and  
8 should not be included in the calculation of cash working capital.

9

10 Q. Has the Commission disallowed depreciation and amortization expense in  
11 cash working capital calculations in the past?

12 A. Yes. Commission Decision No. 59079, dated May 5, 1995, which was  
13 also for Paradise Valley Water Company, disallowed depreciation and  
14 amortization expense in the calculation of cash working capital  
15 requirements. The Commission gave the following reason for disallowing  
16 non-cash accounts to be included in cash working capital calculations:

17 As we have stated in numerous other decisions, the  
18 calculation is for "cash working capital" and not "cash and  
19 non-cash working capital".  
20

21

22

23

1 Q. Please address the second of these items; the Company's inclusion of the  
2 cost associated with equity in its cash working capital calculation in the  
3 Company's rebuttal testimony.

4 A. The Company states, "The cost associated with equity is as much a cost  
5 of providing service as the cost associated with debt, and the Company  
6 should be compensated for its implicit additional investment..."

7  
8 Q. Does RUCO agree with the Company that it should be compensated for  
9 the cost associated with equity?

10 A. The Company has not had a cost associated with equity since 2003.  
11 Company witness Reiker stated in his direct testimony on page 15, line 10  
12 – 11, the following:

13 In fact, Arizona-American Water has not paid a dividend  
14 since 2003 and will not pay one in 2006.  
15

16 Q. How does RUCO characterize a return on equity in AZ-AM's cash working  
17 capital calculation?

18 A. In this case, RUCO characterizes the Company's cost associated with  
19 equity as a non-cash item as described above in my discussion on  
20 disallowing the non-cash account of depreciation.

21

22

1 Q. Please discuss the third of these items; RUCO's reason for removing the  
2 cost associated with purchased water in the Company's rate application  
3 from the cash working capital calculation.

4 A. Staff disallowed the purchased water expense in their direct testimony. In  
5 the Company's rebuttal testimony, the Company agreed with Staff's  
6 adjustment. Therefore, the purchased water expense was not included in  
7 the Company's revised cash working capital calculation in its rebuttal  
8 testimony. RUCO concurs with both Staff and AZ-AM that it should be  
9 removed.

10

11 Q. Please discuss the fourth of these items?

12 A. In the Company's original cash working capital lead/lag study calculation  
13 as filed in its rate application, that study had an account titled "Goods and  
14 Services Expense." In the Company's revised cash working capital  
15 calculation, AZ-AM broke the "Goods and Services" account into several  
16 sub-accounts (i.e., Management Fees, Chemicals Expense, etc.), which  
17 eliminated the need for a "Goods and Services" account.

18

19 The remaining three accounts were either added to the revised study or  
20 sub-divided from an account previously listed in the original cash working  
21 capital study.

22

23

1 Q. Please discuss the last item you have identified.

2 A. These three account items are titled 1) group insurance, 2) pension  
3 expense, and 3) rent expense. All three items had revised lead/lag days  
4 in the Company's revised cash working capital study as compared to the  
5 original study in the Company's direct testimony.

6

7 Q. Does RUCO agree with all the additions, changes, modifications, and  
8 revisions to the cash working capital lead/lag study the Company now  
9 proposes in its rebuttal testimony?

10 A. No. RUCO spent a considerable amount of time analyzing and reviewing  
11 the Company's original working capital calculation study that it filed in its  
12 direct testimony. Other than the adjustments and reconciliation  
13 inaccuracies that RUCO made and pointed out, RUCO believes the  
14 original study should not be changed at this stage of the proceeding. After  
15 a thorough analysis of the original study, RUCO determined the original  
16 study to be reasonable.

17

18 Q. Please address the areas where RUCO found the new and revised study  
19 to be problematic.

20 A. The Company's revised cash working capital study added a new line item  
21 account titled "Management Fees." Paradise Valley is required to prepay  
22 a month in advance for certain corporate management expenses, which is  
23 based on an estimate from last month's actual. The true up of the actual

1 costs occurs in the following month. For the most part, the Company  
2 over-estimated its management fees. These over-estimates ranged from  
3 \$250,000 to more than \$1,000,000. This raises a concern that needs to  
4 be carefully analyzed because these prepaid expenses generate expense  
5 leads that gives an impression of large cash working capital requirements.  
6 Ratepayers should not be required to fund working capital that is  
7 necessitated by the fact the Company has over-estimated its expenses.

8  
9 Q. Did the Company revise the income tax lag days from the original 60 days  
10 utilized in the original cash working capital lead/lag study?

11 A. Yes. The Company revised the 60 days income tax lag to 37 days.

12  
13 Q. Does RUCO agree with the income tax lag adjustment made by the  
14 Company from 60 to 37 days?

15 A. Yes. Internal Revenue Code ("IRC") recently made a change to the  
16 corporate tax law. IRC 6655(d)(1)(B)(i) requires a corporation to pay 100  
17 percent of any taxes due by the fourth quarter. RUCO agrees with the  
18 Company's adjustment to 37 days for income tax lag. I have reflected that  
19 change on Surrebuttal Schedule TJC-5, page 3 of 6.

1 Q. What amount is RUCO recommending for cash working capital and total  
2 working capital?

3 A. RUCO recommends (\$229,565) for cash working capital and (\$221,791)  
4 for total working capital.

5

6 **RATE DESIGN**

7 Q. Does Company witness, Mr. Kozoman, address RUCO's rate design?

8 A. Yes. Mr. Kozoman states that, "RUCO's rate design attempts to deliver a  
9 conservation rate design, but because of the rate reduction, it fails."

10

11 Q. Does RUCO agree with Mr. Kozoman's characterization of RUCO's rate  
12 design failing to deliver a conservation message?

13 A. No. I believe the rate design mirrors what the Company has proposed  
14 with the exception of RUCO's analysis requiring a rate decrease. My  
15 proposed rate design consists of three inverted tiers, as the Company's  
16 rate design. It appears Mr. Kozoman would have companies that are  
17 over-earning, as PV Water is, receive rate increases just so a  
18 conservation message can be sent.

19

20 Q. Does this conclude your surrebuttal testimony?

21 A. Yes.

**SURREBUTTAL**

**SCHEDULES**

# SCHEDULE TJC-1

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RATE BASE

DOCKET NO. W-01303-05-0405  
 SCHEDULE TJC-1  
**SURREBUTTAL**

LINE NO.	DESCRIPTION	(A) COMPANY PROFORMA	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED
1	GROSS UTILITY PLANT IN SERVICE	\$ 29,478,687	\$ (128,187)	\$ 29,350,500
2	NET REG. ASSET - AFUDC DEBT	950	-	950
3	CONSTRUCTION WORK IN PROGRESS	-	-	-
4	LESS: ACCUMULATED DEPRECIATION	9,913,869	-	9,913,869
5	NET UTILITY PLANT IN SERVICE	\$ 19,565,768	\$ (128,187)	\$ 19,437,581
	LESS:			
6	CUSTOMERS' ADVANCES FOR CONSTRUCTION	635,912	-	635,912
7	CONTRIBUTIONS IN AID OF CONSTRUCTION	6,486,559	-	6,486,559
8	DEFERRED TAXES	1,139,528	-	1,139,528
9	DEFERRED PENSION COSTS NET OF TAXES	-	-	-
10	CUSTOMER DEPOSITS	3,500	-	3,500
	ADD:			
11	GAIN ON SALE OF LAND	-	(392,248)	(392,248)
12	ALLOWANCE FOR WORKING CAPITAL	350,946	(221,791)	129,155
13	TOTAL	\$ 11,651,215	\$ (742,226)	\$ 10,908,989

**REFERENCES:**

Col. (A): Company Schedule B-2, page 1 of 1, Col. (b)  
 Col. (B): TJC-2, ADJ #1 thru ADJ #4  
 Col. (C): Col. (A) + Col. (B)

# SCHEDULE TJC-2

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RATE BASE ADJUSTMENTS

DOCKET NO. W-01303-05-0405  
 SCHEDULE TJC-2  
 SURREBUTTAL

LINE NO.	DESCRIPTION	COMPANY PROFORMA	ADJ #1	ADJ #2	ADJ #3	ADJ #4	ADJ #5	ADJ #6	RUCO ADJUSTED
1	GROSS UTILITY PLANT IN SERVICE	\$ 29,478,687	(138,682)		10,495				\$ 29,350,500
2	NET REG. ASSET - AFUDC DEBT	950							950
3	CONSTRUCTION WORK IN PROGRESS	-							-
4	LESS: ACCUMULATED DEPRECIATION	9,913,869							9,913,869
5	NET UTILITY PLANT IN SERVICE	19,565,768	(138,682)	-	10,495	-	-	-	19,437,581
LESS:									
6	CUSTOMERS' ADVANCES FOR CONSTRUCTION	635,912							635,912
7	CONTRIBUTIONS IN AID OF CONSTRUCTION	6,486,559							6,486,559
8	DEFERRED TAXES	1,139,528							1,139,528
9	DEFERRED PENSION COSTS NET OF TAXES	-							-
10	CUSTOMER DEPOSITS	3,500							3,500
ADD:									
11	GAIN ON SALE OF LAND	-		(392,248)					(392,248)
12	ALLOWANCE FOR WORKING CAPITAL	350,946				(221,791)			129,155
13	TOTAL	\$ 11,651,215	\$ (138,682)	\$ (392,248)	\$ 10,495	\$ (221,791)	\$ -	\$ -	\$ 10,908,989

**ADJUSTMENT #'s:**  
 1: Property Held for Future Use (PHFFU)  
 2: Gain on Sale of Land  
 3: Capitalized Expenses  
 4: Allowance for Working Capital

**REF.:**  
 TJC-3  
 TJC-4  
 RLM-8  
 TJC-5, page 1

# SCHEDULE TJC-5

ARIZONA AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RATE BASE ADJ. #4 - WORKING CAPITAL ADJUSTMENT

DOCKET NO. W-01303-05-0405  
 SCHEDULE TJC-5, PAGE 1 OF 6  
**SURREBUTTAL**

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
	Deferred Debits:	
1	Program Maintenance per Company	\$ 90,286
2	Program Maintenance per RUCO	90,286
3	RUCO Adjustment	<u>0</u>
4	Mummy Mountain Acquisition Costs per Company	\$ 92,528
5	Mummy Mountain Acquisition Costs per RUCO	100,302
6	RUCO Adjustment	<u>7,774</u>
7	Cash Working Capital per Company	\$ 168,133
8	Cash Working Capital per RUCO	\$ (61,432)
9	RUCO Adjustment	\$ (229,565)
10	Total Working Capital Adjustment	<b>(221,791)</b>

**REFERENCES:**

Lines 1 & 4: Company W/P's, Page 146  
 Line 5: See RUCO Schedule TJC-5, Page 2 of 5  
 Line 7: Company W/P's, Page 148, Line 34  
 Line 8: See RUCO Schedule TJC-5, Page 3 of 5, Line 28

LINE NO.	DESCRIPTION	(A) EXPENSE PER COMPANY	(B) EXPENSE PER APPLIC.	(C) RUCO ADJUSTMENTS	(D) RUCO ADJUSTED	(E) (LEAD)/LAG DAYS	(F) DOLLAR DAYS
		\$	\$	\$	\$		\$
1	PURCHASED WATER	38,660	-	-	-	-	-
2	PURCHASED POWER	616,955	812,312	-	812,312	38.1	30,961,085
3	COMPANY LABOR	605,247	551,393	7,822	559,215	12.0	6,710,575
4	GOODS AND SERVICES	1,575,773	1,451,276	22,202	1,473,478	30.0	44,204,336
5	MATERIALS ISSUED FROM STORES	-	-	-	-	-	-
6	PBOP	25,384	87,862	-	87,862	-	-
7	GROUP LIFE INSURANCE	131,484	111,869	-	111,869	(6.5)	(727,149)
8	INJURIES DAMAGES & OTHER INS. PROVISIONS	-	-	-	-	-	-
9	PROVISIONS FOR UNCOLLECTIBLES	-	-	-	-	-	-
10	FRANCHISE REQUIREMENTS	-	-	-	-	-	-
11	FEDERAL INCOME TAX	260,000	322,999	(71,319)	251,680	37.0	9,312,172
12	FICA	49,370	42,168	(9,114)	33,054	12.0	396,645
13	FUTA	608	4,410	(2,664)	1,746	73.5	128,346
14	STATE CORPORATION FRANCHISE TAX	-	7,993	(4,828)	3,165	76.0	240,540
15	STATE UNEMPLOYMENT INSURANCE TAX	775	-	-	-	-	-
16	STATE AUTOMOBILE LICENSE FEES	-	-	-	-	-	-
17	CAL-AM INVOICES	213,000	213,241	-	213,241	213.5	45,526,954
18	PROPERTY TAXES	-	-	-	-	(15.0)	-
19	SERVICE COMPANY	-	-	-	-	(8.5)	(487,484)
20	RENT	66,063	43,943	13,408	57,351	30.0	854,010
21	OTHER	28,467	28,467	-	28,467	-	-
22	PENSION	35,783	33,772	674	34,446	-	-
23	INTEREST	-	-	374,178	374,178	107.2	40,113,522
24	TOTAL OPERATING EXPENSES	<u>\$ 3,647,569</u>	<u>\$ 3,711,705</u>	<u>\$ 330,359</u>	<u>\$ 4,042,064</u>		<u>\$ 177,233,553</u>
25	EXPENSE LAG					43.8	
26	REVENUE LAG					38.30	
27	NET LAG					<u>(5.5)</u>	
28	CASH WORKING CAPITAL						

\$ (61,432)

**REFERENCES:**

- Col. A, Line 28 = (Col. C, Line 24/365) X Col. D, Line 27
- Col. B: RLM-2
- Col. C = Col. A + Col. B
- Col. D, Line 25 = Col. E, Line 24 / Col. C, Line 24
- Col. D, Line 26 - See RUCO Schedule TJC-5, Page 5 of 5 - Revenue Lag Calculation
- Col. D, Line 27 = Col. D, Line 26 - Col. D, Line 25

# SCHEDULE TJC-6

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RECOMMENDED RATES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-6, PAGE 1 OF 9  
**SURREBUTTAL**

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED		RUCO PROPOSED	
1	<b>RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:</b>					
2						
3	<u>PARADISE VALLEY RESIDENTIAL CUSTOMERS</u>					
4	5/8 X 3/4 - INCH	\$ 8.41	\$ 9.26	\$ 8.71		
5	3/4 - INCH	8.74	9.62	9.06		
6	1 - INCH	14.01	15.42	14.06		
7	1 1/2 - INCH	28.02	30.83	27.06		
8	2 - INCH	44.83	49.32	42.06		
9	3 - INCH	-	92.47	78.06		
10	4 - INCH	-	154.11	129.06		
11	6 - INCH	-	308.22	257.31		
12	8 - INCH	-	-	513.51		
13	10 - INCH	-	-	1,025.91		
14						
15	<b>GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:</b>					
16						
17	PARADISE VALLEY RESIDENTIAL CUSTOMERS	0	0	0		
18						
19	<u>RECOMMENDED COMMODITY RATES BY METER SIZE</u>					
20						
21	<u>ALL METER SIZES</u>					
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 25,000 GALLONS:	\$ 0.73	\$ 0.79	\$ 0.72		
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 25,001 TO 80,000 GALLONS:	\$ 1.68	\$ 1.75	\$ 1.44		
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 80,000 GALLONS:	\$ 2.17	\$ 2.25	\$ 2.04		

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RECOMMENDED RATES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-6, PAGE 2 OF 9  
**SURREBUTTAL**

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED		RUCO PROPOSED	
1	<b>RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:</b>					
2						
3	<u>MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS</u>					
4	5/8 X 3/4 - INCH	\$ 9.00	\$ 9.26	\$	8.71	
5	3/4 - INCH	-	-	-	9.06	
6	1 - INCH	9.75	15.42		14.06	
7	1 1/2 - INCH	14.00	30.83		27.06	
8	2 - INCH	25.75	49.32		42.06	
9	3 - INCH	-	-		78.06	
10	4 - INCH	-	-		129.06	
11	6 - INCH	-	-		257.31	
12	8 - INCH	-	-		513.51	
13	10 - INCH	-	-		1,025.91	
14						
15	<b>GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:</b>					
16						
17	MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS	1,000	0		0	
18						
19	<b>RECOMMENDED COMMODITY RATES BY METER SIZE</b>					
20						
21	<u>ALL METER SIZES</u>					
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 1,000 GALLONS:	\$ -	\$ 0.79	\$	0.72	
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 1,001 TO 25,000 GALLONS:	\$ 1.74	\$ 0.79	\$	0.72	
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 25,001 TO 80,000 GALLONS:	\$ 1.74	\$ 1.75	\$	1.44	
25	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 80,000 GALLONS:	\$ 1.74	\$ 2.25	\$	2.04	

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RECOMMENDED RATES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-6, PAGE 3 OF 9  
**SURREBUTTAL**

