0000070769

EXHIBIT
A-6
~~Admitted~~

**Corrections to the Rebuttal Testimony of Thomas M. Zepp**

| | | | |
|---|---|---|---|
| Page 7, line 25 | Change "Rebuttal Table16" | to | "Update Table 25" |
| Page 8, line 5 | Change "Rebuttal Table 27" | to | "Rebuttal Table 12" |
| Page 9, line 2 | Change "Rebuttal Table 6" | to | "Update Table 16" |
| Page 9, line 2-3 | Change "Rebuttal Tables 2 through 5" | | |
| | | to | "Update Tables 11, 12, 13, and 15" |
| Page 9, line 12 | Change "Rebuttal Tables 8 to 12" | | |
| | | to | "Update Table 17 to 21" |
| Page 9, line 14 | Change "Rebuttal Tables 13, 14, and 15" | | |
| | | to | "Update Tables 22, 23, and 24" |
| Page 9, line 18 | Change "Rebuttal Table 16" | to | "Update Table 25" |
| Page 12, line 22 | Change "Rebuttal Table 7" | to | "Update Table 4" |
| Page 12, line 23 | Change "Rebuttal Table 7" | to | "Update Table 4" |
| Page 13, line 5 | Change "Rebuttal Table 7" | to | "Update Table 4" |

Page 17, line 22 to line 26, indent to reflect it is a quotation

Page 18, line 23 to page 19, line 10 indent to reflect it is a quotation

| | | | |
|---|---|---|---|
| Page 22, line 12 | Change "Rebuttal Table 17" | to | "Rebuttal Table 2" |
| Page 23, line 2 | Change "Rebuttal Table 15" | to | "Update Table 24" |

| | | | |
|---|---|---|---|
| Page 24, line 3 | Change "Rebuttal Table 18" | to | "Rebuttal Table 3" |
| Page 24, line 6 | Change "Rebuttal Table 18" | to | "Rebuttal Table 3" |
| Page 29, line 26 | Change "Rebuttal Table 19" | to | "Rebuttal Table 4" |
| Page 52, line 22 | Change "Rebuttal Tables 21, 22, 23 and 24" | to | "Rebuttal Tables 6, 7, 8 and 9" |
| Page 55, line 24 | Change "Rebuttal Table 20" | to | "Rebuttal Table 5" |
| Page 56, line 1 | Change "Rebuttal Table 14" | to | "Update Table 23" |
| Page 56, line 3 | Change "Rebuttal Table 20" | to | "Rebuttal Table 5" |
| Page 57, line 26 | Change "Rebuttal Tables 21 and 22" | to | "Rebuttal Tables 6 and 7" |
| Page 59, line 16 | Change "Rebuttal Tables 21 and 22" | to | "Rebuttal Tables 6 and 7" |
| Page 60, line 1 | Change "Rebuttal Tables 23 and 24" | to | "Rebuttal Tables 8 and 9" |
| Page 61, line 13 | Change "Rebuttal Table 25" | to | "Rebuttal Table 10" |
| Page 61, line 22 | Change "Rebuttal Table 25" | to | "Rebuttal Table 10" |
| Page 61, line 23 | Change "Rebuttal Table 26" | to | "Rebuttal Table 11" |
| Page 63, line 10 | Change "Rebuttal Table 26" | to | "Rebuttal Table 11" |
| Page 63, line 13 | Change "Rebuttal Table 26" | to | "Rebuttal Table 11" |
| Page 63, line 17 | Change "Rebuttal Table 27" | to | "Rebuttal Table 12" |

# *ARIZONA WATER COMPANY*

Docket No. W-1445A-02-0619

## 2002 RATE HEARING EXHIBIT

### For Test Year Ended 12/31/01

EXHIBIT
A-14
Admitted

# A

# SUMMARY SCHEDULES

**A-1** COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS

**A-2** SUMMARY RESULTS OF OPERATIONS

**A-3** SUMMARY OF CAPITAL STRUCTURE

**A-4** CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE

**A-5** SUMMARY OF CASH FLOWS

**COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS EASTERN GROUP TEST YEAR 2001**

| Line No. | Description | | Eastern Group | | Apache Junction | | Bisbee | |
|---|---|---|---|---|---|---|---|---|
| 1. | Adjusted Rate Base | (a) | $41,604,880 | | $24,207,015 | | $3,700,113 | |
| 2. | Adjusted Operating Income | (b) | | $1,969,036 | | $1,862,935 | | $31,709 |
| 3. | Current Rate of Return | | 4.73% | | 7.70% | | 0.86% | |
| 4. | Required Operating Income | | | $4,576,537 | | $2,662,772 | | $407,012 |
| 5. | Required Rate of Return | (e) | 11.00% | | 11.00% | | 11.00% | |
| 6. | Operating Income Deficiency | | | $2,607,501 | | $799,837 | | $375,303 |
| 7. | Gross Revenue Conversion Factor | (c) | | 1.63241 | | 1.63241 | | 1.63241 |
| 8. | Increase in Gross Revenue | | | $4,256,510 | | $1,305,662 | | $612,649 |

| | Customer Classification | | Projected Revenue Increase | % Dollar Increase | Projected Revenue Increase | % Dollar Increase | Projected Revenue Increase | % Dollar Increase |
|---|---|---|---|---|---|---|---|---|
| 9. | Metered Service | (d) | $4,256,016 | 31.6% | $1,735,319 | 22.2% | $612,543 | 49.3% |
| 10. | Private Fire Service | | $0 | | $0 | | $0 | |
| 11. | Public Fire Hydrant Service | | $0 | | $0 | | $0 | |
| 12. | Other | | $0 | | $0 | | $0 | |
| 13. | Total | | $4,256,016 | 29.5% | $1,735,319 | 19.9% | $612,543 | 48.7% |

| | Required Rate of Return on Original Cost Depreciated Rate Base | | | |
|---|---|---|---|---|
| 14. | OCD Rate Base | $41,604,880 | $24,207,015 | $3,700,113 |
| 15. | Adjusted Operating Income | $1,969,036 | $1,862,935 | $31,709 |
| 16. | Current Rate of Return | 4.73% | 7.70% | 0.86% |
| 17. | Required Operating Income | $4,576,537 | $2,662,772 | $407,012 |
| 18. | Required Rate of Return | 11.00% | 11.00% | 11.00% |

Supporting Schedules:
(a) B-1 (d) H-1
(b) C-1 (e) D-1
(c) C-3

**COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS EASTERN GROUP TEST YEAR 2001**

| Line No. | Description | | Sierra Vista | | Miami | | San Manuel | |
|---|---|---|---|---|---|---|---|---|
| 1. | Adjusted Rate Base | (a) | $2,574,687 | | $4,570,196 | | $793,994 | |
| 2. | Adjusted Operating Income | (b) | | $31,078 | | $59,991 | | ($186,410) |
| 3. | Current Rate of Return | | 1.21% | | 1.31% | | -23.48% | |
| 4. | Required Operating Income | | | $283,216 | | $502,722 | | $87,339 |
| 5. | Required Rate of Return | (e) | 11.00% | | 11.00% | | 11.00% | |
| 6. | Operating Income Deficiency | | | $252,138 | | $442,730 | | $273,749 |
| 7. | Gross Revenue Conversion Factor | (c) | | 1.63241 | | 1.63241 | | 1.63241 |
| 8. | Increase in Gross Revenue | | | $411,592 | | $722,717 | | $446,871 |

| | Customer Classification | | Projected Revenue Increase | % Dollar Increase | Projected Revenue Increase | % Dollar Increase | Projected Revenue Increase | % Dollar Increase |
|---|---|---|---|---|---|---|---|---|
| 9. | Metered Service | (d) | $411,755 | 46.8% | $722,820 | 50.1% | $446,941 | 96.5% |
| 10. | Private Fire Service | | $0 | | $0 | | $0 | |
| 11. | Public Fire Hydrant Service | | $0 | | $0 | | $0 | |
| 12. | Other | | $0 | | $0 | | $0 | |
| 13. | Total | | $411,755 | 46.1% | $722,820 | 49.6% | $446,941 | 93.9% |

Required Rate of Return on Original Cost Depreciated Rate Base

| | | | | | |
|---|---|---|---|---|---|
| 14. | OCD Rate Base | $2,574,687 | $4,570,196 | $793,994 |
| 15. | Adjusted Operating Income | $31,078 | $59,991 | ($186,410) |
| 16. | Current Rate of Return | 1.21% | 1.31% | -23.48% |
| 17. | Required Operating Income | $283,216 | $502,722 | $87,339 |
| 18. | Required Rate of Return | 11.00% | 11.00% | 11.00% |

Supporting Schedules:

(a) B-1 (d) H-1

(b) C-1 (e) D-1

(c) C-3

**COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENTS EASTERN GROUP TEST YEAR 2001**

| Line No. | Description | | Oracle | | Winkelman | | Superior | |
|---|---|---|---|---|---|---|---|---|
| 1. | Adjusted Rate Base | (a) | $2,819,400 | | $265,899 | | $2,673,576 | |
| 2. | Adjusted Operating Income | (b) | | $167,200 | | $9,437 | | ($6,905) |
| 3. | Current Rate of Return | | 5.93% | | 3.55% | | -0.26% | |
| 4. | Required Operating Income | | | $310,134 | | $29,249 | | $294,093 |
| 5. | Required Rate of Return | (e) | 11.00% | | 11.00% | | 11.00% | |
| 6. | Operating Income Deficiency | | | $142,934 | | $19,812 | | $300,998 |
| 7. | Gross Revenue Conversion Factor | (c) | | 1.63241 | | 1.63241 | | 1.63241 |
| 8. | Increase in Gross Revenue | | | $233,326 | | $32,341 | | $491,352 |

| | Customer Classification | | Projected Revenue Increase | % Dollar Increase | Projected Revenue Increase | % Dollar Increase | Projected Revenue Increase | % Dollar Increase |
|---|---|---|---|---|---|---|---|---|
| 9. | Metered Service | (d) | $233,352 | 29.0% | $32,225 | 33.4% | $61,063 | 8.9% |
| 10. | Private Fire Service | | $0 | | $0 | | $0 | |
| 11. | Public Fire Hydrant Service | | $0 | | $0 | | $0 | |
| 12. | Other | | $0 | | $0 | | $0 | |
| 13. | Total | | $233,352 | 28.5% | $32,225 | 33.2% | $61,063 | 8.7% |

Required Rate of Return on
Original Cost Depreciated Rate Base

| | | | | | |
|---|---|---|---|---|---|
| 14. | OCD Rate Base | $2,819,400 | $265,899 | $2,673,576 |
| 15. | Adjusted Operating Income | $167,200 | $9,437 | ($6,905) |
| 16. | Current Rate of Return | 5.93% | 3.55% | -0.26% |
| 17. | Required Operating Income | $310,134 | $29,249 | $294,093 |
| 18. | Required Rate of Return | 11.00% | 11.00% | 11.00% |

Supporting Schedules:
(a) B-1 (d) H-1
(b) C-1 (e) D-1
(c) C-3

**SUMMARY RESULTS OF OPERATIONS**
**EASTERN GROUP & TOTAL COMPANY**
**PRIOR YEARS 1999 & 2000, TEST YEAR 2001, AND PROJECTED YEAR 2002**

| Line No. | Description | Prior Years 1999 (a) | Prior Years 2000 (a) | Test Year 2001 Actual (a) | Test Year 2001 Adjusted (b) | Projected Year 2002* Present Rates (c) | Projected Year 2002* Proposed Rates (c) |
|---|---|---|---|---|---|---|---|
| | **Eastern Group:** | | | | | | |
| 1. | Gross Revenues | $14,184,791 | $15,593,835 | $15,529,177 | $14,653,117 | $15,847,326 | $20,097,326 |
| 2. | Operating Expenses | (11,426,214) | (12,339,786) | (12,908,755) | (12,684,081) | (14,023,726) | (15,666,423) |
| 3. | Operating Income | 2,758,577 | 3,254,049 | 2,620,422 | 1,969,036 | 1,823,600 | 4,430,904 |
| 4. | Other Income and (Deductions) | (496,815) | (571,047) | (756,954) | (912,207) | (927,801) | (927,801) |
| 5. | Net Income | $2,261,762 | $2,683,002 | $1,863,468 | $1,056,829 | $895,799 | $3,503,103 |
| | **Total Company:** | | | | | | |
| 6. | Gross Revenues | $29,749,822 | $32,411,346 | $32,951,633 | | | |
| 7. | Operating Expenses | (23,520,945) | (25,351,408) | (26,915,824) | | | |
| 8. | Operating Income | 6,228,877 | 7,059,938 | 6,035,809 | | | |
| 9. | Other Income and (Deductions) | (1,111,448) | (1,254,773) | (1,652,020) | | | |
| 10. | Net Income | $5,117,429 | $5,805,165 | $4,383,789 | | | |
| 11. | Earned per Average Common Share | $18.95 | $21.50 | $16.24 | | | |
| 12. | Dividends per Common Share - Regular | $9.87 | $10.05 | $10.66 | | | |
| 13. | Dividends per Common Share - Special | $7.41 | - | - | | | |
| 14. | Payout Ratio | 91.17% | 46.74% | 65.66% | | | |
| 15. | Return on Average Invested Capital | 10.98% | 10.50% | 7.98% | | | |
| 16. | Return on Year End Capital | 9.62% | 10.14% | 7.72% | | | |
| 17. | Return on Average Common Equity | 11.47% | 12.51% | 9.00% | | | |
| 18. | Return on Year End Common Equity | 11.41% | 12.11% | 8.87% | | | |
| 19. | Times Bond Interest Earned Before Income Taxes | 9.81 x | 11.37 x | 5.04 x | | | |
| 20. | Times Total Interest Earned After Income Taxes | 5.24 x | 5.32 x | 4.06 x | | | |

Supporting Schedules:
(a) E-2
(b) C-1
(c) F-1

* - Not meaningful since projections are limited to the Eastern Group

**SUMMARY OF CAPITAL STRUCTURE**
**EASTERN GROUP**
**PRIOR YEARS 1999 & 2000, TEST YEAR 2001,**
**ADJUSTED TEST YEAR 2001, AND PROJECTED YEAR 2002**

| Line No. | Description | Eastern Group | | | | |
|---|---|---|---|---|---|---|
| | | Prior Years | | Test Year | Adjusted Test Year | Projected Year |
| | | 1999 (a) | 2000 (a) | 2001 (b) | 2001 (b) | 2002 (b) |
| 1. | Short-Term Debt | $5,028,750 | $6,098,340 | $1,340,000 | $1,574,824 | $4,088,120 |
| 2. | Long-Term Debt | $4,293,123 | $4,160,768 | $10,814,350 | $12,709,483 | $12,490,223 |
| 3. | Total Debt | 9,321,873 | 10,259,108 | 12,154,350 | 14,284,308 | 16,578,342 |
| 4. | Common Equity | $20,045,931 | $21,816,197 | $23,246,753 | $27,320,572 | $28,594,253 |
| 5. | Total Capital | $29,367,805 | $32,075,304 | $35,401,103 | $41,604,880 | $45,172,595 |
| | Capitalization Ratios: | | | | | |
| 6. | Short-Term Debt | 17.12% | 19.01% | 3.79% | 3.79% | 9.05% |
| 7. | Long-Term Debt | 14.62% | 12.97% | 30.55% | 30.55% | 27.65% |
| 8. | Total Debt | 31.74% | 31.98% | 34.33% | 34.33% | 36.70% |
| 9. | Common Equity | 68.26% | 68.02% | 65.67% | 65.67% | 63.30% |
| | | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 10. | Weighted Cost of Short-Term Debt | 7.01% | 7.72% | 7.37% | 7.37% | 7.37% |
| 11. | Weighted Cost of Long-Term Debt | 9.25% | 9.24% | 8.46% | 8.46% | 8.44% |
| 12. | Weighted Cost of Senior Capital | 8.04% | 8.34% | 8.34% | 8.34% | 8.18% |

Supporting Schedules:
(a) E-1
(b) D-1

**CONSTRUCTION EXPENDITURES**
**AND GROSS UTILITY PLANT**
**IN SERVICE**
**PRIOR YEARS 1999, 2000,**
**TEST YEAR 2001,**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| | | | Eastern Group | | | Apache Junction | | |
|---|---|---|---|---|---|---|---|---|
| Line No. | Year | | Construction Expenditures | Net Plant Placed In Service | Gross Utility Plant In Service | Construction Expenditures | Net Plant Placed In Service | Gross Utility Plant In Service |
| 1. | 1999 | | $7,867,204 | $7,727,447 | $65,018,744 | $6,589,978 | $6,493,152 | $38,638,855 |
| 2. | 2000 | | 5,511,833 | 5,310,244 | 70,328,988 | 3,687,022 | 3,592,442 | 42,231,297 |
| 3. | Test Year 2001 | (a) | 9,744,332 | 9,472,464 | 79,801,452 | 8,660,568 | 8,537,245 | 50,768,542 |
| 4. | Projected Year 2002 | (b) | 5,112,049 | 4,776,244 | 84,577,696 | 3,392,030 | 3,178,396 | 53,946,938 |
| 5. | Projected Year 2003 | (b) | 9,488,180 | 9,132,277 | 93,709,974 | 8,127,680 | 7,900,671 | 61,847,609 |
| 6. | Projected Year 2004 | (b) | 8,422,513 | 8,028,181 | 101,738,155 | 3,872,500 | 3,612,245 | 65,459,855 |

Supporting Schedules:
(a) E-5
(b) F-3

**CONSTRUCTION EXPENDITURES**
**AND GROSS UTILITY PLANT**
**IN SERVICE**
**PRIOR YEARS 1999, 2000,**
**TEST YEAR 2001,**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| | | | Bisbee | | | Sierra Vista | | |
|---|---|---|---|---|---|---|---|---|
| Line No. | Year | | Construction Expenditures | Net Plant Placed In Service | Gross Utility Plant In Service | Construction Expenditures | Net Plant Placed In Service | Gross Utility Plant In Service |
| 1. | 1999 | | $209,501 | $202,510 | $6,338,724 | $154,355 | $152,217 | $4,314,041 |
| 2. | 2000 | | 298,521 | 283,202 | 6,621,926 | 720,943 | 686,921 | 5,000,962 |
| 3. | Test Year 2001 | (a) | 244,153 | 214,470 | 6,836,396 | 173,342 | 120,840 | 5,121,802 |
| 4. | Projected Year 2002 | (b) | 514,224 | 485,456 | 7,321,852 | 124,000 | 102,447 | 5,224,249 |
| 5. | Projected Year 2003 | (b) | 134,000 | 103,190 | 7,425,042 | 113,500 | 91,516 | 5,315,766 |
| 6. | Projected Year 2004 | (b) | 141,500 | 110,255 | 7,535,298 | 106,000 | 83,631 | 5,399,397 |

Supporting Schedules:
(a) E-5
(b) F-3

**CONSTRUCTION EXPENDITURES**
**AND GROSS UTILITY PLANT**
**IN SERVICE**
**PRIOR YEARS 1999, 2000,**
**TEST YEAR 2001,**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| | | | Miami | | | San Manuel | | |
|---|---|---|---|---|---|---|---|---|
| Line No. | Year | | Construction Expenditures | Net Plant Placed In Service | Gross Utility Plant In Service | Construction Expenditures | Net Plant Placed In Service | Gross Utility Plant In Service |
| 1. | 1999 | | $219,054 | $202,035 | $5,986,985 | $48,565 | $46,330 | $1,411,074 |
| 2. | 2000 | | 211,610 | 193,438 | 6,180,423 | 10,531 | 4,528 | 1,415,602 |
| 3. | Test Year 2001 | (a) | 170,725 | 156,262 | 6,336,685 | 40,407 | 39,407 | 1,455,009 |
| 4. | Projected Year 2002 | (b) | 430,348 | 403,683 | 6,740,368 | 74,552 | 68,429 | 1,523,438 |
| 5. | Projected Year 2003 | (b) | 442,500 | 414,137 | 7,154,505 | 302,250 | 295,839 | 1,819,278 |
| 6. | Projected Year 2004 | (b) | 267,000 | 236,894 | 7,391,399 | 1,927,500 | 1,919,844 | 3,739,122 |

Supporting Schedules:
(a) E-5
(b) F-3

**CONSTRUCTION EXPENDITURES**
**AND GROSS UTILITY PLANT**
**IN SERVICE**
**PRIOR YEARS 1999, 2000,**
**TEST YEAR 2001,**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| | | | Oracle | | | Winkelman | | |
|---|---|---|---|---|---|---|---|---|
| Line No. | Year | | Construction Expenditures | Net Plant Placed In Service | Gross Utility Plant In Service | Construction Expenditures | Net Plant Placed In Service | Gross Utility Plant In Service |
| 1. | 1999 | | $452,402 | $450,847 | $4,505,567 | $39,166 | $28,441 | $403,555 |
| 2. | 2000 | | 93,599 | 92,470 | 4,598,037 | 1,996 | 1,234 | 404,789 |
| 3. | Test Year 2001 | (a) | 280,575 | 250,078 | 4,848,115 | 14,324 | 6,466 | 411,255 |
| 4. | Projected Year 2002 | (b) | 296,458 | 276,057 | 5,124,172 | 13,500 | 11,769 | 423,024 |
| 5. | Projected Year 2003 | (b) | 186,000 | 164,437 | 5,288,610 | 12,750 | 10,970 | 433,994 |
| 6. | Projected Year 2004 | (b) | 225,200 | 202,946 | 5,491,555 | 15,500 | 13,674 | 447,668 |

Supporting Schedules:
(a) E-5
(b) F-3

**CONSTRUCTION EXPENDITURES**
**AND GROSS UTILITY PLANT**
**IN SERVICE**
**PRIOR YEARS 1999, 2000,**
**TEST YEAR 2001,**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| Line No. | Year | | Construction Expenditures | Superior Net Plant Placed In Service | Superior Gross Utility Plant In Service |
|---|---|---|---|---|---|
| 1. | 1999 | | $154,183 | $151,915 | $3,419,943 |
| 2. | 2000 | | 487,611 | 456,009 | 3,875,952 |
| 3. | Test Year 2001 | (a) | 160,238 | 147,696 | 4,023,648 |
| 4. | Projected Year 2002 | (b) | 266,937 | 250,005 | 4,273,653 |
| 5. | Projected Year 2003 | (b) | 169,500 | 151,516 | 4,425,170 |
| 6. | Projected Year 2004 | (b) | 1,867,313 | 1,848,692 | 6,273,862 |

Supporting Schedules:
(a) E-5
(b) F-3

**SUMMARY OF CASH FLOWS**
**TOTAL COMPANY**
**PRIOR YEARS 1999 & 2000, TEST YEAR 2001, AND PROJECTED YEAR 2002**

| Line No. | Description | 1999 (a) | 2000 (a) | Actual Test Year 2001 (a) | At Present Rates Projected Year 2002 (b) | At Proposed Rates Projected Year 2002 (b) |
|---|---|---|---|---|---|---|
| 1. | Net Cash Provided by Operating Activities | $9,300,289 | $9,662,397 | $9,574,331 | - | - |
| 2. | Net Cash Used in Investing Activities | (14,173,200) | (16,386,095) | (15,027,446) | - | - |
| 3. | Net Cash Provided (Used) by Financing Activities | 4,767,912 | 6,944,427 | 5,377,683 | - | - |
| 4. | Net Increase (Decrease) in Cash | (104,999) | 220,729 | (75,432) | - | - |
| 5. | Cash, Beginning of Year | 349,317 | 244,318 | 465,047 | - | - |
| 6. | Cash, End of Year | $244,318 | $465,047 | $389,615 | - | - |

Supporting Schedules:
(a) E-3
(b) Projected data not prepared for total company

# B

# RATE BASE SCHEDULES

**B-1** SUMMARY OF ORIGINAL COST RATE BASE ELEMENTS

**B-2** ORIGINAL COST RATE BASE PRO FORMA ADJUSTMENTS

**B-3** *(RCND SCHEDULES NOT PREPARED)*

**B-4** *(RCND SCHEDULES NOT PREPARED)*

**B-5** COMPUTATION OF WORKING CAPITAL

**B-6** SUMMARY OF LEAD/LAG WORKING CASH REQUIREMENTS

**SUMMARY OF ORIGINAL COST RATE BASE ELEMENTS**
**(INCLUDING PROFORMA ADJUSTMENTS)**
**END OF TEST YEAR 2001**

| Line No. | Description | | Eastern Group OCD Rate Base | Apache Junction OCD Rate Base | Bisbee OCD Rate Base | Sierra Vista OCD Rate Base | Miami OCD Rate Base | San Manuel OCD Rate Base |
|---|---|---|---|---|---|---|---|---|
| 1. | Total Net Plant | (a) | $67,948,583 | $46,435,085 | $4,334,890 | $3,875,459 | $5,123,689 | $818,527 |
| 2. | Less: Customers' Advances for Construction | (a) | ($17,232,663) | (15,443,377) | (190,083) | (587,611) | (109,428) | (23,194) |
| 3. | Contributions in Aid of Construction | (a) | ($6,882,470) | (5,514,680) | (316,520) | (585,468) | (156,308) | (17,385) |
| 4. | Deferred Income Tax | (a) | ($4,825,667) | (2,699,309) | (423,066) | (331,421) | (566,719) | (93,372) |
| 5. | Add: Allowance for Working Capital | (b) | $923,871 | 559,087 | 100,985 | 70,439 | 81,768 | 28,714 |
| 6. | Phoenix Office Allocation | (c) | $1,639,085 | 852,453 | 189,951 | 130,569 | 193,170 | 79,057 |
| 7. | Meter Shop Allocation | (c) | $34,141 | 17,756 | 3,956 | 2,720 | 4,024 | 1,647 |
| 8. | Total Rate Base | (d) | $41,604,880 | $24,207,015 | $3,700,113 | $2,574,687 | $4,570,196 | $793,994 |
| | Phoenix & Meter Shop Allocation Factors | | | 0.2383 | 0.0531 | 0.0365 | 0.0540 | 0.0221 |

Supporting Schedules:
(a) B-2
(b) B-5
(c) Allocated Using The 3 Factor Allocation

Recap Schedules:
(d) A-1

**SUMMARY OF ORIGINAL COST RATE BASE ELEMENTS**
**(INCLUDING PROFORMA ADJUSTMENTS)**
**END OF TEST YEAR 2001**

| Line No. | Description | | Oracle OCD Rate Base | Winkelman OCD Rate Base | Superior OCD Rate Base | Phoenix Office OCD Rate Base | Meter Shop OCD Rate Base |
|---|---|---|---|---|---|---|---|
| 1. | Total Net Plant | (a) | $3,710,477 | $309,017 | $3,341,439 | $3,577,227 | $74,510 |
| 2. | Less: Customers' Advances for Construction | (a) | (473,356) | (20,855) | (384,759) | | |
| 3. | Contributions in Aid of Construction | (a) | (220,411) | (1,571) | (70,127) | | |
| 4. | Deferred Income Tax | (a) | (344,341) | (34,918) | (332,521) | | |
| 5. | Add: Allowance for Working Capital | (b) | 52,086 | 2,906 | 27,886 | 0 | 0 |
| 6. | Phoenix Office Allocation | (c) | 93,008 | 11,089 | 89,788 | (3,577,227) | |
| 7. | Meter Shop Allocation | (c) | 1,937 | 231 | 1,870 | | (74,510) |
| 8. | Total Rate Base | (d) | $2,819,400 | $265,899 | $2,673,576 | $0 | $0 |
| | Phoenix & Meter Shop Allocation Factors | | 0.0260 | 0.0031 | 0.0251 | | |

Supporting Schedules:
(a) B-2
(b) B-5
(c) Allocated Using The 3 Factor Allocation

Recap Schedules:
(d) A-1

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | Eastern Group Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $79,801,452 | $5,763,968 | $0 | $0 | $704,903 | $0 | $0 | $86,270,323 |
| 2. | less: Accumulated Depreciation | (18,068,863) | 0 | (172,296) | (80,581) | 0 | 0 | 0 | (18,321,740) |
| 3. | Net Plant In Service | 61,732,589 | 5,763,968 | (172,296) | (80,581) | 704,903 | 0 | 0 | 67,948,582 |
| 4. | Construction Work In Progress | 1,114,579 | (12,216) | 0 | 0 | 0 | (1,102,363) | 0 | 0 |
| 5. | Total Net Plant | 62,847,168 | 5,751,752 | (172,296) | (80,581) | 704,903 | (1,102,363) | 0 | 67,948,582 |
| 6. | Less: Customers' Advances for Construction | (18,335,026) | 0 | 0 | 0 | 0 | 1,102,363 | 0 | (17,232,663) |
| 7. | Contributions in Aid of Construction | | | | | | | | |
| 8. | Gross | (7,850,910) | 0 | 0 | 0 | 0 | 0 | 0 | (7,850,910) |
| 9. | Accumulated Amortization | 968,440 | 0 | 0 | 0 | 0 | 0 | 0 | 968,440 |
| 10. | Net Contributions In Aid Of Construction | (25,217,496) | 0 | 0 | 0 | 0 | 1,102,363 | 0 | (24,115,133) |
| 11. | Deferred Income Tax | (4,825,667) | 0 | 0 | 0 | 0 | 0 | 0 | (4,825,667) |
| 12. | Add: Total Working Capital Allowance (b) | 923,871 | 0 | 0 | 0 | 0 | 0 | 0 | 923,871 |
| 13. | Total Rate Base Components & Adjustments | $33,727,876 | $5,751,752 | ($172,296) | ($80,581) | $704,903 | $0 | $0 | $39,931,654 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Post Test Year Plant Placed In Service
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Six Months Additional Depreciation Expense on Test Year Additions
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | Apache Junction Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $50,768,542 | 3,753,346 | | | 704,903 | | | $55,226,791 |
| 2. | less: Accumulated Depreciation | (8,681,694) | | (112,897) | 2,886 | | | | (8,791,705) |
| 3. | Net Plant In Service | 42,086,848 | 3,753,346 | (112,897) | 2,886 | 704,903 | 0 | | 46,435,085 |
| 4. | Construction Work In Progress | 1,107,018 | (6,759) | | | | (1,100,259) | | 0 |
| 5. | Total Net Plant | 43,193,866 | 3,746,587 | (112,897) | 2,886 | 704,903 | (1,100,259) | 0 | 46,435,085 |
| 6. | Less: Customers' Advances for Construction | (16,543,636) | | | | | 1,100,259 | | (15,443,377) |
| 7. | Contributions in Aid of Construction | | | | | | | | |
| 8. | Gross | (6,228,486) | | | | | | | (6,228,486) |
| 9. | Accumulated Amortization | 713,806 | | | | | | | 713,806 |
| 10. | Net Contributions In Aid Of Construction | (22,058,316) | 0 | 0 | 0 | 0 | 1,100,259 | 0 | (20,958,057) |
| 11. | Deferred Income Tax | (2,699,309) | | | | | | | (2,699,309) |
| 12. | Add: Total Working Capital Allowance (b) | 559,087 | | | | | | | 559,087 |
| 13. | Total Rate Base Components & Adjustments | $18,995,328 | 3,746,587 | (112,897) | 2,886 | 704,903 | 0 | 0 | $23,336,807 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Post Test Year Plant Placed In Service
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Six Months Additional Depreciation Expense on Test Year Additions
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Bisbee Actual Test Year (a) | Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $6,836,396 | 597,543 | | | | | | $7,433,939 |
| 2. | less: Accumulated Depreciation | (3,071,420) | | (20,636) | (6,993) | | | | (3,099,049) |
| 3. | Net Plant In Service | 3,764,976 | 597,543 | (20,636) | (6,993) | 0 | 0 | | 4,334,890 |
| 4. | Construction Work In Progress | 0 | 0 | | | | | | 0 |
| 5. | Total Net Plant | 3,764,976 | 597,543 | (20,636) | (6,993) | 0 | 0 | 0 | 4,334,890 |
| 6. | Less: Customers' Advances for Construction | (190,083) | | | | | | | (190,083) |
| 7. | Contributions in Aid of Construction | | | | | | | | |
| 8. | Gross | (372,133) | | | | | | | (372,133) |
| 9. | Accumulated Amortization | 55,613 | | | | | | | 55,613 |
| 10. | Net Contributions In Aid Of Construction | (506,603) | 0 | 0 | 0 | 0 | 0 | 0 | (506,603) |
| 11. | Deferred Income Tax | (423,066) | | | | | | | (423,066) |
| 12. | Add: Total Working Capital Allowance (b) | 100,985 | | | | | | | 100,985 |
| 13. | Total Rate Base Components & Adjustments | $2,936,292 | 597,543 | (20,636) | (6,993) | 0 | 0 | 0 | $3,506,205 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Post Test Year Plant Placed In Service
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Six Months Additional Depreciation Expense on Test Year Additions
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | Sierra Vista Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $5,121,802 | 160,557 | | | | | | $5,282,359 |
| 2. | less: Accumulated Depreciation | (1,381,211) | | (5,537) | (20,152) | | | | (1,406,900) |
| 3. | Net Plant In Service | 3,740,591 | 160,557 | (5,537) | (20,152) | 0 | 0 | | 3,875,459 |
| 4. | Construction Work In Progress | 2,104 | 0 | | | | (2,104) | | 0 |
| 5. | Total Net Plant | 3,742,695 | 160,557 | (5,537) | (20,152) | 0 | (2,104) | 0 | 3,875,459 |
| 6. | Less: Customers' Advances for Construction | (589,715) | | | | | 2,104 | | (587,611) |
| 7. | Contributions in Aid of Construction | | | | | | | | |
| 8. | Gross | (699,448) | | | | | | | (699,448) |
| 9. | Accumulated Amortization | 113,980 | | | | | | | 113,980 |
| 10. | Net Contributions In Aid Of Construction | (1,175,183) | 0 | 0 | 0 | 0 | 2,104 | 0 | (1,173,079) |
| 11. | Deferred Income Tax | (331,421) | | | | | | | (331,421) |
| 12. | Add: Total Working Capital Allowance (b) | 70,439 | | | | | | | 70,439 |
| 13. | Total Rate Base Components & Adjustments | $2,306,530 | 160,557 | (5,537) | (20,152) | 0 | 0 | 0 | $2,441,398 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Post Test Year Plant Placed In Service
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Six Months Additional Depreciation Expense on Test Year Additions
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | Miami Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $6,336,685 | 500,981 | | | | | | $6,837,666 |
| 2. | less: Accumulated Depreciation | (1,667,874) | | (13,951) | (32,152) | | | | (1,713,976) |
| 3. | Net Plant In Service | 4,668,811 | 500,981 | (13,951) | (32,152) | 0 | 0 | | 5,123,689 |
| 4. | Construction Work In Progress | 492 | (492) | | | | | | 0 |
| 5. | Total Net Plant | 4,669,303 | 500,489 | (13,951) | (32,152) | 0 | 0 | 0 | 5,123,689 |
| 6. | Less: Customers' Advances for Construction | (109,428) | | | | | | | (109,428) |
| 7. | Contributions in Aid of Construction | | | | | | | | |
| 8. | Gross | (188,394) | | | | | | | (188,394) |
| 9. | Accumulated Amortization | 32,086 | | | | | | | 32,086 |
| 10. | Net Contributions In Aid Of Construction | (265,736) | 0 | 0 | 0 | 0 | 0 | 0 | (265,736) |
| 11. | Deferred Income Tax | (566,719) | | | | | | | (566,719) |
| 12. | Add: Total Working Capital Allowance (b) | 81,768 | | | | | | | 81,768 |
| 13. | Total Rate Base Components & Adjustments | $3,918,616 | 500,489 | (13,951) | (32,152) | 0 | 0 | 0 | $4,373,002 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Post Test Year Plant Placed In Service
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Six Months Additional Depreciation Expense on Test Year Additions
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | San Manuel Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $1,455,009 | 99,591 | | | | | | $1,554,600 |
| 2. | less: Accumulated Depreciation | (724,297) | | (4,209) | (7,568) | | | | (736,074) |
| 3. | Net Plant In Service | 730,712 | 99,591 | (4,209) | (7,568) | 0 | 0 | | 818,527 |
| 4. | Construction Work In Progress | 2,844 | (2,844) | | | | | | 0 |
| 5. | Total Net Plant | 733,556 | 96,747 | (4,209) | (7,568) | 0 | 0 | 0 | 818,527 |
| 6. | Less: Customers' Advances for Construction | (23,194) | | | | | | | (23,194) |
| 7. | Contributions In Aid of Construction | | | | | | | | |
| 8. | Gross | (20,375) | | | | | | | (20,375) |
| 9. | Accumulated Amortization | 2,990 | | | | | | | 2,990 |
| 10. | Net Contributions In Aid Of Construction | (40,579) | 0 | 0 | 0 | 0 | 0 | 0 | (40,579) |
| 11. | Deferred Income Tax | (93,372) | | | | | | | (93,372) |
| 12. | Add: Total Working Capital Allowance (b) | 28,714 | | | | | | | 28,714 |
| 13. | Total Rate Base Components & Adjustments | $628,319 | 96,747 | (4,209) | (7,568) | 0 | 0 | 0 | $713,290 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Post Test Year Plant Placed In Service
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Six Months Additional Depreciation Expense on Test Year Additions
(4) Deferred CAP Charges
(5) Outside-funded CWIP

