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Transcript Exhibit(s)

Docket #(s): W-01303A-05-0405

Exhibit # : RUCO 1-12, Arizona American 1-35
Staff-1-14, S-15 late-filed

EXHIBITS

W-01303A-05-0405

PART 1 OF 4
BAR CODE # 0000047488

To review remaining Exhibits please see the following:

PART 2 OF 4 BAR CODED #0000049782

PART 3 OF 4 BAR CODED #0000049783

PART 4 OF 4 BAR CODED #0000049784

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(602) 274-9944
FAX: (602) 277-4264

To: Docket Control

Re: Arizona-American Water
W-01303A-05-0405

Date: April 7, 2006

ERRATA TO EXHIBITS

Description and /or page number reference incorrect from index page

RUCO EXHIBITS		Identified	Admitted
R-1	Company Response to RUCO Data Request 11.01	149	153
R-2	A.R.S. § 9-514	149	Admin. notice
R-3	Article 9, § 7 of the Arizona Constitution	149	Admin. notice
R-4	Town of Gila Bend vs. Walled Lake Door Company 107 Ariz. 545, 490 P.2d 551 (1971)	149	Admin. notice

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To: Docket Control

Re: Arizona-American Water Co.
Volumes I through IV
March 27 through April 3, 2006

STATUS OF ORIGINAL EXHIBITS

FILED WITH DOCKET CONTROL
04-07-2006

STAFF

1 through 14
S-15 late-filed

ARIZONA-AMERICAN WATER COMPANY

1 through 35

RUCO

1 through 12
13 late-filed

Arizona Corporation Commission
Information for Open Meeting
PLEASE PRINT CLEARLY

Date 3-27-06

Agenda Item No. W 01303A-05-0485

Name Ron McCullagh

Title Arizona American Water Co.

Representing (Group Affiliation) AAWC Customer - Resident - [redacted]

Street Address 7513 E. Arlington Rd.

City Scottsdale

State Az

Zip 85250

Telephone No. [480] 990-9200

☐ I am in favor

☒ I oppose

☒ I would like to speak

Comments:

Arizona Corporation Commission
Information for Open Meeting
PLEASE PRINT CLEARLY

Date March 27 2006

Agenda Item No. W-01303A-05-0405

Name PATTY Badenoch

Title AZ American Water Company (Rates)

Representing (Group Affiliation)

Street Address 5027 N 71 Place

City Scottsdale

State AZ

Zip 85253

Telephone No. (480) 949-9549

☐ I am in favor

☒ I oppose

☐ I would like to speak

Comments:

Arizona Corporation Commission
Information for Open Meeting
PLEASE PRINT CLEARLY

Date 3-27-06 **Agenda Item No.** W-01303A-05-0405

Name ROLAND KUEFFNER **Title** AAWC

Representing (Group Affiliation)

Street Address 6207 N. CATTLETRACK RD.

City SCOTTSDALE **State** AZ **Zip** 85250

Telephone No. [602] 330 2750

☐ **I am in favor** ☐ **I oppose** ☒ **I would like to speak**

Comments:

Arizona Corporation Commission
Information for Open Meeting
PLEASE PRINT CLEARLY

Date 3/27/06 **Agenda Item No.** W-01303A-05-0405

Name ERIC NESVIG **Title** AZ American Water Valley Rate Hearing

Representing (Group Affiliation) Public - neighbor to facility

Street Address 6144 N. 77th Place

City Scottsdale **State** AZ **Zip** 85250

Telephone No. [602] 318-4996

☐ I am in favor ☒ I oppose ☒ I would like to speak

Comments: Comments also attached

OUTLINE

Arizona American Water Company ("AAWC") has applied for rate increases based on 3 different mechanisms: Arsenic Removal, Fire Flow Safety and a third surcharge to encourage water conservation by large users. I am here today to share some information which I have learned which is relevant to this rate case.

I believe that AAWC's request is flawed in the following ways. (1) AAWC is using the issues of arsenic removal and "fire flow safety" as red herrings in order to circumvent previous rate decisions from the Arizona Corporation Commission ("ACC"); (2) AAWC continues, contrary to its application, to engage in an adversarial relationship with the ACC and its own customers; and (3) AAWC is requesting to profit unreasonably from the sale of two parcels of land on its Paradise Valley property.

BACKGROUND

I live across the Arizona Canal from AAWC's Paradise Valley location. In the fall of 2004, AAWC went through the process required to get approval to build the facilities in the current rate request. AAWC went to great lengths to use the arsenic removal portion of this project to pressure the City of Scottsdale to approve the project in a very short time and, the neighbors believe, without the property disclosures and approvals. Several of the neighbors are currently involved in litigation with AAWC related to these issues. A jury trial is scheduled to begin this summer.

AAWC's application to the City of Scottsdale did not include any mention of the "fire safety" aspect of this project. AAWC insisted that the entire project, and specifically, the two 1.5 million gallon water storage tanks ("Tanks") are necessary for arsenic removal. In fact, in January, 2005, at two city council meetings, residents who had finally become aware of AAWC's plans to build these Tanks completely above ground in a Historic Perseveration area asked the city council to review more information on AAWC's application. AAWC told the City Council that customers in the Paradise Valley district would suffer immediate harm if the City delayed the project by even a couple of weeks. Their representative stated that if AAWC missed the January, 2006 deadline that children, babies and the elderly would all suffer immediate harm to their health. Here we are 2 months past that date, and the project is nowhere near completion even though the City believed AAWC's hysteria and fast tracked the project. In the rate request before the ACC, AAWC now states that the project is actually divided into two parts – arsenic removal and "fire flow safety." I believe this is simply another attempt to expand their rate base and increase their profits by way of manipulating the system.

ARGUMENTS AGAINST AAWC's RATE CASE

First, let me address Mr. Townsley's opening statement in the rate request documents. He suggests that AAWC has turned over a new leaf in an attempt to become a partner with the ACC, RUCO and its customers. To the contrary, let me suggest that AAWC has simply become better coached in the skills of regulatory manipulation and public perception. AAWC, apparently, believes that simply saying they will play by the rules is the same as *actually* playing by the rules. I firmly believe that AAWC is being pressured by its New Jersey management and German owners to do whatever it takes to maximize profits at the local level with little regard for anything else. Please note his argument that AAWC has not been allowed the same rate of return in Arizona that it is allowed in other states. All decisions of any significance are made in California or New Jersey. Anything that they say or do to governmental agencies in Arizona is simply framed in a way to get the approval they are looking for.

For example, in the Paradise Valley district, AAWC would like you to believe that all of the capital expenditures were forced upon them by the urgent need to remove arsenic from the water and to provide additional fire flow (aka "public safety") to the Town of Paradise Valley. They would also like you to believe that they engineered the new facility at the absolute lowest cost in order to benefit their customers.

To the contrary, please see the company's 1999 *Comprehensive Planning Study* ("CPS"). (I assume they have given the ACC a copy of this document.) This is a detailed investigation of all of the current and future capital expenditures necessary to meet the needs of the current, and anticipated, customer base. In it you will find, among other things, the need for 3 million gallons of water storage. In AAWC's application for a rate increase, AAWC states that this water storage, in the form of two 1.5 million gallon tanks, is a necessity for the new uses. They state that one tank is required for arsenic removal and one tank is required for fire flow. It should not be a surprise that the combined amount the company is now building just happens to match the amount which was recommended as general capital improvements back in 1999.

When AAWC applied to the City of Scottsdale for the required approvals for this project, they said it was only for arsenic removal. They said they could not operate the arsenic removal process without these Tanks. They also said that the current placement of the Tanks was chosen after much input from the neighbors. Even though that isn't true, it was a framework which allowed the process to flow through the City very quickly. They tried to make the City believe it was an emergency public health issue. The proposal to the City never states anything about the water pressure and other general infrastructure improvements that are a major part of this project.

In a sworn deposition by Joe Gross (I can give you a copy if you would like), Mr. Gross spends a great deal of time discussing the uses of the two Tanks. He states that you really can't divide up how the Tanks will be used and allocate it to arsenic or fire flow or whatever. He says that they just split the cost of the two tanks between those two uses for the rate increase request to the ACC. He says that the need for 3 million gallons is

based on some concept about the maximum number of gallons needed on the highest demand day, at the peak time of day, at the largest anticipated demand growth in 10 years, if they are backwashing the arsenic filters during the peak time instead of at an off-peak time, if there were a commercial fire which took at least 3 hours to put out and if one of the existing wells wasn't working. Maybe that's an appropriate way to determine this maximum necessary storage, or maybe not. More important is that the company does not disclose that they have other options for mitigating the need for increase storage.

In a study, known as the Brown and Caldwell report, these outside consultants did a detailed study of how to increase the water pressure within the Town of Paradise Valley. In the report, they outline a number of options for dealing with the water storage issue. AAWC could use other options to reduce the required size of the new Tanks. For example, if they fill up the lake at the golf course at the Paradise Valley Country Club at a different time of the day, they do not need 3 million gallons of storage. If they backwash the arsenic filters at an off-peak time of day, they do not need Tanks that big. The Brown and Caldwell report actually specifies a number of options that would have reduced the cost of producing the extra water storage related to this project.

Also, AAWC chose to put these tanks in a location which is more expensive than other locations at their existing Scottsdale site. They chose this part of the parcel because it will maximize the profits on selling the rest of the land. I'll address this issue in the last section.

Additionally, the company put off making plans for building the arsenic removal facility because of spending constraints put on AAWC by its parent company in New Jersey. The delay in the planning and building the Paradise Valley site certainly added dramatically to the cost. In our lawsuit against AAWC, they admit in depositions that they put off until the last minute the planning and building of the PV arsenic removal facility solely due to their own capital spending plan.

Secondly, although AAWC has hired or acquired a number of public relations staff and regulatory relations staff, they are a company which has no interest in anything but the bottom line. In its application to City of Scottsdale, they knew that the proposal would likely generate significant neighborhood backlash. They made a decision to, in their words, take the most advantageous position for AAWC and then see what the "situation on the ground" looked like and deal with the neighbors as the process went along. I'm sure that's the same strategy at work with the ACC. They are proposing an outrageous rate increase, using a "unique" surcharge structure and even proposing a high use surcharge that has no basis but will add millions of dollars to their bottom line. I'm sure the strategy was to throw this out there and see how much of it flies. This is not being a partner with ACC, RUCO and its customers. This is just making a cold, calculated decision to maximize profits. The decision makers in California and New Jersey will make sure they have the most professional representation and then live with whatever they get. And, I'm sure they'll threaten to sue if they do not get what they want.

Unearned profit. AAWC has more than one parcel of land in its Paradise Valley district. AAWC plans to sell, or has sold, at least two parcels in Scottsdale. AAWC will argue that the company should be able to keep most or all of the profit from the sale of these parcels. You will understand the logic of the argument that they will make better than I can explain it. However, I think a more appropriate way to evaluate this case is this:

> AAWC has been aware of the Town of Paradise Valley's request for increased water pressure for many years. AAWC discusses these infrastructure improvements back in 1999 in the CPS report. In 2003, AAWC staff considered using profits from their unused land to offset the cost of the planned improvements – in part due to capital spending constraints imposed by New Jersey. They knew they were behind in planning for the arsenic removal facility, and there was no money left in the national budget. But, they elected to just put off the spending for another year.
>
> AAWC has two parcels of land in this district. They have facilities and empty space on both parcels. The value of this land is significantly higher than when they bought it and especially as office space or residential lots instead of public utility land. AAWC specifically planned the placement of the new facilities on these parcels in order to maximize the value of the land it plans to sell. This placement increased the cost of the facilities (by cramming them into a very restricted space which was more difficult to engineer and construct). Now they have more valuable land to sell, and they have increased the cost of the facilities they are building. When I spoke to Rob Antoniak in the spring of 2005, he said that AAWC was not planning to share any of the profits of the sales of these parcels with their customers. Since then, they have offered to split the profits with the customers. This is not an equitable deal for the customers. Since the customers paid a higher price for the facilities because of delays due to the national capital spending budget or because of where AAWC placed the facilities on the land, it would not be fair to exclude all or part of the profits from the customers.
>
> Why? In Mr. Townsley's section of the rate increase request, he notes that AAWC is only allowed a 9% return on its investment in Arizona rather than the 10% rate of return which it receives in other states. You do not have to look very far to see why this project makes sense for them. First, they maximize what they spend. This increases the amount of money for which they can receive a rate of return from their customers. Second, they intend to keep some or all of the profits from the sale of the land. Therefore, their out of pocket expenditures go way down, but their cash inflows stay constant. That 9% return just jumped way over 10% for their actual out of pocket expenditures.

My argument is that AAWC has both an asset and a liability in the land they own in Paradise Valley and an aging infrastructure. The cost of updating the infrastructure has continued to rise, along with the value of the vacant land, as AAWC has put off making the improvement for its own reasons. It is an unreasonable and unjust penalty to the customers of AAWC to have to pay the increased cost of the improvements while only partially participating in the increased value of the land. This is a very high end, international water company which could have chosen to make these improvements at any time.

As to being cost effective, your staff can certainly explain this:

> The level of arsenic contained in the water in the Paradise Valley district is just barely above the new arsenic standards as required by the EPA and ADEQ. I've looked at some of the cost numbers for other arsenic removal facilities, and AAWC is spending more on this one district than many of the cities around Maricopa County. In so many ways, it seems clear that AAWC is just trying to use these two projects as a way to get around the rules put in place by the ACC.

In summary, I wanted to make sure that ACC and RUCO had seen and reviewed the 1999 CPS study and the Brown and Caldwell report. We determined through depositions of Joe Gross, Peter Keenan and Brian Biesemeyer that the tactical decisions in these issues are made either in California or in New Jersey – which may explain some things.

RUCO
1 through 12

COMPANY: ARIZONA AMERICAN WATER
DISTRICT(S): PARADISE VALLEY DISTRICT
DOCKET NO: WS-01303A-05-0405

EXHIBIT
RUCO-1
admitted

Response provided by: Brian Biesemeyer

Title: General Manager

Address: 15626 N. Del Webb Blvd.
Sun City, AZ 85351

Company Response Number: RUCO 11.01

Q. What are the "legal statutes" that the Town of Paradise Valley has advised the Company prevents the Town of Paradise Valley from funding the fire flow construction projects?

A. The Town of Paradise Valley has informed the Company that A.R.S. §9-514 and/or the Gift Clause in the Arizona Constitution would prohibit the Town from spending general fund money to build the fire infrastructure that would be owned by the Company.

allows private enterprise to provide commercial and residential waste or garbage collection services in the city or town.

Added by Laws 2000, Ch. 177, § 1. Amended by Laws 2001, Ch. 194, § 1.

§ 9–514. Authority to engage in utility business

A. Before construction, purchase, acquisition or lease by a municipal corporation, as authorized in §§ 9–511, 9–511.01, 9–511.02, 9–512 and 9–513, of any plant or property or portion of plant or property devoted to the business of or services rendered by a public utility shall be undertaken, the construction, purchase, acquisition or lease shall be authorized by the affirmative vote of a majority of the qualified electors who are taxpayers of the municipal corporation voting at a general or special municipal election duly called and held for the purpose of voting upon the question.

B. This section does not apply to the construction, purchase, acquisition or lease of water or sewage system utilities by a city or town incorporated pursuant to § 9–101.02.

Amended by Laws 2000, Ch. 402, § 1.

United States Supreme Court

Telecommunications, preemption, statute preventing municipalities and public utilities from providing telecommunications services or facilities, state political subdivisions, private entities, see Nixon v. Missouri Municipal League, 2004, 124 S.Ct. 1555, 195 A.L.R. Fed. 699, 158 L.Ed.2d 291, 2004 WL 573799.

Notes of Decisions

Construction with other statutes 1.5
Review 8

1.5. Construction with other statutes

City's attempted acquisition of a portion of public utility's assets was not a matter solely of local concern but, rather, a matter of both local and statewide concern and thus, the city ordinance enacted to acquire the utility's assets through condemnation could not conflict with state public utility condemnation statute. City of Casa Grande v. Arizona Water Co. (App. Div.2 2001) 199 Ariz. 547, 20 P.3d 590. Eminent Domain ⟹ 8; Eminent Domain ⟹ 55

Statute that required city to obtain voter approval prior to acquiring public utility's assets did not conflict with statute that required city to first purchase and take over an existing public utility before it could acquire one of its own; second statute merely detailed the city's additional duties under circumstances where the city was already served by a public utility. City of Casa Grande v. Arizona Water Co. (App. Div.2 2001) 199 Ariz. 547, 20 P.3d 590. Municipal Corporations ⟹ 224

Statute requiring city to purchase and take over an existing public utility before it could acquire one of its own applied in situation where city sought to extend or improve an already existing public utility, but did not eliminate the statutory prerequisite of voter approval where city sought to establish initial utility service. City of Casa Grande v. Arizona Water Co. (App. Div.2 2001) 199 Ariz. 547, 20 P.3d 590. Municipal Corporations ⟹ 224

3. Necessity for election

Ordinance which purported to enable city to acquire public utility's assets without a vote was invalid since it conflicted with state public utility condemnation statute that required special election on the issue. City of Casa Grande v. Arizona Water Co. (App. Div.2 2001) 199 Ariz. 547, 20 P.3d 590. Eminent Domain ⟹ 8; Eminent Domain ⟹ 55

Statutory requirement that city obtain voter approval prior to city's acquisition of a public utility was not satisfied by election held 83 years earlier which gave city general authority to install a water plant or by general election held 24 years earlier that approved city charter; statute requiring voter approval required voter approval of the specific acquisition. City of Casa Grande v. Arizona Water Co. (App. Div.2 2001) 199 Ariz. 547, 20 P.3d 590. Eminent Domain ⟹ 55

8. Review

Court of Appeals' first inquiry in determining whether a municipality can acquire a public utility company by exercising its powers of eminent domain, which it answers on a case-by-case basis, is whether such an acquisition is a matter solely of local concern. City of Casa Grande v. Arizona Water Co. (App. Div.2 2001) 199 Ariz. 547, 20 P.3d 590. Public Utilities ⟹ 118

EXHIBIT
RUCO-2
adm notice

EXHIBIT
RUCO-3
admin notice

locations intended to specially enhance the value of taxpayers' property, as opposed to benefits diffused throughout the city, and expression of intent stated in the ordinance that the taxes would bear a direct relationship to the persons affected by the tax was not an adequate substitute for the actual existence of special benefits in proportion to the taxes imposed, so that the ordinance was unconstitutional and invalid. Home Builders Ass'n of Central Arizona, Inc. v. Riddel (1973) 109 Ariz. 404, 510 P.2d 376.

A political subdivision may not tax its sovereign without the consent of the sovereign. City of Tempe v. Arizona Bd. of Regents (App. Div.1 1969) 11 Ariz.App. 24, 461 P.2d 503.

City could not impose a transaction privilege tax, or any kind of tax, upon state board of regents without specific constitutional and legislative power to do so. City of Tempe v. Arizona Bd. of Regents (App. Div.1 1969) 11 Ariz.App. 24, 461 P.2d 503.

Ordinance which increased liquor license tax was not arbitrary and discriminatory and did not deprive liquor dealers of equal protection and due process of law. Kaufman v. City of Tucson (App. 1967) 6 Ariz.App. 429, 433 P.2d 282.

City has power to impose liquor license fees and to raise them after they have been imposed. Kaufman v. City of Tucson (App. 1967) 6 Ariz. App. 429, 433 P.2d 282.

Power to impose occupation tax must be conferred on city by some legislation to warrant imposition thereof by city. City of Glendale v. Betty (1935) 45 Ariz. 327, 43 P.2d 206.

Rev.Code 1928, § 373, subd. 22 (see, now, A.R.S. § 9–240), authorizing common councils of cities of certain class to license, tax, and regulate drug stores, vests cities of such class with power to lay occupation tax on drug business. City of Glendale v. Betty (1935) 45 Ariz. 327, 43 P.2d 206.

Phoenix, a charter city, could impose a license tax on alcoholic beverage sales in accordance with A.R.S. § 4–223, could impose license taxes on privilege of doing business under charter provision authorizing business licenses, could impose a license or privilege tax on business of selling cigarettes and other tobacco products under the charter provision, and such tax could be based on either purchase price or quantity of items sold, but could not levy a gasoline tax in lieu of state's preemption of field of motor vehicle fuel taxes. Op.Atty.Gen. No. 69–14.

§ 7. Gift or loan of credit; subsidies; stock ownership; joint ownership

Section 7. Neither the state, nor any county, city, town, municipality, or other subdivision of the state shall ever give or loan its credit in the aid of, or make any donation or grant, by subsidy or otherwise, to any individual, association, or corporation, or become a subscriber to, or a shareholder in, any company or corporation, or become a joint owner with any person, company, or corporation, except as to such ownerships as may accrue to the state by operation or provision of law or as authorized by law solely for investment of the monies in the various funds of the state.

Amended by Laws 1998, S.C.R. 1007, § 3, approved election Nov. 3, 1998, eff. Nov. 23, 1998.

Historical and Statutory Notes

Laws 1998, S.C.R. No. 1007 provides that the proposed amendment is to be submitted by the Secretary of State to the electorate at the next general election as provided by Const. Art. 21 and is to become valid when approved by a majority of the qualified electors voting thereon and upon proclamation by the governor.

Proposition 102, based on Laws 1998, S.C.R. 1007, proposing amendment to the Constitution of Arizona in Article 9 by amendment of § 7, was approved by the electors at the November 3, 1998 general election as proclaimed by the governor on November 23, 1998.

Cross References

Irrigation districts, exemption from this section, see Const. Art. 13, § 7.

EXHIBIT
RUCO-4
admin notice

C

Supreme Court of Arizona, In Banc.
TOWN OF **GILA BEND,** a body politic, Appellant,
v.
WALLED LAKE DOOR COMPANY, a Michigan corporation, Appellee.
No. 10435.

Nov. 12, 1971.
Rehearing Denied Dec. 7, 1971.

Suit by door corporation against town and members of town council seeking damages for breach of agreement to construct and install water main from water tank to the corporation's plant and seeking specific performance of such agreement. The Superior Court, Maricopa County, Cause No. C 214985, Edward H. Hughes, J., entered judgment for the individual defendants but against the town, and the town appealed. The Supreme Court, Udall, J., held that where ownership and control over the water main were to remain in the town, such agreement did not violate constitutional prohibition against a town making gifts, donations or grant subsidies to private enterprises. The Court further held that where such agreement was not entered into until approximately one month prior to beginning of fiscal year and was entered into with understanding that funds would have to be made available, and town provided for construction funds in budget for such fiscal year rather than providing for them by making application to State Tax Commission for authorization to incur additional liability for current fiscal year, such agreement was not void ab initio as violative of statute prohibiting making of expenditures or incurring liability in excess of amounts specified in budget.

Judgment affirmed.

West Headnotes

[1] **Constitutional Law** 73
92k73 Most Cited Cases
Superior court order requiring head of water works, a public service corporation, to not unreasonably withhold his approval of project which Corporation Commission had already approved did not constitute illegal attempt to regulate the water works.

[2] **Municipal Corporations** 1027
268k1027 Most Cited Cases
Where water tank owner was not party to agreement by town to construct water main from water tank to door corporation which had previously threatened to cease reconstruction of plant, that had been destroyed by fire, and relocate if it had to pay high fire insurance premiums due to lack of adequate water supply, and such owner's sole involvement with corporation's action against the town for breach of the agreement was that water main was to be hooked into its water tank, water works owner was not indispensable party required to be joined. 16 A.R.S. Rules of Civil Procedure, rule 19.

[3] **Parties** 18
287k18 Most Cited Cases

[3] **Parties** 29
287k29 Most Cited Cases
An "indispensable party," under rule governing joinder of persons needed for just adjudication, is one who has such an interest in subject matter that final decree cannot be made without either affecting his interest or leaving controversy in such condition that final determination may be wholly inconsistent with equity and good conscience; test of indispensability is whether absent person's interest in controversy is such that no final judgment or decree could be entered, doing justice between parties actually before court and without injuriously affecting rights of others not brought into the action. 16 A.R.S. Rules of Civil Procedure, rule 19.

[4] **Municipal Corporations** 871
268k871 Most Cited Cases
Where ownership and control over water main which town agreed to construct from water tank to door corporation's plant were to remain in the town, and the agreement involved supplying of water for purposes of preserving and protecting lives and property, such agreement had purpose of providing direct benefit to public at large and thus did not violate constitutional prohibition against a town making gifts, donations or grant subsidies to private enterprises, notwithstanding fact that the corporation stood to be directly benefited if fire occurred at its plant and was indirectly benefited by reduced fire insurance premiums. A.R.S.Const. art. 9, § 7.

[5] **Municipal Corporations** 870
268k870 Most Cited Cases

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[5] **Municipal Corporations** 871
268k871 Most Cited Cases
Constitutional prohibition against a town making gifts, donations or granting subsidies to private enterprises or pledging its credit or investing public funds in a private enterprise was intended to avoid depletion of public treasury or inflation of public debt by engagement in nonpublic enterprise. A.R.S.Const. art. 9, § 7.

[6] **Municipal Corporations** 861
268k861 Most Cited Cases
Public funds are to be expended only for public purposes and cannot be used to foster or promote purely private or personal interests of any individual.

[7] **Municipal Corporations** 861
268k861 Most Cited Cases
In determining whether a proposed expenditure of public funds is
constitutionally valid as being devoted to a public use or purpose, no hard and fast rule can be formulated; rather, each case must be decided with reference to object sought to be accomplished and with reference to the degree and manner in which such object affects the public welfare. A.R.S.Const. art. 9, § 7.

[8] **Municipal Corporations** 350
268k350 Most Cited Cases
Agreement by town to construct water main from water tank to door corporation, which was subject to right of water works, a public service corporation, to review all plans for installation and to approve or deny such plans within reason was not void as being in violation of statutes governing power of municipalities to engage in competition with businesses of a public nature. A.R.S. § § 9-514 to 9-516.

[9] **Municipal Corporations** 885
268k885 Most Cited Cases
Where agreement, by town to construct water main from water tank to door corporation's plant was not entered into until approximately one month prior to beginning of fiscal year and was entered into with understanding that funds would have to be made available, and town provided for construction funds in budget for such fiscal year rather than providing for them by making application to State Tax Commission for authorization to incur additional liability for current fiscal year, such agreement was not void ab initio as violative of statute prohibiting making of expenditure or incurring liability in excess of amounts specified in budget. A.R.S. § § 42-303, subsec. D, 42- 308.

[10] **Municipal Corporations** 248(1)
268k248(1) Most Cited Cases
A contract which violates statute prohibiting a town from making expenditure or incurring liability in a fiscal year in excess of amounts specified in budget for such fiscal year and which as such is void ab initio cannot be ratified or approved in any manner so as to create an enforceable liability. A.R.S. § 42-303, subsec. D.

[11] **Municipal Corporations** 374(5)
268k374(5) Most Cited Cases
Increased insurance premiums which door company was required to pay as direct result of town's failure to provide water main was properly used as measure of damages in suit by company for breach of agreement to construct water main to its plant.

[12] **Municipal Corporations** 170
268k170 Most Cited Cases
Town council members, who acted in good faith, were not personally liable for breach by town of contract to construct and install water main to private corporation's plant.
***546 **552** Peter A. Neisser, Phoenix, for appellant.

J. William Moore and Patrick E. Burke, Phoenix, for appellee.

UDALL, Justice:

On August 20, 1968, Walled Lake Door Company (hereinafter the 'Company'), a Michigan corporation qualified to do business in Arizona, filed suit against the Town of Gila Bend (hereinafter the 'Town'), a body politic organized under the laws of this State, a number of individuals who were members of the Town Council of Gila Bend, and one A. H. Stout, dba Stout Water Works (hereinafter 'Stout'), in the Superior Court for ***547 **553** Maricopa County. The complaint asserted that the Town breached a contract with the Company to construct and install a ten inch water main from the Southern Pacific Railroad Company (hereinafter 'Southern Pacific') water tank in Gila Bend for approximately six thousand feet to the Company's plant in Gila Bend. Trial before the Court, sitting without a jury, resulted in judgment for the individual defendants but against the Town for costs of suit, money damages in the sum of $24,381.00, and specific performance of the contract. Said judgment ordered the Town to:

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'* * * forthwith commence construction and installation of a ten inch water main beginning at the Southern Pacific Tanks in Gila Bend, Arizona, and proceeding a distance of approximately 6,000 feet to the Plaintiff's facility in Gila Bend, and the defendant Town is further ordered to complete said construction within a reasonable time; and it is further ordered that the approval of the construction plans and specifications be obtained from the defendant A. H. Stout, dba Stout Water Works, provided, however, that the said A. H. Stout, dba Stout Water Works, shall not unreasonably withhold his approval of said construction plans and specifications'.

From this judgment the Town appealed. The facts necessary for a determination of this matter are as follows: For a number of years prior to eruption of this dispute, the Company has owned and operated a processing or cut stock plant in Gila Bend. In April of 1966, the Company's Gila Bend plant was substantially destroyed by fire, resulting in approximately $335,000.00 damage. Reconstruction of the plant was begun in March or April of 1967. At that time, Dale C. Campbell, vice-president of the Company, flew in from Michigan to attempt to 'negotiate with the City for the providing of water or, in failing to do that, remain here to find a new location for the plant.' (T.R. 90). Mr. Campbell met with the Town, through its Mayor and Town Council, and demanded that the Town provide the Company with assurance that adequate fire protection would be provided for the Company. He informed the Town that the Company could not absorb the high premiums it was forced to pay for fire insurance, resulting from the lack of an adequate water supply for fire protection, and that the Company would be forced to cease reconstruction of its plant and relocate elsewhere if negotiations failed.

In May or June of 1967, the Company entered into an agreement with the Town, whereby the Town agreed to construct and install a ten inch water main from the Southern Pacific water tanks, a distance of approximately 6,000 feet, to the Company's plant. In return, the Company agreed to rebuild the destroyed portion of its plant, replace equipment ruined by the fire, install additional equipment, and contribute $8,000.00 towards the purchase of a 'pressure booster pump' to insure continued pressure even in the event of a power failure. To date, the Company has fulfilled the duties and obligations imposed upon it under the terms of the contract. [FN1] The Company has expended approximately $300,000.00 in rebuilding the fire-ravaged portions of its plant, it has installed new and additional equipment, it has continued its operations in Gila Bend and, as a direct result of the Town's failure to install the water main, has incurred many thousands of dollars extra expense in the form of increased fire insurance premiums. The Town, on the other hand, has not carried out its part of the bargain. At the time ***548 **554** the contract was entered into, no funds had been budgeted for any such purpose; although approximately one month later, when the succeeding year's budget was drawn up, $7,500.00 was budgeted for beginning construction of the water main.

FN1. The existence of the agreement has been stipulated to by the parties and there is substantial evidence in support thereof. In summary, the parties stipulated that:
'There was an agreement between the Town of Gila Bend and the plaintiff which provided for the construction by the Town of Gila Bend of a ten inch water main in Gila Bend; that this agreement was subject to specific enforcement, * * *'. (A.R. 83--84.)

In furtherance of the above-mentioned agreement the Mayor called a special meeting of the Town Council on May 19, 1967, at which council meeting Resolution No. 37 was 'passed, adopted and approved' by unanimous vote. Resolution No. 37 stated that because the increased cost of fire insurance had made it impractical for the Company to continue its operations in Gila Bend, the Town would 'proceed without unnecessary delay with the installation of a 6000 foot, 10 inch water main to run from the base of the water tank at the water company to the 4 inch hydrant at the Walled Lake Door Company'. It further resolved that plans and specifications for said water main be secured immediately, ordered an immediate review of available sources of financing said project and declared an emergency to exist.

Resolution No. 38, approved and adopted by unanimous vote on May 24, 1967, ordered that a special election be held on June 16, 1967, for the purpose of approving the Town's contract. The election was held on June 16, at which time the electorate, by majority vote, authorized the Town to proceed with construction of the water line.

Subsequently, a proposed agreement between Stout and the Town was drawn up and submitted by the Town to the Arizona Corporation Commission for approval. This agreement was approved and notice

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thereof was mailed to the parties on November 2, 1967. Said agreement was to allow installation and connection of the water main to Stout's existing water lines and established the future ownership, operation and control thereof. The agreement was, however, entered into with the understanding that it was to be subject to Stout's 'right to review all plans for installation of said lines and to approve or deny such plans within reason.' (A.R. 87.) To date, Stout has approved neither of the two plans submitted.

On August 20, 1968, negotiations for construction and installation of the water main having reached an impasse, the Company filed suit. Trial before the court, sitting without a jury, resulted in judgment for the Company. From this judgment the Town appealed. The issues presented on appeal are as follows:

I. The lower court exceeded its jurisdiction when it ordered specific performance with respect to Stout Water Works, a public service corporation.

[1] In sum and substance, the Town argues that only the Arizona Corporation Commission has the authority to supervise and regulate a public service corporation and the Superior Court, therefore, had no jurisdiction to substitute itself for the Commission in ordering Mr. Stout not to 'unreasonably withhold his approval' of construction plans and specifications submitted to him. While we agree that only the Corporation Commission has the authority to supervise and regulate the activities of a public service corporation, we fail to see how the court's action, in ordering Stout not to unreasonably withhold his approval of a project which the Corporation Commission had already approved, [FN2] ***549 **555** constituted an illegal attempt to regulate the public service corporation.

> FN2. Exhibit 13, set forth below, reflects the Corporation Commission's approval of the agreement:
> 'November 2, 1967
> Mr. A. H. Stout, dba Stout Water Works
> Gila Bend, Arizona
> Dear Mr. Stout:
> You are advised that the Commission has approved the agreement entered into by and between Stout Water Works and the Town of Gila Bend, a municipal corporation, relative to providing fire protection water main to Walled Lake Door Co. in Gila Bend.
> Very truly yours,
> ARIZONA CORPORATION COMMISSION LIONEL BLAIR,
> Assistant Director
> Utilities Division'

II. The lower court exceeded its jurisdiction in ordering specific performance affecting a public service corporation which had not been joined as a party.

[2] The argument is advanced that Southern Pacific, the owner of the water tank to which the Town plans to connect the water line, is an indispensable party and the court erred in failing to order its joinder.

[3] An indispensable party, under Rule 19, Rules of Civil Procedure, 16 A.R.S., is one who has such an interest in the subject matter that a final decree cannot be made without either affecting his interest or leaving the controversy in such condition that a final determination may be wholly inconsistent with equity and good conscience. The test of indispensability in Arizona is whether the absent person's interest in the controversy is such that no final judgment or decree could be entered, doing justice between the parties actually before the court and without injuriously affecting the rights of others not brought into the action. Bolin v. Superior Court, 85 Ariz. 131, 333 P.2d 295 (1958); Siler v. Superior Court, 83 Ariz. 49, 316 P.2d 296 (1957).

Southern Pacific's absence from the action presented no impediment to final adjudication of claims raised under the contract. It was not a party to the contract, nor was it to be involved in or affected to any substantial extent by this action. Its sole involvement with this action is that the water main is to be hooked into its water tank. Since water, to be drawn from the tank, is to be used solely for fire protection purposes the only time that the Company will draw water Through Southern Pacific's tank is if a fire should break out in the Company's plant.

Clearly, the court could have and did enter a final judgment in the action, doing justice between the parties actually before the court, without injuriously affecting the rights of others. The fact that the court ordered the Town to commence construction of the water main from the Southern Pacific tank did not, in any sense of the word, make Southern Pacific an indispensable party.

III. The agreement violated Article 9, Section 7 of the Arizona Constitution.

[4] Counsel for the Town contend that the Town

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cannot lawfully construct the water line without violating Article 9, Section 7 of the Arizona Constitution, A.R.S. This section provides, in essence, that a town may not make gifts, donations or grant subsidies to private enterprises, nor may it pledge its credit or invest public funds in any such private enterprise.

[5][6][7] The evil sought to be avoided by this provision is the 'depletion of the public treasury or inflation of public debt by engagement in non-public enterprise.' State v. Northwestern Mutual Insurance Company, 86 Ariz. 50 at 53, 340 P.2d 200 at 201 (1959). Public funds are to be expended only for 'public purposes' and cannot be used to foster or promote the purely private or personal interests of any individual. Proctor v. Hunt, 43 Ariz. 198, 29 P.2d 1058 (1934). In determining whether a proposed expenditure of public funds is constitutionally valid as being devoted to a public use or purpose no hard and fast rule can be formulated, and each such case 'must be decided with reference to the object sought to be accomplished and to the degree and manner in which that object affects the public welfare.' City of Glendale v. White, 67 Ariz. 231 at 237, 194 P.2d 435 at 439 (1948).

The argument advanced by the Town is that, since the water line would presently benefit only the Company, construction thereof would violate Article 9, Section 7. We cannot agree. Appellant overlooks the fact that ownership and control over the water line are to remain in the Town. And the fact that the Company stands to be ***550 **556** directly benefited in the event that a fire should occur at its plant and will be indirectly benefited by reduced fire insurance premiums, is of absolutely no consequence. Merely because an individual may indirectly benefit from a public expenditure does not create an illegal expenditure. There can be no doubt but that the supplying of water for purposes of preserving and protecting lives and property is a 'public purpose' and one which will provide a direct benefit to the public at large.

IV. The agreement with the Company was in violation of A.R.S. ss 9--514 through 9--516 and was, therefore, void.

[8] We are referred to ss 9--514 through 9--516 as standing for the proposition that these provisions require the Town to purchase the whole of the existing waterworks before it can lawfully begin construction of the water line. A brief reading of these sections discloses that they deal with the power of municipalities to engage in competition with businesses of a public nature. While these provisions would have been applicable had the Town sought to enter into competition with the existing waterworks, such is clearly not the situation in the case at bar. We find no merit to this contention.

V. Failure of the Town to comply with A.R.S. s 42--303, subsec. D [FN3] resulted in a void contract, and the Town was not estopped from asserting the illegality of the agreement as a defense to liability thereon.

> FN3. A.R.S. s 42--303, subsec. D, provides as follows:
> 'D. No expenditures shall be made for a purpose not included in such budget, and no expenditure shall be made, nor debt, obligation or liability incurred or created in any fiscal year in excess of the amount specified for each purpose in the budget for such fiscal year as finally adopted except when authorized under and pursuant to the provisions of s 42--308, whether or not the county, city or town has at any time received, or has on hand, funds or revenue in excess of those required to meet expenditures, debts, obligations, and liabilities incurred under such budget. As amended Laws 1957, Ch. 89, s 3.'

[9] The Town argues that since the agreement to construct the water line was entered into during the fiscal year 1966--1967, a year in which no funds were budgeted for such purpose, the agreement was in violation of A.R.S. s 42--303, subsec. D and was, therefore, void ab initio.

With this contention, we cannot agree. Quite obviously, funds for construction of the water line had not been budgeted for the fiscal year 1966--1967, since the Town never considered nor was it confronted with the problem until May and June of 1967, approximately one month prior to the beginning of the 1967--1968 fiscal year--the year in which funds were made available.

Mr. John F. Lucas, the certified public accountant who prepared the Town's annual budget, testified that funds for construction of the water line, while not budgeted for the earlier fiscal year, were made available for the succeeding year; the year in which construction was to begin:

'Q Do you know of your own knowledge whether or not the Town of Gila Bend go (sic) to the Tax

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Commission to get these funds either in the fiscal year of '66--'67--just let's take that year--did they go to the Tax Commission in '66-- '67 to see about getting funds?
A For the water line?
Q Yes.
A Not to my knowledge.
Q Did they do so in the fiscal year '67--'68?
A No, sir.
Q Now, you have mentioned that there was to be some money budgeted in the Public Works payroll for a loan, is that right?
A Yes.
Q How much was that loan, if you know?
***551 **557** A I believe the amount that was set up in the Public Works, as a part of the Public Works budget was $7500, which was the amount estimated to be required to make twelve monthly payments plus the interest on a $35,000 five year loan.
Q In other words, we are talking about the money put in the Public Works for '67--'68? You are talking about just one year's payment?
A Yes.
Q Then, as I understand your testimony the next four years will be budgeted in those four years' Public Works?
A That's right.
Q That calls for sufficient funds to pay the whole thing?
A Yes.' (R.T. at 220--221)

This Court has, on numerous occasions, held that the legislature's purpose in enacting s 42--303 was to require all counties, municipalities and towns to 'pay as they go, to place them on a cash basis', City of Tucson v. Tucson Sunshine Climate Club, 64 Ariz. 1 at 9, 164 P.2d 598 at 603 (1945); American-LaFrance and Foamite Corporation v. Phoenix, 47 Ariz. 133, 54 P.2d 258 (1936), and then 'to maintain them so by prohibiting the incurring of any indebtedness in any fiscal year, unless funds had been first provided to meet it.' Bank of Lowell v. Cox, 35 Ariz. 403 at 410, 279 P. 257 at 260 (1929). The agreement in the case at bar has, in no manner or form, violated legislative intent or purpose. The agreement was entered into with the understanding that funds would have to be made available for it. And since the new fiscal year was already upon it, the Town apparently thought it more advisable to provide for the proposed expenditure in the new budget, then being prepared, rather than making application to the State Tax Commission (pursuant to A.R.S. s 42--308) for authorization to incur an additional liability. Having already declared an emergency to exist, it would have been a simple matter for the Town to have made application to the Commission to exceed its current year's budget. Permission would, without doubt, have been granted.

In Parrack v. City of Phoenix, 86 Ariz. 88, 340 P.2d 997 (1959), we held that where a municipal ordinance, under which city firemen were entitled to pay raises, covered a part of two different fiscal years from the time of its enactment to the time of its repeal, failure of the City of Phoenix to provide for this wage increase in its budget for the first fiscal year would not require the salary increase to be effective in the second year only; and failure to make budgetary provision for the salary increase would not excuse the city council from paying the salary increase, since the council's inaction could not defeat the rights of those who had not slept on their rights. There we found the city's argument 'unimpressive':

'The City points out that obviously no provision was made in its budget for the fiscal year 1957--1958 to cover the increased wages due for the period March 6th to June 30th, and hence in any event it asserts the ordinance, if held valid, should not be construed to make the salary increases effective prior to July 1, 1958. Furthermore it appears that the City failed to make budgetary provision for the increased salaries due in the fiscal year 1958-- 1959. Because of the matter of budget limitations the City now contends it is unable to pay the increases due under the terms of the ordinance. We are not impressed with either contention. Had the city council when it passed ordinance G--245 in February, 1958, faced realities it could doubtless have obtained leave from the State Tax Commission to exceed its budget for that fiscal year under the provisions of A.R.S. ss 42--304 and 42--308.' 86 Ariz. 88 at 91--92, 340 P.2d 997 at 999.

The Company's position in the case at bar is even stronger, for funds were actually made available for construction of the water line.

We believe that under the particular circumstances of this case, both justice and ***552 **558** public policy demand that the Town be ordered to forthwith proceed with construction and installation of the water line. The Town's obligation to do justice by carrying out its part of the bargain 'is as great as that of an individual or business corporation, and we find no legal impediment in requiring it to do so.' County of Greenlee v. Webster, 30 Ariz. 245 at 252, 246 P. 543 at 545 (1926). It would be grossly unfair to all concerned to allow the Town to idly sit back and reap

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the benefits of its bargain without requiring it to pay accordingly.

Relative to the contention that estoppel and waiver cannot be used to prevent the Town from asserting the illegality of a contract, we agree. In the instant case, however, the agreement was not illegal.

[10] In a proper case, the principles of waiver and estoppel cannot be applied to circumvent stated legislative intent and policy, nor can a contract which violates A.R.S. s 42--303, subsec. D and is, therefore, void ab initio be ratified or approved In any manner by defendant or its officers or any other person so as to create an enforceable liability. City of Phoenix v. Kidd, 54 Ariz. 75, 92 P.2d 513 (1939).

VI. No competent evidence of damages was presented to the lower court.

[11] The Town claims that the trial court erred in basing damages on the amount of increased insurance premiums which the Company was required to pay as a direct result of the Town's failure to provide the water line. We find that the lower court correctly assessed the damages suffered by the Company as a direct result of the Town's breach of the contract.

Relative to the Town's denial that a contract existed and its assertion that the agreement was not specifically enforceable, we find no merit whatsoever.

[12] The lower court properly entered judgment in favor of the individual defendants (members of the Town Council). Having acted in good faith, and we assume that they did, there is no personal liability. Sims Printing Company v. Kerby, 56 Ariz. 130, 106 P.2d 197 (1940).

In accordance with the foregoing, judgment of the lower court is affirmed.

STRUCKMEYER, C.J., HAYS, V.C.J., and LOCKWOOD and CAMERON, JJ., concur.

107 Ariz. 545, 490 P.2d 551

END OF DOCUMENT

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EXHIBIT
RUCO-5
admitted

ARIZONA AMERICAN WATER COMPANY, INC.
(PARADISE VALLEY WATER DISTRICT)

DOCKET NO. W-01303A-05-0405

DIRECT TESTIMONY

OF

RODNEY L. MOORE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JANUARY 17, 2006

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1 **INTRODUCTION**

2 Q. Please state your name, position, employer and address.

3 A. Rodney L. Moore, Public Utilities Analyst V

4 Residential Utility Consumer Office ("RUCO")

5 1110 West Washington Street, Suite 220

6 Phoenix, Arizona 85007.

7

8 Q. Please state your educational background and qualifications in the utility

9 regulation field.

10 A. Appendix 1, which is attached to this testimony, describes my educational

11 background and includes a list of the rate case and regulatory matters in

12 which I have participated.

13

14 Q. Please state the purpose of your testimony.

15 A. The purpose of my testimony is to present RUCO's recommendations

16 regarding Arizona-American Water Company, Inc. ("Company" or

17 "Arizona-American") application for a determination of the current fair

18 value of its utility plant and property and for increases in its rates and

19 charges based thereon for utility service by its Paradise Valley Water

20 District ("PV Water"). The test year utilized by the Company in connection

21 with the preparation of this application is the 12-month period that ended

22 December 10, 2004.

23 . . .

BACKGROUND

Q. Please describe your work effort on this project.

A. I obtained and reviewed data and performed analytical procedures necessary to understand the Company's filing as it relates to the operating income and revenue requirements. My recommendations are based on these analyses. Procedures performed include the in-house formulation and analysis of ten sets of Data Requests, the review and analysis of Company responses to Commission Staff Data Requests, on-site inspection and conversations with Company personnel.

The Commission in Decision No. 61831, dated July 20, 1999, approved the Company's present rates and charges for utility service. The test year used in that proceeding was the 12-month period ending June 30, 1998.

Q. What areas will you address in your testimony?

A. I will address issues related to operating income, arsenic cost recovery mechanism ("ACRM"), and revenue requirements. RUCO's witness William A. Rigsby will provide an analysis of the cost of capital. RUCO's witness Timothy J. Coley will address issues related to rate base and rate design. Finally, RUCO's witness Marylee Diaz Cortez will provide an analysis of the public safety surcharge and the high-block usage surcharge.

. . .

Q. Please identify the exhibits you are sponsoring.

A. I am sponsoring Schedules numbered RLM-1 through RLM-13.

SUMMARY OF ADJUSTMENTS

Q. Please summarize the adjustments to rate base, operating income and revenue requirement issues addressed in your testimony.

A. My testimony addresses the following issues:

Operating Income

Office Lease Reclassification – Company and RUCO agree to recognize the erroneous recording of the lease payments.

Group Insurance Normalization – RUCO made adjustments to the insurance costs, employee contributions and percentage of capitalized labor when calculating the normalized group insurance expense.

Other Post-Retirement Employee Benefits Expense Normalization – RUCO made an adjustment to the percentage of capitalized labor when calculating the normalized other post-retirement employee benefits ("OPEB") expense.

Rate Case Expense Normalization And Amortization – The adjustment is based on RUCO's determination of the fair and reasonable cost to PV Water ratepayers for this application process.

. . .

. . .

. . .

Pension Expenses Not Posted To General Ledger - RUCO made adjustments to the number of Arizona-American active pension participants, and the number of equivalent employees working for PV Water when calculating the pension expense.

Materials And Supplies Reclassification, Normalization And Amortization – RUCO disallowed this adjustment, since the Company was already being compensated through the Corporate Office allocation.

Operation And Maintenance Labor Normalization – RUCO made adjustments to the employee count, hours worked at PV Water and percentage of annual labor attributable to PV Water when calculating the normalized labor expense.

Depreciation Expense – RUCO made adjustments to the test-year gross plant in service, amortization of the Mummy Mountain acquisition and the amortization of the ratepayers' portion of the "gain on the sale of land" when calculating the depreciation expense.

Property Taxes Expense – The first adjustment removes property taxes associated with the Miller Road Treatment Facility ("MRTF"). The second adjustment reflects the Company's property tax based on the use of the Arizona Department of Revenue ("ADOR") formula.

Payroll Tax Normalization – This adjustment reflects the appropriate level of payroll tax expense given RUCO's recommended level of operations and maintenance labor.

. . .

RUCO Adjustments To Administration And General Allocated Expenses – This adjustment reflects RUCO's position that certain categories of expenses should not be the financial burden of the ratepayers.

RUCO Adjustment To Capitalize Expenses – Company and RUCO agree to capitalize certain operations and maintenance expenses.

Income Tax - This adjustment reflects income tax expenses calculated on RUCO's recommended revenues and expenses.