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	<b>RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:</b>			
2				
3	<b>PARADISE VALLEY COMMERCIAL CUSTOMERS</b>			
4	5/8 X 3/4 - INCH	\$ 8.41	\$ 9.26	\$ 8.71
5	3/4 - INCH	8.74	9.62	9.06
6	1 - INCH	14.01	15.42	14.06
7	1 1/2 - INCH	28.02	30.83	27.06
8	2 - INCH	44.83	49.32	42.06
9	3 - INCH	84.06	92.47	78.06
10	4 - INCH	140.10	154.11	129.06
11	6 - INCH	280.20	308.22	257.31
12	8 - INCH	-	-	513.51
13	10 - INCH	-	-	1,025.91
14				
15	<b>GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:</b>			
16				
17	PARADISE VALLEY COMMERCIAL CUSTOMERS	0	0	0
18				
19	<b>RECOMMENDED COMMODITY RATES BY METER SIZE</b>			
20				
21	<b>ALL METER SIZES</b>			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 400,000 GALLONS:	\$ 1.17	\$ 1.26	\$ 1.06
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 400,000 GALLONS:	\$ 1.46	\$ 1.57	\$ 1.35

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RECOMMENDED RATES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-6, PAGE 4 OF 9  
**SURREBUTTAL**

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	<b>RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:</b>			
2				
3	<u>PARADISE VALLEY TURF CUSTOMERS</u>			
4	5/8 X 3/4 - INCH	\$ -	\$ -	\$ 8.71
5	3/4 - INCH	-	-	9.06
6	1 - INCH	-	-	14.06
7	1 1/2 - INCH	-	-	27.06
8	2 - INCH	-	-	42.06
9	3 - INCH	84.06	92.47	79.08
10	4 - INCH	-	-	129.06
11	6 - INCH	-	-	257.31
12	8 - INCH	-	-	513.51
13	10 - INCH	-	-	1,025.91
14				
15	<b>GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:</b>			
16				
17	PARADISE VALLEY TURF CUSTOMERS	0	0	0
18				
19	<u>RECOMMENDED COMMODITY RATES BY METER SIZE</u>			
20				
21	ALL METER SIZES			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	\$ 0.90	\$ 1.00	\$ 0.82



ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
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 RECOMMENDED RATES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-6, PAGE 6 OF 9  
**SURREBUTTAL**

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	<b>RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:</b>			
2				
3	<u>PARADISE VALLEY OTHER METERED CUSTOMERS</u>			
4	5/8 X 3/4 - INCH	\$ 8.41	\$ 9.26	\$ 8.71
5	3/4 - INCH	-	-	9.06
6	1 - INCH	14.01	15.42	14.06
7	1 1/2 - INCH	-	-	27.06
8	2 - INCH	44.83	49.32	42.06
9	3 - INCH	-	-	78.06
10	4 - INCH	-	-	129.06
11	6 - INCH	-	-	257.31
12	8 - INCH	-	-	513.51
13	10 - INCH	-	-	1,025.91
14				
15	<b>GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:</b>			
16				
17	PARADISE VALLEY OTHER METERED CUSTOMERS	0	0	0
18				
19	<u>RECOMMENDED COMMODITY RATES BY METER SIZE</u>			
20				
21	<u>ALL METER SIZES</u>			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	\$ 1.32	\$ 1.46	\$ 1.19

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RECOMMENDED RATES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-6, PAGE 7 OF 9  
**SURREBUTTAL**

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	<b>RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:</b>			
2				
3	<u>PARADISE VALLEY FIRE HYDRANT</u>			
4	5/8 X 3/4 - INCH	\$ 5.00	\$ 5.00	\$ 4.92
5	3/4 - INCH	5.00	5.00	4.92
6	1 - INCH	5.00	5.00	4.92
7	1 1/2 - INCH	-	-	4.92
8	2 - INCH	5.00	5.00	4.92
9	3 - INCH	-	-	4.92
10	4 - INCH	-	-	4.92
11	6 - INCH	-	-	4.92
12	8 - INCH	-	-	4.92
13	10 - INCH	-	-	4.92
14				
15	<b>GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:</b>			
16				
17	PARADISE VALLEY FIRE HYDRANT	0	0	0
18				
19	<b>RECOMMENDED COMMODITY RATES BY METER SIZE</b>			
20				
21	<u>ALL METER SIZES</u>			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	\$ -	\$ -	\$ -

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RECOMMENDED RATES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-6, PAGE 8 OF 9  
**SURREBUTTAL**

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED		RUCO PROPOSED	
1	<b>RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:</b>					
2						
3	<u>PARADISE VALLEY IRRIGATION</u>					
4	5/8 X 3/4 - INCH	\$ -	\$ -	-	\$ -	-
5	3/4 - INCH	-	-	-	-	-
6	1 - INCH	-	-	-	-	-
7	1 1/2 - INCH	-	-	-	-	-
8	2 - INCH	-	-	-	-	-
9	3 - INCH	84.06	92.47	-	80.35	-
10	4 - INCH	-	-	-	-	-
11	6 - INCH	-	-	-	-	-
12	8 - INCH	-	-	-	-	-
13	10 - INCH	-	-	-	-	-
14						
15	<b>GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:</b>					
16						
17	PARADISE VALLEY IRRIGATION	0	0	0	0	0
18						
19	<u>RECOMMENDED COMMODITY RATES BY METER SIZE</u>					
20						
21	ALL METER SIZES					
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	\$ 1.32	\$ 1.46	\$ 1.32	\$ 1.32	\$ 1.32

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 RECOMMENDED RATES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-6, PAGE 9 OF 9  
**SURREBUTTAL**

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY		RUCO	
			PROPOSED	PROPOSED	PROPOSED	PROPOSED
1	<b>RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:</b>					
2						
3	<b>PARADISE VALLEY SALES FOR RESALE</b>					
4	5/8 X 3/4 - INCH	\$ 8.41	\$	9.26	\$	9.06
5	3/4 - INCH	-		9.62		9.41
6	1 - INCH	14.01		15.42		14.41
7	1 1/2 - INCH	-		30.83		27.41
8	2 - INCH	44.83		49.32		42.41
9	3 - INCH	-		92.47		78.41
10	4 - INCH	-		154.11		129.41
11	6 - INCH	-		308.22		257.66
12	8 - INCH	-		-		513.86
13	10 - INCH	-		-		1,026.26
14						
15	<b>GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:</b>					
16						
17	PARADISE VALLEY SALES FOR RESALE	0		0		0
18						
19	<b>RECOMMENDED COMMODITY RATES BY METER SIZE</b>					
20						
21	ALL METER SIZES					
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	\$ 1.32	\$	1.46	\$	1.19

# SCHEDULE TJC-7

**PARADISE VALLEY RESIDENTIAL CUSTOMERS**

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 8.41	\$ 9.26	\$ 0.85	10.11%	\$ 8.00	\$ (0.41)	-4.88%
2	3/4 - INCH	8.74	9.62	0.88	10.07%	8.35	(0.39)	-4.46%
3	1 - INCH	14.01	15.42	1.41	10.06%	13.35	(0.66)	-4.71%
4	1 1/2 - INCH	28.02	30.83	2.81	10.03%	26.35	(1.67)	-5.96%
5	2 - INCH	44.83	49.32	4.49	10.02%	41.35	(3.48)	-7.76%
6	3 - INCH	-	92.47	92.47	-	77.35	-	-
7	4 - INCH	-	154.11	154.11	-	128.35	-	-
8	6 - INCH	-	308.22	308.22	-	256.60	-	-
9	8 - INCH	-	-	-	-	512.80	-	-
10	10 - INCH	-	-	-	-	1,025.20	-	-
11	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	0	0	0		0		

**REFERENCES**

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3  
 COLUMN (E): TESTIMONY TJC  
 COLUMN (F): COLUMN (E) - COLUMN (A)  
 COLUMN (G): COLUMN (F) + COLUMN (A)

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-7, PAGE 2 OF 9  
**SURREBUTTAL**

**MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS**

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 9.00	\$ 9.26	\$ 0.26	2.89%	\$ 8.00	\$ (1.00)	-11.11%
2	3/4 - INCH	-	-	-	-	8.35	-	-
3	1 - INCH	9.75	15.42	5.67	58.15%	13.35	3.60	36.92%
4	1 1/2 - INCH	14.00	30.83	16.83	120.21%	26.35	12.35	88.21%
5	2 - INCH	25.75	49.32	23.57	91.53%	41.35	15.60	60.58%
6	3 - INCH	-	-	-	-	77.35	-	-
7	4 - INCH	-	-	-	-	128.35	-	-
8	6 - INCH	-	-	-	-	256.60	-	-
9	8 - INCH	-	-	-	-	512.80	-	-
10	10 - INCH	-	-	-	-	1,025.20	-	-
11	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	1,000	0			0		

**REFERENCES**

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3  
 COLUMN (E): TESTIMONY TJC  
 COLUMN (F): COLUMN (E) - COLUMN (A)  
 COLUMN (G): COLUMN (F) + COLUMN (A)

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-7, PAGE 3 OF 9  
**SURREBUTTAL**

**PARADISE VALLEY COMMERCIAL CUSTOMERS**

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 8.74	\$ 9.62	\$ 0.88	10.07%	\$ 8.35	\$ (0.39)	-4.46%
2	3/4 - INCH	14.01	15.42	1.41	10.06%	13.35	(0.66)	-4.71%
3	1 - INCH	28.02	30.83	2.81	10.03%	26.35	(1.67)	-5.96%
4	1 1/2 - INCH	44.83	49.32	4.49	10.02%	41.35	(3.48)	-7.76%
5	2 - INCH	84.06	92.47	8.41	10.00%	77.35	(6.71)	-7.98%
6	3 - INCH	140.10	154.11	14.01	10.00%	128.35	(11.75)	-8.39%
7	4 - INCH	280.20	308.22	28.02	10.00%	256.60	(23.60)	-8.42%
8	6 - INCH	-	-	-	0.00%	512.80	-	-
9	8 - INCH	-	-	-	0.00%	1,025.20	-	-
10	10 - INCH	-	-	-	0.00%	-	-	-
11	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	0	0	0		0		

**REFERENCES**

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3  
 COLUMN (E): TESTIMONY TJC  
 COLUMN (F): COLUMN (E) - COLUMN (A)  
 COLUMN (G): COLUMN (F) + COLUMN (A)

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-7, PAGE 4 OF 9  
 SURREBUTTAL

PARADISE VALLEY TURF CUSTOMERS

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
2	3/4 - INCH	-	-	-	-	-	-	-
3	1 - INCH	-	-	-	-	-	-	-
4	1 1/2 - INCH	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-
6	3 - INCH	84.06	92.47	8.41	10.00%	77.70	(6.36)	-7.57%
7	4 - INCH	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-
11	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	0	0	0		0		

REFERENCES

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3  
 COLUMN (E): TESTIMONY TJC  
 COLUMN (F): COLUMN (E) - COLUMN (A)  
 COLUMN (G): COLUMN (F) + COLUMN (A)

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-7, PAGE 5 OF 9  
**SURREBUTTAL**

**PARADISE VALLEY COUNTRY CLUB CONTRACT RATE**

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
2	3/4 - INCH	-	-	-	-	-	-	-
3	1 - INCH	-	-	-	-	-	-	-
4	1 1/2 - INCH	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-
6	3 - INCH	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-
8	6 - INCH	12,817.00	12,817.00	-	0.00%	11,731.77	(1,085.23)	-8.47%
9	8 - INCH	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-
11	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE		0	0	0	0	0	0

**REFERENCES**

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3  
 COLUMN (E): TESTIMONY TJC  
 COLUMN (F): COLUMN (E) - COLUMN (A)  
 COLUMN (G): COLUMN (F) + COLUMN (A)

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-7, PAGE 6 OF 9  
 SURREBUTTAL

PARADISE VALLEY OTHER METERED CUSTOMERS

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 8.41	\$ (9.26)	\$ (0.85)	-10.11%	\$ 8.00	\$ (0.41)	-4.88%
2	3/4 - INCH	-	-	-	-	8.35	-	-
3	1 - INCH	14.01	(15.42)	(1.41)	-10.06%	13.35	(0.66)	-4.71%
4	1 1/2 - INCH	-	-	-	-	26.35	-	-
5	2 - INCH	44.83	(49.32)	(4.49)	-10.02%	41.35	(3.48)	-7.76%
6	3 - INCH	-	-	-	-	77.35	-	-
7	4 - INCH	-	-	-	-	128.35	-	-
8	6 - INCH	-	-	-	-	256.60	-	-
9	8 - INCH	-	-	-	-	512.80	-	-
10	10 - INCH	-	-	-	-	1,025.20	-	-
11	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	0	0	0		0		

REFERENCES

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3  
 COLUMN (E): TESTIMONY TJC  
 COLUMN (F): COLUMN (E) - COLUMN (A)  
 COLUMN (G): COLUMN (F) + COLUMN (A)

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-7, PAGE 7 OF 9  
**SURREBUTTAL**

**PARADISE VALLEY FIRE HYDRANT**

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 5.00	\$ 5.00	\$ -	0.00%	\$ 4.92	\$ (0.08)	-1.56%
2	3/4 - INCH	5.00	5.00	-	0.00%	4.92	(0.08)	-1.56%
3	1 - INCH	5.00	5.00	-	0.00%	4.92	(0.08)	-1.56%
4	1 1/2 - INCH	-	-	-	-	4.92	-	-
5	2 - INCH	5.00	5.00	-	0.00%	4.92	(0.08)	-1.56%
6	3 - INCH	-	-	-	-	4.92	-	-
7	4 - INCH	-	-	-	-	4.92	-	-
8	6 - INCH	-	-	-	-	4.92	-	-
9	8 - INCH	-	-	-	-	4.92	-	-
10	10 - INCH	-	-	-	-	4.92	-	-
11	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	0	0	0		0		

**REFERENCES**

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3  
 COLUMN (E): TESTIMONY TJC  
 COLUMN (F): COLUMN (E) - COLUMN (A)  
 COLUMN (G): COLUMN (F) + COLUMN (A)

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-7, PAGE 8 OF 9  
**SURREBUTTAL**

**PARADISE VALLEY IRRIGATION**

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
2	3/4 - INCH	-	-	-	-	-	-	-
3	1 - INCH	-	-	-	-	-	-	-
4	1 1/2 - INCH	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-
6	3 - INCH	84.06	92.47	8.41	10.00%	80.35	(3.71)	-4.41%
7	4 - INCH	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-
11	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	0	0	0		0		

**REFERENCES**

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3  
 COLUMN (E): TESTIMONY TJC  
 COLUMN (F): COLUMN (E) - COLUMN (A)  
 COLUMN (G): COLUMN (F) + COLUMN (A)

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-7, PAGE 9 OF 9  
**SURREBUTTAL**

**PARADISE VALLEY SALES FOR RESALE**

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 8.41	\$ 9.26	\$ 0.85	10.11%	\$ 8.35	\$ (0.06)	-0.71%
2	3/4 - INCH	-	9.62	9.62	-	8.70	8.70	-
3	1 - INCH	14.01	15.42	1.41	10.06%	13.70	(0.31)	-2.21%
4	1 1/2 - INCH	-	30.83	30.83	-	26.70	26.70	-
5	2 - INCH	44.83	49.32	4.49	10.02%	41.70	(3.13)	-6.98%
6	3 - INCH	-	92.47	92.47	-	77.70	77.70	-
7	4 - INCH	-	154.11	154.11	-	128.70	128.70	-
8	6 - INCH	-	308.22	308.22	-	256.95	256.95	-
9	8 - INCH	-	-	-	-	513.15	513.15	-
10	10 - INCH	-	-	-	-	1,025.55	1,025.55	-
11	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	0	0	0	0	0	0	0

**REFERENCES**

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3  
 COLUMN (E): TESTIMONY TJC  
 COLUMN (F): COLUMN (E) - COLUMN (A)  
 COLUMN (G): COLUMN (F) + COLUMN (A)