Processing Date: 8/9/2002

ARIZONA WATER COMPANY



**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | Oracle Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $4,848,115 | 330,907 | | | | | | $5,179,022 |
| 2. | less: Accumulated Depreciation | (1,455,964) | | (8,034) | (4,547) | | | | (1,468,546) |
| 3. | Net Plant In Service | 3,392,151 | 330,907 | (8,034) | (4,547) | 0 | 0 | | 3,710,477 |
| 4. | Construction Work In Progress | 2,121 | (2,121) | | | | | | 0 |
| 5. | Total Net Plant | 3,394,272 | 328,786 | (8,034) | (4,547) | 0 | 0 | 0 | 3,710,477 |
| 6. | Less: Customers' Advances for Construction | | | | | | | | |
| 7. | Contributions in Aid of Construction | (473,356) | | | | | | | (473,356) |
| 8. | Gross | | | | | | | | |
| 9. | Accumulated Amortization | (258,151) | | | | | | | (258,151) |
| 10. | Net Contributions In Aid Of Construction | 37,740 | | | | | | | 37,740 |
| | | (693,767) | 0 | 0 | 0 | 0 | 0 | 0 | (693,767) |
| 11. | Deferred Income Tax | (344,341) | | | | | | | (344,341) |
| 12. | Add: Total Working Capital Allowance (b) | 52,086 | | | | | | | 52,086 |
| 13. | Total Rate Base Components & Adjustments | $2,408,250 | 328,786 | (8,034) | (4,547) | 0 | 0 | 0 | $2,724,454 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Post Test Year Plant Placed In Service
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Six Months Additional Depreciation Expense on Test Year Additions
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | Winkelman Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $411,255 | 17,166 | | | | | | $428,421 |
| 2. | less: Accumulated Depreciation | (116,356) | | (516) | (2,532) | | | | (119,405) |
| 3. | Net Plant In Service | 294,899 | 17,166 | (516) | (2,532) | 0 | 0 | | 309,017 |
| 4. | Construction Work In Progress | 0 | 0 | | | | | | 0 |
| 5. | Total Net Plant | 294,899 | 17,166 | (516) | (2,532) | 0 | 0 | 0 | 309,017 |
| 6. | Less: Customers' Advances for Construction | (20,855) | | | | | | | (20,855) |
| 7. | Contributions in Aid of Construction | | | | | | | | |
| 8. | Gross | (1,835) | | | | | | | (1,835) |
| 9. | Accumulated Amortization | 264 | | | | | | | 264 |
| 10. | Net Contributions In Aid Of Construction | (22,426) | 0 | 0 | 0 | 0 | 0 | 0 | (22,426) |
| 11. | Deferred Income Tax | (34,918) | | | | | | | (34,918) |
| 12. | Add: Total Working Capital Allowance (b) | 2,906 | | | | | | | 2,906 |
| 13. | Total Rate Base Components & Adjustments | $240,461 | 17,166 | (516) | (2,532) | 0 | 0 | 0 | $254,579 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Post Test Year Plant Placed In Service
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Six Months Additional Depreciation Expense on Test Year Additions
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | Superior Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $4,023,648 | 303,877 | | | | | | $4,327,525 |
| 2. | less: Accumulated Depreciation | (970,047) | | (6,515) | (9,524) | | | | (986,086) |
| 3. | Net Plant In Service | 3,053,601 | 303,877 | (6,515) | (9,524) | 0 | 0 | | 3,341,439 |
| 4. | Construction Work In Progress | 0 | 0 | | | | | | 0 |
| 5. | Total Net Plant | 3,053,601 | 303,877 | (6,515) | (9,524) | 0 | 0 | 0 | 3,341,439 |
| 6. | Less: Customers' Advances for Construction | | | | | | | | |
| 7. | Contributions in Aid of Construction | (384,759) | | | | | | | (384,759) |
| 8. | Gross | | | | | | | | |
| 9. | Accumulated Amortization | (82,088) | | | | | | | (82,088) |
| 10. | Net Contributions In Aid Of Construction | 11,961 | | | | | | | 11,961 |
| | | (454,886) | 0 | 0 | 0 | 0 | 0 | 0 | (454,886) |
| 11. | Deferred Income Tax | (332,521) | | | | | | | (332,521) |
| 12. | Add: Total Working Capital Allowance (b) | 27,886 | | | | | | | 27,886 |
| 13. | Total Rate Base Components & Adjustments | $2,294,080 | 303,877 | (6,515) | (9,524) | 0 | 0 | 0 | $2,581,918 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Post Test Year Plant Placed In Service
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Six Months Additional Depreciation Expense on Test Year Additions
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | Phoenix Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $3,903,884 | | | | | | | $3,903,884 |
| 2. | less: Accumulated Depreciation | (453,222) | | | | | | | (453,222) |
| 3. | Net Plant In Service | 3,450,662 | 0 | 0 | 0 | 0 | 0 | 0 | 3,450,662 |
| 4. | Construction Work In Progress | 126,565 | | | | | | | 126,565 |
| 5. | Total Net Plant | 3,577,227 | 0 | 0 | 0 | 0 | 0 | 0 | 3,577,227 |
| 6. | Less: Customers' Advances for Construction | 0 | | | | | | | 0 |
| 7. | Contributions in Aid of Construction | | | | | | | | |
| 8. | Gross | 0 | | | | | | | 0 |
| 9. | Accumulated Amortization | 0 | | | | | | | 0 |
| 10. | Net Contributions In Aid Of Construction | 0 | | | | | | | 0 |
| 11. | Deferred Income Tax | 0 | | | | | | | 0 |
| 12. | Add: Total Working Capital Allowance (b) | 0 | | | | | | | 0 |
| 13. | Total Rate Base Components & Adjustments | $3,577,227 | 0 | 0 | 0 | 0 | 0 | 0 | $3,577,227 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Construction Placed In Service Prior To Hearing
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Depreciation Expense Annualization
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS**
**END OF TEST YEAR 2001**
**EASTERN GROUP**

| Line No. | Description | Actual Test Year (a) | Meter Shop Pro Forma Adjustments (1) | (2) | (3) | (4) | (5) | (6) | Adjusted Test Year (c) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Gross Plant In Service | $99,104 | | | | | | | $99,104 |
| 2. | less: Accumulated Depreciation | (24,594) | | | | | | | (24,594) |
| 3. | Net Plant In Service | 74,510 | 0 | 0 | 0 | 0 | 0 | 0 | 74,510 |
| 4. | Construction Work In Progress | 0 | | | | | | | 0 |
| 5. | Total Net Plant | 74,510 | 0 | 0 | 0 | 0 | 0 | 0 | 74,510 |
| 6. | Less: Customers' Advances for Construction | 0 | | | | | | | 0 |
| 7. | Contributions in Aid of Construction | | | | | | | | |
| 8. | Gross | 0 | | | | | | | 0 |
| 9. | Accumulated Amortization | 0 | | | | | | | 0 |
| 10. | Net Contributions In Aid Of Construction | 0 | | | | | | | 0 |
| 11. | Deferred Income Tax | 0 | | | | | | | 0 |
| 12. | Add: Total Working Capital Allowance (b) | 0 | | | | | | | 0 |
| 13. | Total Rate Base Components & Adjustments | $74,510 | 0 | 0 | 0 | 0 | 0 | 0 | $74,510 |

Supporting Schedules:
(a) E-5 & AWC books & records
(b) B-5, line 5

Recap Schedules:
(c) B-1

(1) Construction Placed In Service Prior To Hearing
(2) 12 Months Depreciation on Post Test Year Plant Additions
(3) Depreciation Expense Annualization
(4) Deferred CAP Charges
(5) Outside-funded CWIP

**COMPUTATION OF WORKING CAPITAL**
**END OF TEST YEAR 2001**

| Line No. | Description | Eastern Group | Apache Junction | Bisbee | Sierra Vista | Miami |
|---|---|---|---|---|---|---|
| 1. | Cash Working Capital (a) | 454,315 | $328,417 | $28,193 | $24,193 | $30,159 |
| 2. | Materials and Supplies Inventories | 110,365 | 43,863 | 31,166 | 17,633 | 9,277 |
| 3. | Required Bank Balances | 228,365 | 118,768 | 26,465 | 18,191 | 26,913 |
| 4. | Prepayments and Special Deposits | 130,827 | 68,040 | 15,161 | 10,422 | 15,418 |
| 5. | Total Working Capital Allowance (b) | $923,871 | $559,087 | $100,985 | $70,439 | $81,768 |

Supporting Schedules:
(a) B-6

Recap Schedules:
(b) B-1, B-2

**COMPUTATION OF WORKING CAPITAL**
**END OF TEST YEAR 2001**

| Line No. | Description | San Manuel | Oracle | Winkelman | Superior |
|---|---|---|---|---|---|
| 1. | Cash Working Capital (a) | $7,402 | $28,184 | $0 | $7,767 |
| 2. | Materials and Supplies Inventories | 3,987 | 3,519 | 476 | 443 |
| 3. | Required Bank Balances | 11,015 | 12,958 | 1,545 | 12,510 |
| 4. | Prepayments and Special Deposits | 6,310 | 7,424 | 885 | 7,167 |
| 5. | Total Working Capital Allowance (b) | $28,714 | $52,086 | $2,906 | $27,886 |

Supporting Schedules:
(a) B-6

Recap Schedules:
(b) B-1, B-2

**SUMMARY OF LEAD / LAG**
**WORKING CASH REQUIREMENTS**
**TEST YEAR 2001**

| Line | DESCRIPTION | Eastern Group | Apache Junction | Bisbee | Sierra Vista | Miami | San Manuel | Oracle | Winkelman | Superior |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Total Dollar Days Revenue Lag | 534,462,220 | 311,455,637 | 46,017,389 | 32,068,919 | 64,098,602 | 25,034,315 | 28,774,162 | 3,596,275 | 23,416,921 |
| 2. | Total Dollar Days Expense Lag | 369,191,202 | 191,583,511 | 35,726,935 | 23,238,400 | 53,090,531 | 22,332,573 | 18,486,878 | 4,150,309 | 20,582,065 |
| 3. | Excess Dollar Days Revenue Lag | 165,825,051 | 119,872,126 | 10,290,454 | 8,830,519 | 11,008,071 | 2,701,742 | 10,287,284 | (554,034) | 2,834,856 |
| 4. | **Investor Provided Working Cash (a)** (LINE 3 /365) | **454,315** | **328,417** | **28,193** | **24,193** | **30,159** | **7,402** | **28,184** | **0** | **7,767** |

Recap Schedules
(a) B-5

**COMPUTATION OF TOTAL**
**DOLLAR DAYS REVENUE LAG**
**TEST YEAR: 2001**

| Line | DESCRIPTION | Eastern Group |
|---|---|---|
| 1. | 2001 Revenue W/ Taxes | 15,529,177 |
| 2. | Pro Forma Revenue Adjustments | (876,060) |
| 3. | Add Back Revenue Taxes | 1,184,895 |
| 4. | Net Pro Forma Adjustments | 308,835 |
| 5. | Proposed Increase w/o Taxes | 4,256,016 |
| 6. | Net Adjustments | 4,564,851 |
| 7. | Effective Revenue Tax Percentage | 8.26% |
| 8. | Revenue Taxes On Net Adjustments | 369,210 |
| 9. | Total | 20,463,238 |
| 10. | Days Revenue Lag | 26.12 |
| 11. | **Total Dollar Days Revenue Lag** | **534,462,220** |

**EASTERN GROUP**
**SUMMARY OF EXPENSE (LEAD) LAG STUDY**
**TEST YEAR 2001**

| Schedule No. | Description | Actual Expense Amount | Actual Adjustment Amount | Adjusted Expense Amount | Average (Lead) Lag Days | Actual $ Days (Lead) Lag | Adjustment $ Days (Lead) Lag | Adjusted $ Days (Lead) Lag |
|---|---|---|---|---|---|---|---|---|
| EL-2 | Purchased Power | 1,359,546 | (4,111) | 1,355,435 | 32.56 | 44,271,658 | (193,762) | 44,077,896 |
| EL-3 | Payroll | 2,614,453 | 84,816 | 2,699,269 | 14.00 | 36,602,346 | 1,187,424 | 37,789,770 |
| EL-4 | Purchased Water | 940,389 | 290,204 | 1,230,593 | (11.15) | (10,484,936) | 369,951 | (10,114,985) |
| EL-5 | Chemicals | 80,426 | 134,260 | 214,686 | 34.46 | 2,771,861 | 13,774,295 | 16,546,155 |
| EL-6 | Property and Liability Insurance | 41,045 | 3,236 | 44,281 | (45.27) | (1,858,092) | (146,492) | (2,004,584) |
| EL-7 | Workman's Compensation Insurance | 39,239 | (2,929) | 36,310 | (46.50) | (1,824,598) | 136,199 | (1,688,399) |
| EL-8 | Health Insurance | 457,145 | 70,895 | 528,040 | (8.92) | (4,077,732) | (632,381) | (4,710,114) |
| EL-9 | Other Operating and Maintenance Expenses | 1,495,681 | 335,245 | 1,830,927 | (9.27) | (13,859,297) | (3,106,453) | (16,965,750) |
| EL-10 | Depreciation and Amortization | 1,802,267 | 486,465 | 2,288,732 | N/A | N/A | N/A | N/A |
| EL-11 | Federal Current Income Taxes | 730,701 | 856,917 | 1,587,619 | 2.52 | 1,841,367 | 2,159,431 | 4,000,798 |
| EL-11 | Federal Deferred Income Taxes | 205,026 | 0 | 205,026 | N/A | N/A | N/A | N/A |
| EL-12 | State Current Income Taxes | 163,498 | 188,772 | 352,270 | 27.05 | 4,422,621 | 5,106,291 | 9,528,912 |
| EL-13 | FICA Taxes | 195,468 | 6,850 | 202,318 | 14.00 | 2,736,552 | 95,900 | 2,832,452 |
| EL-14 | FUTA and SUTA Taxes | 4,724 | (289) | 4,435 | 83.10 | 392,564 | (24,016) | 368,548 |
| EL-15 | Property Taxes | 1,092,593 | 151,399 | 1,243,992 | 212.00 | 231,629,716 | 32,096,596 | 263,726,312 |
| EL-16 | Registration, Service Contracts, and Misc. Fee | 277,896 | 0 | 277,896 | (98.83) | (27,463,642) | 0 | (27,463,642) |
| EL-17 | Sales and Occupation Taxes | 1,184,894 | 0 | 1,184,894 | 38.18 | 45,238,382 | (0) | 45,238,382 |
| EL-18 | Pension Plan (401-k) | 223,764 | 7,499 | 231,263 | 34.72 | 7,769,086 | 260,373 | 8,029,451 |
| | Total | 12,908,755 | 2,609,230 | 15,517,985 | 24.64 | 318,107,856 | 51,083,354 | 369,191,203 |

# C

# TEST YEAR INCOME STATEMENTS


**C-1** ADJUSTED TEST YEAR OF INCOME STATEMENT

**C-2** INCOME STATEMENT PRO FORMA ADJUSTMENTS

**C-3** COMPUTATION OF GROSS REVENUE CONVERSION FACTOR

**ADJUSTED TEST YEAR INCOME STATEMENT**
**TOTAL COMPANY**
**TEST YEAR 2001**

| Line No. | Description | Eastern Group Test Year 2001 (a) | Eastern Group Proforma Adjustments (b) | Eastern Group Adjusted Test Year 2001 | Apache Junction Test Year 2001 (a) | Apache Junction Proforma Adjustments (b) | Apache Junction Adjusted Test Year 2001 |
|---|---|---|---|---|---|---|---|
| 1. | Operating Revenues | $15,529,177 | ($876,060) | $14,653,117 | $9,314,017 | ($370,090) | $8,943,927 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 2. | Purchased Water | 940,389 | 321,354 | 1,261,743 | 805,211 | 197,829 | 1,003,040 |
| 3. | Other | 54,305 | 55 | 54,360 | 23,251 | 0 | 23,251 |
| | Pumping Expenses: | | | | | | |
| 4. | Purchased Power | 1,286,379 | 26,581 | 1,312,960 | 588,864 | 29,847 | 618,711 |
| 5. | Purchased Gas | 905 | 0 | 905 | 0 | 0 | 0 |
| 6. | Other | 405,759 | 0 | 405,759 | 117,465 | 0 | 117,465 |
| 7. | Water Treatment Expenses | 329,496 | 109,156 | 438,652 | 189,843 | 1,799 | 191,642 |
| 8. | Transmission and Distribution Expenses | 1,562,945 | 159,257 | 1,722,202 | 682,301 | 76,293 | 758,594 |
| 9. | Customer Account Expenses | 1,379,224 | 36,613 | 1,415,837 | 606,014 | 30,232 | 636,246 |
| 10. | Sales Expenses | 6,851 | 0 | 6,851 | 2,059 | 0 | 2,059 |
| 11. | Administrative and General Expenses | 1,605,020 | 257,395 | 1,862,415 | 774,394 | 122,434 | 896,828 |
| 12. | Total Operation and Maintenance | 7,571,273 | 910,411 | 8,481,684 | 3,789,402 | 458,434 | 4,247,836 |
| 13. | Depreciation and Amortization | 1,802,267 | 486,465 | 2,288,732 | 1,082,006 | 343,599 | 1,425,605 |
| | Taxes: | | | | | | |
| 14. | Federal Income | 935,727 | (486,328) | 449,399 | 757,463 | (249,253) | 508,210 |
| 15. | State Income | 163,498 | (107,133) | 56,365 | 132,350 | (54,909) | 77,441 |
| 16. | Ad Valorem (Property) | 1,081,365 | 151,399 | 1,232,764 | 647,720 | 103,727 | 751,447 |
| 17. | Other | 1,354,625 | (1,179,488) | 175,137 | 784,012 | (713,558) | 70,454 |
| 18. | Total Operating Expenses | 12,908,755 | (224,674) | 12,684,081 | 7,192,953 | (111,961) | 7,080,992 |
| 19. | Operating Income | $2,620,422 | ($651,386) | (c) $1,969,036 | $2,121,064 | ($258,129) | (c) $1,862,935 |
| | Other (Income) and Deductions: | | | | | | |
| | Interest: | | | | | | |
| 20. | Long-Term Debt | 758,896 | 155,253 | 914,149 | | | |
| 21. | Short-Term Debt | 134,761 | | 134,761 | | | |
| 22. | Other | (237,249) | | (237,249) | | | |
| 23. | Total Interest | 656,408 | 155,253 | 811,661 | | | |
| 24. | Other (Income) - Net | 100,546 | | 100,546 | | | |
| 25. | Total Other (Income) and Deductions | 756,954 | 155,253 | 912,207 | | | |
| 26. | Net Income | $1,863,468 | ($806,639) | $1,056,829 | | | |

Supporting Schedules:
(a) E-2, E-6
(b) C-2

Recap Schedules:
(c) A-1, A-2

**ADJUSTED TEST YEAR INCOME STATEMENT**
**TOTAL COMPANY**
**TEST YEAR 2001**

| Line No. | Description | Miami Test Year 2001 (a) | Miami Proforma Adjustments (b) | Miami Adjusted Test Year 2001 | San Manuel Test Year 2001 (a) | San Manuel Proforma Adjustments (b) | San Manuel Adjusted Test Year 2001 |
|---|---|---|---|---|---|---|---|
| 1. | Operating Revenues | $1,577,658 | ($120,719) | $1,456,939 | $560,527 | ($86,277) | $474,250 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 2. | Purchased Water | 0 | 0 | 0 | 135,178 | 123,525 | 258,703 |
| 3. | Other | 8,838 | (6) | 8,832 | 6,246 | 0 | 6,246 |
| | Pumping Expenses: | | | | | | |
| 4. | Purchased Power | 150,420 | 902 | 151,322 | 32,506 | (1,148) | 31,358 |
| 5. | Purchased Gas | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Other | 97,770 | 0 | 97,770 | 32,609 | 0 | 32,609 |
| 7. | Water Treatment Expenses | 24,368 | 71,176 | 95,544 | 18,742 | 11,651 | 30,393 |
| 8. | Transmission and Distribution Expenses | 236,363 | 26,665 | 263,028 | 88,796 | (5,650) | 83,146 |
| 9. | Customer Account Expenses | 189,374 | 1,262 | 190,636 | 86,301 | 439 | 86,740 |
| 10. | Sales Expenses | 1,311 | 0 | 1,311 | 472 | 0 | 472 |
| 11. | Administrative and General Expenses | 211,602 | 35,126 | 246,728 | 92,577 | 14,952 | 107,529 |
| 12. | Total Operation and Maintenance | 920,046 | 135,124 | 1,055,170 | 493,427 | 143,770 | 637,197 |
| 13. | Depreciation and Amortization | 158,782 | 46,102 | 204,884 | 40,950 | 11,777 | 52,727 |
| | Taxes: | | | | | | |
| 14. | Federal Income | 60,140 | (68,636) | (8,496) | (15,304) | (63,409) | (78,713) |
| 15. | State Income | 10,508 | (15,120) | (4,612) | (2,674) | (13,968) | (16,642) |
| 16. | Ad Valorem (Property) | 111,042 | 10,002 | 121,044 | 38,291 | 14,962 | 53,253 |
| 17. | Other | 148,797 | (119,840) | 28,957 | 48,298 | (35,460) | 12,838 |
| 18. | Total Operating Expenses | 1,409,315 | (12,367) | 1,396,948 | 602,988 | 57,672 | 660,660 |
| 19. | Operating Income | $168,343 | ($108,352) | (c) $59,991 | ($42,461) | ($143,949) | (c) ($186,410) |
| | Other (Income) and Deductions: | | | | | | |
| | Interest: | | | | | | |
| 20. | Long-Term Debt | | | | | | |
| 21. | Short-Term Debt | | | | | | |
| 22. | Other | | | | | | |
| 23. | Total Interest | | | | | | |
| 24. | Other (Income) - Net | | | | | | |
| 25. | Total Other (Income) and Deductions | | | | | | |
| 26. | Net Income | | | | | | |

Supporting Schedules:
(a) E-2, E-6
(b) C-2

Recap Schedules:
(c) A-1, A-2

**ADJUSTED TEST YEAR INCOME STATEMENT**
**TOTAL COMPANY**
**TEST YEAR 2001**

| Line No. | Description | Oracle Test Year 2001 (a) | Oracle Proforma Adjustments (b) | Oracle Adjusted Test Year 2001 | Winkelman Test Year 2001 (a) | Winkelman Proforma Adjustments (b) | Winkelman Adjusted Test Year 2001 |
|---|---|---|---|---|---|---|---|
| 1. | Operating Revenues | $862,383 | ($34,806) | $827,577 | $105,968 | ($7,946) | $98,022 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 2. | Purchased Water | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. | Other | 6,656 | 72 | 6,728 | 747 | 12 | 759 |
| | Pumping Expenses: | | | | | | |
| 4. | Purchased Power | 87,807 | (4,052) | 83,755 | 7,599 | 194 | 7,793 |
| 5. | Purchased Gas | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Other | 29,003 | 0 | 29,003 | 4,034 | 0 | 4,034 |
| 7. | Water Treatment Expenses | 17,309 | (3,991) | 13,318 | 3,361 | (367) | 2,994 |
| 8. | Transmission and Distribution Expenses | 79,930 | 9,768 | 89,698 | 10,241 | 4,614 | 14,855 |
| 9. | Customer Account Expenses | 83,391 | 1,537 | 84,928 | 11,570 | 274 | 11,844 |
| 10. | Sales Expenses | 428 | 0 | 428 | 56 | 0 | 56 |
| 11. | Administrative and General Expenses | 90,154 | 14,436 | 104,590 | 11,508 | 1,887 | 13,395 |
| 12. | Total Operation and Maintenance | 394,678 | 17,770 | 412,448 | 49,116 | 6,613 | 55,729 |
| 13. | Depreciation and Amortization | 116,913 | 12,582 | 129,495 | 10,839 | 3,049 | 13,888 |
| | Taxes: | | | | | | |
| 14. | Federal Income | 59,924 | (15,509) | 44,415 | 5,604 | (3,872) | 1,732 |
| 15. | State Income | 10,470 | (3,416) | 7,054 | 979 | (853) | 126 |
| 16. | Ad Valorem (Property) | 49,774 | 7,296 | 57,070 | 14,335 | 1,395 | 15,730 |
| 17. | Other | 63,130 | (53,235) | 9,895 | 9,671 | (8,291) | 1,380 |
| 18. | Total Operating Expenses | 694,889 | (34,513) | 660,376 | 90,544 | (1,959) | 88,585 |
| 19. | Operating Income | $167,494 | ($294) | (c) $167,200 | $15,424 | ($5,987) | (c) $9,437 |
| | Other (Income) and Deductions: | | | | | | |
| | Interest: | | | | | | |
| 20. | Long-Term Debt | | | | | | |
| 21. | Short-Term Debt | | | | | | |
| 22. | Other | | | | | | |
| 23. | Total Interest | | | | | | |
| 24. | Other (Income) - Net | | | | | | |
| 25. | Total Other (Income) and Deductions | | | | | | |
| 26. | Net Income | | | | | | |

Supporting Schedules:
(a) E-2, E-6
(b) C-2

Recap Schedules:
(c) A-1, A-2

**ADJUSTED TEST YEAR INCOME STATEMENT**
**TOTAL COMPANY**
**TEST YEAR 2001**

| Line No. | Description | Superior Test Year 2001 (a) | Superior Proforma Adjustments (b) | | Superior Adjusted Test Year 2001 |
|---|---|---|---|---|---|
| 1. | Operating Revenues | $773,405 | ($74,437) | | $698,968 |
| | Operating Expenses: | | | | |
| | Source of Supply Expenses: | | | | |
| 2. | Purchased Water | 0 | 0 | | 0 |
| 3. | Other | 4,755 | (26) | | 4,729 |
| | Pumping Expenses: | | | | |
| 4. | Purchased Power | 76,492 | (202) | | 76,290 |
| 5. | Purchased Gas | 0 | 0 | | 0 |
| 6. | Other | 54,189 | 0 | | 54,189 |
| 7. | Water Treatment Expenses | 19,636 | 11,156 | | 30,792 |
| 8. | Transmission and Distribution Expenses | 122,942 | 36,632 | | 159,574 |
| 9. | Customer Account Expenses | 114,349 | (23) | | 114,326 |
| 10. | Sales Expenses | 872 | 0 | | 872 |
| 11. | Administrative and General Expenses | 83,004 | 15,961 | | 98,965 |
| 12. | Total Operation and Maintenance | 476,239 | 63,498 | | 539,737 |
| 13. | Depreciation and Amortization | 102,778 | 16,039 | | 118,817 |
| | Taxes: | | | | |
| 14. | Federal Income | 10,778 | (33,405) | | (22,627) |
| 15. | State Income | 1,884 | (7,358) | | (5,474) |
| 16. | Ad Valorem (Property) | 65,046 | (975) | | 64,071 |
| 17. | Other | 86,003 | (74,655) | | 11,348 |
| 18. | Total Operating Expenses | 742,728 | (36,855) | | 705,873 |
| 19. | Operating Income | $30,677 | ($37,582) | (c) | ($6,905) |
| | Other (Income) and Deductions: | | | | |
| | Interest: | | | | |
| 20. | Long-Term Debt | | | | |
| 21. | Short-Term Debt | | | | |
| 22. | Other | | | | |
| 23. | Total Interest | | | | |
| 24. | Other (Income) - Net | | | | |
| 25. | Total Other (Income) and Deductions | | | | |
| 26. | Net Income | | | | |

Supporting Schedules:
(a) E-2, E-6
(b) C-2

Recap Schedules:
(c) A-1, A-2

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP**

| Line | Description | Total | Elim Sales Tax From Rev & Exp 1 | Eliminate PPAM, PWAM 2 | Elim Unbilled Revenue Net 3 | Eliminate MAP Revenue & Expense 4 | Annualize Addtl Customer R & E 5 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 597,573 | 886,361 | (27,405) | (95,707) | 45,832 | (211,509) |
| 2. | Commercial | 204,684 | 221,953 | (14,530) | (9,947) | 7,207 | 0 |
| 3. | Industrial | 5,216 | 6,853 | (867) | (986) | 216 | 0 |
| 4. | Private Fire Service | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. | Other | 68,587 | 69,727 | (1,569) | 0 | 428 | 0 |
| 6. | Total Operating Revenues | 876,060 | 1,184,895 | (44,371) | (106,640) | 53,685 | (211,509) |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 321,354 | 0 | 0 | 0 | 0 | 31,150 |
| 8. | Other | 55 | 0 | 0 | 0 | 0 | 55 |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | 26,581 | 0 | 0 | 2,898 | 0 | 27,794 |
| 10. | Purchased Gas | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | Water Treatment Expenses | 109,156 | 0 | 0 | 0 | (44,520) | 7,330 |
| 13. | Transmission and Distribution Expenses | 159,257 | 0 | 0 | (14,806) | 0 | 26,248 |
| 14. | Customer Account Expenses | 36,613 | 0 | 0 | 0 | 0 | 23,463 |
| 15. | Sales Expenses & Payroll | 0 | 0 | 0 | 0 | 0 | 0 |
| 16. | Administrative and General Expenses | 257,395 | 0 | 0 | 0 | 0 | 0 |
| 17. | Total Operation and Maintenance | 910,411 | 0 | 0 | (11,908) | (44,520) | 116,040 |
| 18. | Depreciation and Amortization Expenses | 486,465 | 0 | 0 | 0 | 0 | 0 |
| 19. | Pretax Operating Income | (1,244,847) | 0 | 44,371 | 119,702 | (9,165) | 95,469 |
| 20. | Taxes: Federal Income | (486,328) | 0 | 0 | 0 | 0 | 0 |
| 21. | State Income | (107,133) | 0 | 0 | 0 | 0 | 0 |
| 22. | Ad Valorem (Property) | 151,399 | 0 | 0 | 0 | 0 | 0 |
| 23. | Other | (1,179,488) | (1,184,895) | 0 | (1,154) | 0 | 0 |
| 24. | Total Operating Expenses | (224,673) | (1,184,895) | 0 | (13,062) | (44,520) | 116,040 |
| 25. | Operating Income Increase (Decrease) | (651,386) | 0 | 44,371 | 119,702 | (9,165) | 95,469 |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP**

| Line | Description | Payroll Expense Annualized | Payroll Tax Annualized | Pension | Power & Water Costs Annualized | Insurance | Chlorination Cost Adjust |
|---|---|---|---|---|---|---|---|
| | | 6 | 7 | 8 | 9 | 10 | 11 |
| | Operating Revenues: | | | | | | |
| 1. | Residential | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. | Commercial | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. | Industrial | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | Private Fire Service | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 0 | 0 | 0 | 290,204 | 0 | 0 |
| 8. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | 0 | 0 | 0 | (4,111) | 0 | 0 |
| 10. | Purchased Gas | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | Water Treatment Expenses | 0 | 0 | 0 | 0 | 0 | 134,260 |
| 13. | Transmission and Distribution Expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| 14. | Customer Account Expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. | Sales Expenses & Payroll | 0 | 0 | 0 | 0 | 0 | 0 |
| 16. | Administrative and General Expenses | 84,816 | 0 | 7,499 | 0 | 71,202 | 0 |
| 17. | Total Operation and Maintenance | 84,816 | 0 | 7,499 | 286,093 | 71,202 | 134,260 |
| 18. | Depreciation and Amortization Expenses | 0 | 0 | 0 | 233,588 | 0 | 0 |
| 19. | Pretax Operating Income | (84,816) | (6,561) | (7,499) | (519,681) | (71,202) | (134,260) |
| 20. | Taxes: Federal Income | 0 | 0 | 0 | 0 | 0 | 0 |
| 21. | State Income | 0 | 0 | 0 | 0 | 0 | 0 |
| 22. | Ad Valorem (Property) | 0 | 0 | 0 | 0 | 0 | 0 |
| 23. | Other | 0 | 6,561 | 0 | 0 | 0 | 0 |
| 24. | Total Operating Expenses | 84,816 | 6,561 | 7,499 | 519,681 | 71,202 | 134,260 |
| 25. | Operating Income Increase (Decrease) | (84,816) | (6,561) | (7,499) | (519,681) | (71,202) | (134,260) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP**

| Line | Description | Water Testing Annualized 12 | Office Rent Clean, Annualized 13 | Paper Billing Postage, Annualized 14 | Tank Maint Incr Ann Accrual 15 | Amort 2001 Rate Case 16 | 6 Mo Additional Depreciation Exp 17 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. | Commercial | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. | Industrial | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | Private Fire Service | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. | Purchased Gas | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | Water Treatment Expenses | 12,086 | 0 | 0 | 0 | 0 | 0 |
| 13. | Transmission and Distribution Expenses | 0 | 0 | 0 | 147,815 | 0 | 0 |
| 14. | Customer Account Expenses | 0 | 0 | 13,150 | 0 | 0 | 0 |
| 15. | Sales Expenses & Payroll | 0 | 0 | 0 | 0 | 0 | 0 |
| 16. | Administrative and General Expenses | 0 | 582 | 0 | 0 | 85,850 | 0 |
| 17. | Total Operation and Maintenance | 12,086 | 582 | 13,150 | 147,815 | 85,850 | 0 |
| 18. | Depreciation and Amortization Expenses | 0 | 0 | 0 | 0 | 0 | 80,581 |
| 19. | Pretax Operating Income | (12,086) | (582) | (13,150) | (147,815) | (85,850) | (80,581) |
| 20. | Taxes: Federal Income | 0 | 0 | 0 | 0 | 0 | 0 |
| 21. | State Income | 0 | 0 | 0 | 0 | 0 | 0 |
| 22. | Ad Valorem (Property) | 0 | 0 | 0 | 0 | 0 | 0 |
| 23. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 24. | Total Operating Expenses | 12,086 | 582 | 13,150 | 147,815 | 85,850 | 80,581 |
| 25. | Operating Income Increase (Decrease) | (12,086) | (582) | (13,150) | (147,815) | (85,850) | (80,581) |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP**

| Line | Description | Deprec Exp Compl Const 18 | Prop Taxes Annualized 19 | Vehicle & Equip Lease Costs 20 | Federal Income Tax 21 | State Income Tax 22 | Tax Effect Of Int Synchronization 23 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. | Commercial | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. | Industrial | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | Private Fire Service | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. | Purchased Gas | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | Water Treatment Expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| 13. | Transmission and Distribution Expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| 14. | Customer Account Expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. | Sales Expenses & Payroll | 0 | 0 | 0 | 0 | 0 | 0 |
| 16. | Administrative and General Expenses | 0 | 0 | 7,446 | 0 | 0 | 0 |
| 17. | Total Operation and Maintenance | 0 | 0 | 7,446 | 0 | 0 | 0 |
| 18. | Depreciation and Amortization Expenses | 172,296 | 0 | 0 | 0 | 0 | 0 |
| 19. | Pretax Operating Income | (172,296) | (151,399) | (7,446) | 0 | 0 | 0 |
| 20. | Taxes: Federal Income | 0 | 0 | 0 | (392,842) | 0 | (93,486) |
| 21. | State Income | 0 | 0 | 0 | 0 | (86,540) | (20,593) |
| 22. | Ad Valorem (Property) | 0 | 151,399 | 0 | 0 | 0 | 0 |
| 23. | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 24. | Total Operating Expenses | 172,296 | 151,399 | 7,446 | (392,842) | (86,540) | (114,079) |
| 25. | Operating Income Increase (Decrease) | (172,296) | (151,399) | (7,446) | 392,842 | 86,540 | 114,079 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - APACHE JUNCTION**