REVENUE REQUIREMENTS

Q. Please summarize the results of RUCO's analysis of the Company's filing and state RUCO's recommended revenue requirement.

A. As outlined in Schedule RLM-1, RUCO is recommending that the Company's revenue requirement not exceed:

ARIZONA-AMERICAN	RUCO	DIFFERENCE
$5,348,660	$4,628,319	($720,341)

RUCO's recommended decrease in Fair Value Rate Base ("FVRB") is based on the Original Cost Rate Base ("OCRB") and is summarized on Schedule RLM-1:

ARIZONA-AMERICAN	RUCO	DIFFERENCE
$11,651,216	$10,898,953	($752,263)

. . .

. . .

The detail supporting RUCO's recommended rate base is presented in the testimony of RUCO's witness Timothy J. Coley.

My recommended decrease in required operating income is shown on Schedule RLM-1 as:

ARIZONA-AMERICAN	RUCO	DIFFERENCE
$277,980	($442,361)	($720,341)

RUCO's recommended revenue requirement percentage decrease versus the Company's proposal is as follows:

ARIZONA-AMERICAN	RUCO	DIFFERENCE
5.48 %	-8.72 %	-14.20 %

Schedule RLM-1 presents the calculation of RUCO's recommended revenue requirement.

OPERATING INCOME

Operating Income Summary

Q. Is RUCO recommending any changes to the Company's proposed operating expenses?

A. Yes. As shown on Schedule RLM-3, pages 1 through 4, columns (A) through (P), I analyzed the Company's twenty-nine adjustments to its historical test-year operating income and made thirteen adjustments to the

operating income as filed by the Company. My review, analysis and adjustments are explained below.

Operating Income Adjustment No. 1 – Reclassification of Office Lease

Q. Please discuss the reason for reclassifying the office lease expense.

A. Through discovery, RUCO agreed with Arizona-American's adjustment to normalize and reclassify the office lease expenses.

However, as stated in the response to RUCO Data Request 7.04.e, the Company agreed that a portion of the test-year lease payments was erroneously recorded in the Administration and General account.

Therefore, both the Company and RUCO agree to reclassify the erroneously recorded portion of the office lease expenses.

As shown on Schedule RLM-3, page 1, column (A), line 22, this adjustment decreases adjusted test-year expenses by:
($14,593).

Operating Income Adjustment No. 2 – Normalized Group Insurance

Q. Please explain your adjustment to the group insurance expense.

A. My adjustment to determine the normalized level of group insurance expense consists of three elements. First, I adjusted the projected annual

costs of the group insurance. Second, I adjusted the employee contribution credit. Third, I adjusted the percentage of capitalized labor.

Q. Please explain the basis of the three elements of your adjustment.

A. All three adjustments are based on my computation of the percentage of each employee's time allocated to PV Water, which differs from the Company's pro forma percentage.

As outlined in Schedule RLM-4, I determined the level of group insurance expense using all the same parameters as the Company did except the percentage of each employee's time allocated to PV Water.

My computation of the percentage of each employee's time allocated to PV Water is explained in Adjustment No. 7 below.

As shown on Schedule RLM-3, page 1, column (B), line 22, this adjustment decreases adjusted test-year expenses by:
($2,972).

<u>Operating Income Adjustment No. 3 – OPEB Expense Normalization</u>

Q. Please explain your adjustment to the OPEB expense.

A. My adjustment to determine the normalized level of the OPEB expense is based on the percentage of capitalized labor, which is an element of my

computation of the percentage of each employee's time allocated to PV Water, which differs from the Company's pro forma percentage.

As outlined in Schedule RLM-5, I determined the level of OPEB expense using all the Company's parameters except the percentage of each employee's time allocated to PV Water.

My computation of the percentage of each employee's time allocated to PV Water is explained in Adjustment No. 7 below.

As shown on Schedule RLM-3, page 1, column (C), line 22, this adjustment decreases adjusted test-year expenses by: ($2,093).

Operating Income Adjustment No. 4 – Rate Case Expense

Q. Please explain the adjustment to the rate case expense.

A. RUCO made a determination of what should be the financial burden on the ratepayers for the cost incurred by the Company for filing this rate case application.

Q. What level of rate case expense had PV Water requested?

A. PV Water is requesting $282,847 in rate case expense.

. . .

Q. Please explain the basis for determining the appropriate level of rate case expense.

A. My adjustment consists of two elements. First, I analyzed: previously approved rate case expenses for PV Water; reviewed other rate case expenses authorized by the Commission; and examined the complexity of this rate case to determine a reasonable financial burden on ratepayers for this proceeding. Second, I analyzed the Company's testimony to determine the period to amortize these expenses.

Q. Please explain your analysis to determine the ratepayers' appropriate level of financial burden for this rate case proceeding.

A. My analysis consisted of the following review:

1. Previous PV Water Decision Nos. 57834, 58419, 59070, 60220 and 61831 had approved rate case expenses of $39,570, $39,570, $58,150, $31,100 and $60,000 respectively;
2. Arizona-American Decision No. 67093 approved an average of $41,894 per district;
3. Arizona Water was authorized rate case expenses for its Northern Group at $43,400 per district, the Eastern Group at $31,250 per district, and the Western Group at $50,710 per district;
4. For a reality check, I reviewed the recent filing by Southwest Gas Corporation, Arizona Division with a rate base over a billion dollars and a customer base of nearly a million ratepayers, which

requested rate case expenses of $235,000 ($47,841 less than the Company is requesting in the instant case) in its pending rate application.

Q. Did you consider the instant case to be complex with issues that would warrant extraordinary costs for research and analysis to determine the appropriate revenue requirement?

A. No, there are no contentious issues requiring an abnormal level of discovery, investigation, documentation or litigation.

Q. How did you calculate rate case expenses of $73,179 for this proceeding?

A. In the previous rate case, Decision No. 61831, dated July 20, 1999, the Company concurred with Staff's adjusted rate case expenses of $60,000. Even though $60,000 is the highest expense approved among the 28 districts reviewed, I considered it fair, reasonable and previously supported by the Company.

Therefore, using the consumer price index inflation calculator I projected the 1999 expense into 2005 dollars and determined the appropriate level of rate case expense at $73,179.

. . .

. . .

. . .

Q. Please discuss the second element of your adjustment to the rate case expenses.

A. My second element was to determine the appropriate amortization period for the rate case expenses.

Company witness Stephenson states on page 5 of his testimony that Arizona-American presently plans to file its next general rate case for PV Water not later than May 2010.

It is reasonable to project the effective date of the new rates and charges in the instant case to be May 2006 with future rates and charges being implemented in May 2011 (one year after filing next general rate case).

Therefore, the appropriate amortization of rate case expenses in this proceeding is five years (2011 – 2006 = 5 years). The Company has proposed a three-year amortization period.

Q. Please explain the effect of your two elements of this adjustment on the rate case expense.

A. RUCO believes the appropriate annual level of rate case expenses associated with this proceeding is $14,636 ($73,179 / 5 = $14,636).

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As shown on Schedule RLM-3, page 1, column (D), line 22, this adjustment decreases adjusted test-year expenses by: ($79,644).

Operating Income Adjustment No. 5 – Pension Expense

Q. Please explain your adjustment to the Pension expense.

A. My adjustment to determine the normalized level of Pension expense consists of three elements. First, I adjusted the number of active pension participants.

Second, I adjusted the number of full-time equivalent employees working at PV Water. Third, I adjusted the percentage of capitalized labor.

Q. Please explain the basis of the first element of your adjustment.

A. In response to RUCO Data Request. 5.05, the Company indicated the actual end of the test-year number of active pension participants was 136 (versus the 115 recorded in the filing). Therefore, I used this information to make the first element of this adjustment.

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Q. Please explain the basis of the second and third elements of your adjustment.

A. Elements two and three are based on my computation of the percentage of each employee's time allocated to PV Water, which differs from the Company's pro forma percentage.

As outlined in Schedule RLM-6, I determined the level of pension expense using all the Company's parameters except the percentage of each employee's time allocated to PV Water.

My computation of the percentage of each employee's time allocated to PV Water is explained in Adjustment No. 7 below.

As shown on Schedule RLM-3, page 1, column (E), line 22, this adjustment decreases adjusted test-year expenses by: ($12,037).

<u>Operating Income Adjustment No. 6 – Write-Off Of Materials And Supplies</u>

Q. Please explain your adjustment to write-off materials and supplies.

A. My adjustment disallows the Company's pro forma adjustment to reclassify and amortize PV Water's materials and supplies inventory in the instant case.

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PV Water's materials and supplies inventory was transferred to Arizona-American Central Division in December 2004 and has been embedded in the test-year actual Operations - Administration and General account.

Arizona-American recovers the cost of these materials and supplies through the Corporate Office Allocation to PV Water, as well as through allocations to all its Arizona districts.

Disallowance of this adjustment prevents double counting the recovery of the cost of this inventory.

As shown on Schedule RLM-3, page 1, column (F), line 22, this adjustment decreases adjusted test-year expenses by: ($11,184).

Operating Income Adjustment No. 7 – Normalized Labor

Q. Please discuss your adjustment to the Company's proposed labor expense.

A. My adjustment consists of five elements. First, I removed test-year expenses associated with a contract laborer. Second, I included the test-year hours of work associated with this contract laborer. Third, I determined the actual number of employees and time spent in the test year to accomplish the work required for the provisioning of water service

to the test-year customer base. Fourth, I calculated the projected level of wages and salaries by accepting the Company's 2005 pay scale as filed. Fifth, I calculated the percentage of time actually worked for PV Water versus the total hours worked for Arizona-American.

Q. Please explain the first and second elements of your adjustment to the labor expense.

A. I concurred with the Company to include a new employee hired in early 2005 who had been a contract laborer throughout the test year. Therefore, I removed the costs associated with this contract laborer from the operations and maintenance expenses and increased the head count and total hours of my labor adjustment to reflect the inclusion of the actual test-year hours worked by this contractor.

Q. Please explain the third element of your adjustment to the labor expense.

A. Through discovery and the Company's response to RUCO Data Request 3.09, I was able to reconstruct the actual employee list and total hours worked during the test year.

Q. Why is it important to accurately reconstruct the test-year labor force?

A. To avoid a mismatch among the ratemaking elements it is important to accurately reflect the test-year level of employees and hours worked in support of providing adequate utility services to the test-year customer

base. This balances the cost of providing service with the revenue generated.

Q. What did the Company propose in its proforma adjustment to the labor expense?

A. The Company's adjustment to normalize operations and maintenance labor increases the test-year number of hours worked for PV Water by 7,636 hours and increases the number of full time employees by 7.

Q. Is there any justification for the magnitude of this increase in labor costs?

A. No. There has been no growth in customers or consumption in PV Water's service territory. As shown on Schedule F-4, PV Water has also assumed there will be no customer growth and/or increased consumption in developing its own projections. Therefore, there is no acceptable reason to inflate the size and work hours of the test-year work force.

Q. Please explain the fourth element of your adjustment to the labor expense.

A. I concurred with the Company to adjust the wages and salaries of the work force to reflect the payroll increases implemented in early 2005.

Therefore, I adjusted the hourly rate of pay to reflect information provided by the Company in this filing.

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Q. Please explain the fifth element of your adjustment to the labor expense.

A. I determined the percentage of time worked at PV Water versus total hours working for Arizona-American. This element is important to properly allocate labor costs and labor related expenses to PV Water.

To properly allocate these labor costs and labor related expenses I concurred with the Company's methodology for determining the appropriate level of group insurance, OPEB, pension and payroll taxes by implementing my percentage factor in the Company's formula.

Q. Please summarize your adjustment to the labor expense.

A. As shown on Schedule RLM-7 and my associated workpapers, I computed the number of employees, total annual hours, percentage of time spent at PV Water and payroll expense required to provide adequate utility services to the test-year customer base.

As shown on Schedule RLM-3, pages 1 and 2, column (G), I am recommending a normalized level of payroll expense of $424,254, which is $17,083 more than the actual test year and $161,443 less than the Company's proposed level.

This adjustment decreases adjusted test-year expenses by: ($161,443).

Operating Income Adjustment No. 8 – Depreciation Expense

Q. Please explain your adjustment to the depreciation expense.

A. My adjustment to depreciation expense consists of three elements. First, I adjusted depreciation expense to reflect the Commission's approved depreciation rates applied to RUCO's recommended plant balances. Second, I adjusted the amortization of Mummy Mountain Acquisition. Third, I included the amortization of the ratepayers' portion of the "gain on sale of land".

Q. Please explain the first element of your adjustment.

A. As shown on Schedule RLM-8, page 2, column (C), I calculated the test-year depreciation expense on RUCO's adjusted total plant value applying the Commission's approved depreciation rates.

Q. Please explain the second element of your adjustment.

A. As shown on Schedule RLM-8, page 1, Note A, I calculated the test-year amortization expense on the Mummy Mountain Acquisition. This adjustment corrects the Company's calculation by using the authorized amortization period as approved in Decision No. 61307 of 25 years (not 20 years as formulated by the Company).

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Q. Please explain the third element of your adjustment.

A. As shown on Schedule RLM-8, page 1, Note B, I calculated the test-year amortization expense for the ratepayers' portion of the "gain on the sale of land" as described in Company witness Stephenson's testimony starting on page 35. This adjustment accurately reflects the treatment of this gain to properly account for the annual disbursement of the ratepayers' portion of the appreciation realized from the sale of utility plant property.

Q. Why was it necessary to add in the amortized income from the "gain on sale of land"?

A. The Company proposes the ratepayers' portion of the gain be provided as a surcredit to the ratepayers over five years, and not be reflected in the base rates set in this case. The Company's proposal has the effect of depriving ratepayers of the time value of their portion of the gain. RUCO's recommendation to amortize the gain to the income statement and decrease the rate base by the amount of the gain recognizes that until this gain is fully credited to ratepayers it represents cost-free capital to PV Water that should not earn a return.

Q. Please summarize your total adjustment to the test-year depreciation expense.

A. As shown on Schedule RLM-3, page 2, column (H), line 32, this adjustment decreases adjusted test-year expenses by:

($72,676).

Operating Income Adjustment No. 9 – Property Tax

Q. Please explain your first adjustment to the Property Tax Expense account.

A. As shown on Schedule RLM-9, I made an adjustment to remove the portion of the property taxes recovered from Motorola through the MRTF agreement.

Through discovery and the Company's response to RUCO Data Request 4.01, I was able to determine the amount of property tax associated with the MRTF. Also, it was the only expense associated with the MRTF that was not included in the Company's adjustments to exclude MRTF test-year expenses.

Therefore, as stated in Company's witness Fulter's testimony starting at page 5, all costs related to the operation of the MRTF are the responsibility of the North Indian Bend Wash Participating Companies, I removed the property tax expense from PV Water's test-year expenses.

As shown on Schedule RLM-3, page 4, column (I), line 33, this adjustment decreases adjusted test-year expenses by:

($56,844).

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Operating Income Adjustment No. 10 – Property Tax

Q. Please explain your second adjustment to the Property Tax Expense account.

A. As shown on Schedule RLM-10, I made an adjustment to reflect the Company's property tax based on the use of the ADOR formula.

Q. Please explain the basis of RUCO's adjustment to property tax expenses.

A. As has been debated in several recent water utility rate case applications before the Commission, RUCO has maintained that using historical revenues in the ADOR formula, as the formula dictates, is the best estimate of future property taxes. RUCO is more convinced than ever that this is the proper way to measure property tax, now that actual post-test-year property tax expense is known, and comparisons can be made.

In this case the comparison of actual property tax for 2005 to the estimates using the ADOR recommended revenues and the Company's recommended revenues illustrates that the use of ADOR's formula is far more accurate.

Q. How does this Company methodology vary from the ADOR formula?

A. The Company has varied the ADOR formula by using, for valuation purposes, two years of adjusted revenues plus one year of proposed revenues.

The property tax formula, as prescribed in ADOR's memo of January 3, 2001, determines the Full Cash Value ("FCV") of water utilities, for property tax purposes, by multiplying the average of the three previous years of reported gross revenues of the Company by a factor of two.

Q. What is the result of the Company's calculation of the property tax pro-forma adjustment?

A. The result is a FCV, which will likely allow the Company to over-earn based on its expected property tax expense. Among the goals of ADOR was to arrive at a forward looking valuation formula that would produce predictable values, logical results and minimize the tax impact from the previous year.

Q. Do you have any evidence RUCO's calculation is more appropriate?

A. Yes, I do. The evidence in this case attests to the accuracy of RUCO's calculation. Using ADOR's formula, RUCO's recommended property tax expense for 2005 is $170,334. By comparison, the Company's proposed 2005 property tax expense is $213,241. The actual property tax assessed by ADOR (excluding MRTF) for 2005 is $162,193. Thus, the ADOR formula results in a more accurate level of property tax expense than does the Company's "modified" formula.

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It is unlikely that the Company will generate revenues consistent with its estimates in the near future. The Company would be over-collecting the property tax expense for quite a few years before the actual assessment would catch up to the Company's 2005 projected revenue. In the meantime, the Company will be recovering its property tax expense based on an inflated revenue projection.

Q. When will the Company pay the property tax impacted by the changes in revenues approved in this rate case?

A. Assuming rates go into effect in mid 2006, it will not be until the end of 2007 before the Company will have one full year of operating revenues at the new rates.

The Company will pay property taxes for the tax-year 2007 semi-annually, the first payment becoming due in October 2007, and the final payment due in March 2008.

Q. What action is RUCO taking to promote its position and establish acceptance of its recommendation on how to implement the ADOR Formula?

A. Since the property tax formula, as prescribed by the ADOR, was in a memo dated January 3, 2001, and requires the use of two historical years of revenue, full ramification of this formula will not take effect until the

2005 assessment with that property tax expense final payable due in early 2006.

Therefore, RUCO is continuing to gather evidence on the appropriateness of the ADOR formula to accurately project future property taxes for ratemaking purposes. RUCO asserts the data will further demonstrate that its property tax arguments are correct.

Q. Please summarize your second adjustment to the property tax expense.

A. As shown on Schedule RLM-3, page 4, column (J), line 33, this adjustment increases adjusted test-year expenses by: $13,937.

Operating Income Adjustment No. 11 – Normalized Payroll Taxes

Q. What adjustments did you make to the Company's FICA, FUTA, and SUTA payroll taxes?

A. I adjusted the Company's FICA, FUTA, and SUTA to correspond to RUCO's recommended level of labor.

As outlined on Schedule RLM-11, I have calculated the payroll taxes using RUCO's adjusted payroll labor expense.

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As shown on Schedule RLM-3, page 4, column (K), line 34, this adjustment decreases adjusted test-year expenses by: ($17,204).

RUCO Operating Income Adjustment No. 12 – Administration And General Allocated Expenses

Q. Please explain your analysis of the Company's administration and general allocated test-year expenses.

A After review of the Company's response to RUCO Data Requests 5.09, 7.04, 9.01, 9.02, 9.03 and 9.04, I made adjustments to remove certain costs from test-year expenses that RUCO deems inappropriate to recover from these proceedings.

As shown on Schedule RLM-12, page 1, lines 2, 3 and 4, I made adjustments to the Corporate Office allocated expenses in three accounts – Management Fees, Central Division Miscellaneous and Corporate Office Miscellaneous.

Q. Please explain your adjustment to the management fees allocated to PV Water.

A. Through discovery and the Company's response to RUCO Data Request 9.04, I removed all expenses associated with the Annual Incentive Plan and the Long-Term Incentive Plan.

Q. Are employees of PV Water awarded bonuses if the Company achieves specific performance objectives?

A. Yes. The Company has a bonus award plan, which states no awards are payable unless the Company's meets its financial performance target or if the employee does not meet his/her performance goals.

Q. Who benefits from the achievement of these performance targets?

A. Stockholders are the primary beneficiaries of the achievement of these performance targets. This is particularly true between rate cases.

Q. Please explain.

A. The achievement of the financial performance target clearly benefits stockholders. Any additional profits the Company is able to achieve between rate cases accrues solely to the Company's stockholders. Likewise, the achievement of the employee performance goals benefits stockholders. If the Company is successful in reducing its number of employees while maintaining its customer base, the additional profit will accrue to stockholders between rate cases. Accordingly, since stockholders stand to gain from achievement of the performance targets, stockholders should bear the cost of any employee incentive pay.

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Q. Do employees who are eligible for incentive pay also receive annual pay increases?

A. Yes. Awards made under the Annual Incentive Plan and the Long-Term Incentive Plan are in addition to annual salary increases.

Q. Is the annual amount of the incentive pay a known and measurable expense?

A. No. Because the amount of the total incentive award is contingent on whether or not the Company achieves its financial performance targets the annual amount of the award is not known and measurable. Thus, the amount awarded in the test year is not necessarily representative of, and quite possibly completely unrelated to, the amount that will be incurred in subsequent years.

Moreover, with the employee performance goals reached and the completion of the downsizing and reorganization projects, presumably there should inherently be efficiencies realized. If I was able to quantify these efficiencies, further reductions in test-year expenses would be highly probable.

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Q. Is there another reason why the test-year incentive pay should not be included in rates?

A. Yes. In response to RUCO's Data Request 9.04, the Company acknowledges that it paid out incentive awards in 2004 despite the fact it did not achieve its goals. Ratepayers should not have to pay for bonuses, let alone for those given arbitrarily, despite not having achieved incentive goals.

Q. Please summarize your adjustment to the management fees allocated to PV Water.

A. As shown on Schedule RLM-12, page 1, column (A), line 2, I removed all the test-year costs in the incentive pay account from test-year expenses. This adjustment decreases adjusted test-year expenses by ($62,478).

Q. Please explain your adjustment to the Central Division Miscellaneous expenses allocated to PV Water.

A. Through discovery and the Company's response to RUCO Data Requests 9.01, 9.02 and 9.03, I determined there were test-year expenses that were non-recurring, previously disallowed by the ACC, and/or not required for the provisioning of water service, such as, expenses related to payments to Chambers of Commerce, non-profit organizations, donations, club memberships, gifts, awards, extravagant corporate events and for various meals, lodging and refreshments.

Therefore, as shown on RLM-12, pages 5 through 7, I made an adjustment to remove these expenses.

Q. Please summarize your adjustment to the Central Division Miscellaneous account allocated to PV Water.

A. As shown on Schedule RLM-12, page 1, column (A), line 3, I removed inappropriate test-year costs in the Central Division Miscellaneous account from test-year expenses. This adjustment decreases adjusted test-year expenses by ($1,204).

Q. Please explain your adjustment to the Corporate Office Miscellaneous account allocated to PV Water.

A. Similar to the above adjustment to the Central Division Miscellaneous account, and as shown on RLM-12, pages 8 through 18, I removed inappropriate test-year costs in the Corporate Office Miscellaneous account from test year expenses.

As shown on Schedule RLM-12, page 1, column (A), line 4, this adjustment decreases adjusted test-year expenses by ($18,233).

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Q. Please summarize the total adjustment to the allocated administration and general expense.

A. As shown on Schedule RLM-3, page 3, column (L), line 22, this adjustment decreases adjusted test-year expenses by: ($81,915).

RUCO Operating Income Adjustment No. 13 – Capitalization of Expenses

Q. Please discuss the reason you are recommending the capitalization of certain maintenance pumping expenses.

A. Through discovery, both the Company and RUCO agree that certain operations and maintenance expenses should have been capitalized.

As stated in the response to RUCO Data Request 8.05, the Company agreed that three invoices expensed in the instant case meet the criteria to be recorded as capital plant items.

Therefore, both the Company and RUCO agree to reclassify these expenses in the appropriate utility plant accounts.

The specific adjustments are shown on Schedule RLM-3, page 4, column (K) to remove the expenses and Schedule TJC-3, column (4), line 13 to capitalize the plant items.

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As shown on Schedule RLM-3, page 3, column (M), line 15, and page 4, column (M), lines 25 and 26, this adjustment decreases adjusted test-year expenses by:

($10,495).

RUCO Operating Income Adjustment No. 16 – Income Taxes

Q. Please explain your adjustment to income tax expenses.

A. This adjustment reflects income tax expenses calculated on RUCO's recommended revenues and expenses.

As shown on Schedule RLM-3, page 4, column (P), line 35, this adjustment increases adjusted test-year expenses by:

$206,490.

ARSENIC COST RECOVERY MECHANISM

Q. Does RUCO support the ACRM?

A. Yes, it does. RUCO is in agreement with the ACRM as proposed by the Company, which is patterned after the ACRM authorized for Arizona Water Company – Northern Division in Commission Decision No. 66400, dated October 14, 2003.

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Q. Does RUCO have any concerns about the ACRM in this proceeding?

A. RUCO does not disagree with the Company's request for the ACRM as outlined in Company witness Stephenson's testimony starting on page 14.

However, RUCO does have several areas of major concern associated with the costs that the Company plans to seek recovery of through the ACRM.

Q. What are RUCO's concerns?

A. After reviewing the Paradise Valley arsenic removal facility project and treatment process, RUCO believes a very thorough audit and analysis will be required before any recovery of the approximately $20 million in projected costs should be authorized.

Areas of concern that require scrutiny are:

1. Review of the tender list and bidding process;
2. Compare appropriateness of this treatment technology;
3. Determine actual costs for the specific mandated arsenic removal at a site that is oversized and has multiple uses;
4. Analyze the used and usefulness of the additional storage and pumping capacity in the arsenic removal process; and
5. Examine the possibility the treatment facility is capable of treating water in excess of just arsenic removal.

Q. Given these concerns, do you believe the timeline as proposed by the Company is realistic?

A. No. In August 2006, the Company anticipates making an ACRM filing for the recovery of capital costs for arsenic treatment facilities completed and placed into service by July 2006.

Furthermore, the Company expects parties to review the filing prior to an Open Meeting in September 2006 with the Commission approving the surcharge for PV Water customers effective on customers' bills in October 2006.

Considering the complexity and magnitude of the costs of PV Water's arsenic project, it seems highly unlikely a sufficient analysis could be completed in time for an Opening Meeting in September 2006.

Q. Does this conclude your direct testimony?

A. Yes, it does.

APPENDIX 1

APPENDIX 1

Qualifications of Rodney Lane Moore

EDUCATION: Athabasca University
Bachelor's Degree in Business Administration - 1993

EXPERIENCE: Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona 85007
May 2001 - Present

My duties include review and analysis of financial records and other documents of regulated utilities for accuracy, completeness, and reasonableness. I am also responsible for the preparation of work papers and Schedules resulting in testimony and/or reports regarding utility applications for increase in rates, financings, and other matters. Extensive use of Microsoft Excel and Word, spreadsheet modeling and financial statement analysis.

Auditor
Arizona Corporation Commission
Phoenix, Arizona 85007
October 1999 - May 2001

My duties include review and analysis of financial records and other documents of regulated utilities for accuracy, completeness, and reasonableness. I am also responsible for the preparation of work papers and Schedules resulting in testimony and/or reports regarding utility applications for increase in rates, financings, and other matters. Extensive use of Microsoft Excel and Word, spreadsheet modeling and financial statement analysis.

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

Utility Company	Docket No.
Rio Verde Utilities, Inc	WS-02156A-00-0321
Black Mountain Gas Company	G-03703A-01-0283
Green Valley Water Company	W-02025A-01-0559
New River Utility Company	W-01737A-01-0662

Dragoon Water Company	W-01917A-01-0851
Roosevelt Lake Resort, Inc.	W-01958A-02-0283
Southwest Gas Company	G-01551A-02-0425
Arizona-American Water Company	W-01303A-02-0867 et al
Rio Rico Utilities, Inc.	WS-02676A-03-0434
Qwest Corporation	T-01051B-03-0454
Chaparral City Water Company	W-02113A-04-0616
Southwest Gas Company	G-01551A-04-0876

Arizona-American Water Company
Docket No. W-01303A-05-0405
Test Year Ended December 10, 2004

Paradise Valley District

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RLM-4	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2 - NORMALIZED GROUP INSURANCE
RLM-5	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3 - NORMALIZED OPEB EXPENSES
	TESTIMONY	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4 - RATE CASE EXPENSE
RLM-6	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5 - PENSION EXPENSES
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RLM-9	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9 - PROPERTY TAX COMPUTATION - ADJ. # 1
RLM-10	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10- PROPERTY TAX COMPUTATION - ADJ. # 2
RLM-11	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 11- NORMALIZED PAYROLL TAXES
RLM-12	1 TO 18	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12- ADMIN. & GEN. CORPORATE ALLOCATION
	TESTIMONY	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 13- CAPITALIZED O & M EXPENSES
		ADJUSTMENT NO. 14 - LEFT BLANK
		ADJUSTMENT NO. 15 - LEFT BLANK
RLM-13	1	EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 16 - INCOME TAX EXPENSE

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB AS FILED	(B) RUCO OCRB/FVRB AS ADJUSTED
1	Adjusted Rate Base	$ 11,651,216	$ 10,898,953
2	Adjusted Operating Income (Loss)	$ 742,769	$ 1,045,440
3	Current Rate Of Return (Line 2 / Line 1)	6.38%	9.59%
4	Required Operating Income (Line 5 X Line 1)	$ 913,455	$ 773,826
5	Required Rate Of Return	7.84%	7.10%
6	Operating Income Deficiency (Line 4 - Line 2)	$ 170,686	$ (271,615)
7	Gross Revenue Conversion Factor (Schedule RLM-1, Page 2)	1.6286	1.6286
8	Increase In Gross Revenue Requirement (Line 7 X Line 6)	$ 277,980	$ (442,361)
9	Adjusted Test Year Revenue	$ 5,070,680	$ 5,070,680
10	Proposed Annual Revenue Requirement (Line 8 + Line 9)	$ 5,348,660	$ 4,628,319
11	Required Percentage Increase In Revenue (Line 8 / Line 9)	5.48%	-8.72%
12	Rate Of Return On Common Equity	12.00%	10.00%

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

REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	REFERENCE	(A)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:		
1	Revenue		1.0000
2	Less: Uncollectibles	Company Schedule C-3, Line 3	-
3	Subtotal	Line 1 - Line 2	1.0000
4	Less: Combined Federal And State Tax Rate	NOTE A, Line 14	0.3860
5	Subtotal	Line 3 - Line 4	0.6140
6	RUCO Adjustment (See RLM-1, Page 1, Column (B), Line 7)	Line 1 / Line 5	1.6286

NOTE A

	CALCULATION OF EFFECTIVE TAX RATE:		
7	Arizona Taxable Income		100.00%
8	Arizona State Income Tax Rate		6.97%
9	Federal Taxable Income	Line 7 - Line 8	93.03%
10	Applicable Federal Income Tax Rate		34.00%
11	Effective Federal Income Tax Rate	Line 9 X Line 10	31.63%
12	Subtotal	Line 8 + Line 11	38.60%
13	Revenue Less Uncollectibles	Line 3	100.00%
14	Combined Federal And State Income Tax Rate	Line 12 X Line 13	38.60%

Arizona-American Water Company
Docket No. W-01303A-05-0405
Test Year Ended December 10, 2004

Paradise Valley District
Schedule RLM-2

SUMMARY OF OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO AS RECOMMENDED
	OPERATING REVENUES:					
1	Residential	$ 3,868,204	$ -	$ 3,868,204	$ -	$ 3,868,204
2	Commercial	928,050	-	928,050	-	928,050
3	Turf	76,712	-	76,712	-	76,712
4	Turf - Country Club	166,994	-	166,994	-	166,994
5	Miscellaneous	925	-	925	-	925
6	Sales For Resales	13,270	-	13,270	-	13,270
7	Fire Service	4,439	-	4,439	-	4,439
8	Other	12,468	-	12,468	-	12,468
9	Motorola	-	-	-	-	-
	Unbilled Adjustment					
10	Residiential	-	-	-	-	-
11	Commercial	-	-	-	-	-
12	Total Water Sales	5,071,062	-	5,071,062	(442,361)	4,628,701
13	Difference To G/L	(382)	-	(382)	-	(382)
14	TOTAL OPERATING REV.	$ 5,070,680	$ -	$ 5,070,680	$ (442,361)	$ 4,628,319
	OPERATING EXPENSES:					
	Operations					
15	Source Of Supply	$ 67,292	$ (1,847)	$ 65,445	$ -	$ 65,445
16	Purchased Power	812,312	-	812,312	-	812,312
17	Pumping Expense	4,416	-	4,416	-	4,416
18	Chemicals	16,499	-	16,499	-	16,499
19	Water Treatment	6,914	-	6,914	-	6,914
20	Transmission & Distribution	74,437	(32,389)	42,048	-	42,048
21	Customer Accounting	62,854	-	62,854	-	62,854
22	Administrative & General	1,378,856	(204,438)	1,174,418	-	1,174,418
23	Operations Labor	403,162	(92,863)	310,299	-	310,299
24	Total Operations Exp.	$ 2,826,742	$ (331,537)	$ 2,495,205	$ -	$ 2,495,205
	Maintenance					
25	Source Of Supply	$ 14,552	$ (2,350)	$ 12,202	$ -	$ 12,202
26	Pumping	16,309	(6,298)	10,011	-	10,011
27	Water Treatment	(1,277)	-	(1,277)	-	(1,277)
28	Transmission & Distribution	118,506	(2,090)	116,416	-	116,416
29	Administrative & General	784	-	784	-	784
30	Maintenance Labor	148,056	(34,101)	113,955	-	113,955
31	Total Maintenance Exp.	$ 296,930	$ (44,839)	$ 252,091	$ -	$ 252,091
32	DEPR. & AMORT. EXPENSES	$ 720,578	$ (72,676)	$ 647,902	$ -	$ 647,902
	TAXES					
33	Property Taxes	$ 213,241	$ (42,907)	$ 170,334	$ -	$ 170,334
34	Payroll & Miscellaneous	54,716	(17,204)	37,512	-	37,512
35	State & Federal Income	215,705	206,490	422,195	(170,746)	251,449
36	Total Taxes	$ 483,662	$ 146,379	$ 630,041	$ (170,746)	$ 459,295
37	TOTAL OPERATING EXP.	$ 4,327,912	$ (302,672)	$ 4,025,240	$ (170,746)	$ 3,854,493
38	OPERATING INCOME (LOSS)	$ 742,768		$ 1,045,440		$ 773,826

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): Testimony, RLM And Schedule RLM-1, Page 1
- Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	COMPANY AS FILED	(A) ADJ #1	(B) ADJ #2	(C) ADJ #3	(D) ADJ #4	(E) ADJ #5	(F) ADJ #6	(G) ADJ #7	(H) ADJ #8
	OPERATING REVENUES:									
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	Residiential	-	-	-	-	-	-	-	-	-
11	Commercial	-	-	-	-	-	-	-	-	-
12	Total Water Sales	5,071,062	-	-	-	-	-	-	-	-
13	Difference To G/L	(382)	-	-	-	-	-	-	-	-
14	TOTAL OPERATING REV.	$ 5,070,680	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	OPERATING EXPENSES:									
	Operations									
15	Source Of Supply	$ 67,292	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16	Purchased Power	812,312	-	-	-	-	-	-	-	-
17	Pumping Expense	4,416	-	-	-	-	-	-	-	-
18	Chemicals	16,499	-	-	-	-	-	-	-	-
19	Water Treatment	6,914	-	-	-	-	-	-	-	-
20	Transmission & Distribution	74,437	-	-	-	-	-	-	(32,389)	-
21	Customer Accounting	62,854	-	-	-	-	-	-	-	-
22	Administrative & General	1,378,856	(14,593)	(2,972)	(2,093)	(79,644)	(12,037)	(11,184)	-	-
23	Operations Labor	403,162	-	-	-	-	-	-	(92,863)	-
										-
24	Total Operations Exp.	$ 2,826,742	$ (14,593)	$ (2,972)	$ (2,093)	$ (79,644)	$ (12,037)	$ (11,184)	$ (125,252)	$ -

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

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

LINE NO.	DESCRIPTION	COMPANY AS FILED	(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	$ 14,552	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26	Pumping	16,309	-	-	-	-	-	-	-	-
27	Water Treatment	(1,277)	-	-	-	-	-	-	-	-
28	Transmission & Distribution	118,506	-	-	-	-	-	-	(2,090)	-
29	Administrative & General	784	-	-	-	-	-	-	-	-
30	Maintenance Labor	148,056	-	-	-	-	-	-	(34,101)	-
31	Total Maintenance Exp.	$ 296,930	$ -	$ -	$ -	$ -	$ -	$ -	$ (36,191)	$ -
32	DEPR. & AMORT. EXPENSES	$ 720,578	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (72,676)
	TAXES									
33	Property Taxes	$ 213,241	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
34	Payroll & Miscellaneous	54,716	-	-	-	-	-	-	-	-
35	State & Federal Income	215,705	-	-	-	-	-	-	-	-
36	Total Taxes	$ 483,662	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	TOTAL OPERATING EXP.	$ 4,327,912	$ (14,593)	$ (2,972)	$ (2,093)	$ (79,644)	$ (12,037)	$ (11,184)	$ (161,443)	$ (72,676)
38	OPERATING INCOME (LOSS)	$ 742,768								

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

SUMMARY OF OPERATING INCOME ADJUSTMENTS - CONT'D
TEST YEAR AS FILED AND 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
	OPERATING REVENUES:									
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	Residiential	-	-	-	-	-	-	-	-	-
11	Commercial	-	-	-	-	-	-	-	-	-
12	Total Water Sales	-	-	-	-	-	-	-	-	5,071,062
13	Difference To G/L	-	-	-	-	-	-	-	-	(382)
14	TOTAL OPERATING REV.	$ -	$ -	$ -	$ - 0	$ -	$ -	$ -	$ -	$ 5,070,680
	OPERATING EXPENSES:									
	Operations									
15	Source Of Supply	$ -	$ -	$ -	$ -	$ (1,847)	$ -	$ -	$ -	$ 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	-	-	-	(81,915)	-	-	-	-	1,174,418
23	Operations Labor	-	-	-	-	-	-	-	-	310,299
24	Total Operations Exp.	$ -	$ -	$ -	$ (81,915)	$ (1,847)	$ -	$ -	$ -	$ 2,495,205

ADJUSTMENT NO.	REFERENCE	ADJUSTMENT NO.	REFERENCE
9 - Property Tax - Adjustment No. 1	Testimony, RLM And Schedule RLM-9	13 - Capitalization Of Expenses	Testimony, RLM
10 - Property Tax - Adjustment No. 2	Testimony, RLM And Schedule RLM-10	14 - Left Blank	
11 - Payroll Taxes	Testimony, RLM And Schedule RLM-11	15 - Left Blank	
12 - Admin. & Gen. Corporate Allocation	Testimony, RLM And Schedule RLM-12	16 - Income Tax	Testimony, RLM And Schedule RLM-13

SUMMARY OF OPERATING INCOME ADJUSTMENTS - CONT'D
TEST YEAR AS FILED AND 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
	Maintenance									
25	Source Of Supply	$ -	$ -	$ -	$ -	$ (2,350)	$ -	$ -	$ -	$ 12,202
26	Pumping	-	-	-	-	(6,298)	-	-	-	10,011
27	Water Treatment	-	-	-	-	-	-	-	-	(1,277)
28	Transmission & Distribution	-	-	-	-	-	-	-	-	116,416
29	Administrative & General	-	-	-	-	-	-	-	-	784
30	Maintenance Labor	-	-	-	-	-	-	-	-	113,955
31	Total Maintenance Exp.	$ -	$ -	$ -	$ -	$ (8,648)	$ -	$ -	$ -	$ 252,091
32	DEPR. & AMORT. EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 647,902
	TAXES									
33	Property Taxes	$ (56,844)	$ 13,937	$ -	$ -	$ -	$ -	$ -	$ -	$ 170,334
34	Payroll & Miscellaneous	-	-	(17,204)	-	-	-	-	-	37,512
35	State & Federal Income	-	-	-	-	-	-	-	206,490	422,195
36	Total Taxes	$ (56,844)	$ 13,937	$ (17,204)	$ -	$ -	$ -	$ -	$ 206,490	$ 630,041
37	TOTAL OPERATING EXP.	$ (56,844)	$ 13,937	$ (17,204)	$ (81,915)	$ (10,495)	$ -	$ -	$ 206,490	$ 4,025,240
38	OPERATING INCOME (LOSS)									$ 1,045,440

ADJUSTMENT NO.	REFERENCE
9 - Property Tax - Adjustment No. 1	Testimony, RLM And Schedule RLM-9
10 - Property Tax - Adjustment No. 2	Testimony, RLM And Schedule RLM-10
11 - Payroll Taxes	Testimony, RLM And Schedule RLM-11
12 - Admin. & Gen. Corporate Allocation	Testimony, RLM And Schedule RLM-12
13 - Capitalization Of Expenses	Testimony, RLM
14 - Left Blank	
15 - Left Blank	
16 - Income Tax	Testimony, RLM And Schedule RLM-13

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
NORMALIZATION OF GROUP INSURANCE

LINE NO.	DESCRIPTION		REFERENCE	(A)
1	Group Insurance Costs		WP RLM-4, Page 2, Column (F), Line 27	$ 128,044
2	Employee Contributions		WP RLM-4, Page 8, Column (F), Line 49	(6,105)
3	Total RUCO Adjusted Group Insurance Costs		Line 1 + Line 2	$ 121,939
	Less:			
	Capitalized Portion			
4	RUCO Adjusted Capital Labor (Excluding MRTF)	$ (45,377)	RLM-7, Page 1, Line 2	
5	RUCO Adjusted Total Labor (Excluding MRTF)	424,255	RLM-7, Page 1, Line 3	
6	Percentage Of Capitalized Labor	-10.70%	Line 4 / Line 5	
7			Line 3 X Capital Labor Of 10.70%	(13,042)
8	RUCO Adjusted Group Insurance Expense		Line 3 + Line 6	$ 108,897
9	Company Group Insurance Expense As Filed		Company Workpapers	111,869
10	RUCO Adjustment (See RLM-3, Page 1, Column (B), Line 22)		Line 7 - Line 8	$ (2,972)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
OPEB EXPENSE

LINE NO.	DESCRIPTION		REFERENCE	(A)
1	Normalized OPEB Expense		Company Response To RUCO Data Request 8.04	$ 67,595
	Less			
	Capitalized Portion			
2	Normalized Capital Labor	$ (45,377)	RLM-7, Page 1, Line 2	
3	Normalized Total Labor	$424,255	RLM-7, Page 1, Line 3	
4	Percentage Capital Labor Is Of Total Labor	-10.70%	Line 2 / Line 3	
5			Line 1 X Capital Labor Of 10.70%	(7,230)
6	Amortization Of Deferred Expense		Company Response To RUCO Data Request 5.04	25,404
7	RUCO Adjusted OPEB Expense		Sum of Lines 1, 5 & 6	$ 85,769
8	Company OPEB Expense As Filed		Company Response To RUCO Data Request 8.04	$ 87,862
9	RUCO Adjustment (See RLM-3, Page 1, Column (C), Line 22)		Line 7 - Line 8	$ (2,093)

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	$ 2,181
4	Number Of Full-Time Equivalent Employees Working At Paradise Valley		WP RLM-4, Pg 6, Col. (D), L 43 - L 47 - L 52	11.16
5	Projected Paradise Valley 2005 Pension Funding Expense		Line 3 X Line 4	$ 24,338
	Less			
	Capitalized Portion			
6	Normalized Capital Labor	$ (45,377)	RLM-7, Page 1, Line 2	
7	Normalized Total Labor	$424,255	RLM-7, Page 1, Line 3	
8	Percentage Capital Labor Is Of Total Labor	-10.70%	Line 6 / Line 7	
9			Line 5 X Capital Labor Of 10.70%	(2,603)
10	RUCO Projected Paradise Valley 2005 Pension Funding Expense		Line 5 + Line 9	$ 21,735
11	Company Pension Expense As Filed		Company Workpapers	$ 33,772
12	RUCO Adjustment (See RLM-3, Page 1, Column (E), Line 22)		Line 10 - Line 11	$ (12,037)

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

LINE NO.	DESCRIPTION	REFERENCE	(A) RUCO AS ADJ'TED
1	Total Payroll - Regular & Overtime (Excluding MRTF) - As Adjusted By RUCO	WP RLM-7, Page 3, Col (E), Line 49	$ 469,632
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	$ 424,255
	Allocation Of Normalized Payroll Expense - As Calculated By Company		
4	Operations Labor @ 73.14%	3 Year Average	$ 310,300
5	Maintenance Labor @ 26.86%	3 Year Average	113,955
6	Total Normalized Payroll Expense (Excluding MRTF) - As Adjusted By RUCO	Line 4 + Line 5	$ 424,255
	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	$ 551,219
	Payroll Adjustments		
10	RUCO Adjustment To Operations Labor (See RLM-3, Pg 1, Col. (G), L 23)	Line 4 - Line 7	$ (92,863)
11	RUCO Adjustment To Maintenance Labor (See RLM-3, Pg 2, Col. (G), Line 30)	Line 5 - Line 8	(34,101)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	REFERENCE	(A) RUCO AS ADJ'TED
1	Depreciation Expense On RUCO Adjusted Test Year Total Plant	RLM-8, Page 2, Column (D), Line 47	$ 1,210,302
2	Amortization Of CIAC	Company Workpapers	(525,004)
3	Amortization Of CPS	Company Workpapers	32,634
4	Amortization Of Mummy Mountain Acquisition	NOTE A	5,256
6	Amortization Of Ratepayers Portion Of "Gain On Sale Of Land"	NOTE B	(78,450)
7	Depreciation Expense On Western Division Corporate District Allocation	RLM-8, Page 3, Column (D), Line 63	3,165
8	RUCO Adjusted Test Year Depreciation Expense	Sum Of Lines 1 Thru 7	$ 647,903
9	Company Depreciation Expense On Test Year Total Plant As Filed	Company Schedule C-1	720,578
10	RUCO Adjustment (See RLM-3, Page 2, Column (H), Line 32)	Line 8 - Line 9	$ (72,676)

NOTE A

Amortization Of Mummy Mountain Acquisition

11	Authorized Mummy Mountain Acquisition Adjustment	Co. Response To RUCO D. R. 2.01	$ 131,400
12	Authorized Amorization Period	Decision No. 61307, Page 6, Line 18	25 Years
13	Annual Expense For Mummy Mountain Acquisition Adjustment	Line 11 / 25 Years	$ 5,256

NOTE B

Amortization Of Ratepayers Portion Of "Gain On Sale Of Land"

14	Total Pre-Tax Gain On Sale Of Land	Testimony - Stephenson, Page 36, Line 6	$ 784,496
15	Ratepayers Portion Of Gain Is A 50-50 Split	Testimony - Stephenson, Page 36, Line 13	(392,248)
16	Amortization Period	Testimony - Stephenson, Page 36, Line 16	5 Years
17	Annual Expense For Ratepayers Portion Of "Gain On Sale Of Land"	Line 15 / 5 Years	$ (78,450)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCATION FACTOR	(B) TOTAL PLANT VALUE	(C) APR'D DEP. RATE	(D) TEST YEAR DEPREC'N EXPENSE
	Paradise Valley Direct Plant					
1	303.99	Miscellaneous Intangible Plant Studies		$ -	0.00%	$ -
2	103000	Property Held For Future Use		-	0.00%	-
3	307000	Wells & Springs		-	0.00%	-
4	311200	Pumping Equipment - Electric		-	0.00%	-
5	311200	Pumping Equipment - Electric		-	0.00%	-
6	301000	Organization		15,350	0.00%	-
7	303200	Reservoir Land		-	0.00%	-
8	303300	Pumping Land & Land Rights		-	0.00%	-
9	303400	WT Land & Land Rights		-	0.00%	-
10	303500	Dist. Res. & Standpipe Land		8,324	0.00%	-
11	303600	Office Land		-	0.00%	-
12	304100	SS Structures & Improvements		7,953	14.59%	1,160
13	304200	Pumping Structures & Improvements		79,626	3.99%	3,177
14	304300	WT Structures & Improvements		3,038,848	2.00%	60,777
15	304400	Grit Removal Equipment		23,864	1.50%	358
16	304500	Structures & Improvements AG		15,173	4.63%	702
17	304610	Heating & Air Conditioning		-	0.00%	-
18	304700	Stores Shop & Garage Structures		93,285	4.63%	4,319
19	304800	Structures & Improvements Misc		149,284	4.63%	6,912
20	307000	Wells & Springs		1,252,563	2.48%	31,064
21	311200	Electric Pumping Equipment		3,337,081	4.39%	146,498
22	311300	Diesel Pumping Equipment		59,421	4.39%	2,609
23	320100	Water Treatment Equipment		5,825,149	7.06%	411,256
24	330001	Dist. Reservoirs & Standpipes		912,619	3.15%	28,747
25	331100	T & D Mains - 4" & Less		706,252	4.17%	29,451
26	331200	T & D Mains - 6" - 8"		3,974,977	2.52%	100,169
27	331300	T & D Mains - 10" or More		5,485,424	2.34%	128,359
28	333000	Services		2,178,858	4.72%	102,842
29	334100	Meters		328,580	7.21%	23,691
30	334200	Meter Installations		103,799	1.51%	1,567
31	335000	Hydrants		746,904	2.10%	15,685
32	339000	Other T & D Plant		-	0.00%	-
33	339600	Other P/E CPS		-	0.00%	-
34	340100	Office Furniture		43,931	4.04%	1,775
35	340200	Computers & Peripherals		98,019	15.89%	15,575
36	340300	Computer Software		134,174	37.71%	50,597
37	340500	Other Office Equipment		25,224	7.13%	1,798
38	341100	Transportation Equip - Light Trucks		2,882	28.05%	808
39	341300	Transportation Equip - Automobiles		19,307	7.80%	1,506
40	341400	Transportation Equipment - Other		13,606	0.93%	127
41	343000	Tools Shop & Garage Equipment		83,291	3.61%	3,007
42	345000	Power Operated Equipment		147,067	4.64%	6,824
43	346001	Communication Equipment		-	9.76%	-
44	346100	Communication Equip - Non-Telephone		284,556	7.91%	22,508
45	346300	Communication Equipment - Other		81,331	7.91%	6,433
46	347000	Miscellaneous Equipment		-	0.00%	-
47	Total Paradise Valley Direct Plant			$ 29,276,721		$ 1,210,302