# SCHEDULE TJC-8

PARADISE VALLEY RESIDENTIAL CUSTOMERS - PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 8.41	\$ 8.74	\$ 14.01	\$ 28.02	\$ 44.83	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	9.14	9.47	14.74	28.75	45.56	-	-	-	-	-
3	2,000	9.87	10.20	15.47	29.48	46.29	-	-	-	-	-
4	3,000	10.60	10.93	16.20	30.21	47.02	-	-	-	-	-
5	4,000	11.33	11.66	16.93	30.94	47.75	-	-	-	-	-
6	5,000	12.06	12.39	17.66	31.67	48.48	-	-	-	-	-
7	6,000	12.79	13.12	18.39	32.40	49.21	-	-	-	-	-
8	7,000	13.52	13.85	19.12	33.13	49.94	-	-	-	-	-
9	8,000	14.25	14.58	19.85	33.86	50.67	-	-	-	-	-
10	9,000	14.98	15.31	20.58	34.59	51.40	-	-	-	-	-
11	10,000	15.71	16.04	21.31	35.32	52.13	-	-	-	-	-
12	15,000	19.36	19.69	24.96	38.97	55.78	-	-	-	-	-
13	20,000	23.01	23.34	28.61	42.62	59.43	-	-	-	-	-
14	25,000	26.66	26.99	32.26	46.27	63.08	-	-	-	-	-
15	50,000	68.66	68.99	74.26	88.27	105.08	-	-	-	-	-
16	75,000	110.66	110.99	116.26	130.27	147.08	-	-	-	-	-
17	100,000	162.46	162.79	168.06	182.07	198.88	-	-	-	-	-
18	125,000	216.71	217.04	222.31	236.32	253.13	-	-	-	-	-
19	150,000	270.96	271.29	276.56	290.57	307.38	-	-	-	-	-
20	175,000	325.21	325.54	330.81	344.82	361.63	-	-	-	-	-
21	200,000	379.46	379.79	385.06	399.07	415.88	-	-	-	-	-
22	250,000	487.96	488.29	493.56	507.57	524.38	-	-	-	-	-
23	500,000	1,030.46	1,030.79	1,036.06	1,050.07	1,066.88	-	-	-	-	-
24	1,000,000	2,115.46	2,115.79	2,121.06	2,135.07	2,151.88	-	-	-	-	-
25	2,000,000	4,285.46	4,285.79	4,291.06	4,305.07	4,321.88	-	-	-	-	-
26	3,000,000	6,455.46	6,455.79	6,461.06	6,475.07	6,491.88	-	-	-	-	-
27	4,000,000	8,625.46	8,625.79	8,631.06	8,645.07	8,661.88	-	-	-	-	-
28	5,000,000	10,795.46	10,795.79	10,801.06	10,815.07	10,831.88	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	2,319	17	1,895	10	118	-	-	-	-	-
32											
33	AVG. USE (GAL.):	22,245	3,493	59,895	181,724	133,510	-	-	-	-	-
34	MONTHLY BILL:	\$ 24.65	\$ 11.29	\$ 90.88	\$ 359.41	\$ 271.60	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	12,223	161	40,083	100,982	70,375	-	-	-	-	-
37	MONTHLY BILL:	\$ 17.33	\$ 8.86	\$ 57.60	\$ 184.20	\$ 139.31	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY RESIDENTIAL CUSTOMERS - RUCO RECOMMENDED RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 8.71	\$ 9.06	\$ 14.06	\$ 27.06	\$ 42.06	\$ 78.06	\$ 129.06	\$ 257.31	\$ 513.51	\$ 1,025.91
2	1,000	9.43	9.78	14.78	27.78	42.78	78.78	129.78	258.03	514.23	1,026.63
3	2,000	10.15	10.50	15.50	28.50	43.50	79.50	130.50	258.75	514.95	1,027.35
4	3,000	10.87	11.22	16.22	29.22	44.22	80.22	131.22	259.47	515.67	1,028.07
5	4,000	11.59	11.94	16.94	29.94	44.94	80.94	131.94	260.19	516.39	1,028.79
6	5,000	12.31	12.66	17.66	30.66	45.66	81.66	132.66	260.91	517.11	1,029.51
7	6,000	13.03	13.38	18.38	31.38	46.38	82.38	133.38	261.63	517.83	1,030.23
8	7,000	13.75	14.10	19.10	32.10	47.10	83.10	134.10	262.35	518.55	1,030.95
9	8,000	14.47	14.82	19.82	32.82	47.82	83.82	134.82	263.07	519.27	1,031.67
10	9,000	15.19	15.54	20.54	33.54	48.54	84.54	135.54	263.79	519.99	1,032.39
11	10,000	15.91	16.26	21.26	34.26	49.26	85.26	136.26	264.51	520.71	1,033.11
12	15,000	19.51	19.86	24.86	37.86	52.86	88.86	139.86	268.11	524.31	1,036.71
13	20,000	23.11	23.46	28.46	41.46	56.46	92.46	143.46	271.71	527.91	1,040.31
14	25,000	26.71	27.06	32.06	45.06	60.06	96.06	147.06	275.31	531.51	1,043.91
15	50,000	62.71	63.06	68.06	81.06	96.06	132.06	183.06	311.31	567.51	1,079.91
16	75,000	98.71	99.06	104.06	117.06	132.06	168.06	219.06	347.31	603.51	1,115.91
17	100,000	146.71	147.06	152.06	165.06	180.06	216.06	267.06	395.31	651.51	1,163.91
18	125,000	197.71	198.06	203.06	216.06	231.06	267.06	318.06	446.31	702.51	1,214.91
19	150,000	248.71	249.06	254.06	267.06	282.06	318.06	369.06	497.31	753.51	1,265.91
20	175,000	299.71	300.06	305.06	318.06	333.06	369.06	420.06	548.31	804.51	1,316.91
21	200,000	350.71	351.06	356.06	369.06	384.06	420.06	471.06	599.31	855.51	1,367.91
22	250,000	452.71	453.06	458.06	471.06	486.06	522.06	573.06	701.31	957.51	1,469.91
23	500,000	962.71	963.06	968.06	981.06	996.06	1,032.06	1,083.06	1,211.31	1,467.51	1,979.91
24	1,000,000	1,982.71	1,983.06	1,988.06	2,001.06	2,016.06	2,052.06	2,103.06	2,231.31	2,487.51	2,999.91
25	2,000,000	4,022.71	4,023.06	4,028.06	4,041.06	4,056.06	4,092.06	4,143.06	4,271.31	4,527.51	5,039.91
26	3,000,000	6,062.71	6,063.06	6,068.06	6,081.06	6,096.06	6,132.06	6,183.06	6,311.31	6,567.51	7,079.91
27	4,000,000	8,102.71	8,103.06	8,108.06	8,121.06	8,136.06	8,172.06	8,223.06	8,351.31	8,607.51	9,119.91
28	5,000,000	10,142.71	10,143.06	10,148.06	10,161.06	10,176.06	10,212.06	10,263.06	10,391.31	10,647.51	11,159.91
29											
30											
31	AVG. NO. OF CUST:	2,319	17	1,895	10	118	-	-	-	-	-
32											
33	AVG. USE (GAL.):	22,245	3,493	59,895	181,724	133,510	-	-	-	-	-
34	MONTHLY BILL:	\$ 24.73	\$ 11.57	\$ 82.31	\$ 331.78	\$ 248.42	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	12,223	161	40,083	100,982	70,375	-	-	-	-	-
37	MONTHLY BILL:	\$ 17.51	\$ 9.18	\$ 53.78	\$ 167.06	\$ 125.40	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY RESIDENTIAL CUSTOMERS - RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 0.30	\$ 0.32	\$ 0.05	\$ (0.96)	\$ (2.77)	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	0.29	0.31	0.04	(0.97)	(2.78)	-	-	-	-	-
3	2,000	0.28	0.30	0.03	(0.98)	(2.79)	-	-	-	-	-
4	3,000	0.27	0.29	0.02	(0.99)	(2.80)	-	-	-	-	-
5	4,000	0.26	0.28	0.01	(1.00)	(2.81)	-	-	-	-	-
6	5,000	0.25	0.27	-	(1.01)	(2.82)	-	-	-	-	-
7	6,000	0.24	0.26	(0.01)	(1.02)	(2.83)	-	-	-	-	-
8	7,000	0.23	0.25	(0.02)	(1.03)	(2.84)	-	-	-	-	-
9	8,000	0.22	0.24	(0.03)	(1.04)	(2.85)	-	-	-	-	-
10	9,000	0.21	0.23	(0.04)	(1.05)	(2.86)	-	-	-	-	-
11	10,000	0.20	0.22	(0.05)	(1.06)	(2.87)	-	-	-	-	-
12	15,000	0.15	0.17	(0.10)	(1.11)	(2.92)	-	-	-	-	-
13	20,000	0.10	0.12	(0.15)	(1.16)	(2.97)	-	-	-	-	-
14	25,000	0.05	0.07	(0.20)	(1.21)	(3.02)	-	-	-	-	-
15	50,000	(5.95)	(5.93)	(6.20)	(7.21)	(9.02)	-	-	-	-	-
16	75,000	(11.95)	(11.93)	(12.20)	(13.21)	(15.02)	-	-	-	-	-
17	100,000	(15.75)	(15.73)	(16.00)	(17.01)	(18.82)	-	-	-	-	-
18	125,000	(19.00)	(18.98)	(19.25)	(20.26)	(22.07)	-	-	-	-	-
19	150,000	(22.25)	(22.23)	(22.50)	(23.51)	(25.32)	-	-	-	-	-
20	175,000	(25.50)	(25.48)	(25.75)	(26.76)	(28.57)	-	-	-	-	-
21	200,000	(28.75)	(28.73)	(29.00)	(30.01)	(31.82)	-	-	-	-	-
22	250,000	(35.25)	(35.23)	(35.50)	(36.51)	(38.32)	-	-	-	-	-
23	500,000	(67.75)	(67.73)	(68.00)	(69.01)	(70.82)	-	-	-	-	-
24	1,000,000	(132.75)	(132.73)	(133.00)	(134.01)	(135.82)	-	-	-	-	-
25	2,000,000	(262.75)	(262.73)	(263.00)	(264.01)	(265.82)	-	-	-	-	-
26	3,000,000	(392.75)	(392.73)	(393.00)	(394.01)	(395.82)	-	-	-	-	-
27	4,000,000	(522.75)	(522.73)	(523.00)	(524.01)	(525.82)	-	-	-	-	-
28	5,000,000	(652.75)	(652.73)	(653.00)	(654.01)	(655.82)	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	2,319	17	1,895	10	118	-	-	-	-	-
32											
33	AVG. USE (GAL.):	22,245	3,493	59,895	181,724	133,510	-	-	-	-	-
34	MONTHLY BILL:	\$ 0.08	\$ 0.28	\$ (8.57)	\$ (27.63)	\$ (23.18)	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	12,223	161	40,083	100,982	70,375	-	-	-	-	-
37	MONTHLY BILL:	\$ 0.18	\$ 0.32	\$ (3.82)	\$ (17.14)	\$ (13.91)	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY RESIDENTIAL CUSTOMERS - RUCO RECOMMENDED CHANGES EXPRESSED AS A PERCENTAGE**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	3.6%	3.7%	0.4%	-3.4%	-6.2%	-	-	-	-	-
2	1,000	3.2%	3.3%	0.3%	-3.4%	-6.1%	-	-	-	-	-
3	2,000	2.8%	2.9%	0.2%	-3.3%	-6.0%	-	-	-	-	-
4	3,000	2.5%	2.7%	0.1%	-3.3%	-6.0%	-	-	-	-	-
5	4,000	2.3%	2.4%	0.1%	-3.2%	-5.9%	-	-	-	-	-
6	5,000	2.1%	2.2%	0.0%	-3.2%	-5.8%	-	-	-	-	-
7	6,000	1.9%	2.0%	-0.1%	-3.1%	-5.8%	-	-	-	-	-
8	7,000	1.7%	1.8%	-0.1%	-3.1%	-5.7%	-	-	-	-	-
9	8,000	1.5%	1.6%	-0.2%	-3.1%	-5.6%	-	-	-	-	-
10	9,000	1.4%	1.5%	-0.2%	-3.0%	-5.6%	-	-	-	-	-
11	10,000	1.3%	1.4%	-0.2%	-3.0%	-5.5%	-	-	-	-	-
12	15,000	0.8%	0.9%	-0.4%	-2.8%	-5.2%	-	-	-	-	-
13	20,000	0.4%	0.5%	-0.5%	-2.7%	-5.0%	-	-	-	-	-
14	25,000	0.2%	0.3%	-0.6%	-2.6%	-4.8%	-	-	-	-	-
15	50,000	-8.7%	-8.6%	-8.3%	-8.2%	-8.6%	-	-	-	-	-
16	75,000	-10.8%	-10.7%	-10.5%	-10.1%	-10.2%	-	-	-	-	-
17	100,000	-9.7%	-9.7%	-9.5%	-9.3%	-9.5%	-	-	-	-	-
18	125,000	-8.8%	-8.7%	-8.7%	-8.6%	-8.7%	-	-	-	-	-
19	150,000	-8.2%	-8.2%	-8.1%	-8.1%	-8.2%	-	-	-	-	-
20	175,000	-7.8%	-7.8%	-7.8%	-7.8%	-7.9%	-	-	-	-	-
21	200,000	-7.6%	-7.6%	-7.5%	-7.5%	-7.7%	-	-	-	-	-
22	250,000	-7.2%	-7.2%	-7.2%	-7.2%	-7.3%	-	-	-	-	-
23	500,000	-6.6%	-6.6%	-6.6%	-6.6%	-6.6%	-	-	-	-	-
24	1,000,000	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%	-	-	-	-	-
25	2,000,000	-6.1%	-6.1%	-6.1%	-6.1%	-6.2%	-	-	-	-	-
26	3,000,000	-6.1%	-6.1%	-6.1%	-6.1%	-6.1%	-	-	-	-	-
27	4,000,000	-6.1%	-6.1%	-6.1%	-6.1%	-6.1%	-	-	-	-	-
28	5,000,000	-6.0%	-6.0%	-6.0%	-6.0%	-6.1%	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	2,319	17	1,895	10	118	-	-	-	-	-
32											
33	AVG. USE (GAL.):	22,245	3,493	59,895	181,724	133,510	-	-	-	-	-
34	MONTHLY BILL:	0.3%	2.5%	-9.4%	-7.7%	-8.5%	-	-	-	-	-
35											
36	MEDIAN USE (GAL.):	12,223	161	40,083	100,982	70,375	-	-	-	-	-
37	MONTHLY BILL:	1.0%	3.6%	-6.6%	-9.3%	-10.0%	-	-	-	-	-

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 BILLING ANALYSIS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-8  
 PAGE 5 OF 36  
 SURREBUTTAL

**MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS - PRESENT RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 9.00	\$ -	\$ 9.75	\$ 14.00	\$ 25.75	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	9.00	-	9.75	14.00	25.75	-	-	-	-	-
3	2,000	10.74	-	11.49	15.74	27.49	-	-	-	-	-
4	3,000	12.48	-	13.23	17.48	29.23	-	-	-	-	-
5	4,000	14.22	-	14.97	19.22	30.97	-	-	-	-	-
6	5,000	15.96	-	16.71	20.96	32.71	-	-	-	-	-
7	6,000	17.70	-	18.45	22.70	34.45	-	-	-	-	-
8	7,000	19.44	-	20.19	24.44	36.19	-	-	-	-	-
9	8,000	21.18	-	21.93	26.18	37.93	-	-	-	-	-
10	9,000	22.92	-	23.67	27.92	39.67	-	-	-	-	-
11	10,000	24.66	-	25.41	29.66	41.41	-	-	-	-	-
12	15,000	33.36	-	34.11	38.36	50.11	-	-	-	-	-
13	20,000	42.06	-	42.81	47.06	58.81	-	-	-	-	-
14	25,000	50.76	-	51.51	55.76	67.51	-	-	-	-	-
15	50,000	94.26	-	95.01	99.26	111.01	-	-	-	-	-
16	75,000	137.76	-	138.51	142.76	154.51	-	-	-	-	-
17	100,000	181.26	-	182.01	186.26	198.01	-	-	-	-	-
18	125,000	224.76	-	225.51	229.76	241.51	-	-	-	-	-
19	150,000	268.26	-	269.01	273.26	285.01	-	-	-	-	-
20	175,000	311.76	-	312.51	316.76	328.51	-	-	-	-	-
21	200,000	355.26	-	356.01	360.26	372.01	-	-	-	-	-
22	250,000	442.26	-	443.01	447.26	459.01	-	-	-	-	-
23	500,000	877.26	-	878.01	882.26	894.01	-	-	-	-	-
24	1,000,000	1,747.26	-	1,748.01	1,752.26	1,764.01	-	-	-	-	-
25	2,000,000	3,487.26	-	3,488.01	3,492.26	3,504.01	-	-	-	-	-
26	3,000,000	5,227.26	-	5,228.01	5,232.26	5,244.01	-	-	-	-	-
27	4,000,000	6,967.26	-	6,968.01	6,972.26	6,984.01	-	-	-	-	-
28	5,000,000	8,707.26	-	8,708.01	8,712.26	8,724.01	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	2	-	32	19	9	-	-	-	-	-
32											
33	AVG. USE (GAL.):	48,354	-	99,038	87,722	111,981	-	-	-	-	-
34	MONTHLY BILL:	\$ 91.40	\$ -	\$ 180.34	\$ 164.90	\$ 218.86	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	18,500	-	70,452	60,667	80,667	-	-	-	-	-
37	MONTHLY BILL:	\$ 39.45	\$ -	\$ 130.60	\$ 117.82	\$ 164.37	\$ -	\$ -	\$ -	\$ -	\$ -

**MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS - RUCO RECOMMENDED RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 8.71	\$ 9.06	\$ 14.06	\$ 27.06	\$ 42.06	\$ 78.06	\$ 129.06	\$ 257.31	\$ 513.51	\$ 1,025.91
2	1,000	9.43	9.78	14.78	27.78	42.78	78.78	129.78	258.03	514.23	1,026.63
3	2,000	10.15	10.50	15.50	28.50	43.50	79.50	130.50	258.75	514.95	1,027.35
4	3,000	10.87	11.22	16.22	29.22	44.22	80.22	131.22	259.47	515.67	1,028.07
5	4,000	11.59	11.94	16.94	29.94	44.94	80.94	131.94	260.19	516.39	1,028.79
6	5,000	12.31	12.66	17.66	30.66	45.66	81.66	132.66	260.91	517.11	1,029.51
7	6,000	13.03	13.38	18.38	31.38	46.38	82.38	133.38	261.63	517.83	1,030.23
8	7,000	13.75	14.10	19.10	32.10	47.10	83.10	134.10	262.35	518.55	1,030.95
9	8,000	14.47	14.82	19.82	32.82	47.82	83.82	134.82	263.07	519.27	1,031.67
10	9,000	15.19	15.54	20.54	33.54	48.54	84.54	135.54	263.79	519.99	1,032.39
11	10,000	15.91	16.26	21.26	34.26	49.26	85.26	136.26	264.51	520.71	1,033.11
12	15,000	19.51	19.86	24.86	37.86	52.86	88.86	139.86	268.11	524.31	1,036.71
13	20,000	23.11	23.46	28.46	41.46	56.46	92.46	143.46	271.71	527.91	1,040.31
14	25,000	26.71	27.06	32.06	45.06	60.06	96.06	147.06	275.31	531.51	1,043.91
15	50,000	62.71	63.06	68.06	81.06	96.06	132.06	183.06	311.31	567.51	1,079.91
16	75,000	98.71	99.06	104.06	117.06	132.06	168.06	219.06	347.31	603.51	1,115.91
17	100,000	146.71	147.06	152.06	165.06	180.06	216.06	267.06	395.31	651.51	1,163.91
18	125,000	197.71	198.06	203.06	216.06	231.06	267.06	318.06	446.31	702.51	1,214.91
19	150,000	248.71	249.06	254.06	267.06	282.06	318.06	369.06	497.31	753.51	1,265.91
20	175,000	299.71	300.06	305.06	318.06	333.06	369.06	420.06	548.31	804.51	1,316.91
21	200,000	350.71	351.06	356.06	369.06	384.06	420.06	471.06	599.31	855.51	1,367.91
22	250,000	452.71	453.06	458.06	471.06	486.06	522.06	573.06	701.31	957.51	1,469.91
23	500,000	962.71	963.06	968.06	981.06	996.06	1,032.06	1,083.06	1,211.31	1,467.51	1,979.91
24	1,000,000	1,982.71	1,983.06	1,988.06	2,001.06	2,016.06	2,052.06	2,103.06	2,231.31	2,487.51	2,999.91
25	2,000,000	4,022.71	4,023.06	4,028.06	4,041.06	4,056.06	4,092.06	4,143.06	4,271.31	4,527.51	5,039.91
26	3,000,000	6,062.71	6,063.06	6,068.06	6,081.06	6,096.06	6,132.06	6,183.06	6,311.31	6,567.51	7,079.91
27	4,000,000	8,102.71	8,103.06	8,108.06	8,121.06	8,136.06	8,172.06	8,223.06	8,351.31	8,607.51	9,119.91
28	5,000,000	10,142.71	10,143.06	10,148.06	10,161.06	10,176.06	10,212.06	10,263.06	10,391.31	10,647.51	11,159.91
29											
30											
31	AVG. NO. OF CUST:	2	-	32	19	9	-	-	-	-	-
32											
33	AVG. USE (GAL.):	48,354	-	99,038	87,722	111,981	-	-	-	-	-
34	MONTHLY BILL:	\$ 60.34	\$ -	\$ 150.10	\$ 140.01	\$ 204.50	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	18,500	-	70,452	60,667	80,667	-	-	-	-	-
37	MONTHLY BILL:	\$ 22.03	\$ -	\$ 97.51	\$ 96.42	\$ 140.62	\$ -	\$ -	\$ -	\$ -	\$ -

**MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS - RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ (0.29)	\$ -	\$ 4.31	\$ 13.06	\$ 16.31	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	0.43	-	5.03	13.78	17.03	-	-	-	-	-
3	2,000	(0.59)	-	4.01	12.76	16.01	-	-	-	-	-
4	3,000	(1.61)	-	2.99	11.74	14.99	-	-	-	-	-
5	4,000	(2.63)	-	1.97	10.72	13.97	-	-	-	-	-
6	5,000	(3.65)	-	0.95	9.70	12.95	-	-	-	-	-
7	6,000	(4.67)	-	(0.07)	8.68	11.93	-	-	-	-	-
8	7,000	(5.69)	-	(1.09)	7.66	10.91	-	-	-	-	-
9	8,000	(6.71)	-	(2.11)	6.64	9.89	-	-	-	-	-
10	9,000	(7.73)	-	(3.13)	5.62	8.87	-	-	-	-	-
11	10,000	(8.75)	-	(4.15)	4.60	7.85	-	-	-	-	-
12	15,000	(13.85)	-	(9.25)	(0.50)	2.75	-	-	-	-	-
13	20,000	(18.95)	-	(14.35)	(5.60)	(2.35)	-	-	-	-	-
14	25,000	(24.05)	-	(19.45)	(10.70)	(7.45)	-	-	-	-	-
15	50,000	(31.55)	-	(26.95)	(18.20)	(14.95)	-	-	-	-	-
16	75,000	(39.05)	-	(34.45)	(25.70)	(22.45)	-	-	-	-	-
17	100,000	(34.55)	-	(29.95)	(21.20)	(17.95)	-	-	-	-	-
18	125,000	(27.05)	-	(22.45)	(13.70)	(10.45)	-	-	-	-	-
19	150,000	(19.55)	-	(14.95)	(6.20)	(2.95)	-	-	-	-	-
20	175,000	(12.05)	-	(7.45)	1.30	4.55	-	-	-	-	-
21	200,000	(4.55)	-	0.05	8.80	12.05	-	-	-	-	-
22	250,000	10.45	-	15.05	23.80	27.05	-	-	-	-	-
23	500,000	85.45	-	90.05	98.80	102.05	-	-	-	-	-
24	1,000,000	235.45	-	240.05	248.80	252.05	-	-	-	-	-
25	2,000,000	535.45	-	540.05	548.80	552.05	-	-	-	-	-
26	3,000,000	835.45	-	840.05	848.80	852.05	-	-	-	-	-
27	4,000,000	1,135.45	-	1,140.05	1,148.80	1,152.05	-	-	-	-	-
28	5,000,000	1,435.45	-	1,440.05	1,448.80	1,452.05	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	2	-	32	19	9	-	-	-	-	-
32											
33	AVG. USE (GAL.):	22,245	-	59,895	181,724	133,510	-	-	-	-	-
34	MONTHLY BILL:	\$ (31.06)	\$ -	\$ (30.24)	\$ (24.89)	\$ (14.36)	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	18,500	-	70,452	60,667	80,667	-	-	-	-	-
37	MONTHLY BILL:	\$ (17.42)	\$ -	\$ (33.09)	\$ (21.40)	\$ (23.75)	\$ -	\$ -	\$ -	\$ -	\$ -



ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 BILLING ANALYSIS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-8  
 PAGE 9 OF 36  
 SURREBUTTAL

PARADISE VALLEY COMMERCIAL CUSTOMERS - PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 8.41	\$ -	\$ 14.01	\$ 28.02	\$ 44.83	\$ 84.06	\$ 140.10	\$ 280.20	\$ -	\$ -
2	1,000	9.58	-	15.18	29.19	46.00	85.23	141.27	281.37	-	-
3	2,000	10.75	-	16.35	30.36	47.17	86.40	142.44	282.54	-	-
4	3,000	11.92	-	17.52	31.53	48.34	87.57	143.61	283.71	-	-
5	4,000	13.09	-	18.69	32.70	49.51	88.74	144.78	284.88	-	-
6	5,000	14.26	-	19.86	33.87	50.68	89.91	145.95	286.05	-	-
7	6,000	15.43	-	21.03	35.04	51.85	91.08	147.12	287.22	-	-
8	7,000	16.60	-	22.20	36.21	53.02	92.25	148.29	288.39	-	-
9	8,000	17.77	-	23.37	37.38	54.19	93.42	149.46	289.56	-	-
10	9,000	18.94	-	24.54	38.55	55.36	94.59	150.63	290.73	-	-
11	10,000	20.11	-	25.71	39.72	56.53	95.76	151.80	291.90	-	-
12	15,000	25.96	-	31.56	45.57	62.38	101.61	157.65	297.75	-	-
13	20,000	31.81	-	37.41	51.42	68.23	107.46	163.50	303.60	-	-
14	25,000	37.66	-	43.26	57.27	74.08	113.31	169.35	309.45	-	-
15	50,000	66.91	-	72.51	86.52	103.33	142.56	198.60	338.70	-	-
16	75,000	96.16	-	101.76	115.77	132.58	171.81	227.85	367.95	-	-
17	100,000	125.41	-	131.01	145.02	161.83	201.06	257.10	397.20	-	-
18	125,000	154.66	-	160.26	174.27	191.08	230.31	286.35	426.45	-	-
19	150,000	183.91	-	189.51	203.52	220.33	259.56	315.60	455.70	-	-
20	175,000	213.16	-	218.76	232.77	249.58	288.81	344.85	484.95	-	-
21	200,000	242.41	-	248.01	262.02	278.83	318.06	374.10	514.20	-	-
22	250,000	300.91	-	306.51	320.52	337.33	376.56	432.60	572.70	-	-
23	500,000	622.41	-	628.01	642.02	658.83	698.06	754.10	894.20	-	-
24	1,000,000	1,352.41	-	1,358.01	1,372.02	1,388.83	1,428.06	1,484.10	1,624.20	-	-
25	2,000,000	2,812.41	-	2,818.01	2,832.02	2,848.83	2,888.06	2,944.10	3,084.20	-	-
26	3,000,000	4,272.41	-	4,278.01	4,292.02	4,308.83	4,348.06	4,404.10	4,544.20	-	-
27	4,000,000	5,732.41	-	5,738.01	5,752.02	5,768.83	5,808.06	5,864.10	6,004.20	-	-
28	5,000,000	7,192.41	-	7,198.01	7,212.02	7,228.83	7,268.06	7,324.10	7,464.20	-	-
29											
30											
31	AVG. NO. OF CUST:	37	-	41	22	116	12	1	4	-	-
32											
33	AVG. USE (GAL.):	5,996	-	73,194	101,275	319,228	415,396	-	1,558,313	-	-
34	MONTHLY BILL:	\$ 15.42	-	\$ 99.65	\$ 146.51	\$ 418.33	\$ 574.54	\$ 140.10	\$ 2,439.34	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	\$ -	-	\$ 49.11	\$ 98.45	\$ 162.07	\$ 12,500	\$ -	\$ 78,000	\$ -	\$ -
37	MONTHLY BILL:	\$ -	-	\$ 49.11	\$ 98.45	\$ 162.07	\$ 98.69	\$ -	\$ 371.46	\$ -	\$ -

**PARADISE VALLEY COMMERCIAL CUSTOMERS - RUCO RECOMMENDED RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$8.71	\$9.06	\$14.06	\$27.06	\$42.06	\$78.06	\$129.06	\$257.31	\$513.51	\$1,025.91
2	1,000	9.77	10.12	15.12	28.12	43.12	79.12	130.12	258.37	514.57	1,026.97
3	2,000	10.83	11.18	16.18	29.18	44.18	80.18	131.18	259.43	515.63	1,028.03
4	3,000	11.89	12.24	17.24	30.24	45.24	81.24	132.24	260.49	516.69	1,029.09
5	4,000	12.95	13.30	18.30	31.30	46.30	82.30	133.30	261.55	517.75	1,030.15
6	5,000	14.01	14.36	19.36	32.36	47.36	83.36	134.36	262.61	518.81	1,031.21
7	6,000	15.07	15.42	20.42	33.42	48.42	84.42	135.42	263.67	519.87	1,032.27
8	7,000	16.13	16.48	21.48	34.48	49.48	85.48	136.48	264.73	520.93	1,033.33
9	8,000	17.19	17.54	22.54	35.54	50.54	86.54	137.54	265.79	521.99	1,034.39
10	9,000	18.25	18.60	23.60	36.60	51.60	87.60	138.60	266.85	523.05	1,035.45
11	10,000	19.31	19.66	24.66	37.66	52.66	88.66	139.66	267.91	524.11	1,036.51
12	15,000	24.61	24.96	29.96	42.96	57.96	93.96	144.96	273.21	529.41	1,041.81
13	20,000	29.91	30.26	35.26	48.26	63.26	99.26	150.26	278.51	534.71	1,047.11
14	25,000	35.21	35.56	40.56	53.56	68.56	104.56	155.56	283.81	540.01	1,052.41
15	50,000	61.71	62.06	67.06	80.06	95.06	131.06	182.06	310.31	566.51	1,078.91
16	75,000	88.21	88.56	93.56	106.56	121.56	157.56	208.56	336.81	593.01	1,105.41
17	100,000	114.71	115.06	120.06	133.06	148.06	184.06	235.06	363.31	619.51	1,131.91
18	125,000	141.21	141.56	146.56	159.56	174.56	210.56	261.56	389.81	646.01	1,158.41
19	150,000	167.71	168.06	173.06	186.06	201.06	237.06	288.06	416.31	672.51	1,184.91
20	175,000	194.21	194.56	199.56	212.56	227.56	263.56	314.56	442.81	699.01	1,211.41
21	200,000	220.71	221.06	226.06	239.06	254.06	290.06	341.06	469.31	725.51	1,237.91
22	250,000	273.71	274.06	279.06	292.06	307.06	343.06	394.06	522.31	778.51	1,290.91
23	500,000	567.71	568.06	573.06	586.06	601.06	637.06	688.06	816.31	1,072.51	1,584.91
24	1,000,000	1,242.71	1,243.06	1,248.06	1,261.06	1,276.06	1,312.06	1,363.06	1,491.31	1,747.51	2,259.91
25	2,000,000	2,592.71	2,593.06	2,598.06	2,611.06	2,626.06	2,662.06	2,713.06	2,841.31	3,097.51	3,609.91
26	3,000,000	3,942.71	3,943.06	3,948.06	3,961.06	3,976.06	4,012.06	4,063.06	4,191.31	4,447.51	4,959.91
27	4,000,000	5,292.71	5,293.06	5,298.06	5,311.06	5,326.06	5,362.06	5,413.06	5,541.31	5,797.51	6,309.91
28	5,000,000	6,642.71	6,643.06	6,648.06	6,661.06	6,676.06	6,712.06	6,763.06	6,891.31	7,147.51	7,659.91
30											
31	AVG. NO. OF CUST:	37	-	41	22	116	12	1	4	-	-
32											
33	AVG. USE (GAL.):	5,996	-	73,194	101,275	319,228	415,396	-	1,558,313	-	-
34	MONTHLY BILL:	\$ 15.07	\$ -	\$ 91.65	\$ 134.41	\$ 380.44	\$ 522.84	\$ 129.06	\$ 2,245.03	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	\$ -	\$ -	\$ 30,000	\$ 60,200	\$ 100,205	\$ 12,500	\$ -	\$ 78,000	\$ -	\$ -
37	MONTHLY BILL:	\$ -	\$ -	\$ 45.86	\$ 90.87	\$ 148.28	\$ 91.31	\$ -	\$ 339.99	\$ -	\$ -

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 BILLING ANALYSIS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-8  
 PAGE 12 OF 36  
 SURREBUTTAL

**PARADISE VALLEY COMMERCIAL CUSTOMERS - RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 0.30	\$ -	\$ 0.05	\$ (0.96)	\$ (2.77)	\$ (6.00)	\$ (11.04)	\$ (22.89)	\$ -	\$ -
2	1,000	0.19	-	(0.06)	(1.07)	(2.88)	(6.11)	(11.15)	(23.00)	-	-
3	2,000	0.08	-	(0.17)	(1.18)	(2.99)	(6.22)	(11.26)	(23.11)	-	-
4	3,000	(0.03)	-	(0.28)	(1.29)	(3.10)	(6.33)	(11.37)	(23.22)	-	-
5	4,000	(0.14)	-	(0.39)	(1.40)	(3.21)	(6.44)	(11.48)	(23.33)	-	-
6	5,000	(0.25)	-	(0.50)	(1.51)	(3.32)	(6.55)	(11.59)	(23.44)	-	-
7	6,000	(0.36)	-	(0.61)	(1.62)	(3.43)	(6.66)	(11.70)	(23.55)	-	-
8	7,000	(0.47)	-	(0.72)	(1.73)	(3.54)	(6.77)	(11.81)	(23.66)	-	-
9	8,000	(0.58)	-	(0.83)	(1.84)	(3.65)	(6.88)	(11.92)	(23.77)	-	-
10	9,000	(0.69)	-	(0.94)	(1.95)	(3.76)	(6.99)	(12.03)	(23.88)	-	-
11	10,000	(0.80)	-	(1.05)	(2.06)	(3.87)	(7.10)	(12.14)	(23.99)	-	-
12	15,000	(1.35)	-	(1.60)	(2.61)	(4.42)	(7.65)	(12.69)	(24.54)	-	-
13	20,000	(1.90)	-	(2.15)	(3.16)	(4.97)	(8.20)	(13.24)	(25.09)	-	-
14	25,000	(2.45)	-	(2.70)	(3.71)	(5.52)	(8.75)	(13.79)	(25.64)	-	-
15	50,000	(5.20)	-	(5.45)	(6.46)	(8.27)	(11.50)	(16.54)	(28.39)	-	-
16	75,000	(7.95)	-	(8.20)	(9.21)	(11.02)	(14.25)	(19.29)	(31.14)	-	-
17	100,000	(10.70)	-	(10.95)	(11.96)	(13.77)	(17.00)	(22.04)	(33.89)	-	-
18	125,000	(13.45)	-	(13.70)	(14.71)	(16.52)	(19.75)	(24.79)	(36.64)	-	-
19	150,000	(16.20)	-	(16.45)	(17.46)	(19.27)	(22.50)	(27.54)	(39.39)	-	-
20	175,000	(18.95)	-	(19.20)	(20.21)	(22.02)	(25.25)	(30.29)	(42.14)	-	-
21	200,000	(21.70)	-	(21.95)	(22.96)	(24.77)	(28.00)	(33.04)	(44.89)	-	-
22	250,000	(27.20)	-	(27.45)	(28.46)	(30.27)	(33.50)	(38.54)	(50.39)	-	-
23	500,000	(54.70)	-	(54.95)	(55.96)	(57.77)	(61.00)	(66.04)	(77.89)	-	-
24	1,000,000	(109.70)	-	(109.95)	(110.96)	(112.77)	(116.00)	(121.04)	(132.89)	-	-
25	2,000,000	(219.70)	-	(219.95)	(220.96)	(222.77)	(226.00)	(231.04)	(242.89)	-	-
26	3,000,000	(329.70)	-	(329.95)	(330.96)	(332.77)	(336.00)	(341.04)	(352.89)	-	-
27	4,000,000	(439.70)	-	(439.95)	(440.96)	(442.77)	(446.00)	(451.04)	(462.89)	-	-
28	5,000,000	(549.70)	-	(549.95)	(550.96)	(552.77)	(556.00)	(561.04)	(572.89)	-	-
30											
31	AVG. NO. OF CUST:	37	-	41	22	116	12	1	4	-	-
32											
33	AVG. USE (GAL.):	5,996	-	73,194	101,275	319,228	415,396	-	1,558,313	-	-
34	MONTHLY BILL:	\$ (0.35)	\$ -	\$ (8.00)	\$ (12.10)	\$ (37.89)	\$ (51.70)	\$ (11.04)	\$ (194.31)	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	-	-	30,000	60,200	100,205	12,500	-	78,000	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ (3.25)	\$ (7.58)	\$ (13.79)	\$ (7.38)	\$ -	\$ (31.47)	\$ -	\$ -