| Line | Description | Total | Elim Sales Tax From Rev & Exp 1 | Eliminate PPAM, PWAM 2 | Elim Unbilled Revenue Net 3 | Eliminate MAP Revenue & Expense 4 | Annualize Addtl Customer R & E 5 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 189,096 | 514,655 | (33,273) | (85,436) | 0 | (206,850) |
| 2. | Commercial | 118,454 | 136,878 | (10,543) | (7,881) | 0 | |
| 3. | Industrial | 13 | 8 | 0 | 5 | 0 | |
| 4. | Private Fire Service | 0 | | | | | |
| 5. | Other | 62,527 | 64,257 | (1,730) | | 0 | |
| 6. | Total Operating Revenues | 370,090 | 715,798 | (45,546) | (93,312) | 0 | (206,850) |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 197,829 | | | | | |
| 8. | Other | 0 | | | | | 31,604 |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | 29,847 | | | 452 | | |
| 10. | Purchased Gas | 0 | | | | | 26,903 |
| 11. | Other | 0 | | | | | |
| 12. | Water Treatment Expenses | 1,799 | | | | 0 | 7,226 |
| 13. | Transmission and Distribution Expenses | 76,293 | | | (5,994) | | 26,012 |
| 14. | Customer Account Expenses | 30,232 | | | | | 23,104 |
| 15. | Sales Expenses & Payroll | 0 | | | | | |
| 16. | Administrative and General Expenses | 122,434 | | | | | |
| 17. | Total Operation and Maintenance | 458,434 | 0 | 0 | (5,542) | 0 | 114,849 |
| 18. | Depreciation and Amortization Expenses | 343,599 | | | | | |
| 19. | Pretax Operating Income | (562,291) | 0 | 45,546 | 99,454 | 0 | 92,001 |
| 20. | Taxes: Federal Income | (249,253) | | | | | |
| 21. | State Income | (54,909) | | | | | |
| 22. | Ad Valorem (Property) | 103,727 | | | | | |
| 23. | Other | (713,558) | (715,798) | | (600) | | |
| 24. | Total Operating Expenses | (111,961) | (715,798) | 0 | (6,142) | 0 | 114,849 |
| 25. | Operating Income Increase (Decrease) | (258,129) | 0 | 45,546 | 99,454 | 0 | 92,001 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - APACHE JUNCTION**

| Line | Description | Payroll Expense Annualized 6 | Payroll Tax Annualized 7 | Pension 8 | Power & Water Costs Annualized 9 | Insurance 10 | Chlorination Cost Adjust 11 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | 166,225 | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | 2,492 | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | 0 |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | 36,543 | | 3,248 | | 30,805 | |
| 17. | Total Operation and Maintenance | 36,543 | 0 | 3,248 | 168,717 | 30,805 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | 233,588 | | |
| 19. | Pretax Operating Income | (36,543) | (2,840) | (3,248) | (402,305) | (30,805) | 0 |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | 2,840 | | | | |
| 24. | Total Operating Expenses | 36,543 | 2,840 | 3,248 | 402,305 | 30,805 | 0 |
| 25. | Operating Income Increase (Decrease) | (36,543) | (2,840) | (3,248) | (402,305) | (30,805) | 0 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - APACHE JUNCTION**

| Line | Description | Water Testing Annualized 12 | Office Rent Clean, Annualized 13 | Paper Billing Postage, Annualized 14 | Tank Maint Incr Ann Accrual 15 | Amort 2001 Rate Case 16 | 6 Mo Additional Depreciation Exp 17 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | (5,427) | | | | | |
| 13. | Transmission and Distribution Expenses | | | | 56,275 | | |
| 14. | Customer Account Expenses | | | 7,128 | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | (257) | | | 44,649 | |
| 17. | Total Operation and Maintenance | (5,427) | (257) | 7,128 | 56,275 | 44,649 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | | | (2,886) |
| 19. | Pretax Operating Income | 5,427 | 257 | (7,128) | (56,275) | (44,649) | 2,886 |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | (5,427) | (257) | 7,128 | 56,275 | 44,649 | (2,886) |
| 25. | Operating Income Increase (Decrease) | 5,427 | 257 | (7,128) | (56,275) | (44,649) | 2,886 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - APACHE JUNCTION**

| Line | Description | Deprec Exp Compl Const 18 | Prop Taxes Annualized 19 | Vehicle & Equip Lease Costs 20 | Federal Income Tax 21 | State Income Tax 22 | Tax Effect Of Int Synchronization 23 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | | 7,446 | | | |
| 17. | Total Operation and Maintenance | 0 | 0 | 7,446 | 0 | 0 | 0 |
| 18. | Depreciation and Amortization Expenses | 112,897 | | | | | |
| 19. | Pretax Operating Income | (112,897) | (103,727) | (7,446) | 0 | 0 | 0 |
| 20. | Taxes: Federal Income | | | | (177,445) | | (71,808) |
| 21. | State Income | | | | | (39,090) | (15,819) |
| 22. | Ad Valorem (Property) | | 103,727 | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 112,897 | 103,727 | 7,446 | (177,445) | (39,090) | (87,627) |
| 25. | Operating Income Increase (Decrease) | (112,897) | (103,727) | (7,446) | 177,445 | 39,090 | 87,627 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - BISBEE**

| Line | Description | Total | Elim Sales Tax From Rev & Exp 1 | Eliminate PPAM, PWAM 2 | Elim Unbilled Revenue Net 3 | Eliminate MAP Revenue & Expense 4 | Annualize Addtl Customer R & E 5 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 85,446 | 82,801 | (11,388) | (2,035) | 14,202 | 1,866 |
| 2. | Commercial | 19,748 | 20,665 | (3,646) | 237 | 2,491 | |
| 3. | Industrial | 150 | 125 | (14) | 7 | 32 | |
| 4. | Private Fire Service | 0 | | | | | |
| 5. | Other | 1,239 | 1,148 | (6) | | 97 | |
| 6. | Total Operating Revenues | 106,582 | 104,739 | (15,054) | (1,791) | 16,822 | 1,866 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 0 | | | | | |
| 8. | Other | (4) | | | | | (4) |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | 641 | | | 2,260 | | (396) |
| 10. | Purchased Gas | 0 | | | | | |
| 11. | Other | 0 | | | | | |
| 12. | Water Treatment Expenses | 13,059 | | | | (13,107) | (61) |
| 13. | Transmission and Distribution Expenses | 10,436 | | | (970) | | (359) |
| 14. | Customer Account Expenses | 1,261 | | | | | (295) |
| 15. | Sales Expenses & Payroll | 0 | | | | | |
| 16. | Administrative and General Expenses | 31,377 | | | | | |
| 17. | Total Operation and Maintenance | 56,770 | 0 | 0 | 1,290 | (13,107) | (1,115) |
| 18. | Depreciation and Amortization Expenses | 27,629 | | | | | |
| 19. | Pretax Operating Income | (98,206) | 0 | 15,054 | 635 | (3,715) | (751) |
| 20. | Taxes: Federal Income | (31,704) | | | | | |
| 21. | State Income | (6,984) | | | | | |
| 22. | Ad Valorem (Property) | 11,237 | | | | | |
| 23. | Other | (104,012) | (104,739) | | (134) | | |
| 24. | Total Operating Expenses | (47,064) | (104,739) | 0 | 1,156 | (13,107) | (1,115) |
| 25. | Operating Income Increase (Decrease) | (59,518) | 0 | 15,054 | 635 | (3,715) | (751) |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - BISBEE**

| Line | Description | Payroll Expense Annualized 6 | Payroll Tax Annualized 7 | Pension 8 | Power & Water Costs Annualized 9 | Insurance 10 | Chlorination Cost Adjust 11 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | 0 | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | (1,223) | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | 26,157 |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | 10,902 | | 984 | | 9,278 | |
| 17. | Total Operation and Maintenance | 10,902 | 0 | 984 | (1,223) | 9,278 | 26,157 |
| 18. | Depreciation and Amortization Expenses | | | | | | |
| 19. | Pretax Operating Income | (10,902) | (861) | (984) | 1,223 | (9,278) | (26,157) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | 861 | | | | |
| 24. | Total Operating Expenses | 10,902 | 861 | 984 | (1,223) | 9,278 | 26,157 |
| 25. | Operating Income Increase (Decrease) | (10,902) | (861) | (984) | 1,223 | (9,278) | (26,157) |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - BISBEE**

| Line | Description | Water Testing Annualized 12 | Office Rent Clean, Annualized 13 | Paper Billing Postage, Annualized 14 | Tank Maint Incr Ann Accrual 15 | Amort 2001 Rate Case 16 | 6 Mo Additional Depreciation Exp 17 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | 70 | | | | | |
| 13. | Transmission and Distribution Expenses | | | | 11,765 | | |
| 14. | Customer Account Expenses | | | 1,556 | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | 264 | | | 9,949 | |
| 17. | Total Operation and Maintenance | 70 | 264 | 1,556 | 11,765 | 9,949 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | | | 6,993 |
| 19. | Pretax Operating Income | (70) | (264) | (1,556) | (11,765) | (9,949) | (6,993) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 70 | 264 | 1,556 | 11,765 | 9,949 | 6,993 |
| 25. | Operating Income Increase (Decrease) | (70) | (264) | (1,556) | (11,765) | (9,949) | (6,993) |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - BISBEE**

| Line | Description | Deprec Exp Compl Const 18 | Prop Taxes Annualized 19 | Vehicle & Equip Lease Costs 20 | Federal Income Tax 21 | State Income Tax 22 | Tax Effect Of Int Synchronization 23 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | | 0 | | | |
| 17. | Total Operation and Maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 18. | Depreciation and Amortization Expenses | 20,636 | | | | | |
| 19. | Pretax Operating Income | (20,636) | (11,237) | 0 | 0 | 0 | 0 |
| 20. | Taxes: Federal Income | | | | (30,991) | | (713) |
| 21. | State Income | | | | | (6,827) | (157) |
| 22. | Ad Valorem (Property) | | 11,237 | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 20,636 | 11,237 | 0 | (30,991) | (6,827) | (870) |
| 25. | Operating Income Increase (Decrease) | (20,636) | (11,237) | 0 | 30,991 | 6,827 | 870 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SIERRA VISTA**

| Line | Description | Total | Elim Sales Tax From Rev & Exp 1 | Eliminate PPAM, PWAM 2 | Elim Unbilled Revenue Net 3 | Eliminate MAP Revenue & Expense 4 | Annualize Addtl Customer R & E 5 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 62,640 | 59,519 | 0 | (1,460) | 8,168 | (3,586) |
| 2. | Commercial | 11,766 | 10,641 | 0 | 58 | 1,067 | |
| 3. | Industrial | 0 | 0 | 0 | 0 | 0 | |
| 4. | Private Fire Service | 0 | | | | | |
| 5. | Other | 797 | 753 | 0 | | 44 | |
| 6. | Total Operating Revenues | 75,203 | 70,912 | 0 | (1,402) | 9,279 | (3,586) |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 0 | | | | | |
| 8. | Other | 7 | | | | | 7 |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | 399 | | | (773) | | 914 |
| 10. | Purchased Gas | 0 | | | | | |
| 11. | Other | 0 | | | | | |
| 12. | Water Treatment Expenses | 4,673 | | | | (8,692) | 105 |
| 13. | Transmission and Distribution Expenses | 499 | | | (696) | | 670 |
| 14. | Customer Account Expenses | 1,631 | | | | | 583 |
| 15. | Sales Expenses & Payroll | 0 | | | | | |
| 16. | Administrative and General Expenses | 21,223 | | | | | |
| 17. | Total Operation and Maintenance | 28,431 | 0 | 0 | (1,469) | (8,692) | 2,279 |
| 18. | Depreciation and Amortization Expenses | 25,689 | | | | | |
| 19. | Pretax Operating Income | (62,641) | 0 | 0 | 2,963 | (586) | 1,307 |
| 20. | Taxes: Federal Income | (20,540) | | | | | |
| 21. | State Income | (4,525) | | | | | |
| 22. | Ad Valorem (Property) | 3,756 | | | | | |
| 23. | Other | (70,437) | (70,912) | | (92) | | |
| 24. | Total Operating Expenses | (37,626) | (70,912) | 0 | (1,561) | (8,692) | 2,279 |
| 25. | Operating Income Increase (Decrease) | (37,576) | 0 | 0 | 2,963 | (586) | 1,307 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SIERRA VISTA**

| Line | Description | Payroll Expense Annualized 6 | Payroll Tax Annualized 7 | Pension 8 | Power & Water Costs Annualized 9 | Insurance 10 | Chlorination Cost Adjust 11 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | 0 | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | 258 | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | 8,722 |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | 7,345 | | 648 | | 6,117 | |
| 17. | Total Operation and Maintenance | 7,345 | 0 | 648 | 258 | 6,117 | 8,722 |
| 18. | Depreciation and Amortization Expenses | | | | | | |
| 19. | Pretax Operating Income | (7,345) | (567) | (648) | (258) | (6,117) | (8,722) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | 567 | | | | |
| 24. | Total Operating Expenses | 7,345 | 567 | 648 | 258 | 6,117 | 8,722 |
| 25. | Operating Income Increase (Decrease) | (7,345) | (567) | (648) | (258) | (6,117) | (8,722) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SIERRA VISTA**

| Line | Description | Water Testing Annualized 12 | Office Rent Clean, Annualized 13 | Paper Billing Postage, Annualized 14 | Tank Maint Incr Ann Accrual 15 | Amort 2001 Rate Case 16 | 6 Mo Additional Depreciation Exp 17 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | 4,538 | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | 525 | | |
| 15. | Sales Expenses & Payroll | | | 1,048 | | | |
| 16. | Administrative and General Expenses | | 274 | | | 6,839 | |
| 17. | Total Operation and Maintenance | 4,538 | 274 | 1,048 | 525 | 6,839 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | | | 20,152 |
| 19. | Pretax Operating Income | (4,538) | (274) | (1,048) | (525) | (6,839) | (20,152) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 4,538 | 274 | 1,048 | 525 | 6,839 | 20,152 |
| 25. | Operating Income Increase (Decrease) | (4,538) | (274) | (1,048) | (525) | (6,839) | (20,152) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SIERRA VISTA**

| Line | Description | Deprec Exp Compl Const 18 | Prop Taxes Annualized 19 | Vehicle & Equip Lease Costs 20 | Federal Income Tax 21 | State Income Tax 22 | Tax Effect Of Int Synchronization 23 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | | | | | |
| 17. | Total Operation and Maintenance | | | 0 | | | |
| 18. | Depreciation and Amortization Expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| 19. | Pretax Operating Income | 5,537 | | | | | |
| 20. | Taxes: Federal Income | (5,537) | (3,756) | 0 | 0 | 0 | 0 |
| 21. | State Income | | | | (19,768) | | (772) |
| 22. | Ad Valorem (Property) | | 3,756 | | | (4,355) | (170) |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 5,537 | 3,756 | 0 | (19,768) | (4,355) | (942) |
| 25. | Operating Income Increase (Decrease) | (5,537) | (3,756) | 0 | 19,768 | 4,355 | 942 |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - MIAMI**

| Line | Description | Total | Elim Sales Tax From Rev & Exp 1 | Eliminate PPAM, PWAM 2 | Elim Unbilled Revenue Net 3 | Eliminate MAP Revenue & Expense 4 | Annualize Addtl Customer R & E 5 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 91,374 | 87,744 | (8,426) | (502) | 11,816 | 742 |
| 2. | Commercial | 25,216 | 27,601 | (3,205) | (1,135) | 1,955 | |
| 3. | Industrial | 3,143 | 4,426 | (755) | (643) | 115 | |
| 4. | Private Fire Service | 0 | | | | | |
| 5. | Other | 986 | 952 | (19) | | 53 | |
| 6. | Total Operating Revenues | 120,719 | 120,724 | (12,405) | (2,280) | 13,938 | 742 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 0 | | | | | |
| 8. | Other | (6) | | | | | (6) |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | 902 | | | 799 | | (164) |
| 10. | Purchased Gas | 0 | | | | | |
| 11. | Other | 0 | | | | | |
| 12. | Water Treatment Expenses | 71,176 | | | | (11,844) | (16) |
| 13. | Transmission and Distribution Expenses | 26,665 | | | (3,528) | | (156) |
| 14. | Customer Account Expenses | 1,262 | | | | | (125) |
| 15. | Sales Expenses & Payroll | 0 | | | | | |
| 16. | Administrative and General Expenses | 35,126 | | | | | |
| 17. | Total Operation and Maintenance | 135,124 | 0 | 0 | (2,729) | (11,844) | (467) |
| 18. | Depreciation and Amortization Expenses | 46,102 | | | | | |
| 19. | Pretax Operating Income | (192,108) | 0 | 12,405 | 5,145 | (2,094) | (275) |
| 20. | Taxes: Federal Income | (68,636) | | | | | |
| 21. | State Income | (15,120) | | | | | |
| 22. | Ad Valorem (Property) | 10,002 | | | | | |
| 23. | Other | (119,840) | (120,724) | | (136) | | |
| 24. | Total Operating Expenses | (12,367) | (120,724) | 0 | (2,865) | (11,844) | (467) |
| 25. | Operating Income Increase (Decrease) | (108,352) | 0 | 12,405 | 5,145 | (2,094) | (275) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - MIAMI**

| Line | Description | Payroll Expense Annualized 6 | Payroll Tax Annualized 7 | Pension 8 | Power & Water Costs Annualized 9 | Insurance 10 | Chlorination Cost Adjust 11 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | 0 | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | 267 | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | 72,210 |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | 12,478 | | 1,165 | | 11,096 | |
| 17. | Total Operation and Maintenance | 12,478 | 0 | 1,165 | 267 | 11,096 | 72,210 |
| 18. | Depreciation and Amortization Expenses | | | | | | |
| 19. | Pretax Operating Income | (12,478) | (1,020) | (1,165) | (267) | (11,096) | (72,210) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | 1,020 | | | | |
| 24. | Total Operating Expenses | 12,478 | 1,020 | 1,165 | 267 | 11,096 | 72,210 |
| 25. | Operating Income Increase (Decrease) | (12,478) | (1,020) | (1,165) | (267) | (11,096) | (72,210) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - MIAMI**

| Line | Description | Water Testing Annualized 12 | Office Rent Clean, Annualized 13 | Paper Billing Postage, Annualized 14 | Tank Maint Incr Ann Accrual 15 | Amort 2001 Rate Case 16 | 6 Mo Additional Depreciation Exp 17 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | 10,826 | | | | | |
| 13. | Transmission and Distribution Expenses | | | | 30,349 | | |
| 14. | Customer Account Expenses | | | 1,387 | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | 269 | | | 10,118 | |
| 17. | Total Operation and Maintenance | 10,826 | 269 | 1,387 | 30,349 | 10,118 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | | | 32,152 |
| 19. | Pretax Operating Income | (10,826) | (269) | (1,387) | (30,349) | (10,118) | (32,152) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 10,826 | 269 | 1,387 | 30,349 | 10,118 | 32,152 |
| 25. | Operating Income Increase (Decrease) | (10,826) | (269) | (1,387) | (30,349) | (10,118) | (32,152) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - MIAMI**

| Line | Description | Deprec Exp Compl Const 18 | Prop Taxes Annualized 19 | Vehicle & Equip Lease Costs 20 | Federal Income Tax 21 | State Income Tax 22 | Tax Effect Of Int Synchronization 23 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | | 0 | | | |
| 17. | Total Operation and Maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 18. | Depreciation and Amortization Expenses | 13,951 | | | | | |
| 19. | Pretax Operating Income | (13,951) | (10,002) | 0 | 0 | 0 | 0 |
| 20. | Taxes: Federal Income | | | | (60,624) | | (8,012) |
| 21. | State Income | | | | | (13,355) | (1,765) |
| 22. | Ad Valorem (Property) | | 10,002 | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 13,951 | 10,002 | 0 | (60,624) | (13,355) | (9,777) |
| 25. | Operating Income Increase (Decrease) | (13,951) | (10,002) | 0 | 60,624 | 13,355 | 9,777 |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SAN MANUEL**

| Line | Description | Total | Elim Sales Tax From Rev & Exp 1 | Eliminate PPAM, PWAM 2 | Elim Unbilled Revenue Net 3 | Eliminate MAP Revenue & Expense 4 | Annualize Addtl Customer R & E 5 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 74,612 | 30,930 | 42,855 | (534) | 6 | 1,355 |
| 2. | Commercial | 10,581 | 4,229 | 6,158 | 194 | 0 | |
| 3. | Industrial | 0 | 0 | 0 | 0 | 0 | |
| 4. | Private Fire Service | 0 | | | | | |
| 5. | Other | 1,085 | 690 | 392 | | 3 | |
| 6. | Total Operating Revenues | 86,277 | 35,849 | 49,405 | (340) | 8 | 1,355 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 123,525 | | | | | (454) |
| 8. | Other | 0 | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | (1,148) | | | (919) | | (209) |
| 10. | Purchased Gas | 0 | | | | | |
| 11. | Other | 0 | | | | | |
| 12. | Water Treatment Expenses | 11,651 | | | | 0 | (60) |
| 13. | Transmission and Distribution Expenses | (5,650) | | | (1,121) | | (285) |
| 14. | Customer Account Expenses | 439 | | | | | (277) |
| 15. | Sales Expenses & Payroll | 0 | | | | | |
| 16. | Administrative and General Expenses | 14,952 | | | | | |
| 17. | Total Operation and Maintenance | 143,770 | 0 | 0 | (2,040) | 0 | (1,285) |
| 18. | Depreciation and Amortization Expenses | 11,777 | | | | | |
| 19. | Pretax Operating Income | (221,326) | 0 | (49,405) | 2,436 | (8) | (70) |
| 20. | Taxes: Federal Income | (63,409) | | | | | |
| 21. | State Income | (13,968) | | | | | |
| 22. | Ad Valorem (Property) | 14,962 | | | | | |
| 23. | Other | (35,460) | (35,849) | | (56) | | |
| 24. | Total Operating Expenses | 57,672 | (35,849) | 0 | (2,096) | 0 | (1,285) |
| 25. | Operating Income Increase (Decrease) | (143,949) | 0 | (49,405) | 2,436 | (8) | (70) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SAN MANUEL**

| Line | Description | Payroll Expense Annualized 6 | Payroll Tax Annualized 7 | Pension 8 | Power & Water Costs Annualized 9 | Insurance 10 | Chlorination Cost Adjust 11 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | 123,979 | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | (20) | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | 11,437 |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | 5,678 | | 507 | | 4,819 | |
| 17. | Total Operation and Maintenance | 5,678 | 0 | 507 | 123,959 | 4,819 | 11,437 |
| 18. | Depreciation and Amortization Expenses | | | | | | |
| 19. | Pretax Operating Income | (5,678) | (445) | (507) | (123,959) | (4,819) | (11,437) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | 445 | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 5,678 | 445 | 507 | 123,959 | 4,819 | 11,437 |
| 25. | Operating Income Increase (Decrease) | (5,678) | (445) | (507) | (123,959) | (4,819) | (11,437) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SAN MANUEL**

| Line | Description | Water Testing Annualized 12 | Office Rent Clean, Annualized 13 | Paper Billing Postage, Annualized 14 | Tank Maint Incr Ann Accrual 15 | Amort 2001 Rate Case 16 | 6 Mo Additional Depreciation Exp 17 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | 274 | | | | | |
| 13. | Transmission and Distribution Expenses | | | | (4,244) | | |
| 14. | Customer Account Expenses | | | 716 | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | (192) | | | 4,141 | |
| 17. | Total Operation and Maintenance | 274 | (192) | 716 | (4,244) | 4,141 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | | | 7,568 |
| 19. | Pretax Operating Income | (274) | 192 | (716) | 4,244 | (4,141) | (7,568) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 274 | (192) | 716 | (4,244) | 4,141 | 7,568 |
| 25. | Operating Income Increase (Decrease) | (274) | 192 | (716) | 4,244 | (4,141) | (7,568) |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SAN MANUEL**

| Line | Description | Deprec Exp Compl Const 18 | Prop Taxes Annualized 19 | Vehicle & Equip Lease Costs 20 | Federal Income Tax 21 | State Income Tax 22 | Tax Effect Of Int Synchronization 23 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | | 0 | | | |
| 17. | Total Operation and Maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 18. | Depreciation and Amortization Expenses | 4,209 | | | | | |
| 19. | Pretax Operating Income | (4,209) | (14,962) | 0 | 0 | 0 | 0 |
| 20. | Taxes: Federal Income | | | | (69,845) | | 6,436 |
| 21. | State Income | | | | | (15,386) | 1,418 |
| 22. | Ad Valorem (Property) | | 14,962 | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 4,209 | 14,962 | 0 | (69,845) | (15,386) | 7,854 |
| 25. | Operating Income Increase (Decrease) | (4,209) | (14,962) | 0 | 69,845 | 15,386 | (7,854) |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - ORACLE**

| Line | Description | Total | Elim Sales Tax From Rev & Exp 1 | Eliminate PPAM, PWAM 2 | Elim Unbilled Revenue Net 3 | Eliminate MAP Revenue & Expense 4 | Annualize Addtl Customer R & E 5 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 28,629 | 45,010 | (15,184) | 655 | 5,708 | (7,560) |
| 2. | Commercial | 5,466 | 7,712 | (2,684) | (268) | 706 | |
| 3. | Industrial | 0 | 0 | 0 | 0 | 0 | |
| 4. | Private Fire Service | 0 | | | | | |
| 5. | Other | 711 | 814 | (197) | | 94 | |
| 6. | Total Operating Revenues | 34,806 | 53,536 | (18,065) | 387 | 6,508 | (7,560) |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 0 | | | | | |
| 8. | Other | 72 | | | | | 72 |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | (4,052) | | | 1,050 | | 1,264 |
| 10. | Purchased Gas | 0 | | | | | |
| 11. | Other | 0 | | | | | |
| 12. | Water Treatment Expenses | (3,991) | | | | (5,166) | 187 |
| 13. | Transmission and Distribution Expenses | 9,768 | | | (885) | | 865 |
| 14. | Customer Account Expenses | 1,537 | | | | | 903 |
| 15. | Sales Expenses & Payroll | 0 | | | | | |
| 16. | Administrative and General Expenses | 14,436 | | | | | |
| 17. | Total Operation and Maintenance | 17,770 | 0 | 0 | 165 | (5,166) | 3,291 |
| 18. | Depreciation and Amortization Expenses | 12,582 | | | | | |
| 19. | Pretax Operating Income | (19,219) | 0 | 18,065 | (486) | (1,343) | 4,269 |
| 20. | Taxes: Federal Income | (15,509) | | | | | |
| 21. | State Income | (3,416) | | | | | |
| 22. | Ad Valorem (Property) | 7,296 | | | | | |
| 23. | Other | (53,235) | (53,536) | | (66) | | |
| 24. | Total Operating Expenses | (34,513) | (53,536) | 0 | 99 | (5,166) | 3,291 |
| 25. | Operating Income Increase (Decrease) | (294) | 0 | 18,065 | (486) | (1,343) | 4,269 |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - ORACLE**

| Line | Description | Payroll Expense Annualized 6 | Payroll Tax Annualized 7 | Pension 8 | Power & Water Costs Annualized 9 | Insurance 10 | Chlorination Cost Adjust 11 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | 0 | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | (6,366) | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | 0 |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | 5,327 | | 423 | | 4,040 | |
| 17. | Total Operation and Maintenance | 5,327 | 0 | 423 | (6,366) | 4,040 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | | | |
| 19. | Pretax Operating Income | (5,327) | (367) | (423) | 6,366 | (4,040) | 0 |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | 367 | | | | |
| 24. | Total Operating Expenses | 5,327 | 367 | 423 | (6,366) | 4,040 | 0 |
| 25. | Operating Income Increase (Decrease) | (5,327) | (367) | (423) | 6,366 | (4,040) | 0 |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - ORACLE**

| Line | Description | Water Testing Annualized 12 | Office Rent Clean, Annualized 13 | Paper Billing Postage, Annualized 14 | Tank Maint Incr Ann Accrual 15 | Amort 2001 Rate Case 16 | 6 Mo Additional Depreciation Exp 17 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | 988 | | | | | |
| 13. | Transmission and Distribution Expenses | | | | 9,788 | | |
| 14. | Customer Account Expenses | | | 634 | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | (226) | | | 4,871 | |
| 17. | Total Operation and Maintenance | 988 | (226) | 634 | 9,788 | 4,871 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | | | 4,547 |
| 19. | Pretax Operating Income | (988) | 226 | (634) | (9,788) | (4,871) | (4,547) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 988 | (226) | 634 | 9,788 | 4,871 | 4,547 |
| 25. | Operating Income Increase (Decrease) | (988) | 226 | (634) | (9,788) | (4,871) | (4,547) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - ORACLE**

| Line | Description | Deprec Exp Compl Const 18 | Prop Taxes Annualized 19 | Vehicle & Equip Lease Costs 20 | Federal Income Tax 21 | State Income Tax 22 | Tax Effect Of Int Synchronization 23 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | | 0 | | | |
| 17. | Total Operation and Maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 18. | Depreciation and Amortization Expenses | 8,034 | | | | | |
| 19. | Pretax Operating Income | (8,034) | (7,296) | 0 | 0 | 0 | 0 |
| 20. | Taxes: Federal Income | | | | (6,065) | | (9,444) |
| 21. | State Income | | | | | (1,336) | (2,080) |
| 22. | Ad Valorem (Property) | | 7,296 | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 8,034 | 7,296 | 0 | (6,065) | (1,336) | (11,524) |
| 25. | Operating Income Increase (Decrease) | (8,034) | (7,296) | 0 | 6,065 | 1,336 | 11,524 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - WINKELMAN**

| Line | Description | Total | Elim Sales Tax From Rev & Exp 1 | Eliminate PPAM, PWAM 2 | Elim Unbilled Revenue Net 3 | Eliminate MAP Revenue & Expense 4 | Annualize Addtl Customer R & E 5 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 3,769 | 4,454 | (199) | (262) | 620 | (843) |
| 2. | Commercial | 3,953 | 3,654 | (285) | 296 | 288 | |
| 3. | Industrial | 207 | 216 | (13) | (15) | 19 | |
| 4. | Private Fire Service | 0 | | | | | |
| 5. | Other | 16 | 16 | 0 | | 0 | |
| 6. | Total Operating Revenues | 7,946 | 8,340 | (497) | 19 | 927 | (843) |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 0 | | | | | |
| 8. | Other | 12 | | | | | 12 |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | 194 | | | 18 | | 188 |
| 10. | Purchased Gas | 0 | | | | | |
| 11. | Other | 0 | | | | | |
| 12. | Water Treatment Expenses | (367) | | | | (862) | 55 |
| 13. | Transmission and Distribution Expenses | 4,614 | | | 377 | | 166 |
| 14. | Customer Account Expenses | 274 | | | | | 188 |
| 15. | Sales Expenses & Payroll | 0 | | | | | |
| 16. | Administrative and General Expenses | 1,887 | | | | | |
| 17. | Total Operation and Maintenance | 6,613 | 0 | 0 | 395 | (862) | 609 |
| 18. | Depreciation and Amortization Expenses | 3,049 | | | | | |
| 19. | Pretax Operating Income | (10,712) | 0 | 497 | (407) | (64) | 234 |
| 20. | Taxes: Federal Income | (3,872) | | | | | |
| 21. | State Income | (853) | | | | | |
| 22. | Ad Valorem (Property) | 1,395 | | | | | |
| 23. | Other | (8,291) | (8,340) | | (7) | | |
| 24. | Total Operating Expenses | (1,959) | (8,340) | 0 | 388 | (862) | 609 |
| 25. | Operating Income Increase (Decrease) | (5,987) | 0 | 497 | (407) | (64) | 234 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - WINKELMAN**

| Line | Description | Payroll Expense Annualized 6 | Payroll Tax Annualized 7 | Pension 8 | Power & Water Costs Annualized 9 | Insurance 10 | Chlorination Cost Adjust 11 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | 0 | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | (12) | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | 0 |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | 733 | | 57 | | 543 | |
| 17. | Total Operation and Maintenance | 733 | 0 | 57 | (12) | 543 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | | | |
| 19. | Pretax Operating Income | (733) | (56) | (57) | 12 | (543) | 0 |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | 56 | | | | |
| 24. | Total Operating Expenses | 733 | 56 | 57 | (12) | 543 | 0 |
| 25. | Operating Income Increase (Decrease) | (733) | (56) | (57) | 12 | (543) | 0 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - WINKELMAN**

| Line | Description | Water Testing Annualized 12 | Office Rent Clean, Annualized 13 | Paper Billing Postage, Annualized 14 | Tank Maint Incr Ann Accrual 15 | Amort 2001 Rate Case 16 | 6 Mo Additional Depreciation Exp 17 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | 440 | | | | | |
| 13. | Transmission and Distribution Expenses | | | | 4,071 | | |
| 14. | Customer Account Expenses | | | 86 | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | (27) | | | 581 | |
| 17. | Total Operation and Maintenance | 440 | (27) | 86 | 4,071 | 581 | 0 |
| 18. | Depreciation and Amortization Expenses | | | | | | 2,532 |
| 19. | Pretax Operating Income | (440) | 27 | (86) | (4,071) | (581) | (2,532) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 440 | (27) | 86 | 4,071 | 581 | 2,532 |
| 25. | Operating Income Increase (Decrease) | (440) | 27 | (86) | (4,071) | (581) | (2,532) |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - WINKELMAN**

| Line | Description | Deprec Exp Compl Const 18 | Prop Taxes Annualized 19 | Vehicle & Equip Lease Costs 20 | Federal Income Tax 21 | State Income Tax 22 | Tax Effect Of Int Synchronization 23 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | | 0 | | | |
| 17. | Total Operation and Maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 18. | Depreciation and Amortization Expenses | 516 | | | | | |
| 19. | Pretax Operating Income | (516) | (1,395) | 0 | 0 | 0 | 0 |
| 20. | Taxes: Federal Income | | | | (3,380) | | (492) |
| 21. | State Income | | | | | (745) | (108) |
| 22. | Ad Valorem (Property) | | 1,395 | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 516 | 1,395 | 0 | (3,380) | (745) | (600) |
| 25. | Operating Income Increase (Decrease) | (516) | (1,395) | 0 | 3,380 | 745 | 600 |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SUPERIOR**

| Line | Description | Total | Elim Sales Tax From Rev & Exp 1 | Eliminate PPAM, PWAM 2 | Elim Unbilled Revenue Net 3 | Eliminate MAP Revenue & Expense 4 | Annualize Addtl Customer R & E 5 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | 62,007 | 61,249 | (1,790) | (6,133) | 5,314 | 3,367 |
| 2. | Commercial | 9,501 | 10,573 | (325) | (1,448) | 701 | |
| 3. | Industrial | 1,703 | 2,077 | (85) | (340) | 51 | |
| 4. | Private Fire Service | 0 | | | | | |
| 5. | Other | 1,226 | 1,098 | (9) | | 138 | |
| 6. | Total Operating Revenues | 74,437 | 74,997 | (2,209) | (7,921) | 6,203 | 3,367 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | 0 | | | | | |
| 8. | Other | (26) | | | | | (26) |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | (202) | | | 11 | | (706) |
| 10. | Purchased Gas | 0 | | | | | |
| 11. | Other | 0 | | | | | |
| 12. | Water Treatment Expenses | 11,156 | | | | (4,849) | (106) |
| 13. | Transmission and Distribution Expenses | 36,632 | | | (1,989) | | (665) |
| 14. | Customer Account Expenses | (23) | | | | | (618) |
| 15. | Sales Expenses & Payroll | 0 | | | | | |
| 16. | Administrative and General Expenses | 15,961 | | | | | |
| 17. | Total Operation and Maintenance | 63,498 | 0 | 0 | (1,978) | (4,849) | (2,121) |
| 18. | Depreciation and Amortization Expenses | 16,039 | | | | | |
| 19. | Pretax Operating Income | (78,345) | 0 | 2,209 | 9,962 | (1,354) | (1,246) |
| 20. | Taxes: Federal Income | (33,405) | | | | | |
| 21. | State Income | (7,358) | | | | | |
| 22. | Ad Valorem (Property) | (975) | | | | | |
| 23. | Other | (74,655) | (74,997) | | (63) | | |
| 24. | Total Operating Expenses | (36,855) | (74,997) | 0 | (2,041) | (4,849) | (2,121) |
| 25. | Operating Income Increase (Decrease) | (37,582) | 0 | 2,209 | 9,962 | (1,354) | (1,246) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SUPERIOR**

| Line | Description | Payroll Expense Annualized 6 | Payroll Tax Annualized 7 | Pension 8 | Power & Water Costs Annualized 9 | Insurance 10 | Chlorination Cost Adjust 11 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | 0 | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | 493 | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | 15,734 |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | 5,810 | | 467 | | 4,504 | |
| 17. | Total Operation and Maintenance | 5,810 | 0 | 467 | 493 | 4,504 | 15,734 |
| 18. | Depreciation and Amortization Expenses | | | | | | |
| 19. | Pretax Operating Income | (5,810) | (405) | (467) | (493) | (4,504) | (15,734) |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | 405 | | | | |
| 24. | Total Operating Expenses | 5,810 | 405 | 467 | 493 | 4,504 | 15,734 |
| 25. | Operating Income Increase (Decrease) | (5,810) | (405) | (467) | (493) | (4,504) | (15,734) |