Continued On Following Page

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8 - CONT'D
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) ALLOCATION FACTOR	(B) TOTAL PLANT VALUE	(C) APR'D DEP. RATE	(D) TEST YEAR DEPREC'N EXPENSE
	Corporate Division					
48	304510	Structures & Improvements AG Cap Lease		$ 197,755	5.63%	$ 11,134
49	340100	Office Furniture		784,162	4.04%	31,680
50	340200	Computers & Peripherals		47,741	15.89%	7,586
51	340300	Computer Software		1,200,856	37.71%	452,843
52	346100	Communication Equipment - Non-Telephone		236,879	9.76%	23,119
53	346300	Communication Equipment - Other		4,902	7.91%	388
54	Total Corporate Division			$ 2,472,295		$ 526,750
55	Service Company Allocation			$ 1,236,295		
56	AZ-AM Allocation			1,718,418		
57	Paradise Valley District Allocation		0.0360627	61,971		
	Central Division Corporate District					
58	304600	Structure & Improvement Offices		$ 7	4.63%	$ 0
59	340100	Office Furniture		734	4.04%	30
60	341100	Transportation Equipment - Light Trucks		270,855	28.05%	75,975
61	343000	Tools Shop & Garage Equipment		13,918	3.61%	502
62	Total Central Division Corporate District			$ 285,514		$ 76,507
63	Paradise Valley District Allocation		0.0413664	$ 11,811		$ 3,165
	Western Division Corporate District					
64	303600	Land & Land Rights AG		$ 30,722	0.00%	$ -
65	340300	Computer Software		833	37.71%	314
66	346200	Communication Equip - Telephone		49,678	9.76%	4,849
67	346300	Communication Equipment - Other		7,985	7.91%	632
68	Total Western Division Corporate District			$ 89,218		$ 5,794
69	Paradise Valley District Allocation		-	$ -		$ -
70	RUCO Adjusted Paradise Valley District Depreciation Expense					$ 1,213,467

References:
Columns (A) & (C): Company Workpapers
Column (B): TJC-3
Column (D): Column (B) X Column (C)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
PROPERTY TAX COMPUTATION - Adjustment No. 1

LINE NO.	DESCRIPTION	REFERENCE	(A)
1	Company's Total Property Tax Liability	Company Workpapers	$ 213,241
2	Exclude Miller Road Treatment Facility Property Tax: MRTF Recorded 2004 Property Tax	Co. Response To RUCO 4.01	$ (56,844)
3	Company's Total Property Tax Liability (Excluding MRTF)	Line 1 + Line 2	$ 156,397
4	Increase (Decrease) In Property Tax Expense	Line 3 - Line 1	$ (56,844)
5	RUCO Adjustment (See RLM-3, Page 4, Column (I), Line 33)	Line 4	$ (56,844)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
PROPERTY TAX COMPUTATION - Adjustment No. 2

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Year 2002 (Company Schedule E-6)	Co. Sch. E-6	$ 5,680,804	
2	Year 2003 (Company Schedule E-6)	Co. Sch. E-6	5,815,830	
3	Year 2004 (Company Schedule E-6)	Co. Sch. E-6	5,422,284	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 16,918,918	
5	Average Annual Operating Revenues	Line 4 / 3	5,639,639	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 11,279,279
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Co. Sch. B-2, Col. (b), L 3	$ -	
8	10% Of CWIP	Line 7 X 10%		$ -
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	Company Worpapers	$ (22,189)	
10	Acc. Dep. Of Transportation Equipment	Company Worpapers	$ 2,315	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		$ (19,874)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 11,259,405
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	24.5%	
14	Assessed Value	Line 12 X Line 13	$ 2,758,554	
	Property Tax Rates:			
15	Primary Tax Rate - 2004 Tax Notice	Company Workpapers	8.24%	
16	Secondary Tax Rate - 2004 Tax Notice	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	8.24%	
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 227,178
19	Test Year Adjusted Property Tax Expense As Filing	Co. Sch. C-1		213,241
20	Increase (Decrease) In Property Tax Expense	Line 18 - Line 19		$ 13,937
21	RUCO Adjustment (See RLM-3, Pg 4, Col. (J), Line 33)	Line 20		$ 13,937

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 10
NORMALIZATION OF PAYROLL TAXES

LINE NO.	DESCRIPTION	REFERENCE		(A)
1	RUCO Adjusted Payroll Expense	RLM-3, Col. (Q), (Pg 3, L 23) + (Pg 4, L 30)	$	424,254
2	RUCO Adjusted Normalized FICA-1 @ 6.20% (Max. $90,000)	Line 1 X 6.30%		$26,304
3	RUCO Adjusted Normalized FICA-2 @ 1.45%	Line 1 X 1.45%		$6,152
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		$37,367
7	Payroll Taxes As Filed By Company	Company Workpapers		54,571
8	RUCO Adjustment (See RLM-3, Page 4, Column (K), Line33)	Line 5 + Line 6		($17,204)

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	$	1,746

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	$	3,165

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 11
RUCO ADJUSTMENT TO ALLOCATED ADMINISTRATION AND GENERAL EXPENSES

LINE NO.	DESCRIPTION	REFERENCE	(A) AMOUNT
1	Management Fees & Misc. Corp. Office Allocated Expenses As Filed By Co.	Company Workpapers	$ 699,950
2	RUCO Adjustment To Management Fees Allocated Expenses	Testimony To Remove Incentive Bonuses	(62,478)
3	RUCO Adjustment To Miscellaneous Central Division Allocated Expenses	RLM-12, Pg 2, Col. (E), L 43	(1,204)
4	RUCO Adjustment To Miscellaneous Corporate Allocated Expenses	RLM-12, Pg 4, Col. (E), L 61	(18,233)
5	RUCO Adjusted Administration And General Allocated Expenses	Sum Of Lines 1 Thru 4	$ 618,034
6	RUCO Adjustment (See RLM-3, Page 3, Column (L), Line 22)	Line 5 - Line 1	$ (81,915)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12
RUCO ADJUSTMENT TO MISCELLANEOUS CENTRAL DIVISION EXPENSES

LINE NO.	(A) ACCOUNT NO.	(B)	(C) ACCOUNT DESCRIPTION	(D) YTD 2004 ACTUAL	(E) RUCO ADJUSTMENT
1	504500	16	Other Welf Oper AG	$ 6,978	$ 274
2	504610	16	Employee Awards AG	931	231
3	504620	16	Employee Physical Exam AG	8,601	-
4	504660	16	Tuition Aid AG	13,760	-
5	504670	16	Training AG	16,082	-
6	507100	16	401k Oper AG	5,435	-
7	508100	16	EIP Oper AG	5,129	-
8	520100	11	M & S Oper SS	26	26
9	520100	14	M & S Oper TD	570	-
10	535001	16	Contr Svc-Temp Empl Oper AG	500	-
11	550000	11	Trans Oper SS	148	-
12	550000	13	Trans Oper WT	10	-
13	550000	16	Trans Oper AG	-14,731	-
14	550000	24	Transport Maint TD	56,081	-
15	550001	16	Trans Oper AG Lease Cost	51,784	-
16	550002	16	Trans Oper AG Lease Fuel	142,452	-
17	550003	16	Trans Oper AG Lease Maint	124,993	-
18	575000	13	Misc Oper WT	509	-
19	575000	14	Misc Oper TD	50,945	1,989
20	575000	16	Misc Oper AG	4,474	-
21	575180	11	Charts SS	-948	-
22	575220	16	Community Relations	-2,115	1,879
23	575240	16	Co Dues/Membership Deduct	-12,642	-
24	575242	16	Co Dues Deduct AWWA	-9,478	-
25	575244	16	Co Dues Deduct NAWC	-474	-
26	575460	11	Grounds Keeping SS	1,282	32
27	575460	16	Grounds Keeping AG	9,637	9,137
28	575490	16	Injuries and Damages	-6,872	-
29	575500	13	Janitorial WT	8,450	-
30	575500	14	Janitorial TD	1,313	-
31	575545	13	Lab Supplies WT	-11,849	-
32	575625	16	Overnight Shipping AG	12,913	-
33	575710	13	Security Service WT	155	-
34	575710	16	Security Service AG	10,759	1,261
35	575711	16	Add'l Security Costs AG	13,586	-
36	575720	11	Telemetetering SS	956	-
37	575780	14	Trash Removal TD	25	-
38	575820	11	Uniforms SS	1,822	-
39	575820	13	Uniforms WT	6,119	-
40	575820	14	Uniforms TD	39,986	-
41	TOTALS		P21 Miscellaneous	$ 537,302	$ 14,829
42	ARIZONA CORPORATION ALLOCATION FACTOR				8.12%
43	RUCO ADJUSTMENT TO ALLOCATED CORPORATE MISCELLANEOUS EXPENSE				$ 1,204

References:
Columns (A) Thru (D): Company's Response To RUCO Data Request 9.03
Column (E): RLM-12, Pages 5 Thru 7

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12
RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES

LINE NO.	(A) ACCOUNT NO.	(B)	(C) ACCOUNT DESCRIPTION	(D) YTD 2004 ACTUAL	(E) RUCO ADJUSTMENT
1	504500	11	Other Welf Oper SS	$ 1,575	$ -
2	504500	14	Other Welf Oper TD	1,400	-
3	504500	16	Other Welf Oper AG	79,784	5,820
4	504610	16	Employee Awards AG	1,806	96
5	504620	16	Employee Physical Exam AG	27,154	543
6	504660	16	Tuition Aid AG	15,164	-
7	504670	16	Training AG	23,784	-
8	507100	11	401k Oper SS	980	-
9	507100	16	401k Oper AG	13,697	-
10	508100	16	EIP Oper AG	10,406	-
11	520100	11	M & S Oper SS	-63	-
12	520100	12	M & S Oper P	-82	-
13	520100	13	M & S Oper WT	-107	-
14	520100	14	M & S Oper TD	-787	-
15	532000	11	Contr Svc-Acctg Oper SS	18,093	-
16	532000	16	Contr Svc-Acctg Oper AG	55,300	-
17	533000	13	Contr Svc-Legal Oper WT	81	81
18	533000	16	Contr Svc-Legal Oper AG	-33,333	306
19	535000	15	Contr Svc-Other Oper CA	341	-
20	535000	16	Contr Svc-Other Oper AG	80,494	33,660
21	535001	16	Contr Svc-Temp Empl Oper AG	94,590	1,023
22	536000	11	Contr Svc-Lab Testing Oper	19,145	-
23	550000	16	Trans Oper AG	-47,092	-
24	550001	16	Trans Oper AG Lease Cost	2,620	-
25	550002	16	Trans Oper AG Lease Fuel	23,880	-
26	550003	16	Trans Oper AG Lease Maint	15,132	-
27	556000	16	Ins Vehicle Oper AG	79,223	-
28	575000	11	Misc Oper SS	7,371	-
29	575000	13	Misc Oper WT	2,348	-
30	575000	14	Misc Oper TD	44,845	-
31	575000	16	Misc Oper AG	321,367	-
32	575001	16	Misc Oper Exp AG Consol	23,842	-
33	575030	16	Advertising	7,562	7,583
34	575120	16	Bill Inserts AG	47,156	-
35	575130	16	Brochures and Handouts	1,585	-
36	575140	16	Charitable Contrib Deduct	220	220
37	575220	16	Community Relations	13,806	11,310
38	575240	16	Co Dues/Membership Deduct	13,275	5,888
39	575242	16	Co Dues Deduct AWWA	50	-
40	575244	16	Co Dues Deduct NAWC	17,895	17,895
41	575245	16	Co Dues Nondeduct NAWC	3,928	3,928
42	575270	16	Directors Fees	12,750	12,750
43	575271	16	Directors Expenses	2,937	2,937
44	575275	16	Discounts Available	-847	-
45	575276	16	Discounts Lost	503	-
46	575400	16	Bus Servies Proj Exp	105,120	105,120

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 12
RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) ACCOUNT DESCRIPTION	(D) YTD 2004 ACTUAL	(E) RUCO ADJUSTMENT
47	575545	13	Lab Supplies WT	$ (498)	$ -
48	575625	16	Overnight Shipping AG	3,547	-
49	575680	16	Research & Development Exp	5,673	-
50	575710	16	Security Service AG	11,699	1,745
51	575711	16	Add'l Security Costs AG	723	-
52	575715	16	Software Licenses & Support	71,281	-
53	575720	11	Telemetetering SS	4,000	4,000
54	575790	16	Trustee Fees AG	22,691	-
55	575820	11	Uniforms SS	13,231	-
56	575820	14	Uniforms TD	836	-
57	575830	11	Wtr & Waste Wtr Exp SS	250	-
58	575998	16	PCard Undistributed	29,443	9,642
59	TOTALS		P21 Miscellaneous	$ 1,271,774	$ 224,545
60	ARIZONA CORPORATION ALLOCATION FACTOR				8.12%
61	RUCO ADJUSTMENT TO ALLOCATED CORPORATE MISCELLANEOUS EXPENSE				$ 18,233

References:
Columns (A) Thru (D): Company's Response To RUCO Data Request 9.03
Column (E): RLM-12, Pages 8 Thru 18

RUCO ADJUSTMENT TO MISCELLANEOUS CENTRAL DIVISION EXPENSES

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
1	504500	16	192504	PHYLLIS WINDHAM	LAKESIDE FLORIST	62.45		Not Required For Provisioning Of Service
2	504500	16	203116	PHYLLIS WINDHAM	LAKESIDE FLORIST	49.02		Not Required For Provisioning Of Service
3	504500	16	206728	PHYLLIS WINDHAM	LAKESIDE FLORIST	43.71		Not Required For Provisioning Of Service
4	504500	16	220366	PHYLLIS WINDHAM	LAKESIDE FLORIST	51.63		Not Required For Provisioning Of Service
5	504500	16	220366	PHYLLIS WINDHAM	LAKESIDE FLORIST	51.63		Not Required For Provisioning Of Service
6	504500	16	2324	Rev Dupl P-Card Posting 7-8-04	PHYLLIS WINDHAM	-51.63		Not Required For Provisioning Of Service
7	504500	16	284100	PHYLLIS WINDHAM	LAKESIDE FLORIST	67.22		Not Required For Provisioning Of Service
8	TOTAL						$ 274	
9	504610	16	131582	PHYLLIS WINDHAM	ARROWHEAD TOWNE CENTER	25.25		Not Required For Provisioning Of Service
10	504610	16	131758	PHYLLIS WINDHAM	WM SUPERCENTER SE	40.00		Not Required For Provisioning Of Service
11	504610	16	150244	PHYLLIS WINDHAM	THINGS REMEMBERED	90.25		Not Required For Provisioning Of Service
12	504610	16	175588	PHYLLIS WINDHAM	WM SUPERCENTER SE	25.00		Not Required For Provisioning Of Service
13	504610	16	229863	PHYLLIS WINDHAM	TARGET	25.00		Not Required For Provisioning Of Service
14	504610	16	262526	PHYLLIS WINDHAM	TARGET	25.00		Not Required For Provisioning Of Service
15	TOTAL						$ 231	
16	520100	11	227060	JAMES TAYLOR	ALBERTSONS #1004 S9H	26.29		Not Required For Provisioning Of Service
17	TOTAL						$ 26	
18	575000	14	131532	ROBERT GARCIA	THE HOME DEPOT	0.00		
19	575000	14	139865	ROBERT GARCIA	ACE HARDWARE	0.00		
20	575000	14	143194	ROBERT GARCIA	THE HOME DEPOT	0.00		
21	575000	14	143237	ROBERT GARCIA	THE HOME DEPOT	0.00		
22	575000	14	150232	ROBERT GARCIA	ACE HARDWARE	0.00		
23	575000	14	40682370	Ice Wagon The-PO/REMIT	ice	160.85		Not Required For Provisioning Of Service
24	575000	14	162317	ROBERT GARCIA	ACE HARDWARE	0.00		
25	575000	14	40698886	Ice Wagon The-PO/REMIT	ice	83.02		Not Required For Provisioning Of Service
26	575000	14	40748478	Ice Wagon The-PO/REMIT	SERVICES RENDERED	140.10		Not Required For Provisioning Of Service
27	575000	14	40755859	Ice Wagon The-PO/REMIT	ICE	129.72		Not Required For Provisioning Of Service
28	575000	14	203086	ROBERT GARCIA	THE HOME DEPOT	0.00		
29	575000	14	206699	ROBERT GARCIA	THE HOME DEPOT	0.00		
30	575000	14	210309	ROBERT GARCIA	THE HOME DEPOT	0.00		
31	575000	14	40779690	Ice Wagon The-PO/REMIT	ICE	114.15		Not Required For Provisioning Of Service
32	575000	14	223893	ROBERT GARCIA	LOWE'S	0.00		
33	575000	14	40805355	Ice Wagon The-PO/REMIT	SUPPLIES	134.91		Not Required For Provisioning Of Service
34	575000	14	40819815	Ice Wagon The-PO/REMIT	ICE	64.86		Not Required For Provisioning Of Service
35	575000	14	240438	ROBERT GARCIA	ACE HARDWARE	0.00		
36	575000	14	40825634	Ice Wagon The-PO/REMIT	SERVICES RENDERED	119.34		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CENTRAL DIVISION EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
37	575000	14	246766	BERT L REYNOLDS	THE HOME DEPOT	0.00		
38	575000	14	40833380	Ice Wagon The-PO/REMIT	ICE	129.72		Not Required For Provisioning Of Service
39	575000	14	40836149	Ice Wagon The-PO/REMIT	ICE	119.34		Not Required For Provisioning Of Service
40	575000	14	256093	ROBERT GARCIA	ACE HARDWARE	0.00		
41	575000	14	40849808	Ice Wagon The-PO/REMIT	ICE	140.10		Not Required For Provisioning Of Service
42	575000	14	40863561	Ice Wagon The-PO/REMIT	ICE	134.91		Not Required For Provisioning Of Service
43	575000	14	40876513	Ice Wagon The-PO/REMIT	ICE	111.20		Not Required For Provisioning Of Service
44	575000	14	284084	BERT L REYNOLDS	THE HOME DEPOT	0.00		
45	575000	14	40897229	Ice Wagon The-PO/REMIT	Ice Svc.	72.64		Not Required For Provisioning Of Service
46	575000	14	40897260	Ice Wagon The-PO/REMIT	Ice Svc.	145.29		Not Required For Provisioning Of Service
47	575000	14	299190	BERT L REYNOLDS	SAFEWAY STORE	45.00		Not Required For Provisioning Of Service
48	575000	14	299191	BERT L REYNOLDS	SAFEWAY STORE	45.00		Not Required For Provisioning Of Service
49	575000	14	299192	BERT L REYNOLDS	THE HOME DEPOT	0.00		
50	575000	14	299405	BERT L REYNOLDS	THE HOME DEPOT	0.00		
51	575000	14	299431	BERT L REYNOLDS	THE HOME DEPOT	0.00		
52	575000	14	40918531	Ice Wagon The-PO/REMIT	bal 186907 and 191983 AZAW	38.92		Not Required For Provisioning Of Service
53	575000	14	40918531	Ice Wagon The-PO/REMIT	bal 186907 and 191983 AZAW	60.00		Not Required For Provisioning Of Service
54	TOTAL						$ 1,989	
55	575220	16	40637756	Community Calendar - REMIT	" " "	434.13		Non-Typical, Non-Recurring Expense
56	575220	16	136457	PHYLLIS WINDHAM	CITY OF SURPRISE PKS &	195.75		Non-Typical, Non-Recurring Expense
57	575220	16	139923	PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	652.50		Non-Typical, Non-Recurring Expense
58	575220	16	40699361	Huckeby, Nancy J -Petty Cash	Add Placement	75.00		Non-Typical, Non-Recurring Expense
59	575220	16	40842045	Sun City Visitors Ctr	Community Relations	435.00		Non-Typical, Non-Recurring Expense
60	575220	16	40849625	Buckeye Union High School	Community Relations	87.00		Non-Typical, Non-Recurring Expense
61	TOTAL						$ 1,879	
62	575240	16	146959	PHYLLIS WINDHAM	AMERICAN WATER WORKS	0.00		
63	575240	16	146960	PHYLLIS WINDHAM	AMERICAN WATER WORKS	0.00		
64	575240	16	40699361	Huckeby, Nancy J -Petty Cash	Operator Certification	0.00		
65	575240	16	246793	ARTHUR W FAIELLO	AWPCA	0.00		
66	575240	16	273277	PHYLLIS WINDHAM	TECHNICAL LEARNING CON	0.00		
67	TOTAL						$ -	
68	575460	11	266460	JAMES TAYLOR	STEVEN S DIAZ LAWN MAI	0.00		
69	575460	11	266492	JAMES TAYLOR	PRIMM VALLEY HOTEL - B	32.00		Not Required For Provisioning Of Service
70	TOTAL						$ 32	

RUCO ADJUSTMENT TO MISCELLANEOUS CENTRAL DIVISION EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
71	575460	16	131764	STEVE URAINE	STEVEN S DIAZ LAWN MAI	760.00		Not Required For Provisioning Of Service
72	575460	16	146953	STEVE URAINE	STEVEN S DIAZ LAWN MAI	760.00		Not Required For Provisioning Of Service
73	575460	16	40688640	Broken Arrow Landscape - REMIT	LAWN MAINTENANCE - AZ AMERIC	760.00		Not Required For Provisioning Of Service
74	575460	16	40734076	Broken Arrow Landscape - REMIT	Lawn Maintenance/AZ Amr Wtr	760.00		Not Required For Provisioning Of Service
75	575460	16	40735959	Broken Arrow Landscape - REMIT	LawnMaintnence/AZ Amer wtr	760.00		Not Required For Provisioning Of Service
76	575460	16	40757003	Broken Arrow Landscape - REMIT	LawnMaintnence/AZ Amer wtr	760.00		Not Required For Provisioning Of Service
77	575460	16	40783732	Broken Arrow Landscape - REMIT	LawnMaintnence/AZ Amer wtr	760.00		Not Required For Provisioning Of Service
78	575460	16	40806191	Broken Arrow Landscape - REMIT	LawnMaintnence/AZ Amer wtr	760.00		Not Required For Provisioning Of Service
79	575460	16	40832602	Broken Arrow Landscape - REMIT	LawnMaintnence/AZ Amer wtr	760.00		Not Required For Provisioning Of Service
80	575460	16	40857439	Broken Arrow Landscape - REMIT	LawnMaintnence/AZ Amer wtr	760.00		Not Required For Provisioning Of Service
81	575460	16	266490	JAMES TAYLOR	BUFFALO BILL'S-MIZ ASH	9.62		Not Required For Provisioning Of Service
82	575460	16	266491	JAMES TAYLOR	PRIMM VALLEY - GIFT SH	7.25		Not Required For Provisioning Of Service
83	575460	16	40880026	Broken Arrow Landscape - REMIT	LawnMaintnence/AZ Amer wtr	760.00		Not Required For Provisioning Of Service
84	575460	16	40903469	Broken Arrow Landscape - REMIT	LawnMaintnence/AZ Amer wtr	760.00		Not Required For Provisioning Of Service
85	TOTAL						$ 9,137	
86	575710	16	40757916	Sonitrol(Most Use)REMIT	ParadiseValley SECUR-MRTF	180.09		Expenses Are To Exclude MRTF
87	575710	16	40783713	Sonitrol(Most Use)REMIT	ParadiseValley SECUR-MRTF	180.09		Expenses Are To Exclude MRTF
88	575710	16	40806172	Sonitrol(Most Use)REMIT	ParadiseValley SECUR-MRTF	180.09		Expenses Are To Exclude MRTF
89	575710	16	40832583	Sonitrol(Most Use)REMIT	ParadiseValley SECUR-MRTF	180.09		Expenses Are To Exclude MRTF
90	575710	16	40857420	Sonitrol(Most Use)REMIT	ParadiseValley SECUR-MRTF	180.09		Expenses Are To Exclude MRTF
91	575710	16	40880006	Sonitrol(Most Use)REMIT	ParadiseValley SECUR-MRTF	180.09		Expenses Are To Exclude MRTF
92	575710	16	40903448	Sonitrol(Most Use)REMIT	ParadiseValley SECUR-MRTF	180.09		Expenses Are To Exclude MRTF
93	TOTAL						$ 1,261	
94	575820	13	143221	JEFFEREY A MARLOW	WAL MART	0.00		
95	575820	13	182354	HECTOR F DELGADILLO	WM SUPERCENTER SE	0.00		
96	575820	13	250119	THOMAS G WINTER	WM SUPERCENTER SE	0.00		
97	575820	13	256090	THOMAS G WINTER	WM SUPERCENTER SE	0.00		
98	575820	13	276685	MARY MCREYNOLDS	SEARS ROEBUCK	0.00		
99	TOTAL						$ -	
100	575820	14	168692	JAMES TAYLOR	SPORTSMANS WAREHOUSE N	0.00		
101	575820	14	179107	GILBERT CORDOVA	SPORTSMANS WAREHOUSE N	0.00		
102	TOTAL						$ -	
319	GRAND TOTAL OF RUCO'S ADJUSTMENT						$ 14,829	

References: Columns (A) Thru (F): Company's Response To RUCO Data Request 7.04.b.
Column (G): Sum Of Column (F)
Column (H): RUCO's Explanation For Denying Expense

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
1	504500	16	40641381	Professional Plants & Inc-PO/R	MAINT. OFFICE FOILAGE	$ 41.25		Not Required For Provisioning Of Service
2	504500	16	40664592	Professional Plants & Inc-PO/R	MAINT. OFFICE FOILAGE	41.25		Not Required For Provisioning Of Service
3	504500	16	40674027	Professional Plants & Inc-PO/R	MAINT. OFFICE FOILAGE	41.25		Not Required For Provisioning Of Service
4	504500	16	40698865	Professional Plants & Inc-PO/R	BROMELIAD REPLACEMENT	37.10		Not Required For Provisioning Of Service
5	504500	16	40734404	Professional Plants & Inc-PO/R	SERVICES	41.25		Not Required For Provisioning Of Service
6	504500	16	40757016	Professional Plants & Inc-PO/R	SERVICES	41.25		Not Required For Provisioning Of Service
7	504500	16	218545	LINDA C STILLMAN	THE BEE ADVERTISING	1,308.41		Marketing Does Not Benefit Ratepayers
8	504500	16	40783745	Professional Plants & Inc-PO/R	SERVICES	41.25		Not Required For Provisioning Of Service
9	504500	16	229982	KATHLEEN M WHEAT	THE BEE ADVERTISING	1,599.17		Marketing Does Not Benefit Ratepayers
10	504500	16	40815236	Professional Plants & Inc-PO/R	NEW PLANR & CONTAINER	55.96		Not Required For Provisioning Of Service
11	504500	16	40806204	Professional Plants & Inc-PO/R	SERVICES	41.25		Not Required For Provisioning Of Service
12	504500	16	40827521	News West Publishing Inc	ADVERTISEMENT	766.48		Marketing Does Not Benefit Ratepayers
13	504500	16	40832615	Professional Plants & Inc-PO/R	SERVICES	41.25		Not Required For Provisioning Of Service
14	504500	16	40857452	Professional Plants & Inc-PO/R	SERVICES	41.25		Not Required For Provisioning Of Service
15	504500	16	40880039	Professional Plants & Inc-PO/R	SERVICES	41.25		Not Required For Provisioning Of Service
16	504500	16	284176	KATHLEEN M WHEAT	THE BEE ADVERTISING	1,599.17		Marketing Does Not Benefit Ratepayers
17	504500	16	40903481	Professional Plants & Inc-PO/R	SERVICES	41.25		Not Required For Provisioning Of Service
18	TOTAL						$ 5,820	
19	504610	16	199215	AMY YATES	THINGS REMEMBERED	$ 55.84		Not Required For Provisioning Of Service
20	504610	16	227023	KARL WILKINS	DILLONS RESTAURANT	40.00		Not Required For Provisioning Of Service
21	TOTAL						$ 96	
22	504620	16	40855669	Arthur L Davis Publishing Agen	ADVERTISING	$ 542.52		Marketing Does Not Benefit Ratepayers
23	TOTAL						$ 543	
24	533000	13	40910138	Fennemore Craig - REMIT	Acquisition of Citizens	$ 80.50		Non-Typical, Non-Recurring Expense
25	TOTAL						$ 81	
26	533000	16	40739307	Fennemore Craig - REMIT	STATE WATER INITIATIVE	$ 14.86		Non-Typical, Non-Recurring Expense
27	533000	16	40766826	Fennemore Craig - REMIT	THIRD MANAGEMENT PLAN	97.50		Non-Typical, Non-Recurring Expense
28	533000	16	40766829	Fennemore Craig - REMIT	STATE WATER INITIATIVE	0.74		Non-Typical, Non-Recurring Expense
29	533000	16	40910154	Fennemore Craig - REMIT	Third Management Plan	130.00		Non-Typical, Non-Recurring Expense
30	533000	16	40910160	Fennemore Craig - REMIT	State Water Initiative	63.00		Non-Typical, Non-Recurring Expense
31	TOTAL						$ 306	
32	535000	16	40876245	M R Of Keystone/Vail Inc	FEE FOR ENGINEERING MGR	$ 33,660.00		Expense To Be Capitalized
33	TOTAL						$ 33,660	

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
34	535001	16	40901513	The Wagner Partnership - PO/RE	Layout Expansion Study	$ 1,022.50		Expense To Be Amortized
35	TOTAL						$ 1,023	
36	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 mo	$ -		
37	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 months.	0.00		
38	575000	16	40714697	GreenStripe Media Inc - REMIT	radio airtime	0.00		
39	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 months.	0.00		
40	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 months.	0.00		
41	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 months.	0.00		
42	575000	16	213669	BOBBI J TROUT	STANDARD RESTAURAN	0.00		
43	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 months.	0.00		
44	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 months.	0.00		
45	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 months.	0.00		
46	575000	16	262549	KARL WILKINS	RADIO SHACK	0.00		
47	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 months.	0.00		
48	575000	16	30011349	Amortize Syndicated Line Exp	$13,418.01 for 10 months.	0.00		
49	575000	16	188949	MICHAEL J HERNANDEZ	WALGREEN	0.00		
50	TOTAL						$ -	
51	575001	16	40709043	Maricopa County Env Svc Dept	Permit App. for Sabrosa	$ -		
52	TOTAL						$ -	
53	575030	16	40652395	Woodenship Advertising & Publi	veterans day ad	$ 732.00		Marketing Does Not Benefit Ratepayers
54	575030	16	40692357	Woodenship Advertising & Publi	ADVERTISING	615.50		Marketing Does Not Benefit Ratepayers
55	575030	16	40729140	Woodenship Advertising & Publi	BBQ AD 4/2004	445.13		Marketing Does Not Benefit Ratepayers
56	575030	16	250159	KATHLEEN M WHEAT	THE BEE ADVERTISING	3,188.68		Marketing Does Not Benefit Ratepayers
57	575030	16	250161	KATHLEEN M WHEAT	RECOURSE COMMUNICATION	998.23		Marketing Does Not Benefit Ratepayers
58	575030	16	250167	KATHLEEN M WHEAT	OBSERVER NEWSPAPER	1,166.55		Marketing Does Not Benefit Ratepayers
59	575030	16	40918908	Woodenship Advertising & Publi	HARDYVILLE DAYS PROGRAM	436.50		Marketing Does Not Benefit Ratepayers
60	TOTAL						$ 7,583	
61	575120	16	40692354	Woodenship Advertising & Publi	ADVERTISING	$ -		
62	575120	16	40698482	Woodenship Advertising & Publi	PO# CA04019	0.00		
63	575120	16	40725448	Woodenship Advertising & Publi	po #ca04037	0.00		
64	575120	16	40725451	Alcom Printing Group Inc	cust #000000068500	0.00		
65	575120	16	40729148	Direct Impact Marketing	BILL INSERT	0.00		
66	575120	16	40783815	Direct Impact Marketing	BILL INSERTS	0.00		
67	575120	16	40870927	Direct Impact Marketing	BILL INSERT	0.00		

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
68	575120	16	40909439	Woodenship Advertising & Publi	CA04227	$ -		
69	575120	16	40676046	Direct Impact	coordination,product	0.00		
70	575120	16	40718273	Direct Impact Marketing	SERVICE RENDERED	0.00		
71	575120	16	40780934	Direct Impact Marketing	2003 CCR	0.00		
72	575120	16	40787735	Direct Impact Marketing	2003 CCP	0.00		
73	575120	16	40843538	Advanced Communications Agency	PRINTING BILL INSERT	0.00		
74	TOTAL						$ -	
75	575140	16	199220	RAY L JONES	NSPE MEMBERSHIP DUES	$ 220.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
76	TOTAL						$ 220	
77	575220	16	40647606	West Valley Fine Arts Council	cust id azam	$ 3,750.00		Not Required For Provisioning Of Service
78	575220	16	131526	PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	450.00		Not Required For Provisioning Of Service
79	575220	16	131527	PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	-450.00		Not Required For Provisioning Of Service
80	575220	16	40654417	Sandra Day O'Connor Yearbook	Company Contribution	64.35		Not Required For Provisioning Of Service
81	575220	16	143171	MELISSA SADOSKI	BIG LOTS	15.71		Not Required For Provisioning Of Service
82	575220	16	40669745	Deer Valley Education Foundati	Contribution to DV Spelling B	100.00		Not Required For Provisioning Of Service
83	575220	16	150250	PHYLLIS WINDHAM	WESTSIDE FOOD BANK	500.00		Not Required For Provisioning Of Service
84	575220	16	40676722	Sun Cities Senior Softball Clu	Contribution-Softball Tourn.	100.00		Not Required For Provisioning Of Service
85	575220	16	40689379	Surprise Sundancers	Charity Game/Dinner Reception	495.00		Not Required For Provisioning Of Service
86	575220	16	40693471	Southwest Valley Chamber of Co	Goodyear relations	25.00		Not Required For Provisioning Of Service
87	575220	16	40698956	City of Surprise - REMIT	Community Relations	1,500.00		Not Required For Provisioning Of Service
88	575220	16	175526	AMY YATES	ANTHEM COMMUNITY CNT	105.60		Not Required For Provisioning Of Service
89	575220	16	40734706	Arizona Municipal Water Users	ARIZONA DESERT BROCH	196.35		Not Required For Provisioning Of Service
90	575220	16	192457	AMY YATES	ANTHEM COMMUNITY CNT	20.00		Not Required For Provisioning Of Service
91	575220	16	203053	FRED SCHNEIDER	BOYS CLUB OF PHX	100.00		Not Required For Provisioning Of Service
92	575220	16	210352	PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	448.05		Not Required For Provisioning Of Service
93	575220	16	40693471	Southwest Valley Chamber of Co	Goodyear relations	-25.00		Not Required For Provisioning Of Service
94	575220	16	40856422	Maricopa Water District - REMI	Pleasant Harbor July 4th	1,000.00		Not Required For Provisioning Of Service
95	575220	16	40877088	Southwest Valley Chamber of Co	GOLF TOURNAMENT SPONSOR	150.00		Not Required For Provisioning Of Service
96	575220	16	273284	PHYLLIS WINDHAM	BUCKEYE VALLEY CHA	25.00		Not Required For Provisioning Of Service
97	575220	16	40877690	PORA	Contribution to PORA's	100.00		Not Required For Provisioning Of Service
98	575220	16	280341	PHYLLIS WINDHAM	ANTHEM COMMUNITY CNT	1,000.00		Not Required For Provisioning Of Service
99	575220	16	284095	PHYLLIS WINDHAM	NW VALLEY CHAMBER OF	860.00		Not Required For Provisioning Of Service
100	575220	16	40912872	Sheriff's Posse of Sun City	Fund Drive Donation	300.00		Not Required For Provisioning Of Service
101	575220	16	40918895	Woodenship Advertising & Publi	PROJECT CA04187	480.00		Not Required For Provisioning Of Service
102	TOTAL						$ 11,310	

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
103	575240	16	30125251	FASTR - YRENDACCRL 00023	Year End Accrual	$ -		
104	575240	16	131557	AMY YATES	DAILY NEWS SUN	0.00		
105	575240	16	131580	AMY YATES	ARIZONA CAPITOL TIMES	0.00		
106	575240	16	40676721	League of Arizona Cities and T	Directory, Local Government	0.00		
107	575240	16	40685384	SECRETARY OF STATE-ATTN NOT	Notary for Bobbi Trout	0.00		
108	575240	16	40685385	Clerk of Superior Court-REMIT	Notary for Bobbi Trout	0.00		
109	575240	16	165279	SHIRLEY L WATKINS	M LEE SMITH PUBLISHERS	0.00		
110	575240	16	40706972	Goodyear, City of	Westcaps Membership dues	0.00		
111	575240	16	175531	MELISSA SADOSKI	ELEMENT K PRESS JOURNA	0.00		
112	575240	16	175532	MELISSA SADOSKI	ELEMENT K PRESS JOURNA	0.00		
113	575240	16	175564	SHIRLEY L WATKINS	SOCIETY FOR HUMAN RESO	160.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
114	575240	16	40717432	Water Utilities Association of	Membership Dues	0.00		
115	575240	16	40719760	WESTMARC - REMIT	DUES ANNUAL MEETING 01/26/04	3.30		Expenses Denied In Prior AZ-AM Dec. No. 6709:
116	575240	16	40729083	WESTMARC - REMIT	RAY JONES -MEMBERSHIP DUES	1,650.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
117	575240	16	40732253	Auia - Remit	QTRLY JAN-MAR 2004	412.50		Expenses Denied In Prior AZ-AM Dec. No. 6709:
118	575240	16	40732255	Auia - Remit	2ND QTR APR-JUNE 2004	412.50		Expenses Denied In Prior AZ-AM Dec. No. 6709:
119	575240	16	2329	P-Card Corrections 575998		0.00		
120	575240	16	199189	AMY YATES	AMER WATER WORKS LB	0.00		
121	575240	16	199286	ANITRIA HAIRSTON	NNA NATL NOTARY ASSN	0.00		
122	575240	16	40754124	Arizona State Board of Tech Re	Dale Conover PE Registration	0.00		
123	575240	16	30143054	FASTR - F1ACCRUALS F1_4_00023	F1/4 Accrual - Period 5	0.00		
124	575240	16	30143054	FASTR - F1ACCRUALS F1_4_00023	F1/4 Accrual - Period 5	0.00		
125	575240	16	210258	MELISSA SADOSKI	NNA NATL NOTARY ASSN	0.00		
126	575240	16	30148613	FASTR - F1ACCRUALS F2_5_00023	F2 Accrual - Period 6	0.00		
127	575240	16	30148613	FASTR - F1ACCRUALS F2_5_00023	F2 Accrual - Period 6	0.00		
128	575240	16	30152116	FASTR - F2ACCRUALS F2_4_00023	F2 Accrual - Period 7	0.00		
129	575240	16	30152116	FASTR - F2ACCRUALS F2_4_00023	F2 Accrual - Period 7	0.00		
130	575240	16	40816209	Arizona Utility Investors Asso	3RD QTR JULY-SEPT 2004	1,250.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
131	575240	16	240462	DALE E CONOVER	ARIZONA HYDROLOGICAL S	0.00		
132	575240	16	240482	DALE E CONOVER	ASSN. OF ENGIN GEOLOGI	0.00		
133	575240	16	30156087	FASTR - F1ACCRUALS F2_4_00023	F2 Accrual - Period 8	0.00		
134	575240	16	30156087	FASTR - F1ACCRUALS F2_4_00023	F2 Accrual - Period 8	0.00		
135	575240	16	2325	Reclass Undist P-Card Errors	CC236912	0.00		
136	575240	16	40842042	State of Arizona	Registration	0.00		
137	575240	16	40846250	State of Arizona Bd of Technic	Renewal of Cert	0.00		
138	575240	16	30160994	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 9	0.00		
139	575240	16	30160994	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 9	0.00		
140	575240	16	40676721	League of Arizona Cities and T	Directory, Local Government	0.00		

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
141	575240	16	266444	CAMILA C FERNANDEZ	AMERICAN WATER WORKS	$ -		
142	575240	16	40842042	State of Arizona	Registration	0.00		
143	575240	16	30164162	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 10	0.00		
144	575240	16	30164162	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 10	0.00		
145	575240	16	276692	ANITRIA HAIRSTON	ASCE-RESTON VA	0.00		
146	575240	16	280343	PHYLLIS WINDHAM	WATER EDUCATION FOUNDA	0.00		
147	575240	16	30169523	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 11	0.00		
148	575240	16	30169523	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 11	0.00		
149	575240	16	292634	ANITRIA HAIRSTON	AMERICAN WATER WORKS	0.00		
150	575240	16	40912869	Phoenix,City of - Finance Dep	CASS dues for Fiscal Yr 2005	0.00		
151	575240	16	40915453	Investor Owned Water Utility A	ANNUAL MEMBERSHIP DUES	2,000.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
152	575240	16	30178684	FASTR - F1ACCRUALS F4_23	F4 Accrual - Period	0.00		
153	575240	16	262458	MICHAEL J HERNANDEZ	AMERICAN BACKFLOW PREV	0.00		
154	TOTAL						$ 5,888	
155	575242	16		American Water Works Assoc-AWW	CUST 00533330	$ -		
156	TOTAL						$ -	
157	575244	16	40713015	NAWC-Washington DC	NAWC 2004 Dues	$ 17,895.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
158	TOTAL						$ 17,895	
159	575245	16	40713015	NAWC-Washington DC	NAWC 2004 Dues Lobbying	$ 3,928.00		Expenses Denied In Prior AZ-AM Dec. No. 6709:
160	TOTAL						$ 3,928	
161	575270	16	40651858	Georgeson, Duane L-DIRECTOR FE	4th Qtr.Adjustment - 2003	$ 750.00		Not Required For Provisioning Of Service
162	575270	16	40651861	Georgeson, Duane L-DIRECTOR FE	1st Qtr.Retainer 2004	1,000.00		Not Required For Provisioning Of Service
163	575270	16	40658784	Georgeson, Duane L-DIRECTOR FE	Board Mtg.Fees 10/23 + 12/18	1,000.00		Not Required For Provisioning Of Service
164	575270	16	40721764	Georgeson, Duane L-DIRECTOR FE	2nd Qtr Retainer 2004	1,000.00		Not Required For Provisioning Of Service
165	575270	16	40721767	Duque, Henry M	2nd Qtr Retainer 2004	1,000.00		Not Required For Provisioning Of Service
166	575270	16	40727826	Georgeson, Duane L-DIRECTOR FE	Board Mtg. Fee (AZ) - 4/14/04	500.00		Not Required For Provisioning Of Service
167	575270	16	40727827	Duque, Henry M	Board Mtg. Fee - 4/14/04	500.00		Not Required For Provisioning Of Service
168	575270	16	40748924	Duque, Henry M	Retainer Fee: 1st Qtr.2004	1,000.00		Not Required For Provisioning Of Service
169	575270	16	40898750	Georgeson, Duane L-DIRECTOR FE	Retainer Fees 3QRF	1,000.00		Not Required For Provisioning Of Service
170	575270	16	40898752	Georgeson, Duane L-DIRECTOR FE	Retainer Fee 4th QTR 2004	1,000.00		Not Required For Provisioning Of Service
171	575270	16	40902100	Georgeson, Duane L-DIRECTOR FE	AZ Brd Mtg Fees 10/18/04	500.00		Not Required For Provisioning Of Service
172	575270	16	40902100	Georgeson, Duane L-DIRECTOR FE	AZ Brd Mtg Fees 7/14/04	500.00		Not Required For Provisioning Of Service
173	575270	16	40902101	Duque, Henry M	AZ Brd Mtg Fees 10/18/04	500.00		Not Required For Provisioning Of Service
174	575270	16	40902101	Duque, Henry M	AZ Brd Mtg Fees 7/14/04	500.00		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT	(B) NO.	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
175	575270	16	40912867	Duque, Henry M	3rd QTR Retainer Fee	$ 1,000.00		Not Required For Provisioning Of Service
176	575270	16	40912868	Duque, Henry M	4th QTR Retainer Fee	1,000.00		Not Required For Provisioning Of Service
177	TOTAL						$ 12,750	
178	575271	16	40668018	Georgeson, Duane L-DIRECTOR FE	Phoenix Expenses	$ 279.40		Not Required For Provisioning Of Service
179	575271	16	40721762	Duque, Henry M	Director Expenses	229.07		Not Required For Provisioning Of Service
180	575271	16	40729991	Duque, Henry M	Director's expenses 04/14/04	492.61		Not Required For Provisioning Of Service
181	575271	16	40748924	Duque, Henry M	Directors Expenses: 5/3-5/4	448.39		Not Required For Provisioning Of Service
182	575271	16	40825580	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Exp 07/20/04	166.11		Not Required For Provisioning Of Service
183	575271	16	40825581	Duque, Henry M	Brd Mtg Exp 07/20/04	509.24		Not Required For Provisioning Of Service
184	575271	16	40895943	Duque, Henry M	EXPENSES	811.98		Not Required For Provisioning Of Service
185	TOTAL						$ 2,937	
186	575400	16	30125251	FASTR - YRENDACCRL 00023	Year End Accrual	$ 8,201.03		Non-Typical, Non-Recurring Expense
187	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.80		Non-Typical, Non-Recurring Expense
188	575400	16	30028713	Amortize Customer Service Proj		4,339.70		Non-Typical, Non-Recurring Expense
189	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.80		Non-Typical, Non-Recurring Expense
190	575400	16	30028713	Amortize Customer Service Proj		4,339.70		Non-Typical, Non-Recurring Expense
191	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,641.99		Non-Typical, Non-Recurring Expense
192	575400	16	30028713	Amortize Customer Service Proj		4,498.63		Non-Typical, Non-Recurring Expense
193	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,632.56		Non-Typical, Non-Recurring Expense
194	575400	16	30028713	Amortize Customer Service Proj		4,509.47		Non-Typical, Non-Recurring Expense
195	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
196	575400	16	30028713	Amortize Customer Service Proj		4,509.47		Non-Typical, Non-Recurring Expense
197	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
198	575400	16	30028713	Amortize Customer Service Proj		4,509.47		Non-Typical, Non-Recurring Expense
199	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
200	575400	16	30028713	Amortize Customer Service Proj		4,509.47		Non-Typical, Non-Recurring Expense
201	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
202	575400	16	30028713	Amortize Customer Service Proj		4,509.47		Non-Typical, Non-Recurring Expense
203	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
204	575400	16	30028713	Amortize Customer Service Proj		4,510.18		Non-Typical, Non-Recurring Expense
205	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
206	575400	16	30028713	Amortize Customer Service Proj		4,510.18		Non-Typical, Non-Recurring Expense
207	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
208	575400	16	30028713	Amortize Customer Service Proj		4,510.18		Non-Typical, Non-Recurring Expense
209	575400	16	30025956	Amortize Fin Services Project	Amortize Fin Serv Proj	3,587.85		Non-Typical, Non-Recurring Expense
210	575400	16	30028713	Amortize Customer Service Proj		4,510.18		Non-Typical, Non-Recurring Expense
211	TOTAL						$ 105,120	