**PARADISE VALLEY COMMERCIAL CUSTOMERS - RUCO RECOMMENDED CHANGES EXPRESSED AS A PERCENTAGE**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	3.6%	-	0.4%	-3.4%	-6.2%	-7.1%	-7.9%	-8.2%	-	-
2	1,000	2.0%	-	-0.4%	-3.7%	-6.3%	-7.2%	-7.9%	-8.2%	-	-
3	2,000	0.7%	-	-1.0%	-3.9%	-6.3%	-7.2%	-7.9%	-8.2%	-	-
4	3,000	-0.3%	-	-1.6%	-4.1%	-6.4%	-7.2%	-7.9%	-8.2%	-	-
5	4,000	-1.1%	-	-2.1%	-4.3%	-6.5%	-7.3%	-7.9%	-8.2%	-	-
6	5,000	-1.8%	-	-2.5%	-4.5%	-6.6%	-7.3%	-7.9%	-8.2%	-	-
7	6,000	-2.3%	-	-2.9%	-4.6%	-6.6%	-7.3%	-8.0%	-8.2%	-	-
8	7,000	-2.8%	-	-3.2%	-4.8%	-6.7%	-7.3%	-8.0%	-8.2%	-	-
9	8,000	-3.3%	-	-3.6%	-4.9%	-6.7%	-7.4%	-8.0%	-8.2%	-	-
10	9,000	-3.6%	-	-3.8%	-5.1%	-6.8%	-7.4%	-8.0%	-8.2%	-	-
11	10,000	-4.0%	-	-4.1%	-5.2%	-6.8%	-7.4%	-8.0%	-8.2%	-	-
12	15,000	-5.2%	-	-5.1%	-5.7%	-7.1%	-7.5%	-8.0%	-8.2%	-	-
13	20,000	-6.0%	-	-5.7%	-6.1%	-7.3%	-7.6%	-8.1%	-8.3%	-	-
14	25,000	-6.5%	-	-6.2%	-6.5%	-7.5%	-7.7%	-8.1%	-8.3%	-	-
15	50,000	-7.8%	-	-7.5%	-7.5%	-8.0%	-8.1%	-8.3%	-8.4%	-	-
16	75,000	-8.3%	-	-8.1%	-8.0%	-8.3%	-8.3%	-8.5%	-8.5%	-	-
17	100,000	-8.5%	-	-8.4%	-8.2%	-8.5%	-8.5%	-8.6%	-8.5%	-	-
18	125,000	-8.7%	-	-8.5%	-8.4%	-8.6%	-8.6%	-8.7%	-8.6%	-	-
19	150,000	-8.8%	-	-8.7%	-8.6%	-8.7%	-8.7%	-8.7%	-8.6%	-	-
20	175,000	-8.9%	-	-8.8%	-8.7%	-8.8%	-8.7%	-8.8%	-8.7%	-	-
21	200,000	-9.0%	-	-8.9%	-8.8%	-8.9%	-8.8%	-8.8%	-8.7%	-	-
22	250,000	-9.0%	-	-9.0%	-8.9%	-9.0%	-8.9%	-8.9%	-8.8%	-	-
23	500,000	-8.8%	-	-8.7%	-8.7%	-8.8%	-8.7%	-8.8%	-8.7%	-	-
24	1,000,000	-8.1%	-	-8.1%	-8.1%	-8.1%	-8.1%	-8.2%	-8.2%	-	-
25	2,000,000	-7.8%	-	-7.8%	-7.8%	-7.8%	-7.8%	-7.8%	-7.9%	-	-
26	3,000,000	-7.7%	-	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-7.8%	-	-
27	4,000,000	-7.7%	-	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-	-
28	5,000,000	-7.6%	-	-7.6%	-7.6%	-7.6%	-7.6%	-7.7%	-7.7%	-	-
29											
30											
31	AVG. NO. OF CUST:	37	-	41	22	116	12	1	4	-	-
32											
33	AVG. USE (GAL.) MONTHLY BILL:	5,996	-	73,194	101,275	319,228	415,396	0	1,558,313	-	-
34		-2.3%	-	-8.0%	-8.3%	-9.1%	-9.0%	-7.9%	-8.0%	-	-
35											
36	MEDIAN USE (GAL.) MONTHLY BILL:	-	-	30,000	60,200	100,205	12,500	-	78,000	-	-
37				-6.6%	-7.7%	-8.5%	-7.5%	-	-8.5%	-	-

PARADISE VALLEY TURF CUSTOMERS - PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 3 - INCH	(H) 4 - INCH	(I) 6 - INCH	(J) 8 - INCH	(K) 10 - INCH
1	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84.06	\$ 84.06	\$ -	\$ -	\$ -	\$ -
2	1,000	-	-	-	-	-	84.96	84.96	-	-	-	-
3	2,000	-	-	-	-	-	85.86	85.86	-	-	-	-
4	3,000	-	-	-	-	-	86.76	86.76	-	-	-	-
5	4,000	-	-	-	-	-	87.66	87.66	-	-	-	-
6	5,000	-	-	-	-	-	88.56	88.56	-	-	-	-
7	6,000	-	-	-	-	-	89.46	89.46	-	-	-	-
8	7,000	-	-	-	-	-	90.36	90.36	-	-	-	-
9	8,000	-	-	-	-	-	91.26	91.26	-	-	-	-
10	9,000	-	-	-	-	-	92.16	92.16	-	-	-	-
11	10,000	-	-	-	-	-	93.06	93.06	-	-	-	-
12	15,000	-	-	-	-	-	97.56	97.56	-	-	-	-
13	20,000	-	-	-	-	-	102.06	102.06	-	-	-	-
14	25,000	-	-	-	-	-	106.56	106.56	-	-	-	-
15	50,000	-	-	-	-	-	129.06	129.06	-	-	-	-
16	75,000	-	-	-	-	-	151.56	151.56	-	-	-	-
17	100,000	-	-	-	-	-	174.06	174.06	-	-	-	-
18	125,000	-	-	-	-	-	196.56	196.56	-	-	-	-
19	150,000	-	-	-	-	-	219.06	219.06	-	-	-	-
20	175,000	-	-	-	-	-	241.56	241.56	-	-	-	-
21	200,000	-	-	-	-	-	264.06	264.06	-	-	-	-
22	250,000	-	-	-	-	-	309.06	309.06	-	-	-	-
23	500,000	-	-	-	-	-	534.06	534.06	-	-	-	-
24	1,000,000	-	-	-	-	-	984.06	984.06	-	-	-	-
25	2,000,000	-	-	-	-	-	1,884.06	1,884.06	-	-	-	-
26	3,000,000	-	-	-	-	-	2,784.06	2,784.06	-	-	-	-
27	4,000,000	-	-	-	-	-	3,684.06	3,684.06	-	-	-	-
28	5,000,000	-	-	-	-	-	4,584.06	4,584.06	-	-	-	-
29												
30												
31	AVG. NO. OF CUST:	-	-	-	-	-	1	1	-	-	-	-
32												
33	AVG. USE (GAL.):	-	-	-	-	-	6,726,800	813,000	-	-	-	-
34	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,138.18	\$ 815.76	\$ -	\$ -	\$ -	\$ -
35												
36	MEDIAN USE (GAL.):	-	-	-	-	-	9,109,000	607,500	-	-	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,282.16	\$ 630.81	\$ -	\$ -	\$ -	\$ -

PARADISE VALLEY TURF CUSTOMERS - RUCO RECOMMENDED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 3 - INCH	(H) 4 - INCH	(I) 6 - INCH	(J) 8 - INCH	(K) 10 - INCH
1	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79.08	\$ 79.08	\$ -	\$ -	\$ -	\$ -
2	1,000	-	-	-	-	-	79.90	79.90	-	-	-	-
3	2,000	-	-	-	-	-	80.72	80.72	-	-	-	-
4	3,000	-	-	-	-	-	81.54	81.54	-	-	-	-
5	4,000	-	-	-	-	-	82.36	82.36	-	-	-	-
6	5,000	-	-	-	-	-	83.18	83.18	-	-	-	-
7	6,000	-	-	-	-	-	84.00	84.00	-	-	-	-
8	7,000	-	-	-	-	-	84.82	84.82	-	-	-	-
9	8,000	-	-	-	-	-	85.64	85.64	-	-	-	-
10	9,000	-	-	-	-	-	86.46	86.46	-	-	-	-
11	10,000	-	-	-	-	-	87.28	87.28	-	-	-	-
12	15,000	-	-	-	-	-	91.38	91.38	-	-	-	-
13	20,000	-	-	-	-	-	95.48	95.48	-	-	-	-
14	25,000	-	-	-	-	-	99.58	99.58	-	-	-	-
15	50,000	-	-	-	-	-	120.08	120.08	-	-	-	-
16	75,000	-	-	-	-	-	140.58	140.58	-	-	-	-
17	100,000	-	-	-	-	-	161.08	161.08	-	-	-	-
18	125,000	-	-	-	-	-	181.58	181.58	-	-	-	-
19	150,000	-	-	-	-	-	202.08	202.08	-	-	-	-
20	175,000	-	-	-	-	-	222.58	222.58	-	-	-	-
21	200,000	-	-	-	-	-	243.08	243.08	-	-	-	-
22	250,000	-	-	-	-	-	284.08	284.08	-	-	-	-
23	500,000	-	-	-	-	-	489.08	489.08	-	-	-	-
24	1,000,000	-	-	-	-	-	899.08	899.08	-	-	-	-
25	2,000,000	-	-	-	-	-	1,719.08	1,719.08	-	-	-	-
26	3,000,000	-	-	-	-	-	2,539.08	2,539.08	-	-	-	-
27	4,000,000	-	-	-	-	-	3,359.08	3,359.08	-	-	-	-
28	5,000,000	-	-	-	-	-	4,179.08	4,179.08	-	-	-	-
29												
30												
31	AVG. NO. OF CUST:	-	-	-	-	-	1	1	-	-	-	-
32												
33	AVG. USE (GAL.):	-	-	-	-	-	6,726,800	813,000	-	-	-	-
34	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,595.06	\$ 745.74	\$ -	\$ -	\$ -	\$ -
35												
36	MEDIAN USE (GAL.):	-	-	-	-	-	9,109,000	607,500	-	-	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,548.46	\$ 577.23	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY TURF CUSTOMERS - RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 3 - INCH	(H) 4 - INCH	(I) 6 - INCH	(J) 8 - INCH	(K) 10 - INCH
1	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4.98)	\$ (4.98)	\$ -	\$ -	\$ -	\$ -
2	1,000	-	-	-	-	-	(5.06)	(5.06)	-	-	-	-
3	2,000	-	-	-	-	-	(5.14)	(5.14)	-	-	-	-
4	3,000	-	-	-	-	-	(5.22)	(5.22)	-	-	-	-
5	4,000	-	-	-	-	-	(5.30)	(5.30)	-	-	-	-
6	5,000	-	-	-	-	-	(5.38)	(5.38)	-	-	-	-
7	6,000	-	-	-	-	-	(5.46)	(5.46)	-	-	-	-
8	7,000	-	-	-	-	-	(5.54)	(5.54)	-	-	-	-
9	8,000	-	-	-	-	-	(5.62)	(5.62)	-	-	-	-
10	9,000	-	-	-	-	-	(5.70)	(5.70)	-	-	-	-
11	10,000	-	-	-	-	-	(5.78)	(5.78)	-	-	-	-
12	15,000	-	-	-	-	-	(6.18)	(6.18)	-	-	-	-
13	20,000	-	-	-	-	-	(6.58)	(6.58)	-	-	-	-
14	25,000	-	-	-	-	-	(6.98)	(6.98)	-	-	-	-
15	50,000	-	-	-	-	-	(8.98)	(8.98)	-	-	-	-
16	75,000	-	-	-	-	-	(10.98)	(10.98)	-	-	-	-
17	100,000	-	-	-	-	-	(12.98)	(12.98)	-	-	-	-
18	125,000	-	-	-	-	-	(14.98)	(14.98)	-	-	-	-
19	150,000	-	-	-	-	-	(16.98)	(16.98)	-	-	-	-
20	175,000	-	-	-	-	-	(18.98)	(18.98)	-	-	-	-
21	200,000	-	-	-	-	-	(20.98)	(20.98)	-	-	-	-
22	250,000	-	-	-	-	-	(24.98)	(24.98)	-	-	-	-
23	500,000	-	-	-	-	-	(44.98)	(44.98)	-	-	-	-
24	1,000,000	-	-	-	-	-	(84.98)	(84.98)	-	-	-	-
25	2,000,000	-	-	-	-	-	(164.98)	(164.98)	-	-	-	-
26	3,000,000	-	-	-	-	-	(244.98)	(244.98)	-	-	-	-
27	4,000,000	-	-	-	-	-	(324.98)	(324.98)	-	-	-	-
28	5,000,000	-	-	-	-	-	(404.98)	(404.98)	-	-	-	-
29												
30												
31	AVG. NO. OF CUST:	-	-	-	-	-	1	1	-	-	-	-
32												
33	AVG. USE (GAL.):	-	-	-	-	-	6,726,800	813,000	-	-	-	-
34	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (543.12)	\$ (70.02)	\$ -	\$ -	\$ -	\$ -
35												
36	MEDIAN USE (GAL.):	-	-	-	-	-	9,109,000	607,500	-	-	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (733.70)	\$ (53.58)	\$ -	\$ -	\$ -	\$ -

PARADISE VALLEY TURF CUSTOMERS - RUCO RECOMMENDED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 3 - INCH	(H) 4 - INCH	(I) 6 - INCH	(J) 8 - INCH	(K) 10 - INCH
1	0	-	-	-	-	-	-5.9%	-5.9%	-	-	-	-
2	1,000	-	-	-	-	-	-6.0%	-6.0%	-	-	-	-
3	2,000	-	-	-	-	-	-6.0%	-6.0%	-	-	-	-
4	3,000	-	-	-	-	-	-6.0%	-6.0%	-	-	-	-
5	4,000	-	-	-	-	-	-6.0%	-6.0%	-	-	-	-
6	5,000	-	-	-	-	-	-6.1%	-6.1%	-	-	-	-
7	6,000	-	-	-	-	-	-6.1%	-6.1%	-	-	-	-
8	7,000	-	-	-	-	-	-6.1%	-6.1%	-	-	-	-
9	8,000	-	-	-	-	-	-6.2%	-6.2%	-	-	-	-
10	9,000	-	-	-	-	-	-6.2%	-6.2%	-	-	-	-
11	10,000	-	-	-	-	-	-6.2%	-6.2%	-	-	-	-
12	15,000	-	-	-	-	-	-6.3%	-6.3%	-	-	-	-
13	20,000	-	-	-	-	-	-6.4%	-6.4%	-	-	-	-
14	25,000	-	-	-	-	-	-6.6%	-6.6%	-	-	-	-
15	50,000	-	-	-	-	-	-7.0%	-7.0%	-	-	-	-
16	75,000	-	-	-	-	-	-7.2%	-7.2%	-	-	-	-
17	100,000	-	-	-	-	-	-7.5%	-7.5%	-	-	-	-
18	125,000	-	-	-	-	-	-7.6%	-7.6%	-	-	-	-
19	150,000	-	-	-	-	-	-7.8%	-7.8%	-	-	-	-
20	175,000	-	-	-	-	-	-7.9%	-7.9%	-	-	-	-
21	200,000	-	-	-	-	-	-7.9%	-7.9%	-	-	-	-
22	250,000	-	-	-	-	-	-8.1%	-8.1%	-	-	-	-
23	500,000	-	-	-	-	-	-8.4%	-8.4%	-	-	-	-
24	1,000,000	-	-	-	-	-	-8.6%	-8.6%	-	-	-	-
25	2,000,000	-	-	-	-	-	-8.8%	-8.8%	-	-	-	-
26	3,000,000	-	-	-	-	-	-8.8%	-8.8%	-	-	-	-
27	4,000,000	-	-	-	-	-	-8.8%	-8.8%	-	-	-	-
28	5,000,000	-	-	-	-	-	-8.8%	-8.8%	-	-	-	-
29		-	-	-	-	-			-	-	-	-
30		-	-	-	-	-			-	-	-	-
31	AVG. NO. OF CUST:	-	-	-	-	-	1	1	-	-	-	-
32		-	-	-	-	-			-	-	-	-
33	AVG. USE (GAL.):	-	-	-	-	-	6,726,800	813,000	-	-	-	-
34	MONTHLY BILL:	-	-	-	-	-	-8.8%	-8.6%	-	-	-	-
35		-	-	-	-	-			-	-	-	-
36	MEDIAN USE (GAL.):	-	-	-	-	-	9,109,000	607,500	-	-	-	-
37	MONTHLY BILL:	-	-	-	-	-	-8.9%	-8.5%	-	-	-	-