Recap Schedules
C-1

**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SUPERIOR**

| Line | Description | Water Testing Annualized 12 | Office Rent Clean, Annualized 13 | Paper Billing Postage, Annualized 14 | Tank Maint Incr Ann Accrual 15 | Amort 2001 Rate Case 16 | 6 Mo Additional Depreciation Exp 17 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | 377 | | | 39,286 | | |
| 13. | Transmission and Distribution Expenses | | | 595 | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | 477 | | | 4,703 | |
| 16. | Administrative and General Expenses | 377 | 477 | 595 | 39,286 | 4,703 | 0 |
| 17. | Total Operation and Maintenance | | | | | | 9,524 |
| 18. | Depreciation and Amortization Expenses | (377) | (477) | (595) | (39,286) | (4,703) | (9,524) |
| 19. | Pretax Operating Income | | | | | | |
| 20. | Taxes: Federal Income | | | | | | |
| 21. | State Income | | | | | | |
| 22. | Ad Valorem (Property) | | | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 377 | 477 | 595 | 39,286 | 4,703 | 9,524 |
| 25. | Operating Income Increase (Decrease) | (377) | (477) | (595) | (39,286) | (4,703) | (9,524) |

Recap Schedules
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**INCOME STATEMENT PROFORMA ADJUSTMENTS**
**TEST YEAR 2001**
**EASTERN GROUP - SUPERIOR**

| Line | Description | Deprec Exp Compl Const 18 | Prop Taxes Annualized 19 | Vehicle & Equip Lease Costs 20 | Federal Income Tax 21 | State Income Tax 22 | Tax Effect Of Int Synchronization 23 |
|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | |
| 1. | Residential | | | | | | |
| 2. | Commercial | | | | | | |
| 3. | Industrial | | | | | | |
| 4. | Private Fire Service | | | | | | |
| 5. | Other | | | | | | |
| 6. | Total Operating Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Expenses: | | | | | | |
| | Source of Supply Expenses: | | | | | | |
| 7. | Purchased Water | | | | | | |
| 8. | Other | | | | | | |
| | Pumping Expenses: | | | | | | |
| 9. | Purchased Power | | | | | | |
| 10. | Purchased Gas | | | | | | |
| 11. | Other | | | | | | |
| 12. | Water Treatment Expenses | | | | | | |
| 13. | Transmission and Distribution Expenses | | | | | | |
| 14. | Customer Account Expenses | | | | | | |
| 15. | Sales Expenses & Payroll | | | | | | |
| 16. | Administrative and General Expenses | | | 0 | | | |
| 17. | Total Operation and Maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 18. | Depreciation and Amortization Expenses | 6,515 | | | | | |
| 19. | Pretax Operating Income | (6,515) | 975 | 0 | 0 | 0 | 0 |
| 20. | Taxes: Federal Income | | | | (24,724) | | (8,681) |
| 21. | State Income | | | | | (5,446) | (1,912) |
| 22. | Ad Valorem (Property) | | (975) | | | | |
| 23. | Other | | | | | | |
| 24. | Total Operating Expenses | 6,515 | (975) | 0 | (24,724) | (5,446) | (10,593) |
| 25. | Operating Income Increase (Decrease) | (6,515) | 975 | 0 | 24,724 | 5,446 | 10,593 |

Recap Schedules
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**COMPUTATION OF GROSS REVENUE CONVERSION FACTOR**
**TEST YEAR 2001**

| Line No. | Description | Percentage of Incremental Gross Revenues |
|---|---|---|
| 1. | Federal Income Taxes | 31.55744% |
| 2. | State Income Taxes | 6.95183% |
| 3. | Other: Bad Debt Factor | 0.23160% |
| 4. | Total Tax Percentage | 38.74087% |
| 5. | Operating Income % (100 % - 38.74087 %) | 61.25913% |
| 6. | Gross Revenue Conversion Factor (1 / 61.25913 %) | 1.63241 (a) |

Recap Schedule:
(a) A-1

# D

# COST OF CAPITAL


**D-1** SUMMARY COST OF CAPITAL

**D-2** COST OF LONG-TERM AND SHORT-TERM DEBT

**D-3** COST OF PREFERRED STOCK (*NOT APPLICABLE)*

**D-4** COST OF COMMON STOCK EQUITY – SEE THOMAS M. ZEPP-TESTIMONY AND EXHIBITS

**SUMMARY COST OF CAPITAL**
**TOTAL COMPANY**
**TEST YEAR 2001, ADJUSTED TEST YEAR 2001, AND PROJECTED YEAR 2002**

| Line No. | Description | Total Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | End of Test Year 2001 | | | | Adjusted Test Year 2001 | | | | End of Projected Year 2002 * | | | |
| | | Amount | Percent | Cost Rate | Composite Cost | Amount | Percent | Cost Rate | Composite Cost | Amount | Percent | Cost Rate | Composite Cost |
| 1. | Short-Term Debt (a) | $2,850,000 | 3.79% | 7.37% | 0.28% | $2,850,000 | 3.79% | 7.37% | 0.28% | $7,400,000 | 9.05% | 7.37% | 0.67% |
| 2. | Long-Term Debt (a) | 23,000,677 | 30.55% | 8.46% | 2.58% | 23,000,677 | 30.55% | 8.46% | 2.58% | 22,600,000 | 27.65% | 8.44% | 2.33% |
| 3. | Common Stock Equity (c) | 49,442,738 | 65.67% | (b) 12.40% | 8.14% | 49,442,738 | 65.67% | 12.40% | 8.14% | 51,750,000 | 63.30% | 12.40% | 7.85% |
| 4. | Total | (e) $75,293,415 | 100.00% | | 11.00% | (e) $75,293,415 | 100.00% | | (d) 11.00% | (e) $81,750,000 | 100.00% | | 10.85% |

| | | Eastern Group | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | End of Test Year 2001 | | | | Adjusted Test Year 2001 | | | | End of Projected Year 2002 | | | |
| | | Amount | Percent | Cost Rate | Composite Cost | Amount | Percent | Cost Rate | Composite Cost | Amount | Percent | Cost Rate | Composite Cost |
| 5. | Short-Term Debt | $1,340,000 | 3.79% | 7.37% | 0.28% | $1,574,824 | 3.79% | 7.37% | 0.28% | $4,088,120 | 9.05% | 7.37% | 0.67% |
| 6. | Long-Term Debt | 10,814,350 | 30.55% | 8.46% | 2.58% | 12,709,483 | 30.55% | 8.46% | 2.58% | 12,490,223 | 27.65% | 8.44% | 2.33% |
| 7. | Common Stock Equity | 23,246,753 | 65.67% | 12.40% | 8.14% | 27,320,572 | 65.67% | 12.40% | 8.14% | 28,594,253 | 63.30% | 12.40% | 7.85% |
| 8. | Total | $35,401,102 | 100.00% | | 11.00% | (e) $41,604,880 | 100.00% | | (d) 11.00% | (e) $45,172,595 | 100.00% | | 10.85% |

Supporting Schedules:
(a) D-2
(b) Zepp Testimony
(c) E-1

Recap Schedules:
(d) A-1
(e) A-3

* Not meaningful since projections limited to Eastern Group

**COST OF LONG AND SHORT-TERM DEBT**
**TOTAL COMPANY**
**TEST YEAR 2001, ADJUSTED TEST YEAR 2001, AND PROJECTED YEAR 2002**

| Line No. | Description | End of Test Year 2001 Amount Outstanding | End of Test Year 2001 Annual Interest & Amortization | Adjusted Test Year 2001 Amount Outstanding | Adjusted Test Year 2001 Annual Interest & Amortization | End of Projected Year 2002 Amount Outstanding | End of Projected Year 2002 Annual Interest & Amortization |
|---|---|---|---|---|---|---|---|
| | Long-Term Debt | | | | | | |
| | General Mortgage Bonds | | | | | | |
| 1. | Series G, redeemed May 14, 2001 | - | 29,519 | 0 | 29,519 | 0 | 0 |
| 2. | Series I, due 2006 | 2,000,000 | 206,583 | 2,000,000 | 206,853 | 1,600,000 | 169,583 |
| 3. | Series J, due 2015 | 6,000,000 | 547,800 | 6,000,000 | 547,800 | 6,000,000 | 547,800 |
| 4. | Series K, due 2031, acquired April 12, 2001 | 15,000,000 | 867,650 | 15,000,000 | 1,206,000 | 15,000,000 | 1,206,000 |
| 5. | Total General Mortgage Bonds | 23,000,000 | 1,651,552 | 23,000,000 | 1,990,172 | 22,600,000 | 1,923,383 |
| 6. | Other Long-Term Debt (FHA 5%) | 677 | 86 | 677 | 86 | 0 | 0 |
| 7. | Amortization of Debt Expense | | 4,617 | | 4,830 | | 2,904 |
| 8. | Total Long-Term Debt (b) | $23,000,677 | (a) $1,656,255 | $23,000,677 | $1,995,088 | $22,600,000 | $1,926,287 |

Embedded Cost Of Long-Term Debt

| | | Yield To Maturity Interest Rate | End of Test Year 2001 Outstanding Balance | End of Test Year 2001 Weighted Cost Actual | Adjusted Test Year 2001 Outstanding Balance | Adjusted Test Year 2001 Weighted Cost Adjusted | End of Projected Year 2002 Outstanding Balance | End of Projected Year 2002 Weighted Cost Adjusted |
|---|---|---|---|---|---|---|---|---|
| 9. | Series G, redeemed May 14, 2001 | 9.6041% | - | 0.0000% | 0 | 0.0000% | 0 | 0 |
| 10. | Series I, due 2006 | 9.3070% | 2,000,000 | 0.8093% | 2,000,000 | 0.8093% | 1,600,000 | 0.6589% |
| 11. | Series J, due 2015 | 9.1769% | 6,000,000 | 2.3939% | 6,000,000 | 2.3939% | 6,000,000 | 2.4363% |
| 12. | Series K, due 2031, acquired April 12, 2001 | 8.0538% | 15,000,000 | 5.2523% | 15,000,000 | 5.2523% | 15,000,000 | 5.3454% |
| 13. | Total Bonds | | 23,000,000 | 8.4555% | 23,000,000 | 8.4555% | 22,600,000 | 8.4407% |
| 14. | Other Long-Term Debt | 5.0000% | 677 | 0.0001% | 677 | 0.0001% | 0 | 0.0000% |
| 15. | Total Long-Term Bonds | | $23,000,677 | 8.4557% | $23,000,677 | 8.4557% | $22,600,000 | 8.4407% |
| | Cost Rate (b) | | | 8.4557% | | 8.4557% | | 8.4407% |

Short-Term Debt

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Bank Loans: | | | | | | |
| 16. | Actual | $2,850,000 | $294,111 | 2,850,000 | 294,111 | 7,400,000 | 545,380 |
| 17. | Estimated | | | | | | |
| 18. | Total Short-Term Debt (b) | $2,850,000 | (a) $294,111 | $2,850,000 | $294,111 | $7,400,000 | $545,380 |
| 19. | Weighted Average Short-Term Debt | $3,990,651 | | | | | |
| 20. | Cost Rate (b) | | 7.37% | | 7.37% | | 7.37% |

Supporting Schedules:
(a) E-1, E-2

Recap Schedules:
(b) D-1

# E

# FINANCIAL STATEMENTS AND STATISTICAL SCHEDULES


| | |
|---|---|
| **E-1** | COMPARATIVE BALANCE SHEETS |
| **E-2** | COMPARATIVE INCOME STATEMENTS |
| **E-3** | COMPARATIVE STATEMENT OF CASH FLOWS |
| **E-4** | STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY |
| **E-5** | DETAIL OF UTILITY PLANT |
| **E-6** | COMPARATIVE OPERATING INCOME STATEMENTS |
| **E-7** | OPERATING STATISTICS |
| **E-8** | TAXES CHARGED TO OPERATIONS |
| **E-9** | NOTES TO FINANCIAL STATEMENTS |

**COMPARATIVE BALANCE SHEETS - TOTAL COMPANY**
**PRIOR YEARS 1999 & 2000, AND TEST YEAR 2001**

| Line No. | Assets | End of Prior Years 1999 | End of Prior Years 2000 | End of Test Year 2001 |
|---|---|---|---|---|
| | Utility Plant: | | | |
| 1. | Total Net Plant | $115,473,210 | $127,898,518 | $138,609,248 |
| 2. | Acquisition Adjustments | 0 | 0 | 0 |
| 3. | Plant Held for Future Use | 0 | 0 | 0 |
| 4. | Utility Plant - Net | 115,473,210 | 127,898,518 | 138,609,248 |
| | Current Assets: | | | |
| 5. | Cash | 244,318 | 465,047 | 389,615 |
| 6. | Miscellaneous Special Deposits | 3,111 | 3,111 | 3,111 |
| | Accounts Receivable: | | | |
| 7. | Customers | 2,215,587 | 2,326,828 | 2,302,353 |
| 8. | Other | 476,647 | (1,220) | 91,660 |
| 9. | Allowance for Uncollectible Accounts | (14,066) | (15,859) | (17,768) |
| 10. | Materials and Supplies | 295,776 | 250,437 | 224,058 |
| 11. | Prepaid Expenses | 202,386 | 447,194 | 233,009 |
| 12. | Total Current Assets | 3,423,759 | 3,475,538 | 3,226,038 |
| | Deferred Debits: | | | |
| 13. | Debt Expenses | 25,743 | 23,067 | 43,800 |
| 14. | Deferred Rate Case Expense | 0 | 0 | 0 |
| 15. | Other | 3,801,121 | 4,363,129 | 4,579,823 |
| 16. | Total Deferred Assets | 3,826,864 | 4,386,196 | 4,623,623 |
| 17. | Total | $122,723,833 | $135,760,252 | $146,458,909 |

| Line No. | Liabilities and Stockholders' Equity | | End of Prior Years 1999 | End of Prior Years 2000 | End of Test Year 2001 |
|---|---|---|---|---|---|
| | Capitalization: | | | | |
| 18. | Common Stock Equity | (a) | $44,845,484 | $47,937,149 | $49,442,738 |
| 19. | Long-Term Debt | | 9,142,536 | 8,680,677 | 22,600,000 |
| 20. | Total Capitalization | | 53,988,020 | 56,617,826 | 72,042,738 |
| | Current Liabilities: | | | | |
| 21. | Current Maturities of Long-Term Debt | | 461,767 | 461,858 | 400,677 |
| 22. | Notes Payable - Bank | | 11,250,000 | 13,400,000 | 2,850,000 |
| 23. | Accounts Payable - General | | 2,142,180 | 2,583,042 | 2,906,099 |
| 24. | Customer Service Deposit | | 285,389 | 345,581 | 361,744 |
| | Accrued Taxes: | | | | |
| 25. | Federal and State Income | | (242,504) | (557,585) | 135,674 |
| 26. | Ad Valorem (Property) | | 1,022,897 | 1,038,936 | 1,032,209 |
| 27. | Other | | 180,819 | 173,438 | 202,725 |
| 28. | Accrued Interest | | 342,169 | 352,747 | 561,540 |
| 29. | Total Current Liabilities | | 15,442,717 | 17,798,017 | 8,450,668 |
| | Deferred Credits: | | | | |
| 30. | Customers' Advances for Construction | | 23,374,722 | 29,665,463 | 32,776,675 |
| 31. | Deferred Income Taxes | | 9,779,803 | 10,239,756 | 10,618,721 |
| 32. | Other | | 2,870,427 | 3,314,740 | 2,980,976 |
| 33. | Total Deferred Credits | | 36,024,952 | 43,219,959 | 46,376,372 |
| 34. | Contributions in Aid of Construction | | 17,268,144 | 18,124,450 | 19,589,131 |
| | Total | | $122,723,833 | $135,760,252 | $146,458,909 |

Recap Schedule
(a) D-1

**COMPARATIVE INCOME STATEMENTS**
**TOTAL COMPANY & EASTERN GROUP**
**PRIOR YEARS 1999 & 2000 AND TEST YEAR 2001**

| Line No. | Description | Total Company Prior Years 1999 | Total Company Prior Years 2000 | Total Company Test Year 2001 | Eastern Group Prior Years 1999 | Eastern Group Prior Years 2000 | Eastern Group Test Year 2001 |
|---|---|---|---|---|---|---|---|
| 1. | Operating Revenues (a) | $29,749,822 | $32,411,346 | $32,951,633 | $14,184,791 | $15,593,835 | $15,529,177 |
| | Operating Expenses: | | | | | | |
| 2. | Operation & Maintenance | 13,303,916 | 14,406,660 | 15,606,479 | 6,596,179 | 7,170,420 | 7,571,273 |
| 3. | Provision for Depreciation and Amortization | 3,173,272 | 3,504,370 | 3,854,952 | 1,474,395 | 1,623,495 | 1,802,267 |
| | Taxes: | | | | | | |
| 4. | Federal Income | 2,153,598 | 2,242,202 | 2,155,557 | 950,382 | 1,033,432 | 935,727 |
| 5. | State Income | 427,129 | 440,428 | 376,636 | 188,492 | 202,994 | 163,498 |
| 6. | Ad Valorem (Property) | 2,013,196 | 2,048,009 | 2,037,903 | 1,056,657 | 1,021,853 | 1,081,365 |
| 7. | Other | 2,449,834 | 2,709,739 | 2,884,297 | 1,160,109 | 1,287,592 | 1,354,625 |
| 8. | Total Operating Expenses (a) | 23,520,945 | 25,351,408 | 26,915,824 | 11,426,214 | 12,339,786 | 12,908,755 |
| 9. | Operating Income (a) | 6,228,877 | 7,059,938 | 6,035,809 | 2,758,577 | 3,254,049 | 2,620,422 |
| | Other Income and Deductions (b) | | | | 0.4470 | 0.4551 | 0.4582 |
| | Interest: | | | | | | |
| 10. | Long-Term Debt (d) | 907,784 | 864,833 | $1,656,255 | 405,778 | 393,585 | 758,896 (b) |
| 11. | Short-Term Debt (d) | 565,820 | 779,176 | 294,112 | 252,922 | 354,603 | 134,761 (b) |
| 12. | Other | (267,857) | (299,135) | (517,784) | (119,733) | (136,136) | (237,249) (b) |
| 13. | Total Interest | 1,205,747 | 1,344,874 | 1,432,583 | 538,967 | 612,052 | 656,408 (c) |
| 14. | Other (Income) - Net | (94,299) | (90,101) | 219,437 | (42,152) | (41,005) | 100,546 (b) |
| 15. | Total Other (Income) and Deductions | 1,111,448 | 1,254,773 | 1,652,020 | 496,815 | 571,047 | 756,954 |
| 16. | Net Income (c) | $5,117,429 | $5,805,165 | $4,383,789 | $2,261,762 | $2,683,002 | $1,863,468 |
| | Earnings Available for Common Stock | $5,117,429 | $5,805,165 | $4,383,789 | $2,261,762 | $2,683,002 | $1,863,468 |
| 17. | Average Common Shares Outstanding | 270,000 | 270,000 | 270,000 | 270,000 | 270,000 | 270,000 |
| 18. | Earnings Per Share of Common Stock | $18.95 | $21.50 | $16.24 | $8.38 | $9.94 | $6.90 |

Supporting Schedules:
(a) E-6
(b) Allocated Using 3 Factor Ratio

Recap Schedules:
(c) A-2, C-1
(d) D-2
(e) F-1

**COMPARATIVE STATEMENT OF CASH FLOWS**
**TOTAL COMPANY**
**TEST YEAR 2001 AND PRIOR YEARS 2000 & 1999**

| Line No. | Description | Prior Years 1999 | Prior Years 2000 | Test Year (c) 2001 |
|---|---|---|---|---|
| | Increase (Decrease) in Cash: | | | |
| | Cash From Operating Activities: | | | |
| 1. | Net Income (a) | $5,117,429 | $5,805,165 | $4,383,789 |
| | Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | | |
| 2. | Depreciation and Amortization | 3,173,272 | 3,504,370 | 3,805,662 |
| 3. | Deferred Income Taxes | 443,476 | 459,953 | 378,965 |
| 4. | Gain on Sale of Property Rights | (92,352) | (66,165) | (44,567) |
| | Changes in Assets and Liabilities: | | | |
| 5. | Accounts and Notes Receivable - Net | (243,262) | 368,419 | (66,496) |
| 6. | Materials and Supplies | 27,451 | 45,339 | 26,379 |
| 7. | Other Current Assets | (54,930) | (244,808) | 214,185 |
| 8. | Deferred Debits | (141,531) | (559,332) | (237,427) |
| 9. | Accounts Payable | (632,005) | 321,437 | 212,742 |
| 10. | Taxes Accrued | 192,053 | (306,423) | 715,819 |
| 11. | Interest Accrued | (9,639) | 10,578 | 208,793 |
| 12. | Other Current Liabilities | 82,560 | (32,679) | (86,973) |
| 13. | Deferred Credits | 1,401,371 | 296,351 | 47,297 |
| 14. | Other - Net | 36,396 | 60,192 | 16,163 |
| 15. | Net Cash Provided by Operating Activities (c) | 9,300,289 | 9,662,397 | 9,574,331 |
| | Cash Flows from Investing Activities: | | | |
| 16. | Capital Expenditures - Company Funds | (7,079,188) | (9,591,313) | (9,457,492) |
| | Capital Expenditures - Contributions in ... | | | |
| 17. | Aid of and Advances for Construction | (7,216,782) | (6,899,334) | (5,655,559) |
| 18. | Proceeds from Sale of Property Rights | 122,770 | 104,552 | 85,605 |
| 19. | Net Cash Used in Investing Activities (c) | (14,173,200) | (16,386,095) | (15,027,446) |
| | Cash Flows from Financing Activities: | | | |
| 20. | Issuance of General Mortgage Bonds | 0 | 0 | 15,000,000 |
| 21. | Dividends on Common Stock | (4,665,600) | (2,713,500) | (2,878,200) |
| 22. | Net Borrowings of Long Term Debt | (461,682) | (461,768) | (1,141,858) |
| 23. | Refund of Advances for Construction | (250,255) | (401,098) | (473,306) |
| 24. | Contributions in Aid of and Advances for Construction | 6,595,449 | 8,370,793 | 5,421,047 |
| 25. | Notes Payable | 3,550,000 | 2,150,000 | (10,550,000) |
| 26. | Net Cash Provided (Used) by Financing Activities (c) | 4,767,912 | 6,944,427 | 5,377,683 |
| 27. | Net Decrease in Cash | (104,999) | 220,729 | (75,432) |
| 28. | Cash - Beginning of Year (b) | 349,317 | 244,318 | 465,047 |
| 29. | Cash - End of Year (b) | $244,318 | $465,047 | $389,615 |

Supporting Schedules:
(a) E-2

Recap Schedules:
(b) A-5
(c) F-2

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**
**TOTAL COMPANY**
**PRIOR YEARS 1999 & 2000, AND TEST YEAR 2001**

| Line No. | Description | Common Stock Shares | Common Stock Amount | Capital Surplus | Retained Earnings | Total Common Stock Equity (a) |
|---|---|---|---|---|---|---|
| 1. | Balance, 1-1- 1999 | 270,000 | $2,700,000 | $2,654,647 | $39,039,008 | $44,393,655 |
| 2. | Net Income | | | | 5,117,429 | |
| 3. | Cash Dividends, Common - Regular | | | | (2,664,900) | |
| 4. | Cash Dividends, Common - Special | | | | (2,000,700) | |
| 5. | Balance, 12-31- 1999 | 270,000 | 2,700,000 | 2,654,647 | 39,490,837 | 44,845,484 |
| 6. | Net Income | | | | 5,805,165 | |
| 7. | Cash Dividends, Common - Regular | | | | (2,713,500) | |
| 8. | Balance, 12-31- 2000 | 270,000 | 2,700,000 | 2,654,647 | 42,582,502 | 47,937,149 |
| 9. | Net Income | | | | 4,383,789 | |
| 10. | Cash Dividends, Common - Regular | | | | (2,878,200) | |
| 11. | Balance, 12-31- 2001(End of Test Year) | 270,000 | $2,700,000 | $2,654,647 | $44,088,091 | $49,442,738 |

Recap Schedules:
(a) E-1

**DETAIL OF UTILITY PLANT AT END OF PRIOR YEAR 2000 AND TEST YEAR 2001**

| Line No. | Acct. No. | Description | Eastern Group End of Prior Year 2000 | Eastern Group Net Additions | Eastern Group End of Test Year 2001 | Apache Junction End of Prior Year 2000 | Apache Junction Net Additions | Apache Junction End of Test Year 2001 | Bisbee End of Prior Year 2000 | Bisbee Net Additions | Bisbee End of Test Year 2001 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 301 | Organization | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. | 302 | Franchises | 8,941 | 0 | 8,941 | 1,435 | 0 | 1,435 | 0 | 0 | 0 |
| 3. | 303 | Other Intangibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | 310.1 | Water Rights | 678,764 | 5,640 | 684,404 | 110,537 | 3,419 | 113,956 | 5,113 | 181 | 5,294 |
| 5. | 310.3 | Other Source of Supply Land | 144,457 | 10,488 | 154,945 | 38,950 | 10,488 | 49,438 | 4,033 | 0 | 4,033 |
| 6. | 314 | Wells | 3,413,210 | 1,369,611 | 4,782,821 | 1,140,175 | 1,365,263 | 2,505,438 | 47,840 | 926 | 48,766 |
| 7. | 320 | Pumping Plant Land | 20,301 | 10,286 | 30,587 | 3,901 | 10,286 | 14,187 | 7,054 | 0 | 7,054 |
| 8. | 321 | Pumping Plant Structures and Improvements | 176,485 | 15,899 | 192,384 | 29,192 | 14,429 | 43,621 | 26,509 | 0 | 26,509 |
| 9. | 325 | Electric Pumping Equipment | 5,326,247 | 539,716 | 5,865,963 | 2,003,135 | 458,455 | 2,461,590 | 526,767 | (13,362) | 513,405 |
| 10. | 328 | Gas Engine Equipment | 177,691 | 1,866 | 179,557 | 0 | 0 | 0 | 163,548 | 672 | 164,220 |
| 11. | 330 | Water Treatment Plant Land | 550 | 0 | 550 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | 331 | Water Treatment Structures and Improvements | 111,782 | 11,792 | 123,574 | 361 | 9,399 | 9,760 | 31,466 | 464 | 31,930 |
| 13. | 332 | Water Treatment Equipment | 492,554 | 39,293 | 531,847 | 80,243 | 42,500 | 122,743 | 38,243 | 0 | 38,243 |
| 14. | 340 | Transmission and Distribution Land | 215,095 | 1,237 | 216,332 | 183,459 | 339 | 183,798 | 5,044 | 0 | 5,044 |
| 15. | 342 | Storage Tanks | 5,188,553 | 319,267 | 5,507,820 | 3,473,162 | 282,173 | 3,755,335 | 353,044 | 0 | 353,044 |
| 16. | 343 | Transmission and Distribution Mains | 36,503,030 | 5,122,332 | 41,625,362 | 23,705,384 | 4,624,084 | 28,329,468 | 3,807,059 | 158,531 | 3,965,590 |
| 17. | 344 | Fire Sprinkler Taps | 405,287 | 61,427 | 466,714 | 291,048 | 61,382 | 352,430 | 29,546 | 0 | 29,546 |
| 18. | 345 | Services | 9,428,800 | 1,218,804 | 10,647,604 | 6,446,220 | 996,714 | 7,442,934 | 769,696 | 47,371 | 817,067 |
| 19. | 346 | Meters | 1,982,830 | 156,315 | 2,139,145 | 1,115,470 | 147,802 | 1,263,272 | 207,726 | 4,150 | 211,876 |
| 20. | 348 | Hydrants | 2,770,865 | 457,116 | 3,227,981 | 1,982,175 | 440,312 | 2,422,487 | 183,638 | 9,918 | 193,556 |
| 21. | 389 | General Plant Land | 49,895 | 0 | 49,895 | 47,015 | 0 | 47,015 | 0 | 0 | 0 |
| 22. | 390 | General Plant Structures | 553,667 | 5,412 | 559,079 | 412,572 | (1) | 412,571 | 16,438 | 0 | 16,438 |
| 23. | 390.1 | Leasehold Improvements | 240,127 | 0 | 240,127 | 164,370 | 0 | 164,370 | 8,058 | 0 | 8,058 |
| 24. | 391 | Office Furniture and Equipment | 517,067 | 24,012 | 541,079 | 160,705 | 17,185 | 177,890 | 78,925 | 930 | 79,855 |
| 25. | 393 | Warehouse Equipment | 7,668 | 1,529 | 9,197 | 1,940 | 1,529 | 3,469 | 0 | 0 | 0 |
| 26. | 394 | Tools, Shop and Garage Equipment | 373,332 | 22,458 | 395,790 | 140,359 | 7,234 | 147,593 | 36,423 | 1,258 | 37,681 |
| 27. | 395 | Laboratory Equipment | 17,801 | 544 | 18,345 | 8,707 | 1 | 8,708 | 0 | 543 | 543 |
| 28. | 396 | Power Operated Equipment | 70,083 | 0 | 70,083 | 30,448 | 0 | 30,448 | 15,583 | 0 | 15,583 |
| 29. | 397 | Communication Equipment | 1,363,145 | 76,032 | 1,439,177 | 627,408 | 44,252 | 671,660 | 240,111 | 2,888 | 242,999 |
| 30. | 398 | Miscellaneous Equipment | 90,761 | 1,388 | 92,149 | 32,926 | 0 | 32,926 | 20,062 | 0 | 20,062 |
| 31. | | Total Plant in Service (a) | 70,328,988 | 9,472,464 | 79,801,452 | 42,231,297 | 8,537,245 | 50,768,542 | 6,621,926 | 214,470 | 6,836,396 |
| 32. | | Accumulated Depreciation and Amortization | (16,513,965) | (1,554,898) | (18,068,863) | (7,695,652) | (986,042) | (8,681,694) | (2,943,243) | (128,177) | (3,071,420) |
| 33. | | Net Plant in Service | 53,815,023 | 7,917,566 | 61,732,589 | 34,535,645 | 7,551,203 | 42,086,848 | 3,678,683 | 86,293 | 3,764,976 |
| 34. | | Construction Work in Progress | 3,866,846 | (2,752,267) | 1,114,579 | 3,850,809 | (2,743,791) | 1,107,018 | 0 | 0 | 0 |
| 35. | | Total Net Plant (b) | $57,681,869 | $5,165,299 | $62,847,168 | $38,386,454 | $4,807,412 | $43,193,866 | $3,678,683 | $86,293 | $3,764,976 |

**Supporting Schedules:**
Plant Ledger

**Recap Schedules:**
(a) A-4
(b) B-2

**DETAIL OF UTILITY PLANT AT END OF PRIOR YEAR 2000 AND TEST YEAR 2001**

| Line No. | Acct. No. | Description | Sierra Vista End of Prior Year 2000 | Sierra Vista Net Additions | Sierra Vista End of Test Year 2001 | Miami End of Prior Year 2000 | Miami Net Additions | Miami End of Test Year 2001 | San Manuel End of Prior Year 2000 | San Manuel Net Additions | San Manuel End of Test Year 2001 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 301 | Organization | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. | 302 | Franchises | 0 | 0 | 0 | 1,225 | 0 | 1,225 | 0 | 0 | 0 |
| 3. | 303 | Other Intangibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | 310.1 | Water Rights | 3,332 | 138 | 3,470 | 328,289 | 242 | 328,531 | 154,117 | 40 | 154,157 |
| 5. | 310.3 | Other Source of Supply Land | 8,932 | 0 | 8,932 | 62,425 | 0 | 62,425 | 0 | 0 | 0 |
| 6. | 314 | Wells | 665,007 | 204 | 665,211 | 1,132,078 | 1,099 | 1,133,177 | 0 | 0 | 0 |
| 7. | 320 | Pumping Plant Land | 1,881 | 0 | 1,881 | 4,723 | 0 | 4,723 | 0 | 0 | 0 |
| 8. | 321 | Pumping Plant Structures and Improvements | 13,385 | 0 | 13,385 | 32,126 | 265 | 32,391 | 457 | 0 | 457 |
| 9. | 325 | Electric Pumping Equipment | 623,194 | 2,883 | 626,077 | 859,984 | 3,488 | 863,472 | 4,653 | 0 | 4,653 |
| 10. | 328 | Gas Engine Equipment | 13,980 | 1,194 | 15,174 | 163 | 0 | 163 | 0 | 0 | 0 |
| 11. | 330 | Water Treatment Plant Land | 0 | 0 | 0 | 550 | 0 | 550 | 0 | 0 | 0 |
| 12. | 331 | Water Treatment Structures and Improvements | 14,812 | 0 | 14,812 | 18,027 | 1,613 | 19,640 | 121 | 290 | 411 |
| 13. | 332 | Water Treatment Equipment | 117,341 | 0 | 117,341 | 64,136 | (2,512) | 61,624 | 7,908 | (4,605) | 3,303 |
| 14. | 340 | Transmission and Distribution Land | 0 | 0 | 0 | 4,937 | 898 | 5,835 | 0 | 0 | 0 |
| 15. | 342 | Storage Tanks | 357,164 | 23,461 | 380,625 | 421,077 | 3,099 | 424,176 | 96,282 | 2,067 | 98,349 |
| 16. | 343 | Transmission and Distribution Mains | 2,011,446 | 23,510 | 2,034,956 | 1,858,178 | 98,991 | 1,957,169 | 519,080 | 1,045 | 520,125 |
| 17. | 344 | Fire Sprinkler Taps | 46,740 | 0 | 46,740 | 29,580 | 0 | 29,580 | 55 | 45 | 100 |
| 18. | 345 | Services | 476,528 | 45,590 | 522,118 | 626,681 | 37,815 | 664,496 | 197,663 | 37,479 | 235,142 |
| 19. | 346 | Meters | 140,929 | 2,174 | 143,103 | 201,812 | 631 | 202,443 | 119,723 | 566 | 120,289 |
| 20. | 348 | Hydrants | 187,896 | 3,447 | 191,343 | 143,457 | (51) | 143,406 | 52,903 | 763 | 53,666 |
| 21. | 389 | General Plant Land | 66 | 0 | 66 | 2,814 | 0 | 2,814 | 0 | 0 | 0 |
| 22. | 390 | General Plant Structures | 23,225 | 0 | 23,225 | 48,582 | 188 | 48,770 | 12,496 | 0 | 12,496 |
| 23. | 390.1 | Leasehold Improvements | 0 | 0 | 0 | 30,876 | 0 | 30,876 | 35,214 | 0 | 35,214 |
| 24. | 391 | Office Furniture and Equipment | 62,579 | 854 | 63,433 | 74,668 | 931 | 75,599 | 86,163 | 648 | 86,811 |
| 25. | 393 | Warehouse Equipment | 0 | 0 | 0 | 4,509 | 0 | 4,509 | 1,128 | 0 | 1,128 |
| 26. | 394 | Tools, Shop and Garage Equipment | 18,271 | 2,909 | 21,180 | 66,564 | 8,029 | 74,593 | 59,555 | 1,451 | 61,006 |
| 27. | 395 | Laboratory Equipment | 539 | 0 | 539 | 2,066 | 0 | 2,066 | 2,618 | 0 | 2,618 |
| 28. | 396 | Power Operated Equipment | 12,198 | 0 | 12,198 | 3,898 | 0 | 3,898 | 2,695 | 0 | 2,695 |
| 29. | 397 | Communication Equipment | 193,908 | 14,476 | 208,384 | 136,324 | 148 | 136,472 | 55,687 | (382) | 55,305 |
| 30. | 398 | Miscellaneous Equipment | 7,609 | 0 | 7,609 | 20,674 | 1,388 | 22,062 | 7,084 | 0 | 7,084 |
| 31. | | Total Plant in Service (a) | 5,000,962 | 120,840 | 5,121,802 | 6,180,423 | 156,262 | 6,336,685 | 1,415,602 | 39,407 | 1,455,009 |
| 32. | | Accumulated Depreciation and Amortization | (1,302,922) | (78,289) | (1,381,211) | (1,523,773) | (144,101) | (1,667,874) | (688,451) | (35,846) | (724,297) |
| 33. | | Net Plant in Service | 3,698,040 | 42,551 | 3,740,591 | 4,656,650 | 12,161 | 4,668,811 | 727,151 | 3,561 | 730,712 |
| 34. | | Construction Work in Progress | 0 | 2,104 | 2,104 | 254 | 238 | 492 | 0 | 2,844 | 2,844 |
| 35. | | Total Net Plant (b) | $3,698,040 | $44,655 | $3,742,695 | $4,656,904 | $12,399 | $4,669,303 | $727,151 | $6,405 | $733,556 |