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
212	575710	16	40674991	American Fence Company	MONTHLY RENT 01/09-02/08/04	$ 176.22		Non-Typical, Non-Recurring Expense
213	575710	16	40683051	American Fence Company	cust #251255	176.22		Non-Typical, Non-Recurring Expense
214	575710	16	40692004	American Fence Company	ANTHEM 251255 1239876 AZAW	176.22		Non-Typical, Non-Recurring Expense
215	575710	16	40707333	American Fence Company	MNTHLY RENT 03/09 TO 04/08	176.22		Non-Typical, Non-Recurring Expense
216	575710	16	40732227	American Fence Company	RENTAL	176.22		Non-Typical, Non-Recurring Expense
217	575710	16	40757319	American Fence Company	TEMPORARY FENCE	176.22		Non-Typical, Non-Recurring Expense
218	575710	16	40768003	American Fence Company	CUST 251255	195.66		Non-Typical, Non-Recurring Expense
219	575710	16	40793920	American Fence Company	RENTAL OF TEMP FENCE	53.03		Non-Typical, Non-Recurring Expense
220	575710	16	40805484	American Fence Company	RENTAL	53.03		Non-Typical, Non-Recurring Expense
221	575710	16	40836294	American Fence Company	CUST 251255	53.03		Non-Typical, Non-Recurring Expense
222	575710	16	40855726	American Fence Company	RENTAL 9/9/04-10/8/04	53.03		Non-Typical, Non-Recurring Expense
223	575710	16	40886344	American Fence Company	RENTAL	53.03		Non-Typical, Non-Recurring Expense
224	575710	16	40880002	Sonitrol(Most Use)REMIT	SERVICES	174.06		Non-Typical, Non-Recurring Expense
225	575710	16	30169523	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 11	262.50		Non-Typical, Non-Recurring Expense
226	575710	16	30169523	FASTR - F1ACCRUALS F3_00023	F3 Accrual - Period 11	-262.50		Non-Typical, Non-Recurring Expense
227	575710	16	40911237	American Fence Company	CUST #251255	53.03		Non-Typical, Non-Recurring Expense
228	TOTAL						$ 1,745	
229	575720	11	40680037	OPS Systems-PO/REMIT	training days,t&l ex	$ 3,426.17		Expense To Be Amortize
230	575720	11	210296	RAYMOND MAHONEY	CONTRACT TELCOM ENGINE	573.76		Expense To Be Capitalized
231	TOTAL						$ 4,000	
232	575998	16	126727	DEAN LANDONI	THE HOME DEPOT	$ 35.49		Not Required For Provisioning Of Service
233	575998	16	131670	LEE F HUDDLESTON	THE HOME DEPOT	12.36		Not Required For Provisioning Of Service
234	575998	16	131695	DOUG GRIFFITH	DANONE WATERS OF NORTH	36.83		Not Required For Provisioning Of Service
235	575998	16	136390	TIM FRIDAY	CIRCLE K	4.40		Not Required For Provisioning Of Service
236	575998	16	136394	TIM FRIDAY	CACTUS FLOWER FLORISTS	52.23		Not Required For Provisioning Of Service
237	575998	16	136406	ADAM SPARTZ	PIZZA HUT BULL	39.84		Not Required For Provisioning Of Service
238	575998	16	136439	BRIAN DIEGO	CORRAL WEST	125.00		Not Required For Provisioning Of Service
239	575998	16	139869	LARRY A BERRY	WAL MART	20.31		Not Required For Provisioning Of Service
240	575998	16	143173	AMY YATES	PAPA JOHN'S	164.60		Not Required For Provisioning Of Service
241	575998	16	143231	YGNASIO SAMARRIPA	THE HOME DEPOT	18.90		Not Required For Provisioning Of Service
242	575998	16	143243	TIM FRIDAY	BURGERMANIA	8.42		Not Required For Provisioning Of Service
243	575998	16	143267	TIM FRIDAY	ROMEN S GYROS	27.25		Not Required For Provisioning Of Service
244	575998	16	143310	JAMES A GROOMAN	ACE HARDWARE ANTHEM	12.73		Not Required For Provisioning Of Service
245	575998	16	143314	MIKE MASSON	PAUL S ACE HARDWARE	73.86		Not Required For Provisioning Of Service
246	575998	16	146921	KARL WILKINS	BEST BUY	162.14		Not Required For Provisioning Of Service
247	575998	16	150223	FRANK RIOS	SAN DIEGO PIER CAFE	77.61		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
248	575998	16	150230	JAMES ISHMAEL	PILOT TRAVEL CENTER	$ 4.93		Not Required For Provisioning Of Service
249	575998	16	150235	BLAINE AKINE	HARBOR HOUSE RESTAURAN	60.38		Not Required For Provisioning Of Service
250	575998	16	150256	ROBERT GARCIA	WM SUPERCENTER SE	6.27		Not Required For Provisioning Of Service
251	575998	16	150264	CHARLES WILKINS	RADIO SHACK	4.29		Not Required For Provisioning Of Service
252	575998	16	159067	MIKE MASSON	THE HOME DEPOT	134.58		Not Required For Provisioning Of Service
253	575998	16	159095	CHARLES WILKINS	THE HOME DEPOT	18.47		Not Required For Provisioning Of Service
254	575998	16	159104	YGNASIO SAMARRIPA	LOWE'S	83.39		Not Required For Provisioning Of Service
255	575998	16	162287	DEAN LANDONI	FOOD CITY #108 STP	30.00		Not Required For Provisioning Of Service
256	575998	16	165216	SHAWNTEL QUALLS	TARGET	66.62		Not Required For Provisioning Of Service
257	575998	16	168706	DEAN LANDONI	FOOD CITY #108 STP	30.00		Not Required For Provisioning Of Service
258	575998	16	175571	ROBERT GARCIA	THE HOME DEPOT	-53.90		Not Required For Provisioning Of Service
259	575998	16	175607	MIKE MASSON	JR PERKINS	236.95		Not Required For Provisioning Of Service
260	575998	16	192526	ROBERT L CRON	HOLIDAY INNS	200.22		Not Required For Provisioning Of Service
261	575998	16	192578	CHARLES WILKINS	ACE HARDWARE	3.37		Not Required For Provisioning Of Service
262	575998	16	192579	ANITRIA HAIRSTON	1-800-FLOWERS.COM,INC.	75.75		Not Required For Provisioning Of Service
263	575998	16	195663	MIKE MASSON	THE HOME DEPOT	42.48		Not Required For Provisioning Of Service
264	575998	16	195685	MIKE MASSON	THE HOME DEPOT	47.95		Not Required For Provisioning Of Service
265	575998	16	203088	AARON L ASHCROFT	FLAMINGO LAUGHLIN	33.64		Not Required For Provisioning Of Service
266	575998	16	210392	DANIEL V ZAMORA	STREETS OF NEW YORK	59.36		Not Required For Provisioning Of Service
267	575998	16	213683	MIKE MASSON	BASHA S 16 SYW	2.01		Not Required For Provisioning Of Service
268	575998	16	217332	JAMES A GROOMAN	ACE HARDWARE ANTHEM	38.87		Not Required For Provisioning Of Service
269	575998	16	217365	ROVELL L FOGGY	GOLDEN WOK RESTAURANT	30.00		Not Required For Provisioning Of Service
270	575998	16	220370	KRAIG R KNIGHT	SOUPER SALAD	20.96		Not Required For Provisioning Of Service
271	575998	16	220370	KRAIG R KNIGHT	SOUPER SALAD	20.96		Not Required For Provisioning Of Service
272	575998	16	223880	VIVIEN TOBER	STREETS OF NEW YORK	24.53		Not Required For Provisioning Of Service
273	575998	16	226985	CHARLES WILKINS	RADIO SHACK	11.13		Not Required For Provisioning Of Service
274	575998	16	226986	CHARLES WILKINS	THE HOME DEPOT	10.55		Not Required For Provisioning Of Service
275	575998	16	227012	RAYMOND MAHONEY	EL PALOMAR MONTEREY	16.62		Not Required For Provisioning Of Service
276	575998	16	227015	RAYMOND MAHONEY	EL PALOMAR MONTEREY	24.13		Not Required For Provisioning Of Service
277	575998	16	227020	RAYMOND MAHONEY	EASY MART II	20.00		Not Required For Provisioning Of Service
278	575998	16	227021	RAYMOND MAHONEY	MONTEREY DWN TRAVELODG	261.80		Not Required For Provisioning Of Service
279	575998	16	227051	JAMES TAYLOR	TUBAC JACKS	22.00		Not Required For Provisioning Of Service
280	575998	16	227052	JAMES TAYLOR	CRACKER BARREL	25.00		Not Required For Provisioning Of Service
281	575998	16	227057	KARL WILKINS	CHARLIE BROWNS	34.59		Not Required For Provisioning Of Service
282	575998	16	227057	KARL WILKINS	CHARLIE BROWNS	34.59		Not Required For Provisioning Of Service
283	575998	16	227057	KARL WILKINS	CHARLIE BROWNS	34.60		Not Required For Provisioning Of Service
284	575998	16	227063	KARL WILKINS	NEWARK INT'L AIRPORT	8.22		Not Required For Provisioning Of Service
285	575998	16	236926	KARL WILKINS	EXECUTIVE DAYS INN	219.68		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT NO.	(B)	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
286	575998	16	237033	DALE E CONOVER	APPLEBEE'S	$ 38.64		Not Required For Provisioning Of Service
287	575998	16	243498	ADAM SPARTZ	SAFEWAY STORE	10.14		Not Required For Provisioning Of Service
288	575998	16	246900	MARY MCREYNOLDS	THE HOME DEPOT	55.52		Not Required For Provisioning Of Service
289	575998	16	252966	DON BREEDING	WENDYS #1812 Q	8.26		Not Required For Provisioning Of Service
290	575998	16	253029	ROBERT C MANNING	THE RAVEN AT VERRADO	44.90		Not Required For Provisioning Of Service
291	575998	16	259260	ADAM SPARTZ	MINIT SERVE DAIRY	26.24		Not Required For Provisioning Of Service
292	575998	16	262421	RAYMOND MAHONEY	BEST BUY	20.49		Not Required For Provisioning Of Service
293	575998	16	262528	MICHAEL J CONLIN	THE HOME DEPOT	23.70		Not Required For Provisioning Of Service
294	575998	16	262568	DALE E CONOVER	RADISSON TUCSON CITY C	197.01		Not Required For Provisioning Of Service
295	575998	16	262587	ROBERT L CRON	STEVEN S DIAZ LAWN MAI	725.00		Not Required For Provisioning Of Service
296	575998	16	262592	BOBBI J TROUT	PARADISE BAKERY	256.04		Not Required For Provisioning Of Service
297	575998	16	262624	BOBBI J TROUT	LAQUINTA_PHOENIX	198.72		Not Required For Provisioning Of Service
298	575998	16	266428	ROBERT C MANNING	THE RAVEN AT VERRADO	31.59		Not Required For Provisioning Of Service
299	575998	16	266520	ROBERT GARCIA	WHISKEY PETE'S HOTEL&C	132.63		Not Required For Provisioning Of Service
300	575998	16	269817	SHIRLEY L WATKINS	DOUBLETREE HOTELS GSH	13.66		Not Required For Provisioning Of Service
301	575998	16	269818	SHIRLEY L WATKINS	DOUBLETREE HOTELS GSH	14.72		Not Required For Provisioning Of Service
302	575998	16	269820	SHIRLEY L WATKINS	PREFLIGHT ARIZONA	32.00		Not Required For Provisioning Of Service
303	575998	16	269821	SHIRLEY L WATKINS	DOUBLETREE HOTELS GSH	14.72		Not Required For Provisioning Of Service
304	575998	16	269883	THOMAS G WINTER	THE HOME DEPOT	60.27		Not Required For Provisioning Of Service
305	575998	16	273237	ADAM SPARTZ	SAFEWAY STORE	10.14		Not Required For Provisioning Of Service
306	575998	16	273252	CHARLES DONAT	WHISKEY PETE'S HOTEL&C	119.80		Not Required For Provisioning Of Service
307	575998	16	273295	DON BREEDING	COUNTRY CLUB DINER	18.48		Not Required For Provisioning Of Service
308	575998	16	273297	DOUG GRIFFITH	DILLONS RESTAURANT	18.68		Not Required For Provisioning Of Service
309	575998	16	273335	DON BREEDING	WINGATE INN VOORHEES	186.96		Not Required For Provisioning Of Service
310	575998	16	273336	DON BREEDING	LONE STAR-VOOR	71.14		Not Required For Provisioning Of Service
311	575998	16	273342	DANIEL V ZAMORA	MACAYO'S SURPRISE	80.00		Not Required For Provisioning Of Service
312	575998	16	273385	DON BREEDING	SIDE STREET CAFE	20.84		Not Required For Provisioning Of Service
313	575998	16	276707	ARTHUR W FAIELLO	THE RAVEN AT VERRADO	56.10		Not Required For Provisioning Of Service
314	575998	16	280297	ROBERT GARCIA	WALGREEN	7.86		Not Required For Provisioning Of Service
315	575998	16	280315	KARL WILKINS	DRURY INN & SUITES CRE	207.14		Not Required For Provisioning Of Service
316	575998	16	280329	KARL WILKINS	MCDONALD'S F25121 Q	3.79		Not Required For Provisioning Of Service
317	575998	16	280337	DOUG GRIFFITH	RIO MIRAGE CAFE	18.35		Not Required For Provisioning Of Service
318	575998	16	280360	ADAM SPARTZ	TRI-STATE ACE HOMECENT	7.05		Not Required For Provisioning Of Service
319	575998	16	280366	KARL WILKINS	BRISTOL BAR & GRILL	331.70		Not Required For Provisioning Of Service
320	575998	16	280367	KARL WILKINS	ROBATA OF JAPAN	14.52		Not Required For Provisioning Of Service
321	575998	16	280368	KARL WILKINS	ROBATA OF JAPAN	65.03		Not Required For Provisioning Of Service
322	575998	16	280377	KARL WILKINS	BRISTOL BAR & GRILL	131.03		Not Required For Provisioning Of Service
323	575998	16	280378	KARL WILKINS	APPLEBEE'S CRE	9.08		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) ACCOUNT	(B) NO.	(C) INVOICE NO.	(D) ACCOUNT DESCRIPTION	(E)	(F) RUCO ADJUSTMENT	(G)	(H) RUCO EXPLANATION
324	575998	16	280380	MARK CARDOZA	HUACH TMAC	$ 14.00		Not Required For Provisioning Of Service
325	575998	16	280382	KARL WILKINS	DRURY INN & SUITES CRE	344.92		Not Required For Provisioning Of Service
326	575998	16	280383	KARL WILKINS	DRURY INN & SUITES CRE	344.85		Not Required For Provisioning Of Service
327	575998	16	280400	KARL WILKINS	APPLEBEE'S CRE	12.78		Not Required For Provisioning Of Service
328	575998	16	280410	ADAM SPARTZ	SAFEWAY STORE	10.14		Not Required For Provisioning Of Service
329	575998	16	280411	KARL WILKINS	DRURY INN & SUITES CRE	114.95		Not Required For Provisioning Of Service
330	575998	16	280412	KARL WILKINS	DRURY INN & SUITES CRE	116.24		Not Required For Provisioning Of Service
331	575998	16	284124	MARK CARDOZA	YUMA COMFORT INN	78.92		Not Required For Provisioning Of Service
332	575998	16	287153	MELISSA SADOSKI	BASKIN ROBBINS/TOGO'S	5.60		Not Required For Provisioning Of Service
333	575998	16	287154	MELISSA SADOSKI	MACAYO'S CORP	502.41		Not Required For Provisioning Of Service
334	575998	16	287157	MELISSA SADOSKI	BEST BUY	64.85		Not Required For Provisioning Of Service
335	575998	16	287163	MELISSA SADOSKI	LONG JOHN SILV02800Q	13.82		Not Required For Provisioning Of Service
336	575998	16	287164	MELISSA SADOSKI	HERTZ RENT-A-CAR	232.51		Not Required For Provisioning Of Service
337	575998	16	287165	MELISSA SADOSKI	SKY HARBOR AIRPORT T	48.00		Not Required For Provisioning Of Service
338	575998	16	287166	MELISSA SADOSKI	WINGATE INN VOORHEES	186.96		Not Required For Provisioning Of Service
339	575998	16	287169	MELISSA SADOSKI	BEST BUY	313.45		Not Required For Provisioning Of Service
340	575998	16	287170	MELISSA SADOSKI	BEST BUY	11.34		Not Required For Provisioning Of Service
341	575998	16	287249	CHARLES WILKINS	THE HOME DEPOT	24.72		Not Required For Provisioning Of Service
342	575998	16	292503	AMY YATES	GIFT SERVICES INC	41.10		Not Required For Provisioning Of Service
343	575998	16	292572	HECTOR F DELGADILLO	ACE HARDWARE ANTHEM	10.59		Not Required For Provisioning Of Service
344	575998	16	292583	CHARLES WILKINS	ACE HARDWARE	18.25		Not Required For Provisioning Of Service
345	575998	16	292593	CHARLES WILKINS	ACE HARDWARE	21.25		Not Required For Provisioning Of Service
346	575998	16	292601	CHARLES WILKINS	ACE HARDWARE	3.88		Not Required For Provisioning Of Service
347	575998	16	292611	MARK CARDOZA	DAISY MAE'S STRONGHOLD	29.20		Not Required For Provisioning Of Service
348	575998	16	292614	MARK CARDOZA	SUN CANYON INN	71.39		Not Required For Provisioning Of Service
349	575998	16	292624	MARK CARDOZA	HUACH TMAC	14.00		Not Required For Provisioning Of Service
350	575998	16	299248	KRAIG R KNIGHT	LOWE'S	4.75		Not Required For Provisioning Of Service
351	575998	16	299319	DON BREEDING	THE OLIVE GARD	34.03		Not Required For Provisioning Of Service
352	575998	16	299335	DON BREEDING	GRILL AT RYAN RANCH	66.43		Not Required For Provisioning Of Service
353	575998	16	299341	DON BREEDING	7-ELEVEN	6.19		Not Required For Provisioning Of Service
354	575998	16	299344	DON BREEDING	BLUE FIN BILLIARDS	20.00		Not Required For Provisioning Of Service
355	575998	16	299348	DON BREEDING	MONTEREY JACKS FISH HO	49.33		Not Required For Provisioning Of Service
356	575998	16	299352	DON BREEDING	QUIZNOS SUBS	13.36		Not Required For Provisioning Of Service
357	575998	16	299361	DON BREEDING	SKY HARBOR AIRPORT T	80.00		Not Required For Provisioning Of Service
358	575998	16	299365	DON BREEDING	BEST WESTERN DE ANZA I	259.60		Not Required For Provisioning Of Service
359	575998	16	299370	DON BREEDING	LA BOHEME RESTAURANT	166.72		Not Required For Provisioning Of Service
360	575998	16	299408	TIM FRIDAY	LA QUINTA HOTEL	89.29		Not Required For Provisioning Of Service
361	575998	16	299409	TIM FRIDAY	LA QUINTA HOTEL	89.29		Not Required For Provisioning Of Service
362	575998	16	299440	DON BREEDING	JOHN ASCUAGA'S NUGGET	13.70		Not Required For Provisioning Of Service

RUCO ADJUSTMENT TO MISCELLANEOUS CORPORATE EXPENSES - CONT'D

LINE NO.	(A) (B) ACCOUNT NO.	(C) INVOICE NO.	(D) (E) ACCOUNT DESCRIPTION	(F) (G) RUCO ADJUSTMENT	(H) RUCO EXPLANATION
363	TOTAL			$ 9,642	
319	GRAND TOTAL OF RUCO'S ADJUSTMENT			$ 224,545	

References:
Columns (A) Thru (F): Company's Response To RUCO Data Request 7.04.b.
Column (G): Sum Of Column (F)
Column (H): RUCO's Explanation For Denying Expense

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 16
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	REFERENCE	(A) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	RLM-2, Col. (C), L38 + L35	$ 1,467,636
	LESS:		
2	Arizona State Tax	Line 11	(76,216)
3	Interest Expense	Note (A) Line 19	(373,834)
4	Federal Taxable Income	Line 1 + Line 2 + Line 3	$ 1,017,585
5	Federal Tax Rate	RLM-1, Page 2, Col.(A), L 9	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ 345,979
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 1,467,636
	LESS:		
8	Interest Expense	Note (A) Line 19	(373,834)
9	State Taxable Income	Line 7 + Line 8	$ 1,093,801
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 76,216
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 345,979
13	State Income Tax Expense	Line 11	76,216
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 422,195
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	$ 206,490

NOTE (A):
Interest Synchronization:

17	Adjusted Rate Base	RLM-1, Page 1, Col. (F), L1	$ 10,898,953
18	Weighted Cost Of Debt	WAR-1, Col. (F), L1 + L2	3.43%
19	Interest Expense	Line 17 X Line 18	$ 373,834

EXHIBIT
RUCO-6
admitted

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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INTRODUCTION

Q. Please state your name for the record.

A. My name is Rodney Lane Moore.

Q. Have you previously filed testimony regarding this docket?

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

Q. What is the purpose of your surrebuttal testimony?

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

SUMMARY OF ADJUSTMENTS

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

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

1. Operating Income Adjustment No. 1 – Reclassification of Office Lease;
2. Operating Income Adjustment No. 4 – Rate Case Expense;
3. Operating Income Adjustment No. 5 – Pension Expense;
4. Operating Income Adjustment No. 7 – Normalize Labor;
5. Operating Income Adjustment No. 8 – Depreciation Expense;
6. Operating Income Adjustment No. 9 – Property Taxes;
7. Operating Income Adjustment No. 11 – Normalize Payroll Taxes;

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

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

OPERATING INCOME

Operating Income Adjustment No. 1 – Reclassification of Office Lease

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

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

Therefore, I made the following correction in my surrebutttal testimony:

RUCO's Adjusted Expense	($1,185)
RUCO's Direct Testimony Adjusted Expense	($14,593)
RUCO's Surrebuttal Adjustment	$13,408

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

$13,408.

Operating Income Adjustment No. 4 – Rate Case Expense

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

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

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

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

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

> comparison of other cases, we find that rate case expense in the amount of $418,941 is reasonable for this proceeding."

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

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

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

. . .

Therefore, I calculated my surrebuttal adjustment to rate case expenses as:

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

As shown on Schedule SURR RLM-3, page 1, column (D), line 22, this adjustment increases adjusted test-year expenses by: $9,757.

Operating Income Adjustment No. 5 – Pension Expense

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

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

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

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

. . .

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

RUCO's Adjusted Expense	$22,409
RUCO's Direct Testimony Adjusted Expense	$21,735
RUCO's Surrebuttal Adjustment	$674

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

Operating Income Adjustment No. 7 – Normalize Labor

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

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

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

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

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

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

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

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

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

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

Q. Please summarize your total adjustment to normalize labor.

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

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

1. Normalized Operations Labor:

RUCO's Adjusted Expense	$316,021
RUCO's Direct Testimony Adjusted Expense	$310,300
RUCO's Surrebuttal Adjustment	$5,721

2. Normalized Maintenance Labor:

RUCO's Adjusted Expense	$116,056
RUCO's Direct Testimony Adjusted Expense	$113,955
RUCO's Surrebuttal Adjustment	$2,101

As shown on Schedule SURR RLM-3, page 2, column (G), line 37, this total adjustment increases adjusted test-year expenses by: $7,822 ($5,721 + $2,101 = $7,822).

Operating Income Adjustment No. 8 –Depreciation Expense

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustments to the depreciation expenses?

A. No. RUCO does not accept the Company rationale for denying the ratepayers their full entitlement of the compensation on the gain from the sale of land.

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

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

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

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

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

. . .

[1] 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

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

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

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

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

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

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

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

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

1.	Pre-Tax Gain From Sale Of Land	$784,496.48
2.	Ratepayers' 50/50 Share Of Pre-Tax Gain	$392,248.24
3.	Income Tax Rate	38.60%
4.	Ratepayers' Income Tax Burden	$151,407.80

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

COMPANY'S METHODOLOGY

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

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RUCO'S METHODOLOGY

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

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

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

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

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Operating Income Adjustment No. 9 – Property Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RUCO's Direct Adjusted Expense	$170,117
Company's Direct Testimony Adjusted Expense	$213,241
RUCO's Direct Adjustment	($42,907)

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

Operating Income Adjustment No. 11 – Normalize Payroll Taxes

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

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

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

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

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

RUCO's Adjusted Expense	$37,965
RUCO's Direct Testimony Adjusted Expense	$37,367
RUCO's Surrebuttal Adjustment	$598

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

Operating Income Adjustment No. 12 – Administrative and General Allocated Costs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

. . .

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

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

Therefore, I am reinstating 50 percent of this portion of the AIP ($14,482 X 50% = $7,241).

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

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

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

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

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

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

$7,241.

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

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

1. Ice for $1,989;
2. Lawn maintenance for $9,137; and
3. Security services for $1,261.

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

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

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

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

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

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

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

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

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

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

$102.

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

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

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

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

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

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

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

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

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

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

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

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

. . .

As shown on SURR RLM-12, column (A), line 4 this adjustment increases adjusted test-year expenses by:

$14,859.

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

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

1.	Arizona Corporate allocated management fees	$7,241
2.	Central Division Corporate miscellaneous expenses	$102
3.	Arizona Corporate allocated miscellaneous expenses	$14,859
Total		$22,202

RUCO's Adjusted Expense	$640,236
RUCO's Direct Testimony Adjusted Expense	$618,034
RUCO's Surrebuttal Adjustment	$22,202

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

$22,202.

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Operating Income Adjustment No. 16 – Income Tax Expense

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

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

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

ARSENIC COST RECOVERY MECHANISM

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

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

. . .

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

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

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

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

. . .

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

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

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

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

. . .

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

> "It sounds as if what you are saying is Staff is planning on doing some kind of more in-depth analysis at the time the Company would submit its first request for recovery through the ACRM?"
>
> Staff witness Mr. Chelus responded in the affirmative.

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

> "So the process, as you see it unfolding, is there will be some continuing ongoing data requests and communications with the Company as to where they are in the process of installing this equipment and then, at the time that the various ACRM step proposals are submitted, Staff will review those and attempt to determine whether those were the least cost methodology available for treating the arsenic, is that right?"
>
> Staff witness Mr. Chelus responded in the affirmative.

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

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

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

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

Staff witness Ms. Brown responded in the affirmative.

ACALJ Nodes continues:

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

Staff witness Ms. Brown responded in the affirmative.

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

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

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

Arizona-American Water Company
Docket No. WS-01303A-05-0405
Test Year Ended December 10, 2004

Paradise Valley District

SURREBUTTAL
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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

Arizona-American Water Company
Docket No. WS-01303A-05-0405
Test Year Ended December 10, 2004

Paradise Valley District
Schedule SURR RLM-2

SURREBUTTAL
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
	OPERATING REVENUES:							
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	Residiential	-	-	-	-	-	-	-
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	TOTAL OPERATING REV.	$ 5,070,680	$ -	$ 5,070,680	$ -	$ 5,070,680	$ (442,361)	$ 4,628,319
	OPERATING EXPENSES:							
	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): Surrebuttal Testimony, RLM And Schedule SURR RLM-3, Pages 1 Thru 4
- Column (E): Column (C) + Column (D)

Arizona-American Water Company
Docket No. WS-01303A-05-0405
Test Year Ended December 10, 2004

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

LINE NO.	DESCRIPTION	RUCO DIR'T TESTIMONY AS ADJ'TED	(A) ADJ #1	(B) ADJ #2	(C) ADJ #3	(D) ADJ #4	(E) ADJ #5	(F) ADJ #6	(G) ADJ #7	(H) ADJ #8
	OPERATING REVENUES:									
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	Residiential	-	-	-	-	-	-	-	-	-
11	Commercial	-	-	-	-	-	-	-	-	-
12	Total Water Sales	5,071,062	-	-	-	-	-	-	-	-
13	Difference To G/L	(382)	-	-	-	-	-	-	-	-
14	TOTAL OPERATING REV.	$ 5,070,680	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	OPERATING EXPENSES:									
	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	674	-	-	-
23	Operations Labor	310,299	-	-	-	-	-	-	5,721	-
										-
24	Total Operations Exp.	$ 2,495,205	$ 13,408	$ -	$ -	$ 9,757	$ 674	$ -	$ 5,721	$ -

ADJUSTMENT NO.	REFERENCE
1 - Reclassified Office Lease	Testimony, RLM
2 - Normalized Group Insurance	No Surrebuttal Adjustment
3 - OPEB Expense	No Surrebuttal Adjustment
4 - Rate Case Expense	Testimony, RLM
5 - Pension Expense	Testimony, RLM And Schedule SURR RLM-6
6 - Write-Off Mat. & Supplies	No Surrebuttal Adjustment
7 - Normalized Labor	Testimony, RLM And Schedule SURR RLM-7
8 - Depreciation Expense	Testimony, RLM

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

LINE NO.	DESCRIPTION	RUCO DIR'T TESTIMONY AS ADJ'TED	(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.	REFERENCE
1 - Reclassified Office Lease	Testimony, RLM
2 - Normalized Group Insurance	No Surrebuttal Adjustment
3 - OPEB Expense	No Surrebuttal Adjustment
4 - Rate Case Expense	Testimony, RLM
5 - Pension Expense	Testimony, RLM And Schedule SURR RLM-6
6 - Write-Off Mat. & Supplies	No Surrebuttal Adjustment
7 - Normalized Labor	Testimony, RLM And Schedule SURR RLM-7
8 - Depreciation Expense	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
	OPERATING REVENUES:									
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	Residiential	-	-	-	-	-	-	-	-	-
11	Commercial	-	-	-	-	-	-	-	-	-
12	Total Water Sales	-	-	-	-	-	-	-	-	5,071,062
13	Difference To G/L	-	-	-	-	-	-	-	-	(382)
14	TOTAL OPERATING REV.	$ -	$ -	$ -	$ - 0	$ -	$ -	$ -	$ -	$ 5,070,680
	OPERATING EXPENSES:									
	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	Total Operations Exp.	$ -	$ -	$ -	$ 22,202	$ -	$ -	$ -	$ -	$ 2,546,967

ADJUSTMENT NO.	REFERENCE
9 - Property Tax - Adjustment No. 1	Testimony, RLM
10 - Property Tax - Adjustment No. 2	No Adjustment
11 - Payroll Taxes	Testimony, RLM And Schedule SURR RLM-11
12 - Admin. & Gen. Corporate Allocation	Testimony, RLM And Schedule SURR RLM-12
13 - Capitalization Of Expenses	No Surrebuttal Adjustment
14 - Left Blank	
15 - Left Blank	
16 - Income Tax	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 AD'TED
	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.	REFERENCE
9 - Property Tax - Adjustment No. 1	Testimony, RLM
10 - Property Tax - Adjustment No. 2	No Adjustment
11 - Payroll Taxes	Testimony, RLM And Schedule SURR RLM-11
12 - Admin. & Gen. Corporate Allocation	Testimony, RLM And Schedule SURR RLM-12
13 - Capitalization Of Expenses	No Surrebuttal Adjustment
14 - Left Blank	
15 - Left Blank	
16 - Income Tax	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	$ 2,181
4	Direct Full-Time Equivalent Employees Working At Paradise Valley		RUCO Direct Testimony	11.16
5	Additonal 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	11.48
7	Projected Paradise Valley 2005 Pension Funding Expense		Line 3 X Line 6	$ 25,038
	Less			
	Capitalized Portion			
8	Normalized Capital Labor	$ (45,377)	Direct Testimony RLM-7, Page 1, Line 2	
9	Normalized Total Labor	$432,077	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	21,735
14	RUCO Surrebuttal Adjm't (See SURR RLM-3, Page 1, Column (E), Line 2		Line 12 - Line 13	$ 674

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	0.32

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

LINE NO.	DESCRIPTION	REFERENCE	(A) RUCO AS ADJ'TED
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	$ 432,077
	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	$ 432,077
	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	$ 551,219
	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 Adjm't To Oper's Labor (See SURR RLM-3, Pg 1, C (G), L 23	Line 10 - Line 11	$ 5,721
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 Adjm't To Maint. Labor (See SURR RLM-3, Pg 2, C (G), L 30)	Line 13 - Line 14	$ 2,101
16	Total RUCO Surrebuttal Adjustment	Line 12 + Line 15	$ 7,822

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	$	37,965
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	$	598

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	$	1,746

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	$	3,165

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	$ 7,241
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	$ 102
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	$ 14,859
11	RUCO Adjusted Administration And General Allocated Expenses	Sum Of Lines 4, 7,& 10	$ 22,202
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	$ 22,202

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

LINE NO.	DESCRIPTION	REFERENCE	(A) 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	$ 966,600
5	Federal Tax Rate	RLM-1, Page 2, Col.(A), L 9	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ 328,644
	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	$ 1,038,997
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 72,397
	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	Line12 + Line 13	$ 401,041
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	$ 185,336
17	RUCO Adjustment	Line 16	$ 185,336
18	RUCO Direct Adjustment	Direct Testimony Schedule RLM-13	206,490
19	RUCO Surrebuttal Adjm't (See SURR RLM-3, Pg 4, C (I), L 33)	Line 17 - Line 18	$ (21,154)

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	$ 374,178

EXHIBIT
RUCO-7
admitted

ARIZONA AMERICAN WATER COMPANY, INC.
(PARADISE VALLEY WATER DISTRICT)

DOCKET NO. W-01303A-05-0405

DIRECT TESTIMONY

OF

TIMOTHY J. COLEY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JANUARY 17, 2006

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INTRODUCTION

Q. Please state your name and business address.

A. My name is Timothy J. Coley. My business address is 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

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

A. I am employed by the Residential Utility Consumer Office ("RUCO") as a Public Utilities Analyst.

Q. Please state your educational background and qualifications in utility regulation.

A. I have a Masters Degree in Public Administration and Bachelor of Science Degree in Business Management and Administration. I am currently completing my Post-Baccalaureate Certificate in Accountancy at Arizona State University – West. My regulatory utility experience includes eleven combined years in various utility auditing and rate analyst positions with RUCO and the Georgia Public Service Commission. I have been employed at RUCO since 2000.

Q. Have you previously testified in rate proceedings before the Arizona Corporation Commission ("ACC")?

A. Yes. I have previously presented testimony regarding revenue requirements in rate case proceedings before the ACC.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present findings and recommendations resulting from my analysis and review of Arizona-American Water Company, Inc. (hereafter referred to as "AZ-AM", or "Company") Rate Application for a permanent rate increase in the Company's Paradise Valley ("PV") Water District. The PV District provides water service within portions of the Town of Paradise Valley, the City of Scottsdale, and certain unincorporated areas within Maricopa County, Arizona. During the test year ("TY") ended December 10, 2004, the Company provided water service to approximately 4,600 customers.

I will sponsor the rate base items and rate design pertaining to the PV Water District. RUCO witness Rodney L. Moore will present RUCO's recommended operating expenses in his testimony. Mr. Moore's testimony also addresses the Arsenic Cost Recovery Mechanism ("ACRM") that the Company is requesting in this proceeding. Ms. Diaz Cortez discusses the Public Safety ("PS") surcharge and High Block usage surcharges as proposed by the Company in this docket. RUCO witness William A. Rigsby is sponsoring RUCO's recommended cost of capital and capital structure issues.

Q. Please describe your participation and work effort on this project.

A. I performed the following procedures to determine whether sufficient, relevant, and reliable evidence exists to support the financial data and claims in the Company's application, reviewed and analyzed the Company's application and

supporting work papers, reviewed all other intervenors' data requests, prepared written data requests and evaluated the Company's responses, reviewed annual reports and prior Commission decisions regarding AZ-AM PV Water District.

In addition, Mr. Moore and I conducted an onsite field audit inspection of the Company's PV water system. The onsite audit required a half-day visual inspection. The respective System Managers accompanied Mr. Moore and myself during the onsite visit, which provided valuable insight into the Company's construction of its Arsenic plant and overall operations.

Ms. Diaz Cortez, RUCO legal counsel Mr. Dan Pozefsky, and I attended several Town Council meetings that specifically addressed water issues in the Town of Paradise Valley.

Q. Please identify the exhibits and schedules that you are sponsoring.

A. My testimony is composed of separate Schedules TJC-1 through TJC-9.

Q. Does your silence on any issues or matters pertaining to the Company's application constitute RUCO's acceptance of the Company's position?

A. No.

THE TEST YEAR

Q. Did the Company use a "strict" historical test-year?

A. Yes. The Company chose a test year ending December 10, 2004 ("Test Year"). However, the Company has requested several post-test-year plant additions to be recovered through specific surcharges at future dates, specifically Public Safety additions, arsenic plant, and a high-block usage surcharge, which is discussed in detail by Ms. Diaz Cortez and Mr. Moore.

Q. Does RUCO agree with the Company's chosen historical Test Year?

A. Yes. RUCO has consistently supported the Commission's position that the most "recent" known and measurable historical Test Year should be the test year selected for rate applications when setting rates. This approach conforms to the accounting framework established by the Commission's Rules and regulatory principles. AZ-AM's selection of a 2004 test year in this case utilizes the most current known and measurable Test Year numbers available.

SUMMARY

Q. Please summarize the recommendations and adjustments you cite in your testimony.

A. The following recommended adjustments summarize my testimony:

Rate Base Adjustments:

Property Held For Future Use ("PHFFU") – This adjustment removes plant from Utility Plant in Service ("UPIS") that is not in service, and therefore, it is not used and useful.

Gain on Sale of Land – This adjustment removes 50% (ratepayers share of gain) of the gain from the sale of land and reduces rate base accordingly. RUCO recommends the ratepayers' share of gain be treated as a deferred liability and placed in an appropriate account that does not earn a return for the shareholders.

Capitalized Expenses – This adjustment increases rate base by $10,495. See RUCO witness, Mr. Moore's testimony, for a detailed explanation regarding this adjustment.

Allowance for Working Capital – This adjustment recalculates working capital based on RUCO's recommended operating expenses and corrections in the Company's lead/lag days.

Rate Design:

RUCO is recommending the same rate design that currently exists and approved by the Commission in Decision No. 61307, dated on December 31, 1998. The rate design consists of a three-tier rate design for the residential customers and two tiers for the commercial customers.

RATE BASE:

Rate Base Adjustment #1 – Property Held for Future Use

Q. Did AZ-AM Water include PV's "Property Held for Future Use" ("PHFFU") in rate base in this current rate application?

A. Yes. The Company included three items of plant charged to the PHFFU account.

Q. What three plant items from PHFFU did the Company include in rate base?

A. The Company included two submersible pumps & motors and one transformer in Utility Plant In Service ("UPIS") that totaled $138,682.

Q. Does RUCO agree that PHFFU should be included in UPIS and thus in rate base?

A. No. RUCO has consistently disallowed PHFFU in UPIS.

Q. What reason(s) compel RUCO to disallow PHFFU?

A. It is sound policy under the general accounting ratemaking standards and procedures to disallow plant that is not used and useful in providing utility service to ratepayers. PHFFU is clearly not used or useful in serving current ratepayers.

Q. What adjustment did RUCO make to disallow PHFFU?

A. RUCO disallowed the full $138,682 from UPIS and thus rate base.

Rate Base Adjustment #2 – Gain on Sale of Land

Q. Please explain the purpose of the "Gain on Sale of Land" adjustment.

A. The Company proposes to share the "gain" recognized on the sale of one piece of property 50/50 with ratepayers. AZ-AM's treatment of the net gain attributable to the ratepayers is to provide dollar for dollar recovery of the gain via a monthly surcredit to ratepayers' bills over five years. To arrive at the net gain to be shared with ratepayers, the Company has proposed that the ratepayers' share of the gain be an after-tax amount.

Q. Does RUCO agree with the 50/50 sharing with ratepayers over five years as proposed by the Company?

A. RUCO agrees with the Company's proposal to share the gain with the ratepayers 50/50, but RUCO does not agree with the Company's method or treatment of the ratepayers' 50% share of the gain.

Q. Please explain why RUCO does not agree with the Company's method and treatment of the ratepayers' share of the gain on sale of land.

A. First, RUCO believes the gain should be shared with the ratepayers on a before-tax basis because rates are designed to account for the taxes. The Company's proposed method of sharing the gain on an after-tax method would result in double taxation. See RUCO witness Mr. Moore's direct testimony for a complete discussion concerning RUCO's rationale.

Second, RUCO does not agree with the Company's surcredit treatment of the ratepayers' share of the gain. While a surcredit will provide dollar for dollar recovery of the gain, it does not compensate ratepayers for the time value of money.

Q. What treatment does RUCO recommend for the ratepayers' share of the gain on sale of property?

A. RUCO recommends that share of the gain attributable to the ratepayers be placed into a deferred liability account on a before-tax basis and amortized back to the ratepayers over a five year period. Further, RUCO recommends that the deferred liability reduce rate base. This treatment recognizes that the Company will have use of ratepayers' funds, which in essence is cost-free capital that should not earn a return. This adjustment reduces expenses by $78,450 and reduces rate base by $392,248.

Rate Base Adjustment #3 – Capitalized Expenses

Q. Please explain the purpose of the capitalized expenses adjustment.

A. This adjustment capitalizes certain expenses identified in Mr. Moore's analysis. For a thorough discussion concerning this adjustment, please see Mr. Moore's discussion in his testimony. The adjustment reduces income statement expenses and increases rate base by $10,495.

Rate Base Adjustment #4 – Working Capital

Q. What amount of working capital is the Company requesting?

A. The Company is requesting working capital in the amount of $350,946.

Q. How did the Company determine the requested amount of working capital?

A. The Company determined its working capital request utilizing a lead/lag study.

Q. Please explain the concept of working capital?

A. A company's working capital requirement represents the amount of cash the company must have on hand to cover any differences in the time period between when revenues are received and expenses must be paid. The most accurate way to measure the working capital requirement is via a lead/lag study. The lead/lag study measures the actual lead and lag days attributable to the individual revenues and expenses.

Q. Are you proposing any adjustment to the Company-proposed working capital?

A. Yes. An adjustment is necessary to restate the working capital requirement based on my recommended level of operating expenses, correction to certain lead/lag days, and inclusion of interest expense. These adjustments are shown on Schedule TJC-5, page 1 – 6, and decrease the amount of working capital by $231,827.

Reconcile Lead/Lag Study and Company's Schedule C-2 in Rate Application

Q. Referring to Schedule TJC-5, page 3 of 6, please explain the adjustments to working capital in Column (A), (B), and (C).

A. Column (A) is essentially a reproduction of the Company's Schedule B-5 – Lead/Lag Study – Column [B], which is part of the Company's work papers. All the expenses in the Company's Schedule B-5 did not correspond with what the Company filed in its rate application on Schedule C-2. The adjustments on Schedule TJC-5, page 3 of 6, Column (B), were necessary to reconcile the Company's lead/lag study with the expenses on C-2 rate application. Column (C) on Schedule TJC-5, page 3 of 6, is RUCO's adjustments to the expense accounts. See RUCO witness Mr. Moore's direct testimony for a discussion regarding these adjustments.

Q. What portion of RUCO's adjustment to cash working capital is attributable to reconciling the Company's lead/lag study expenses to the Company's Schedule C-2 rate application schedule?

A. This portion of RUCO's adjustment reduced cash working capital by $6,895.

RUCO's Expense Adjustments

Q. What adjustment was necessary to account for RUCO's witness Mr. Moore's expense adjustments in Schedule RLM-3, page 1 through 4?

A. Mr. Moore's expense adjustments reduced cash working capital by $12,587.

Other Working Capital Adjustments

Q. Please explain the purpose of the adjustments RUCO recommends to working capital proposed by the Company.

A. This adjustment consists of two parts. One part is associated with the Mummy Mountain acquisition adjustment allowed in Commission Decision No. 61307. This adjustment increases working capital and thus rate base by $7,774. The second part of the adjustment is related to corrections RUCO recommends to various revenue and expense lead/lag days as proposed by the Company's lead/lag study. The final element to the working capital adjustment is the inclusion of interest expense in determining cash working capital.

Q. Please discuss RUCO's rationale that led to each adjustment to working capital beginning with the Mummy Mountain acquisition adjustment mentioned above.

A. The Mummy Mountain acquisition adjustment was authorized in Commission Decision No. 61307. The acquisition adjustment allowed the Company recognition and recovery of costs the Company incurred in acquiring the Mummy Mountain water system in 1999.

The Commission authorized AZ-AM to recover certain costs associated with the acquisition of Mummy Mountain water infrastructure over 25 years. AZ-AM has been amortizing the acquisition costs over 20 years rather than the 25 years as approved in Decision No. 61307. RUCO's adjustment increases the Company's working capital and thus rate base by $7,774.

RUCO Adjustments to Lag Days

Q. Please explain RUCO's adjustments to the Company's lead/lag days in its Lead/Lag Day study.

A. After analyzing the Company's lead/lag study, RUCO found necessary adjustments to three areas of the Company's study shown in the Company's work papers titled "Lead/Lag Study, Schedule B-5," page 148. Specifically, RUCO adjusted the Company's lead/lag days for 1) interest expense lag, 2) revenue lag, and 3) property tax expense lag days. These three adjustments result in a change to the Company proposed net lag days. As shown on RUCO Schedule TJC-5, page 3 of 6, these adjustments result in a net decrease in lag days from the Company's proposed 16.8 days to a negative 7.1[1] days.

Inclusion of Interest Expense to Working Capital Allowance

Q. Discuss RUCO's first adjustment to interest expense lag that affects working capital.

A. The Company simply did not include the interest expense in its calculation for the lead/lag study. It is appropriate to include interest expense in the lead/lag calculations since ratepayers compensate the Company for interest expense via cost of capital. Through RUCO data requests 1.9, 1.32, 2.12, update to 2.12 dated December 1, 2005, 9.8, and Staff 3.3, RUCO obtained the terms, payment dates, and payment amounts on the debt instruments. That information provided RUCO with the elements necessary to construct a lead/lag study. As shown on

[1] A net negative lag is indicative of a situation where the receipt of revenues precedes the payment of expenses.

Schedule TJC-5, page 4 of 6, line 11, the interest expense lag days equated to 107.20 days.

Q. Referring to Schedule TJC-5, page 3 of 6, lines 23, titled "Interest," please explain the figures and calculations pertaining to line 23.

A. Referring to the above referenced schedule, the first number, $375,896, on line 23, is the synchronized interest amount found on Schedule RLM-13. The second figure is the same $375,896 found in Column (C), line 23 because the Company failed to include any interest expense in its lead/lag calculation study. Column (F), line 23, the "Dollar Days," is the $375,896 (synchronized interest) multiplied by 107.20 lag days calculated on TJC-5, page 4 of 6.

Q. What is the necessary amount to adjust for RUCO's inclusion of interest expense for working capital?

A. This adjustment reduces the Company's cash working capital by $55,721.

Revenue Lead/Lag Days Correction

Q. Please discuss RUCO's adjustment to the Company's revenue lag days.

A. The Company calculated 52.8 lag days associated with the amount of time between when the meter is read and when the Company receives payment for the water service. RUCO performed a revenue lead/lag analysis for the PV system and determined an adjustment was necessary to restate PV's revenue lag to 38.30 days.

Q. What method and/or analysis did RUCO perform in determining its recommended 38.30 revenue lag days?

A. In RUCO data request 8.3, twenty of PV's copies of actual bills were requested for various meter sizes and customer classifications. By utilizing this sample of bills, RUCO was able to ascertain the service period, therefore the mid-point service period was established, and the bill date, which establishes the billing lag days. The pay lag is determined by adding the number of days from the bill date to the due date. The total revenue lag days are the sum of the 1) mid-point service period, 2) billing lag days, and 3) pay lag days. These calculations are shown on TJC-5, page 5 of 6. The **"AVERAGES"** are the total sum of the respective columns divided by the 20-bill sample size, which equals 38.30 days.

Q. To what reason(s) does RUCO attribute the difference in the Company's and RUCO's calculated revenue lag days?

A. There are a number of reasons the two calculations differ. First, the Company uses a calculation that takes all the AZ-AM water systems in consideration, whereas, RUCO's calculation isolates the PV system with actual bills. The Company calculates service lag days that equal 13.8 days, which represents the equivalent of RUCO's Schedule TJC-5, page 5 of 6, Column (C) mid-point service period average of 15.10 days. Secondly, AZ-AM uses a Company wide approach in determining its billing lag days of 8.7 days where RUCO uses specific PV bills that averages 3.05 billing lag days. The Company uses the total of AZ-AM average daily balance of accounts receivable divided by average daily

revenue, which equals a payment lag of 30.3 days. When RUCO uses the more precise method by isolating the PV water district, the payment lag is 20.15 when using PV's actual bill sample. The total revenue lag difference is 14.5 days with RUCO recommending 38.30 revenue lag days rather than the Company's less accurate total AZ-AM Water Company approach of 52.8 revenue lag days.

Q. Did RUCO request the information from PV to replicate the Company's methodology of calculating the total revenue lag days that would be specific only to the PV system?

A. Yes. In RUCO 2.8, the data was requested for the accounts receivables for PV only. In response to the request, AZ-AM stated that, "The daily account receivable balances are not available by District. The Company's accounts receivable balances are kept in total."

Q. Did RUCO compare other Arizona utilities to determine the reasonableness of the Company's proposed total revenue lag days as filed?

A. Yes. I reviewed Arizona Water Company's Western Group lead/lag study (Commission Decision No. 68302), the recent Southwest Gas rate filing, and Arizona Public Service's ("APS") rate application to make comparisons with what AZ-AM filed in this case. Arizona Water Company's Western Group consisted of five separate water systems. Each system was calculated independently with revenue lags ranging from 27.56 to 29.24 for an overall average of 27.80 revenue lag days (Commission Decision No. 68302 approved these lag days).

Southwest Gas and APS's lead/lag studies resulted in revenue lags of 40.62 and 41.81 days respectively.

Since RUCO's revenue lead/lag study uses PV actual billing cycle and isolates the PV system as opposed to the overall AZ-AM accounts receivables approach, RUCO recommends a 38.30 revenue lag days. This accurately reflects the PV system cash working capital needs, which results in a reduction to cash working capital of $144,904.

Property Tax Lead/Lag Days Correction

Q. Please explain the adjustment RUCO made to the Company's property tax expense lead/lag days.

A. This adjustment was necessary to correct the lead/lag days the Company calculated for property tax expense.

Q. How did the Company calculate the lag days for property tax expense?

A. First, the Company uses two mid-point service periods of 1) July 1 to December 31 and 2) January 1 to June 30. The Company then calculates the lead/lag days associated with the two semi-annual payments from each mid-service period to the date of the payments.

Q. Does RUCO agree with the Company's methodology used when calculating its property tax expense lag days?

A. Not entirely.

Q. Please explain RUCO's difference of opinion with the Company concerning the method it used when calculating the property tax expense lag days.