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 BILLING ANALYSIS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-8  
 PAGE 17 OF 36  
 SURREBUTTAL

**PARADISE VALLEY COUNTRY CLUB - PRESENT RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,817.00	\$ -	\$ -
2	1,000,000	-	-	-	-	-	-	-	12,817.00	-	-
3	2,000,000	-	-	-	-	-	-	-	12,817.00	-	-
4	3,000,000	-	-	-	-	-	-	-	12,817.00	-	-
5	4,000,000	-	-	-	-	-	-	-	12,817.00	-	-
6	5,000,000	-	-	-	-	-	-	-	12,817.00	-	-
7	6,000,000	-	-	-	-	-	-	-	12,817.00	-	-
8	7,000,000	-	-	-	-	-	-	-	12,817.00	-	-
9	8,000,000	-	-	-	-	-	-	-	12,817.00	-	-
10	9,000,000	-	-	-	-	-	-	-	12,817.00	-	-
11	10,000,000	-	-	-	-	-	-	-	12,817.00	-	-
12	11,000,000	-	-	-	-	-	-	-	12,817.00	-	-
13	12,000,000	-	-	-	-	-	-	-	12,817.00	-	-
14	13,000,000	-	-	-	-	-	-	-	12,817.00	-	-
15	14,000,000	-	-	-	-	-	-	-	12,817.00	-	-
16	15,000,000	-	-	-	-	-	-	-	12,817.00	-	-
17	16,000,000	-	-	-	-	-	-	-	12,817.00	-	-
18	17,000,000	-	-	-	-	-	-	-	12,817.00	-	-
19	18,000,000	-	-	-	-	-	-	-	12,817.00	-	-
20	19,000,000	-	-	-	-	-	-	-	12,817.00	-	-
21	20,000,000	-	-	-	-	-	-	-	12,817.00	-	-
22	21,000,000	-	-	-	-	-	-	-	12,817.00	-	-
23	22,000,000	-	-	-	-	-	-	-	12,817.00	-	-
24	23,000,000	-	-	-	-	-	-	-	12,817.00	-	-
25	24,000,000	-	-	-	-	-	-	-	12,817.00	-	-
26	25,000,000	-	-	-	-	-	-	-	12,817.00	-	-
27	26,000,000	-	-	-	-	-	-	-	12,817.00	-	-
28	27,000,000	-	-	-	-	-	-	-	12,817.00	-	-
29											
30											
31	AVG. NO. OF CUST:	-	-	-	-	-	-	-	1	-	-
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	16,921,916	-	-
34	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$12,817.00	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	-	-	-	-	-	-	-	15,880,000	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$12,817.00	\$ -	\$ -

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 BILLING ANALYSIS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-8  
 PAGE 18 OF 36  
 SURREBUTTAL

**PARADISE VALLEY COUNTRY CLUB - RUCO RECOMMENDED RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218.71	\$ -	\$ -
2	1,000,000	-	-	-	-	-	-	-	918.68	-	-
3	2,000,000	-	-	-	-	-	-	-	1,618.64	-	-
4	3,000,000	-	-	-	-	-	-	-	2,318.61	-	-
5	4,000,000	-	-	-	-	-	-	-	3,018.58	-	-
6	5,000,000	-	-	-	-	-	-	-	3,718.55	-	-
7	6,000,000	-	-	-	-	-	-	-	4,418.51	-	-
8	7,000,000	-	-	-	-	-	-	-	5,118.48	-	-
9	8,000,000	-	-	-	-	-	-	-	5,818.45	-	-
10	9,000,000	-	-	-	-	-	-	-	6,518.42	-	-
11	10,000,000	-	-	-	-	-	-	-	7,218.38	-	-
12	11,000,000	-	-	-	-	-	-	-	7,918.35	-	-
13	12,000,000	-	-	-	-	-	-	-	8,618.32	-	-
14	13,000,000	-	-	-	-	-	-	-	9,318.29	-	-
15	14,000,000	-	-	-	-	-	-	-	10,018.25	-	-
16	15,000,000	-	-	-	-	-	-	-	10,718.22	-	-
17	16,000,000	-	-	-	-	-	-	-	11,418.19	-	-
18	17,000,000	-	-	-	-	-	-	-	12,118.16	-	-
19	18,000,000	-	-	-	-	-	-	-	12,818.12	-	-
20	19,000,000	-	-	-	-	-	-	-	13,518.09	-	-
21	20,000,000	-	-	-	-	-	-	-	14,218.06	-	-
22	21,000,000	-	-	-	-	-	-	-	14,918.03	-	-
23	22,000,000	-	-	-	-	-	-	-	15,617.99	-	-
24	23,000,000	-	-	-	-	-	-	-	16,317.96	-	-
25	24,000,000	-	-	-	-	-	-	-	17,017.93	-	-
26	25,000,000	-	-	-	-	-	-	-	17,717.90	-	-
27	26,000,000	-	-	-	-	-	-	-	18,417.86	-	-
28	27,000,000	-	-	-	-	-	-	-	19,117.83	-	-
29											
30	AVG. NO. OF CUST:	-	-	-	-	-	-	-	1	-	-
31											
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	16,921,916	-	-
34	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,063.50	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	-	-	-	-	-	-	-	15,880,000	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,334.19	\$ -	\$ -

PARADISE VALLEY COUNTRY CLUB - RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (12,598.29)	\$ -	\$ -
2	1,000,000	-	-	-	-	-	-	-	(11,898.32)	-	-
3	2,000,000	-	-	-	-	-	-	-	(11,198.36)	-	-
4	3,000,000	-	-	-	-	-	-	-	(10,498.39)	-	-
5	4,000,000	-	-	-	-	-	-	-	(9,798.42)	-	-
6	5,000,000	-	-	-	-	-	-	-	(9,098.45)	-	-
7	6,000,000	-	-	-	-	-	-	-	(8,398.49)	-	-
8	7,000,000	-	-	-	-	-	-	-	(7,698.52)	-	-
9	8,000,000	-	-	-	-	-	-	-	(6,998.55)	-	-
10	9,000,000	-	-	-	-	-	-	-	(6,298.58)	-	-
11	10,000,000	-	-	-	-	-	-	-	(5,598.62)	-	-
12	11,000,000	-	-	-	-	-	-	-	(4,898.65)	-	-
13	12,000,000	-	-	-	-	-	-	-	(4,198.68)	-	-
14	13,000,000	-	-	-	-	-	-	-	(3,498.71)	-	-
15	14,000,000	-	-	-	-	-	-	-	(2,798.75)	-	-
16	15,000,000	-	-	-	-	-	-	-	(2,098.78)	-	-
17	16,000,000	-	-	-	-	-	-	-	(1,398.81)	-	-
18	17,000,000	-	-	-	-	-	-	-	(698.84)	-	-
19	18,000,000	-	-	-	-	-	-	-	1.12	-	-
20	19,000,000	-	-	-	-	-	-	-	701.09	-	-
21	20,000,000	-	-	-	-	-	-	-	1,401.06	-	-
22	21,000,000	-	-	-	-	-	-	-	2,101.03	-	-
23	22,000,000	-	-	-	-	-	-	-	2,800.99	-	-
24	23,000,000	-	-	-	-	-	-	-	3,500.96	-	-
25	24,000,000	-	-	-	-	-	-	-	4,200.93	-	-
26	25,000,000	-	-	-	-	-	-	-	4,900.90	-	-
27	26,000,000	-	-	-	-	-	-	-	5,600.86	-	-
28	27,000,000	-	-	-	-	-	-	-	6,300.83	-	-
29											
30											
31	AVG. NO. OF CUST:	-	-	-	-	-	-	-	1	-	-
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	16,921,916	-	-
34	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (753.50)	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	-	-	-	-	-	-	-	15,880,000	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,482.81)	\$ -	\$ -

PARADISE VALLEY COUNTRY CLUB - RUCO RECOMMENDED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	-	-	-	-	-	-	-	-98.3%	-	-
2	1,000,000	-	-	-	-	-	-	-	-92.8%	-	-
3	2,000,000	-	-	-	-	-	-	-	-87.4%	-	-
4	3,000,000	-	-	-	-	-	-	-	-81.9%	-	-
5	4,000,000	-	-	-	-	-	-	-	-76.4%	-	-
6	5,000,000	-	-	-	-	-	-	-	-71.0%	-	-
7	6,000,000	-	-	-	-	-	-	-	-65.5%	-	-
8	7,000,000	-	-	-	-	-	-	-	-60.1%	-	-
9	8,000,000	-	-	-	-	-	-	-	-54.6%	-	-
10	9,000,000	-	-	-	-	-	-	-	-49.1%	-	-
11	10,000,000	-	-	-	-	-	-	-	-43.7%	-	-
12	15,000,000	-	-	-	-	-	-	-	-38.2%	-	-
13	20,000,000	-	-	-	-	-	-	-	-32.8%	-	-
14	25,000,000	-	-	-	-	-	-	-	-27.3%	-	-
15	50,000,000	-	-	-	-	-	-	-	-21.8%	-	-
16	75,000,000	-	-	-	-	-	-	-	-16.4%	-	-
17	100,000,000	-	-	-	-	-	-	-	-10.9%	-	-
18	125,000,000	-	-	-	-	-	-	-	-5.5%	-	-
19	150,000,000	-	-	-	-	-	-	-	0.0%	-	-
20	175,000,000	-	-	-	-	-	-	-	5.5%	-	-
21	200,000,000	-	-	-	-	-	-	-	10.9%	-	-
22	250,000,000	-	-	-	-	-	-	-	16.4%	-	-
23	500,000	-	-	-	-	-	-	-	21.9%	-	-
24	1,000,000	-	-	-	-	-	-	-	27.3%	-	-
25	2,000,000	-	-	-	-	-	-	-	32.8%	-	-
26	3,000,000	-	-	-	-	-	-	-	38.2%	-	-
27	4,000,000	-	-	-	-	-	-	-	43.7%	-	-
28	5,000,000	-	-	-	-	-	-	-	49.2%	-	-
29											
30											
31	AVG. NO. OF CUST:	-	-	-	-	-	-	-	1	-	-
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	16,921,916	-	-
34	MONTHLY BILL:	-	-	-	-	-	-	-	-5.9%	-	-
35											
36	MEDIAN USE (GAL.):	-	-	-	-	-	-	-	15,880,000	-	-
37	MONTHLY BILL:	-	-	-	-	-	-	-	-11.6%	-	-

**PARADISE VALLEY OTHER METERED CUSTOMERS - PRESENT RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 8.41	\$ -	\$ 14.01	\$ -	\$ 44.83	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	9.73	-	15.33	-	46.15	-	-	-	-	-
3	2,000	11.05	-	16.65	-	47.47	-	-	-	-	-
4	3,000	12.37	-	17.97	-	48.79	-	-	-	-	-
5	4,000	13.69	-	19.29	-	50.11	-	-	-	-	-
6	5,000	15.01	-	20.61	-	51.43	-	-	-	-	-
7	6,000	16.33	-	21.93	-	52.75	-	-	-	-	-
8	7,000	17.65	-	23.25	-	54.07	-	-	-	-	-
9	8,000	18.97	-	24.57	-	55.39	-	-	-	-	-
10	9,000	20.29	-	25.89	-	56.71	-	-	-	-	-
11	10,000	21.61	-	27.21	-	58.03	-	-	-	-	-
12	15,000	28.21	-	33.81	-	64.63	-	-	-	-	-
13	20,000	34.81	-	40.41	-	71.23	-	-	-	-	-
14	25,000	41.41	-	47.01	-	77.83	-	-	-	-	-
15	50,000	74.41	-	80.01	-	110.83	-	-	-	-	-
16	75,000	107.41	-	113.01	-	143.83	-	-	-	-	-
17	100,000	140.41	-	146.01	-	176.83	-	-	-	-	-
18	125,000	173.41	-	179.01	-	209.83	-	-	-	-	-
19	150,000	206.41	-	212.01	-	242.83	-	-	-	-	-
20	175,000	239.41	-	245.01	-	275.83	-	-	-	-	-
21	200,000	272.41	-	278.01	-	308.83	-	-	-	-	-
22	250,000	338.41	-	344.01	-	374.83	-	-	-	-	-
23	500,000	668.41	-	674.01	-	704.83	-	-	-	-	-
24	1,000,000	1,328.41	-	1,334.01	-	1,364.83	-	-	-	-	-
25	2,000,000	2,648.41	-	2,654.01	-	2,684.83	-	-	-	-	-
26	3,000,000	3,968.41	-	3,974.01	-	4,004.83	-	-	-	-	-
27	4,000,000	5,288.41	-	5,294.01	-	5,324.83	-	-	-	-	-
28	5,000,000	6,608.41	-	6,614.01	-	6,644.83	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	4	-	9	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	887	-	43,317	-	25,955	-	-	-	-	-
34	MONTHLY BILL:	\$ 9.58	\$ -	\$ 71.19	\$ -	\$ 79.09	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	2,501	-	1,438	-	9,500	-	-	-	-	-
37	MONTHLY BILL:	\$ 11.71	\$ -	\$ 15.91	\$ -	\$ 57.37	\$ -	\$ -	\$ -	\$ -	\$ -