Supporting Schedules:
Plant Ledger

Recap Schedules:
(a) A-4
(b) B-2

**DETAIL OF UTILITY PLANT AT END OF PRIOR YEAR 2000 AND TEST YEAR 2001**

| Line No. | Acct. No. | Description | Oracle End of Prior Year 2000 | Oracle Net Additions | Oracle End of Test Year 2001 | Winkelman End of Prior Year 2000 | Winkelman Net Additions | Winkelman End of Test Year 2001 | Superior End of Prior Year 2000 | Superior Net Additions | Superior End of Test Year 2001 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 301 | Organization | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. | 302 | Franchises | 0 | 0 | 0 | 2,072 | 0 | 2,072 | 4,209 | 0 | 4,209 |
| 3. | 303 | Other Intangibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | 310.1 | Water Rights | 53,090 | 1,465 | 54,555 | 417 | 15 | 432 | 23,869 | 140 | 24,009 |
| 5. | 310.3 | Other Source of Supply Land | 15,943 | 0 | 15,943 | 422 | 0 | 422 | 13,752 | 0 | 13,752 |
| 6. | 314 | Wells | 243,645 | 864 | 244,509 | 47,508 | 819 | 48,327 | 136,957 | 436 | 137,393 |
| 7. | 320 | Pumping Plant Land | 2,742 | 0 | 2,742 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. | 321 | Pumping Plant Structures and Improvements | 22,043 | 0 | 22,043 | 6,073 | 0 | 6,073 | 46,700 | 1,205 | 47,905 |
| 9. | 325 | Electric Pumping Equipment | 641,545 | 82,240 | 723,785 | 85,331 | 3,786 | 89,117 | 581,638 | 2,226 | 583,864 |
| 10. | 328 | Gas Engine Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | 330 | Water Treatment Plant Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | 331 | Water Treatment Structures and Improvements | 35,054 | 0 | 35,054 | 3,906 | 0 | 3,906 | 8,035 | 26 | 8,061 |
| 13. | 332 | Water Treatment Equipment | 39,975 | 4,746 | 44,721 | 15,484 | 933 | 16,417 | 129,224 | (1,769) | 127,455 |
| 14. | 340 | Transmission and Distribution Land | 19,680 | 0 | 19,680 | 0 | 0 | 0 | 1,975 | 0 | 1,975 |
| 15. | 342 | Storage Tanks | 282,220 | 4,832 | 287,052 | 28,656 | 205 | 28,861 | 176,948 | 3,430 | 180,378 |
| 16. | 343 | Transmission and Distribution Mains | 2,601,112 | 111,741 | 2,712,853 | 116,326 | 78 | 116,404 | 1,884,445 | 104,352 | 1,988,797 |
| 17. | 344 | Fire Sprinkler Taps | 0 | 0 | 0 | 0 | 0 | 0 | 8,318 | 0 | 8,318 |
| 18. | 345 | Services | 385,583 | 21,494 | 407,077 | 51,591 | 0 | 51,591 | 474,838 | 32,341 | 507,179 |
| 19. | 346 | Meters | 81,542 | 232 | 81,774 | 18,679 | 503 | 19,182 | 96,949 | 257 | 97,206 |
| 20. | 348 | Hydrants | 102,037 | 460 | 102,497 | 16,294 | 0 | 16,294 | 102,465 | 2,267 | 104,732 |
| 21. | 389 | General Plant Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 22. | 390 | General Plant Structures | 23,324 | 4,817 | 28,141 | 127 | 0 | 127 | 16,903 | 408 | 17,311 |
| 23. | 390.1 | Leasehold Improvements | 0 | 0 | 0 | 0 | 0 | 0 | 1,609 | 0 | 1,609 |
| 24. | 391 | Office Furniture and Equipment | 0 | 1,440 | 1,440 | 0 | 0 | 0 | 54,027 | 2,024 | 56,051 |
| 25. | 393 | Warehouse Equipment | 32 | 0 | 32 | 0 | 0 | 0 | 59 | 0 | 59 |
| 26. | 394 | Tools, Shop and Garage Equipment | 10,979 | 1,578 | 12,557 | 1,296 | 0 | 1,296 | 39,885 | (1) | 39,884 |
| 27. | 395 | Laboratory Equipment | 146 | 0 | 146 | 0 | 0 | 0 | 3,725 | 0 | 3,725 |
| 28. | 396 | Power Operated Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 5,261 | 0 | 5,261 |
| 29. | 397 | Communication Equipment | 37,345 | 14,169 | 51,514 | 10,607 | 127 | 10,734 | 61,755 | 354 | 62,109 |
| 30. | 398 | Miscellaneous Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 2,406 | 0 | 2,406 |
| 31. | | Total Plant in Service (a) | 4,598,037 | 250,078 | 4,848,115 | 404,789 | 6,466 | 411,255 | 3,875,952 | 147,696 | 4,023,648 |
| 32. | | Accumulated Depreciation and Amortization | (1,367,431) | (88,533) | (1,455,964) | (113,600) | (2,756) | (116,356) | (878,893) | (91,154) | (970,047) |
| 33. | | Net Plant in Service | 3,230,606 | 161,545 | 3,392,151 | 291,189 | 3,710 | 294,899 | 2,997,059 | 56,542 | 3,053,601 |
| 34. | | Construction Work in Progress | 15,783 | (13,662) | 2,121 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35. | | Total Net Plant (b) | $3,246,389 | $147,883 | $3,394,272 | $291,189 | $3,710 | $294,899 | $2,997,059 | $56,542 | $3,053,601 |

**Supporting Schedules:**
Plant Ledger

**Recap Schedules:**
(a) A-4
(b) B-2

ARIZONA WATER COMPANY

Processing Date: 8/9/2002

**DETAIL OF UTILITY PLANT AT END OF PRIOR YEAR 2000 AND TEST YEAR 2001**

| Line No. | Acct. No. | Description | Phoenix Office End of Prior Year 2000 | Phoenix Office Net Additions | Phoenix Office End of Test Year 2001 | Meter Shop End of Prior Year 2000 | Meter Shop Net Additions | Meter Shop End of Test Year 2001 |
|---|---|---|---|---|---|---|---|---|
| 1. | 301 | Organization | 651 | 0 | 651 | 0 | 0 | 0 |
| 2. | 302 | Franchises | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. | 303 | Other Intangibles | 8,496 | 0 | 8,496 | 0 | 0 | 0 |
| 4. | 310.1 | Water Rights | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. | 310.3 | Other Source of Supply Land | 0 | 0 | 0 | 80 | 0 | 80 |
| 6. | 314 | Wells | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. | 320 | Pumping Plant Land | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. | 321 | Pumping Plant Structures and Improvements | 0 | 0 | 0 | 0 | 0 | 0 |
| 9. | 325 | Electric Pumping Equipment | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. | 328 | Gas Engine Equipment | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | 330 | Water Treatment Plant Land | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | 331 | Water Treatment Structures and Improvements | 0 | 0 | 0 | 0 | 0 | 0 |
| 13. | 332 | Water Treatment Equipment | 0 | 0 | 0 | 2,050 | 0 | 2,050 |
| 14. | 340 | Transmission and Distribution Land | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. | 342 | Storage Tanks | 0 | 0 | 0 | 0 | 0 | 0 |
| 16. | 343 | Transmission and Distribution Mains | 0 | 0 | 0 | 6,066 | 0 | 6,066 |
| 17. | 344 | Fire Sprinkler Taps | 0 | 0 | 0 | 0 | 0 | 0 |
| 18. | 345 | Services | 0 | 0 | 0 | (426) | 0 | (426) |
| 19. | 346 | Meters | 0 | 0 | 0 | 0 | 0 | 0 |
| 20. | 348 | Hydrants | 0 | 0 | 0 | 0 | 0 | 0 |
| 21. | 389 | General Plant Land | 0 | 0 | 0 | 0 | 0 | 0 |
| 22. | 390 | General Plant Structures | 31,795 | (1) | 31,794 | 27,926 | 2,643 | 30,569 |
| 23. | 390.1 | Leasehold Improvements | 699,426 | 11,791 | 711,217 | 0 | 0 | 0 |
| 24. | 391 | Office Furniture and Equipment | 2,693,226 | 285,427 | 2,978,653 | 1,573 | 0 | 1,573 |
| 25. | 393 | Warehouse Equipment | 3,705 | 0 | 3,705 | 0 | 1,088 | 1,088 |
| 26. | 394 | Tools, Shop and Garage Equipment | 29,284 | 709 | 29,993 | 53,105 | 560 | 53,665 |
| 27. | 395 | Laboratory Equipment | 977 | 0 | 977 | 2,981 | 0 | 2,981 |
| 28. | 396 | Power Operated Equipment | 0 | 0 | 0 | 1,458 | 0 | 1,458 |
| 29. | 397 | Communication Equipment | 128,467 | 3,950 | 132,417 | 0 | 0 | 0 |
| 30. | 398 | Miscellaneous Equipment | 5,981 | 0 | 5,981 | 0 | 0 | 0 |
| 31. | | Total Plant in Service (a) | 3,602,008 | 301,876 | 3,903,884 | 94,813 | 4,291 | 99,104 |
| 32. | | Accumulated Depreciation and Amortization | (433,057) | (20,165) | (453,222) | (22,339) | (2,255) | (24,594) |
| 33. | | Net Plant in Service | 3,168,951 | 281,711 | 3,450,662 | 72,474 | 2,036 | 74,510 |
| 34. | | Construction Work in Progress | 49,174 | 77,391 | 126,565 | 0 | 0 | 0 |
| 35. | | Total Net Plant (b) | $3,218,125 | $359,102 | $3,577,227 | $72,474 | $2,036 | $74,510 |

Supporting Schedules:
Plant Ledger

Recap Schedules:
(a) A-4
(b) B-2

**COMPARATIVE OPERATING INCOME STATEMENTS**
**TEST YEAR 2001 AND PRIOR YEARS 2000 & 1999**

| Line No. | Description | Eastern Group Test Year 2001 | Eastern Group Prior Year 2000 | Eastern Group Prior Year 1999 | Apache Junction Test Year 2001 | Apache Junction Prior Year 2000 | Apache Junction Prior Year 1999 | Bisbee Test Year 2001 | Bisbee Prior Year 2000 | Bisbee Prior Year 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | | | | |
| 1. | Residential | $11,533,006 | $11,429,012 | $10,636,631 | $6,647,850 | $6,409,153 | $5,653,826 | $1,065,586 | $1,092,031 | $1,093,978 |
| 2. | Commercial | 2,840,678 | 2,711,650 | 2,309,721 | 1,700,643 | 1,545,798 | 1,211,014 | 278,068 | 270,298 | 258,699 |
| 3. | Industrial | 94,808 | 97,030 | 78,685 | 106 | 0 | 0 | 1,869 | 1,708 | 1,474 |
| 4. | Private Fire Service | 8,939 | 8,042 | 6,726 | 5,910 | 5,081 | 4,184 | 838 | 828 | 794 |
| 5. | Public Fire Hydrant Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Other | 1,051,746 | 1,348,101 | 1,153,028 | 959,508 | 1,193,976 | 1,005,230 | 17,171 | 61,090 | 34,190 |
| 7. | Total Operating Revenues (a) | 15,529,177 | 15,593,835 | 14,184,791 | 9,314,017 | 9,154,008 | 7,874,254 | 1,363,532 | 1,425,955 | 1,389,135 |
| | Operating Expenses: | | | | | | | | | |
| | Source of Supply Expenses: | | | | | | | | | |
| 8. | Purchased Water | 940,389 | 957,918 | $984,456 | 805,211 | 812,703 | 834,942 | 0 | 0 | 0 |
| 9. | Other | 54,305 | 53,570 | $49,034 | 23,251 | 21,160 | 18,592 | 2,279 | 2,522 | 2,080 |
| | Pumping Expenses: | | | | | | | | | |
| 10. | Purchased Power | 1,286,379 | 1,360,990 | $1,191,587 | 588,864 | 610,363 | 459,643 | 180,807 | 192,501 | 188,670 |
| 11. | Purchased Gas | 905 | 1,407 | $1,307 | 0 | 0 | 0 | 401 | 703 | 730 |
| 12. | Other | 405,759 | 393,665 | $348,129 | 117,465 | 135,943 | 95,193 | 43,218 | 35,867 | 41,764 |
| 13. | Water Treatment Expenses | 329,496 | 315,506 | $220,925 | 189,843 | 162,064 | 82,530 | 34,435 | 34,181 | 30,558 |
| 14. | Transmission and Distribution Expenses | 1,562,945 | 1,414,552 | $1,294,132 | 682,301 | 566,948 | 498,829 | 203,387 | 198,855 | 191,077 |
| 15. | Customer Account Expenses | 1,379,224 | 1,266,420 | $1,197,662 | 606,014 | 528,167 | 479,948 | 167,213 | 162,288 | 158,340 |
| 16. | Sales Expenses | 6,851 | 8,734 | $7,757 | 2,059 | 2,750 | 2,344 | 987 | 886 | 1,157 |
| 17. | Administrative and General Expenses | 1,605,020 | 1,397,658 | $1,301,190 | 774,394 | 647,814 | 546,447 | 204,408 | 179,144 | 172,620 |
| 18. | Total Operation and Maintenance | 7,571,273 | 7,170,420 | 6,596,179 | 3,789,402 | 3,487,912 | 3,018,468 | 837,135 | 806,947 | 786,996 |
| 19. | Depreciation and Amortization Expenses | 1,802,267 | 1,623,495 | $1,474,395 | 1,082,006 | 938,470 | 823,484 | 173,245 | 166,745 | 160,698 |
| 20. | Taxes: Federal Income | 935,727 | 1,033,432 | $950,382 | 757,463 | 784,995 | 681,398 | 32,549 | 52,468 | 55,347 |
| 21. | State Income | 163,498 | 202,994 | $188,492 | 132,350 | 154,194 | 135,144 | 5,687 | 10,306 | 10,977 |
| 22. | Ad Valorem (Property) | 1,081,365 | 1,021,853 | $1,056,657 | 647,720 | 588,978 | 623,158 | 95,358 | 98,829 | 94,685 |
| 23. | Other | 1,354,625 | 1,287,592 | $1,160,109 | 784,012 | 727,700 | 617,707 | 128,331 | 125,159 | 119,382 |
| 24. | Total Operating Expenses | 12,908,755 | 12,339,786 | 11,426,214 | 7,192,953 | 6,682,249 | 5,899,359 | 1,272,305 | 1,260,454 | 1,228,085 |
| 25. | Operating Income (a) | $2,620,422 | $3,254,049 | $2,758,577 | $2,121,064 | $2,471,759 | $1,974,895 | $91,227 | $165,501 | $161,050 |

Recap Schedules:
(a) E-2

**COMPARATIVE OPERATING INCOME STATEMENTS**
**TEST YEAR 2001 AND PRIOR YEARS 2000 & 1999**

| Line No. | Description | Sierra Vista Test Year 2001 | Sierra Vista Prior Year 2000 | Sierra Vista Prior Year 1999 | Miami Test Year 2001 | Miami Prior Year 2000 | Miami Prior Year 1999 | San Manuel Test Year 2001 | San Manuel Prior Year 2000 | San Manuel Prior Year 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | | | | |
| 1. | Residential | $798,551 | $820,339 | $799,138 | $1,138,614 | $1,158,264 | $1,145,151 | $481,078 | $499,480 | $521,911 |
| 2. | Commercial | 158,541 | 156,876 | 125,033 | 353,482 | 382,488 | 380,371 | 65,771 | 63,397 | 59,167 |
| 3. | Industrial | 0 | 0 | 0 | 69,111 | 85,363 | 69,770 | 0 | 0 | 356 |
| 4. | Private Fire Service | 1,027 | 1,005 | 735 | 708 | 774 | 780 | 60 | 60 | 60 |
| 5. | Public Fire Hydrant Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Other | 13,568 | 14,876 | 14,278 | 15,743 | 15,037 | 13,447 | 13,618 | 12,008 | 10,712 |
| 7. | Total Operating Revenues (a) | 971,687 | 993,096 | 939,184 | 1,577,658 | 1,641,926 | 1,609,519 | 560,527 | 574,945 | 592,206 |
| | Operating Expenses: | | | | | | | | | |
| | Source of Supply Expenses: | | | | | | | | | |
| 8. | Purchased Water | 0 | 0 | 0 | 0 | 0 | 0 | 135,178 | 145,215 | 146,831 |
| 9. | Other | 1,533 | 1,676 | 1,344 | 8,838 | 8,650 | 8,472 | 6,246 | 6,919 | 6,626 |
| | Pumping Expenses: | | | | | | | | | |
| 10. | Purchased Power | 161,884 | 161,741 | 156,270 | 150,420 | 190,483 | 173,674 | 32,506 | 32,884 | 33,733 |
| 11. | Purchased Gas | 504 | 704 | 577 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | Other | 27,471 | 22,494 | 24,008 | 97,770 | 90,049 | 97,989 | 32,609 | 25,282 | 23,275 |
| 13. | Water Treatment Expenses | 21,802 | 22,566 | 22,663 | 24,368 | 39,132 | 35,355 | 18,742 | 18,392 | 19,693 |
| 14. | Transmission and Distribution Expenses | 138,985 | 133,122 | 125,744 | 236,363 | 234,954 | 204,550 | 88,796 | 89,677 | 81,838 |
| 15. | Customer Account Expenses | 121,012 | 113,158 | 107,560 | 189,374 | 176,391 | 170,119 | 86,301 | 92,658 | 93,948 |
| 16. | Sales Expenses | 666 | 587 | 759 | 1,311 | 1,580 | 1,523 | 472 | 985 | 549 |
| 17. | Administrative and General Expenses | 137,373 | 119,067 | 111,625 | 211,602 | 195,694 | 182,701 | 92,577 | 83,048 | 91,326 |
| 18. | Total Operation and Maintenance | 611,230 | 575,115 | 550,550 | 920,046 | 936,933 | 874,383 | 493,427 | 495,060 | 497,819 |
| 19. | Depreciation and Amortization Expenses | 116,754 | 105,696 | 97,611 | 158,782 | 153,842 | 149,125 | 40,950 | 40,431 | 39,861 |
| 20. | Taxes: Federal Income | 24,573 | 39,463 | 36,827 | 60,140 | 68,611 | 82,698 | (15,304) | (10,763) | (8,399) |
| 21. | State Income | 4,294 | 7,752 | 7,304 | 10,508 | 13,477 | 16,402 | (2,674) | (2,114) | (1,666) |
| 22. | Ad Valorem (Property) | 59,799 | 57,089 | 61,811 | 111,042 | 105,747 | 105,224 | 38,291 | 39,243 | 39,427 |
| 23. | Other | 86,383 | 83,882 | 78,016 | 148,797 | 147,358 | 141,576 | 48,298 | 47,028 | 49,016 |
| 24. | Total Operating Expenses | 903,033 | 868,997 | 832,119 | 1,409,315 | 1,425,968 | 1,369,408 | 602,988 | 608,885 | 616,058 |
| 25. | Operating Income (a) | $68,654 | $124,099 | $107,065 | $168,343 | $215,958 | $240,111 | ($42,461) | ($33,940) | ($23,852) |

Recap Schedules:
(a) E-2

**COMPARATIVE OPERATING INCOME STATEMENTS**
**TEST YEAR 2001 AND PRIOR YEARS 2000 & 1999**

| Line No. | Description | Oracle Test Year 2001 | Oracle Prior Year 2000 | Oracle Prior Year 1999 | Winkelman Test Year 2001 | Winkelman Prior Year 2000 | Winkelman Prior Year 1999 | Superior Test Year 2001 | Superior Prior Year 2000 | Superior Prior Year 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Operating Revenues: | | | | | | | | | |
| 1. | Residential | $720,666 | $732,983 | $718,138 | $52,086 | $51,776 | $50,827 | $628,575 | $664,986 | $653,662 |
| 2. | Commercial | 124,985 | 135,894 | 131,574 | 50,558 | 40,618 | 37,429 | 108,630 | 116,281 | 106,434 |
| 3. | Industrial | 0 | 0 | 0 | 2,478 | 2,519 | 2,012 | 21,244 | 7,440 | 5,073 |
| 4. | Private Fire Service | 60 | 60 | 45 | 0 | 0 | 0 | 336 | 234 | 128 |
| 5. | Public Fire Hydrant Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Other | 16,672 | 17,859 | 19,295 | 846 | 1,056 | 881 | 14,620 | 32,199 | 54,995 |
| 7. | Total Operating Revenues (a) | 862,383 | 886,796 | 869,052 | 105,968 | 95,969 | 91,149 | 773,405 | 821,140 | 820,292 |
| | Operating Expenses: | | | | | | | | | |
| | Source of Supply Expenses: | | | | | | | | | |
| 8. | Purchased Water | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,683 |
| 9. | Other | 6,656 | 7,072 | 6,413 | 747 | 797 | 750 | 4,755 | 4,774 | 4,757 |
| | Pumping Expenses: | | | | | | | | | |
| 10. | Purchased Power | 87,807 | 66,473 | 78,626 | 7,599 | 7,049 | 6,615 | 76,492 | 99,496 | 94,356 |
| 11. | Purchased Gas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. | Other | 29,003 | 21,977 | 17,755 | 4,034 | 3,067 | 2,796 | 54,189 | 58,986 | 45,349 |
| 13. | Water Treatment Expenses | 17,309 | 19,040 | 16,206 | 3,361 | 3,074 | 2,067 | 19,636 | 17,057 | 11,853 |
| 14. | Transmission and Distribution Expenses | 79,930 | 78,130 | 67,604 | 10,241 | 10,304 | 8,919 | 122,942 | 102,562 | 115,571 |
| 15. | Customer Account Expenses | 83,391 | 83,893 | 79,985 | 11,570 | 11,871 | 11,819 | 114,349 | 97,994 | 95,943 |
| 16. | Sales Expenses | 428 | 878 | 462 | 56 | 114 | 64 | 872 | 954 | 899 |
| 17. | Administrative and General Expenses | 90,154 | 82,656 | 82,178 | 11,508 | 10,661 | 11,180 | 83,004 | 79,574 | 103,113 |
| 18. | Total Operation and Maintenance | 394,678 | 360,119 | 349,229 | 49,116 | 46,937 | 44,210 | 476,239 | 461,397 | 474,524 |
| 19. | Depreciation and Amortization Expenses | 116,913 | 112,458 | 105,422 | 10,839 | 10,812 | 10,459 | 102,778 | 95,041 | 87,735 |
| 20. | Taxes: Federal Income | 59,924 | 68,836 | 73,653 | 5,604 | 3,588 | 3,876 | 10,778 | 26,234 | 24,982 |
| 21. | State Income | 10,470 | 13,521 | 14,608 | 979 | 705 | 769 | 1,884 | 5,153 | 4,954 |
| 22. | Ad Valorem (Property) | 49,774 | 53,617 | 51,953 | 14,335 | 13,833 | 12,580 | 65,046 | 64,517 | 67,819 |
| 23. | Other | 63,130 | 61,479 | 60,720 | 9,671 | 8,514 | 8,338 | 86,003 | 86,472 | 85,354 |
| 24. | Total Operating Expenses | 694,889 | 670,030 | 655,585 | 90,544 | 84,389 | 80,232 | 742,728 | 738,814 | 745,368 |
| 25. | Operating Income (a) | $167,494 | $216,766 | $213,467 | $15,424 | $11,580 | $10,917 | $30,677 | $82,326 | $74,924 |

Recap Schedules:
(a) E-2

ARIZONA WATER COMPANY

Processing Date: 8/9/2002

**OPERATING STATISTICS**
**TEST YEAR 2001 AND**
**PRIOR YEARS 2000 & 1999**

| Line No. | Description | Eastern Group Test Year 2001 | Eastern Group Prior Year 2000 | Eastern Group Prior Year 1999 | Apache Junction Test Year 2001 | Apache Junction Prior Year 2000 | Apache Junction Prior Year 1999 | Bisbee Test Year 2001 | Bisbee Prior Year 2000 | Bisbee Prior Year 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | M Gallons Sold: | | | | | | | | | |
| 1. | Residential | 2,762,644.6 | 2,765,578.6 | 2,539,802.4 | 1,663,791.3 | 1,605,729.5 | 1,392,432.5 | 225,989.5 | 240,181.1 | 239,317.3 |
| 2. | Commercial | 834,016.5 | 784,360.8 | 646,158.3 | 527,097.4 | 477,310.1 | 365,754.3 | 72,740.3 | 71,499.8 | 68,395.1 |
| 3. | Industrial | 24,689.6 | 25,854.6 | 21,038.9 | 18.7 | 0.0 | 0.0 | 287.5 | 239.5 | 168.1 |
| 4. | Other | 98,355.2 | 202,999.9 | 103,449.9 | 92,797.0 | 176,015.0 | 82,923.0 | 112.5 | 16,281.2 | 5,633.0 |
| 5. | Total M Gallons Sold | 3,719,705.9 | 3,778,793.9 | 3,310,449.5 | 2,283,704.4 | 2,259,054.6 | 1,841,109.8 | 299,129.8 | 328,201.6 | 313,513.5 |
| | Average Customers: | | | | | | | | | |
| 6. | Residential | 26,970 | 25,844 | 24,270 | 14,834 | 13,668 | 12,034 | 3,077 | 3,089 | 3,089 |
| 7. | Commercial | 1,437 | 1,369 | 1,302 | 513 | 462 | 423 | 305 | 293 | 279 |
| 8. | Industrial | 11 | 10 | 9 | 1 | 0 | 0 | 2 | 2 | 2 |
| | Average Customers | 28,418 | 27,223 | 25,581 | 15,348 | 14,130 | 12,457 | 3,384 | 3,384 | 3,370 |
| 9. | Private Fire Service | 138 | 120 | 102 | 91 | 74 | 62 | 13 | 13 | 12 |
| 10. | Public Fire Hydrant Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | Miscellaneous | 79 | 85 | 83 | 63 | 69 | 68 | 1 | 2 | 3 |
| 12. | Rents | 1 | 1 | 1 | 0 | 0 | 0 | 1 | 1 | 1 |
| 13. | Total Average Customers | 28,636 | 27,429 | 25,767 | 15,502 | 14,273 | 12,587 | 3,399 | 3,400 | 3,386 |
| 14. | Average Annual M Gallons Sold Per Residential Customer | 102.43 | 107.01 | 104.65 | 112.16 | 117.48 | 115.71 | 73.44 | 77.75 | 77.47 |
| 15. | Average Annual Revenue Per Residential Customer | $427.62 | $442.23 | $438.26 | $448.15 | $468.92 | $469.82 | $346.31 | $353.52 | $354.15 |
| 16. | Pumping Cost Per M Gallons | $0.4071 | $0.4191 | $0.4119 | $0.2801 | $0.3027 | $0.2657 | $0.6060 | $0.5804 | $0.6351 |

ARIZONA WATER COMPANY

Processing Date: 8/9/2002

**OPERATING STATISTICS**
**TEST YEAR 2001 AND**
**PRIOR YEARS 2000 & 1999**

| Line No. | Description | Sierra Vista Test Year 2001 | Sierra Vista Prior Year 2000 | Sierra Vista Prior Year 1999 | Miami Test Year 2001 | Miami Prior Year 2000 | Miami Prior Year 1999 | San Manuel Test Year 2001 | San Manuel Prior Year 2000 | San Manuel Prior Year 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | M Gallons Sold: | | | | | | | | | |
| 1. | Residential | 277,262.9 | 294,786.5 | 286,858.8 | 210,658.1 | 219,109.9 | 211,545.5 | 186,366.7 | 197,908.0 | 207,512.0 |
| 2. | Commercial | 66,685.1 | 66,759.6 | 52,893.5 | 80,131.2 | 88,765.9 | 86,216.1 | 26,776.0 | 23,449.7 | 21,256.6 |
| 3. | Industrial | 0.0 | 0.0 | 0.0 | 18,872.3 | 23,294.1 | 18,692.9 | 0.0 | 0.0 | 0.0 |
| 4. | Other | 1,665.6 | 3,388.0 | 2,611.2 | 462.8 | 329.8 | 161.4 | 1,703.0 | 1,544.4 | 1,174.0 |
| 5. | Total M Gallons Sold | 345,613.6 | 364,934.1 | 342,363.5 | 310,124.4 | 331,499.7 | 316,615.9 | 214,845.7 | 222,902.1 | 229,942.6 |
| | Average Customers: | | | | | | | | | |
| 6. | Residential | 2,147 | 2,129 | 2,089 | 2,788 | 2,804 | 2,822 | 1,481 | 1,517 | 1,593 |
| 7. | Commercial | 117 | 110 | 97 | 223 | 220 | 217 | 73 | 73 | 73 |
| 8. | Industrial | 0 | 0 | 0 | 5 | 5 | 5 | 0 | 0 | 0 |
| | Average Customers | 2,264 | 2,239 | 2,186 | 3,016 | 3,029 | 3,044 | 1,554 | 1,590 | 1,666 |
| 9. | Private Fire Service | 16 | 15 | 12 | 11 | 12 | 12 | 1 | 1 | 1 |
| 10. | Public Fire Hydrant Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | Miscellaneous | 3 | 3 | 3 | 2 | 2 | 1 | 2 | 2 | 1 |
| 12. | Rents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13. | Total Average Customers | 2,283 | 2,257 | 2,201 | 3,029 | 3,043 | 3,057 | 1,557 | 1,593 | 1,668 |
| 14. | Average Annual M Gallons Sold Per Residential Customer | 129.14 | 138.46 | 137.32 | 75.56 | 78.14 | 74.96 | 125.84 | 130.46 | 130.26 |
| 15. | Average Annual Revenue Per Residential Customer | $371.94 | $385.32 | $382.55 | $408.40 | $413.08 | $405.79 | $324.83 | $329.26 | $327.63 |
| 16. | Pumping Cost Per M Gallons | $0.5090 | $0.4811 | $0.4916 | $0.7295 | $0.7213 | $0.7854 | $0.2731 | $0.2403 | $0.2268 |

**OPERATING STATISTICS**
**TEST YEAR 2001 AND**
**PRIOR YEARS 2000 & 1999**

| Line No. | Description | Oracle Test Year 2001 | Oracle Prior Year 2000 | Oracle Prior Year 1999 | Winkelman Test Year 2001 | Winkelman Prior Year 2000 | Winkelman Prior Year 1999 | Superior Test Year 2001 | Superior Prior Year 2000 | Superior Prior Year 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | M Gallons Sold: | | | | | | | | | |
| 1. | Residential | 89,273.7 | 91,349.6 | 88,409.4 | 19,829.2 | 20,040.5 | 18,990.6 | 89,473.2 | 96,473.5 | 94,736.3 |
| 2. | Commercial | 15,786.9 | 17,407.4 | 16,483.2 | 28,534.4 | 21,028.3 | 19,070.0 | 16,265.2 | 18,140.0 | 16,089.5 |
| 3. | Industrial | 0.0 | 0.0 | 0.0 | 1,248.9 | 1,260.0 | 1,162.8 | 4,262.2 | 1,061.0 | 1,015.1 |
| 4. | Other | 1,155.9 | 1,365.4 | 1,621.5 | 0.0 | 47.9 | 3.4 | 458.4 | 4,028.2 | 9,322.4 |
| 5. | Total M Gallons Sold | 106,216.5 | 110,122.4 | 106,514.1 | 49,612.5 | 42,376.7 | 39,226.8 | 110,459.0 | 119,702.7 | 121,163.3 |
| | Average Customers: | | | | | | | | | |
| 6. | Residential | 1,291 | 1,268 | 1,257 | 157 | 155 | 162 | 1,195 | 1,214 | 1,224 |
| 7. | Commercial | 91 | 92 | 92 | 27 | 27 | 27 | 88 | 92 | 94 |
| 8. | Industrial | 0 | 0 | 0 | 1 | 1 | 1 | 2 | 2 | 1 |
| | Average Customers | 1,382 | 1,360 | 1,349 | 185 | 183 | 190 | 1,285 | 1,308 | 1,319 |
| 9. | Private Fire Service | 1 | 1 | 1 | 0 | 0 | 0 | 5 | 4 | 2 |
| 10. | Public Fire Hydrant Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | Miscellaneous | 3 | 2 | 3 | 0 | 0 | 1 | 5 | 5 | 3 |
| 12. | Rents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13. | Total Average Customers | 1,386 | 1,363 | 1,353 | 185 | 183 | 191 | 1,295 | 1,317 | 1,324 |
| 14. | Average Annual M Gallons Sold Per Residential Customer | 69.15 | 72.04 | 70.33 | 126.30 | 129.29 | 117.23 | 74.87 | 79.47 | 77.40 |
| 15. | Average Annual Revenue Per Residential Customer | $558.22 | $578.06 | $571.31 | $331.76 | $334.04 | $313.75 | $526.00 | $547.76 | $534.04 |
| 16. | Pumping Cost Per M Gallons | $0.9629 | $0.6988 | $0.7840 | $0.2334 | $0.2324 | $0.2256 | $0.9122 | $1.0996 | $0.8770 |

**TAXES CHARGED TO OPERATIONS**
**TEST YEAR 2001 AND**
**PRIOR YEARS 2000 & 1999**

| Line No. | Description | Eastern Group Test Year 2001 | Eastern Group Prior Year 2000 | Eastern Group Prior Year 1999 | Apache Junction Test Year 2001 | Apache Junction Prior Year 2000 | Apache Junction Prior Year 1999 | Bisbee Test Year 2001 | Bisbee Prior Year 2000 | Bisbee Prior Year 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Federal Taxes: | | | | | | | | | |
| 1. | Federal Income | $935,727 | $1,033,432 | $950,382 | $757,463 | $784,995 | $681,398 | $32,549 | $52,468 | $55,347 |
| 2. | FICA (Employer's) | 195,468 | 182,136 | 161,231 | 84,587 | 76,350 | 61,513 | 25,634 | 24,002 | 21,917 |
| 3. | Federal Unemployment | 3,529 | 3,366 | 3,125 | 1,528 | 1,410 | 1,194 | 462 | 444 | 425 |
| 4. | Total Federal Taxes | 1,134,724 | 1,218,934 | 1,114,738 | 843,578 | 862,755 | 744,105 | 58,645 | 76,914 | 77,689 |
| | State Taxes: | | | | | | | | | |
| 5. | State Income | 163,498 | 202,994 | 188,492 | 132,350 | 154,194 | 135,144 | 5,687 | 10,306 | 10,977 |
| 6. | Ad Valorem (Property) | 1,081,365 | 1,021,853 | 1,056,657 | 647,720 | 588,978 | 623,158 | 95,358 | 98,829 | 94,685 |
| 7. | State Sales and Water Use | 791,526 | 739,123 | 669,895 | 477,115 | 434,292 | 373,459 | 68,892 | 67,848 | 65,476 |
| 8. | State Unemployment | 1,195 | 1,054 | 1,022 | 516 | 443 | 389 | 155 | 139 | 137 |
| 9. | Total State Taxes | 2,037,584 | 1,965,024 | 1,916,066 | 1,257,701 | 1,177,907 | 1,132,150 | 170,092 | 177,122 | 171,275 |
| 10. | Local Taxes | 362,907 | 361,913 | 324,836 | 220,266 | 215,205 | 181,152 | 33,188 | 32,726 | 31,427 |
| 11. | Total Taxes to Operations | $3,535,215 | $3,545,871 | $3,355,640 | $2,321,545 | $2,255,867 | $2,057,407 | $261,925 | $286,762 | $280,391 |

**TAXES CHARGED TO OPERATIONS**
**TEST YEAR 2001 AND**
**PRIOR YEARS 2000 & 1999**

| Line No. | Description | Sierra Vista Test Year 2001 | Sierra Vista Prior Year 2000 | Sierra Vista Prior Year 1999 | Miami Test Year 2001 | Miami Prior Year 2000 | Miami Prior Year 1999 | San Manuel Test Year 2001 | San Manuel Prior Year 2000 | San Manuel Prior Year 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Federal Taxes: | | | | | | | | | |
| 1. | Federal Income | $24,573 | $39,463 | $36,827 | $60,140 | $68,611 | $82,698 | ($15,304) | ($10,763) | ($8,399) |
| 2. | FICA (Employer's) | 16,908 | 15,872 | 14,016 | 30,388 | 29,710 | 27,287 | 13,229 | 12,863 | 13,840 |
| 3. | Federal Unemployment | 306 | 294 | 271 | 549 | 551 | 528 | 238 | 238 | 269 |
| 4. | Total Federal Taxes | 41,787 | 55,629 | 51,114 | 91,077 | 98,872 | 110,513 | (1,837) | 2,338 | 5,710 |
| | State Taxes: | | | | | | | | | |
| 5. | State Income | 4,294 | 7,752 | 7,304 | 10,508 | 13,477 | 16,402 | (2,674) | (2,114) | (1,666) |
| 6. | Ad Valorem (Property) | 59,799 | 57,089 | 61,811 | 111,042 | 105,747 | 105,224 | 38,291 | 39,243 | 39,427 |
| 7. | State Sales and Water Use | 49,247 | 47,157 | 44,610 | 79,309 | 76,993 | 73,779 | 29,510 | 28,487 | 29,253 |
| 8. | State Unemployment | 104 | 92 | 90 | 185 | 171 | 174 | 81 | 75 | 88 |
| 9. | Total State Taxes | 113,444 | 112,090 | 113,815 | 201,044 | 196,388 | 195,579 | 65,208 | 65,691 | 67,102 |
| 10. | Local Taxes | 19,818 | 20,467 | 19,029 | 38,366 | 39,933 | 39,808 | 5,240 | 5,365 | 5,566 |
| 11. | Total Taxes to Operations | $175,049 | $188,186 | $183,958 | $330,487 | $335,193 | $345,900 | $68,611 | $73,394 | $78,378 |

**TAXES CHARGED TO OPERATIONS**
**TEST YEAR 2001 AND**
**PRIOR YEARS 2000 & 1999**

| Line No. | Description | Oracle Test Year 2001 | Oracle Prior Year 2000 | Oracle Prior Year 1999 | Winkelman Test Year 2001 | Winkelman Prior Year 2000 | Winkelman Prior Year 1999 | Superior Test Year 2001 | Superior Prior Year 2000 | Superior Prior Year 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Federal Taxes: | | | | | | | | | |
| 1. | Federal Income | $59,924 | $68,836 | $73,653 | $5,604 | $3,588 | $3,876 | $10,778 | $26,234 | $24,982 |
| 2. | FICA (Employer's) | 11,038 | 10,712 | 10,885 | 1,487 | 1,447 | 1,564 | 12,197 | 11,180 | 10,209 |
| 3. | Federal Unemployment | 201 | 198 | 212 | 24 | 25 | 29 | 221 | 206 | 197 |
| 4. | Total Federal Taxes | 71,163 | 79,746 | 84,750 | 7,115 | 5,060 | 5,469 | 23,196 | 37,620 | 35,388 |
| | State Taxes: | | | | | | | | | |
| 5. | State Income | 10,470 | 13,521 | 14,608 | 979 | 705 | 769 | 1,884 | 5,153 | 4,954 |
| 6. | Ad Valorem (Property) | 49,774 | 53,617 | 51,953 | 14,335 | 13,833 | 12,580 | 65,046 | 64,517 | 67,819 |
| 7. | State Sales and Water Use | 43,831 | 42,240 | 41,401 | 5,082 | 4,251 | 4,076 | 38,540 | 37,855 | 37,841 |
| 8. | State Unemployment | 70 | 62 | 70 | 8 | 8 | 8 | 76 | 64 | 66 |
| 9. | Total State Taxes | 104,145 | 109,440 | 108,032 | 20,404 | 18,797 | 17,433 | 105,546 | 107,589 | 110,680 |
| 10. | Local Taxes | 7,990 | 8,267 | 8,152 | 3,070 | 2,783 | 2,661 | 34,969 | 37,167 | 37,041 |
| 11. | Total Taxes to Operations | $183,298 | $197,453 | $200,934 | $30,589 | $26,640 | $25,563 | $163,711 | $182,376 | $183,109 |

# *ARIZONA WATER COMPANY*

**Notes to Financial Statements**

**Test Year 12 Months Ended 12/31/01**

Line
No.