A. The lag days for Arizona property taxes should be based on a calendar year using the midpoint of July 1 because the service period is the calendar year. One-half of the property tax in a given calendar year must be paid on November 1st of the current tax year, and one-half must be paid on May 1st of the following year in Arizona. However, the Company's method of utilizing two service periods rather than RUCO's preferred one calendar year does not affect the lead/lag days' calculation.

What does affect the Company's lag days' calculation for property taxes is AZ-AM is using the date it actually made payment as opposed to the date before the taxes become delinquent. The Company's use of calculating from the midpoint of the service period to the payment date reduces the lag days and thereby artificially increases the need for cash working capital. The Commission should not allow this. Every Arizona company, public or private, and individual is required to pay Arizona property tax on the same basis and dates. There are no deviations between any for-profit company and/or individual.

Q. What adjustment is necessary to correct the lag days associated with the Company's property tax lag day calculation?

A. RUCO recommends the use of 213.50 lag days[2] rather than the Company's 175.50 days. This adjustment results in a reduction to cash working capital in the amount of $22,176. In Commission Decision No. 68302, Arizona Water Company, utilized 212 lag days for property tax expense. Southwest Gas and APS used 211 lag days and 213 respectively in recent filed rate cases with the Commission.

Q. What was RUCO's total adjustment to working capital taking all the elements into consideration as discussed above?

A. RUCO's total adjustments to working capital are as follows:

Working Capital Adjustments	Amount
1) Reconcile Co. Lead/Lag Study to Co. Sch. C-2	($6,819)
2) RUCO's Expense Adjustments	($12,448)
3) Mummy Mountain Acquisition Adjustment	$7,774
4) Interest Expense Adjustment	($55,101)
5) Revenue Lag Days Adjustment	($143,302)
6) Property Tax Lag Days Adjustment	($21,931)
RUCO's Total Working Capital Adjustments	($231,827)

[2] This number will vary insignificantly depending on the midpoint utilized (i.e., June 30th or July 1st) and due dates employed (i.e., April 30th or May 1st). The range should be 211 – 213.5.

RATE DESIGN

Q. Have you prepared schedules showing your recommended monthly minimum and commodity rates?

A. Yes.

Q. How did you design your rates?

A. My rate design is shown on Schedule TJC-6, pages 1 through 9. Those schedules reflect RUCO's recommended 8.72 percent overall rate decrease. Other than the decrease, RUCO recommends that the present rate structure remain intact with the exception of Mummy Mountain. I consolidated the residential Mummy Mountain customers with the PV residential customers to create a uniform rate design for all residential customers in PV's water district.

Q. Why was it necessary to consolidate Mummy Mountain and PV residential customers?

A. Mummy Mountain was acquired by AZ-AM in 1999 and had a separate rate structure than the PV residential customers. The Commission ordered that current rates for Mummy Mountain would remain the same as before the acquisition took place until PV operated it for at least one full year. This would allow a full year of operating revenues and expenses to be reviewed before consolidating the rates. This is the first rate case for PV since a full year of operating results has elapsed. This is the proper time and proceeding to address a uniform rate design for Mummy Mountain and PV residential customers.

Q. Please discuss the elements of RUCO's rate design that it maintains should remain intact as in the Company's present rate design.

A. RUCO's rate design focuses on conservation. RUCO's rate design is virtually a mirror image of what the Company presently has and what the Company has proposed with the lone exception of the rate decrease recommended by RUCO.

RUCO agrees with the Company's tiered rate design. The Company's present and proposed rate design includes a three-tier inverted rate design for residential customers and a two-tier inverted rate design for commercial customers. RUCO concurs with the Company that break over points should be 25,000 gallons at tier two and 80,000 gallons at tier three for residential customers. The Company's present and proposed rate designs for commercial customers have a break over point at 400,000 gallons at tier two, and RUCO's rate design maintains the same break over point for commercial customers. Both RUCO and the Company have eliminated the 1,000 "free" gallons in Mummy Mountain rates.

RUCO recommends a commodity ratio of 2.0 for residential customers between tier two to tier one rates. The Company's present rates reflect a 2.22 ratio between the same two tiers. The only reason for that negligible difference is RUCO did not want to lower tier one more than the recommended 72 cent level. The wrong signal could be perceived as pricing the first tier below cost if RUCO widened the gap between tier one and two any more. The ratio between tier three to one rates in RUCO's rate design for residential customers is 2.8. The

third tier is where RUCO believes a stronger price signal can be sent to achieve greater conservation. Likewise, the Company's proposed ratio between residential tier three to one rates is 2.88.

For commercial customers, RUCO recommends the same 29-cent difference as in the Company's present rates between tier one to tier two rates for the commodity charge. As confirmed, RUCO's rate design parallels the Company's with the exception that RUCO recommends an 8.72 percent rate decrease.

Q. Please discuss the last element of rate design, monthly minimums, that RUCO recommends.

A. The monthly minimums that RUCO recommends are on Schedule TJC-6, pages 1 through 9. All customer classifications pay the same monthly minimum based on meter size. RUCO recommends a reduction in all monthly minimums (i.e., 5/8 X 3/4 Inch Meter is 41-cents less) with the one exception occurring in Mummy Mountain.

Q. Why does Mummy Mountain experience an increase in monthly minimums while all other customer classifications experience a decrease?

A. As discussed earlier in my testimony, Mummy Mountain had separate rates than other PV customers before and after AZ-AM's acquisition of the Mummy Mountain system in 1999. Mummy Mountain's monthly minimum rates were not based on the generally accepted ratemaking concept of the NARUC multiplier,

which increases the monthly cost, as the meters get larger. However, Mummy Mountain's 5/8 X 3/4 Inch meter size did experience a monthly minimum decrease of $1.00 under RUCO's rate design. Since the larger meters were not based on the NARUC multipliers, the larger meters had an increase in monthly minimum charges.

Q. Briefly explain the NARUC multiplier that caused Mummy Mountain customers to experience a monthly minimum increase while all other customers received a decrease under RUCO's rate design.

A. The NARUC multiplier simply increases monthly minimum meter charges by a ratio, as the meter's size becomes larger. The ratio is closely interrelated to the water capacity the meter is capable of providing.

Q. Please summarize RUCO's rate design?

A. RUCO's rate design primarily generates the following four results:

1. It is designed to encourage conservation.
2. Inverted tiered rates are utilized.
3. Equivalent to the Company's rate design.
4. Maintains the same ratio between the Company's present monthly minimum and commodity charges (See Attachment 1).

Q. Does this conclude your direct testimony?

A. Yes.

APPENDIX 1

APPENDIX 1

Qualifications of Timothy J. Coley

WORK HISTORY

July 2000 – Present: **RESIDENTIAL UTILITY CONSUMER OFFICE,** Phoenix, Arizona
Public Utilities Analyst V. The Residential Utility Consumer Office (RUCO) is a consumer advocate group providing residential consumers a voice in utility regulation and backed by a professional staff with legal and financial expertise. Responsibilities include: audited, reviewed and analyzed public utility companies various filings; prepared written testimony, schedules, financial statements, and spreadsheet models and analyses. Testified and stand cross-examination before the Arizona Corporation Commission.

January 2000 - April 2000: **JACKSON HEWITT TAX SERVICE,** Phoenix, Arizona
Tax Preparer. Interviewed clients, determined tax situation, and explained how the tax laws benefited them in their specific situation. Ensured that each customer received every deduction that they were entitled. Prepared individual and business income tax returns, which best utilized each specific situation that minimized their tax obligations.

May 1998 - November 1999: **BENEFITS CONSULTING,** Cypress, Texas
Consultant Assistant. The consulting firm specialized in alleged medical claim charges brought against the government of Harris County in Houston, Texas. Assisted in the review, examination, and analysis of the attested charges. Determined if the purported medical claim charges were prudent, customary, and reasonable for the alleged sustained injuries. The firm analyzed cases for both the County's Risk Department and Attorneys Office.

January 1992 - April 1998: **PHOENIX SERVICES,** Villa Rica, Georgia
Owner. Provided landscaping services primarily in a high growth gated community where the Property Owners' Association approved mandated ordinances to be strictly adhered and abided by. Coordinated and supervised all aspects of projects from inception to completion, from master planning to site design to installation.

May 1989 - October 1991: **GEORGIA PUBLIC SERVICE COMMISSION,** Atlanta, GA
Senior Auditor. The Public Service Commission (PSC) was responsible for regulating many intrastate telecommunications, electric, and gas utility industries operating in Georgia. It was the PSC's job to ensure that consumers received adequate and reliable service at reasonable rates. It must also assure the utility companies and investors an opportunity to earn a fair rate of return on prudent investments. The Commission participated significantly in Georgia's economic health and growth. I was promoted to the PSC's Electric/Gas Division where I examined, verified, and analyzed various financial documents, accounting records, reports, ledgers, and statements. In addition, I was assigned to automate the PSC's Electric Division where I utilized a computer application process that I had developed earlier while with the (PSC) Telecommunication Division. I was later ascribed to work in conjunction with the Engineering Department and established a procedure to track and compare costs of operation and maintenance (O&M) expenses of nuclear electric generating plants. This effort determined a comparative price per kilowatt-hour produced that influenced the awareness for the company to control the O&M costs, which benefited the consumer through lower prices.

- Developed computer application system that streamlined audit procedures by 30 – 40%.
- Various other schedules were implemented to track, maintain, and control costs.

GEORGIA PUBLIC SERVICE COMMISSION (continued)

November 1986 - April 1989: **Georgia Public Service Commission,** Atlanta, Georgia **Auditor.** Regulated telecommunications and also oversaw the deregulation process that was currently under way in that industry. Examined and analyzed accounting records to determine financial status of companies and prepared financial reports concerning audit findings. Reviewed data including payroll, time sheets, purchase vouchers, cash receipt ledgers, financial reports, and disbursements. Verified statewide telephone company transaction classifications and documentation.

- Developed computer application utilizing Lotus to completely automate and streamline the entire telecommunication audit process. The results saved 25% in field audit time and produced a product of professional appearance.
- Created, coordinated, and implemented "Operational Project Training" automated procedure-training program. Trained and supervised staff of five auditors.
- Computerized "Desk Audit Analysis" program that identified 11 independent telephone companies in the state of over-earning and resulted in $4.1M annual savings to the Georgia ratepayers affected.

October 1985 - October 1986: **Georgia Public Service Commission,** Atlanta, Georgia **Junior Auditor.** Assisted in planning and performing telecommunication audit engagements. Examined financial records, internal management control, correspondence, bills, and records of services delivered in order to verify or recommend compliance with company specifications contained in contracts, agreements, regulations, and/or laws.

- As a special project, I was assigned to analyze the results of a survey designed to evaluate "Interest in Organizing a Multi-State Nuclear Management Review Group" by the Director of Utilities. Wrote the draft and findings for the speech that was presented to all participatory commissions.

PROFESSIONAL MEMBERSHIPS

- Elected Member of the National Honor Society for Public Affairs and Administration.
- Active Member of Delta Sigma Pi - Professional Business Fraternity.

SPECIAL TRAINING AND CERTIFICATES

- The Graduate School of Business Administration - Michigan State University; completed the Annual Regulatory Studies Program of the National Association of Regulatory Utility Commissioners.
- Completed Graduate Exit Paper on "Deregulation of the Electric Industry".
- Attended Eastern Utility Rate School in 2000 and 2005.

EDUCATION

- Currently enrolled at Arizona State University - West in the Post Baccalaureate Graduate Certificate Program in Accountancy with two courses remaining.
- Master of Public Administration, State University of West Georgia, 1997, GPA 3.5.
- BS Business Management & Administration, Minor in Economics, Sorrel School of Business, Troy State University, 1985.
- AA Business Administration, Miles Community College, 1981.

RESUME OF PUBLIC UTILITY RATE CASES & AUDITS PARTICIPATION

Residential Utility Consumer Office For Years 2000 To Present

Arizona-American Water Company – Docket No. WS-01303A-05-0405

Arizona Public Service Co. – Docket No. E-01345A-03-0437

Tucson Electric Power Company – E-01933A-04-0408

UniSource Merger – Docket No. E-04230A-03-0933

Arizona-American Water Company – Docket No. WS-01303A-02-0867

Arizona Water Company (Eastern Group) – Docket No. W01445A-02-0619

Litchfield Park Service Company – Docket No. W-01427A-01-0487
SW-01428A-01-0487

Arizona Water Company (Northern Group) – Docket No. W-01445A-00-0962

Rio Verde Utilities, Inc. – Docket No. W-02156A-00-0321
SW-02156A-00-0323

Georgia Public Service Commission For Years 1985 – 1991

Atlanta Gas Light Company

Georgia Power Company

Atlanta Gas Light Company (Management Audit)

Georgia Power Company

Trenton Telephone Company

Fairmount Telephone Company

Ellijay Telephone Company

GTE, Inc.

ALL-TEL Telephone Company

Citizens Utilities Co.

Ball Ground Telephone Company

Lanett Telephone Company

Brantley Telephone Company

Blue Ridge Telephone Company

Waverly Hall Telephone Company

St. Marys Telephone Company

Darien Telephone Company

Statesboro Telephone Company

Statesboro Telephone Co-op

Wilkes Telephone Company

ATTACHMENT 1

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

DOCKET NO. W-01303-05-0405

ATTACHMENT 1
PERCENTAGE MONTHLY MINIMUM / COMMODITY CHARGES TO TOTAL REVENUE

LINE NO.	CUSTOMER CLASSIFICATIONS	COMPANY'S PRESENT RATES	COMPANY'S PROPOSED RATES	RUCO'S RECOMMENDED RATES
1	**PARADISE VALLEY RESIDENTIAL CUSTOMERS:**			
2	Monthly Minimum Charges	16.64%	17.33%	17.20%
3	Commodity Charges	83.36%	82.67%	82.80%
4	**MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS**			
5	Monthly Minimum Charges	7.48%	12.91%	12.65%
6	Commodity Charges	92.52%	87.09%	87.35%
7	**PARADISE VALLEY COMMERCIAL CUSTOMERS**			
8	Monthly Minimum Charges	11.61%	11.84%	11.75%
9	Commodity Charges	88.39%	88.16%	88.25%
10	**PARADISE VALLEY TURF CUSTOMERS**			
11	Monthly Minimum Charges	2.51%	2.48%	2.54%
12	Commodity Charges	97.49%	97.52%	97.46%
13	**PARADISE VALLEY COUNTRY CLUB**			
14	Monthly Minimum Charges	100.00%	100.00%	100.00%
15	Commodity Charges	0.00%	0.00%	0.00%
16	**PARADISE VALLEY OTHER METERED SERVICE**			
17	Monthly Minimum Charges	33.59%	33.47%	34.46%
18	Commodity Charges	66.41%	66.53%	65.54%
19	**PARADISE VALLEY FIRE HYDRANT**			
20	Monthly Minimum Charges	100.00%	100.00%	100.00%
21	Commodity Charges	0.00%	0.00%	0.00%
22	**PARADISE VALLEY IRRIGATION**			
23	Monthly Minimum Charges	100.00%	100.00%	100.00%
24	Commodity Charges	0.00%	0.00%	0.00%
25	**SALES FOR RESALE**			
26	Monthly Minimum Charges	32.56%	32.45%	33.87%
27	Commodity Charges	67.44%	67.55%	66.13%
28	**TOTAL PERCENTAGES**			
29	Monthly Minimum Charges To Total Revenue	17.99%	18.51%	18.58%
30	Commodity Charges To Total Revenue	82.01%	81.49%	81.42%

ARIZONA-AMERICAN WATER COMPANY
PARADISE VALLEY DISTRICT
DOCKET NO. W-01303A-05-0405
TABLE OF CONTENTS FOR SCHEDULES TJC

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-1

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	(231,827)	119,119
13	TOTAL	$ 11,651,215	$ (752,262)	$ 10,898,953

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)

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

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

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				(231,827)			119,119
13	TOTAL	$ 11,651,215	$ (138,682)	$ (392,248)	$ 10,495	$ (231,827)	$ -	$ -	$ 10,898,953

ADJUSTMENT #'s:	REF.
1: Property Held for Future Use (PHFFU)	TJC-3
2: Gain on Sale of Land	TJC-4
3: Capitalized Expenses	RLM-8
4: Allowance for Working Capital	TJC-5, page 1

ARIZONA AMERICAN WATER COMPANY
PARADISE VALLEY DISTRICT
TEST YEAR ENDED DECEMBER 10, 2004
PLANT ACCOUNT ADJUSTMENTS

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-3

LINE NO.	ACCT. NO.	ACCOUNT NAME	(1) COMPANY'S PLANT BALANCE 12/31/2004	(2) COMPANY'S PLANT ADJUSTMENTS	(3) COMPANY ADJUSTED PLANT	(4) RUCO PLANT ADJUSTMENTS	(5) REF.	(6) RUCO RECOMMENDED GROSS PLANT
1	303.99	Miscellaneous Intangible Plant Studies	$ -	$ -	$ -	$ -		$ -
2	103000	Property Held For Future Use	-	-	-	-		-
3	307000	Wells & Springs	30,684	-	30,684	(30,684)	RB ADJ #1	-
4	311200	Pumping Equipment - Electric	100,173	-	100,173	(100,173)	RB ADJ #1	-
5	311200	Pumping Equipment - Electric	7,825	-	7,825	(7,825)	RB ADJ #1	-
6	301000	Organization	15,350	-	15,350	-		15,350
7	303200	Reservoir Land	-	-	-	-		-
8	303300	Pumping Land & Land Rights	-	-	-	-		-
9	303400	WT Land & Land Rights	-	-	-	-		-
10	303500	Dist. Res. & Standpipe Land	8,324	-	8,324	-		8,324
11	303600	Office Land	-	-	-	-		-
12	304100	SS Structures & Improvements	7,953	-	7,953	-		7,953
13	304200	Pumping Structures & Improvements	69,131	-	69,131	10,495	RB ADJ #3	79,626
14	304300	WT Structures & Improvements	3,038,848	-	3,038,848	-		3,038,848
15	304400	Grit Removal Equipment	23,864	-	23,864	-		23,864
16	304500	Structures & Improvements AG	15,173	-	15,173	-		15,173
17	304610	Heating & Air Conditioning	-	-	-	-		-
18	304700	Stores Shop & Garage Structures	93,285	-	93,285	-		93,285
19	304800	Structures & Improvements Miscellaneous	149,284	-	149,284	-		149,284
20	307000	Wells & Springs	1,252,563	-	1,252,563	-		1,252,563
21	311200	Electric Pumping Equipment	3,337,081	-	3,337,081	-		3,337,081
22	311300	Diesel Pumping Equipment	59,421	-	59,421	-		59,421
23	320100	Water Treatment Equipment	5,825,149	-	5,825,149	-		5,825,149
24	330001	Dist. Reservoirs & Standpipes	912,619	-	912,619	-		912,619
25	331100	T & D Mains - 4" & Less	706,252	-	706,252	-		706,252
26	331200	T & D Mains - 6" - 8"	3,974,977	-	3,974,977	-		3,974,977
27	331300	T & D Mains - 10" or More	5,485,424	-	5,485,424	-		5,485,424
28	333000	Services	2,178,858	-	2,178,858	-		2,178,858
29	334100	Meters	328,580	-	328,580	-		328,580
30	334200	Meter Installations	103,799	-	103,799	-		103,799
31	335000	Hydrants	746,904	-	746,904	-		746,904
32	339000	Other T & D Plant	-	-	-	-		-
33	339600	Other P/E CPS	-	-	-	-		-
34	340100	Office Furniture	43,931	-	43,931	-		43,931
35	340200	Computers & Peripherals	98,019	-	98,019	-		98,019
36	340300	Computer Software	134,174	-	134,174	-		134,174
37	340500	Other Office Equipment	25,224	-	25,224	-		25,224
38	341100	Transportation Equipment - Light Trucks	2,882	-	2,882	-		2,882
39	341300	Transportation Equipment - Automobiles	19,307	-	19,307	-		19,307
40	341400	Transportation Equipment - Other	13,606	-	13,606	-		13,606
41	343000	Tools Shop & Garage Equipment	83,291	-	83,291	-		83,291
42	345000	Power Operated Equipment	147,067	-	147,067	-		147,067
43	346001	Communication Equipment	-	-	-	-		-
44	346100	Communication Equipment - Non-Telephone	284,556	-	284,556	-		284,556
45	346300	Communication Equipment - Other	81,331	-	81,331	-		81,331
46	347000	Miscellaneous Equipment	-	-	-	-		-
								-
47		Corporate & Central District Div. Plant Allocation	-	73,781	73,781	-		73,781
48		TOTAL PLANT IN SERVICE	29,404,909	$ 73,781	$ 29,478,690	$ (128,187)		$ 29,350,502

REFERENCES:
Col. 1 - Company's Response to RUCO 4.02
Col. 2 - Company's Schedule B-2, page 1 of 1
Col. 3 - Company's Schedule B-2, page 1 of 1
Col. 4 - See Referenced RUCO Adjustments
Col. 6 - Col. 3 + Col. 4

ARIZONA AMERICAN WATER COMPANY
PARADISE VALLEY DISTRICT
TEST YEAR ENDED DECEMBER 10, 2004
RATE BASE ADJ. #2 - GAIN ON SALE OF LAND

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-4

LINE NO.	DESCRIPTION	AMOUNT
1	Sales Price	$ 900,000
2	Sellers Costs	56,338
3	Original Cost of Land	13,492
4	Points	45,674
5	TOTAL COSTS	115,504
6	Pre-Tax Gain	784,496
7	50/50 Sharing for Ratepayers & Stcockholders	$ 392,248
8	Rate Base Adjustment	$ 392,248

REFERENCES:
See Direct Testimony of David P. Stephenson, page 36 of 37

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

LINE NO.	DESCRIPTION	AMOUNT
	Deferred Debits:	
1	Program Maintenance per Company	$ 90,286
2	Program Maintenance per RUCO	90,286
3	RUCO Adjustment	0
4	Mummy Mountain Acquisition Costs per Company	$ 92,528
5	Mummy Mountain Acquisition Costs per RUCO	100,302
6	RUCO Adjustment	7,774
7	Cash Working Capital per Company	$ 168,133
8	Cash Working Capital per RUCO	$ (71,468)
9	RUCO Adjustment	$ (239,601)
10	Total Working Capital Adjustment	(231,827)

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

ARIZONA AMERICAN WATER COMPANY
PARADISE VALLEY DISTRICT
TEST YEAR ENDED DECEMBER 31, 2004
RATE BASE ADJ #4 - WORKING CAPITAL
MUMMY MOUNTAIN ACQUISITION ADJUSTMENT

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	Mummy Mountain Deferred Debit	$ 131,400	RUCO 2.1
2	Amortization Rate (Years)	25	Decision 61307
3	Annual Amortization	5,256	Line 1 / Line 2
4	Accumulated Amortization	31,098	Note (A) Below
5	Net Deferred Debit	100,302	Line 1 - Line 4

NOTE (A):

1999	11 X 438 = $4,818
2000	12 X 438 = $5,256
2001	12 X 438 = $5,256
2002	12 X 438 = $5,256
2003	12 X 438 = $5,256
2004	12 X 438 = $5,256
	$31,098

ARIZONA AMERICAN WATER COMPANY
PARADISE VALLEY DISTRICT
TEST YEAR ENDED DECEMBER 10, 2004
RATE BASE ADJUSTMENT #4 - WORKING CAPITAL
LEAD/LAG DAY SUMMARY

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	$ 38,660	$ -	$ 38,660	-	$ -
2	PURCHASED POWER	616,955	812,312	-	812,312	38.1	30,961,085
3	COMPANY LABOR	605,247	551,393	(126,964)	424,429	12.0	5,093,149
4	GOODS AND SERVICES	1,575,773	1,451,276	(138,073)	1,313,203	30.0	39,396,082
5	MATERIALS ISSUED FROM STORES	-	-	-	-	-	-
6	PBOP	25,384	87,862	(2,093)	85,769	-	-
7	GROUP LIFE INSURANCE	131,484	111,869	(2,972)	108,897	(6.5)	(707,829)
8	INJURIES DAMAGES & OTHER INS. PROVISIONS	-	-	-	-	-	-
9	PROVISIONS FOR UNCOLLECTIBLES	-	-	-	-	-	-
10	FRANCHISE REQUIREMENTS	-	-	-	-	-	-
11	FEDERAL INCOME TAX	260,000	322,999	(71,550)	251,449	60.0	15,086,916
12	FICA	49,370	42,168	($9,713)	32,455	12.0	389,465
13	FUTA	608	4,410	(2,664)	1,746	73.5	128,346
14	STATE CORPORATION FRANCHISE TAX	-	-	-	-	-	-
15	STATE UNEMPLOYMENT INSURANCE TAX	775	7,993	(4,828)	3,165	76.0	240,540
16	STATE AUTOMOBILE LICENSE FEES	-	-	-	-	-	-
17	CAL-AM INVOICES	-	-	-	-	-	-
18	PROPERTY TAXES	213,000	213,241	(42,907)	170,334	213.5	36,366,361
19	SERVICE COMPANY	-	-	-	-	(15.0)	-
20	RENT	66,063	43,943	(14,593)	29,350	(8.5)	(249,475)
21	OTHER	28,467	28,467	-	28,467	30.0	854,010
22	PENSION	35,783	33,772	(12,037)	21,735	-	-
23	INTEREST	-	-	373,834	373,834	107.2	40,076,615
24	TOTAL OPERATING EXPENSES	$ 3,647,569	$ 3,750,365	$ (54,559)	$ 3,695,806		$ 167,635,266
25	EXPENSE LAG					45.4	
26	REVENUE LAG					38.30	
27	NET LAG					(7.1)	
28	CASH WORKING CAPITAL	$ (71,468)					

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

ARIZONA AMERICAN WATER COMPANY
PARADISE VALLEY DISTRICT
TEST YEAR ENDED DECEMBER 31, 2004
RATE BASE ADJ. #4 - WORKING CAPITAL
INTEREST EXPENSE (LEAD)/LAG ANALYSIS

LINE NO.	DESCRIPTION	(A) SERVICE PERIOD BEGINNING	(B) SERVICE PERIOD ENDING	(C) MID-POINT SERVICE PERIOD	(D) PAYMENT DATE	(E) PAYMENT (LEAD)/LAG	(F) PAYMENT AMOUNT	(G) DOLLAR DAYS
1	L-T Senior Notes	11/15/2003	11/15/2004	5/15/2004	2/15/2004	(90.00)	$ 160,245	(14,422,050)
(a)					8/15/2004	92.00	160,245	14,742,540
2	L-T Prommissory Note	9/30/2004	9/30/2005	3/31/2005	3/31/2005	0.00	615,000	-
(a)					9/30/2005	183.00	615,000	112,545,000
3	L-T Prommissory Note	11/6/2003	11/6/2004	5/6/2004	11/6/2004	184.00	172,200	31,684,800
4	L-T Prommissory Note	1/14/2004	1/14/2005	7/14/2004	11/6/2004	115.00	7,623,447	876,696,405
5	L-T Note - Maricopa	1/1/2004	12/31/2004	7/1/2004	1/30/2004	(153.00)	38,032	(5,818,829)
					4/29/2004	(63.00)	31,294	(1,971,547)
					5/20/2004	(42.00)	13,954	(586,086)
					7/23/2004	22.00	22,258	489,683
					9/23/2004	84.00	24,116	2,025,777
					10/18/2004	109.00	11,203	1,221,091
					12/8/2004	160.00	27,413	4,386,037
6	PILR - Monterey	1/1/2004	12/31/2004	7/1/2004	9/1/2004	62.00	4,330	268,460
7	PILR - Rosalee	1/1/2004	12/31/2004	7/1/2004	8/1/2004	31.00	4,556	141,236
8	PILR - T. O. Development	1/1/2004	12/31/2004	7/1/2004	8/1/2004	31.00	3,903	120,993
9	PILR - Montex/Lincoln	1/1/2004	12/31/2004	7/1/2004	8/1/2004	31.00	2,194	68,014
10	TOTAL PAYMENTS & DOLLAR DAYS						$ 9,529,391	$ 1,021,591,523
11	**INTEREST EXPENSE LAG DAYS**							107.20

REFERENCES:
Col. (A), Line 1 & 2 Obtained From RUCO 2.12 and Staff 3.3 (Semi-Annual Payments)
Col. (A), Line 3 & 4 Obtained From Staff 3.3 Utililizing Issue Date of Most Current One-Year Period (Annual Payment)
Col. (A), Line 5 thru 9 Utilized the Test Year January 1 thru December 31, 2004 as the Starting-Point
Col. (B), Line 1 thru 9 Utilizes a Full One-Year Cut-Off Date To Capture 12 Full Months of Interest Expense
Col. (C), Line 1 thru 9 Utilizes the Annual Mid-Point Service Period
Col. (D), Line 1 thru 9 Obtained in RUCO 2.12 and Updated RUCO 2.12 on December 1, 2005 and Line 5 Obtained in RUCO 9.08
Col. (E), Line 1 thru 9 Calculated Utilizing Payment Date, Col. (D) Minus Mid-Point Service Period
Col. (F), Line 1 thru 9 Obtained in RUCO 2.12 & Updated RUCO 2.12 on 12/1/2005 and Line 5 Obtained in RUCO 9.08
Col. (G), Line 1 thru 9 Calculated by Multiplying Col. (E) X Col. (F)

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

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	SERVICE PERIOD								
LINE NO.	BEGINNING	ENDING	MID-POINT SERVICE PERIOD	BILL DATE	BILLING LAG	DUE DATE	PAY LAG	REVENUE LAG DAYS	AMOUNT OF BILL
1	9/21/2004	10/20/2004	14.50	10/22/2004	2.00	11/11/2004	20.00	36.50	$ 56.64
2	6/16/2004	7/16/2004	15.00	7/21/2004	5.00	8/10/2004	20.00	40.00	794.12
3	2/23/2004	3/23/2004	14.50	3/25/2004	2.00	4/14/2004	20.00	36.50	171.03
4	4/20/2004	5/19/2004	14.50	5/21/2004	2.00	6/10/2004	20.00	36.50	(700.03)
5	3/11/2004	4/12/2004	16.00	4/14/2004	2.00	5/4/2004	20.00	38.00	152.65
6	7/14/2004	8/13/2004	15.00	8/17/2004	4.00	9/7/2004	21.00	40.00	7,521.54
7	5/26/2004	6/25/2004	15.00	6/29/2004	4.00	7/19/2004	20.00	39.00	1,059.17
8	4/19/2004	5/20/2004	15.50	5/25/2004	5.00	6/14/2004	20.00	40.50	1,143.68
9	12/26/2003	1/28/2004	16.50	1/30/2004	2.00	2/19/2004	20.00	38.50	61.02
10	8/18/2004	9/20/2004	16.50	9/22/2004	2.00	10/12/2004	20.00	38.50	151.91
11	10/20/2004	11/17/2004	14.00	11/22/2004	5.00	12/13/2004	21.00	40.00	58.35
12	7/12/2005	8/10/2005	14.50	8/12/2005	2.00	9/1/2005	20.00	36.50	5.49
13	3/11/2004	4/12/2004	16.00	4/14/2004	2.00	5/4/2004	20.00	38.00	5.39
14	4/19/2005	5/18/2005	14.50	5/20/2005	2.00	6/9/2005	20.00	36.50	5.41
15	1/23/2004	2/23/2004	15.50	2/25/2004	2.00	3/16/2004	20.00	37.50	10.78
16	6/3/2004	7/2/2004	14.50	7/7/2004	5.00	7/27/2004	20.00	39.50	(11.65)
17	7/6/2004	8/5/2004	15.00	8/9/2004	4.00	8/30/2004	21.00	40.00	29.99
18	8/25/2004	9/27/2004	16.50	9/29/2004	2.00	10/19/2004	20.00	38.50	31.11
19	10/18/2004	11/15/2004	14.00	11/18/2004	3.00	12/8/2004	20.00	37.00	12.67
20	1/15/2004	2/13/2004	14.50	2/17/2004	4.00	3/8/2004	20.00	38.50	940.82
AVERAGES			15.10		3.05		20.15 =	**38.30**	

REFERENCES:
RUCO 8.03 - which analyzed 20 actual PV bills from various customer classifications and meter sizes

ARIZONA-AMERICAN WATER COMPANY
PARADISE VALLEY DISTRICT
TEST YEAR ENDED DECEMBER 10, 2004
RATE BASE ADJ. #4 - WORKING CAPITAL
PROPERTY TAX LAG DAYS ANALYSIS

	(A)	(B)	(C)	(D)	(E)
	SERVICE PERIOD				
LINE NO.	BEGINNING	ENDING	MID-POINT SERVICE PERIOD	DUE DATE	EXPENSE LAG DAYS
1	1/1/2004	12/31/2004	7/1/2004	11/1/2004	61.50
2				5/1/2005	152.00
3	**TOTAL PROPERTY TAX LAG DAYS**				213.50

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

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY RESIDENTIAL CUSTOMERS			
4	5/8 X 3/4 - INCH	$ 8.41	$ 9.26	$ 8.00
5	3/4 - INCH	8.74	9.62	8.35
6	1 - INCH	14.01	15.42	13.35
7	1 1/2 - INCH	28.02	30.83	26.35
8	2 - INCH	44.83	49.32	41.35
9	3 - INCH	-	92.47	77.35
10	4 - INCH	-	154.11	128.35
11	6 - INCH	-	308.22	256.60
12	8 - INCH	-	-	512.80
13	10 - INCH	-	-	1,025.20
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY RESIDENTIAL CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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	$ 2.02

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

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS			
4	5/8 X 3/4 - INCH	$ 9.00	$ 9.26	$ 8.00
5	3/4 - INCH	-	-	8.35
6	1 - INCH	9.75	15.42	13.35
7	1 1/2 - INCH	14.00	30.83	26.35
8	2 - INCH	25.75	49.32	41.35
9	3 - INCH	-	-	77.35
10	4 - INCH	-	-	128.35
11	6 - INCH	-	-	256.60
12	8 - INCH	-	-	512.80
13	10 - INCH	-	-	1,025.20
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS	1,000	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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	$ 2.02

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

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY COMMERCIAL CUSTOMERS			
4	5/8 X 3/4 - INCH	$ 8.41	$ 9.26	$ 8.00
5	3/4 - INCH	8.74	9.62	8.35
6	1 - INCH	14.01	15.42	13.35
7	1 1/2 - INCH	28.02	30.83	26.35
8	2 - INCH	44.83	49.32	41.35
9	3 - INCH	84.06	92.47	77.35
10	4 - INCH	140.10	154.11	128.35
11	6 - INCH	280.20	308.22	256.60
12	8 - INCH	-	-	512.80
13	10 - INCH	-	-	1,025.20
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY COMMERCIAL CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY TURF CUSTOMERS			
4	5/8 X 3/4 - INCH	$ -	$ -	$ 8.00
5	3/4 - INCH	-	-	8.35
6	1 - INCH	-	-	13.35
7	1 1/2 - INCH	-	-	26.35
8	2 - INCH	-	-	41.35
9	3 - INCH	84.06	92.47	77.70
10	4 - INCH	-	-	128.35
11	6 - INCH	-	-	256.60
12	8 - INCH	-	-	512.80
13	10 - INCH	-	-	1,025.20
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY TURF CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
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
TEST YEAR ENDED DECEMBER 10, 2004
RECOMMENDED RATES

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY COUNTRY CLUB CONTRACT RATE			
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	-	-	-
10	4 - INCH	$ 12,817.00	$ 12,817.00	$ 11,731.77
11	6 - INCH	-	-	-
12	8 - INCH	-	-	-
13	10 - INCH			
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY COUNTRY CLUB CONTRACT RATE	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	6 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	$ -	$ -	$ -

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

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY OTHER METERED CUSTOMERS			
4	5/8 X 3/4 - INCH	$ 8.41	$ 9.26	$ 8.00
5	3/4 - INCH	-	-	8.35
6	1 - INCH	14.01	15.42	13.35
7	1 1/2 - INCH	-	-	26.35
8	2 - INCH	44.83	49.32	41.35
9	3 - INCH	-	-	77.35
10	4 - INCH	-	-	128.35
11	6 - INCH	-	-	256.60
12	8 - INCH	-	-	512.80
13	10 - INCH	-	-	1,025.20
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY OTHER METERED CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY FIRE HYDRANT			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY FIRE HYDRANT	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	$ -	$ -	$ -

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

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY IRRIGATION			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY IRRIGATION	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	$ 1.32	$ 1.46	$ 1.32

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

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY SALES FOR RESALE			
4	5/8 X 3/4 - INCH	$ 8.41	$ 9.26	$ 8.35
5	3/4 - INCH	-	9.62	8.70
6	1 - INCH	14.01	15.42	13.70
7	1 1/2 - INCH	-	30.83	26.70
8	2 - INCH	44.83	49.32	41.70
9	3 - INCH	-	92.47	77.70
10	4 - INCH	-	154.11	128.70
11	6 - INCH	-	308.22	256.95
12	8 - INCH	-	-	513.15
13	10 - INCH	-	-	1,025.55
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY SALES FOR RESALE	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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
MONTHLY MINIMUM CHARGES

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 MONHTLY MINIMUM CHARGE	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

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 MONHTLY 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

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 MONHTLY MINIMUM CHARGE	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

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 MONHTLY MINIMUM CHARGE	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

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 MONHTLY MINIMUM CHARGE	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

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 MONHTLY MINIMUM CHARGE	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

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 MONHTLY MINIMUM CHARGE	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

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 MONHTLY MINIMUM CHARGE	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

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 MONHTLY MINIMUM CHARGE	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
BILLING ANALYSIS

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	$ -	$ -	$ -	$ -	$ -

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

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	$ 8.00	$ 8.35	$ 13.35	$ 26.35	$ 41.35	$ 77.35	$ 128.35	$ 256.60	$ 512.80	$ 1,025.20
2	1,000	8.72	9.07	14.07	27.07	42.07	78.07	129.07	257.32	513.52	1,025.92
3	2,000	9.44	9.79	14.79	27.79	42.79	78.79	129.79	258.04	514.24	1,026.64
4	3,000	10.16	10.51	15.51	28.51	43.51	79.51	130.51	258.76	514.96	1,027.36
5	4,000	10.88	11.23	16.23	29.23	44.23	80.23	131.23	259.48	515.68	1,028.08
6	5,000	11.60	11.95	16.95	29.95	44.95	80.95	131.95	260.20	516.40	1,028.80
7	6,000	12.32	12.67	17.67	30.67	45.67	81.67	132.67	260.92	517.12	1,029.52
8	7,000	13.04	13.39	18.39	31.39	46.39	82.39	133.39	261.64	517.84	1,030.24
9	8,000	13.76	14.11	19.11	32.11	47.11	83.11	134.11	262.36	518.56	1,030.96
10	9,000	14.48	14.83	19.83	32.83	47.83	83.83	134.83	263.08	519.28	1,031.68
11	10,000	15.20	15.55	20.55	33.55	48.55	84.55	135.55	263.80	520.00	1,032.40
12	15,000	18.80	19.15	24.15	37.15	52.15	88.15	139.15	267.40	523.60	1,036.00
13	20,000	22.40	22.75	27.75	40.75	55.75	91.75	142.75	271.00	527.20	1,039.60
14	25,000	26.00	26.35	31.35	44.35	59.35	95.35	146.35	274.60	530.80	1,043.20
15	50,000	62.00	62.35	67.35	80.35	95.35	131.35	182.35	310.60	566.80	1,079.20
16	75,000	98.00	98.35	103.35	116.35	131.35	167.35	218.35	346.60	602.80	1,115.20
17	100,000	145.60	145.95	150.95	163.95	178.95	214.95	265.95	394.20	650.40	1,162.80
18	125,000	196.10	196.45	201.45	214.45	229.45	265.45	316.45	444.70	700.90	1,213.30
19	150,000	246.60	246.95	251.95	264.95	279.95	315.95	366.95	495.20	751.40	1,263.80
20	175,000	297.10	297.45	302.45	315.45	330.45	366.45	417.45	545.70	801.90	1,314.30
21	200,000	347.60	347.95	352.95	365.95	380.95	416.95	467.95	596.20	852.40	1,364.80
22	250,000	448.60	448.95	453.95	466.95	481.95	517.95	568.95	697.20	953.40	1,465.80
23	500,000	953.60	953.95	958.95	971.95	986.95	1,022.95	1,073.95	1,202.20	1,458.40	1,970.80
24	1,000,000	1,963.60	1,963.95	1,968.95	1,981.95	1,996.95	2,032.95	2,083.95	2,212.20	2,468.40	2,980.80
25	2,000,000	3,983.60	3,983.95	3,988.95	4,001.95	4,016.95	4,052.95	4,103.95	4,232.20	4,488.40	5,000.80
26	3,000,000	6,003.60	6,003.95	6,008.95	6,021.95	6,036.95	6,072.95	6,123.95	6,252.20	6,508.40	7,020.80
27	4,000,000	8,023.60	8,023.95	8,028.95	8,041.95	8,056.95	8,092.95	8,143.95	8,272.20	8,528.40	9,040.80
28	5,000,000	10,043.60	10,043.95	10,048.95	10,061.95	10,076.95	10,112.95	10,163.95	10,292.20	10,548.40	11,060.80
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:	$ 24.02	$ 10.86	$ 81.60	$ 329.03	$ 246.64	$ -	$ -	$ -	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	12,223	161	40,083	100,982	70,375	-	-	-	-	-
37	MONTHLY BILL:	$ 16.80	$ 8.47	$ 53.07	$ 165.93	$ 124.69	$ -	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

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	$ (0.41)	$ (0.39)	$ (0.66)	$ (1.67)	$ (3.48)	$ -	$ -	$ -	$ -	$ -
2	1,000	(0.42)	(0.40)	(0.67)	(1.68)	(3.49)	-	-	-	-	-
3	2,000	(0.43)	(0.41)	(0.68)	(1.69)	(3.50)	-	-	-	-	-
4	3,000	(0.44)	(0.42)	(0.69)	(1.70)	(3.51)	-	-	-	-	-
5	4,000	(0.45)	(0.43)	(0.70)	(1.71)	(3.52)	-	-	-	-	-
6	5,000	(0.46)	(0.44)	(0.71)	(1.72)	(3.53)	-	-	-	-	-
7	6,000	(0.47)	(0.45)	(0.72)	(1.73)	(3.54)	-	-	-	-	-
8	7,000	(0.48)	(0.46)	(0.73)	(1.74)	(3.55)	-	-	-	-	-
9	8,000	(0.49)	(0.47)	(0.74)	(1.75)	(3.56)	-	-	-	-	-
10	9,000	(0.50)	(0.48)	(0.75)	(1.76)	(3.57)	-	-	-	-	-
11	10,000	(0.51)	(0.49)	(0.76)	(1.77)	(3.58)	-	-	-	-	-
12	15,000	(0.56)	(0.54)	(0.81)	(1.82)	(3.63)	-	-	-	-	-
13	20,000	(0.61)	(0.59)	(0.86)	(1.87)	(3.68)	-	-	-	-	-
14	25,000	(0.66)	(0.64)	(0.91)	(1.92)	(3.73)	-	-	-	-	-
15	50,000	(6.66)	(6.64)	(6.91)	(7.92)	(9.73)	-	-	-	-	-
16	75,000	(12.66)	(12.64)	(12.91)	(13.92)	(15.73)	-	-	-	-	-
17	100,000	(16.86)	(16.84)	(17.11)	(18.12)	(19.93)	-	-	-	-	-
18	125,000	(20.61)	(20.59)	(20.86)	(21.87)	(23.68)	-	-	-	-	-
19	150,000	(24.36)	(24.34)	(24.61)	(25.62)	(27.43)	-	-	-	-	-
20	175,000	(28.11)	(28.09)	(28.36)	(29.37)	(31.18)	-	-	-	-	-
21	200,000	(31.86)	(31.84)	(32.11)	(33.12)	(34.93)	-	-	-	-	-
22	250,000	(39.36)	(39.34)	(39.61)	(40.62)	(42.43)	-	-	-	-	-
23	500,000	(76.86)	(76.84)	(77.11)	(78.12)	(79.93)	-	-	-	-	-
24	1,000,000	(151.86)	(151.84)	(152.11)	(153.12)	(154.93)	-	-	-	-	-
25	2,000,000	(301.86)	(301.84)	(302.11)	(303.12)	(304.93)	-	-	-	-	-
26	3,000,000	(451.86)	(451.84)	(452.11)	(453.12)	(454.93)	-	-	-	-	-
27	4,000,000	(601.86)	(601.84)	(602.11)	(603.12)	(604.93)	-	-	-	-	-
28	5,000,000	(751.86)	(751.84)	(752.11)	(753.12)	(754.93)	-	-	-	-	-
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:	$ (0.63)	$ (0.43)	$ (9.28)	$ (30.38)	$ (24.96)	$ -	$ -	$ -	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	12,223	161	40,083	100,982	70,375	-	-	-	-	-
37	MONTHLY BILL:	$ (0.53)	$ (0.39)	$ (4.53)	$ (18.27)	$ (14.62)	$ -	$ -	$ -	$ -	$ -

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

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	-4.9%	-4.5%	-4.7%	-6.0%	-7.8%	-	-	-	-	-
2	1,000	-4.6%	-4.2%	-4.5%	-5.8%	-7.7%	-	-	-	-	-
3	2,000	-4.4%	-4.0%	-4.4%	-5.7%	-7.6%	-	-	-	-	-
4	3,000	-4.2%	-3.8%	-4.3%	-5.6%	-7.5%	-	-	-	-	-
5	4,000	-4.0%	-3.7%	-4.1%	-5.5%	-7.4%	-	-	-	-	-
6	5,000	-3.8%	-3.6%	-4.0%	-5.4%	-7.3%	-	-	-	-	-
7	6,000	-3.7%	-3.4%	-3.9%	-5.3%	-7.2%	-	-	-	-	-
8	7,000	-3.6%	-3.3%	-3.8%	-5.3%	-7.1%	-	-	-	-	-
9	8,000	-3.4%	-3.2%	-3.7%	-5.2%	-7.0%	-	-	-	-	-
10	9,000	-3.3%	-3.1%	-3.6%	-5.1%	-6.9%	-	-	-	-	-
11	10,000	-3.2%	-3.1%	-3.6%	-5.0%	-6.9%	-	-	-	-	-
12	15,000	-2.9%	-2.7%	-3.2%	-4.7%	-6.5%	-	-	-	-	-
13	20,000	-2.7%	-2.5%	-3.0%	-4.4%	-6.2%	-	-	-	-	-
14	25,000	-2.5%	-2.4%	-2.8%	-4.1%	-5.9%	-	-	-	-	-
15	50,000	-9.7%	-9.6%	-9.3%	-9.0%	-9.3%	-	-	-	-	-
16	75,000	-11.4%	-11.4%	-11.1%	-10.7%	-10.7%	-	-	-	-	-
17	100,000	-10.4%	-10.3%	-10.2%	-10.0%	-10.0%	-	-	-	-	-
18	125,000	-9.5%	-9.5%	-9.4%	-9.3%	-9.4%	-	-	-	-	-
19	150,000	-9.0%	-9.0%	-8.9%	-8.8%	-8.9%	-	-	-	-	-
20	175,000	-8.6%	-8.6%	-8.6%	-8.5%	-8.6%	-	-	-	-	-
21	200,000	-8.4%	-8.4%	-8.3%	-8.3%	-8.4%	-	-	-	-	-
22	250,000	-8.1%	-8.1%	-8.0%	-8.0%	-8.1%	-	-	-	-	-
23	500,000	-7.5%	-7.5%	-7.4%	-7.4%	-7.5%	-	-	-	-	-
24	1,000,000	-7.2%	-7.2%	-7.2%	-7.2%	-7.2%	-	-	-	-	-
25	2,000,000	-7.0%	-7.0%	-7.0%	-7.0%	-7.1%	-	-	-	-	-
26	3,000,000	-7.0%	-7.0%	-7.0%	-7.0%	-7.0%	-	-	-	-	-
27	4,000,000	-7.0%	-7.0%	-7.0%	-7.0%	-7.0%	-	-	-	-	-
28	5,000,000	-7.0%	-7.0%	-7.0%	-7.0%	-7.0%	-	-	-	-	-
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:	-2.6%	-3.8%	-10.2%	-8.5%	-9.2%	-	-	-	-	-
35											
36	MEDIAN USE (GAL.) :	12,223	161	40,083	100,982	70,375	-	-	-	-	-
37	MONTHLY BILL:	-3.1%	-4.4%	-7.9%	-9.9%	-10.5%	-	-	-	-	-