**PARADISE VALLEY OTHER METERED CUSTOMERS - RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 0.30	\$ -	\$ 0.05	\$ -	\$ (2.77)	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	0.17	-	(0.08)	-	(2.90)	-	-	-	-	-
3	2,000	0.04	-	(0.21)	-	(3.03)	-	-	-	-	-
4	3,000	(0.09)	-	(0.34)	-	(3.16)	-	-	-	-	-
5	4,000	(0.22)	-	(0.47)	-	(3.29)	-	-	-	-	-
6	5,000	(0.35)	-	(0.60)	-	(3.42)	-	-	-	-	-
7	6,000	(0.48)	-	(0.73)	-	(3.55)	-	-	-	-	-
8	7,000	(0.61)	-	(0.86)	-	(3.68)	-	-	-	-	-
9	8,000	(0.74)	-	(0.99)	-	(3.81)	-	-	-	-	-
10	9,000	(0.87)	-	(1.12)	-	(3.94)	-	-	-	-	-
11	10,000	(1.00)	-	(1.25)	-	(4.07)	-	-	-	-	-
12	15,000	(1.65)	-	(1.90)	-	(4.72)	-	-	-	-	-
13	20,000	(2.30)	-	(2.55)	-	(5.37)	-	-	-	-	-
14	25,000	(2.95)	-	(3.20)	-	(6.02)	-	-	-	-	-
15	50,000	(6.20)	-	(6.45)	-	(9.27)	-	-	-	-	-
16	75,000	(9.45)	-	(9.70)	-	(12.52)	-	-	-	-	-
17	100,000	(12.70)	-	(12.95)	-	(15.77)	-	-	-	-	-
18	125,000	(15.95)	-	(16.20)	-	(19.02)	-	-	-	-	-
19	150,000	(19.20)	-	(19.45)	-	(22.27)	-	-	-	-	-
20	175,000	(22.45)	-	(22.70)	-	(25.52)	-	-	-	-	-
21	200,000	(25.70)	-	(25.95)	-	(28.77)	-	-	-	-	-
22	250,000	(32.20)	-	(32.45)	-	(35.27)	-	-	-	-	-
23	500,000	(64.70)	-	(64.95)	-	(67.77)	-	-	-	-	-
24	1,000,000	(129.70)	-	(129.95)	-	(132.77)	-	-	-	-	-
25	2,000,000	(259.70)	-	(259.95)	-	(262.77)	-	-	-	-	-
26	3,000,000	(389.70)	-	(389.95)	-	(392.77)	-	-	-	-	-
27	4,000,000	(519.70)	-	(519.95)	-	(522.77)	-	-	-	-	-
28	5,000,000	(649.70)	-	(649.95)	-	(652.77)	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	4	-	9	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	887	-	43,317	-	25,955	-	-	-	-	-
34	MONTHLY BILL:	\$ 0.19	\$ -	\$ (5.58)	\$ -	\$ (6.14)	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	2,501	-	1,438	-	9,500	-	-	-	-	-
37	MONTHLY BILL:	\$ (0.02)	\$ -	\$ (0.14)	\$ -	\$ (4.00)	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY OTHER METERED CUSTOMERS - RUCO RECOMMENDED CHANGES EXPRESSED AS A PERCENTAGE**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	3.6%	-	0.4%	-	-6.2%	-	-	-	-	-
2	1,000	1.7%	-	-0.5%	-	-6.3%	-	-	-	-	-
3	2,000	0.4%	-	-1.3%	-	-6.4%	-	-	-	-	-
4	3,000	-0.7%	-	-1.9%	-	-6.5%	-	-	-	-	-
5	4,000	-1.6%	-	-2.4%	-	-6.6%	-	-	-	-	-
6	5,000	-2.3%	-	-2.9%	-	-6.6%	-	-	-	-	-
7	6,000	-2.9%	-	-3.3%	-	-6.7%	-	-	-	-	-
8	7,000	-3.5%	-	-3.7%	-	-6.8%	-	-	-	-	-
9	8,000	-3.9%	-	-4.0%	-	-6.9%	-	-	-	-	-
10	9,000	-4.3%	-	-4.3%	-	-6.9%	-	-	-	-	-
11	10,000	-4.6%	-	-4.6%	-	-7.0%	-	-	-	-	-
12	15,000	-5.8%	-	-5.6%	-	-7.3%	-	-	-	-	-
13	20,000	-6.6%	-	-6.3%	-	-7.5%	-	-	-	-	-
14	25,000	-7.1%	-	-6.8%	-	-7.7%	-	-	-	-	-
15	50,000	-8.3%	-	-8.1%	-	-8.4%	-	-	-	-	-
16	75,000	-8.8%	-	-8.6%	-	-8.7%	-	-	-	-	-
17	100,000	-9.0%	-	-8.9%	-	-8.9%	-	-	-	-	-
18	125,000	-9.2%	-	-9.0%	-	-9.1%	-	-	-	-	-
19	150,000	-9.3%	-	-9.2%	-	-9.2%	-	-	-	-	-
20	175,000	-9.4%	-	-9.3%	-	-9.3%	-	-	-	-	-
21	200,000	-9.4%	-	-9.3%	-	-9.3%	-	-	-	-	-
22	250,000	-9.5%	-	-9.4%	-	-9.4%	-	-	-	-	-
23	500,000	-9.7%	-	-9.6%	-	-9.6%	-	-	-	-	-
24	1,000,000	-9.8%	-	-9.7%	-	-9.7%	-	-	-	-	-
25	2,000,000	-9.8%	-	-9.8%	-	-9.8%	-	-	-	-	-
26	3,000,000	-9.8%	-	-9.8%	-	-9.8%	-	-	-	-	-
27	4,000,000	-9.8%	-	-9.8%	-	-9.8%	-	-	-	-	-
28	5,000,000	-9.8%	-	-9.8%	-	-9.8%	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	4	-	9	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	887	-	43,317	-	25,955	-	-	-	-	-
34	MONTHLY BILL:	2.0%	-	-7.8%	-	-7.8%	-	-	-	-	-
35											
36	MEDIAN USE (GAL.):	2,501	-	1,438	-	9,500	-	-	-	-	-
37	MONTHLY BILL:	-0.2%	-	-0.9%	-	-7.0%	-	-	-	-	-

**PARADISE VALLEY FIRE HYDRANT - PRESENT RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 5.00	\$ 5.00	\$ 5.00	\$ -	\$ 5.00	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
3	2,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
4	3,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
5	4,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
6	5,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
7	6,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
8	7,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
9	8,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
10	9,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
11	10,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
12	15,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
13	20,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
14	25,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
15	50,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
16	75,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
17	100,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
18	125,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
19	150,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
20	175,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
21	200,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
22	250,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
23	500,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
24	1,000,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
25	2,000,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
26	3,000,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
27	4,000,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
28	5,000,000	5.00	5.00	5.00	-	5.00	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	61	1	2	-	9	-	-	-	-	-
32											
33	AVG. USE (GAL.):										
34	MONTHLY BILL:	\$ 5.00	\$ 5.00	\$ 5.00	\$ -	\$ 5.00	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):										
37	MONTHLY BILL:	\$ 5.00	\$ 5.00	\$ 5.00	\$ -	\$ 5.00	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY FIRE HYDRANT - RUCO RECOMMENDED RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 4.92	\$ 4.92	\$ 4.92	-	\$ 4.92	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
3	2,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
4	3,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
5	4,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
6	5,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
7	6,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
8	7,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
9	8,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
10	9,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
11	10,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
12	15,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
13	20,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
14	25,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
15	50,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
16	75,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
17	100,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
18	125,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
19	150,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
20	175,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
21	200,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
22	250,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
23	500,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
24	1,000,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
25	2,000,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
26	3,000,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
27	4,000,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
28	5,000,000	4.92	4.92	4.92	-	4.92	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	61	1	2	-	9	-	-	-	-	-
32											
33	AVG. USE (GAL.):										
34	MONTHLY BILL:	\$ 4.92	\$ 4.92	\$ 4.92	\$ -	\$ 4.92	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):										
37	MONTHLY BILL:	\$ 4.92	\$ 4.92	\$ 4.92	\$ -	\$ 4.92	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY FIRE HYDRANT - RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ (0.08)	\$ (0.08)	\$ (0.08)	\$ -	\$ (0.08)	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
3	2,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
4	3,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
5	4,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
6	5,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
7	6,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
8	7,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
9	8,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
10	9,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
11	10,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
12	15,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
13	20,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
14	25,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
15	50,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
16	75,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
17	100,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
18	125,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
19	150,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
20	175,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
21	200,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
22	250,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
23	500,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
24	1,000,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
25	2,000,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
26	3,000,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
27	4,000,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
28	5,000,000	(0.08)	(0.08)	(0.08)	-	(0.08)	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	61	1	2	-	9	-	-	-	-	-
32											
33	AVG. USE (GAL.):										
34	MONTHLY BILL:	\$ (0.08)	\$ (0.08)	\$ (0.08)	\$ -	\$ (0.08)	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):										
37	MONTHLY BILL:	\$ (0.08)	\$ (0.08)	\$ (0.08)	\$ -	\$ (0.08)	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY FIRE HYDRANT - RUCO RECOMMENDED CHANGES EXPRESSED AS A PERCENTAGE**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
2	1,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
3	2,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
4	3,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
5	4,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
6	5,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
7	6,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
8	7,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
9	8,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
10	9,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
11	10,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
12	15,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
13	20,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
14	25,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
15	50,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
16	75,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
17	100,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
18	125,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
19	150,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
20	175,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
21	200,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
22	250,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
23	500,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
24	1,000,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
25	2,000,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
26	3,000,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
27	4,000,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
28	5,000,000	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	61	1	2	-	9	-	-	-	-	-
32											
33	AVG. USE (GAL.):										
34	MONTHLY BILL:	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-
35											
36	MEDIAN USE (GAL.):										
37	MONTHLY BILL:	-1.6%	-1.6%	-1.6%	-	-1.6%	-	-	-	-	-

PARADISE VALLEY IRRIGATION - PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84.06	\$ -	\$ -	\$ -	\$ -
2	1,000	-	-	-	-	-	85.38	-	-	-	-
3	2,000	-	-	-	-	-	86.70	-	-	-	-
4	3,000	-	-	-	-	-	88.02	-	-	-	-
5	4,000	-	-	-	-	-	89.34	-	-	-	-
6	5,000	-	-	-	-	-	90.66	-	-	-	-
7	6,000	-	-	-	-	-	91.98	-	-	-	-
8	7,000	-	-	-	-	-	93.30	-	-	-	-
9	8,000	-	-	-	-	-	94.62	-	-	-	-
10	9,000	-	-	-	-	-	95.94	-	-	-	-
11	10,000	-	-	-	-	-	97.26	-	-	-	-
12	15,000	-	-	-	-	-	103.86	-	-	-	-
13	20,000	-	-	-	-	-	110.46	-	-	-	-
14	25,000	-	-	-	-	-	117.06	-	-	-	-
15	50,000	-	-	-	-	-	150.06	-	-	-	-
16	75,000	-	-	-	-	-	183.06	-	-	-	-
17	100,000	-	-	-	-	-	216.06	-	-	-	-
18	125,000	-	-	-	-	-	249.06	-	-	-	-
19	150,000	-	-	-	-	-	282.06	-	-	-	-
20	175,000	-	-	-	-	-	315.06	-	-	-	-
21	200,000	-	-	-	-	-	348.06	-	-	-	-
22	250,000	-	-	-	-	-	414.06	-	-	-	-
23	500,000	-	-	-	-	-	744.06	-	-	-	-
24	1,000,000	-	-	-	-	-	1,404.06	-	-	-	-
25	2,000,000	-	-	-	-	-	2,724.06	-	-	-	-
26	3,000,000	-	-	-	-	-	4,044.06	-	-	-	-
27	4,000,000	-	-	-	-	-	5,364.06	-	-	-	-
28	5,000,000	-	-	-	-	-	6,684.06	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	-	-	-	-	-	1	-	-	-	-
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	-	-	-
34	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84.06	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	-	-	-	-	-	-	-	-	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84.06	\$ -	\$ -	\$ -	\$ -

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 BILLING ANALYSIS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-8  
 PAGE 30 OF 36  
 SURREBUTTAL

**PARADISE VALLEY IRRIGATION - RUCO RECOMMENDED RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80.35	\$ -	\$ -	\$ -	\$ -
2	1,000	-	-	-	-	-	81.67	-	-	-	-
3	2,000	-	-	-	-	-	82.99	-	-	-	-
4	3,000	-	-	-	-	-	84.31	-	-	-	-
5	4,000	-	-	-	-	-	85.63	-	-	-	-
6	5,000	-	-	-	-	-	86.95	-	-	-	-
7	6,000	-	-	-	-	-	88.27	-	-	-	-
8	7,000	-	-	-	-	-	89.59	-	-	-	-
9	8,000	-	-	-	-	-	90.91	-	-	-	-
10	9,000	-	-	-	-	-	92.23	-	-	-	-
11	10,000	-	-	-	-	-	93.55	-	-	-	-
12	15,000	-	-	-	-	-	100.15	-	-	-	-
13	20,000	-	-	-	-	-	106.75	-	-	-	-
14	25,000	-	-	-	-	-	113.35	-	-	-	-
15	50,000	-	-	-	-	-	146.35	-	-	-	-
16	75,000	-	-	-	-	-	179.35	-	-	-	-
17	100,000	-	-	-	-	-	212.35	-	-	-	-
18	125,000	-	-	-	-	-	245.35	-	-	-	-
19	150,000	-	-	-	-	-	278.35	-	-	-	-
20	175,000	-	-	-	-	-	311.35	-	-	-	-
21	200,000	-	-	-	-	-	344.35	-	-	-	-
22	250,000	-	-	-	-	-	410.35	-	-	-	-
23	500,000	-	-	-	-	-	740.35	-	-	-	-
24	1,000,000	-	-	-	-	-	1,400.35	-	-	-	-
25	2,000,000	-	-	-	-	-	2,720.35	-	-	-	-
26	3,000,000	-	-	-	-	-	4,040.35	-	-	-	-
27	4,000,000	-	-	-	-	-	5,360.35	-	-	-	-
28	5,000,000	-	-	-	-	-	6,680.35	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	-	-	-	-	-	1	-	-	-	-
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	-	-	-
34	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80.35	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	-	-	-	-	-	-	-	-	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80.35	\$ -	\$ -	\$ -	\$ -

PARADISE VALLEY IRRIGATION - RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3.71)	\$ -	\$ -	\$ -	\$ -
2	1,000	-	-	-	-	-	(3.71)	-	-	-	-
3	2,000	-	-	-	-	-	(3.71)	-	-	-	-
4	3,000	-	-	-	-	-	(3.71)	-	-	-	-
5	4,000	-	-	-	-	-	(3.71)	-	-	-	-
6	5,000	-	-	-	-	-	(3.71)	-	-	-	-
7	6,000	-	-	-	-	-	(3.71)	-	-	-	-
8	7,000	-	-	-	-	-	(3.71)	-	-	-	-
9	8,000	-	-	-	-	-	(3.71)	-	-	-	-
10	9,000	-	-	-	-	-	(3.71)	-	-	-	-
11	10,000	-	-	-	-	-	(3.71)	-	-	-	-
12	15,000	-	-	-	-	-	(3.71)	-	-	-	-
13	20,000	-	-	-	-	-	(3.71)	-	-	-	-
14	25,000	-	-	-	-	-	(3.71)	-	-	-	-
15	50,000	-	-	-	-	-	(3.71)	-	-	-	-
16	75,000	-	-	-	-	-	(3.71)	-	-	-	-
17	100,000	-	-	-	-	-	(3.71)	-	-	-	-
18	125,000	-	-	-	-	-	(3.71)	-	-	-	-
19	150,000	-	-	-	-	-	(3.71)	-	-	-	-
20	175,000	-	-	-	-	-	(3.71)	-	-	-	-
21	200,000	-	-	-	-	-	(3.71)	-	-	-	-
22	250,000	-	-	-	-	-	(3.71)	-	-	-	-
23	500,000	-	-	-	-	-	(3.71)	-	-	-	-
24	1,000,000	-	-	-	-	-	(3.71)	-	-	-	-
25	2,000,000	-	-	-	-	-	(3.71)	-	-	-	-
26	3,000,000	-	-	-	-	-	(3.71)	-	-	-	-
27	4,000,000	-	-	-	-	-	(3.71)	-	-	-	-
28	5,000,000	-	-	-	-	-	(3.71)	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	-	-	-	-	-	1	-	-	-	-
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	-	-	-
34	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3.71)	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	-	-	-	-	-	-	-	-	-	-
37	MONTHLY BILL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3.71)	\$ -	\$ -	\$ -	\$ -

PARADISE VALLEY IRRIGATION - RUCO RECOMMENDED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	-	-	-	-	-	-4.4%	-	-	-	-
2	1,000	-	-	-	-	-	-4.3%	-	-	-	-
3	2,000	-	-	-	-	-	-4.3%	-	-	-	-
4	3,000	-	-	-	-	-	-4.2%	-	-	-	-
5	4,000	-	-	-	-	-	-4.2%	-	-	-	-
6	5,000	-	-	-	-	-	-4.1%	-	-	-	-
7	6,000	-	-	-	-	-	-4.0%	-	-	-	-
8	7,000	-	-	-	-	-	-4.0%	-	-	-	-
9	8,000	-	-	-	-	-	-3.9%	-	-	-	-
10	9,000	-	-	-	-	-	-3.9%	-	-	-	-
11	10,000	-	-	-	-	-	-3.8%	-	-	-	-
12	15,000	-	-	-	-	-	-3.6%	-	-	-	-
13	20,000	-	-	-	-	-	-3.4%	-	-	-	-
14	25,000	-	-	-	-	-	-3.2%	-	-	-	-
15	50,000	-	-	-	-	-	-2.5%	-	-	-	-
16	75,000	-	-	-	-	-	-2.0%	-	-	-	-
17	100,000	-	-	-	-	-	-1.7%	-	-	-	-
18	125,000	-	-	-	-	-	-1.5%	-	-	-	-
19	150,000	-	-	-	-	-	-1.3%	-	-	-	-
20	175,000	-	-	-	-	-	-1.2%	-	-	-	-
21	200,000	-	-	-	-	-	-1.1%	-	-	-	-
22	250,000	-	-	-	-	-	-0.9%	-	-	-	-
23	500,000	-	-	-	-	-	-0.5%	-	-	-	-
24	1,000,000	-	-	-	-	-	-0.3%	-	-	-	-
25	2,000,000	-	-	-	-	-	-0.1%	-	-	-	-
26	3,000,000	-	-	-	-	-	-0.1%	-	-	-	-
27	4,000,000	-	-	-	-	-	-0.1%	-	-	-	-
28	5,000,000	-	-	-	-	-	-0.1%	-	-	-	-
29		-	-	-	-	-		-	-	-	-
30		-	-	-	-	-		-	-	-	-
31	AVG. NO. OF CUST:	-	-	-	-	-	1	-	-	-	-
32		-	-	-	-	-		-	-	-	-
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	-	-	-
34	MONTHLY BILL:	-	-	-	-	-	-4.4%	-	-	-	-
35		-	-	-	-	-		-	-	-	-
36	MEDIAN USE (GAL.):	-	-	-	-	-	-	-	-	-	-
37	MONTHLY BILL:	-	-	-	-	-	-4.4%	-	-	-	-