1. Accounting Method – The Company maintains its accounting records on the accrual basis in accordance with the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners.

2. Depreciation - Depreciation is recorded on a straight-line basis using a composite rate of 2.59% based on engineering age-life studies.

3. Income Tax - The "normalization" method of accounting is used in the treatment of federal income taxes for rate making purposes.

4. Interest During Construction – The Company does not capitalize interest during construction.

# F

# PROJECTIONS AND FORECASTS

**F-1** PROJECTED INCOME STATEMENTS

**F-2** STATEMENT OF CASH FLOWS

**F-3** PROJECTED CONSTRUCTION REQUIREMENTS

**F-4** ASSUMPTIONS USED IN DEVELOPING PROJECTIONS

**PROJECTED INCOME STATEMENTS**
**EASTERN GROUP**
**TEST YEAR 2001 AND PROJECTED YEAR 2002**

| Line No. | Description | Eastern Group | | | |
|---|---|---|---|---|---|
| | | Test Year | Projected Year 2002 | | |
| | | 2001 | Present Rates | Adjustments | Proposed Rates |
| | | (a) | (b) | | (b) |
| | Operating Revenues: | | | | |
| 1. | Metered Service | $14,468,492 | $14,786,641 | 4,250,000 | $19,036,641 |
| 2. | Private Fire Service | 8,939 | $8,939 | | 8,939 |
| 3. | Public Fire Service | 0 | $0 | | 0 |
| 4. | Other | 1,051,746 | $1,051,746 | | 1,051,746 |
| 5. | Total Operating Revenues | 15,529,177 | 15,847,326 | 4,250,000 | 20,097,326 |
| | Operating Expenses: | | | | |
| 6. | Source of Supply | 994,694 | $1,316,103 | | 1,316,103 |
| 7. | Pumping | 1,693,043 | $1,719,624 | | 1,719,624 |
| 8. | Water Treatment | 329,496 | $438,652 | | 438,652 |
| 9. | Transmission and Distribution | 1,562,945 | $1,722,202 | | 1,722,202 |
| 10. | Customer Accounts | 1,379,224 | $1,415,837 | | 1,415,837 |
| 11. | Sales | 6,851 | $6,851 | | 6,851 |
| 12. | Administration and General | 1,805,020 | $1,862,415 | 9,843 | 1,872,258 |
| 13. | Total Operation and Maintenance | 7,571,273 | 8,481,684 | 9,843 | 8,491,527 |
| 14. | Depreciation and Amortization | 1,802,267 | $2,055,144 | | 2,055,144 |
| | Taxes: | | | | |
| 15. | Federal Income | 935,727 | 708,742 | 1,338,085 | 2,046,827 |
| 16. | State Income | 163,498 | 189,197 | 294,769 | 483,965 |
| 17. | Ad Valorem (Property) | 1,081,365 | $1,227,773 | | 1,227,773 |
| 18. | Other | 1,354,625 | $1,361,186 | | 1,361,186 |
| 19. | Total Operating Expenses | 12,908,755 | 14,023,726 | 1,642,697 | 15,666,423 |
| 20. | Operating Income | $2,620,422 | $1,823,600 | $2,607,303 | $4,430,904 |
| | Other Income and Deductions: | | | | |
| | Interest: | | | | |
| 21. | Long-Term Debt | 758,896 | 874,000 | | 874,000 |
| 22. | Short-Term Debt | 134,761 | 103,500 | | 103,500 |
| 23. | Other | (237,249) | 5,501 | | 5,501 |
| 24. | Total Interest | 656,408 | 983,001 | 0 | 983,001 |
| 25. | Other (Income) - Net | 100,546 | (55,200) | | (55,200) |
| 26. | Total Other (Income) and Deductions | 756,954 | 927,801 | 0 | 927,801 |
| 27. | Net Income | $1,863,468 | $895,799 | $2,607,303 | $3,503,103 |
| 28. | Average Common Shares Outstanding | N/A | N/A | | N/A |
| 29. | Earnings Per Share of Common Stock | N/A | N/A | | N/A |
| 30. | % Return on Common Equity | N/A | N/A | | N/A |
| 31. | Common Equity | N/A | N/A | | N/A |

Supporting Schedules:
(a) E-2

Recap Schedules:
(b) A-2

**STATEMENT OF CASH FLOWS - PRESENT AND PROPOSED RATES**
**TOTAL COMPANY**
**TEST YEAR 2001 AND PROJECTED YEAR 2002**

| Line No. | Description | Test Year 2001 (a) | At Present Rates Projected Year 2002 | At Proposed Rates Projected Year 2002 |
|---|---|---|---|---|
| | Increase (Decrease) in Cash: | | | |
| | Cash From Operating Activities: | | | |
| 1. | Net Income | $4,383,789 | Projected Data Not Prepared For Total Company | |
| | Adjustments to Reconcile Net Income to Net Cash ... Provided by Operating Activities: | | | |
| 2. | Depreciation and Amortization | 3,805,662 | | |
| 3. | Deferred Income Taxes | 378,965 | | |
| 4. | Gain on Sale of Property Rights | (44,567) | | |
| | Changes in Assets and Liabilities: | | | |
| 5. | Accounts and Notes Receivable - Net | (66,496) | | |
| 6. | Materials and Supplies | 26,379 | | |
| 7. | Other Current Assets | 214,185 | | |
| 8. | Deferred Debits | (237,427) | | |
| 9. | Accounts Payable | 212,742 | | |
| 10. | Taxes Accrued | 715,819 | | |
| 11. | Interest Accrued | 208,793 | | |
| 12. | Deferred Credits | 47,297 | | |
| 13. | Other Current Liabilities | (86,973) | | |
| 14. | Other - Net | 16,163 | | |
| 15. | Net Cash Provided by Operating Activities | 9,574,331 | | |
| | Cash Flows from Investing Activities: | | | |
| 16. | Capital Expenditures - Company Funds | (9,457,492) | | |
| | Capital Expenditures - Contributions in ... | | | |
| 17. | Aid of and Advances for Construction | (5,655,559) | | |
| 18. | Proceeds from Sale of Property Rights | 85,605 | | |
| 19. | Net Cash Used in Investing Activities | (15,027,446) | | |
| | Cash Flows from Financing Activities: | | | |
| 20. | Issuance of General Mortgage Bonds | 15,000,000 | | |
| 21. | Dividends on Common Stock | (2,878,200) | | |
| 22. | Repayment of Long-Term Debt | (1,141,858) | | |
| 23. | Refund of Advances for Construction | (473,306) | | |
| 24. | Contributions in Aid of and Advances for Construction | 5,421,047 | | |
| 25. | Notes Payable | (10,550,000) | | |
| 26. | Net Cash Provided (Used) by Financing Activities | 5,377,683 | | |
| 27. | Net Decrease in Cash | (75,432) | | |
| 28. | Cash - Beginning of Year | 465,047 | | |
| 29. | Cash - End of Year | $389,615 | | |

Supporting Schedules:
(a) E-3

**PROJECTED CONSTRUCTION REQUIREMENTS**
**TEST YEAR 2001 AND**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| Line No. | Property Classification | Eastern Group Test Year 2001 | Eastern Group Projected Years 2002 | Eastern Group Projected Years 2003 | Eastern Group Projected Years 2004 | Apache Junction Test Year 2001 | Apache Junction Projected Years 2002 | Apache Junction Projected Years 2003 | Apache Junction Projected Years 2004 |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Production Plant | $2,069,193 | $2,036,919 | $1,437,250 | $624,200 | $1,920,760 | $1,552,725 | $775,000 | $200,000 |
| 2. | Water Treatment Plant | 68,582 | 29,000 | 67,750 | 38,000 | 51,899 | 0 | 50,000 | 25,000 |
| 3. | Arsenic Treatment Plant | 0 | 0 | 6,382,680 | 5,670,313 | | | 6,382,680 | 2,412,500 |
| 4. | Transmission and Distribution Plant | 7,435,610 | 2,938,259 | 1,521,000 | 2,006,500 | 6,614,210 | 1,815,481 | 900,000 | 1,200,000 |
| 5. | General Plant | 170,947 | 107,871 | 79,500 | 83,500 | 73,699 | 23,824 | 20,000 | 35,000 |
| 6. | Total Plant (a) | $9,744,332 | $5,112,049 | $9,488,180 | $8,422,513 | $8,660,568 | $3,392,030 | $8,127,680 | $3,872,500 |

Recap Schedules:
(a) A-4

**PROJECTED CONSTRUCTION REQUIREMENTS**
**TEST YEAR 2001 AND**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| Line No. | Property Classification | Bisbee Test Year 2001 | Bisbee Projected Years 2002 | Bisbee Projected Years 2003 | Bisbee Projected Years 2004 | Sierra Vista Test Year 2001 | Sierra Vista Projected Years 2002 | Sierra Vista Projected Years 2003 | Sierra Vista Projected Years 2004 |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Production Plant | $12,155 | $381,000 | $20,000 | $21,000 | $4,530 | $21,500 | $24,000 | $13,500 |
| 2. | Water Treatment Plant | 465 | 0 | 2,000 | 3,000 | 0 | | 7,500 | 2,000 |
| 3. | Arsenic Treatment Plant | | | | | | | | |
| 4. | Transmission and Distribution Plant | 208,773 | 125,724 | 100,000 | 110,000 | 136,841 | 97,000 | 60,000 | 85,000 |
| 5. | General Plant | 22,760 | 7,500 | 12,000 | 7,500 | 31,971 | 5,500 | 22,000 | 5,500 |
| 6. | Total Plant (a) | $244,153 | $514,224 | $134,000 | $141,500 | $173,342 | $124,000 | $113,500 | $106,000 |

Recap Schedules:
(a) A-4

**PROJECTED CONSTRUCTION REQUIREMENTS**
**TEST YEAR 2001 AND**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| Line | | Miami | | | | San Manuel | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Test Year | Projected Years | | | Test Year | Projected Years | | |
| No. | Property Classification | 2001 | 2002 | 2003 | 2004 | 2001 | 2002 | 2003 | 2004 |
| 1. | Production Plant | $5,401 | $32,194 | $275,000 | $42,000 | $0 | $15,000 | $275,000 | $275,000 |
| 2. | Water Treatment Plant | 10,223 | 29,000 | 2,500 | 3,000 | 290 | | 750 | |
| 3. | Arsenic Treatment Plant | | | | | | | | 1,575,000 |
| 4. | Transmission and Distribution Plant | 144,416 | 333,546 | 150,000 | 200,000 | 36,799 | 36,813 | 25,000 | 75,000 |
| 5. | General Plant | 10,685 | 35,608 | 15,000 | 22,000 | 3,318 | 22,739 | 1,500 | 2,500 |
| 6. | Total Plant (a) | $170,725 | $430,348 | $442,500 | $267,000 | $40,407 | $74,552 | $302,250 | $1,927,500 |

Recap Schedules:
(a) A-4

**PROJECTED CONSTRUCTION REQUIREMENTS**
**TEST YEAR 2001 AND**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| Line | | Oracle | | | | Winkelman | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Test Year | Projected Years | | | Test Year | Projected Years | | |
| No. | Property Classification | 2001 | 2002 | 2003 | 2004 | 2001 | 2002 | 2003 | 2004 |
| 1. | Production Plant | $109,033 | $31,000 | $81,500 | $56,200 | $12,378 | $1,000 | $2,250 | $12,000 |
| 2. | Water Treatment Plant | 4,746 | | 2,500 | 1,500 | 933 | | 1,000 | 1,000 |
| 3. | Arsenic Treatment Plant | | | | | | | | |
| 4. | Transmission and Distribution Plant | 141,194 | 261,958 | 120,000 | 160,000 | 886 | 6,500 | 6,000 | 1,500 |
| 5. | General Plant | 25,602 | 3,500 | 2,000 | 7,500 | 127 | 6,000 | 3,500 | 1,000 |
| 6. | Total Plant (a) | $280,575 | $296,458 | $186,000 | $225,200 | $14,324 | $13,500 | $12,750 | $15,500 |

Recap Schedules:
(a) A-4

**PROJECTED CONSTRUCTION REQUIREMENTS**
**TEST YEAR 2001 AND**
**PROJECTED YEARS 2002, 2003, 2004, & 2005**

| Line No. | Property Classification | Superior Test Year 2001 | Superior Projected Years 2002 | Superior Projected Years 2003 | Superior Projected Years 2004 |
|---|---|---|---|---|---|
| 1. | Production Plant | $4,936 | $2,500 | $4,500 | $4,500 |
| 2. | Water Treatment Plant | 26 | | 1,500 | 2,500 |
| 3. | Arsenic Treatment Plant | | | | 1,682,813 |
| 4. | Transmission and Distribution Plant | 152,491 | 261,237 | 160,000 | 175,000 |
| 5. | General Plant | 2,785 | 3,200 | 3,500 | 2,500 |
| 6. | Total Plant (a) | $160,238 | $266,937 | $169,500 | $1,867,313 |

Recap Schedules:
(a) A-4

# ARIZONA WATER COMPANY

## Assumptions Used in Developing Projections

## Eastern Group

## Projected Year 2002

Line
No.

1. Revenues and Expenses - Revenues and expenses were projected using the pro forma changes developed for the test year 2001. Actual levels of expenses from January through May 2002 were factored into the calculations to develop known and measurable changes to test year expenses. Where specific rate changes, such as purchased power and payroll taxes, were known to have occurred, those changes were applied to test year volumes to determine pro forma adjustments.

2. Construction Requirements - Construction forecasts are based on peak load forecasts with a small reserve over peak requirements. Increase in production capacity must take into account growth in population, dry or wet climate conditions, as well as lowering water tables.

# G

# COST OF SERVICE ANALYSIS


**G-1** COST OF SERVICE SUMMARY – PRESENT RATES *(NOT REQUIRED)*

**G-2** COST OF SERVICE SUMMARY – PROPOSED RATES *(NOT REQUIRED)*

**G-3** RATE BASE ALLOCATION TO CLASSES OF SERVICE *(NOT REQUIRED)*

**G-4** EXPENSE ALLOCATION TO CLASSES OF SERVICE *(NOT REQUIRED)*

**G-5** DISTRIBUTION OF RATE BASE BY FUNCTION *(NOT REQUIRED)*

**G-6** DISTRIBUTION OF EXPENSES BY FUNCTION *(NOT REQUIRED)*

**G-7** DEVELOPMENT OF ALLOCATION FACTORS *(NOT REQUIRED*

# H

# EFFECT OF PROPOSED TARIFF SCHEDULES


**H-1** SUMMARY OF REVENUES BY CUSTOMER CLASSIFICATION – PRESENT AND PROPOSED RATES

**H-2** ANALYSIS OF REVENUES BY METER SIZE

**H-3** CHANGES IN REPRESENTATIVE RATE SCHEDULES

**H-4** TYPICAL BILL ANALYSIS

**H-5** BILL COUNT – SEPARATELY BOUND

**H-6** GENERAL SERVICE

**H-7** COIN MACHINE SERVICE

**H-8** SERVICE CHARGE – AJO HEIGHTS, CASA GRANDE, COOLIDGE, STANFIELD, WHITE TANK

**H-9** SERVICE CHARGE – EASTERN GROUP: APACHE JUNCTION, SUPERIOR, BISBEE, SIERRA VISTA, MIAMI, SAN MANUEL, ORACLE, WINKELMAN; NORTHERN GROUP: LAKESIDE, OVERGAARD, PINEWOOD, SEDONA, RIMROCK

**H-10** NOTES TO TARIFF SCHEDULES

**SUMMARY OF REVENUES**
**BY CUSTOMER CLASSIFICATION**
**PRESENT AND PROPOSED RATES**
**(WITHOUT TAXES)**
**TEST YEAR 2001**

| | | Eastern Group | | | | Apache Junction | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Revenues - Test Year 2001 (a) | | Proposed Increase (b) | | Revenues - Test Year 2001 (a) | | Proposed Increase (b) | |
| Line No. | Customer Classification | Present Rates | Proposed Rates | $ Amount | % Increase | Present Rates | Proposed Rates | $ Amount | % Increase |
| 1. | Metered Service | $13,448,996 | $17,705,012 | $4,256,016 | 31.6% | $7,833,812 | $9,569,130 | $1,735,319 | 22.2% |
| 2. | Private Fire Service | 8,262 | 8,262 | $0 | 0.0% | 5,450 | 5,450 | 0 | 0.0% |
| 3. | Public Fire Hydrant Service | 0 | 0 | $0 | 0.0% | 0 | 0 | 0 | 0.0% |
| 4. | Other | 979,403 | 979,403 | 0 | 0.0% | 893,859 | 893,859 | 0 | 0.0% |
| 5. | Total Revenues | $14,436,661 | $18,692,677 | $4,256,016 | 29.5% | $8,733,121 | $10,468,439 | $1,735,319 | 19.9% |

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

**SUMMARY OF REVENUES**
**BY CUSTOMER CLASSIFICATION**
**PRESENT AND PROPOSED RATES**
**(WITHOUT TAXES)**
**TEST YEAR 2001**

| | | Bisbee | | | | Sierra Vista | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Revenues - Test Year 2001 (a) | | Proposed Increase (b) | | Revenues - Test Year 2001 (a) | | Proposed Increase (b) | |
| Line No. | Customer Classification | Present Rates | Proposed Rates | $ Amount | % Increase | Present Rates | Proposed Rates | $ Amount | % Increase |
| 1. | Metered Service | $1,242,083 | $1,854,626 | $612,543 | 49.3% | $879,088 | $1,290,842 | $411,755 | 46.8% |
| 2. | Private Fire Service | 780 | 780 | 0 | 0.0% | 958 | 958 | $0 | 0.0% |
| 3. | Public Fire Hydrant Service | 0 | 0 | 0 | 0.0% | 0 | 0 | $0 | 0.0% |
| 4. | Other | 15,881 | 15,881 | 0 | 0.0% | 12,655 | 12,655 | 0 | 0.0% |
| 5. | Total Revenues | $1,258,744 | $1,871,287 | $612,543 | 48.7% | $892,701 | $1,304,455 | $411,755 | 46.1% |

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

**SUMMARY OF REVENUES**
**BY CUSTOMER CLASSIFICATION**
**PRESENT AND PROPOSED RATES**
**(WITHOUT TAXES)**
**TEST YEAR 2001**

| | | Miami | | | | San Manuel | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Revenues - Test Year 2001 (a) | | Proposed Increase (b) | | Revenues - Test Year 2001 (a) | | Proposed Increase (b) | |
| Line No. | Customer Classification | Present Rates | Proposed Rates | $ Amount | % Increase | Present Rates | Proposed Rates | $ Amount | % Increase |
| 1. | Metered Service | $1,442,145 | $2,164,964 | $722,820 | 50.1% | $463,025 | $909,966 | $446,941 | 96.5% |
| 2. | Private Fire Service | 658 | 658 | $0 | 0.0% | 56 | 56 | $0 | 0.0% |
| 3. | Public Fire Hydrant Service | 0 | 0 | $0 | 0.0% | 0 | 0 | $0 | 0.0% |
| 4. | Other | 14,561 | 14,561 | 0 | 0.0% | 12,780 | 12,780 | 0 | 0.0% |
| 5. | Total Revenues | $1,457,364 | $2,180,183 | $722,820 | 49.6% | $475,861 | $922,802 | $446,941 | 93.9% |

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

**SUMMARY OF REVENUES**
**BY CUSTOMER CLASSIFICATION**
**PRESENT AND PROPOSED RATES**
**(WITHOUT TAXES)**
**TEST YEAR 2001**

| | | Oracle | | | | Winkelman | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Revenues - Test Year 2001 (a) | | Proposed Increase (b) | | Revenues - Test Year 2001 (a) | | Proposed Increase (b) | |
| Line No. | Customer Classification | Present Rates | Proposed Rates | $ Amount | % Increase | Present Rates | Proposed Rates | $ Amount | % Increase |
| 1. | Metered Service | $804,085 | $1,037,437 | $233,352 | 29.0% | $96,350 | $128,576 | $32,225 | 33.4% |
| 2. | Private Fire Service | 56 | 56 | $0 | 0.0% | 0 | 0 | $0 | 0.0% |
| 3. | Public Fire Hydrant Service | 0 | 0 | $0 | 0.0% | 0 | 0 | $0 | 0.0% |
| 4. | Other | 15,640 | 15,640 | 0 | 0.0% | 782 | 782 | $0 | 0.0% |
| 5. | Total Revenues | $819,781 | $1,053,133 | $233,352 | 28.5% | $97,132 | $129,358 | $32,225 | 33.2% |

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

**SUMMARY OF REVENUES**
**BY CUSTOMER CLASSIFICATION**
**PRESENT AND PROPOSED RATES**
**(WITHOUT TAXES)**
**TEST YEAR 2001**

| | | Superior | | | |
|---|---|---|---|---|---|
| | | Revenues - Test Year 2001 (a) | | Proposed Increase (b) | |
| Line No. | Customer Classification | Present Rates | Proposed Rates | $ Amount | % Increase |
| 1. | Metered Service | $688,408 | $749,471 | $61,063 | 8.9% |
| 2. | Private Fire Service | 304 | 304 | $0 | 0.0% |
| 3. | Public Fire Hydrant Service | 0 | 0 | $0 | 0.0% |
| 4. | Other | 13,245 | 13,245 | 0 | 0.0% |
| 5. | Total Revenues | $701,957 | $763,020 | $61,063 | 8.7% |

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

**ANALYSIS OF REVENUE**
**BY METER SIZE**
**TEST YEAR 2001**

| | | Eastern Group | | | | | | Apache Junction | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Revenues | | Proposed Increase | | | | Revenues | | Proposed Increase | |
| Line | Meter Size | Average Number Of Customers | Average Gallons Consumption | Present Rates | Proposed Rates | Amount | Percent | Average Number Of Customers | Average Gallons Consumption | Present Rates | Proposed Rates | Amount | Percent |
| 1. | 5/8" | 26,967 | 7,390 | $9,561,130 | $12,966,822 | $3,405,692 | 35.62% | 14,427 | 7,471 | $5,055,284 | $6,404,280 | $1,348,996 | 26.68% |
| 2. | 1" | 1,030 | 20,171 | $941,345 | $1,213,791 | 272,445 | 28.94% | 692 | 20,968 | 635,821 | 777,985 | 142,164 | 22.36% |
| 3. | 2" | 326 | 112,483 | $1,380,429 | $1,714,605 | 334,175 | 24.21% | 175 | 133,653 | 846,004 | 955,725 | 109,721 | 12.97% |
| 4. | 3" | 30 | 386,153 | $387,461 | $440,881 | 53,420 | 13.79% | 21 | 416,626 | 295,181 | 318,417 | 23,236 | 7.87% |
| 5. | 4" | 25 | 695,245 | $569,952 | $645,694 | 75,743 | 13.29% | 17 | 782,443 | 451,858 | 480,077 | 28,219 | 6.25% |
| 6. | 6" | 24 | 667,839 | $608,678 | $723,219 | 114,540 | 18.82% | 21 | 702,235 | 549,664 | 632,646 | 82,982 | 15.10% |
| 7. | 8" | 0 | 0 | $0 | $0 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 8. | 10" | 0 | 0 | $0 | $0 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 9. | Total | 28,402 | 10,625 | $13,448,996 | $17,705,012 | $4,256,016 | 31.65% | 15,353 | 11,892 | $7,833,812 | $9,569,130 | $1,735,319 | 22.15% |

Recap Schedule:
(a)H-1

**ANALYSIS OF REVENUE**
**BY METER SIZE**
**TEST YEAR 2001**

| | | Bisbee | | | | | | Sierra Vista | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Revenues | | Proposed Increase | | | | Revenues | | Proposed Increase | |
| Line | Meter Size | Average Number Of Customers | Average Gallons Consumption | Present Rates | Proposed Rates | Amount | Percent | Average Number Of Customers | Average Gallons Consumption | Present Rates | Proposed Rates | Amount | Percent |
| 1. | 5/8" | 3,235 | 5,923 | $1,007,090 | $1,507,275 | $500,184 | 49.67% | 2,147 | 10,209 | $699,585 | $1,026,064 | $326,479 | 46.67% |
| 2. | 1" | 83 | 19,362 | 70,691 | 104,825 | 34,134 | 48.29% | 90 | 20,335 | 60,030 | 90,413 | 30,383 | 50.61% |
| 3. | 2" | 47 | 71,059 | 131,910 | 196,101 | 64,192 | 48.66% | 28 | 118,685 | 84,213 | 124,492 | 40,279 | 47.83% |
| 4. | 3" | 0 | 0 | 0 | 0 | 0 | 0.00% | 2 | 608,258 | 25,732 | 35,958 | 10,226 | 39.74% |
| 5. | 4" | 3 | 279,611 | 32,392 | 46,425 | 14,033 | 43.32% | 1 | 368,917 | 9,528 | 13,916 | 4,388 | 46.06% |
| 6. | 6" | 0 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 7. | 8" | 0 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 8. | 10" | 0 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 9. | Total | 3,368 | 7,399 | $1,242,083 | $1,854,626 | $612,543 | 49.32% | 2,268 | 12,638 | $879,088 | $1,290,842 | $411,755 | 46.84% |

Recap Schedule:
(a)H-1

**ANALYSIS OF REVENUE**
**BY METER SIZE**
**TEST YEAR 2001**

| | | Miami | | | | | | San Manuel | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Revenues | | Proposed Increase | | | | Revenues | | Proposed Increase | |
| Line | Meter Size | Average Number Of Customers | Average Gallons Consumption | Present Rates | Proposed Rates | Amount | Percent | Average Number Of Customers | Average Gallons Consumption | Present Rates | Proposed Rates | Amount | Percent |
| 1. | 5/8" | 2,895 | 6,202 | $1,073,366 | $1,635,429 | $562,062 | 52.36% | 1,521 | 10,254 | $411,641 | $804,762 | $393,121 | 95.50% |
| 2. | 1" | 64 | 19,823 | 67,489 | 100,140 | 32,651 | 48.38% | 22 | 21,854 | 13,315 | 26,473 | 13,158 | 98.82% |
| 3. | 2" | 43 | 93,478 | 188,409 | 272,563 | 84,154 | 44.67% | 9 | 120,653 | 21,987 | 42,882 | 20,895 | 95.03% |
| 4. | 3" | 3 | 224,525 | 30,316 | 43,253 | 12,938 | 42.68% | 1 | 92,950 | 2,882 | 6,114 | 3,233 | 112.17% |
| 5. | 4" | 1 | 963,417 | 40,644 | 54,958 | 14,314 | 35.22% | 1 | 233,083 | 5,799 | 11,832 | 6,032 | 104.01% |
| 6. | 6" | 1 | 948,583 | 41,920 | 58,620 | 16,700 | 39.84% | 1 | 276,700 | 7,401 | 17,902 | 10,501 | 141.90% |
| 7. | 8" | 0 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 8. | 10" | 0 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 9. | Total | 3,007 | 8,582 | $1,442,145 | $2,164,964 | $722,820 | 50.12% | 1,555 | 11,425 | $463,025 | $909,966 | $446,941 | 96.53% |

Recap Schedule:
(a)H-1

**ANALYSIS OF REVENUE**
**BY METER SIZE**
**TEST YEAR 2001**

| | | Oracle | | | | | | Winkelman | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Revenues | | | | | | Revenues | | | |
| | Meter | Average Number Of | Average Gallons | Present | Proposed | Proposed Increase | | Average Number Of | Average Gallons | Present | Proposed | Proposed Increase | |
| Line | Size | Customers | Consumption | Rates | Rates | Amount | Percent | Customers | Consumption | Rates | Rates | Amount | Percent |
| 1. | 5/8" | 1,304 | 5,534 | $657,350 | $859,143 | $201,793 | 30.70% | 176 | 9,437 | $49,521 | $66,286 | $16,764 | 33.85% |
| 2. | 1" | 66 | 11,222 | 77,838 | 96,043 | 18,205 | 23.39% | 4 | 41,950 | 3,617 | 4,837 | 1,220 | 33.74% |
| 3. | 2" | 7 | 105,580 | 59,204 | 68,201 | 8,997 | 15.20% | 4 | 61,246 | 6,563 | 9,698 | 3,134 | 47.76% |
| 4. | 3" | 0 | 0 | 0 | 0 | 0 | 0.00% | 1 | 384,583 | 6,918 | 9,268 | 2,350 | 33.97% |
| 5. | 4" | 0 | 0 | 0 | 0 | 0 | 0.00% | 2 | 837,667 | 29,730 | 38,487 | 8,756 | 29.45% |
| 6. | 6" | 1 | 55,925 | 9,693 | 14,050 | 4,357 | 44.95% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 7. | 8" | 0 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 8. | 10" | 0 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 9. | Total | 1,378 | 6,352 | $804,085 | $1,037,437 | $233,352 | 29.02% | 187 | 22,099 | $96,350 | $128,576 | $32,225 | 33.45% |

Recap Schedule:
(a)H-1

**ANALYSIS OF REVENUE**
**BY METER SIZE**
**TEST YEAR 2001**

| | | Superior | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Revenues | | Proposed Increase | |
| Line | Meter Size | Average Number Of Customers | Average Gallons Consumption | Present Rates | Proposed Rates | Amount | Percent |
| 1. | 5/8" | 1,262 | 6,329 | $607,293 | $663,584 | $56,291 | 9.27% |
| 2. | 1" | 9 | 18,964 | $12,544 | $13,074 | 530 | 4.23% |
| 3. | 2" | 13 | 40,592 | $42,139 | $44,942 | 2,803 | 6.65% |
| 4. | 3" | 2 | 233,913 | $26,432 | $27,870 | 1,438 | 5.44% |
| 5. | 4" | 0 | 0 | $0 | $0 | 0 | 0.00% |
| 6. | 6" | 0 | 0 | $0 | $0 | 0 | 0.00% |
| 7. | 8" | 0 | 0 | $0 | $0 | 0 | 0.00% |
| 8. | 10" | 0 | 0 | $0 | $0 | 0 | 0.00% |
| 9. | Total | 1,286 | 7,126 | $688,408 | $749,471 | $61,063 | 8.87% |

Recap Schedule:
(a)H-1

**CHANGES IN REPRESENTATIVE RATE SCHEDULES**
**GENERAL SERVICE RATE SCHEDULE**
**PRESENT AND PROPOSED RATES**
**NUMBER OF METERS BY SIZE**
**TEST YEAR 2001**

| | Apache Junction | | | | Bisbee | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Meters | Present Rates | Proposed Rates | Change | Number of Meters | Present Rates | Proposed Rates | Change |
| MINIMUM | | | | | | | | |
| 5/8" x 3/4" Meter | 14,427 | $12.43 | $18.13 | $5.70 | 3,235 | $13.47 | $20.11 | $6.64 |
| 1" | 692 | 24.86 | 40.79 | 15.93 | 83 | 24.86 | 43.64 | 18.78 |
| 2" | 175 | 62.15 | 117.85 | 55.70 | 47 | 62.15 | 126.89 | 64.74 |
| 3" | 21 | 103.58 | 211.58 | 108.00 | 0 | 155.37 | 266.86 | 111.49 |
| 4" | 17 | 207.16 | 377.65 | 170.49 | 3 | 207.16 | 406.02 | 198.86 |
| 6" | 21 | 362.53 | 717.59 | 355.06 | 0 | 362.53 | 773.43 | 410.90 |
| 8" | 0 | 362.53 | 989.54 | 627.01 | 0 | 362.53 | 1,075.08 | 712.55 |
| 10" | 0 | 673.27 | 1,624.09 | 950.82 | 0 | 673.27 | 1,759.42 | 1,086.15 |
| Total Meters | 15,353 | | | | 3,368 | | | |
| Gallons in Minimum | | 1,000 | 0 | (1,000) | | 1,000 | 0 | (1,000) |
| Cost / 100 Gallons Over Minimum | | $0.2569 | $0.2525 | ($0.0044) | | $0.2486 | $0.3160 | $0.0674 |