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

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	$ -	$ -	$ -	$ -	$ -

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

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	$ 8.00	$ 8.35	$ 13.35	$ 26.35	$ 41.35	$ 77.35	$ 128.35	$ 256.60	$ 512.80	$ 1,025.20
2	1,000	8.72	9.07	14.07	27.07	42.07	78.07	129.07	257.32	513.52	1,025.92
3	2,000	9.44	9.79	14.79	27.79	42.79	78.79	129.79	258.04	514.24	1,026.64
4	3,000	10.16	10.51	15.51	28.51	43.51	79.51	130.51	258.76	514.96	1,027.36
5	4,000	10.88	11.23	16.23	29.23	44.23	80.23	131.23	259.48	515.68	1,028.08
6	5,000	11.60	11.95	16.95	29.95	44.95	80.95	131.95	260.20	516.40	1,028.80
7	6,000	12.32	12.67	17.67	30.67	45.67	81.67	132.67	260.92	517.12	1,029.52
8	7,000	13.04	13.39	18.39	31.39	46.39	82.39	133.39	261.64	517.84	1,030.24
9	8,000	13.76	14.11	19.11	32.11	47.11	83.11	134.11	262.36	518.56	1,030.96
10	9,000	14.48	14.83	19.83	32.83	47.83	83.83	134.83	263.08	519.28	1,031.68
11	10,000	15.20	15.55	20.55	33.55	48.55	84.55	135.55	263.80	520.00	1,032.40
12	15,000	18.80	19.15	24.15	37.15	52.15	88.15	139.15	267.40	523.60	1,036.00
13	20,000	22.40	22.75	27.75	40.75	55.75	91.75	142.75	271.00	527.20	1,039.60
14	25,000	26.00	26.35	31.35	44.35	59.35	95.35	146.35	274.60	530.80	1,043.20
15	50,000	62.00	62.35	67.35	80.35	95.35	131.35	182.35	310.60	566.80	1,079.20
16	75,000	98.00	98.35	103.35	116.35	131.35	167.35	218.35	346.60	602.80	1,115.20
17	100,000	145.60	145.95	150.95	163.95	178.95	214.95	265.95	394.20	650.40	1,162.80
18	125,000	196.10	196.45	201.45	214.45	229.45	265.45	316.45	444.70	700.90	1,213.30
19	150,000	246.60	246.95	251.95	264.95	279.95	315.95	366.95	495.20	751.40	1,263.80
20	175,000	297.10	297.45	302.45	315.45	330.45	366.45	417.45	545.70	801.90	1,314.30
21	200,000	347.60	347.95	352.95	365.95	380.95	416.95	467.95	596.20	852.40	1,364.80
22	250,000	448.60	448.95	453.95	466.95	481.95	517.95	568.95	697.20	953.40	1,465.80
23	500,000	953.60	953.95	958.95	971.95	986.95	1,022.95	1,073.95	1,202.20	1,458.40	1,970.80
24	1,000,000	1,963.60	1,963.95	1,968.95	1,981.95	1,996.95	2,032.95	2,083.95	2,212.20	2,468.40	2,980.80
25	2,000,000	3,983.60	3,983.95	3,988.95	4,001.95	4,016.95	4,052.95	4,103.95	4,232.20	4,488.40	5,000.80
26	3,000,000	6,003.60	6,003.95	6,008.95	6,021.95	6,036.95	6,072.95	6,123.95	6,252.20	6,508.40	7,020.80
27	4,000,000	8,023.60	8,023.95	8,028.95	8,041.95	8,056.95	8,092.95	8,143.95	8,272.20	8,528.40	9,040.80
28	5,000,000	10,043.60	10,043.95	10,048.95	10,061.95	10,076.95	10,112.95	10,163.95	10,292.20	10,548.40	11,060.80
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:	$ 59.63	$ -	$ 149.01	$ 139.15	$ 203.15	$ -	$ -	$ -	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	18,500	-	70,452	60,667	80,667	-	-	-	-	-
37	MONTHLY BILL:	$ 21.32	$ -	$ 96.80	$ 95.71	$ 139.90	$ -	$ -	$ -	$ -	$ -

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

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	$ (1.00)	$ -	$ 3.60	$ 12.35	$ 15.60	$ -	$ -	$ -	$ -	$ -
2	1,000	(0.28)	-	4.32	13.07	16.32	-	-	-	-	-
3	2,000	(1.30)	-	3.30	12.05	15.30	-	-	-	-	-
4	3,000	(2.32)	-	2.28	11.03	14.28	-	-	-	-	-
5	4,000	(3.34)	-	1.26	10.01	13.26	-	-	-	-	-
6	5,000	(4.36)	-	0.24	8.99	12.24	-	-	-	-	-
7	6,000	(5.38)	-	(0.78)	7.97	11.22	-	-	-	-	-
8	7,000	(6.40)	-	(1.80)	6.95	10.20	-	-	-	-	-
9	8,000	(7.42)	-	(2.82)	5.93	9.18	-	-	-	-	-
10	9,000	(8.44)	-	(3.84)	4.91	8.16	-	-	-	-	-
11	10,000	(9.46)	-	(4.86)	3.89	7.14	-	-	-	-	-
12	15,000	(14.56)	-	(9.96)	(1.21)	2.04	-	-	-	-	-
13	20,000	(19.66)	-	(15.06)	(6.31)	(3.06)	-	-	-	-	-
14	25,000	(24.76)	-	(20.16)	(11.41)	(8.16)	-	-	-	-	-
15	50,000	(32.26)	-	(27.66)	(18.91)	(15.66)	-	-	-	-	-
16	75,000	(39.76)	-	(35.16)	(26.41)	(23.16)	-	-	-	-	-
17	100,000	(35.66)	-	(31.06)	(22.31)	(19.06)	-	-	-	-	-
18	125,000	(28.66)	-	(24.06)	(15.31)	(12.06)	-	-	-	-	-
19	150,000	(21.66)	-	(17.06)	(8.31)	(5.06)	-	-	-	-	-
20	175,000	(14.66)	-	(10.06)	(1.31)	1.94	-	-	-	-	-
21	200,000	(7.66)	-	(3.06)	5.69	8.94	-	-	-	-	-
22	250,000	6.34	-	10.94	19.69	22.94	-	-	-	-	-
23	500,000	76.34	-	80.94	89.69	92.94	-	-	-	-	-
24	1,000,000	216.34	-	220.94	229.69	232.94	-	-	-	-	-
25	2,000,000	496.34	-	500.94	509.69	512.94	-	-	-	-	-
26	3,000,000	776.34	-	780.94	789.69	792.94	-	-	-	-	-
27	4,000,000	1,056.34	-	1,060.94	1,069.69	1,072.94	-	-	-	-	-
28	5,000,000	1,336.34	-	1,340.94	1,349.69	1,352.94	-	-	-	-	-
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:	$ (31.77)	$ -	$ (31.33)	$ (25.75)	$ (15.71)	$ -	$ -	$ -	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	18,500	-	70,452	60,667	80,667	-	-	-	-	-
37	MONTHLY BILL:	$ (18.13)	$ -	$ (33.80)	$ (22.11)	$ (24.47)	$ -	$ -	$ -	$ -	$ -

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

MUMMY MOUNTAIN 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	-11.1%	-	36.9%	88.2%	60.6%	-	-	-	-	-
2	1,000	-3.1%	-	44.3%	93.4%	63.4%	-	-	-	-	-
3	2,000	-12.1%	-	28.7%	76.6%	55.7%	-	-	-	-	-
4	3,000	-18.6%	-	17.2%	63.1%	48.9%	-	-	-	-	-
5	4,000	-23.5%	-	8.4%	52.1%	42.8%	-	-	-	-	-
6	5,000	-27.3%	-	1.4%	42.9%	37.4%	-	-	-	-	-
7	6,000	-30.4%	-	-4.2%	35.1%	32.6%	-	-	-	-	-
8	7,000	-32.9%	-	-8.9%	28.4%	28.2%	-	-	-	-	-
9	8,000	-35.0%	-	-12.9%	22.7%	24.2%	-	-	-	-	-
10	9,000	-36.8%	-	-16.2%	17.6%	20.6%	-	-	-	-	-
11	10,000	-38.4%	-	-19.1%	13.1%	17.2%	-	-	-	-	-
12	15,000	-43.6%	-	-29.2%	-3.2%	4.1%	-	-	-	-	-
13	20,000	-46.7%	-	-35.2%	-13.4%	-5.2%	-	-	-	-	-
14	25,000	-48.8%	-	-39.1%	-20.5%	-12.1%	-	-	-	-	-
15	50,000	-34.2%	-	-29.1%	-19.1%	-14.1%	-	-	-	-	-
16	75,000	-28.9%	-	-25.4%	-18.5%	-15.0%	-	-	-	-	-
17	100,000	-19.7%	-	-17.1%	-12.0%	-9.6%	-	-	-	-	-
18	125,000	-12.8%	-	-10.7%	-6.7%	-5.0%	-	-	-	-	-
19	150,000	-8.1%	-	-6.3%	-3.0%	-1.8%	-	-	-	-	-
20	175,000	-4.7%	-	-3.2%	-0.4%	0.6%	-	-	-	-	-
21	200,000	-2.2%	-	-0.9%	1.6%	2.4%	-	-	-	-	-
22	250,000	1.4%	-	2.5%	4.4%	5.0%	-	-	-	-	-
23	500,000	8.7%	-	9.2%	10.2%	10.4%	-	-	-	-	-
24	1,000,000	12.4%	-	12.6%	13.1%	13.2%	-	-	-	-	-
25	2,000,000	14.2%	-	14.4%	14.6%	14.6%	-	-	-	-	-
26	3,000,000	14.9%	-	14.9%	15.1%	15.1%	-	-	-	-	-
27	4,000,000	15.2%	-	15.2%	15.3%	15.4%	-	-	-	-	-
28	5,000,000	15.3%	-	15.4%	15.5%	15.5%	-	-	-	-	-
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:	-34.8%	-	-17.4%	-15.6%	-7.2%	-	-	-	-	-
35											
36	MEDIAN USE (GAL.) :	18,500	-	70,452	60,667	80,667	-	-	-	-	-
37	MONTHLY BILL:	-46.0%	-	-25.9%	-18.8%	-14.9%	-	-	-	-	-

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

PARADISE VALLEY COMMERCIAL CUTOMERS - 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.) :	-	-	30,000	60,200	100,205	12,500	-	78,000	-	-
37	MONTHLY BILL:	$ -	$ -	$ 49.11	$ 98.45	$ 162.07	$ 98.69	$ -	$ 371.46	$ -	$ -

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

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	$8.00	$8.35	$13.35	$26.35	$41.35	$77.35	$128.35	$256.60	$512.80	$1,025.20
2	1,000	9.06	9.41	14.41	27.41	42.41	78.41	129.41	257.66	513.86	1,026.26
3	2,000	10.12	10.47	15.47	28.47	43.47	79.47	130.47	258.72	514.92	1,027.32
4	3,000	11.18	11.53	16.53	29.53	44.53	80.53	131.53	259.78	515.98	1,028.38
5	4,000	12.24	12.59	17.59	30.59	45.59	81.59	132.59	260.84	517.04	1,029.44
6	5,000	13.30	13.65	18.65	31.65	46.65	82.65	133.65	261.90	518.10	1,030.50
7	6,000	14.36	14.71	19.71	32.71	47.71	83.71	134.71	262.96	519.16	1,031.56
8	7,000	15.42	15.77	20.77	33.77	48.77	84.77	135.77	264.02	520.22	1,032.62
9	8,000	16.48	16.83	21.83	34.83	49.83	85.83	136.83	265.08	521.28	1,033.68
10	9,000	17.54	17.89	22.89	35.89	50.89	86.89	137.89	266.14	522.34	1,034.74
11	10,000	18.60	18.95	23.95	36.95	51.95	87.95	138.95	267.20	523.40	1,035.80
12	15,000	23.90	24.25	29.25	42.25	57.25	93.25	144.25	272.50	528.70	1,041.10
13	20,000	29.20	29.55	34.55	47.55	62.55	98.55	149.55	277.80	534.00	1,046.40
14	25,000	34.50	34.85	39.85	52.85	67.85	103.85	154.85	283.10	539.30	1,051.70
15	50,000	61.00	61.35	66.35	79.35	94.35	130.35	181.35	309.60	565.80	1,078.20
16	75,000	87.50	87.85	92.85	105.85	120.85	156.85	207.85	336.10	592.30	1,104.70
17	100,000	114.00	114.35	119.35	132.35	147.35	183.35	234.35	362.60	618.80	1,131.20
18	125,000	140.50	140.85	145.85	158.85	173.85	209.85	260.85	389.10	645.30	1,157.70
19	150,000	167.00	167.35	172.35	185.35	200.35	236.35	287.35	415.60	671.80	1,184.20
20	175,000	193.50	193.85	198.85	211.85	226.85	262.85	313.85	442.10	698.30	1,210.70
21	200,000	220.00	220.35	225.35	238.35	253.35	289.35	340.35	468.60	724.80	1,237.20
22	250,000	273.00	273.35	278.35	291.35	306.35	342.35	393.35	521.60	777.80	1,290.20
23	500,000	567.00	567.35	572.35	585.35	600.35	636.35	687.35	815.60	1,071.80	1,584.20
24	1,000,000	1,242.00	1,242.35	1,247.35	1,260.35	1,275.35	1,311.35	1,362.35	1,490.60	1,746.80	2,259.20
25	2,000,000	2,592.00	2,592.35	2,597.35	2,610.35	2,625.35	2,661.35	2,712.35	2,840.60	3,096.80	3,609.20
26	3,000,000	3,942.00	3,942.35	3,947.35	3,960.35	3,975.35	4,011.35	4,062.35	4,190.60	4,446.80	4,959.20
27	4,000,000	5,292.00	5,292.35	5,297.35	5,310.35	5,325.35	5,361.35	5,412.35	5,540.60	5,796.80	6,309.20
28	5,000,000	6,642.00	6,642.35	6,647.35	6,660.35	6,675.35	6,711.35	6,762.35	6,890.60	7,146.80	7,659.20
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:	$ 14.36	$ -	$ 90.94	$ 133.70	$ 379.73	$ 522.13	$ 128.35	$ 2,244.32	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	-	-	30,000	60,200	100,205	12,500	-	78,000	-	-
37	MONTHLY BILL:	$ -	$ -	$ 45.15	$ 90.16	$ 147.57	$ 90.60	$ -	$ 339.28	$ -	$ -

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

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	$ (0.41)	$ -	$ (0.66)	$ (1.67)	$ (3.48)	$ (6.71)	$ (11.75)	$ (23.60)	$ -	$ -
2	1,000	(0.52)	-	(0.77)	(1.78)	(3.59)	(6.82)	(11.86)	(23.71)	-	-
3	2,000	(0.63)	-	(0.88)	(1.89)	(3.70)	(6.93)	(11.97)	(23.82)	-	-
4	3,000	(0.74)	-	(0.99)	(2.00)	(3.81)	(7.04)	(12.08)	(23.93)	-	-
5	4,000	(0.85)	-	(1.10)	(2.11)	(3.92)	(7.15)	(12.19)	(24.04)	-	-
6	5,000	(0.96)	-	(1.21)	(2.22)	(4.03)	(7.26)	(12.30)	(24.15)	-	-
7	6,000	(1.07)	-	(1.32)	(2.33)	(4.14)	(7.37)	(12.41)	(24.26)	-	-
8	7,000	(1.18)	-	(1.43)	(2.44)	(4.25)	(7.48)	(12.52)	(24.37)	-	-
9	8,000	(1.29)	-	(1.54)	(2.55)	(4.36)	(7.59)	(12.63)	(24.48)	-	-
10	9,000	(1.40)	-	(1.65)	(2.66)	(4.47)	(7.70)	(12.74)	(24.59)	-	-
11	10,000	(1.51)	-	(1.76)	(2.77)	(4.58)	(7.81)	(12.85)	(24.70)	-	-
12	15,000	(2.06)	-	(2.31)	(3.32)	(5.13)	(8.36)	(13.40)	(25.25)	-	-
13	20,000	(2.61)	-	(2.86)	(3.87)	(5.68)	(8.91)	(13.95)	(25.80)	-	-
14	25,000	(3.16)	-	(3.41)	(4.42)	(6.23)	(9.46)	(14.50)	(26.35)	-	-
15	50,000	(5.91)	-	(6.16)	(7.17)	(8.98)	(12.21)	(17.25)	(29.10)	-	-
16	75,000	(8.66)	-	(8.91)	(9.92)	(11.73)	(14.96)	(20.00)	(31.85)	-	-
17	100,000	(11.41)	-	(11.66)	(12.67)	(14.48)	(17.71)	(22.75)	(34.60)	-	-
18	125,000	(14.16)	-	(14.41)	(15.42)	(17.23)	(20.46)	(25.50)	(37.35)	-	-
19	150,000	(16.91)	-	(17.16)	(18.17)	(19.98)	(23.21)	(28.25)	(40.10)	-	-
20	175,000	(19.66)	-	(19.91)	(20.92)	(22.73)	(25.96)	(31.00)	(42.85)	-	-
21	200,000	(22.41)	-	(22.66)	(23.67)	(25.48)	(28.71)	(33.75)	(45.60)	-	-
22	250,000	(27.91)	-	(28.16)	(29.17)	(30.98)	(34.21)	(39.25)	(51.10)	-	-
23	500,000	(55.41)	-	(55.66)	(56.67)	(58.48)	(61.71)	(66.75)	(78.60)	-	-
24	1,000,000	(110.41)	-	(110.66)	(111.67)	(113.48)	(116.71)	(121.75)	(133.60)	-	-
25	2,000,000	(220.41)	-	(220.66)	(221.67)	(223.48)	(226.71)	(231.75)	(243.60)	-	-
26	3,000,000	(330.41)	-	(330.66)	(331.67)	(333.48)	(336.71)	(341.75)	(353.60)	-	-
27	4,000,000	(440.41)	-	(440.66)	(441.67)	(443.48)	(446.71)	(451.75)	(463.60)	-	-
28	5,000,000	(550.41)	-	(550.66)	(551.67)	(553.48)	(556.71)	(561.75)	(573.60)	-	-
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:	$ (1.06)	$ -	$ (8.71)	$ (12.81)	$ (38.60)	$ (52.41)	$ (11.75)	$ (195.02)	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	-	-	30,000	60,200	100,205	12,500	-	78,000	-	-
37	MONTHLY BILL:	$ -	$ -	$ (3.96)	$ (8.29)	$ (14.50)	$ (8.09)	$ -	$ (32.18)	$ -	$ -

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

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	-4.9%	-	-4.7%	-6.0%	-7.8%	-8.0%	-8.4%	-8.4%	-	-
2	1,000	-5.4%	-	-5.1%	-6.1%	-7.8%	-8.0%	-8.4%	-8.4%	-	-
3	2,000	-5.9%	-	-5.4%	-6.2%	-7.8%	-8.0%	-8.4%	-8.4%	-	-
4	3,000	-6.2%	-	-5.7%	-6.3%	-7.9%	-8.0%	-8.4%	-8.4%	-	-
5	4,000	-6.5%	-	-5.9%	-6.5%	-7.9%	-8.1%	-8.4%	-8.4%	-	-
6	5,000	-6.7%	-	-6.1%	-6.6%	-8.0%	-8.1%	-8.4%	-8.4%	-	-
7	6,000	-6.9%	-	-6.3%	-6.6%	-8.0%	-8.1%	-8.4%	-8.4%	-	-
8	7,000	-7.1%	-	-6.4%	-6.7%	-8.0%	-8.1%	-8.4%	-8.5%	-	-
9	8,000	-7.3%	-	-6.6%	-6.8%	-8.0%	-8.1%	-8.5%	-8.5%	-	-
10	9,000	-7.4%	-	-6.7%	-6.9%	-8.1%	-8.1%	-8.5%	-8.5%	-	-
11	10,000	-7.5%	-	-6.8%	-7.0%	-8.1%	-8.2%	-8.5%	-8.5%	-	-
12	15,000	-7.9%	-	-7.3%	-7.3%	-8.2%	-8.2%	-8.5%	-8.5%	-	-
13	20,000	-8.2%	-	-7.6%	-7.5%	-8.3%	-8.3%	-8.5%	-8.5%	-	-
14	25,000	-8.4%	-	-7.9%	-7.7%	-8.4%	-8.3%	-8.6%	-8.5%	-	-
15	50,000	-8.8%	-	-8.5%	-8.3%	-8.7%	-8.6%	-8.7%	-8.6%	-	-
16	75,000	-9.0%	-	-8.8%	-8.6%	-8.8%	-8.7%	-8.8%	-8.7%	-	-
17	100,000	-9.1%	-	-8.9%	-8.7%	-8.9%	-8.8%	-8.8%	-8.7%	-	-
18	125,000	-9.2%	-	-9.0%	-8.8%	-9.0%	-8.9%	-8.9%	-8.8%	-	-
19	150,000	-9.2%	-	-9.1%	-8.9%	-9.1%	-8.9%	-9.0%	-8.8%	-	-
20	175,000	-9.2%	-	-9.1%	-9.0%	-9.1%	-9.0%	-9.0%	-8.8%	-	-
21	200,000	-9.2%	-	-9.1%	-9.0%	-9.1%	-9.0%	-9.0%	-8.9%	-	-
22	250,000	-9.3%	-	-9.2%	-9.1%	-9.2%	-9.1%	-9.1%	-8.9%	-	-
23	500,000	-8.9%	-	-8.9%	-8.8%	-8.9%	-8.8%	-8.9%	-8.8%	-	-
24	1,000,000	-8.2%	-	-8.1%	-8.1%	-8.2%	-8.2%	-8.2%	-8.2%	-	-
25	2,000,000	-7.8%	-	-7.8%	-7.8%	-7.8%	-7.8%	-7.9%	-7.9%	-	-
26	3,000,000	-7.7%	-	-7.7%	-7.7%	-7.7%	-7.7%	-7.8%	-7.8%	-	-
27	4,000,000	-7.7%	-	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-	-
28	5,000,000	-7.7%	-	-7.7%	-7.6%	-7.7%	-7.7%	-7.7%	-7.7%	-	-
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	0	1,558,313	-	-
34	MONTHLY BILL:	-6.9%	-	-8.7%	-8.7%	-9.2%	-9.1%	-8.4%	-8.0%	-	-
35											
36	MEDIAN USE (GAL.) :	-	-	30,000	60,200	100,205	12,500	-	78,000	-	-
37	MONTHLY BILL:	-	-	-8.1%	-8.4%	-8.9%	-8.2%	-	-8.7%	-	-

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

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	$ -	$ -	$ -	$ -

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

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	$ -	$ -	$ -	$ -	$ -	$ 77.70	$ 77.70	$ -	$ -	$ -	$ -
2	1,000	-	-	-	-	-	78.52	78.52	-	-	-	-
3	2,000	-	-	-	-	-	79.34	79.34	-	-	-	-
4	3,000	-	-	-	-	-	80.16	80.16	-	-	-	-
5	4,000	-	-	-	-	-	80.98	80.98	-	-	-	-
6	5,000	-	-	-	-	-	81.80	81.80	-	-	-	-
7	6,000	-	-	-	-	-	82.62	82.62	-	-	-	-
8	7,000	-	-	-	-	-	83.44	83.44	-	-	-	-
9	8,000	-	-	-	-	-	84.26	84.26	-	-	-	-
10	9,000	-	-	-	-	-	85.08	85.08	-	-	-	-
11	10,000	-	-	-	-	-	85.90	85.90	-	-	-	-
12	15,000	-	-	-	-	-	90.00	90.00	-	-	-	-
13	20,000	-	-	-	-	-	94.10	94.10	-	-	-	-
14	25,000	-	-	-	-	-	98.20	98.20	-	-	-	-
15	50,000	-	-	-	-	-	118.70	118.70	-	-	-	-
16	75,000	-	-	-	-	-	139.20	139.20	-	-	-	-
17	100,000	-	-	-	-	-	159.70	159.70	-	-	-	-
18	125,000	-	-	-	-	-	180.20	180.20	-	-	-	-
19	150,000	-	-	-	-	-	200.70	200.70	-	-	-	-
20	175,000	-	-	-	-	-	221.20	221.20	-	-	-	-
21	200,000	-	-	-	-	-	241.70	241.70	-	-	-	-
22	250,000	-	-	-	-	-	282.70	282.70	-	-	-	-
23	500,000	-	-	-	-	-	487.70	487.70	-	-	-	-
24	1,000,000	-	-	-	-	-	897.70	897.70	-	-	-	-
25	2,000,000	-	-	-	-	-	1,717.70	1,717.70	-	-	-	-
26	3,000,000	-	-	-	-	-	2,537.70	2,537.70	-	-	-	-
27	4,000,000	-	-	-	-	-	3,357.70	3,357.70	-	-	-	-
28	5,000,000	-	-	-	-	-	4,177.70	4,177.70	-	-	-	-
29												
30												
31	AVG. NO. OF CUST:	-	-	-	-	-	1	1	-	-	-	-
32												
33	AVG. USE (GAL.):	-	-	-	-	-	6,726,800	813,000	-	-	-	-
34	MONTHLY BILL:	$ -	$ -	$ -	$ -	$ -	$ 5,593.68	$ 744.36	$ -	$ -	$ -	$ -
35												
36	MEDIAN USE (GAL.) :	-	-	-	-	-	9,109,000	607,500	-	-	-	-
37	MONTHLY BILL:	$ -	$ -	$ -	$ -	$ -	$ 7,547.08	$ 575.85	$ -	$ -	$ -	$ -

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

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	$ -	$ -	$ -	$ -	$ -	$ (6.36)	$ (6.36)	$ -	$ -	$ -	$ -
2	1,000	-	-	-	-	-	(6.44)	(6.44)	-	-	-	-
3	2,000	-	-	-	-	-	(6.52)	(6.52)	-	-	-	-
4	3,000	-	-	-	-	-	(6.60)	(6.60)	-	-	-	-
5	4,000	-	-	-	-	-	(6.68)	(6.68)	-	-	-	-
6	5,000	-	-	-	-	-	(6.76)	(6.76)	-	-	-	-
7	6,000	-	-	-	-	-	(6.84)	(6.84)	-	-	-	-
8	7,000	-	-	-	-	-	(6.92)	(6.92)	-	-	-	-
9	8,000	-	-	-	-	-	(7.00)	(7.00)	-	-	-	-
10	9,000	-	-	-	-	-	(7.08)	(7.08)	-	-	-	-
11	10,000	-	-	-	-	-	(7.16)	(7.16)	-	-	-	-
12	15,000	-	-	-	-	-	(7.56)	(7.56)	-	-	-	-
13	20,000	-	-	-	-	-	(7.96)	(7.96)	-	-	-	-
14	25,000	-	-	-	-	-	(8.36)	(8.36)	-	-	-	-
15	50,000	-	-	-	-	-	(10.36)	(10.36)	-	-	-	-
16	75,000	-	-	-	-	-	(12.36)	(12.36)	-	-	-	-
17	100,000	-	-	-	-	-	(14.36)	(14.36)	-	-	-	-
18	125,000	-	-	-	-	-	(16.36)	(16.36)	-	-	-	-
19	150,000	-	-	-	-	-	(18.36)	(18.36)	-	-	-	-
20	175,000	-	-	-	-	-	(20.36)	(20.36)	-	-	-	-
21	200,000	-	-	-	-	-	(22.36)	(22.36)	-	-	-	-
22	250,000	-	-	-	-	-	(26.36)	(26.36)	-	-	-	-
23	500,000	-	-	-	-	-	(46.36)	(46.36)	-	-	-	-
24	1,000,000	-	-	-	-	-	(86.36)	(86.36)	-	-	-	-
25	2,000,000	-	-	-	-	-	(166.36)	(166.36)	-	-	-	-
26	3,000,000	-	-	-	-	-	(246.36)	(246.36)	-	-	-	-
27	4,000,000	-	-	-	-	-	(326.36)	(326.36)	-	-	-	-
28	5,000,000	-	-	-	-	-	(406.36)	(406.36)	-	-	-	-
29												
30												
31	AVG. NO. OF CUST:	-	-	-	-	-	1	1	-	-	-	-
32												
33	AVG. USE (GAL.):	-	-	-	-	-	6,726,800	813,000	-	-	-	-
34	MONTHLY BILL:	$ -	$ -	$ -	$ -	$ -	$ (544.50)	$ (71.40)	$ -	$ -	$ -	$ -
35												
36	MEDIAN USE (GAL.) :	-	-	-	-	-	9,109,000	607,500	-	-	-	-
37	MONTHLY BILL:	$ -	$ -	$ -	$ -	$ -	$ (735.08)	$ (54.96)	$ -	$ -	$ -	$ -

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

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) 3 - INCH	(H) 4 - INCH	(I) 6 - INCH	(J) 8 - INCH	(K) 10 - INCH
1	0	-	-	-	-	-	-7.6%	-7.6%	-	-	-	-
2	1,000	-	-	-	-	-	-7.6%	-7.6%	-	-	-	-
3	2,000	-	-	-	-	-	-7.6%	-7.6%	-	-	-	-
4	3,000	-	-	-	-	-	-7.6%	-7.6%	-	-	-	-
5	4,000	-	-	-	-	-	-7.6%	-7.6%	-	-	-	-
6	5,000	-	-	-	-	-	-7.6%	-7.6%	-	-	-	-
7	6,000	-	-	-	-	-	-7.6%	-7.6%	-	-	-	-
8	7,000	-	-	-	-	-	-7.7%	-7.7%	-	-	-	-
9	8,000	-	-	-	-	-	-7.7%	-7.7%	-	-	-	-
10	9,000	-	-	-	-	-	-7.7%	-7.7%	-	-	-	-
11	10,000	-	-	-	-	-	-7.7%	-7.7%	-	-	-	-
12	15,000	-	-	-	-	-	-7.7%	-7.7%	-	-	-	-
13	20,000	-	-	-	-	-	-7.8%	-7.8%	-	-	-	-
14	25,000	-	-	-	-	-	-7.8%	-7.8%	-	-	-	-
15	50,000	-	-	-	-	-	-8.0%	-8.0%	-	-	-	-
16	75,000	-	-	-	-	-	-8.2%	-8.2%	-	-	-	-
17	100,000	-	-	-	-	-	-8.3%	-8.3%	-	-	-	-
18	125,000	-	-	-	-	-	-8.3%	-8.3%	-	-	-	-
19	150,000	-	-	-	-	-	-8.4%	-8.4%	-	-	-	-
20	175,000	-	-	-	-	-	-8.4%	-8.4%	-	-	-	-
21	200,000	-	-	-	-	-	-8.5%	-8.5%	-	-	-	-
22	250,000	-	-	-	-	-	-8.5%	-8.5%	-	-	-	-
23	500,000	-	-	-	-	-	-8.7%	-8.7%	-	-	-	-
24	1,000,000	-	-	-	-	-	-8.8%	-8.8%	-	-	-	-
25	2,000,000	-	-	-	-	-	-8.8%	-8.8%	-	-	-	-
26	3,000,000	-	-	-	-	-	-8.8%	-8.8%	-	-	-	-
27	4,000,000	-	-	-	-	-	-8.9%	-8.9%	-	-	-	-
28	5,000,000	-	-	-	-	-	-8.9%	-8.9%	-	-	-	-
29												
30												
31	AVG. NO. OF CUST:	-	-	-	-	-	1	1	-	-	-	-
32												
33	AVG. USE (GAL.):	-	-	-	-	-	6,726,800	813,000	-	-	-	-
34	MONTHLY BILL:	-	-	-	-	-	-8.9%	-8.8%	-	-	-	-
35												
36	MEDIAN USE (GAL.) :	-	-	-	-	-	9,109,000	607,500	-	-	-	-
37	MONTHLY BILL:	-	-	-	-	-	-8.9%	-8.7%	-	-	-	-

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

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	-	-	-	-	-	-	-	12,817.00	-	-
3	2,000	-	-	-	-	-	-	-	12,817.00	-	-
4	3,000	-	-	-	-	-	-	-	12,817.00	-	-
5	4,000	-	-	-	-	-	-	-	12,817.00	-	-
6	5,000	-	-	-	-	-	-	-	12,817.00	-	-
7	6,000	-	-	-	-	-	-	-	12,817.00	-	-
8	7,000	-	-	-	-	-	-	-	12,817.00	-	-
9	8,000	-	-	-	-	-	-	-	12,817.00	-	-
10	9,000	-	-	-	-	-	-	-	12,817.00	-	-
11	10,000	-	-	-	-	-	-	-	12,817.00	-	-
12	15,000	-	-	-	-	-	-	-	12,817.00	-	-
13	20,000	-	-	-	-	-	-	-	12,817.00	-	-
14	25,000	-	-	-	-	-	-	-	12,817.00	-	-
15	50,000	-	-	-	-	-	-	-	12,817.00	-	-
16	75,000	-	-	-	-	-	-	-	12,817.00	-	-
17	100,000	-	-	-	-	-	-	-	12,817.00	-	-
18	125,000	-	-	-	-	-	-	-	12,817.00	-	-
19	150,000	-	-	-	-	-	-	-	12,817.00	-	-
20	175,000	-	-	-	-	-	-	-	12,817.00	-	-
21	200,000	-	-	-	-	-	-	-	12,817.00	-	-
22	250,000	-	-	-	-	-	-	-	12,817.00	-	-
23	500,000	-	-	-	-	-	-	-	12,817.00	-	-
24	1,000,000	-	-	-	-	-	-	-	12,817.00	-	-
25	2,000,000	-	-	-	-	-	-	-	12,817.00	-	-
26	3,000,000	-	-	-	-	-	-	-	12,817.00	-	-
27	4,000,000	-	-	-	-	-	-	-	12,817.00	-	-
28	5,000,000	-	-	-	-	-	-	-	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

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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,731.77	$ -	$ -
2	1,000	-	-	-	-	-	-	-	11,731.77	-	-
3	2,000	-	-	-	-	-	-	-	11,731.77	-	-
4	3,000	-	-	-	-	-	-	-	11,731.77	-	-
5	4,000	-	-	-	-	-	-	-	11,731.77	-	-
6	5,000	-	-	-	-	-	-	-	11,731.77	-	-
7	6,000	-	-	-	-	-	-	-	11,731.77	-	-
8	7,000	-	-	-	-	-	-	-	11,731.77	-	-
9	8,000	-	-	-	-	-	-	-	11,731.77	-	-
10	9,000	-	-	-	-	-	-	-	11,731.77	-	-
11	10,000	-	-	-	-	-	-	-	11,731.77	-	-
12	15,000	-	-	-	-	-	-	-	11,731.77	-	-
13	20,000	-	-	-	-	-	-	-	11,731.77	-	-
14	25,000	-	-	-	-	-	-	-	11,731.77	-	-
15	50,000	-	-	-	-	-	-	-	11,731.77	-	-
16	75,000	-	-	-	-	-	-	-	11,731.77	-	-
17	100,000	-	-	-	-	-	-	-	11,731.77	-	-
18	125,000	-	-	-	-	-	-	-	11,731.77	-	-
19	150,000	-	-	-	-	-	-	-	11,731.77	-	-
20	175,000	-	-	-	-	-	-	-	11,731.77	-	-
21	200,000	-	-	-	-	-	-	-	11,731.77	-	-
22	250,000	-	-	-	-	-	-	-	11,731.77	-	-
23	500,000	-	-	-	-	-	-	-	11,731.77	-	-
24	1,000,000	-	-	-	-	-	-	-	11,731.77	-	-
25	2,000,000	-	-	-	-	-	-	-	11,731.77	-	-
26	3,000,000	-	-	-	-	-	-	-	11,731.77	-	-
27	4,000,000	-	-	-	-	-	-	-	11,731.77	-	-
28	5,000,000	-	-	-	-	-	-	-	11,731.77	-	-
29											
30											
31	AVG. NO. OF CUST:	-	-	-	-	-	-	-	1	-	-
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	16,921,916	-	-
34	MONTHLY BILL:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,731.77	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	-	-	-	-	-	-	-	15,880,000	-	-
37	MONTHLY BILL:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,731.77	$ -	$ -

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

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	3,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$(1,085.23)	$ -	$ -
2	4,000	-	-	-	-	-	-	-	(1,085.23)	-	-
3	5,000	-	-	-	-	-	-	-	(1,085.23)	-	-
4	6,000	-	-	-	-	-	-	-	(1,085.23)	-	-
5	7,000	-	-	-	-	-	-	-	(1,085.23)	-	-
6	8,000	-	-	-	-	-	-	-	(1,085.23)	-	-
7	9,000	-	-	-	-	-	-	-	(1,085.23)	-	-
8	10,000	-	-	-	-	-	-	-	(1,085.23)	-	-
9	15,000	-	-	-	-	-	-	-	(1,085.23)	-	-
10	20,000	-	-	-	-	-	-	-	(1,085.23)	-	-
11	25,000	-	-	-	-	-	-	-	(1,085.23)	-	-
12	50,000	-	-	-	-	-	-	-	(1,085.23)	-	-
13	75,000	-	-	-	-	-	-	-	(1,085.23)	-	-
14	100,000	-	-	-	-	-	-	-	(1,085.23)	-	-
15	125,000	-	-	-	-	-	-	-	(1,085.23)	-	-
16	150,000	-	-	-	-	-	-	-	(1,085.23)	-	-
17	175,000	-	-	-	-	-	-	-	(1,085.23)	-	-
18	200,000	-	-	-	-	-	-	-	(1,085.23)	-	-
19	250,000	-	-	-	-	-	-	-	(1,085.23)	-	-
20	500,000	-	-	-	-	-	-	-	(1,085.23)	-	-
21	1,000,000	-	-	-	-	-	-	-	(1,085.23)	-	-
22	2,000,000	-	-	-	-	-	-	-	(1,085.23)	-	-
23	3,000,000	-	-	-	-	-	-	-	(1,085.23)	-	-
24	4,000,000	-	-	-	-	-	-	-	(1,085.23)	-	-
25	5,000,000	-	-	-	-	-	-	-	(1,085.23)	-	-
26	0	-	-	-	-	-	-	-	(1,085.23)	-	-
27	0	-	-	-	-	-	-	-	(1,085.23)	-	-
28	AVG. NO. OF CUST:	-	-	-	-	-	-	-	(1,085.23)	-	-
29											
30											
31	AVG. NO. OF CUST:	-	-	-	-	-	-	-	1	-	-
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	16,921,916	-	-
34	MONTHLY BILL:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$(1,085.23)	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	-	-	-	-	-	-	-	15,880,000	-	-
37	MONTHLY BILL:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$(1,085.23)	$ -	$ -

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

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	-	-	-	-	-	-	-	-8.5%	-	-
2	1,000	-	-	-	-	-	-	-	-8.5%	-	-
3	2,000	-	-	-	-	-	-	-	-8.5%	-	-
4	3,000	-	-	-	-	-	-	-	-8.5%	-	-
5	4,000	-	-	-	-	-	-	-	-8.5%	-	-
6	5,000	-	-	-	-	-	-	-	-8.5%	-	-
7	6,000	-	-	-	-	-	-	-	-8.5%	-	-
8	7,000	-	-	-	-	-	-	-	-8.5%	-	-
9	8,000	-	-	-	-	-	-	-	-8.5%	-	-
10	9,000	-	-	-	-	-	-	-	-8.5%	-	-
11	10,000	-	-	-	-	-	-	-	-8.5%	-	-
12	15,000	-	-	-	-	-	-	-	-8.5%	-	-
13	20,000	-	-	-	-	-	-	-	-8.5%	-	-
14	25,000	-	-	-	-	-	-	-	-8.5%	-	-
15	50,000	-	-	-	-	-	-	-	-8.5%	-	-
16	75,000	-	-	-	-	-	-	-	-8.5%	-	-
17	100,000	-	-	-	-	-	-	-	-8.5%	-	-
18	125,000	-	-	-	-	-	-	-	-8.5%	-	-
19	150,000	-	-	-	-	-	-	-	-8.5%	-	-
20	175,000	-	-	-	-	-	-	-	-8.5%	-	-
21	200,000	-	-	-	-	-	-	-	-8.5%	-	-
22	250,000	-	-	-	-	-	-	-	-8.5%	-	-
23	500,000	-	-	-	-	-	-	-	-8.5%	-	-
24	1,000,000	-	-	-	-	-	-	-	-8.5%	-	-
25	2,000,000	-	-	-	-	-	-	-	-8.5%	-	-
26	3,000,000	-	-	-	-	-	-	-	-8.5%	-	-
27	4,000,000	-	-	-	-	-	-	-	-8.5%	-	-
28	5,000,000	-	-	-	-	-	-	-	-8.5%	-	-
29											
30											
31	AVG. NO. OF CUST:	-	-	-	-	-	-	-	1	-	-
32											
33	AVG. USE (GAL.):	-	-	-	-	-	-	-	16,921,916	-	-
34	MONTHLY BILL:	-	-	-	-	-	-	-	-8.5%	-	-
35											
36	MEDIAN USE (GAL.) :	-	-	-	-	-	-	-	15,880,000	-	-
37	MONTHLY BILL:	-	-	-	-	-	-	-	-8.5%	-	-

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

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	$ -	$ -	$ -	$ -	$ -

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

PARADISE VALLEY OTHER METERED 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	$ 8.00	$ -	$ 13.35	$ -	$ 41.35	$ -	$ -	$ -	$ -	$ -
2	1,000	9.19	-	14.54	-	42.54	-	-	-	-	-
3	2,000	10.38	-	15.73	-	43.73	-	-	-	-	-
4	3,000	11.57	-	16.92	-	44.92	-	-	-	-	-
5	4,000	12.76	-	18.11	-	46.11	-	-	-	-	-
6	5,000	13.95	-	19.30	-	47.30	-	-	-	-	-
7	6,000	15.14	-	20.49	-	48.49	-	-	-	-	-
8	7,000	16.33	-	21.68	-	49.68	-	-	-	-	-
9	8,000	17.52	-	22.87	-	50.87	-	-	-	-	-
10	9,000	18.71	-	24.06	-	52.06	-	-	-	-	-
11	10,000	19.90	-	25.25	-	53.25	-	-	-	-	-
12	15,000	25.85	-	31.20	-	59.20	-	-	-	-	-
13	20,000	31.80	-	37.15	-	65.15	-	-	-	-	-
14	25,000	37.75	-	43.10	-	71.10	-	-	-	-	-
15	50,000	67.50	-	72.85	-	100.85	-	-	-	-	-
16	75,000	97.25	-	102.60	-	130.60	-	-	-	-	-
17	100,000	127.00	-	132.35	-	160.35	-	-	-	-	-
18	125,000	156.75	-	162.10	-	190.10	-	-	-	-	-
19	150,000	186.50	-	191.85	-	219.85	-	-	-	-	-
20	175,000	216.25	-	221.60	-	249.60	-	-	-	-	-
21	200,000	246.00	-	251.35	-	279.35	-	-	-	-	-
22	250,000	305.50	-	310.85	-	338.85	-	-	-	-	-
23	500,000	603.00	-	608.35	-	636.35	-	-	-	-	-
24	1,000,000	1,198.00	-	1,203.35	-	1,231.35	-	-	-	-	-
25	2,000,000	2,388.00	-	2,393.35	-	2,421.35	-	-	-	-	-
26	3,000,000	3,578.00	-	3,583.35	-	3,611.35	-	-	-	-	-
27	4,000,000	4,768.00	-	4,773.35	-	4,801.35	-	-	-	-	-
28	5,000,000	5,958.00	-	5,963.35	-	5,991.35	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	4	-	9	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	887	-	43,317	-	25,955	-	-	-	-	-
34	MONTHLY BILL:	$ 9.06	$ -	$ 64.90	$ -	$ 72.24	$ -	$ -	$ -	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	2,501	-	1,438	-	9,500	-	-	-	-	-
37	MONTHLY BILL:	$ 10.98	$ -	$ 15.06	$ -	$ 52.66	$ -	$ -	$ -	$ -	$ -

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

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	$ (0.41)	$ -	$ (0.66)	$ -	$ (3.48)	$ -	$ -	$ -	$ -	$ -
2	1,000	(0.54)	-	(0.79)	-	(3.61)	-	-	-	-	-
3	2,000	(0.67)	-	(0.92)	-	(3.74)	-	-	-	-	-
4	3,000	(0.80)	-	(1.05)	-	(3.87)	-	-	-	-	-
5	4,000	(0.93)	-	(1.18)	-	(4.00)	-	-	-	-	-
6	5,000	(1.06)	-	(1.31)	-	(4.13)	-	-	-	-	-
7	6,000	(1.19)	-	(1.44)	-	(4.26)	-	-	-	-	-
8	7,000	(1.32)	-	(1.57)	-	(4.39)	-	-	-	-	-
9	8,000	(1.45)	-	(1.70)	-	(4.52)	-	-	-	-	-
10	9,000	(1.58)	-	(1.83)	-	(4.65)	-	-	-	-	-
11	10,000	(1.71)	-	(1.96)	-	(4.78)	-	-	-	-	-
12	15,000	(2.36)	-	(2.61)	-	(5.43)	-	-	-	-	-
13	20,000	(3.01)	-	(3.26)	-	(6.08)	-	-	-	-	-
14	25,000	(3.66)	-	(3.91)	-	(6.73)	-	-	-	-	-
15	50,000	(6.91)	-	(7.16)	-	(9.98)	-	-	-	-	-
16	75,000	(10.16)	-	(10.41)	-	(13.23)	-	-	-	-	-
17	100,000	(13.41)	-	(13.66)	-	(16.48)	-	-	-	-	-
18	125,000	(16.66)	-	(16.91)	-	(19.73)	-	-	-	-	-
19	150,000	(19.91)	-	(20.16)	-	(22.98)	-	-	-	-	-
20	175,000	(23.16)	-	(23.41)	-	(26.23)	-	-	-	-	-
21	200,000	(26.41)	-	(26.66)	-	(29.48)	-	-	-	-	-
22	250,000	(32.91)	-	(33.16)	-	(35.98)	-	-	-	-	-
23	500,000	(65.41)	-	(65.66)	-	(68.48)	-	-	-	-	-
24	1,000,000	(130.41)	-	(130.66)	-	(133.48)	-	-	-	-	-
25	2,000,000	(260.41)	-	(260.66)	-	(263.48)	-	-	-	-	-
26	3,000,000	(390.41)	-	(390.66)	-	(393.48)	-	-	-	-	-
27	4,000,000	(520.41)	-	(520.66)	-	(523.48)	-	-	-	-	-
28	5,000,000	(650.41)	-	(650.66)	-	(653.48)	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	4	-	9	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	887	-	43,317	-	25,955	-	-	-	-	-
34	MONTHLY BILL:	$ (0.52)	$ -	$ (6.29)	$ -	$ (6.85)	$ -	$ -	$ -	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	2,501	-	1,438	-	9,500	-	-	-	-	-
37	MONTHLY BILL:	$ (0.73)	$ -	$ (0.85)	$ -	$ (4.71)	$ -	$ -	$ -	$ -	$ -

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

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	-4.9%	-	-4.7%	-	-7.8%	-	-	-	-	-
2	1,000	-5.5%	-	-5.2%	-	-7.8%	-	-	-	-	-
3	2,000	-6.1%	-	-5.5%	-	-7.9%	-	-	-	-	-
4	3,000	-6.5%	-	-5.8%	-	-7.9%	-	-	-	-	-
5	4,000	-6.8%	-	-6.1%	-	-8.0%	-	-	-	-	-
6	5,000	-7.1%	-	-6.4%	-	-8.0%	-	-	-	-	-
7	6,000	-7.3%	-	-6.6%	-	-8.1%	-	-	-	-	-
8	7,000	-7.5%	-	-6.8%	-	-8.1%	-	-	-	-	-
9	8,000	-7.6%	-	-6.9%	-	-8.2%	-	-	-	-	-
10	9,000	-7.8%	-	-7.1%	-	-8.2%	-	-	-	-	-
11	10,000	-7.9%	-	-7.2%	-	-8.2%	-	-	-	-	-
12	15,000	-8.4%	-	-7.7%	-	-8.4%	-	-	-	-	-
13	20,000	-8.6%	-	-8.1%	-	-8.5%	-	-	-	-	-
14	25,000	-8.8%	-	-8.3%	-	-8.6%	-	-	-	-	-
15	50,000	-9.3%	-	-8.9%	-	-9.0%	-	-	-	-	-
16	75,000	-9.5%	-	-9.2%	-	-9.2%	-	-	-	-	-
17	100,000	-9.6%	-	-9.4%	-	-9.3%	-	-	-	-	-
18	125,000	-9.6%	-	-9.4%	-	-9.4%	-	-	-	-	-
19	150,000	-9.6%	-	-9.5%	-	-9.5%	-	-	-	-	-
20	175,000	-9.7%	-	-9.6%	-	-9.5%	-	-	-	-	-
21	200,000	-9.7%	-	-9.6%	-	-9.5%	-	-	-	-	-
22	250,000	-9.7%	-	-9.6%	-	-9.6%	-	-	-	-	-
23	500,000	-9.8%	-	-9.7%	-	-9.7%	-	-	-	-	-
24	1,000,000	-9.8%	-	-9.8%	-	-9.8%	-	-	-	-	-
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:	-5.4%	-	-8.8%	-	-8.7%	-	-	-	-	-
35											
36	MEDIAN USE (GAL.) :	2,501	-	1,438	-	9,500	-	-	-	-	-
37	MONTHLY BILL:	-6.2%	-	-5.3%	-	-8.2%	-	-	-	-	-