PARADISE VALLEY SALES FOR RESALE - PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 8.41	\$ -	\$ 14.01	\$ -	\$ 44.83	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	9.73	-	15.33	-	46.15	-	-	-	-	-
3	2,000	11.05	-	16.65	-	47.47	-	-	-	-	-
4	3,000	12.37	-	17.97	-	48.79	-	-	-	-	-
5	4,000	13.69	-	19.29	-	50.11	-	-	-	-	-
6	5,000	15.01	-	20.61	-	51.43	-	-	-	-	-
7	6,000	16.33	-	21.93	-	52.75	-	-	-	-	-
8	7,000	17.65	-	23.25	-	54.07	-	-	-	-	-
9	8,000	18.97	-	24.57	-	55.39	-	-	-	-	-
10	9,000	20.29	-	25.89	-	56.71	-	-	-	-	-
11	10,000	21.61	-	27.21	-	58.03	-	-	-	-	-
12	15,000	28.21	-	33.81	-	64.63	-	-	-	-	-
13	20,000	34.81	-	40.41	-	71.23	-	-	-	-	-
14	25,000	41.41	-	47.01	-	77.83	-	-	-	-	-
15	50,000	74.41	-	80.01	-	110.83	-	-	-	-	-
16	75,000	107.41	-	113.01	-	143.83	-	-	-	-	-
17	100,000	140.41	-	146.01	-	176.83	-	-	-	-	-
18	125,000	173.41	-	179.01	-	209.83	-	-	-	-	-
19	150,000	206.41	-	212.01	-	242.83	-	-	-	-	-
20	175,000	239.41	-	245.01	-	275.83	-	-	-	-	-
21	200,000	272.41	-	278.01	-	308.83	-	-	-	-	-
22	250,000	338.41	-	344.01	-	374.83	-	-	-	-	-
23	500,000	668.41	-	674.01	-	704.83	-	-	-	-	-
24	1,000,000	1,328.41	-	1,334.01	-	1,364.83	-	-	-	-	-
25	2,000,000	2,648.41	-	2,654.01	-	2,684.83	-	-	-	-	-
26	3,000,000	3,968.41	-	3,974.01	-	4,004.83	-	-	-	-	-
27	4,000,000	5,288.41	-	5,294.01	-	5,324.83	-	-	-	-	-
28	5,000,000	6,608.41	-	6,614.01	-	6,644.83	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	5	-	10	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	30,000	-	30,000	-	30,000	-	-	-	-	-
34	MONTHLY BILL:	\$ 48.01	\$ -	\$ 53.61	\$ -	\$ 84.43	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	25,500	-	25,500	-	25,500	-	-	-	-	-
37	MONTHLY BILL:	\$ 42.07	\$ -	\$ 47.67	\$ -	\$ 78.49	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY SALES FOR RESALE - RUCO RECOMMENDED RATES**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 9.06	\$ -	\$ 14.41	\$ -	\$ 42.41	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	10.25	-	15.60	-	43.60	-	-	-	-	-
3	2,000	11.44	-	16.79	-	44.79	-	-	-	-	-
4	3,000	12.63	-	17.98	-	45.98	-	-	-	-	-
5	4,000	13.82	-	19.17	-	47.17	-	-	-	-	-
6	5,000	15.01	-	20.36	-	48.36	-	-	-	-	-
7	6,000	16.19	-	21.54	-	49.54	-	-	-	-	-
8	7,000	17.38	-	22.73	-	50.73	-	-	-	-	-
9	8,000	18.57	-	23.92	-	51.92	-	-	-	-	-
10	9,000	19.76	-	25.11	-	53.11	-	-	-	-	-
11	10,000	20.95	-	26.30	-	54.30	-	-	-	-	-
12	15,000	26.90	-	32.25	-	60.25	-	-	-	-	-
13	20,000	32.84	-	38.19	-	66.19	-	-	-	-	-
14	25,000	38.79	-	44.14	-	72.14	-	-	-	-	-
15	50,000	68.52	-	73.87	-	101.87	-	-	-	-	-
16	75,000	98.25	-	103.60	-	131.60	-	-	-	-	-
17	100,000	127.97	-	133.32	-	161.32	-	-	-	-	-
18	125,000	157.70	-	163.05	-	191.05	-	-	-	-	-
19	150,000	187.43	-	192.78	-	220.78	-	-	-	-	-
20	175,000	217.16	-	222.51	-	250.51	-	-	-	-	-
21	200,000	246.89	-	252.24	-	280.24	-	-	-	-	-
22	250,000	306.34	-	311.69	-	339.69	-	-	-	-	-
23	500,000	603.63	-	608.98	-	636.98	-	-	-	-	-
24	1,000,000	1,198.19	-	1,203.54	-	1,231.54	-	-	-	-	-
25	2,000,000	2,387.33	-	2,392.68	-	2,420.68	-	-	-	-	-
26	3,000,000	3,576.46	-	3,581.81	-	3,609.81	-	-	-	-	-
27	4,000,000	4,765.60	-	4,770.95	-	4,798.95	-	-	-	-	-
28	5,000,000	5,954.73	-	5,960.08	-	5,988.08	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	5	-	10	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	30,000	-	30,000	-	30,000	-	-	-	-	-
34	MONTHLY BILL:	\$ 44.73	\$ -	\$ 50.08	\$ -	\$ 78.08	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	25,500	-	25,500	-	25,500	-	-	-	-	-
37	MONTHLY BILL:	\$ 39.38	\$ -	\$ 44.73	\$ -	\$ 72.73	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY SALES FOR RESALE - RUGO RECOMMENDED CHANGES EXPRESSED IN DOLLARS**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$ 0.65	\$ -	\$ 0.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	1,000	0.52	-	0.27	-	(2.42)	-	-	-	-	-
3	2,000	0.39	-	0.14	-	(2.55)	-	-	-	-	-
4	3,000	0.26	-	0.01	-	(2.68)	-	-	-	-	-
5	4,000	0.13	-	(0.12)	-	(2.81)	-	-	-	-	-
6	5,000	-	-	(0.25)	-	(2.94)	-	-	-	-	-
7	6,000	(0.14)	-	(0.39)	-	(3.07)	-	-	-	-	-
8	7,000	(0.27)	-	(0.52)	-	(3.21)	-	-	-	-	-
9	8,000	(0.40)	-	(0.65)	-	(3.34)	-	-	-	-	-
10	9,000	(0.53)	-	(0.78)	-	(3.47)	-	-	-	-	-
11	10,000	(0.66)	-	(0.91)	-	(3.60)	-	-	-	-	-
12	15,000	(1.31)	-	(1.56)	-	(3.73)	-	-	-	-	-
13	20,000	(1.97)	-	(2.22)	-	(4.38)	-	-	-	-	-
14	25,000	(2.62)	-	(2.87)	-	(5.04)	-	-	-	-	-
15	50,000	(5.89)	-	(6.14)	-	(5.69)	-	-	-	-	-
16	75,000	(9.16)	-	(9.41)	-	(8.96)	-	-	-	-	-
17	100,000	(12.44)	-	(12.69)	-	(12.23)	-	-	-	-	-
18	125,000	(15.71)	-	(15.96)	-	(15.51)	-	-	-	-	-
19	150,000	(18.98)	-	(19.23)	-	(18.78)	-	-	-	-	-
20	175,000	(22.25)	-	(25.50)	-	(22.05)	-	-	-	-	-
21	200,000	(25.52)	-	(32.32)	-	(25.32)	-	-	-	-	-
22	250,000	(32.07)	-	(65.03)	-	(28.59)	-	-	-	-	-
23	500,000	(64.78)	-	(130.47)	-	(35.14)	-	-	-	-	-
24	1,000,000	(130.22)	-	(261.33)	-	(67.85)	-	-	-	-	-
25	2,000,000	(261.08)	-	(392.20)	-	(133.29)	-	-	-	-	-
26	3,000,000	(391.95)	-	(523.06)	-	(264.15)	-	-	-	-	-
27	4,000,000	(522.81)	-	(653.93)	-	(395.02)	-	-	-	-	-
28	5,000,000	(653.68)	-	-	-	(525.88)	-	-	-	-	-
29						(656.75)					
30											
31	AVG. NO. OF CUST:	5	-	10	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	30,000	-	30,000	-	30,000	-	-	-	-	-
34	MONTHLY BILL:	\$ (3.28)	\$ -	\$ (3.53)	\$ -	\$ (6.35)	\$ -	\$ -	\$ -	\$ -	\$ -
35											
36	MEDIAN USE (GAL.):	25,500	-	25,500	-	25,500	-	-	-	-	-
37	MONTHLY BILL:	\$ (2.69)	\$ -	\$ (2.94)	\$ -	\$ (5.76)	\$ -	\$ -	\$ -	\$ -	\$ -

**PARADISE VALLEY SALES FOR RESALE - RUCO RECOMMENDED CHANGES EXPRESSED AS A PERCENTAGE**

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	7.7%	-	2.9%	-	-5.4%	-	-	-	-	-
2	1,000	5.3%	-	1.8%	-	-5.5%	-	-	-	-	-
3	2,000	3.5%	-	0.8%	-	-5.6%	-	-	-	-	-
4	3,000	2.1%	-	0.1%	-	-5.8%	-	-	-	-	-
5	4,000	0.9%	-	-0.6%	-	-5.9%	-	-	-	-	-
6	5,000	0.0%	-	-1.2%	-	-6.0%	-	-	-	-	-
7	6,000	-0.9%	-	-1.8%	-	-6.1%	-	-	-	-	-
8	7,000	-1.5%	-	-2.2%	-	-6.2%	-	-	-	-	-
9	8,000	-2.1%	-	-2.6%	-	-6.3%	-	-	-	-	-
10	9,000	-2.6%	-	-3.0%	-	-6.3%	-	-	-	-	-
11	10,000	-3.1%	-	-3.3%	-	-6.4%	-	-	-	-	-
12	15,000	-4.6%	-	-4.6%	-	-6.8%	-	-	-	-	-
13	20,000	-5.7%	-	-5.5%	-	-7.1%	-	-	-	-	-
14	25,000	-6.3%	-	-6.1%	-	-7.3%	-	-	-	-	-
15	50,000	-7.9%	-	-7.7%	-	-8.1%	-	-	-	-	-
16	75,000	-8.5%	-	-8.3%	-	-8.5%	-	-	-	-	-
17	100,000	-8.9%	-	-8.7%	-	-8.8%	-	-	-	-	-
18	125,000	-9.1%	-	-8.9%	-	-9.0%	-	-	-	-	-
19	150,000	-9.2%	-	-9.1%	-	-9.1%	-	-	-	-	-
20	175,000	-9.3%	-	-9.2%	-	-9.2%	-	-	-	-	-
21	200,000	-9.4%	-	-9.3%	-	-9.3%	-	-	-	-	-
22	250,000	-9.5%	-	-9.4%	-	-9.4%	-	-	-	-	-
23	500,000	-9.7%	-	-9.6%	-	-9.6%	-	-	-	-	-
24	1,000,000	-9.8%	-	-9.8%	-	-9.8%	-	-	-	-	-
25	2,000,000	-9.9%	-	-9.9%	-	-9.8%	-	-	-	-	-
26	3,000,000	-9.9%	-	-9.9%	-	-9.9%	-	-	-	-	-
27	4,000,000	-9.9%	-	-9.9%	-	-9.9%	-	-	-	-	-
28	5,000,000	-9.9%	-	-9.9%	-	-9.9%	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	5	-	10	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	30,000	-	30,000	-	30,000	-	-	-	-	-
34	MONTHLY BILL:	-6.8%	-	-6.6%	-	-7.5%	-	-	-	-	-
35											
36	MEDIAN USE (GAL.):	25,500	-	25,500	-	25,500	-	-	-	-	-
37	MONTHLY BILL:	-6.4%	-	-6.2%	-	-7.3%	-	-	-	-	-

# SCHEDULE TJC-9

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-9, PAGE 1 OF 9  
**SURREBUTTAL**

**PARADISE VALLEY RESIDENTIAL CUSTOMERS**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$ 222,584	\$ 646,186	\$ 868,770
2	3/4 - INCH	1,670	778	2,448
3	1 - INCH	303,552	1,833,903	2,137,455
4	1 1/2 - INCH	3,004	36,769	39,773
5	2 - INCH	58,469	318,353	376,822
6	3 - INCH	-	-	-
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	<u>\$ 589,279</u>	<u>\$ 2,835,989</u>	<u>\$ 3,425,268</u>
12	PERCENTAGE OF TOTAL REVENUE	17.00%	83.00%	100.00%

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-9, PAGE 2 OF 9  
**SURREBUTTAL**

**MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	192	1,507	1,699
2	3/4 - INCH	-	-	-
3	1 - INCH	5,140	58,982	64,122
4	1 1/2 - INCH	6,061	30,017	36,078
5	2 - INCH	4,466	18,981	23,446
6	3 - INCH	-	-	-
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	\$ 15,858	\$ 109,487	\$ 125,345
12	PERCENTAGE OF TOTAL REVENUE	13.00%	87.00%	100.00%

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

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**SURREBUTTAL**

**PARADISE VALLEY COMMERCIAL CUSTOMERS**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$3,576	\$2,841	\$ 6,417
2	3/4 - INCH	-	-	-
3	1 - INCH	6,542	38,195	44,736
4	1 1/2 - INCH	6,904	28,519	35,423
5	2 - INCH	57,601	505,442	563,043
6	3 - INCH	10,752	74,344	85,096
7	4 - INCH	1,540	-	1,540
8	6 - INCH	12,317	96,194	108,510
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	\$ 99,230	\$ 745,534	\$ 844,765
12	PERCENTAGE OF TOTAL REVENUE	12.00%	88.00%	100.00%

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

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**SURREBUTTAL**

**PARADISE VALLEY TURF CUSTOMERS**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	-	-	-
2	3/4 - INCH	-	-	-
3	1 - INCH	-	-	-
4	1 1/2 - INCH	-	-	-
5	2 - INCH	-	-	-
6	3 - INCH	777	55,160	55,937
7	3 - INCH	855	7,333	8,188
8	4 - INCH	-	-	-
9	6 - INCH	-	-	-
10	8 - INCH	-	-	-
11	10 - INCH	-	-	-
12	TOTALS	\$ 1,632	\$ 62,493	\$ 64,125
13	PERCENTAGE OF TOTAL REVENUE	3.00%	97.00%	100.00%

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-9, PAGE 5 OF 9  
**SURREBUTTAL**

PARADISE VALLEY COUNTRY CLUB CONTRACT RATE

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE	PERCENTAGE OF TOTAL REVENUE
1	5/8 X 3/4 - INCH	-	-	\$ -	
2	3/4 - INCH	-	-	-	
3	1 - INCH	-	-	-	
4	1 1/2 - INCH	-	-	-	
5	2 - INCH	-	-	-	
6	3 - INCH	-	-	-	
7	4 - INCH	-	-	-	
8	6 - INCH	\$140,781	\$0	140,781	
9	8 - INCH	-	-	-	
10	10 - INCH	-	-	-	
11	TOTALS	\$ 140,781	\$ -	\$ 140,781	100.00%
12	PERCENTAGE OF TOTAL REVENUE	100.00%	0.00%	100.00%	

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

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**SURREBUTTAL**

**PARADISE VALLEY OTHER METERED CUSTOMERS**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$424	\$56	\$480
2	3/4 - INCH	-	-	-
3	1 - INCH	1,455	5,619	7,074
4	1 1/2 - INCH	-	-	-
5	2 - INCH	1,819	1,359	3,178
6	3 - INCH	-	-	-
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	0	0
11	TOTALS	\$ 3,699	\$ 7,033	\$ 10,732
12	PERCENTAGE OF TOTAL REVENUE	34.00%	66.00%	100.00%

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

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**SURREBUTTAL**

PARADISE VALLEY FIRE HYDRANT

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE	PERCENTAGE OF TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$ 3,603	-	\$ 3,603	100.00%
2	3/4 - INCH	54	-	54	
3	1 - INCH	118	-	118	
4	1 1/2 - INCH	-	-	-	
5	2 - INCH	532	-	532	
6	3 - INCH	-	-	-	
7	4 - INCH	-	-	-	
8	6 - INCH	-	-	-	
9	8 - INCH	-	-	-	
10	10 - INCH	-	-	-	
11	TOTALS	\$ 4,307	\$ -	\$ 4,307	100.00%
12	PERCENTAGE OF TOTAL REVENUE		0.00%		100.00%

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

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**SURREBUTTAL**

**PARADISE VALLEY IRRIGATION**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE	PERCENTAGE OF TOTAL REVENUE
1	5/8 X 3/4 - INCH	-	-	\$ -	
2	3/4 - INCH	-	-	-	
3	1 - INCH	-	-	-	
4	1 1/2 - INCH	-	-	-	
5	2 - INCH	-	-	-	
6	3 - INCH	804	-	804	
7	4 - INCH	-	-	-	
8	6 - INCH	-	-	-	
9	8 - INCH	-	-	-	
10	10 - INCH	-	-	-	
11	TOTALS	\$ 804	\$ -	\$ 804	100.00%      0.00%      100.00%

ARIZONA-AMERICAN WATER COMPANY  
 PARADISE VALLEY DISTRICT  
 TEST YEAR ENDED DECEMBER 10, 2004  
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01303A-05-0405  
 SCHEDULE TJC-9, PAGE 9 OF 9  
**SURREBUTTAL**

**PARADISE VALLEY SALES FOR RESALE**

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	484	2,069	2,553
2	3/4 - INCH	-	-	-
3	1 - INCH	1,644	4,281	5,925
4	1 1/2 - INCH	-	-	-
5	2 - INCH	2,002	1,712	3,714
6	3 - INCH	-	-	-
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	\$ 4,130	\$ 8,062	\$ 12,192
12	PERCENTAGE OF TOTAL REVENUE	34.00%	66.00%	100.00%