**CHANGES IN REPRESENTATIVE RATE SCHEDULES**
**GENERAL SERVICE RATE SCHEDULE**
**PRESENT AND PROPOSED RATES**
**NUMBER OF METERS BY SIZE**
**TEST YEAR 2001**

| | Sierra Vista | | | | Miami | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Meters | Present Rates | Proposed Rates | Change | Number of Meters | Present Rates | Proposed Rates | Change |
| MINIMUM | | | | | | | | |
| 5/8" x 3/4" Meter | 2,147 | $12.43 | $18.25 | $5.82 | 2,895 | $13.47 | $20.22 | $6.75 |
| 1" | 90 | 24.86 | 41.06 | 16.20 | 64 | 24.86 | 43.88 | 19.02 |
| 2" | 28 | 62.15 | 118.63 | 56.48 | 43 | 62.15 | 127.59 | 65.44 |
| 3" | 2 | 103.58 | 212.98 | 109.40 | 3 | 103.58 | 229.29 | 125.71 |
| 4" | 1 | 207.16 | 380.15 | 172.99 | 1 | 207.16 | 408.24 | 201.08 |
| 6" | 0 | 362.53 | 722.34 | 359.81 | 1 | 362.53 | 777.66 | 415.13 |
| 8" | 0 | 362.53 | 996.09 | 633.56 | 0 | 362.53 | 1,080.96 | 718.43 |
| 10" | 0 | 673.27 | 1,634.84 | 961.57 | 0 | 673.27 | 1,769.05 | 1,095.78 |
| Total Meters | 2,268 | | | | 3,007 | | | |
| Gallons in Minimum | | 1,000 | 0 | (1,000) | | 1,000 | 0 | (1,000) |
| Cost / 100 Gallons Over Minimum | | $0.1595 | $0.2113 | $0.0518 | | $0.3304 | $0.4330 | $0.1026 |

**CHANGES IN REPRESENTATIVE RATE SCHEDULES**
**GENERAL SERVICE RATE SCHEDULE**
**PRESENT AND PROPOSED RATES**
**NUMBER OF METERS BY SIZE**
**TEST YEAR 2001**

| | San Manuel | | | | Oracle | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Meters | Present Rates | Proposed Rates | Change | Number of Meters | Present Rates | Proposed Rates | Change |
| MINIMUM | | | | | | | | |
| 5/8" x 3/4" Meter | 1,521 | $13.98 | $27.47 | $13.49 | 1,304 | $15.54 | $20.05 | $4.51 |
| 1" | 22 | 31.07 | 64.83 | 33.76 | 66 | 38.84 | 50.13 | 11.29 |
| 2" | 9 | 93.22 | 201.36 | 108.14 | 7 | 103.58 | 146.97 | 43.39 |
| 3" | 1 | 155.37 | 358.76 | 203.39 | 0 | 155.37 | 250.63 | 95.26 |
| 4" | 1 | 269.31 | 607.91 | 338.60 | 0 | 207.16 | 384.36 | 177.20 |
| 6" | 1 | 362.53 | 1,043.04 | 680.51 | 1 | 492.01 | 818.64 | 326.63 |
| 8" | 0 | 362.53 | 1,455.09 | 1,092.56 | 0 | 621.48 | 1,203.00 | 581.52 |
| 10" | 0 | 673.27 | 2,378.35 | 1,705.08 | 0 | 673.27 | 1,687.41 | 1,014.14 |
| Total Meters | 1,555 | | | | 1,378 | | | |
| Gallons in Minimum | | 1,000 | 0 | (1,000) | | 1,000 | 0 | (1,000) |
| Cost / 100 Gallons Over Minimum | | $0.0922 | $0.1622 | $0.0700 | | $0.5749 | $0.6298 | $0.0549 |

**CHANGES IN REPRESENTATIVE RATE SCHEDULES**
**GENERAL SERVICE RATE SCHEDULE**
**PRESENT AND PROPOSED RATES**
**NUMBER OF METERS BY SIZE**
**TEST YEAR 2001**

| | Winkelman | | | | Superior | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Meters | Present Rates | Proposed Rates | Change | Number of Meters | Present Rates | Proposed Rates | Change |
| MINIMUM | | | | | | | | |
| 5/8" x 3/4" Meter | 176 | $12.95 | $17.30 | $4.35 | 1,262 | $18.13 | $18.13 | $0.00 |
| 1" | 4 | 24.86 | 38.23 | 13.37 | 9 | $38.84 | $40.79 | 1.95 |
| 2" | 4 | 62.15 | 110.72 | 48.57 | 13 | $103.58 | $117.85 | 14.27 |
| 3" | 1 | 103.58 | 198.95 | 95.37 | 2 | $155.37 | $211.58 | 56.21 |
| 4" | 2 | 207.16 | 354.65 | 147.49 | 0 | $207.16 | $377.65 | 170.49 |
| 6" | 0 | 362.53 | 674.70 | 312.17 | 0 | $362.53 | $717.59 | 355.06 |
| 8" | 0 | 362.53 | 934.20 | 571.67 | 0 | $362.53 | $989.54 | 627.01 |
| 10" | 0 | 673.27 | 1,530.88 | 857.61 | 0 | $673.27 | $1,624.09 | 950.82 |
| Total Meters | 187 | | | | 1,286 | | | |
| Gallons in Minimum | | 1,000 | 0 | (1,000) | | 1,000 | 0 | (1,000) |
| Cost / 100 Gallons Over Minimum | | $0.1233 | $0.1491 | $0.0258 | | $0.4060 | $0.4060 | $0.0000 |

**TYPICAL BILL ANALYSIS**
**PRESENT AND PROPOSED 5/8" RATES**
**WITHOUT TAXES TEST YEAR 2001**

| Line No. | Gallons Consumption | Apache Junction Present Rates | Apache Junction Proposed Rates | Apache Junction Percent Increase | Bisbee Present Rates | Bisbee Proposed Rates | Bisbee Percent Increase |
|---|---|---|---|---|---|---|---|
| 1. | 0 | $12.43 | $18.13 | 45.9% | $13.47 | $20.11 | 49.3% |
| 2. | 1,000 | 12.43 | 20.66 | 66.2% | 13.47 | 23.27 | 72.8% |
| 3. | 2,000 | 15.00 | 23.18 | 54.5% | 15.96 | 26.43 | 65.6% |
| 4. | 3,000 | 17.57 | 25.71 | 46.3% | 18.44 | 29.59 | 60.4% |
| 5. | 4,000 | 20.14 | 28.23 | 40.2% | 20.93 | 32.75 | 56.5% |
| 6. | 5,000 | 22.71 | 30.76 | 35.4% | 23.41 | 35.91 | 53.4% |
| 7. | 6,000 | 25.28 | 33.28 | 31.7% | 25.90 | 39.07 | 50.8% |
| 8. | 7,000 | 27.84 | 35.81 | 28.6% | 28.39 | 42.23 | 48.8% |
| 9. | 8,000 | 30.41 | 38.33 | 26.0% | 30.87 | 45.39 | 47.0% |
| 10. | 9,000 | 32.98 | 40.86 | 23.9% | 33.36 | 48.55 | 45.5% |
| 11. | 10,000 | 35.55 | 43.38 | 22.0% | 35.84 | 51.71 | 44.3% |
| 12. | 11,000 | 38.12 | 45.91 | 20.4% | 38.33 | 54.87 | 43.2% |
| 13. | 12,000 | 40.69 | 48.43 | 19.0% | 40.82 | 58.03 | 42.2% |
| 14. | 13,000 | 43.26 | 50.96 | 17.8% | 43.30 | 61.19 | 41.3% |
| 15. | 14,000 | 45.83 | 53.48 | 16.7% | 45.79 | 64.35 | 40.5% |
| 16. | 15,000 | 48.40 | 56.01 | 15.7% | 48.27 | 67.51 | 39.8% |
| 17. | 20,000 | 61.24 | 68.63 | 12.1% | 60.70 | 83.31 | 37.2% |
| 18. | 25,000 | 74.09 | 81.26 | 9.7% | 73.13 | 99.11 | 35.5% |
| 19. | Average Residential Consumption | 9,700 | 9,700 | | 6,200 | 6,200 | |
| 20. | Average Residential Bill | **$34.78** | **$42.62** | **22.5%** | **$26.40** | **$39.70** | **50.4%** |

**TYPICAL BILL ANALYSIS**
**PRESENT AND PROPOSED 5/8" RATES**
**WITHOUT TAXES TEST YEAR 2001**

| Line No. | Gallons Consumption | Sierra Vista Present Rates | Sierra Vista Proposed Rates | Sierra Vista Percent Increase | Miami Present Rates | Miami Proposed Rates | Miami Percent Increase |
|---|---|---|---|---|---|---|---|
| 1. | 0 | $12.43 | $18.25 | 46.8% | $13.47 | $20.22 | 50.1% |
| 2. | 1,000 | 12.43 | 20.36 | 63.8% | 13.47 | 24.55 | 82.3% |
| 3. | 2,000 | 14.03 | 22.48 | 60.3% | 16.77 | 28.88 | 72.2% |
| 4. | 3,000 | 15.62 | 24.59 | 57.4% | 20.08 | 33.21 | 65.4% |
| 5. | 4,000 | 17.22 | 26.70 | 55.1% | 23.38 | 37.54 | 60.6% |
| 6. | 5,000 | 18.81 | 28.82 | 53.2% | 26.69 | 41.87 | 56.9% |
| 7. | 6,000 | 20.41 | 30.93 | 51.6% | 29.99 | 46.20 | 54.1% |
| 8. | 7,000 | 22.00 | 33.04 | 50.2% | 33.29 | 50.53 | 51.8% |
| 9. | 8,000 | 23.60 | 35.15 | 49.0% | 36.60 | 54.86 | 49.9% |
| 10. | 9,000 | 25.19 | 37.27 | 47.9% | 39.90 | 59.19 | 48.3% |
| 11. | 10,000 | 26.79 | 39.38 | 47.0% | 43.21 | 63.52 | 47.0% |
| 12. | 11,000 | 28.38 | 41.49 | 46.2% | 46.51 | 67.85 | 45.9% |
| 13. | 12,000 | 29.98 | 43.61 | 45.5% | 49.81 | 72.18 | 44.9% |
| 14. | 13,000 | 31.57 | 45.72 | 44.8% | 53.12 | 76.51 | 44.0% |
| 15. | 14,000 | 33.17 | 47.83 | 44.2% | 56.42 | 80.84 | 43.3% |
| 16. | 15,000 | 34.76 | 49.95 | 43.7% | 59.73 | 85.17 | 42.6% |
| 17. | 20,000 | 42.74 | 60.51 | 41.6% | 76.25 | 106.82 | 40.1% |
| 18. | 25,000 | 50.71 | 71.08 | 40.2% | 92.77 | 128.47 | 38.5% |
| 19. | Average Residential Consumption | 10,600 | 10,600 | | 6,300 | 6,300 | |
| 20. | Average Residential Bill | **$27.74** | **$40.65** | **46.5%** | **$30.98** | **$47.50** | **53.3%** |

**TYPICAL BILL ANALYSIS**
**PRESENT AND PROPOSED 5/8" RATES**
**WITHOUT TAXES TEST YEAR 2001**

| Line No. | Gallons Consumption | San Manuel Present Rates | San Manuel Proposed Rates | San Manuel Percent Increase | Oracle Present Rates | Oracle Proposed Rates | Oracle Percent Increase |
|---|---|---|---|---|---|---|---|
| 1. | 0 | $13.98 | $27.47 | 96.5% | $15.54 | $20.05 | 29.0% |
| 2. | 1,000 | 13.98 | 29.09 | 108.1% | 15.54 | 26.35 | 69.5% |
| 3. | 2,000 | 14.90 | 30.71 | 106.1% | 21.29 | 32.65 | 53.3% |
| 4. | 3,000 | 15.82 | 32.34 | 104.3% | 27.04 | 38.94 | 44.0% |
| 5. | 4,000 | 16.75 | 33.96 | 102.8% | 32.79 | 45.24 | 38.0% |
| 6. | 5,000 | 17.67 | 35.58 | 101.4% | 38.54 | 51.54 | 33.7% |
| 7. | 6,000 | 18.59 | 37.20 | 100.1% | 44.29 | 57.84 | 30.6% |
| 8. | 7,000 | 19.51 | 38.82 | 99.0% | 50.03 | 64.14 | 28.2% |
| 9. | 8,000 | 20.43 | 40.45 | 97.9% | 55.78 | 70.43 | 26.3% |
| 10. | 9,000 | 21.36 | 42.07 | 97.0% | 61.53 | 76.73 | 24.7% |
| 11. | 10,000 | 22.28 | 43.69 | 96.1% | 67.28 | 83.03 | 23.4% |
| 12. | 11,000 | 23.20 | 45.31 | 95.3% | 73.03 | 89.33 | 22.3% |
| 13. | 12,000 | 24.12 | 46.93 | 94.6% | 78.78 | 95.63 | 21.4% |
| 14. | 13,000 | 25.04 | 48.56 | 93.9% | 84.53 | 101.92 | 20.6% |
| 15. | 14,000 | 25.97 | 50.18 | 93.2% | 90.28 | 108.22 | 19.9% |
| 16. | 15,000 | 26.89 | 51.80 | 92.7% | 96.03 | 114.52 | 19.3% |
| 17. | 20,000 | 31.50 | 59.91 | 90.2% | 124.77 | 146.01 | 17.0% |
| 18. | 25,000 | 36.11 | 68.02 | 88.4% | 153.52 | 177.50 | 15.6% |
| 19. | Average Residential Consumption | 12,800 | 12,800 | | 6,000 | 6,000 | |
| 20. | Average Residential Bill | **$24.86** | **$48.23** | **94.0%** | **$44.29** | **$57.84** | **30.6%** |

**TYPICAL BILL ANALYSIS**
**PRESENT AND PROPOSED 5/8" RATES**
**WITHOUT TAXES TEST YEAR 2001**

| Line No. | Gallons Consumption | Winkelman Present Rates | Winkelman Proposed Rates | Winkelman Percent Increase | Superior Present Rates | Superior Proposed Rates | Superior Percent Increase |
|---|---|---|---|---|---|---|---|
| 1. | 0 | $12.95 | $17.30 | 33.6% | $18.13 | $18.13 | 0.00% |
| 2. | 1,000 | 12.95 | 18.79 | 45.1% | $18.13 | $22.19 | 22.39% |
| 3. | 2,000 | 14.18 | 20.28 | 43.0% | $22.19 | $26.25 | 18.30% |
| 4. | 3,000 | 15.42 | 21.77 | 41.2% | $26.25 | $30.31 | 15.47% |
| 5. | 4,000 | 16.65 | 23.26 | 39.7% | $30.31 | $34.37 | 13.39% |
| 6. | 5,000 | 17.88 | 24.76 | 38.4% | $34.37 | $38.43 | 11.81% |
| 7. | 6,000 | 19.12 | 26.25 | 37.3% | $38.43 | $42.49 | 10.56% |
| 8. | 7,000 | 20.35 | 27.74 | 36.3% | $42.49 | $46.55 | 9.56% |
| 9. | 8,000 | 21.58 | 29.23 | 35.4% | $46.55 | $50.61 | 8.72% |
| 10. | 9,000 | 22.81 | 30.72 | 34.6% | $50.61 | $54.67 | 8.02% |
| 11. | 10,000 | 24.05 | 32.21 | 33.9% | $54.67 | $58.73 | 7.43% |
| 12. | 11,000 | 25.28 | 33.70 | 33.3% | $58.73 | $62.79 | 6.91% |
| 13. | 12,000 | 26.51 | 35.19 | 32.7% | $62.79 | $66.85 | 6.47% |
| 14. | 13,000 | 27.75 | 36.68 | 32.2% | $66.85 | $70.91 | 6.07% |
| 15. | 14,000 | 28.98 | 38.17 | 31.7% | $70.91 | $74.97 | 5.73% |
| 16. | 15,000 | 30.21 | 39.67 | 31.3% | $74.97 | $79.03 | 5.42% |
| 17. | 20,000 | 36.38 | 47.12 | 29.5% | $95.27 | $99.33 | 4.26% |
| 18. | 25,000 | 42.54 | 54.58 | 28.3% | $115.57 | $119.63 | 3.51% |
| 19. | Average Residential Consumption | 9,900 | 9,900 | | 6,800 | 6,800 | |
| 20. | Average Residential Bill | **$23.92** | **$32.06** | **34.0%** | **$41.68** | **$45.74** | **9.74%** |

***ARIZONA WATER COMPANY***
*Phoenix, Arizona*
**Filed by:** James R. Livingston
Title: President
Date of Original Filing:
**System:**

# WATER RATES

A.C.C. No.
Cancelling A.C.C. No.
*Tariff* or Schedule No. WG
Filed:
Effective: For all service rendered on or after

WG-___

## GENERAL SERVICE

***AVAILABILITY:***

In _____ and environs at all points where facilities of adequate capacity and pressure are adjacent to the premises served.

***APPLICATION:***

To all water service required when such service is supplied at one premise through one point of delivery and measured through one meter. Not applicable to temporary, standby, supplementary or resale service.

***MONTHLY BILL:***

*Minimum:* $

*Commodity Rate:* $

*Purchased Power Adjustment:* $

*Purchased Water Adjustment:* $

See Schedule H-3
for changes in
representative rate schedules
for individual systems.

***Adjustment:*** Plus the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of the gross revenues of the Company and/or the price or revenue from the water or service sold and/or the volume of water pumped or purchased for sale and/or sold hereunder. In the event of any increase or decrease in taxes or other governmental impositions, rates shall be adjusted to reflect such increase or decrease.

***SPECIAL PROVISIONS:***

1. Subject to the Company's Tariff Schedule SC-252.

2. If service is to be re-established at the same service location for a customer who has there ordered a service disconnection within the preceding 12-month period, or for any member of such customer's household, a non-refundable charge of eight (8) times the customer's monthly minimum charge and the appropriate tax adjustment will be required as a precondition to the establishment of such service. Payment for such charge shall be made at the time of application for re-establishment of service.

***TERMS AND CONDITIONS:***

Subject to the Company's Tariff Schedule TC-243.

# WATER RATES

***ARIZONA WATER COMPANY***
*Phoenix, Arizona*
Filed by: James R. Livingston
Title: President
Date of Original Filing:
System: **ALL SERVICE AREAS**

A.C.C. No.
Cancelling A.C.C. No. None
Tariff or Schedule No. CM-257 CM-257
Filed:
Effective: For all service rendered on or after

## COIN MACHINE SERVICE

***AVAILABILITY:***

In all cities, towns and unincorporated areas in which the Company has a general water utility business where a coin machine is available for customers to haul water to point of use.

***RATE:*** Shall be based on applicable system commodity charge including appropriate adjustments as provided in this tariff schedule.

***Adjustment:*** Plus the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of the gross revenues of the Company and/or the price or revenue from the water or service sold and/or the volume of water pumped or purchased for sale and/or sold hereunder. In the event of any increase or decrease in taxes or other governmental impositions, rates shall be adjusted to reflect such increase or decrease.

***SPECIAL PROVISIONS:***

Gallons delivered per quarter (25 cent coin) shall be calculated as follows:

$$\frac{\$\ \text{Cost Per 1,000 Gallons}}{\$0.25} = \text{Number of Quarters Per 1,000 Gallons}$$

$\therefore$ 1,000 Gallons $\div$ No. of Quarters = Gallons/Quarters

**NOTE:**

| SYSTEM | GALLONS/QUARTER |
|---|---|
| Ajo | 44 |
| Apache Junction | 90 |
| Stanfield | 78 |
| Coolidge | 113 |
| Sedona | 123 |

***TERMS AND CONDITIONS:***

Subject to the Company's Tariff Schedule TC-243.

# TARIFF SCHEDULE



***ARIZONA WATER COMPANY***
*Phoenix, Arizona*

| | | | |
|---|---|---|---|
| Filed by: | James R. Livingston | A.C.C. No. | 364 |
| Title: | President | Cancelling A.C.C. No. | None |
| Date of Original Filing: | 4-27-83 | Tariff or Schedule No. | SC-252 |
| System: | **Ajo Heights Casa Grande, Coolidge, Stanfield, White Tank** | Filed: | |
| | | Effective: | For all service rendered on or after |
| | | Date: | |

## SERVICE CHARGES

***AVAILABILITY:***

In all cities, towns and unincorporated areas in which the Company has a general water utility business.

1. *ESTABLISHMENT* - $16.00, each time an account is established for all customers.
2. *GUARANTEE DEPOSIT* - Residential - maximum: Two (2) times the average customer class bill. Non-Residential - maximum: Two and one-half (2½) times that customer's estimated maximum monthly bill.
3. *RECONNECTION FOR DELINQUENCY* - $16.00, each time customer is disconnected.
4. *RE-ESTABLISHMENT* - Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.
5. *SERVICE CALL OUT* - During regular working hours - No charge. After regular working hours, on Saturdays, Sundays or holidays - $35.00.
6. *RETURN OF NSF CHECK* - $10.00 for each check returned.
7. *METER RE-READ* - No charge, if done during regular working hours, otherwise, a $35.00 service call out.
8. *METER TEST* - No charge for the first test; for the second test for the same customer within any twelve (12) month period, $50.00, or actual time and material, whichever is greater.
9. *SERVICE LINE AND METER INSTALLATION* - No charge for 5/8" and 1" if on *existing* pipelines. Full cost for 5/8" and 1" if on *new* pipelines. Full cost for 2" and larger if on *existing* or *new* pipelines. Advances for service line and meter installation shall be refundable.

***ADJUSTMENT:***

Plus the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of the gross revenues of the Company and/or the price or revenue from the water or service sold and/or the volume of water pumped or purchased for sale and/or sold hereunder. In the event of any increase or decrease in taxes or other governmental impositions, rates shall be adjusted to reflect such increase or decrease.

***TERMS AND CONDITIONS:***

Subject to the Company's Tariff Schedule TC-243.

# TARIFF SCHEDULE

**ARIZONA WATER COMPANY**
*Phoenix, Arizona*

Filed by: James R. Livingston
Title: President
Date of Original Filing:
System: **Eastern Group: Apache Junction, Superior, Bisbee, Sierra Vista, Miami, San Manuel, Oracle, Winkelman; Northern Group: Lakeside, Overgaard, Pinewood, Sedona, Rimrock**

A.C.C. No. 445
Cancelling A.C.C. No. None
Tariff or Schedule No. SC-265
Filed:
Effective: For all service rendered on or after

## SERVICE CHARGES

***AVAILABILITY:***

In all cities, towns and unincorporated areas in which the Company has a general water utility business.

1. *ESTABLISHMENT* - $16.00, each time an account is established for all customers.
2. *GUARANTEE DEPOSIT* - Residential - maximum: Two (2) times the average customer class bill. Non-Residential - maximum: Two and one-half (2½) times that customer's estimated maximum monthly bill.
3. *RECONNECTION FOR DELINQUENCY* - $16.00, each time customer is disconnected.
4. *RE-ESTABLISHMENT* - Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.
5. *SERVICE CALL OUT* - During regular working hours - No charge. After regular working hours, on Saturdays, Sundays or holidays - $35.00.
6. *RETURNED CHECK* - $25.00 for each check returned.
7. *METER RE-READ* - No charge, if done during regular working hours, otherwise, a $35.00 service call out.
8. *METER TEST* - No charge for the first test; for the second test for the same customer within any twelve (12) month period, $50.00, or actual time and material, whichever is greater.
9. *SERVICE LINE AND METER INSTALLATION* - No charge for 5/8" and 1" if on *existing* pipelines. Full cost for 5/8" and 1" if on *new* pipelines. Full cost for 2" and larger if on *existing* or *new* pipelines. Advances for service line and meter installation shall be refundable.
10. *LATE CHARGE* - Any payment not received within fifteen (15) days from the postmark date of the bill will be delinquent and subject to a late charge of one and one-half percent (1-½%) per month.

***ADJUSTMENT:***

Plus the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of the gross revenues of the Company and/or the price or revenue from the water or service sold and/or the volume of water pumped or purchased for sale and/or sold hereunder. In the event of any increase or decrease in taxes or other governmental impositions, rates shall be adjusted to reflect such increase or decrease.

***TERMS AND CONDITIONS:***

Subject to the Company's Tariff Schedule TC-243.

# *ARIZONA WATER COMPANY*

## Notes to Tariff Schedules

The Company is proposing no changes to the following tariff schedules which apply to the Eastern Group:

| | |
|---|---|
| TC-243 | Terms and Conditions For The Provision of Water Service |
| CC-258 | Cross-Connection Control |
| MA-262 | Monitoring Assistance Program Surcharge ("MAP") |
| PF-242 | Private Fire Service |
| AM-253 | Purchased Power Adjustment Mechanism ("PPAM") Tariff |
| AM-254 | Purchased Water Adjustment Mechanism ("PWAM") Tariff |
| FH-241 | Public Fire Hydrant Service |

**Arizona Water Company**
**Eastern Group**
**Rate Case Expense**
**2001 Test Year**

**Response to Data Request No. REL 25-2, 2nd Supplement (Revised)**

In its 2002 Rate Hearing Exhibit filed August 14, 2002, the Company proposed to amortize rate case expenses of $257,550 over a three-year period. In Response to Data Request REL 18-3, the Company revised its rate case expenses to $274,550. Based upon more current actual expense information, the Company is revising its estimated rate case expenses to $329,550 which includes $36,000 of additional legal fees and an additional $19,000 related to cost of capital study This estimate does not include any arsenic cost recovery legal fees. Following is a breakdown of the revised rate case expense of $329,550 and the individual system allocations.

| | Total | Apache Junction | Bisbee | Sierra Vista | Miami | San Manuel | Oracle | Winkelman | Superior | Total Eastern Group |
|---|---|---|---|---|---|---|---|---|---|---|
| Attorney Fees | $199,000 | | | | | | | | | |
| Payroll and Payroll Overheads | 48,000 | | | | | | | | | |
| Utility Resources (Cost of Capital Study) | 68,000 | | | | | | | | | |
| Temporary Help | 1,500 | | | | | | | | | |
| Reproduction Costs | 6,000 | | | | | | | | | |
| Computer Setup Charges | 600 | | | | | | | | | |
| Phone Charges | 200 | | | | | | | | | |
| Shipping Charges | 5,000 | | | | | | | | | |
| Publication Notices | 350 | | | | | | | | | |
| Bill Inserts | 900 | | | | | | | | | |
| Total Rate Case Expenses | $329,550 | 171,392 | 38,191 | 26,252 | 38,838 | 15,895 | 18,700 | 2,230 | 18,053 | 329,550 |
| Three-Year Amortization | 109,850 | 57,131 | 12,730 | 8,751 | 12,946 | 5,298 | 6,233 | 743 | 6,018 | 109,850 |
| Amount reflected in Administrative & General Expenses | 85,850 | 44,649 | 9,949 | 6,839 | 10,118 | 4,141 | 4,871 | 581 | 4,703 | 85,850 |
| Additional Expense to Reflect Revised Rate Case Expense Estimate | 24,000 | 12,482 | 2,781 | 1,912 | 2,828 | 1,157 | 1,362 | 162 | 1,315 | 24,000 |

EXHIBIT
A-18
Admitted

**ARIZONA WATER COMPANY**
**Net Plant Comparisons**
**Test Year 2001**

| Line | | Company Rebuttal (a) | Staff Surrebuttal (b) | Difference (b)-(a) |
|---|---|---|---|---|
| **TEST YEAR PLANT:** | | | | |
| 1 **Gross Plant in Service-Excludes PHX & MS (UNDISPUTED)** | | **82,717,891** | **82,717,891** | **0** |
| **Phoenix Office and Meter Shop:** | | | | |
| 2 **Plant in Service** | | | | |
| 3 Phoenix Office | | 1,788,760 | 1,788,760 | 0 |
| 4 Meter Shop | | 45,409 | 45,409 | 0 |
| 5 Total Phoenix Office and Meter Shop Gross Plant | Line 3 + Line 4 | 1,834,169 | 1,834,169 | 0 |
| **POST TEST YEAR PLANT:** | | | | |
| 6 **Plant in Service** | | | | |
| 7 Phoenix Office | | 236,409 | 236,409 | 0 |
| 8 Phoenix Office Retirements | | (69,859) | (69,859) | 0 |
| 9 Meter Shop | | 3,768 | 3,768 | 0 |
| 10 Total Gross Plant | Sum Lines 7-9 | 170,318 | 170,318 | 0 |
| 11 Total Phoenix Office/Meter Shop TY and PTY Plant | Line 5 + Line10 | 2,004,487 | 2,004,487 | 0 |
| 12 Test Year Gross Plant In Service W/ PHX & MS | Line 1+ Line 11 | **84,722,378** | **84,722,378** | **0** |
| **Accumulated Depreciation (Excludes PHX & MS):** | | | | |
| 13 Test Year Plant | | (18,068,863) | (17,992,143) | 76,720 |
| 14 Full Year Depreciation | | | (2,037,594) | (2,037,594) |
| 15 Depreciation on Post Test Year Plant | | (93,673) (2) | (37,564) | 56,109 |
| 16 Addtl Six Months Depreciation on TY Plant | | (124,783) | | 124,783 |
| 17 Retirements - Post Test Year Additons | | 207,764 (1) | 207,764 | 0 |
| 18 Subtotal Accumulated Depreciation (Excludes PHX & MS) | Sum of Lines 13-17 | (18,079,555) | (19,859,537) | (1,779,982) |
| **Accumulated Depreciation (Test Year Plant-PHX & MS):** | | | | |
| 19 Phoenix Office | | (207,666) | (207,666) (a) | 0 |
| 20 Meter Shop | | (11,269) | (11,269) | 0 |
| 21 Subtotal Accum Depreciation TY Plant - PHX & MS | Line 19 + Line 20 | (218,935) | (218,935) | 0 |
| **Accumulated Depreciation (Post TY Plant-PHX & MS):** | | | | |
| 22 Phoenix Office | | (16,076) (2) | (10,951) | 5,125 |
| 23 Phoenix Office Retirements | | 69,859 | 69,859 | 0 |
| 24 Subtotal Accum Depreciation Post TY Plant - PHX | Line 22 + Line 23 | 53,783 | 58,908 | 5,125 |
| 25 Meter Shop | | (121) (2) | (122) | (1) |
| 26 Subtotal Accum Depreciation Post TY Plant - PHX & MS | Line 25 + Line 26 | 53,662 | 58,786 | 5,124 |
| 27 Subtotal Accumulated Depreciation (PHX & MS) | Line 21 + Line 26 | (165,273) | (160,149) | 5,124 |
| 28 Adjusted TY Accumulated Depreciation W/ PHX & MS | Line 18 + Line 27 | **(18,244,828)** | **(20,019,686)** | (1,774,858) |
| 29 Net Plant In Service | Line 12 + Line 28 | **66,477,550** | **64,702,692** | **(1,774,858)** |

(a) - Retirements of $69,859 for Phoenix Office shown w/ PTY activity. Meter Shop has no retirements associated with PTYPA.
(1) - The Company's retirements to accumulated depreciation only included the Apache Junction's retirements.
(2) - Summation of $93,673, $16,076, and $121equals $109,870.

NOTE: Individual system detail provided Column (a) detail for individual systems on page 2 of 3 of this exhibit for Column (a)-Comp
on page 3 of 3 of this exhibit for Column (b)-Staff Surrebuttal

**EXHIBIT**
A-19

**ARIZONA WATER COMPANY**
**Net Plant Comparisons-COMPANY REBUTTAL**
**Test Year 2001**

| Line | Description | | Total Eastern Group (a) | Apache Junction | Bisbee | Sierra Vista | Miami | San Manuel | Oracle | Winkelman | Superior |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **TEST YEAR PLANT:** | | | | | | | | | | |
| 1 | **Gross Plant in Service-Excludes PHX & MS (UNDISPUTED)** | | 82,717,891 | 51,814,226 | 7,613,913 | 5,219,293 | 6,770,808 | 1,514,841 | 5,064,631 | 421,127 | 4,299,052 |
| | **Phoenix Office and Meter Shop:** | | | | | | | | | | |
| 2 | **Plant in Service** | | 1,788,760 | 930,296 | 207,296 | 101,501 | 142,492 | 86,276 | 210,810 | 97,987 | 12,102 |
| 3 | Phoenix Office | | 45,409 | 23,616 | 5,262 | 2,577 | 3,617 | 2,190 | 5,352 | 2,488 | 307 |
| 4 | Meter Shop | | 1,834,169 | 953,912 | 212,558 | 104,078 | 146,109 | 88,466 | 216,162 | 100,475 | 12,409 |
| 5 | Total Phoenix Office and Meter Shop Gross Plant | Line 3 + Line 4 | | | | | | | | | |
| | **POST TEST YEAR PLANT:** | | | | | | | | | | |
| 6 | **Plant in Service** | | 236,409 | 122,952 | 27,397 | 18,832 | 27,861 | 11,403 | 13,415 | 1,599 | 12,950 |
| 7 | Phoenix Office | | (69,859) | (36,332) | (8,096) | (5,565) | (8,233) | (3,369) | (3,964) | (473) | (3,827) |
| 8 | Phoenix Office Retirements | | 3,768 | 1,960 | 437 | 300 | 444 | 182 | 214 | 25 | 206 |
| 9 | Meter Shop | | 170,318 | 88,580 | 19,738 | 13,567 | 20,072 | 8,216 | 9,665 | 1,151 | 9,329 |
| 10 | Total Gross Plant | Sum Lines 7-9 | 2,004,487 | 1,042,492 | 232,296 | 117,645 | 166,181 | 96,682 | 225,827 | 101,626 | 21,738 |
| 11 | Total Phoenix Office/Meter Shop TY and PTY Plant | Line 5 + Line10 | 84,722,378 | 52,856,718 | 7,846,209 | 5,336,938 | 6,936,989 | 1,611,523 | 5,290,458 | 522,753 | 4,320,790 |
| 12 | Test Year Gross Plant In Service W/ PHX & MS | Line 1+ Line 11 | | | | | | | | | |
| | **Accumulated Depreciation (Excludes PHX & MS):** | | | | | | | | | | |
| 13 | Test Year Plant | | (18,068,863) | (8,681,694) | (3,071,420) | (1,381,211) | (1,667,874) | (724,297) | (1,455,964) | (116,356) | (970,047) |
| 14 | Full Year Depreciation | | 0 | (35,643) | (26,752) | (3,339) | (13,612) | (2,758) | (4,999) | (993) | (5,577) |
| 15 | Depreciation on Post Test Year Plant | | (93,673) | (12,610) | (11,830) | (24,931) | (38,576) | (8,477) | (10,629) | (3,293) | (14,438) |
| 16 | Addtl Six Months Depreciation on TY Plant | | (124,783) | 109,650 | 15,065 | 8,986 | 43,151 | 10,517 | 8,026 | 11,669 | 700 |
| 17 | Retirements - Post Test Year Additons | | 207,764 | | | | | | | | |
| 18 | Subtotal Accumulated Depreciation (Excludes PHX & MS) | Sum of Lines 13-17 | (18,079,555) | (8,620,297) | (3,094,937) | (1,400,495) | (1,676,911) | (725,015) | (1,463,566) | (108,973) | (989,362) |
| | **Accumulated Depreciation (Test Year Plant-PHX & MS):** | | | | | | | | | | |
| 19 | Phoenix Office | | (207,666) | (108,003) | (24,066) | (16,543) | (24,474) | (10,016) | (11,784) | (1,405) | (11,376) |
| 20 | Meter Shop | | (11,269) | (5,861) | (1,306) | (898) | (1,328) | (544) | (639) | (76) | (617) |
| 21 | Subtotal Accum Depreciation TY Plant - PHX & MS | Line 19 + Line 20 | (218,935) | (113,864) | (25,372) | (17,441) | (25,802) | (10,560) | (12,423) | (1,481) | (11,993) |
| | **Accumulated Depreciation (Post TY Plant-PHX & MS):** | | | | | | | | | | |
| 22 | Phoenix Office | | (16,076) | (8,730) | (1,933) | (1,055) | (1,800) | (730) | (895) | (105) | (828) |
| 23 | Phoenix Office Retirements | | 69,859 | 36,332 | 8,096 | 5,565 | 8,233 | 3,369 | 3,964 | 473 | 3,827 |
| 24 | Subtotal Accum Depreciation Post TY Plant - PHX | Line 22 + Line 23 | 53,783 | 27,602 | 6,163 | 4,510 | 6,433 | 2,639 | 3,069 | 368 | 2,999 |
| 25 | Meter Shop | | (121) | (66) | (15) | (8) | (14) | (5) | (7) | (1) | (6) |
| 26 | Subtotal Accum Depreciation Post TY Plant - PHX & MS | Line 25 + Line 26 | 53,662 | 27,536 | 6,149 | 4,502 | 6,420 | 2,633 | 3,063 | 367 | 2,992 |
| 27 | Subtotal Accumulated Depreciation (PHX & MS) | Line 21 + Line 26 | (165,273) | (86,328) | (19,223) | (12,939) | (19,382) | (7,927) | (9,360) | (1,114) | (9,000) |
| 28 | Adjusted TY Accumulated Depreciation W/ PHX & MS | Line 18 + Line 27 | (18,244,828) | (8,706,625) | (3,114,160) | (1,413,434) | (1,696,293) | (732,942) | (1,472,926) | (110,087) | (998,362) |
| 29 | Net Plant In Service | Line 12 + Line 28 | 66,477,550 | 44,150,093 | 4,732,049 | 3,923,504 | 5,240,696 | 878,581 | 3,817,532 | 412,666 | 3,322,428 |