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

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	$ -	$ -	$ -	$ -	$ -

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

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	$ -	$ -	$ -	$ -	$ -

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

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)	$ -	$ -	$ -	$ -	$ -

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

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%	-	-	-	-	-

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

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

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	$ -	$ -	$ -	$ -

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

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)	$ -	$ -	$ -	$ -

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

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%	-	-	-	-

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

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	$ -	$ -	$ -	$ -	$ -

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

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	$ 8.35	$ -	$ 13.70	$ -	$ 41.70	$ -	$ -	$ -	$ -	$ -
2	1,000	9.54	-	14.89	-	42.89	-	-	-	-	-
3	2,000	10.73	-	16.08	-	44.08	-	-	-	-	-
4	3,000	11.92	-	17.27	-	45.27	-	-	-	-	-
5	4,000	13.11	-	18.46	-	46.46	-	-	-	-	-
6	5,000	14.30	-	19.65	-	47.65	-	-	-	-	-
7	6,000	15.48	-	20.83	-	48.83	-	-	-	-	-
8	7,000	16.67	-	22.02	-	50.02	-	-	-	-	-
9	8,000	17.86	-	23.21	-	51.21	-	-	-	-	-
10	9,000	19.05	-	24.40	-	52.40	-	-	-	-	-
11	10,000	20.24	-	25.59	-	53.59	-	-	-	-	-
12	15,000	26.19	-	31.54	-	59.54	-	-	-	-	-
13	20,000	32.13	-	37.48	-	65.48	-	-	-	-	-
14	25,000	38.08	-	43.43	-	71.43	-	-	-	-	-
15	50,000	67.81	-	73.16	-	101.16	-	-	-	-	-
16	75,000	97.54	-	102.89	-	130.89	-	-	-	-	-
17	100,000	127.26	-	132.61	-	160.61	-	-	-	-	-
18	125,000	156.99	-	162.34	-	190.34	-	-	-	-	-
19	150,000	186.72	-	192.07	-	220.07	-	-	-	-	-
20	175,000	216.45	-	221.80	-	249.80	-	-	-	-	-
21	200,000	246.18	-	251.53	-	279.53	-	-	-	-	-
22	250,000	305.63	-	310.98	-	338.98	-	-	-	-	-
23	500,000	602.92	-	608.27	-	636.27	-	-	-	-	-
24	1,000,000	1,197.48	-	1,202.83	-	1,230.83	-	-	-	-	-
25	2,000,000	2,386.62	-	2,391.97	-	2,419.97	-	-	-	-	-
26	3,000,000	3,575.75	-	3,581.10	-	3,609.10	-	-	-	-	-
27	4,000,000	4,764.89	-	4,770.24	-	4,798.24	-	-	-	-	-
28	5,000,000	5,954.02	-	5,959.37	-	5,987.37	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	5	-	10	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	30,000	-	30,000	-	30,000	-	-	-	-	-
34	MONTHLY BILL:	$ 44.02	$ -	$ 49.37	$ -	$ 77.37	$ -	$ -	$ -	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	25,500	-	25,500	-	25,500	-	-	-	-	-
37	MONTHLY BILL:	$ 38.67	$ -	$ 44.02	$ -	$ 72.02	$ -	$ -	$ -	$ -	$ -

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

PARADISE VALLEY SALES FOR RESALE - 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	$ (0.06)	$ -	$ (0.31)	$ -	$ (3.13)	$ -	$ -	$ -	$ -	$ -
2	1,000	(0.19)	-	(0.44)	-	(3.26)	-	-	-	-	-
3	2,000	(0.32)	-	(0.57)	-	(3.39)	-	-	-	-	-
4	3,000	(0.45)	-	(0.70)	-	(3.52)	-	-	-	-	-
5	4,000	(0.58)	-	(0.83)	-	(3.65)	-	-	-	-	-
6	5,000	(0.71)	-	(0.96)	-	(3.78)	-	-	-	-	-
7	6,000	(0.85)	-	(1.10)	-	(3.92)	-	-	-	-	-
8	7,000	(0.98)	-	(1.23)	-	(4.05)	-	-	-	-	-
9	8,000	(1.11)	-	(1.36)	-	(4.18)	-	-	-	-	-
10	9,000	(1.24)	-	(1.49)	-	(4.31)	-	-	-	-	-
11	10,000	(1.37)	-	(1.62)	-	(4.44)	-	-	-	-	-
12	15,000	(2.02)	-	(2.27)	-	(5.09)	-	-	-	-	-
13	20,000	(2.68)	-	(2.93)	-	(5.75)	-	-	-	-	-
14	25,000	(3.33)	-	(3.58)	-	(6.40)	-	-	-	-	-
15	50,000	(6.60)	-	(6.85)	-	(9.67)	-	-	-	-	-
16	75,000	(9.87)	-	(10.12)	-	(12.94)	-	-	-	-	-
17	100,000	(13.15)	-	(13.40)	-	(16.22)	-	-	-	-	-
18	125,000	(16.42)	-	(16.67)	-	(19.49)	-	-	-	-	-
19	150,000	(19.69)	-	(19.94)	-	(22.76)	-	-	-	-	-
20	175,000	(22.96)	-	(23.21)	-	(26.03)	-	-	-	-	-
21	200,000	(26.23)	-	(26.48)	-	(29.30)	-	-	-	-	-
22	250,000	(32.78)	-	(33.03)	-	(35.85)	-	-	-	-	-
23	500,000	(65.49)	-	(65.74)	-	(68.56)	-	-	-	-	-
24	1,000,000	(130.93)	-	(131.18)	-	(134.00)	-	-	-	-	-
25	2,000,000	(261.79)	-	(262.04)	-	(264.86)	-	-	-	-	-
26	3,000,000	(392.66)	-	(392.91)	-	(395.73)	-	-	-	-	-
27	4,000,000	(523.52)	-	(523.77)	-	(526.59)	-	-	-	-	-
28	5,000,000	(654.39)	-	(654.64)	-	(657.46)	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	5	-	10	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	30,000	-	30,000	-	30,000	-	-	-	-	-
34	MONTHLY BILL:	$ (3.99)	$ -	$ (4.24)	$ -	$ (7.06)	$ -	$ -	$ -	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	25,500	-	25,500	-	25,500	-	-	-	-	-
37	MONTHLY BILL:	$ (3.40)	$ -	$ (3.65)	$ -	$ (6.47)	$ -	$ -	$ -	$ -	$ -

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

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	-0.7%	-	-2.2%	-	-7.0%	-	-	-	-	-
2	1,000	-2.0%	-	-2.9%	-	-7.1%	-	-	-	-	-
3	2,000	-2.9%	-	-3.4%	-	-7.1%	-	-	-	-	-
4	3,000	-3.6%	-	-3.9%	-	-7.2%	-	-	-	-	-
5	4,000	-4.2%	-	-4.3%	-	-7.3%	-	-	-	-	-
6	5,000	-4.7%	-	-4.7%	-	-7.3%	-	-	-	-	-
7	6,000	-5.2%	-	-5.0%	-	-7.4%	-	-	-	-	-
8	7,000	-5.6%	-	-5.3%	-	-7.5%	-	-	-	-	-
9	8,000	-5.9%	-	-5.5%	-	-7.5%	-	-	-	-	-
10	9,000	-6.1%	-	-5.8%	-	-7.6%	-	-	-	-	-
11	10,000	-6.3%	-	-6.0%	-	-7.7%	-	-	-	-	-
12	15,000	-7.2%	-	-6.7%	-	-7.9%	-	-	-	-	-
13	20,000	-7.7%	-	-7.3%	-	-8.1%	-	-	-	-	-
14	25,000	-8.0%	-	-7.6%	-	-8.2%	-	-	-	-	-
15	50,000	-8.9%	-	-8.6%	-	-8.7%	-	-	-	-	-
16	75,000	-9.2%	-	-9.0%	-	-9.0%	-	-	-	-	-
17	100,000	-9.4%	-	-9.2%	-	-9.2%	-	-	-	-	-
18	125,000	-9.5%	-	-9.3%	-	-9.3%	-	-	-	-	-
19	150,000	-9.5%	-	-9.4%	-	-9.4%	-	-	-	-	-
20	175,000	-9.6%	-	-9.5%	-	-9.4%	-	-	-	-	-
21	200,000	-9.6%	-	-9.5%	-	-9.5%	-	-	-	-	-
22	250,000	-9.7%	-	-9.6%	-	-9.6%	-	-	-	-	-
23	500,000	-9.8%	-	-9.8%	-	-9.7%	-	-	-	-	-
24	1,000,000	-9.9%	-	-9.8%	-	-9.8%	-	-	-	-	-
25	2,000,000	-9.9%	-	-9.9%	-	-9.9%	-	-	-	-	-
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:	-8.3%	-	-7.9%	-	-8.4%	-	-	-	-	-
35											
36	MEDIAN USE (GAL.) :	25,500	-	25,500	-	25,500	-	-	-	-	-
37	MONTHLY BILL:	-8.1%	-	-7.7%	-	-8.2%	-	-	-	-	-

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

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	$ 589,279	$ 2,835,989	$ 3,425,268
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

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

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

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

PARADISE VALLEY COUNTRY CLUB CONTRACT RATE

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	-	-	-
7	4 - INCH	-	-	-
8	6 - INCH	$140,781	$0	140,781
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	$ 140,781	$ -	$ 140,781
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

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

PARADISE VALLEY FIRE HYDRANT

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	$ 3,603	$ -	$ 3,603
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
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

PARADISE VALLEY IRRIGATION

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	804	-	804
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	$ 804	$ -	$ 804
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

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%

EXHIBIT
RUCO-8
admitted

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

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

Q. What areas will your surrebuttal testimony address?

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

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

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

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

RATE BASE

Plant Held for Future Use ("PHFFU")

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

A. No.

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

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

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

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

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

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

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

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

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

Finally, in reviewing Commission Decision No. 67093, Staff proposed an adjustment to remove $2,270,531 from plant the Company recorded at the end of the test year. "Arizona-American accepted Staff's plant-in-service adjustments[1]" as "not-used-and-useful plant."

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

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

[1] Arizona Corporation Commission Decision No. 67093, page 7, line 27.

Gain on Sale of Land

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

A. No.

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

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

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

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

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

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

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

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

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

A. RUCO recommendations are as follows:

1. RUCO accepts Company's 50/50 sharing of gain.
2. RUCO recommends sharing the gain on a pre-tax basis.
3. RUCO recommends rate basing the ratepayers' share of gain as a regulatory liability, and
4. amortize the liability over five years against depreciation expense and pay the income tax on the gain over five years.

Capitalized Expenses

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

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

Working Capital

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

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

1. The Company agrees with RUCO's adjustment that reconciles the Company's lead/lag study expense amounts with the adjusted test year expenses shown on Schedule C-1 of the Company's application.

2. The Company agrees with RUCO's adjustment to increase working capital by $7,774 for the Mummy Mountain acquisition cost as authorized by the Commission.

3. The Company agreed with RUCO's adjustment to include interest expense in the Company's lead/lag study with the condition that all capital costs be included, including the cost of equity. RUCO disagrees with the Company's conditional agreement to include cost of equity and will discuss the reason later in my testimony.

4. The Company agreed to restate Paradise Valley's ("PV") revenue lag to 38.3 days as calculated by RUCO using an actual PV bill sample.

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

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

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

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

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

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

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

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

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

1. Depreciation & Amortization Expense – was added.
2. Return on Equity and Interest – was added.
3. Purchased Water Expense – was removed.
4. Goods and Services Expense – was revamped and broke out into several sub-accounts.
   - Insurance Other Than Group – was added.
   - Chemicals Expense – was added.
   - Other Operating Expenses – was added.
   - Taxes Other Than Income – was added to combine several accounts.
   - Management Fees – was added.
5. Group Insurance – had revised lead expense days.
   - Pension Expense – had expense lag days not provided in application.
   - Rent Expense – had revised expense lead days.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Please discuss the fourth of these items?

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

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

Q. Please discuss the last item you have identified.

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

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

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

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

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

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

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

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

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

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

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

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

RATE DESIGN

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

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

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

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Q. Does this conclude your surrebuttal testimony?

A. Yes.

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

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

Q. What areas will your surrebuttal testimony address?

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

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

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

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

RATE BASE

Plant Held for Future Use ("PHFFU")

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

A. No.

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

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

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

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

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

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

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

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

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

Finally, in reviewing Commission Decision No. 67093, Staff proposed an adjustment to remove $2,270,531 from plant the Company recorded at the end of the test year. "Arizona-American accepted Staff's plant-in-service adjustments[1]" as "not-used-and-useful plant."

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

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

[1] Arizona Corporation Commission Decision No. 67093, page 7, line 27.

Gain on Sale of Land

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

A. No.

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

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

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

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

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

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

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

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

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

A. RUCO recommendations are as follows:

1. RUCO accepts Company's 50/50 sharing of gain.
2. RUCO recommends sharing the gain on a pre-tax basis.
3. RUCO recommends rate basing the ratepayers' share of gain as a regulatory liability, and
4. amortize the liability over five years against depreciation expense and pay the income tax on the gain over five years.

Capitalized Expenses

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

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

Working Capital

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

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

1. The Company agrees with RUCO's adjustment that reconciles the Company's lead/lag study expense amounts with the adjusted test year expenses shown on Schedule C-1 of the Company's application.

2. The Company agrees with RUCO's adjustment to increase working capital by $7,774 for the Mummy Mountain acquisition cost as authorized by the Commission.

3. The Company agreed with RUCO's adjustment to include interest expense in the Company's lead/lag study with the condition that all capital costs be included, including the cost of equity. RUCO disagrees with the Company's conditional agreement to include cost of equity and will discuss the reason later in my testimony.

4. The Company agreed to restate Paradise Valley's ("PV") revenue lag to 38.3 days as calculated by RUCO using an actual PV bill sample.

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

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

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

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

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

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

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

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

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

1. Depreciation & Amortization Expense – was added.
2. Return on Equity and Interest – was added.
3. Purchased Water Expense – was removed.
4. Goods and Services Expense – was revamped and broke out into several sub-accounts.
   - Insurance Other Than Group – was added.
   - Chemicals Expense – was added.
   - Other Operating Expenses – was added.
   - Taxes Other Than Income – was added to combine several accounts.
   - Management Fees – was added.
5. Group Insurance – had revised lead expense days.
   - Pension Expense – had expense lag days not provided in application.
   - Rent Expense – had revised expense lead days.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Please discuss the fourth of these items?

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

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

Q. Please discuss the last item you have identified.

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

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

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Q. Does this conclude your surrebuttal testimony?

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:	**REF.**
1: Property Held for Future Use (PHFFU)	TJC-3
2: Gain on Sale of Land	TJC-4
3: Capitalized Expenses	RLM-8
4: Allowance for Working Capital	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

LINE NO.	DESCRIPTION	AMOUNT
	Deferred Debits:	
1	Program Maintenance per Company	$ 90,286
2	Program Maintenance per RUCO	90,286
3	RUCO Adjustment	0
4	Mummy Mountain Acquisition Costs per Company	$ 92,528
5	Mummy Mountain Acquisition Costs per RUCO	100,302
6	RUCO Adjustment	7,774
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	(221,791)

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

ARIZONA AMERICAN WATER COMPANY
PARADISE VALLEY DISTRICT
TEST YEAR ENDED DECEMBER 10, 2004
RATE BASE ADJUSTMENT #4 - WORKING CAPITAL
LEAD/LAG DAY SUMMARY

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	-	-	-	-	-	-
15	STATE UNEMPLOYMENT INSURANCE TAX	775	7,993	(4,828)	3,165	76.0	240,540
16	STATE AUTOMOBILE LICENSE FEES	-	-	-	-	-	-
17	CAL-AM INVOICES	-	-	-	-	-	-
18	PROPERTY TAXES	213,000	213,241	-	213,241	213.5	45,526,954
19	SERVICE COMPANY	-	-	-	-	(15.0)	-
20	RENT	66,063	43,943	13,408	57,351	(8.5)	(487,484)
21	OTHER	28,467	28,467	-	28,467	30.0	854,010
22	PENSION	35,783	33,772	674	34,446	-	-
23	INTEREST	-	-	374,178	374,178	107.2	40,113,522
24	TOTAL OPERATING EXPENSES	$ 3,647,569	$ 3,711,705	$ 330,359	$ 4,042,064		$ 177,233,553
25	EXPENSE LAG					43.8	
26	REVENUE LAG					38.30	
27	NET LAG					(5.5)	
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	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY RESIDENTIAL CUSTOMERS			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY RESIDENTIAL CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	MUMMY MOUNTAIN RESIDENTIAL CUSTOMERS	1,000	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY COMMERCIAL CUSTOMERS			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY COMMERCIAL CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY TURF CUSTOMERS			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY TURF CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
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
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SURREBUTTAL

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY COUNTRY CLUB CONTRACT RATE			
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	-	-	-
10	4 - INCH	-	-	-
11	6 - INCH	$ 12,817.00	$ 261.99	$ 218.71
12	8 - INCH	-	-	-
13	10 - INCH	-	-	-
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY COUNTRY CLUB CONTRACT RATE	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	6 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	$ -	$ 0.85	$ 0.70

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 6 OF 9
SURREBUTTAL

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY OTHER METERED CUSTOMERS			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY OTHER METERED CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY FIRE HYDRANT			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY FIRE HYDRANT	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
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	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY IRRIGATION			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY IRRIGATION	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	$ 1.32	$ 1.46	$ 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 PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	PARADISE VALLEY SALES FOR RESALE			
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	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	PARADISE VALLEY SALES FOR RESALE	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	ALL METER SIZES			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM)	$ 1.32	$ 1.46	$ 1.19

SCHEDULE TJC-7

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 1 OF 9
SURREBUTTAL

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 MONHTLY MINIMUM CHARGE	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 MONHTLY 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
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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 MONHTLY MINIMUM CHARGE	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 MONHTLY MINIMUM CHARGE	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 MONHTLY MINIMUM CHARGE	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 MONHTLY MINIMUM CHARGE	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 MONHTLY MINIMUM CHARGE	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 MONHTLY MINIMUM CHARGE	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 MONHTLY MINIMUM CHARGE	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

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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	$ -	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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	$ -	$ -	$ -	$ -	$ -

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 3 OF 36
SURREBUTTAL

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)	$ -	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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

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	$ -	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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	$ -	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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

SURREBUTTAL

MUMMY MOUNTAIN 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	-3.2%	-	44.2%	93.3%	63.3%	-	-	-	-	-
2	1,000	4.8%	-	51.6%	98.4%	66.1%	-	-	-	-	-
3	2,000	-5.5%	-	34.9%	81.1%	58.2%	-	-	-	-	-
4	3,000	-12.9%	-	22.6%	67.2%	51.3%	-	-	-	-	-
5	4,000	-18.5%	-	13.2%	55.8%	45.1%	-	-	-	-	-
6	5,000	-22.9%	-	5.7%	46.3%	39.6%	-	-	-	-	-
7	6,000	-26.4%	-	-0.4%	38.2%	34.6%	-	-	-	-	-
8	7,000	-29.3%	-	-5.4%	31.3%	30.1%	-	-	-	-	-
9	8,000	-31.7%	-	-9.6%	25.4%	26.1%	-	-	-	-	-
10	9,000	-33.7%	-	-13.2%	20.1%	22.4%	-	-	-	-	-
11	10,000	-35.5%	-	-16.3%	15.5%	19.0%	-	-	-	-	-
12	15,000	-41.5%	-	-27.1%	-1.3%	5.5%	-	-	-	-	-
13	20,000	-45.1%	-	-33.5%	-11.9%	-4.0%	-	-	-	-	-
14	25,000	-47.4%	-	-37.8%	-19.2%	-11.0%	-	-	-	-	-
15	50,000	-33.5%	-	-28.4%	-18.3%	-13.5%	-	-	-	-	-
16	75,000	-28.3%	-	-24.9%	-18.0%	-14.5%	-	-	-	-	-
17	100,000	-19.1%	-	-16.5%	-11.4%	-9.1%	-	-	-	-	-
18	125,000	-12.0%	-	-10.0%	-6.0%	-4.3%	-	-	-	-	-
19	150,000	-7.3%	-	-5.6%	-2.3%	-1.0%	-	-	-	-	-
20	175,000	-3.9%	-	-2.4%	0.4%	1.4%	-	-	-	-	-
21	200,000	-1.3%	-	0.0%	2.4%	3.2%	-	-	-	-	-
22	250,000	2.4%	-	3.4%	5.3%	5.9%	-	-	-	-	-
23	500,000	9.7%	-	10.3%	11.2%	11.4%	-	-	-	-	-
24	1,000,000	13.5%	-	13.7%	14.2%	14.3%	-	-	-	-	-
25	2,000,000	15.4%	-	15.5%	15.7%	15.8%	-	-	-	-	-
26	3,000,000	16.0%	-	16.1%	16.2%	16.2%	-	-	-	-	-
27	4,000,000	16.3%	-	16.4%	16.5%	16.5%	-	-	-	-	-
28	5,000,000	16.5%	-	16.5%	16.6%	16.6%	-	-	-	-	-
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:	-34.0%	-	-16.8%	-15.1%	-6.6%	-	-	-	-	-
35											
36	MEDIAN USE (GAL.) :	18,500	-	70,452	60,667	80,667	-	-	-	-	-
37	MONTHLY BILL:	-44.2%	-	-25.3%	-18.2%	-14.4%	-	-	-	-	-

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

PARADISE VALLEY COMMERCIAL CUTOMERS - 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.) :	-	-	30,000	60,200	100,205	12,500	-	78,000	-	-
37	MONTHLY BILL:	$ -	$ -	$ 49.11	$ 98.45	$ 162.07	$ 98.69	$ -	$ 371.46	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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
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:	$ 15.07	$ -	$ 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

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)	-	-
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:	$ (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)	$ -	$ -

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

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SURREBUTTAL

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.):	5,996	-	73,194	101,275	319,228	415,396	0	1,558,313	-	-
34	MONTHLY BILL:	-2.3%	-	-8.0%	-8.3%	-9.1%	-9.0%	-7.9%	-8.0%	-	-
35											
36	MEDIAN USE (GAL.) :	-	-	30,000	60,200	100,205	12,500	-	78,000	-	-
37	MONTHLY BILL:	-	-	-6.6%	-7.7%	-8.5%	-7.5%	-	-8.5%	-	-

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

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SURREBUTTAL

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	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8
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SURREBUTTAL

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	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8
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SURREBUTTAL

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)	$ -	$ -	$ -	$ -

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

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

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

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											
31	AVG. NO. OF CUST:	-	-	-	-	-	-	-	1	-	-
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	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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)	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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%	-	-

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

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	$ -	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

PARADISE VALLEY OTHER METERED 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	$ -	$ 14.06	$ -	$ 42.06	$ -	$ -	$ -	$ -	$ -
2	1,000	9.90	-	15.25	-	43.25	-	-	-	-	-
3	2,000	11.09	-	16.44	-	44.44	-	-	-	-	-
4	3,000	12.28	-	17.63	-	45.63	-	-	-	-	-
5	4,000	13.47	-	18.82	-	46.82	-	-	-	-	-
6	5,000	14.66	-	20.01	-	48.01	-	-	-	-	-
7	6,000	15.85	-	21.20	-	49.20	-	-	-	-	-
8	7,000	17.04	-	22.39	-	50.39	-	-	-	-	-
9	8,000	18.23	-	23.58	-	51.58	-	-	-	-	-
10	9,000	19.42	-	24.77	-	52.77	-	-	-	-	-
11	10,000	20.61	-	25.96	-	53.96	-	-	-	-	-
12	15,000	26.56	-	31.91	-	59.91	-	-	-	-	-
13	20,000	32.51	-	37.86	-	65.86	-	-	-	-	-
14	25,000	38.46	-	43.81	-	71.81	-	-	-	-	-
15	50,000	68.21	-	73.56	-	101.56	-	-	-	-	-
16	75,000	97.96	-	103.31	-	131.31	-	-	-	-	-
17	100,000	127.71	-	133.06	-	161.06	-	-	-	-	-
18	125,000	157.46	-	162.81	-	190.81	-	-	-	-	-
19	150,000	187.21	-	192.56	-	220.56	-	-	-	-	-
20	175,000	216.96	-	222.31	-	250.31	-	-	-	-	-
21	200,000	246.71	-	252.06	-	280.06	-	-	-	-	-
22	250,000	306.21	-	311.56	-	339.56	-	-	-	-	-
23	500,000	603.71	-	609.06	-	637.06	-	-	-	-	-
24	1,000,000	1,198.71	-	1,204.06	-	1,232.06	-	-	-	-	-
25	2,000,000	2,388.71	-	2,394.06	-	2,422.06	-	-	-	-	-
26	3,000,000	3,578.71	-	3,584.06	-	3,612.06	-	-	-	-	-
27	4,000,000	4,768.71	-	4,774.06	-	4,802.06	-	-	-	-	-
28	5,000,000	5,958.71	-	5,964.06	-	5,992.06	-	-	-	-	-
29											
30											
31	AVG. NO. OF CUST:	4	-	9	-	4	-	-	-	-	-
32											
33	AVG. USE (GAL.):	887	-	43,317	-	25,955	-	-	-	-	-
34	MONTHLY BILL:	$ 9.77	$ -	$ 65.61	$ -	$ 72.95	$ -	$ -	$ -	$ -	$ -
35											
36	MEDIAN USE (GAL.) :	2,501	-	1,438	-	9,500	-	-	-	-	-
37	MONTHLY BILL:	$ 11.69	$ -	$ 15.77	$ -	$ 53.37	$ -	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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)	$ -	$ -	$ -	$ -	$ -

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

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%	-	-	-	-	-

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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	$ -	$ -	$ -	$ -	$ -

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

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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	$ -	$ -	$ -	$ -	$ -

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

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SURREBUTTAL

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)	$ -	$ -	$ -	$ -	$ -

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

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%	-	-	-	-	-

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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
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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	$ -	$ -	$ -	$ -

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

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)	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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%	-	-	-	-

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

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	$ -	$ -	$ -	$ -	$ -

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

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	$ -	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

PARADISE VALLEY SALES FOR RESALE - 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	$ 0.65	$ -	$ 0.40	$ -	$ (2.42)	$ -	$ -	$ -	$ -	$ -
2	1,000	0.52	-	0.27	-	(2.55)	-	-	-	-	-
3	2,000	0.39	-	0.14	-	(2.68)	-	-	-	-	-
4	3,000	0.26	-	0.01	-	(2.81)	-	-	-	-	-
5	4,000	0.13	-	(0.12)	-	(2.94)	-	-	-	-	-
6	5,000	-	-	(0.25)	-	(3.07)	-	-	-	-	-
7	6,000	(0.14)	-	(0.39)	-	(3.21)	-	-	-	-	-
8	7,000	(0.27)	-	(0.52)	-	(3.34)	-	-	-	-	-
9	8,000	(0.40)	-	(0.65)	-	(3.47)	-	-	-	-	-
10	9,000	(0.53)	-	(0.78)	-	(3.60)	-	-	-	-	-
11	10,000	(0.66)	-	(0.91)	-	(3.73)	-	-	-	-	-
12	15,000	(1.31)	-	(1.56)	-	(4.38)	-	-	-	-	-
13	20,000	(1.97)	-	(2.22)	-	(5.04)	-	-	-	-	-
14	25,000	(2.62)	-	(2.87)	-	(5.69)	-	-	-	-	-
15	50,000	(5.89)	-	(6.14)	-	(8.96)	-	-	-	-	-
16	75,000	(9.16)	-	(9.41)	-	(12.23)	-	-	-	-	-
17	100,000	(12.44)	-	(12.69)	-	(15.51)	-	-	-	-	-
18	125,000	(15.71)	-	(15.96)	-	(18.78)	-	-	-	-	-
19	150,000	(18.98)	-	(19.23)	-	(22.05)	-	-	-	-	-
20	175,000	(22.25)	-	(22.50)	-	(25.32)	-	-	-	-	-
21	200,000	(25.52)	-	(25.77)	-	(28.59)	-	-	-	-	-
22	250,000	(32.07)	-	(32.32)	-	(35.14)	-	-	-	-	-
23	500,000	(64.78)	-	(65.03)	-	(67.85)	-	-	-	-	-
24	1,000,000	(130.22)	-	(130.47)	-	(133.29)	-	-	-	-	-
25	2,000,000	(261.08)	-	(261.33)	-	(264.15)	-	-	-	-	-
26	3,000,000	(391.95)	-	(392.20)	-	(395.02)	-	-	-	-	-
27	4,000,000	(522.81)	-	(523.06)	-	(525.88)	-	-	-	-	-
28	5,000,000	(653.68)	-	(653.93)	-	(656.75)	-	-	-	-	-
29											
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)	$ -	$ -	$ -	$ -	$ -

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

DOCKET NO. W-01303A-05-0405
SCHEDULE TJC-8

SURREBUTTAL

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%	-	-9.8%	-	-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	$ 589,279	$ 2,835,989	$ 3,425,268
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

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

DOCKET NO. W-01303A-05-0405
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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
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
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

DOCKET NO. W-01303A-05-0405
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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

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

PARADISE VALLEY FIRE HYDRANT

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	$ 3,603	$ -	$ 3,603
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
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

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

PARADISE VALLEY IRRIGATION

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	804	-	804
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	$ 804	$ -	$ 804
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

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%

EXHIBIT
RUCO-9
admitted

ARIZONA AMERICAN WATER COMPANY, INC.
(PARADISE VALLEY WATER DISTRICT)

DOCKET NO. W-01303A-05-0405

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JANUARY 17, 2006

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INTRODUCTION

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

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

Q. Please state your educational background and your qualifications in the field of utilities regulation.

A. Appendix I, which is attached to this testimony, describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present recommendations that are based on my analysis of Arizona-American Water Company's ("Arizona-American" or "Company") application for a permanent rate increase ("Application") for the Company's Paradise Valley Water District ("PV Water").

Q. Briefly describe Arizona-American.

A. In addition to PV Water, Arizona-American operates ten other water and wastewater systems in Arizona. The Company is a subsidiary of American Water, which is based in Voorhees, New Jersey. According to

information contained on American Water's website[1] American Water provides water and wastewater service to customers in nineteen other states (including California, Hawaii and New Mexico in the western U.S.) and three Canadian provinces. Both American Water and its sister company Thames Water (which serves communities in the United Kingdom), are presently owned by RWE AG, a large multinational utility holding company headquartered in Essen, Germany[2].

Q. Please explain your role in RUCO's analysis of Arizona-American's Application.

A. I reviewed Arizona-American's Application and performed a cost of capital analysis to determine a fair rate of return on the Company's invested capital. In addition to my recommended capital structure, my direct testimony will present my recommended costs of common equity and my recommended cost of debt (the Company has no preferred stock). The recommendations contained in this testimony are based on information obtained from Company responses to data requests, the Company's

[1] http://www.amwater.com

[2] In a press release dated November 4, 2005, RWE AG announced its intentions to divest both of its water business segments, which include Thames Water in the UK and American Water in North America. RWE stated that it had made the decision because the Company believes it can make better use of its core strengths by concentrating on the converging European electricity and gas markets. RWE also stated that limited synergies between its North American and UK water businesses and its European energy business were a major factor in the decision. RWE AG further stated that its aim is to temporarily increase its dividend payout ratio on completion of each transaction and to reduce debt.

Application and from market-based research that I conducted during my analysis.

Q. Is this your first case involving Arizona-American?

A. No. In addition to providing testimony, as a witness for RUCO, on the cost of capital issues associated with the Company's last rate case proceeding before the ACC[3], I also recommended, as a Senior Rate Analyst on the ACC Staff, that the Commission reauthorize a revolving line of credit for PV Water[4].

Q. Were you also responsible for conducting an analysis on the Company's proposed revenue level, rate base, rate design, and surcharges which are designed to encourage water conservation, to recover the costs associated with public safety improvements (i.e. fire flow capital improvement), and to comply with the U.S. Environmental Protection Agency's ("EPA") revised arsenic standard which goes into effect this year?

A. No. RUCO witnesses Rodney L. Moore, Timothy J. Coley, and Marylee Diaz Cortez, CPA, handled those aspects of the Company's Application. The operating revenue and expense issues associated with this case will be covered in the direct testimony of Mr. Moore. Mr. Moore will also

[3] Docket No. W-01335A-02-0867 et al.

[4] Docket No. W-01335A-00-0327

provide testimony on the Company's request for an arsenic cost recovery mechanism ("ACRM"). Mr. Coley will provide direct testimony on RUCO's recommendations regarding rate base and rate design. Ms. Diaz Cortez will address Arizona-American's requests for surcharges to encourage water conservation and to provide cost recovery for the Company-proposed fire flow capital improvement plan ("FFIP").

Q. What areas will you address in your testimony?

A. I will address the cost of capital issues associated with the case.

Q. Please identify the exhibits that you are sponsoring.

A. I am sponsoring Schedules WAR-1 through WAR-9.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. Briefly summarize how your cost of capital testimony is organized.

A. My cost of capital testimony is organized into three sections. First, I will present the findings of my cost of equity capital analysis, which utilized both the discounted cash flow ("DCF") method, and the capital asset pricing model ("CAPM"). These are the two methods that RUCO and ACC Staff have consistently used for calculating the cost of equity capital in rate case proceedings in the past, and are the methodologies that the ACC has given the most weight to in setting allowed rates of returns for utilities that operate in the Arizona jurisdiction. In this first section I will also

provide a brief overview of the current economic climate that Arizona-American is operating in. Second, I will compare my recommended capital structure with the Company-proposed capital structure. Third, I will comment on Arizona-American's cost of capital testimony. Schedules WAR-1 through WAR-9 will provide support for my cost of capital analysis.

Q. Please summarize the recommendations and adjustments that you will address in your testimony.

A. Based on the results of my analysis of Arizona-American, I am making the following recommendations:

Cost of Equity Capital – I am recommending a 10.00 percent cost of equity capital. This 10.00 percent figure is based on the results that I obtained in my cost of equity analysis, which employed both the DCF and CAPM methodologies.

Cost of Debt – I am recommending that the Commission adopt Arizona-American's proposed 5.42 percent cost of debt. This is based on my review of the costs associated with Arizona-American's various long-term notes and payment in lieu of revenue ("PILR") financing arrangements.

Capital Structure – I am recommending that the Company-proposed capital structure, which is comprised of approximately 37 percent common equity and 63 percent debt, be adopted by the Commission.

Cost of Capital – Based on the results of my recommended capital structure, cost of common equity, and debt analyses, I am recommending a 7.10 percent cost of capital for Arizona-American. This figure represents the weighted cost of both the Company's common equity and debt.

Q. Why do you believe that your recommended 7.10 percent cost of capital is an appropriate rate of return for Arizona-American to earn on its invested capital?

A. The 7.10 percent cost of capital figure that I have recommended meets the criteria established in the landmark Supreme Court cases of Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia (262 U.S. 679, 1923) and Federal Power Commission v. Hope Natural Gas Company (320 U.S. 391, 1944). Simply stated, these two cases affirmed that a public utility that is efficiently and economically managed is entitled to a return on investment that instills confidence in its financial soundness, allows the utility to attract capital, and also allows the utility to perform its duty to provide service to ratepayers. The rate of return adopted for the utility should also be comparable to a return that investors would expect to receive from investments with similar risk.

The Hope decision allows for the rate of return to cover both the operating expenses and the "capital costs of the business" which includes interest on debt and dividend payment to shareholders. This is predicated on the belief that, in the long run, a company that cannot meet its debt obligations and provide its shareholders with an adequate rate of return will not continue to supply adequate public utility service to ratepayers.

Q. Do the Bluefield and Hope decisions indicate that a rate of return sufficient to cover all operating and capital costs is guaranteed?

A. No. Neither case *guarantees* a rate of return on utility investment. What the Bluefield and Hope decisions *do allow*, is for a utility to be provided with the *opportunity* to earn a reasonable rate of return on its investment. That is to say that a utility, such as Arizona-American, is provided with the opportunity to earn an appropriate rate of return if the Company's management exercises good judgment and manages its assets and resources in a manner that is both prudent and economically efficient.

COST OF EQUITY CAPITAL

Q. What is your recommended cost of equity capital for Arizona-American?

A. Based on the results of my DCF and CAPM analyses, which ranged from 8.63 percent to 10.55 percent for a sample of publicly traded water and gas providers, I am recommending a 10.00 percent cost of equity capital for Arizona-American. My recommended 10.00 percent figure is the

adjusted result of a DCF analysis, which utilized a sample of publicly traded water providers.

Discounted Cash Flow (DCF) Method

Q. Please explain the DCF method that you used to estimate Arizona-American's cost of equity capital.

A. The DCF method employs a stock valuation model that is often referred to as either the constant growth valuation model or the Gordon[5] model. Simply stated, the DCF model is based on the premise that the current price of a given share of common stock is determined by the present value of all of the future cash flows that will be generated by that share of common stock. The rate that is used to discount these cash flows back to their present value is often referred to as the investor's cost of capital (i.e. the cost at which an investor is willing to forego other investments in favor of the one that he or she has chosen).

Another way of looking at the investor's cost of capital is to consider it from the standpoint of a company that is offering its shares of stock to the investing public. In order to raise capital, through the sale of common stock, a company must provide a required rate of return on its stock that will attract investors to commit funds to that particular investment. In this respect, the terms "cost of capital" and "investor's required return" are one in the same. For common stock, this required return is a function of the

[5] Named after Dr. Myron J. Gordon, the professor of finance who developed the model.

dividend that is paid on the stock. The investor's required rate of return can be expressed as the percentage of the dividend that is paid on the stock (dividend yield) plus an expected rate of future dividend growth. This is illustrated in mathematical terms by the following formula:

$$k = (D_1 \div P_0) + g$$

where: k = the required return (cost of equity, equity capitalization rate),

$D_1 \div P_0$ = the dividend yield of a given share of stock calculated by dividing the expected dividend by the current market price of the given share of stock, and

g = the expected rate of future dividend growth.

This formula is the basis for the standard growth valuation model that I used to determine Arizona-American's cost of equity capital. It is similar to the model that was used by the Company.

Q. In determining the rate of future dividend growth for Arizona-American, what assumptions did you make?

A. There are two primary assumptions regarding dividend growth that must be made when using the DCF method. First, dividends will grow by a constant rate into perpetuity, and second, the dividend payout ratio will

remain at a constant rate. Both of these assumptions are predicated on the traditional DCF model's basic underlying assumption that a company's earnings, dividends, book value and share growth all increase at the same constant rate of growth into infinity. Given these assumptions, if the dividend payout ratio remains constant, so does the earnings retention ratio (the percentage of earnings that are retained by the company as opposed to being paid out in dividends). This being the case, a company's dividend growth can be measured by multiplying its retention ratio (1 - dividend payout ratio) by its book return on equity. This can be stated as g = b x r.

Q. Would you please provide an example that will illustrate the relationship that earnings, the dividend payout ratio and book value have with dividend growth?

A. RUCO consultant Stephen Hill illustrated this relationship in a Citizens Utilities Company 1993 rate case by using a hypothetical utility.[6]

Table I

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.25	$11.70	4.00%
Equity Return	10%	10%	10%	10%	10%	N/A
Earnings/Sh.	$1.00	$1.04	$1.082	$1.125	$1.170	4.00%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.649	$0.675	$0.702	4.00%

[6] Citizens Utilities Company, Arizona Gas Division, Docket No. E-1032-93-111, Prepared Testimony, dated December 10, 1993, p. 25.

Table I of Mr. Hill's illustration presents data for a five-year period on his hypothetical utility. In Year 1, the utility had a common equity or book value of $10.00 per share, an investor-expected equity return of ten percent, and a dividend payout ratio of sixty percent. This results in earnings per share of $1.00 ($10.00 book value x 10 percent equity return) and a dividend of $0.60 ($1.00 earnings/sh. x 0.60 payout ratio) during Year 1. Because forty percent (1 - 0.60 payout ratio) of the utility's earnings are retained as opposed to being paid out to investors, book value increases to $10.40 in Year 2 of Mr. Hill's illustration. Table I presents the results of this continuing scenario over the remaining five-year period.

The results displayed in Table I demonstrate that under "steady-state" (i.e. constant) conditions, book value, earnings and dividends all grow at the same constant rate. The table further illustrates that the dividend growth rate, as discussed earlier, is a function of (1) the internally generated funds or earnings that are retained by a company to become new equity, and (2) the return that an investor earns on that new equity. The DCF dividend growth rate, expressed as g = b x r, is also referred to as the internal or sustainable growth rate.

...

Q. If earnings and dividends both grow at the same rate as book value, shouldn't that rate be the sole factor in determining the DCF growth rate?

A. No. Possible changes in the expected rate of return on either common equity or the dividend payout ratio make earnings and dividend growth by themselves unreliable. This can be seen in the continuation of Mr. Hill's illustration on a hypothetical utility.

Table II

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.47	$12.158	5.00%
Equity Return	10%	10%	15%	15%	15%	10.67%
Earnings/Sh	$1.00	$1.04	$1.623	$1.720	$1.824	16.20%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.974	$1.032	$1.094	16.20%

In the example displayed in Table II, a sustainable growth rate of four percent[7] exists in Year 1 and Year 2 (as in the prior example). In Year 3, Year 4 and Year 5, however, the sustainable growth rate increases to six percent.[8] If the hypothetical utility in Mr. Hill's illustration were expected to earn a fifteen-percent return on common equity on a continuing basis, then a six percent long-term rate of growth would be reasonable. However, the compound growth rates for earnings and dividends, displayed in the last column, are 16.20 percent. If this rate were to be

[7] [(Year 2 Earnings/Sh – Year 1 Earnings/Sh) ÷ Year 1 Earnings/Sh] = [($1.04 - $1.00) ÷ $1.00] = [$0.04 ÷ $1.00] = 4.00%

[8] [(1 – Payout Ratio) x Rate of Return] = [(1 - 0.60) x 15.00%] = 0.40 x 15.00% = 6.00%

used in the DCF model, the utility's return on common equity would be expected to increase by fifty percent every five years, [(15 percent ÷ 10 percent) – 1]. This is clearly an unrealistic expectation.

Although it is not illustrated in Mr. Hill's hypothetical example, a change in only the dividend payout ratio will eventually result in a utility paying out more in dividends than it earns. While it is not uncommon for a utility in the real world to have a dividend payout ratio that exceeds one hundred percent on occasion, it would be unrealistic to expect the practice to continue over a sustained long-term period of time.

Q. Other than the retention of internally generated funds, as illustrated in Mr. Hill's hypothetical example, are there any other sources of new equity capital that can influence an investor's growth expectations for a given company?

A. Yes, a company can raise new equity capital externally. The best example of external funding would be the sale of new shares of common stock. This would create additional equity for the issuer and is often the case with utilities that are either in the process of acquiring smaller systems or providing service to rapidly growing areas.

...

Q. How does external equity financing influence the growth expectations held by investors?

A. Rational investors will put their available funds into investments that will either meet or exceed their given cost of capital (i.e. the return earned on their investment). In the case of a utility, the book value of a company's stock usually mirrors the equity portion of its rate base (the utility's earning base). Because regulators allow utilities the opportunity to earn a reasonable rate of return on rate base, an investor would take into consideration the effect that a change in book value would have on the rate of return that he or she would expect the utility to earn. If an investor believes that a utility's book value (i.e. the utility's earning base) will increase, then he or she would expect the return on the utility's common stock to increase. If this positive trend in book value continues over an extended period of time, an investor would have a reasonable expectation for sustained long-term growth.

Q. Please provide an example of how external financing affects a utility's book value of equity.

A. As I explained earlier, one way that a utility can increase its equity is by selling new shares of common stock on the open market. If these new shares are purchased at prices that are higher than those shares sold previously, the utility's book value per share will increase in value. This would increase both the earnings base of the utility and the earnings

expectations of investors. However, if new shares sold at a price below the pre-sale book value per share, the after-sale book value per share declines in value. If this downward trend continues over time, investors might view this as a decline in the utility's sustainable growth rate and will have lower expectations regarding growth. Using this same logic, if a new stock issue sells at a price per share that is the same as the pre-sale book value per share, there would be no impact on either the utility's earnings base or investor expectations.

Q. Please explain how the external component of the DCF growth rate is determined.

A. In his book, The Cost of Capital to a Public Utility,[9] Dr. Myron Gordon, the individual responsible for the development of the DCF or constant growth model, identified a growth rate that includes both expected internal and external financing components. The mathematical expression for Dr. Gordon's growth rate is as follows:

$$g = (br) + (sv)$$

where: g = DCF expected growth rate,

b = the earnings retention ratio,

r = the return on common equity,

s = the fraction of new common stock sold that accrues to a current shareholder, and

[9] Gordon, M.J., The Cost of Capital to a Public Utility, East Lansing, MI: Michigan State University, 1974, pp. 30-33.

	v	=	funds raised from the sale of stock as a fraction of existing equity.
and	v	=	1 - [(BV) ÷ (MP)]
where:	BV	=	book value per share of common stock, and
	MP	=	the market price per share of common stock.

Q. Did you include the effect of external equity financing on long-term growth rate expectations in your analysis of expected dividend growth for the DCF model?

A. Yes. The external growth rate estimate (sv) is displayed on Page 1 of Schedule WAR-4, where it is added to the internal growth rate estimate (br) to arrive at a final sustainable growth rate estimate.

Q. Please explain why your calculation of external growth on page 2 of Schedule WAR-4, is the current market-to-book ratio averaged with 1.0 in the equation [(M ÷ B) + 1] ÷ 2.

A. The market price of a utility's common stock will tend to move toward book value, or a market-to-book ratio of 1.0, if regulators allow a rate of return that is equal to the cost of capital (one of the desired effects of regulation). As a result of this situation, I used [(M ÷ B) + 1] ÷ 2 as opposed to the current market-to-book ratio by itself to represent investor's expectations that, in the future, a given utility will achieve a market-to-book ratio of 1.0.

Q. How did you develop your dividend growth rate estimate?

A. I analyzed data on two separate proxy groups. A water company proxy group comprised of four publicly traded water companies and a natural gas proxy group consisting of eight natural gas local distribution companies ("LDC") which have similar operating characteristics to water providers.

Q. Why did you use a proxy group methodology as opposed to a direct analysis of Arizona-American?

A. One of the problems in performing this type of analysis is that the utility applying for a rate increase is not always a publicly traded company, as is the case with Arizona-American itself. Although shares of Arizona-American's holding company, RWE AG of Germany, are traded in the U.S. in the form of American depository receipts or ADR's (ticker symbol RWEOY in the case of RWE AG), there is no financial data available on dividends paid on *publicly held* shares of American Water, Arizona-American or PV Water. Consequently it was necessary to create a proxy by analyzing publicly traded water companies with similar risk characteristics.

Q. Are there any other advantages to the use of a proxy?

A. Yes. As I noted earlier, the U.S. Supreme Court ruled in the Hope decision that a utility is entitled to earn a rate of return that is

commensurate with the returns on investments of other firms with comparable risk. The proxy technique that I have used derives that rate of return. One other advantage to using a sample of companies is that it reduces the possible impact that any undetected biases, anomalies, or measurement errors may have on the DCF growth estimate.

Q. What criteria did you use in selecting the companies that make up your water company proxy for Arizona-American?

A. Three of the water companies used in the proxy are publicly traded on the New York Stock Exchange ("NYSE"), and one of them, Southwest Water Company is traded over the counter through the National Association of Securities Dealers Automated Quotation System ("NASDAQ"). All four water companies are followed by The Value Line Investment Survey ("Value Line") and are the same companies that comprise Value Line's large capitalization Water Utility Industry segment of the U.S. economy (Attachment A contains Value Line's October 28, 2005 update of the water utility industry and evaluations of the four water companies used in my proxy).

Q. What companies comprise your water company proxy group?

A. My water company proxy group includes American States Water Company (stock ticker symbol "AWR"), Aqua America, Inc. ("WTR"), formerly known as Philadelphia Suburban Corporation, and California

Water Service Group ("CWT"). The fourth water company, Southwest Water Company ("SWWC"), is a new addition to Value Line's water industry segment and debuted in the October 28, 2005 edition of Value Line's Ratings and Reports publication. Each of these water companies face the same types of risk that Arizona-American's PV Water system faces. For the sake of brevity, I will refer to each of these companies by their appropriate stock ticker symbols henceforth.

Q. Briefly describe the areas served by the companies in your water company sample proxy.

A. In addition to providing water service to residents of Fountain Hills, Arizona, through its wholly owned subsidiary Chaparral City Water Company, AWR serves communities located in Los Angeles, Orange and San Bernardino counties in California. CWT provides service to customers in seventy-five communities in California, New Mexico and Washington. CWT's principal service areas are located in the San Francisco Bay area, the Sacramento, Salinas and San Joaquin Valleys and parts of Los Angeles. SWWC owns and manages regulated systems in California, New Mexico, Oklahoma and Texas. WTR, is a holding company for a large number of water and wastewater utilities operating in nine different states including Pennsylvania, Ohio, New Jersey, Illinois, Main, North Carolina, Texas, Florida and Kentucky.

Q. Are these the same water companies that Arizona-American used in its application?

A. Arizona-American's cost of capital witness, Dr. Michael J. Vilbert, used the same four water companies included in my proxy. In addition to these four companies, Dr. Vilbert also used four other water companies[10] that are included in Value Line's Small and Mid Cap Edition.

Q. Why did you exclude the water companies that are followed in Value Line's Small and Mid Cap Edition?

A. Value Line does not provide the same type of forward-looking information (i.e. long-term estimates on return on common equity and share growth) on small and mid-cap companies that it provides on the four water companies that I used in my proxy. Consequently, these water companies are not as suitable as the ones that I have used in my analysis.

Q. What criteria did you use in selecting the eight natural gas LDC's that make up your proxy for Arizona-American?

A. As are the water companies that I just described, each of the natural gas LDC's used in the proxy are publicly traded on a major stock exchange (all eight trade on the NYSE) and are followed by Value Line. Each of the eight LDC's are tracked in Value Line's natural gas (distribution) industry segment. All of the companies in the proxy are engaged in the provision

[10] Connecticut Water Service, Inc., Middlesex Water Company, SJW Corp. and York Water Co.

of regulated natural gas distribution services. Attachment B of my testimony contains Value Line's most recent evaluation of the natural gas proxy group that I used for my cost of common equity analysis.

Q. What companies are included your natural gas sample proxy?

A. The eight natural gas LDC's included in my proxy (and their NYSE ticker symbols) are Cascade Natural Gas Corporation ("CGC"), KeySpan Corp. ("KSE"), Laclede Group, Inc. ("LG"), Northwest Natural Gas Co. ("NWN"), Peoples Energy Corporation ("PGL"), South Jersey Industries, Inc. ("SJI") Southwest Gas Corporation ("SWX"), which is the dominant natural gas provider in Arizona and presently has a rate application before the ACC, and WGL Holdings, Inc. ("WGL").

Q. Briefly describe the regions of the U.S. served by the eight natural gas LDC's that make up your sample proxy.

A. The eight LDC's listed above provide natural gas service to customers in the Northeast (i.e. KSE which serves New York and New England), the Middle Atlantic region (i.e. SJI which serves southern New Jersey and WGL which serves the Washington D.C. metro area). The Midwest (i.e. PGL which provides service to Chicago and its suburbs respectively, and LG which serves the St. Louis area), and the Pacific Northwest (i.e. CGC and NWN which serve Washington state and Oregon). Portions of Arizona, Nevada and California are served by SWX.

Q. Please explain your DCF growth rate calculations for the sample companies used in your proxy.

A. Schedule WAR-5 provides retention ratios, returns on book equity, internal growth rates, book values per share, numbers of shares outstanding, and the compounded share growth for each of the utilities included in the sample for the historical observation period 2000 to 2004. Schedule WAR-5 also includes Value Line's projected 2005, 2006, and 2008-10 values for the retention ratio, equity return, book value per share growth rate, and number of shares outstanding.

Q. Please describe how you used the information displayed in Schedule WAR-5 to estimate each comparable utility's dividend growth rate.

A. In explaining my analysis, I will use Southwest Water Company, (NASDAQ symbol SWWC) as an example. The first dividend growth component that I evaluated was the internal growth rate. I used the "b x r" formula (described on pages 9 and 10) to multiply SWWC's earned return on common equity by its earnings retention ratio for each year in the 2000 to 2004 observation period to derive the utility's annual internal growth rates. I used the mean average of this five-year period as a benchmark against which I compared the projected growth rate trends provided by Value Line. Because an investor is more likely to be influenced by recent growth trends, as opposed to historical averages, the five-year mean noted earlier was used only as a benchmark figure. As shown on

Schedule WAR-5, Page 1, SWWC had sustainable internal growth that averaged 5.44 percent over the course of the 2000 to 2004 observation period. During this time frame, growth ranged from 7.22 percent in 2000, to 7.51 percent in 2001 but then fell to 5.91 percent in 2002. Internal growth continued to decline from 5.81 percent in 2003 to 0.75 percent in the final year of the observation period. Value Line's analysts are optimistic for the future, projecting growth of 2.84% for 2005, followed by steady increases of 3.92% and 4.66% in the 2006 and 2008-10 time frames. While a 5.00% to 5.50 percent rate of growth would appear to be reasonable, given the aforementioned information on the historic behavior of CWT's internal growth rate, projections for 15 percent on earnings and 9.00 percent on dividends by Value Line, lead me to believe that a 6.00% rate of growth appears to be within the realm of possibility for SWWC.

Q. Please continue with the external growth rate component portion of your analysis.

A. Schedule WAR-5 demonstrates that the pattern of share's outstanding increased from 13.33 million to 19.40 during the 2000 to 2004 time frame. Despite this share growth of 9.84 percent during the observation period, Value Line is predicting that this level will increase to only 19.50 million in 2005. This trend is expected to continue during the 2006 and 2008-10 time frames. Value Line's analysts are forecasting an increase of 21.50 million shares outstanding by the end of 2010. After weighing these

projections, I believe that a 2.00% growth in shares is not unreasonable for SWWC. My final dividend growth rate estimate for SWWC is 7.09 percent (6.00 percent internal + 1.09 percent external) and is shown on Page 1 of Schedule WAR-4.

Q. What is your average dividend growth rate estimate using the DCF model for the sample water utilities?

A. Based on the DCF model, my average dividend growth rate estimate is 7.20 percent as displayed on page 1 of Schedule WAR-4.

Q. Did you use the same approach to determine an average dividend growth rate for the proxy comprised of natural gas LDC's?

A. Yes.

Q. What is your average dividend growth rate estimate using the DCF model for the sample natural gas utilities?

A. Based on the DCF model, my average dividend growth rate estimate is 4.57 percent, which is also displayed on page 1 of Schedule WAR-4.

...

Q. How does your average dividend growth rate estimates on water companies compare to the growth rate data published by Value Line and other analysts?

A. In the case of the water companies, my estimate falls between the projections of analysts at both Zacks Investment Research, Inc. ("Zacks") and Value Line. Schedule WAR-6 compares my sustainable growth estimates with the five-year projections of both Zacks (Attachment C) and Value Line. The 7.20 percent estimate that I have calculated is 120 basis points higher than the projected 5-year EPS average of 6.00 percent for Zacks (Zack's outlook for the water industry is 6.30 percent) and 47 basis points lower than the 7.67 percent projection by Value Line (which is an average of EPS, DPS and BVPS). My 7.20 percent estimate is 335 basis points higher than the Value Line 5-year compound historical average also displayed in Schedule WAR-6. This indicates that investors are expecting increased performance from water utilities in the future. On balance, I would say my 7.20 percent estimate is a good representation of the growth projections that are available to the investing public.

Q. How does your average dividend growth rate estimates on natural gas LDC's compare to the growth rate data published by Value Line and other analysts?

A. In regard to the natural gas LDC's, my estimate falls 96 basis points below the projections of analysts at Zacks (Zack's outlook for the natural gas

distribution industry is 9.20 percent) but only 3 basis points lower than Value Line. However, as can also be seen on Schedule WAR-6, the 4.57 percent estimate that I have calculated is 22 basis points higher than the average of the projected 5-year EPS means of 5.53 percent for Zacks, the 4.60 percent projection by Value Line (which is an average of EPS, DPS and BVPS) and the five-year historical average of Value Line data on EPS, DPS and BVPS. In fact, my 4.57 percent estimate is 99 basis points higher than the Value Line 5-year compound historical average just noted. As with water companies, this indicates that investors are expecting increased performance from natural gas distribution companies in the future. In the case of the LDC's I would say that my 4.57 percent estimate, which is very close to Value Line's projections but somewhat lower than Zack's estimates, is a fairly good representation of the growth projections presented by securities analysts at this point in time.

Q. How did you calculate the dividend yields displayed in Schedule WAR-3?

A. For both the water companies and the natural gas LDC's I used the estimated annual dividends, for the next twelve-month period, that appeared in Value Line's October 28, 2005 Ratings and Reports water services industry update and Value Line's December 16, 2005 Ratings and Reports natural gas (Distribution) update. I then divided those figures by the eight-week average price per share of the appropriate utility's common stock. The eight-week average price is based on the daily

closing stock prices for each of the companies in my proxies for the period October 24, 2005 to December 16, 2005.

Q. Based on the results of your DCF analysis, what is your cost of equity capital estimate for the water and natural gas companies included in your sample?

A. As shown in Schedule WAR-2, the cost of equity capital derived from my DCF analysis is 9.50 percent for the water companies and 9.35 percent for the natural gas LDC's.

Capital Asset Pricing Model (CAPM) Method

Q. Please explain the theory behind the capital asset pricing model ("CAPM") and why you decided to use it as an equity capital valuation method in this proceeding.

A. CAPM is a mathematical tool that was developed during the early 1960's by William F. Sharpe[11], the Timken Professor Emeritus of Finance at Stanford University, who shared the 1990 Nobel Prize in Economics for research that eventually resulted in the CAPM model. CAPM is used to analyze the relationships between rates of return on various assets and risk as measured by beta.[12] In this regard, CAPM can help an investor to

[11] William F. Sharpe, "A Simplified Model of Portfolio Analysis," Management Science, Vol. 9, No. 2 (January 1963), pp. 277-93.

[12] Beta is defined as an index of volatility, or risk, in the return of an asset relative to the return of a market portfolio of assets. It is a measure of systematic or non-diversifiable risk. The returns

determine how much risk is associated with a given investment so that he or she can decide if that investment meets their individual preferences. Finance theory has always held that as the risk associated with a given investment increases, so should the expected rate of return on that investment and vice versa. According to CAPM theory, risk can be classified into two specific forms: nonsystematic or diversifiable risk, and systematic or non-diversifiable risk. While nonsystematic risk can be virtually eliminated through diversification (i.e. by including stocks of various companies in various industries in a portfolio of securities), systematic risk, on the other hand, cannot be eliminated by diversification. Thus, systematic risk is the only risk of importance to investors. Simply stated, the underlying theory behind CAPM states that the expected return on a given investment is the sum of a risk-free rate of return plus a market risk premium that is proportional to the systematic (non-diversifiable risk) associated with that investment. In mathematical terms, the formula is as follows:

$$k = r_f + [\, ß\, (r_m - r_f)\,]$$

where: k = cost of capital of a given security,

r_f = risk-free rate of return,

$ß$ = beta coefficient, a statistical measurement of a security's systematic risk,

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on a stock with a beta of 1.0 will mirror the returns of the overall stock market. The returns on stocks with betas greater than 1.0 are more volatile or riskier than those of the overall stock market; and if a stock's beta is less than 1.0, its returns are less volatile or riskier than the overall stock market.

r_m = average market return (e.g. S&P 500), and

$r_m - r_f$ = market risk premium.

Q. What security did you use for a risk-free rate of return in your CAPM analysis?

A. I used a six-week average on a 91-day Treasury Bill ("T-Bill") rate.[13] This resulted in a risk-free (r_f) rate of return of 3.96 percent.

Q. Why did you use the short-term T-Bill rate as opposed to the yield on an intermediate 5-year Treasury note or a long-term 30-year Treasury bond?

A. Because a 91-day T-Bill presents the lowest possible total risk to an investor. As citizens and investors, we would like to believe that U.S. Treasury securities (which are backed by the full faith and credit of the United States Government) pose no threat of default no matter what their maturity dates are. However, a comparison of various Treasury instruments will reveal that those with longer maturity dates do have slightly higher yields. Treasury yields are comprised of two separate components,[14] a true rate of interest (believed to be approximately 2.00 percent) and an inflationary expectation. When the true rate of interest is subtracted from the total treasury yield, all that remains is the inflationary

[13] A six-week average was computed for the current rate using 91-day T-Bill quotes listed in Value Line's Selection and Opinion newsletter from November 11, 2005 to December 16, 2005.

[14] As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the true rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

expectation. Because increased inflation represents a potential capital loss, or risk, to investors, a higher inflationary expectation by itself represents a degree of risk to an investor. Another way of looking at this is from an opportunity cost standpoint. When an investor locks up funds in long-term T-Bonds, compensation must be provided for future investment opportunities foregone. This is often described as maturity or interest rate risk and it can affect an investor adversely if market rates increase before the instrument matures (a rise in interest rates would decrease the value of the debt instrument). As discussed earlier in the DCF portion of my testimony, this compensation translates into higher rates of returns to the investor. Since a 91-day T-Bill presents the lowest possible total risk to an investor, it more closely meets the definition of a risk-free rate of return and is the more appropriate instrument to use in a CAPM analysis.

Q. How did you calculate the market risk premium used in your CAPM analysis?

A. I used both a geometric and an arithmetic mean of the historical returns on the S&P 500 index from 1926 to 2004 as the proxy for the market rate of return (r_m). The risk premium (r_m - r_f) that results by using the geometric mean calculation for r_m is equal to 6.44 percent (10.40% - 3.96% = 6.44%). The risk premium that results by using the arithmetic mean calculation for r_m is 8.44 percent (12.40% - 3.96% = 8.44%).

Q. How did you select the beta coefficients that were used in your CAPM analysis?

A. The beta coefficients (ß), for the individual utilities used in both my proxies, were calculated by Value Line and were current as of October 28, 2005 for the water companies and December 16, 2005 for the natural gas LDC's. Value Line calculates its betas by using a regression analysis between weekly percentage changes in the market price of the security being analyzed and weekly percentage changes in the NYSE Composite Index over a five-year period. The betas are then adjusted by Value Line for their long-term tendency to converge toward 1.00. The beta coefficients for the service providers included in my water company sample ranged from 0.65 to 0.80 with an average beta of 0.73. The beta coefficients for the LDC's included in my natural gas sample ranged from 0.65 to 0.85 with an average beta of 0.78.

Q. What are the results of your CAPM analysis?

A. As shown on pages 1 and 2 of Schedule WAR-7, my CAPM calculation using a geometric mean for r_m results in an average expected return of 8.63 percent for the water companies and 8.99 percent for the natural gas LDC's. My calculation using the arithmetic mean results in an average expected return of 10.08 percent for the water companies and 10.55 percent for the natural gas LDC's. Although there is some debate on this point, I believe that the consensus among financial analysts appears to be

that the arithmetic mean is the better of the two averages. For this reason, I believe that the 10.08 percent estimate for water and the 10.55 percent figure for gas are the better checks on the results of my respective DCF analyses for water and gas.

Q. Please summarize the results derived under each of the methodologies presented in your testimony.

A. The following is a summary of the cost of equity capital derived under each methodology used:

METHOD	RESULTS
DCF (Water Sample)	9.50%
DCF (Natural Gas Sample)	9.35%
CAPM (Water Sample)	8.63% – 10.08%
CAPM (Natural Gas)	8.99% – 10.55%

Based on these results, my best estimate of an appropriate range for the cost of equity is from 8.63 percent to 10.55 percent. My final recommendation is a 10.00 percent return for Arizona-American's cost of equity capital.

Q How did you arrive at your recommended 10.00 percent cost of common equity?

A. My recommended 10.00 percent cost of common equity is the 9.50 percent result of my DCF analysis for water companies plus an additional

50 basis points for the increased financial risk faced by Arizona-American as a result of the Company's debt heavy capital structure.

Q. Why have you made a 50 basis point upward adjustment to the results of your DCF analysis?

A. The 50 basis point adjustment takes into consideration the higher level of debt in the Company's capital structure. My recommended capital structure for Arizona-American is comprised of approximately 63.0 percent common equity capital and 37.0 percent debt. This capital structure has a larger percentage of debt than the capital structures of the four water companies and eight natural gas LDC's that I included in my DCF and CAPM proxies. As can be seen in Schedule WAR-9, the utilities included in my samples had capital structures of approximately of 50 percent common equity and 50 percent debt, for water providers, and roughly 47 percent common equity and 53 percent debt for natural gas LDC's. Because Arizona-American's capital structure has a higher percentage of debt, the Company faces a higher level of financial risk (i.e. the risk of not being able to meet debt service obligations) than the companies in my proxies. For this reason a higher cost of equity is warranted and I have decided to make such an adjustment. In this case, the 10.00 percent return on common equity that I am recommending falls slightly below a mean average of the higher 9.50 percent DCF result that I obtained using

a proxy of water utilities and the higher 10.55 percent CAPM result that I obtained from my proxy of riskier LDC's.

Q. Is this the method that you have typically used to determine the cost of equity capital in prior rate case proceedings?

A. Typically yes. With a few exceptions I have generally used the results obtained from the DCF model as a basis for my final recommended cost of equity capital while using the CAPM as a check on DCF results. My decision to add another 50 basis points to my 9.50 percent DCF estimate (for water providers) is consistent with the manner in which I arrived at my 9.61 percent cost of common equity for Arizona-American in the Company's most recent rate case proceeding before the Commission. In that case, the ACC eventually adopted ACC Staff's cost of common equity recommendation of 9.00 percent, which also included a 50 basis point adder for the Company's higher level of debt[15].

Current Economic Environment

Q. Please explain why it is necessary to consider the current economic environment when performing a cost of equity capital analysis for a regulated utility.

A. Consideration of the economic environment is necessary because trends in interest rates, present and projected levels of inflation, and the overall

[15] Decision No. 67093, dated June 30, 2004

state of the U.S. economy determine the rates of return that investors earn on their invested funds. Each of these factors represent potential risks that must be weighed when estimating the cost of equity capital for a regulated utility and are, most often, the same factors considered by individuals who are investing in non-regulated entities also.

Q. Please discuss your analysis of the current economic environment.

A. My analysis includes a brief review of the economic events that have occurred since 1990. Schedule WAR-8 displays various economic indicators and other data that I will refer to during this portion of my testimony.

In 1991, as measured by the most recently revised annual change in gross domestic product ("GDP"), the U.S. Economy experienced a rate of growth of negative 0.20 percent. This decline in GDP marked the beginning of a mild recession that ended sometime before the end of the first half of 1992. Reacting to this situation, the Federal Reserve Board ("Federal Reserve" or "Fed"), chaired by noted economist Alan Greenspan, lowered its benchmark federal funds rate[16] in an effort to further loosen monetary constraints - an action that resulted in lower interest rates.

[16] The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board, respectively.

During this same period, the nation's major money center banks followed the Federal Reserve's lead and began lowering their interest rates as well. By the end of the fourth quarter of 1993, the prime rate (the rate charged by banks to their best customers) had dropped to 6.00 percent from a 1990 level of 10.01 percent. In addition, the Federal Reserve's discount rate on loans to its member banks had fallen to 3.00 percent and short-term interest rates had declined to levels that had not been seen since 1972.

Although GDP increased in 1992 and 1993, the Federal Reserve took steps to increase interest rates beginning in February of 1994, in order to keep inflation under control. By the end of 1995, the Federal discount rate had risen to 5.21 percent. Once again, the banking community followed the Federal Reserve's moves. The Fed's strategy, during this period, was to engineer a "soft landing." That is to say that the Federal Reserve wanted to foster a situation in which economic growth would be stabilized without incurring either a prolonged recession or runaway inflation.

Q. Did the Federal Reserve achieve its goals during this period?

A. The Fed's strategy of decreasing interest rates to stimulate the economy worked. The annual change in GDP began an upward trend in 1992. A change of 4.50 percent and 4.20 percent were recorded at the end of 1997 and 1998 respectively. Based on daily reports that were presented in the mainstream print and broadcast media during most of 1999, there

appeared to be little doubt among both economists and the public at large that the U.S. was experiencing a period of robust economic growth highlighted by low rates of unemployment and inflation. Investors, who believed that technology stocks and Internet company start-ups (with little or no history of earnings) had high growth potential, purchased these types of issues with enthusiasm. These types of investors, who exhibited what Chairman Greenspan described as "irrational exuberance," pushed stock prices and market indexes to all time highs from 1997 to 2000.

Q. What has been the state of the economy over the last five years?

A. The U.S. economy entered into a recession around the end of the first quarter of 2001. The bullish trend, which had characterized the last half of the 1990's, had already run its course sometime during the third quarter of 2000. Economic data released since the beginning of 2001 had already been disappointing during the months preceding the September 11, 2001 terrorist attacks on the World Trade Center and the Pentagon. Slower growth figures, rising layoffs in the high technology manufacturing sector, and falling equity prices (due to lower earnings expectations) prompted the Fed to begin cutting interest rates as it had done in the early 1990's. The now infamous terrorist attacks on New York City and Washington D.C. marked a defining point in this economic slump and prompted the Federal Reserve to continue its rate cutting actions through December 2001. Prior to the 9/11 attacks, commentators, reporting in both the

mainstream financial press and various economic publications including Value Line, believed that the Federal Reserve Chairman was cutting rates in the hope of avoiding the recession that the U.S. is still in the process of recovering from.

Despite several intervals during 2002 and 2003 in which the Federal Open Market Committee ("FOMC") decided not to change interest rates, moves which indicated that the worst may be over and that the current recession might have bottomed out during the last quarter of 2001, a lackluster economy persisted. The continuing economic malaise and even fears of possible deflation prompted the FOMC to make a thirteenth rate cut on June 25, 2003. The quarter point cut reduced the federal funds rate to 1.00 percent, the lowest level in 45 years.

Even though some signs of economic strength, that were mainly attributed to consumer spending, began to crop up during the latter part of 2002 and into 2003, Chairman Greenspan appeared to be concerned with sharp declines in capital spending in the business sector.

During the latter part of 2003, the FOMC went on record as saying that it intended to leave interest rates low "for a considerable period." After its two-day meeting that ended on January 28, 2004, the FOMC stated "that with inflation 'quite low' and plenty of excess capacity in the economy, policy-makers 'can be patient in removing its policy accommodation.'"[17]

[17] Wolk, Martin, "Fed leaves short-term rates unchanged," MSNBC, January 28, 2004.

Q. What actions has the Federal Reserve taken in terms of interest rates since the beginning of 2001?

A. As noted earlier, from January 2001 to June 2003 the Federal Reserve cut interest rates a total of thirteen times. During this period, the federal funds rate fell from 6.50 percent to 1.00 percent. The FOMC reversed this trend on June 29, 2004 and raised the federal funds rate 25 basis points to 1.25 percent. Between June 29, 2004 and December 13, 2005, the FOMC has raised the federal funds rate twelve more times to its current level of 4.25 percent (the next scheduled meeting of the FOMC will be on January 31, 2006). As expected, banks have followed the Fed's lead and have boosted the prime rate to its current level of 7.25 percent. According to an article that appeared in the December 2, 2004 edition of The Wall Street Journal, the FOMC's decision to begin raising rates was viewed as a move to increase rates from emergency lows in order to avoid creating an inflation problem in the future as opposed to slowing down the strengthening economy[18]. In other words, the Fed was trying to head off inflation *before* it became a problem.

Since it began increasing the federal funds rate in June 2004, the Federal Reserve had stated that it would increase rates at a "measured" pace. Many analysts and economists interpreted this language to mean that Chairman Greenspan would be cautious in increasing interest rates too

[18] McKinnon, John D. and Greg IP, "Fed Raises Rates by a Quarter Point," The Wall Street Journal, September 22, 2004.

quickly in order to avoid what is considered to be one of the Fed's few blunders during Greenspan's tenure – a series of increases in 1994 that caught the financial markets by surprise after a long period of low rates. The rapid rise in rates resulted in financial turmoil, which contributed to the bankruptcy of Orange County, California and the Mexican peso crisis[19].

Q. Putting this all into perspective, how have the Fed's actions over the past five years affected benchmark rates?

A. Virtually all of the benchmark rates have fallen to levels not seen in over forty-five years. The Fed's actions have had the overall effect of reducing the cost of many types of business and consumer loans. Despite the recent increases in the federal funds rate, the federal discount rate (the rate charged to member banks) has fallen from 5.73 percent in 2000, to its present level of 5.25 percent. Despite recent increases by the FOMC, rates are still at historically low levels.

Q. What has been the trend in other leading interest rates over the last year?

A. As of December 20, 2005, all of the leading interest rates have edged up. The prime rate has increased from 5.00 percent a year ago to a current level of 7.25 percent. The benchmark federal funds rate, just discussed, has increased from 2.00 percent, in December 2004, to its current level of 4.25 percent (the result of the thirteen quarter point increases noted

[19] Associated Press (AP), "Fed begins debating interest rates" USA Today, June 29, 2004.

earlier). The yields on all maturities of U.S. Treasury instruments, with the exception of the 30-year and 30-year zero coupon bonds, which have fallen 16, and 31 basis points respectively since December 2004, have increased over the past year. This unusual situation, in which long-term rates are falling as short-term rates are rising, is creating a flat yield curve that has been described by Chairman Greenspan as a "conundrum."[20] The 91-day T-bill rate, used in my CAPM analysis, has increased from 2.23 percent, in December 2004, to 3.93 percent today. The 1-Year Treasury Constant Maturity rate has also increased from 2.59 percent over the past year to 4.35 percent today. Again, these levels are still low when they are compared with yields during the early nineties displayed on Schedule WAR-8.

Q. How have economists and members of the investment community viewed the Fed's rate actions since June 2004?

A. The change in the Fed's language from "considerable period" to "patient" to "measured," that have been noted through the course of my testimony, has pretty much summed up the Fed's course of action during the economic recovery that is still in progress. In his October 2004 column for Wells Capital Management's ("Wells") Monthly Market Outlook publication, Senior Economist Gary E. Schlossberg viewed the Fed's credit tightening action as a trend that would likely continue barring an unraveling of the

[20] Wolk, Martin, "Greenspan wrestling with rate 'conundrum'," MSNBC, June 8, 2005.

economic recovery, a major disruption in the financial markets or a renewed threat of declining prices. Mr. Schlossberg believed then that the Fed was determined to engineer a fundamental shift from its past policy of "aggressive accommodation" to what he considered to be a more "neutral" policy stance (determined by both the rate of inflation and an additional "premium" of possibly 1.00 percent to 1.50 percent) via a series of rapid fire quarter-point (i.e. 25 basis points) increases that will result in a federal funds rate of 4.00 percent to 4.50 percent by the end of 2005. Mr. Schlossberg's expectation of future incremental increases in the federal funds rate was also shared at the time by Mickey Levy, Chief Economist for Bank of America, and by Value Line analysts. In the October 1, 2004 edition of Value Line's "Selection & Opinion" publication, Value Line's analysts stated that they believed that the Fed was following a prudent course. In their opinion the Fed's interest rate cutting helped to avoid a more serious recession and the Fed's present course of action will help to insure that the current upturn in the economy is sustained while keeping inflation low and under control at the same time.

Q. What is the current outlook for interest rates, inflation, and the economy?

A. The views expressed by Messrs Levy and Schlossberg during the last quarter of 2004 have only been off target by about three months. A recent

article[21] in the January 4, 2006 edition of The Wall Street Journal reported that, according to the minutes of the FOMC's December 2005 meeting, members of the Fed's rate setting board are less worried about inflation and may only raise interest rates one or two more times in the coming months. If the Fed continues its trend of raising rates in 25 basis point increments, the federal funds rate should level off at either 4.50 percent or 4.75 percent within the first quarter of 2006.

According to analysts and economists at both Value Line and Wells, the overall outlook for economic growth, and the current low interest rate environment, appears to be good despite a moderate pace of GDP growth and higher oil prices. In their most recent Selection & Opinion outlook published on Friday, December 30, 2005, Value Line analysts stated the following:

> "Now as we look to a new year, we find that the economic indicators are again positive, with the nation's gross domestic product likely to increase by around 3.5%. Oil prices, which briefly topped $70 a barrel before settling in at a slightly less alarming $55-$65, will probably stay fairly close to their more recent range, absent any global or domestic shocks. Such relative stability is likely to keep inflationary excesses at bay and encourage the Fed to call a halt to its monetary tightening efforts rather early in the new year."

The following quote[22] by Wells' Chief Investment Strategist, James W. Paulsen, Ph.D., had this to say:

> "While we believe that the stock market will be dictated by the pace of real economic growth this year, the bond market and Fed actions will depend on the direction of core consumer price inflation. Until now, Fed policy has been aimed at reversing the

[21] Ip, Greg, "Fed Suggests It's Close to Ending Run of Interest Rate Rises," The Wall Street Journal, January 4, 2006.
[22] Wells Capital Management's Economic and Market Perspective, January 2006, Page 1.

> emergency discount and returning short-term interest rates back to a neutral range. Future policy actions will now depend primarily on inflation evidence. Throughout this recovery the bond market has consistently shown a newfound attitude – 'strong real economic growth doesn't scare me, only evidence of actual core inflation will get me to raise yields'."

Q. How has the water industry segment of the U.S. economy fared recently?

A. In his October 28, 2005 update on the water services industry, Value Line analyst Andre Costanza stated that after a rebound in 2004, the industry had reverted back to having trouble meeting earnings expectations as a result of weather conditions and infrastructure costs. Mr. Costanza also went on to say that the companies included in my proxy had posted "a solid earnings recovery" during 2004. Although none of the water utilities followed by Value Line stand out for capital gains potential, they do offer above average dividend yields and should be attractive to income oriented investors according to Mr. Costanza (Attachment A).

Q. What has been the trend in Value Line's return on common equity projections for the water utility industry over the last six years?

A. Up until this year, and with the exception of 2003, Value Line's analysts have been making downward projections on water industry book returns on common equity ("ROE"). The following is a summary of Value Line's water utility industry composite statistics on ROE, over the aforementioned period, which are exhibited in Attachment D of my testimony:

Value Line Published Projected Returns 2000 – 2005

	2000	2001	2003-05
Value Line ROE Projection – Nov. 3, 2000	11.0%	11.0%	12.0%
	2001	**2002**	**2004-06**
Value Line ROE Projection – Nov. 2, 2001	10.5%	11.0%	11.5%
	2002	**2003**	**2005-07**
Value Line ROE Projection – Nov. 1, 2002	10.0%	10.5%	11.5%
	2003	**2004**	**2006-08**
Value Line ROE Projection – Oct. 31, 2003	10.0%	11.0%	12.0%
	2004	**2005**	**2007-09**
Value Line ROE Projection – Oct. 29, 2004	9.5%	9.5%	10.0%
	2005	**2006**	**2008-10**
Value Line ROE Projection – Oct. 28, 2005	11.0%	11.0%	11.5%

Value Line Published Actual Returns 2001 - 2005

	2001	2002	2003	2004
Value Line historic Returns – Oct. 28, 2005	10.7%	11.2%	8.8%	10.7%

In addition to the downward trend in projections that I just addressed, the above summary also illustrates the fact that Value Line's analysts have been somewhat more optimistic in their forward-looking one-year and long-term projections. As can be seen below, Value Line's analysts have been somewhat high in their coming year projections on ROE.

Year	Value Line Projected	Actual Book Return on ROE	Difference
2001	11.0%	10.7%	-30 Basis Points
2002	11.0%	11.2%	20 Basis Points
2003	10.5%	8.8%	-170 Basis Points
2004	11.0%	10.7%	-30 Basis Points

As can be seen above, with the exception of the 2002 operating period, Value Line's analyst's projections on water utility ROE's from one year out were 30 to 170 basis points higher than the actual returns booked by the water utilities (this is why I only rely on Value Line projections as guides in developing my growth estimates for the DCF model).

Q. Please summarize how the economic data just presented relates to Arizona-American.

A. The current benign rate of inflation translates into stable and even possibly declining prices for goods and services, which in turn means that Arizona-American can expect its present operating expenses to either remain stable or possibly decline in the coming years. Lower interest rates would also benefit Arizona-American in regard to any short or long-term borrowing needs that the Company may have. Lower interest rates, would further help to accelerate growth in new construction projects and home developments (which have been on an upward trend according to information presented by Value Line) in the Company's service territories, and may result in new revenue streams to Arizona-American.

...

Q. After weighing the economic information that you've just discussed, do you believe that the 10.00 percent cost of equity capital that you have estimated is reasonable for Arizona-American?

A. I believe that my recommended 10.00 percent cost of equity will provide Arizona-American with a reasonable rate of return on the Company's invested capital when economic data on interest rates (that are still low by historical standards), continued growth in new housing construction (attributed to historically low interest rates), and the low and stable outlook for inflation are all taken into consideration. As I noted earlier, the Hope decision determined that a utility is entitled to earn a rate of return that is commensurate with the returns it would make on other investments with comparable risk. I believe that my DCF analysis has produced such a return. The results that I have obtained are consistent with Value Line's view that the water utility stocks included in my proxy "offer an above average dividend yield."

...

CAPITAL STRUCTURE

Q. Have you reviewed Arizona-American's testimony regarding the Company's proposed capital structure?

A. Yes, I have.

Q. Please describe the Company's proposed capital structure.

A. The Company is proposing a capital structure comprised of approximately 63.0 percent common equity and 37.0 percent debt.

Q. What capital structure are you proposing for Arizona-American?

A. I have adopted the Company-proposed capital structure.

Q. Is Arizona-American's capital structure in line with industry averages?

A. No. As discussed earlier, Arizona-American's capital structure is heavier in debt than the capital structures of the other water companies included in my cost of capital analysis (Schedule WAR-9). The capital structures for those utilities averaged 50.1 percent for debt and 49.9 percent for equity (49.8 percent common equity + 0.1 percent preferred equity).

Q. In terms of risk, how does Arizona-American's capital structure compare to the water utilities in your sample?

A. The water utilities in my sample would be considered as having a lower level of financial risk (i.e. the risk associated with debt repayment)

because of their lower levels of debt. The additional financial risk due to debt leverage is embedded in the cost of equities derived for those companies through the DCF analysis. Thus, the cost of equity derived in my DCF analysis is applicable to companies that are not as leveraged and, theoretically speaking, not as risky than a utility with a level of debt similar to Arizona-American's. In the case of a publicly traded company, such as those included in my proxy, a company with Arizona-American's level of debt would be perceived as having a higher level of financial risk and would therefore also have a higher expected return on common equity.

Q. Have you made an adjustment to your DCF estimate based on this perception of higher financial risk?

A. Yes. As I explained earlier, I have made a 50 basis point adjustment to my recommended cost of equity based on the results of my DCF and CAPM analyses.

Q. Have you reviewed the Arizona-American's testimony on the Company-proposed cost of debt?

A. Yes, I have reviewed the testimony prepared by Mr. David P. Stephenson, the Company's Rate Regulation Manager for the Western Region of American Water Works Company.

Q. Briefly explain how Arizona-American calculated the Company-proposed cost of debt.

A. The Company-proposed cost of debt is the weighted cost of Arizona-American's various debt instruments that were issued to finance assets that were in place during the Test Year. In arriving at the Company-proposed weighted cost of these instruments, Mr. Stephenson made an upward adjustment to the cost of two issues of long-term promissory notes that will be refinanced in November of 2006 when they are scheduled to mature. Mr. Stephenson's adjustment resulted in a 70 basis point increase, which puts the cost of the notes at 5.71 percent.

Q. Do you agree with Mr. Stephenson's adjustment?

A. Yes. Mr. Stephenson stated in his testimony that the Company is rated A by Standard and Poor's and Baa 1 by Moody's. At the time that he wrote his testimony, A and Baa rated utility bonds had an average yield of 5.74 percent. As of January 6, 2006, A and Baa rated utility bonds had an average yield of 5.72 percent which is just slightly higher than Mr. Stephenson's adjusted cost. Given the current outlook on the near-term direction of interest rates, I believe that Mr. Stephenson's adjustment is reasonable.

Q. Have you accepted the Company's 5.42 percent cost of long-term debt?

A. Yes I have.

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The 12.00 percent cost of equity capital proposed by the Company's cost of capital witness is 200 basis points higher than the 10.00 percent cost of equity capital that I am recommending.

Q. How does the Company's proposed weighted cost of capital compare with your recommendation?

A. The Company has proposed a weighted cost of capital of 7.84 percent. This composite figure is the result of a weighted average of Arizona-American's proposed 5.42 percent cost of debt and a 12.00 percent cost of equity capital. The Company-proposed 7.84 percent weighted cost of capital is 74 basis points higher than the 7.10 percent weighted cost that I am recommending.

COMMENTS ON ARIZONA-AMERICAN'S COST OF EQUITY CAPITAL TESTIMONY

Q. Who estimated the Company-proposed cost of equity capital?

A. Dr. A. Lawrence Kolbe and Dr. Thomas M. Vilbert (who I noted earlier in my testimony) estimated the Company-proposed cost of equity capital for PV Water. Both witnesses are principals of the Brattle Group, a consulting firm located in Cambridge, Massachusetts.

Q. Briefly describe Dr. Kolbe's testimony.

A. Dr. Kolbe's testimony presents a final cost of common equity estimate of 12 percent to 13 percent for Paradise Valley based on the results of the cost of equity analysis performed by Dr. Vilbert and on his own work on how the cost of common equity is impacted by the level of debt that a utility has.

Q. What methods did Dr. Vilbert use to arrive at his cost of common equity?

A. Dr. Vilbert used two methods to estimate a cost of equity capital. The DCF method and what he refers to in his testimony as a risk positioning method, which utilizes both the CAPM and empirical CAPM ("ECAPM") models. Dr. Vilbert places more emphases on the results of his risk positioning analysis as opposed to the DCF. In making his final cost of equity estimates for each methodology that he uses, Dr. Vilbert makes the upward adjustments advocated by Dr. Kolbe in order to arrive at an after tax weighted average cost of capital ("ATWACC") for PV Water.

Q. Were there any differences in the way that you conducted your DCF analysis and the way that Dr. Vilbert conducted his?

A. Yes, Dr. Vilbert conducted two separate DCF analyses. His first DCF analysis is a one-step constant growth model, similar to the one that I used, which uses a proxy of eight water providers. Dr. Vilbert's second

DCF analysis is a variation on the two-step or multi-stage growth DCF model.

Q. Why didn't you conduct a multi-stage DCF analysis like the one conducted by Dr. Vilbert?

A. Primarily because the growth rate component that I estimated for my single-stage model already takes into consideration both the near-term and long-term growth rate projections that Dr. Vilbert averaged in his multi-stage model. This being the case, I saw no need to conduct a separate DCF analysis. As I pointed out earlier in my testimony, the method that I used also takes into consideration analysts' tendency to make overly optimistic growth estimates. This tendency, referred to as optimism bias by Dr. Vilbert, is addressed in Appendix C of his testimony and, according to Dr. Vilbert, is eliminated by the use of a long-term growth rate estimate for gross domestic product ("GDP") in his multi-stage model.

Q. What is the difference between your DCF results and Dr. Vilbert's first DCF result?

A. The 9.50 percent cost of common equity derived in my DCF analysis, that uses an average of four sample water companies, is 100 to 130 basis points lower than the averages of 10.50 to 10.80 percent derived in Dr. Vilbert's one-step DCF analysis, which is an average of eight sample

water companies (as exhibited in column 3 of Table No. MJV-7 of Dr. Vilbert's testimony). This comparison does not include a number of other factors (i.e. debt and equity ratios and income tax rates) which Dr. Vilbert employs to reduce the aforementioned averages to a range of 8.10 to 8.20 percent respectively for the ATWACC displayed on page 50 of his testimony.

Q. Please explain why your 9.50 percent DCF result is 100 to 130 basis points lower than the 10.50 to 10.80 percent range produced in Dr. Vilbert's one-step DCF model.

A. One reason is the dividend yield calculation, which can be attributed to observation period timing. Over the past two years there have been no substantial changes in dividend payouts but stock prices have increased. Dr. Vilbert's higher dividend yields are attributed to the fact that his average stock prices, (P_0) of the DCF formula ($k = (D_1 \div P_0) + g$), were taken over an observation period (which appears to have been sometime in April of 2005) when the water companies in his sample were trading at lower prices than they were during the eight-week observation period (October 24, 2005 to December 16, 2005) that I based my calculation on. The difference between the average closing stock prices used in my analysis and Dr. Vilbert's analysis are as follows:

	Rigsby	Vilbert	Difference
AWR	$31.33	$25.60	$5.73
CWT	$36.29	$33.83	$2.46
SWWC	$13.87	$10.97	$2.90
WTR	$32.68	$24.50	$8.18

In addition, the differences in Dr. Vilbert's annualized dividends, for the four water companies used in my sample, ranged from $0.00 to $0.05. Concentrating strictly on the four water companies used in my sample, his analysis produced an average annualized dividend yield of 2.68 percent versus the 2.30 percent, which I calculated (Schedule WAR-3).

In the growth portion (g) of his first DCF analysis, Dr. Vilbert relied on IBES and Value Line analysts growth rate estimates and then added a quarterly growth rate to that figure to arrive at an average growth rate of 9.60 percent, for the four water companies in my sample versus my 7.20 percent dividend growth rate (Schedule WAR-4). The apples to apples comparison of the DCF results for the four common companies (i.e. AWR, CWT, SWWC and WTR) used in our sample would be 12.28 percent for Dr. Vilbert versus my 9.50 percent (before any other adjustments made by Dr. Vilbert).

...

Q. What is the difference between your DCF result and Dr. Vilbert's two-step or multi-stage growth model DCF result?

A. The 9.50 percent cost of common equity derived in my DCF analysis (that uses four sample water companies) is 80 to 50 basis points higher than the 8.70 to 9.0 percent cost of common equity derived in Dr. Vilbert's two-step DCF analysis that used long-term GDP growth estimates (which he believes helps to eliminate optimism bias) and is an average of eight sample water companies (as also exhibited in column 3 of Table No. MJV-7 of Dr. Vilbert's testimony). Once again, this comparison does not include the other factors that I noted earlier which Dr. Vilbert employs to reduce the aforementioned averages to a range of 6.90 to 7.00 percent respectively for the ATWACC figure displayed on page 51 of his testimony.

Q. What were the results of Dr. Vilbert's DCF analysis using a sample of natural gas providers?

A. Dr. Vilbert's DCF analyses (which used the same eight LDC's that I used) produced results that ranged from 9.6 for the single stage model to 9.6 to 9.4 for the multi-stage model (once again this is before any further adjustments). His DCF results (for both models) ranged from 5 to 25 basis points higher than the results that I obtained from the single stage model.

Q. Please describe the results of Dr. Vilbert's risk positioning analysis.

A. For Water providers, Dr. Vilbert's results ranged from 8.00 percent to 8.90 percent using unadjusted Value Line betas and a long-term rate of 5.00 percent in the Sharpe-Litner version of the CAPM and in two separate versions of the ECAPM. Dr. Vilbert's short-term results for water providers, using a risk free rate of 3.00 percent and three different versions of the ECAPM, ranged from 6.70 to 8.60 percent. Dr. Vilbert's ATWACC for PV Water ranged from 11.70 percent to 13.40 percent using the long-term 5.00 percent rate and 9.30 percent to 12.70 percent using the short-term 3.00 percent rate.

For natural gas LDC's, Dr. Vilbert's results ranged from 8.50 percent to 9.30 percent using unadjusted Value Line betas and a long-term rate of 5.00 percent in the Sharpe-Litner version of the CAPM and in two separate versions of the ECAPM. Dr. Vilbert's short-term results for LDC's, using a risk free rate of 3.00 percent and three different versions of ECAPM, ranged from 7.50 to 8.90 percent. After making his upward adjustments, Dr. Vilbert's ATWACC for PV Water ranged from 11.30 percent to 12.40 percent using the long-term 5.00 percent rate and 10.10 percent to 12.00 percent using the short-term 3.00 percent rate.

...

Q. Please compare the results of your CAPM analyses based on a sample of water providers with the results of Dr. Vilbert's risk positioning analysis that looked at water providers.

A. The 8.63 percent result of my CAPM analysis using a geometric mean falls between Dr. Vilbert's unadjusted 8.00 percent to 8.90 percent long-term results and is 3 to 190 basis points higher than the results of his short-term results. The 10.08 percent result of my CAPM analysis using an arithmetic mean is 118 to 208 basis points higher than the long-term unadjusted results estimated by Dr. Vilbert and is 148 to 338 basis points higher than Dr. Vilbert's short-term estimates. Dr. Vilbert's long-term ATWACC estimates are 307 to 477 basis points higher than my 8.63 percent estimate using a geometric mean and 90 to 260 basis points higher than my 10.80 percent estimate using an arithmetic mean. His short-term ATWACC results are 67 to 407 basis points higher than my 8.63 percent estimate using a geometric mean. My 10.80 percent estimate using an arithmetic mean falls between Dr. Vilbert's short-term ATWACC estimates of 9.30 to 12.70 percent.

Q. Please compare the results of your CAPM analyses based on a sample of natural gas LDC's with the results of Dr. Vilbert's risk positioning analysis that looked at LDC's.

A. The 8.99 percent result of my CAPM analysis using a geometric mean falls between Dr. Vilbert's unadjusted 8.50 percent to 9.30 percent long-

term results and also falls between his short-term results ranging from 7.50 to 8.90 percent. The 10.55 percent result of my CAPM analysis using an arithmetic mean is 125 to 205 basis points higher than the unadjusted long-term results estimated by Dr. Vilbert and is 165 to 305 basis points higher than Dr. Vilbert's long-term estimates. Dr. Vilbert's long-term ATWACC estimates are 231 to 341 basis points higher than my 8.99 percent estimate using a geometric mean and 75 to 185 basis points higher than my 10.55 percent estimate using an arithmetic mean. His short-term ATWACC results are 111 to 301 basis points higher than my 8.99 percent estimate using a geometric mean. My 10.55 percent estimate using an arithmetic mean falls between Dr. Vilbert's short-term ATWACC estimates of 10.10 to 12.00 percent.

Q. What financial instruments did Dr. Vilbert use as proxies for his long-term and short-term risk free rates of return?

A. Dr. Vilbert did not use any specific instruments such as the 91-day Treasury bill that I used as a proxy. Instead he used estimates of 5 percent and 3 percent for his respective long-term and short-term proxies.

Q. Where do Dr. Vilbert's 3 and 5 percent rates stand in current interest rate environment?

A. Dr. Vilbert's 3 and 5 percent estimates are actually higher and lower than the yields on actual U.S. Treasury instruments at this point in time. As can

be seen in Attachment E of my testimony, the current yield curve for Treasury securities is virtually flat as a result of falling long-term rates and rising short-term yields. As of December 29, 2005, the spread between the three-month yield of 3.99 percent and the 30-year yield of 4.51 percent was only 52 basis points. Given these facts, I believe my 3.96 percent T-Bill rate is probably producing a slightly better estimate.

Q. Did Dr. Vilbert use the same Value Line betas that you used in your analysis?

A. No. As I noted earlier Dr. Vilbert used lower unadjusted betas in his CAPM and ECAPM models than the higher adjusted betas that I used. The use of adjusted betas in the ECAPM model typically produces unreliable results.

Q. Please compare the market risk premium used in your CAPM analysis with the market risk premium used by Dr. Vilbert.

A. I used a market risk premium of 6.44 percent in my model using a geometric mean and a market risk premium of 8.44 in my model using an arithmetic mean. Dr. Vilbert used a market risk premium of 8.00 percent in his short-term analyses and a market risk premium of 6.50 percent in his long-term analyses.

Q. How did Arizona-American arrive at its final 12.00 percent cost of common equity for PV Water?

A. The Company has settled on the low end of Dr. Kolbe's 12 percent to 13 percent estimate on a cost of equity capital for PV Water.

Q. Please comment on Dr. Kolbe's testimony, which advocates the higher ATWACC estimates made by Dr. Vilbert.

A. Dr. Kolbe's testimony presents a lengthy explanation as to why an upward adjustment is needed for PV water's cost of common equity as a result of Arizona-American's leveraged capital structure. While I believe that Dr. Kolbe's testimony is an interesting exercise in academia, and may have weight in regard to business entities that operate in a truly competitive environment, the higher rate of return that he advocates for PV water is not warranted. While PV Water may have a higher degree of financial risk, as a result of the Company's leveraged capital structure, it is still a regulated entity that can apply for rate relief when the need arises. This being the case, the Company is actually less risky than firms that have nothing to turn to but bankruptcy court when their debt becomes excessively burdensome. The fact that the ACC has allowed cost recovery for increased water-testing costs, deferred Central Arizona Project costs and the costs associated with more stringent levels of arsenic is proof that water utilities in Arizona operate in a favorable regulatory environment which eliminates the need for the higher rates of

return advocated by Dr. Kolbe. For these reasons I believe that the Commission should adopt my recommended 10.00 percent return on common equity, which contains a 50 basis point upward adjustment for the Company's financial risk.

Q. Does your silence on any of the issues, matters or findings addressed in the testimony of Dr. Kolbe, Dr. Vilbert, Mr. Stephenson or any other witness for Arizona-American constitute your acceptance of their positions on such issues, matters or findings?

A. No, it does not.

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

A. Yes, it does.

APPENDIX 1

Appendix 1

Qualifications of William A. Rigsby

EDUCATION:

University of Phoenix
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University
College of Business
Bachelor of Science, Finance, 1990

Mesa Community College
Associate of Applied Science, Banking and Finance, 1986

Michigan State University
Institute of Public Utilities
N.A.R.U.C. Annual Regulatory Studies Program, 1997 &1999

Florida State University
Center for Professional Development & Public Service
N.A.R.U.C. Annual Western Utility Rate School, 1996

EXPERIENCE:

Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona
April 2001 – Present

Senior Rate Analyst
Accounting & Rates - Financial Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
July 1999 – April 2001

Senior Rate Analyst
Residential Utility Consumer Office
Phoenix, Arizona
December 1997 – July 1999

Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
October 1994 – November 1997

Revenue Auditor II
Arizona Department of Revenue
Corporate Income Tax Audit Unit
Phoenix, Arizona
November 1993 – October 1994

Tax Examiner Technician I
Arizona Department of Revenue
Transaction Privilege Tax Audit Unit
Phoenix, Arizona
July 1991 – November 1993

Appendix 1

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

Utility Company	Docket No.	Type of Proceeding
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona-American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase
Arizona Water Company	W-01445A-02-0619	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Arizona-American Water Company	W-01303A-02-0867 et al.	Rate Increase
Arizona Public Service Company	E-01345A-03-0437	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-03-0434	Rate Increase
Qwest Corporation	T-01051B-03-0454	Renewed Price Cap
Chaparral City Water Company	W-02113A-04-0616	Rate Increase
Arizona Water Company	W-01445A-04-0650	Rate Increase
Southwest Gas Corporation	G-01551A-04-0876	Rate Increase

ATTACHMENT A