**ARIZONA WATER COMPANY**
**Net Plant Comparisons - ACC STAFF'S SURREBUTTAL**
**Test Year 2001**

| Line | Description | | Total Eastern Group (a) | Apache Junction | Bisbee | Sierra Vista | Miami | San Manuel | Oracle | Winkelman | Superior |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **TEST YEAR PLANT:** | | | | | | | | | | |
| 1 | **Gross Plant in Service-Excludes PHX & MS (UNDISPUTED)** | | **82,717,891** | **51,814,226** | **7,613,913** | **5,219,293** | **6,770,808** | **1,514,841** | **5,064,631** | **421,127** | **4,299,052** |
| | **Phoenix Office and Meter Shop:** | | | | | | | | | | |
| 2 | **Plant in Service** | | | | | | | | | | |
| 3 | Phoenix Office | | 1,788,760 | 930,296 | 207,296 | 101,501 | 142,492 | 86,276 | 210,810 | 97,987 | 12,102 |
| 4 | Meter Shop | | 45,409 | 23,616 | 5,262 | 2,577 | 3,617 | 2,190 | 5,352 | 2,488 | 307 |
| 5 | Total Phoenix Office and Meter Shop Gross Plant | Line 3 + Line 4 | 1,834,169 | 953,912 | 212,558 | 104,078 | 146,109 | 88,466 | 216,162 | 100,475 | 12,409 |
| | **POST TEST YEAR PLANT:** | | | | | | | | | | |
| 6 | **Plant in Service** | | | | | | | | | | |
| 7 | Phoenix Office | | 236,409 | 122,952 | 27,397 | 18,832 | 27,861 | 11,403 | 13,415 | 1,599 | 12,950 |
| 8 | Phoenix Office Retirements | | (69,859) | (36,332) | (8,096) | (5,565) | (8,233) | (3,369) | (3,964) | (473) | (3,827) |
| 9 | Meter Shop | | 3,768 | 1,960 | 437 | 300 | 444 | 182 | 214 | 25 | 206 |
| 10 | Total Gross Plant | Sum Lines 7-9 | 170,318 | 88,580 | 19,738 | 13,567 | 20,072 | 8,216 | 9,665 | 1,151 | 9,329 |
| 11 | Total Phoenix Office/Meter Shop TY and PTY Plant | Line 5 + Line10 | 2,004,487 | 1,042,492 | 232,296 | 117,645 | 166,181 | 96,682 | 225,827 | 101,626 | 21,738 |
| 12 | Test Year Gross Plant In Service W/ PHX & MS | Line 1+ Line 11 | **84,722,378** | **52,856,718** | **7,846,209** | **5,336,938** | **6,936,989** | **1,611,523** | **5,290,458** | **522,753** | **4,320,790** |
| | **Accumulated Depreciation (Excludes PHX & MS):** | | | | | | | | | | |
| 13 | Test Year Plant | | (17,992,143) | (8,703,990) | (3,061,383) | (1,378,108) | (1,630,610) | (687,403) | (1,454,367) | (114,147) | (962,135) |
| 14 | Full Year Depreciation | | (2,037,594) | (1,304,453) | (176,672) | (132,283) | (153,631) | (33,745) | (123,160) | (10,576) | (103,074) |
| 15 | Depreciation on Post Test Year Plant | | (37,564) | (13,460) | (9,987) | (1,263) | (5,607) | (748) | (2,804) | (128) | (3,567) |
| 16 | Addtl Six Months Depreciation on TY Plant | | 0 | | | | | | | | |
| 17 | Retirements - Post Test Year Additons | | 207,764 | 109,650 | 15,065 | 8,986 | 43,151 | 10,517 | 8,026 | 11,669 | 700 |
| | | | 0 | | | | | | | | |
| 18 | Subtotal Accumulated Depreciation (Excludes PHX & MS) | Sum of Lines 13-17 | (19,859,537) | (9,912,253) | (3,232,977) | (1,502,668) | (1,746,697) | (711,379) | (1,572,305) | (113,182) | (1,068,076) |
| | **Accumulated Depreciation (Test Year Plant-PHX & MS):** | | | | | | | | | | |
| 19 | Phoenix Office | | (207,666) | (108,003) | (24,066) | (16,543) | (24,474) | (10,016) | (11,784) | (1,405) | (11,376) |
| 20 | Meter Shop | | (11,269) | (5,861) | (1,306) | (898) | (1,328) | (544) | (639) | (76) | (617) |
| 21 | Subtotal Accum Depreciation TY Plant - PHX & MS | Line 19 + Line 20 | (218,935) | (113,864) | (25,372) | (17,441) | (25,802) | (10,560) | (12,423) | (1,481) | (11,993) |
| | **Accumulated Depreciation (Post TY Plant-PHX & MS):** | | | | | | | | | | |
| 22 | Phoenix Office | | (10,951) | (5,695) | (1,269) | (872) | (1,291) | (528) | (621) | (74) | (600) |
| 23 | Phoenix Office Retirements | | 69,859 | 36,332 | 8,096 | 5,565 | 8,233 | 3,369 | 3,964 | 473 | 3,827 |
| 24 | Subtotal Accum Depreciation Post TY Plant - PHX | Line 22 + Line 23 | 58,908 | 30,637 | 6,827 | 4,693 | 6,942 | 2,841 | 3,343 | 399 | 3,227 |
| 25 | Meter Shop | | (122) | (63) | (14) | (10) | (14) | (6) | (7) | (1) | (7) |
| 26 | Subtotal Accum Depreciation Post TY Plant - PHX & MS | Line 25 + Line 26 | 58,786 | 30,574 | 6,813 | 4,683 | 6,928 | 2,835 | 3,336 | 398 | 3,220 |
| 27 | Subtotal Accumulated Depreciation (PHX & MS) | Line 21 + Line 26 | (160,149) | (83,290) | (18,559) | (12,758) | (18,874) | (7,725) | (9,087) | (1,083) | (8,773) |
| 28 | Adjusted TY Accumulated Depreciation W/ PHX & MS | Line 18 + Line 27 | **(20,019,686)** | **(9,995,543)** | **(3,251,536)** | **(1,515,426)** | **(1,765,571)** | **(719,104)** | **(1,581,392)** | **(114,265)** | **(1,076,849)** |
| 29 | Net Plant In Service | Line 12 + Line 28 | **64,702,692** | **42,861,175** | **4,594,673** | **3,821,512** | **5,171,418** | **892,419** | **3,709,066** | **408,488** | **3,243,941** |

Arizona Water Company - Apache Junction
Docket No. W-01445A-02-0619
Test Year Ended December 31, 2001

Schedule REL-13
**REVISED by AWC**

## OPERATING INCOME ADJUSTMENT NO. 2 - CAP PURCHASED WATER ADJUSTMENT

| LINE NO. | DESCRIPTION | [A] COMPANY AS FILED | [B] STAFF ADJUSTMENT | [C] STAFF SURREBUTTAL |
|---|---|---|---|---|
| 1 | Purchased Water - CAP & City of Mesa Treatment | $ 703,309 | $ - | $ 703,309 |
| 2 | Purchased Water - Effluent | $ 94,027 | $ - | $ 94,027 |
| 3 | Purchased Water - Unreconciled Amount | $ 7,875 | $ (7,875) | $ - |
| 4 | Subtotal | $ 805,211 | $ (7,875) | $ 797,336 |
| 5 | November 2001 Mesa Treatment Cost | $ 10,982 | $ - | $ 10,982 |
| 6 | M&I Capital Costs (Currently Deferred) | $ 113,939 | $ - | $ 113,939 |
| 7 | Increase in CAWCD Charge Per Acre-Feet | $ 41,304 | $ 2,128 | $ 43,432 |
| 8 | Subtotal | $ 166,225 | $ 2,128 | $ 168,353 |
| 9 | Expense Annualization Adjustment | $ 31,604 | $ (20) | **$ 31,584** |
| 10 | Subtotal | $ 197,829 | $ 2,108 | $ 199,937 |
| 11 | **Total Purchased Water (L4+L10)** | **$ 1,003,040** | **$ (5,767)** | **$ 997,273** |

**EXHIBIT**
A-2D
Schmitton

Arizona Water Company - Apache Junction
Docket No. W-01445A-02-0619
Test Year Ended December 31, 2001

Schedule REL-13
**Surrebuttal**

## OPERATING INCOME ADJUSTMENT NO. 2 - CAP PURCHASED WATER ADJUSTMENT

| LINE NO. | DESCRIPTION | [A] COMPANY AS FILED | [B] STAFF ADJUSTMENT | [C] STAFF AS ADJUSTED |
|---|---|---|---|---|
| 1 | Purchased Water - CAP & City of Mesa Treatment | $ 703,309 | $ - | $ 703,309 |
| 2 | Purchased Water - Effluent | $ 94,027 | $ - | $ 94,027 |
| 3 | Purchased Water - Unreconciled Amount | $ 7,875 | $ (7,875) | $ - |
| 4 | Subtotal | $ 805,211 | $ (7,875) | $ 797,336 |
| 5 | November 2001 Mesa Treatment Cost | $ 10,982 | $ - | $ 10,982 |
| 6 | M&I Capital Costs (Currently Deferred) | $ 113,939 | $ - | $ 113,939 |
| 7 | Increase in CAWCD Charge Per Acre-Feet | $ 41,304 | $ 2,128 | $ 43,432 |
| 8 | Subtotal | $ 166,225 | $ 2,128 | $ 168,353 |
| 9 | Expense Annualization Adjustment | $ 31,604 | $ (31,604) | $ - |
| 10 | Subtotal | $ 197,829 | $ (29,476) | $ 168,353 |
| 11 | **Total Purchased Water (L4+L10)** | **$ 1,003,040** | **$ (37,351)** | **$ 965,689** |

Arizona Water Company - Apache Junction
Docket No. W-01445A-02-0619
Test Year Ended December 31, 2001

Schedule REL-13

## OPERATING INCOME ADJUSTMENT NO. 2 - CAP PURCHASED WATER ADJUSTMENT

| LINE NO. | DESCRIPTION | [A] COMPANY AS FILED | [B] STAFF ADJUSTMENT | [C] STAFF AS ADJUSTED |
|---|---|---|---|---|
| 1 | Purchased Water - CAP & City of Mesa Treatment | $ 703,309 | $ 25,188 | $ 728,497 |
| 2 | Purchased Water - Effluent | $ 94,027 | $ - | $ 94,027 |
| 3 | Purchased Water - Unreconciled Amount | $ 7,875 | $ (7,875) | $ - |
| 4 | Subtotal | $ 805,211 | $ 17,313 | $ 822,524 |
| 5 | November 2001 Mesa Treatment Cost | $ 10,982 | $ (10,982) | $ - |
| 6 | M&I Capital Costs (Currently Deferred) | $ 113,939 | $ (4,839) | $ 109,100 |
| 7 | Increase in CAWCD Charge Per Acre-Feet | $ 41,304 | $ 2,128 | $ 43,432 |
| 8 | Subtotal | $ 166,225 | $ (13,693) | $ 152,532 |
| 9 | Expense Annualization Adjustment | $ 31,604 | $ (31,604) | $ - |
| 10 | Subtotal | $ 197,829 | $ (45,297) | $ 152,532 |
| 11 | **Total Purchased Water (L4+L10)** | **$ 1,003,040** | **$ (27,984)** | **$ 975,056** |

ARIZONA WATER COMPANY
EASTERN GROUP
TIMELINE FOR PROPERTY TAXES
TEST YEAR 2001

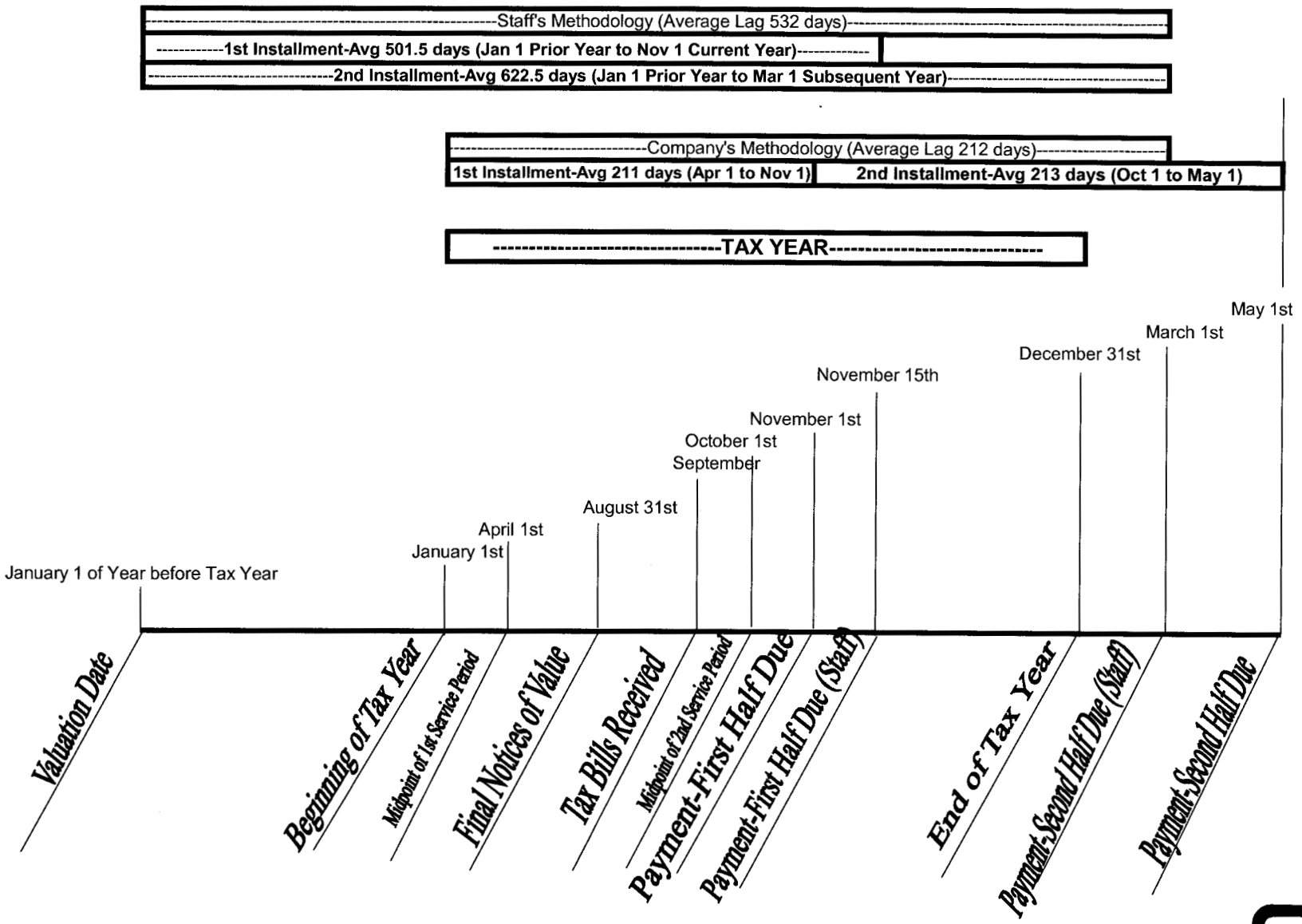
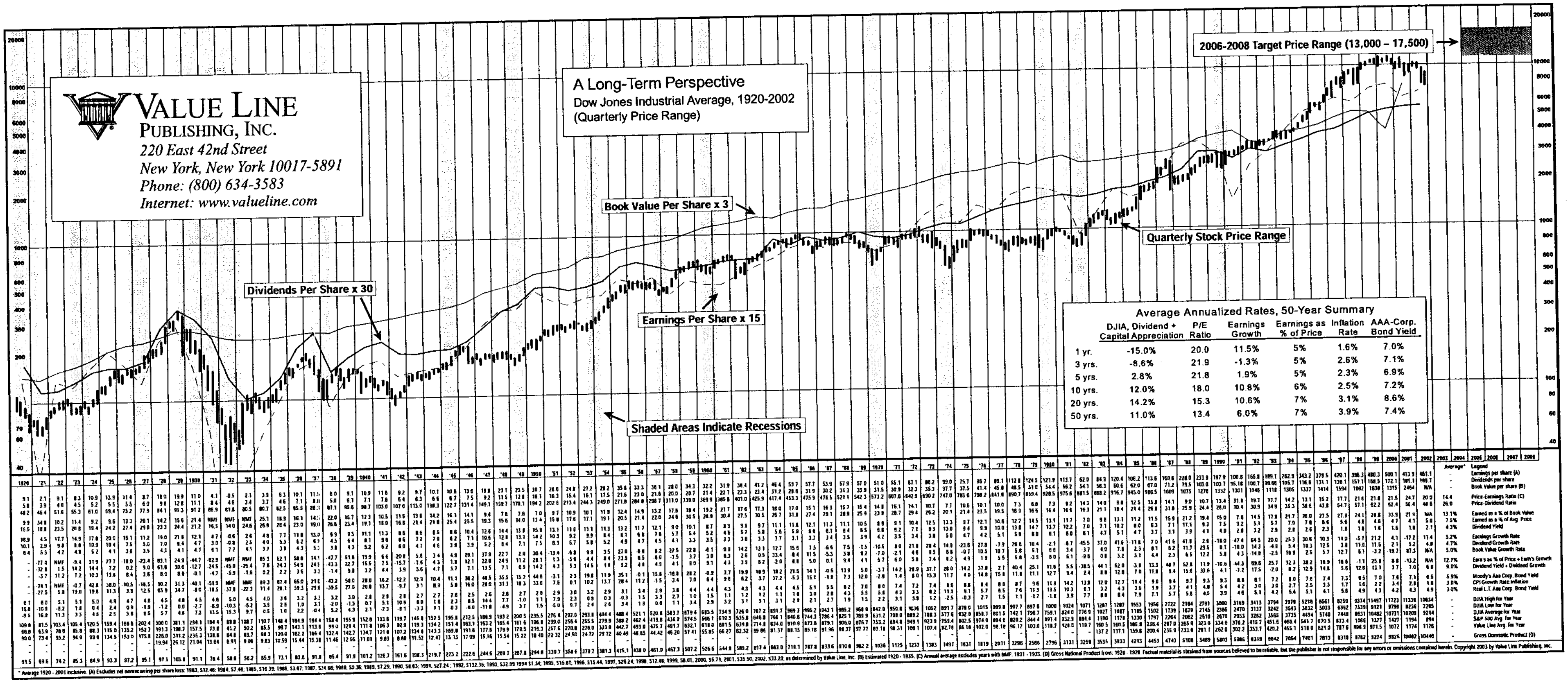



EXHIBIT
A-21




## Average Annualized Rates, 50-Year Summary

| | DJIA, Dividend + Capital Appreciation | P/E Ratio | Earnings Growth | Earnings as % of Price | Inflation Rate | AAA-Corp. Bond Yield |
|---|---|---|---|---|---|---|
| 1 yr. | -15.0% | 20.0 | 11.5% | 5% | 1.6% | 7.0% |
| 3 yrs. | -8.6% | 21.9 | -1.3% | 5% | 2.6% | 7.1% |
| 5 yrs. | 2.8% | 21.8 | 1.9% | 5% | 2.3% | 6.9% |
| 10 yrs. | 12.0% | 18.0 | 10.8% | 6% | 2.5% | 7.2% |
| 20 yrs. | 14.2% | 15.3 | 10.6% | 7% | 3.1% | 8.6% |
| 50 yrs. | 11.0% | 13.4 | 6.0% | 7% | 3.9% | 7.4% |

| Average* | Legend |
|---|---|
| - | Earnings per share (A) |
| - | Dividends per share |
| - | Book Value per share (B) |
| 14.4 | Price-Earnings Ratio (C) |
| 26.0 | Price-Dividend Ratio |
| 13.1% | Earned as a % of Book Value |
| 7.5% | Earned as a % of Avg. Price |
| 4.3% | Dividend Yield |
| 5.2% | Earnings Growth Rate |
| 4.7% | Dividend Growth Rate |
| 5.0% | Book Value Growth Rate |
| 12.7% | Earn's as % of Price + Earn's Growth |
| 9.0% | Dividend Yield + Dividend Growth |
| 5.9% | Moody's Aaa Corp. Bond Yield |
| 3.0% | CPI Growth Rate-Inflation |
| 3.0% | Real L.T. Aaa Corp. Bond Yield |
| - | DJIA High for Year |
| - | DJIA Low for Year |
| - | DJIA Average for Year |
| - | S&P 500 Avg. for Year |
| - | Value Line Avg. for Year |
| - | Gross Domestic Product (D) |

* Average 1920 - 2001 inclusive. (A) Excludes net nonrecurring per share loss ... (B) Estimated 1920 - 1935. (C) Annual average excludes years with NMF: 1931 - 1933. (D) Gross National Product from 1920 - 1928. Factual material is obtained from sources believed to be reliable, but the publisher is not responsible for any errors or omissions contained herein. Copyright 2003 by Value Line Publishing, Inc.

EXHIBIT
A-22
Admitted

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SEPTEMBER 2003

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*THE INVESTOR'S EDGE*

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***NATURAL GAS COMPANIES***

***TELEPHONE COMPANIES***

***WATER COMPANIES***

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EXHIBIT
A-23
Admitted

# WATER COMPANIES

| COMPANY | LATEST 12 MONTHS EARNINGS AVAILABLE | PER SHARE EARNINGS | PER SHARE CURRENT ANNUAL DIVIDEND | DATA ($) BOOK VALUE (1) | DATA ($) STOCK PRICE 8/19 | COMMON SHARES O/S MILL | PERCENT (2) DIV PAYOUT | PERCENT (2) DIV YIELD | PERCENT (2) MKT/ BOOK | DIV/ BOOK (2) | PRICE EARN MULT |
|---|---|---|---|---|---|---|---|---|---|---|---|
| American States Water Co. (NYSE-AWR) | 6/03 | 1.12 | 0.88 | 14.02 | 25.89 | 15.2 | 79 | 3.4 | 185 | 6.3 | 23.1 |
| Artesian Resources Corp. (NDQ-ARTNA) | 6/03 | 1.18 | 0.79 | 13.38 | 25.47 | 3.9 | 67 | 3.1 | 190 | 5.9 | 21.6 |
| California Water Service Group (NYSE-CWT) | 6/03 | 0.99 | 1.13 | 12.81 | 26.10 | 15.2 | 114 | 4.3 | 204 | 8.8 | 26.5 |
| Connecticut Water Service, Inc. (NDQ-CTWS) | 6/03 | 1.09 | 0.82 | 10.11 | 27.85 | 8.0 | 75 | 2.9 | 275 | 8.1 | 25.6 |
| Middlesex Water Company (NDQ-MSEX) | 6/03 | 0.95 | 0.86 | 9.94 | 26.90 | 7.9 | 91 | 3.2 | 271 | 8.7 | 28.3 |
| Pennichuck Corporation (NDQ-PNNW) | 6/03 | 1.22 | 0.86 | 12.56 | 25.82 | 2.4 | 70 | 3.3 | 206 | 6.8 | 21.2 |
| Philadelphia Suburban Corp. (NYSE-PSC) | 6/03 | 1.19 | 0.56 | 7.76 | 23.47 | 69.8 | 47 | 2.4 | 303 | 7.2 | 19.7 |
| SJW Corporation (ASE-SJW) | 6/03 | 4.98 | 2.91 | 53.10 | 86.00 | 3.0 | 58 | 3.4 | 162 | 5.5 | 17.3 |
| Southwest Water Company (NDQ-SWWC) | 6/03 | 0.51 | 0.23 | 7.28 | 14.25 | 10.2 | 45 | 1.6 | 196 | 3.2 | 27.9 |
| York Water Company (NDQ-YORW) | 6/03 | 0.60 | 0.54 | 5.91 | 18.20 | 6.4 | 90 | 3.0 | 308 | 9.1 | 30.3 |
| AVERAGE | | | | | | | 74 | 3.1 | 230 | 7.0 | 24.2 |

# INTERNATIONAL COMPANIES

| COMPANY | LATEST 12 MONTHS EARNINGS AVAILABLE | PER SHARE EARNINGS | PER SHARE CURRENT ANNUAL DIVIDEND | DATA ($) BOOK VALUE (1) | DATA ($) STOCK PRICE 8/19 | COMMON SHARES O/S MILL | PERCENT (2) DIV PAYOUT | PERCENT (2) DIV YIELD | PERCENT (2) MKT/ BOOK | DIV/ BOOK (2) | PRICE EARN MULT |
|---|---|---|---|---|---|---|---|---|---|---|---|
| BCE, Inc. (NYSE-BCE) | 6/03 | 1.53 | 0.88 | 9.31 | 21.99 | 919.3 | 57 | 4.0 | 236 | 9.4 | 14.4 |
| BT Group PLC (NYSE-BTY) | 6/03 | 2.53 | 1.44 | 5.77 | 30.30 | 862.3 | 57 | 4.8 | 525 | 25.0 | 12.0 |
| Philippine Long Distance Tel. Co. (NYSE-PHI) | 6/03 | 0.04 | 0.00 | 9.38 | 9.43 | 169.0 | 0 | 0.0 | 101 | NM | NM |
| Telecom Argentina (NYSE-TEO) | 6/03 | 0.49 | 0.00 | 3.84 | 5.78 | 196.8 | 0 | 0.0 | 151 | NM | 11.7 |
| Telecom New Zealand (NYSE-NZT) | 6/03 | 0.22 | 0.93 | 4.36 | 24.20 | 235.9 | NM | 3.8 | 555 | 21.3 | NM |
| AVERAGE | | | | | | | 29 | 2.5 | 314 | 18.6 | 12.7 |

# WATER COMPANIES

| COMPANY | OPER REV $ MILL (1) | % WAT REV | NET PLANT $ MILL | NET PLANT PER $ REV (1) | S&P BOND RATING | MOODY'S BOND RATING | COMMON EQUITY RATIO (3) | % RETURN ON BOOK VALUE: COMMON EQUITY (4) | % RETURN ON BOOK VALUE: TOTAL CAPITAL | REGULATION: ALLOWED ROE | REGULATION: ORDER DATE |
|---|---|---|---|---|---|---|---|---|---|---|---|
| American States Water Co. (NYSE-AWR) | 210.4 | 88 | 522.3 | 2.48 | A+ | A2 | 43 | 8.2 | 7.4 | 10.00 | 4Q/99 |
| Artesian Resources Corp. (NDQ-ARTNA) | 36.2 | 97 | 145.7 | 4.02 | NR | NR | 43 | 9.1 | 8.0 | 10.50 | 04/03 |
| California Water Service Group (NYSE-CWT) | 261.7 | 100 | 653.4 | 2.50 | A+ | A1 | 37 | 7.2 | 6.6 | 10.35 | - |
| Connecticut Water Service, Inc. (NDQ-CTWS) | 46.6 | 100 | 186.1 | 4.00 | NR | NR | 55 | 11.4 | 9.1 | 12.70 | 03/91 |
| Middlesex Water Company (NDQ-MSEX) | 63.1 | 100 | 198.1 | 3.14 | A+ | A2 | 41 | 9.6 | 6.9 | 10.38 | - |
| Pennichuck Corporation (NDQ-PNNW) | 20.3 | 89 | 61.0 | 3.01 | NR | NR | 52 | 9.9 | 8.6 | 10.33 | - |
| Philadelphia Suburban Corp. (NYSE-PSC) | 418.1 | 95 | 1,377.3 | 3.29 | AA- | NR | 43 | 16.0 | 11.0 | 10.15 | - |
| SJW Corporation (ASE-SJW) | 145.0 | 98 | 286.3 | 1.97 | NR | NR | 56 | 9.7 | 8.1 | 9.95 | 04/01 |
| Southwest Water Company (NDQ-SWWC) | 147.5 | 35 | 134.1 | 0.91 | NR | NR | 49 | 8.2 | 7.2 | 9.84 | 05/03 |
| York Water Company (NDQ-YORW) | 19.8 | 87 | 96.2 | 4.86 | NR | NR | 51 | 10.2 | 9.0 | - | 08/01 |
| AVERAGE | | | | | | | 47 | 10.0 | 8.2 | 10.47 | |

# INTERNATIONAL COMPANIES

| COMPANY | OPER REV $ MILL (1) | % TEL REV LOCAL OR CLEC | NET PLANT $ MILL | NET PLANT PER $ REV (1) | S&P BOND RATING | MOODY'S BOND RATING | COMMON EQUITY RATIO (3) | % RETURN ON BOOK VALUE: COMMON EQUITY (4) | % RETURN ON BOOK VALUE: TOTAL CAPITAL | REGULATION: ALLOWED ROE | REGULATION: ORDER DATE |
|---|---|---|---|---|---|---|---|---|---|---|---|
| BCE, Inc. (NYSE-BCE) | 13,086.4 | 33 | 15,174.1 | 1.16 | NR | A3 | 36 | 20.9 | 10.4 | | |
| BT Group PLC (NYSE-BTY) | 30,885.3 | 64 | 25,870.1 | 0.84 | NR | Baa1 | 16 | NM | 11.1 | | |
| Philippine Long Distance Tel. Co. (NYSE-PHI) | 1,597.5 | 58 | 4,589.6 | 2.87 | NR | Ba3 | 31 | 2.3 | 4.8 | | |
| Telecom Argentina (NYSE-TEO) | 1,305.9 | 54 | 3,117.6 | 2.39 | NR | Ca | 19 | NM | 8.2 | | |
| Telecom New Zealand (NYSE-NZT) | 3,023.2 | 21 | 2,699.4 | 0.89 | NR | A3 | 27 | NM | 17.3 | | |
| AVERAGE | | | | | | | 26 | 11.6 | 10.4 | | |

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# WATER COMPANIES

| COMPANY | LATEST 12 MONTHS EARNINGS AVAILABLE | PER SHARE EARNINGS | PER SHARE CURRENT ANNUAL DIVIDEND | DATA ($) BOOK VALUE (1) | STOCK PRICE 3/21 | COMMON SHARES O/S MILL | PERCENT (2) DIV PAYOUT | DIV YIELD | MKT/ BOOK | DIV/ BOOK (2) | PRICE EARN MULT |
|---|---|---|---|---|---|---|---|---|---|---|---|
| American States Water Co. (NYSE-AWR) | 12/02 | 1.33 | 0.88 | 13.72 | 24.10 | 15.2 | 67 | 3.7 | 176 | 6.4 | 18.2 |
| Artesian Resources Corp. (NDQ-ARTNA) | 12/02 | 1.67 | 1.19 | 19.72 | 31.27 | 2.6 | 71 | 3.8 | 159 | 6.0 | 18.7 |
| California Water Service Group (NYSE-CWT) | 12/02 | 1.24 | 1.13 | 13.17 | 26.27 | 15.2 | 91 | 4.3 | 199 | 8.6 | 21.2 |
| Connecticut Water Service, Inc. (NDQ-CTWS) | 12/02 | 1.12 | 0.82 | 9.63 | 26.50 | 7.7 | 73 | 3.1 | 275 | 8.5 | 23.7 |
| Middlesex Water Company (NDQ-MSEX) | 12/02 | 0.97 | 0.86 | 9.80 | 22.05 | 7.7 | 89 | 3.9 | 225 | 8.8 | 22.7 |
| Pennichuck Corporation (NDQ-PNNW) | 12/02 | 0.96 | 0.86 | 12.64 | 21.69 | 2.4 | 90 | 4.0 | 172 | 6.8 | 22.6 |
| Philadelphia Suburban Corp. (NYSE-PSC) | 12/02 | 0.97 | 0.56 | 7.15 | 21.72 | 69.0 | 58 | 2.6 | 304 | 7.8 | 22.4 |
| SJW Corporation (ASE-SJW) | 12/02 | 4.67 | 2.91 | 50.71 | 78.85 | 3.0 | 62 | 3.7 | 155 | 5.7 | 16.9 |
| Southwest Water Company (NDQ-SWWC) | 12/02 | 0.68 | 0.24 | 6.33 | 12.75 | 9.3 | 36 | 1.9 | 202 | 3.9 | 18.8 |
| York Water Company (NDQ-YORW) | 12/02 | 0.59 | 0.54 | 5.82 | 16.15 | 6.3 | 92 | 3.3 | 277 | 9.3 | 27.4 |
| AVERAGE | | | | | | | 73 | 3.4 | 214 | 7.2 | 21.2 |

# INTERNATIONAL COMPANIES

| COMPANY | LATEST 12 MONTHS EARNINGS AVAILABLE | PER SHARE EARNINGS | PER SHARE CURRENT ANNUAL DIVIDEND | DATA ($) BOOK VALUE (1) | STOCK PRICE 3/21 | COMMON SHARES O/S MILL | PERCENT (2) DIV PAYOUT | DIV YIELD | MKT/ BOOK | DIV/ BOOK (2) | PRICE EARN MULT |
|---|---|---|---|---|---|---|---|---|---|---|---|
| BCE, Inc. (NYSE-BCE) | 12/02 | 1.32 | 0.79 | 6.70 | 18.84 | 905.0 | 59 | 4.2 | 281 | 11.7 | 14.3 |
| BT Group PLC (NYSE-BTY) | 12/02 | 1.31 | 0.75 | (0.44) | 27.80 | 861.9 | 58 | 2.7 | NM | NM | 21.3 |
| Philippine Long Distance Tel. Co. (NYSE-PHI) | 9/02 | 0.45 | 0.00 | 9.84 | 5.54 | 169.0 | 0 | 0.0 | 56 | NM | 12.3 |
| Telecom Argentina (NYSE-TEO) | 12/02 | -6.56 | 0.00 | 1.51 | 3.80 | 197.0 | 0 | 0.0 | 252 | NM | NM |
| Telecom New Zealand (NYSE-NZT) | 12/02 | 0.19 | 0.91 | 2.86 | 19.27 | 234.4 | NM | 4.7 | NM | 31.8 | NM |
| AVERAGE | | | | | | | 29 | 2.3 | 197 | 21.8 | 15.9 |

# WATER COMPANIES

| COMPANY | OPER REV $ MILL (1) | % WAT REV | NET PLANT $ MILL | NET PLANT PER $ REV (1) | S&P BOND RATING | MOODY'S BOND RATING | COMMON EQUITY RATIO (3) | % RETURN ON BOOK VALUE: COMMON EQUITY (4) | % RETURN ON BOOK VALUE: TOTAL CAPITAL | REGULATION: ALLOWED ROE | REGULATION: ORDER DATE |
|---|---|---|---|---|---|---|---|---|---|---|---|
| American States Water Co. (NYSE-AWR) | 209.2 | 90 | 511.9 | 2.45 | A- | A2 | 44 | 9.6 | 8.1 | 10.00 | 40/99 |
| Artesian Resources Corp. (NDQ-ARTNA) | 34.6 | 97 | 138.7 | 4.01 | NR | NR | 43 | 9.6 | 7.7 | 10.50 | 06/01 |
| California Water Service Group (NYSE-CWT) | 263.2 | 100 | 673.1 | 2.56 | AA- | A1 | 43 | 9.6 | 8.1 | 10.48 | |
| Connecticut Water Service, Inc. (NDQ-CTWS) | 45.8 | 100 | 189.3 | 4.13 | NR | NR | 52 | 11.6 | 9.1 | 12.70 | 03/91 |
| Middlesex Water Company (NDQ-MSEX) | 61.9 | 100 | 190.4 | 3.08 | A- | A2 | 41 | 9.8 | 7.1 | 10.25 | - |
| Pennichuck Corporation (NDQ-PNNW) | 23.4 | 73 | 58.2 | 2.49 | NR | NR | 52 | 8.4 | 7.7 | 10.33 | - |
| Philadelphia Suburban Corp. (NYSE-PSC) | 322.0 | 98 | 1,490.8 | 4.63 | AA- | NR | 40 | 13.9 | 9.1 | 10.32 | - |
| SJW Corporation (ASE-SJW) | 145.7 | 98 | 264.1 | 1.81 | NR | NR | 56 | 9.4 | 7.7 | 9.95 | 04/01 |
| Southwest Water Company (NDQ-SWWC) | 130.8 | 41 | 119.4 | 0.91 | NR | NR | 49 | 12.1 | 6.3 | 10.00 | - |
| York Water Company (NDQ-YORW) | 19.6 | 100 | 93.9 | 4.80 | NR | NR | 51 | 16.7 | 9.2 | - | 08/01 |
| AVERAGE | | | | | | | 47 | 11.1 | 8.3 | 10.50 | |

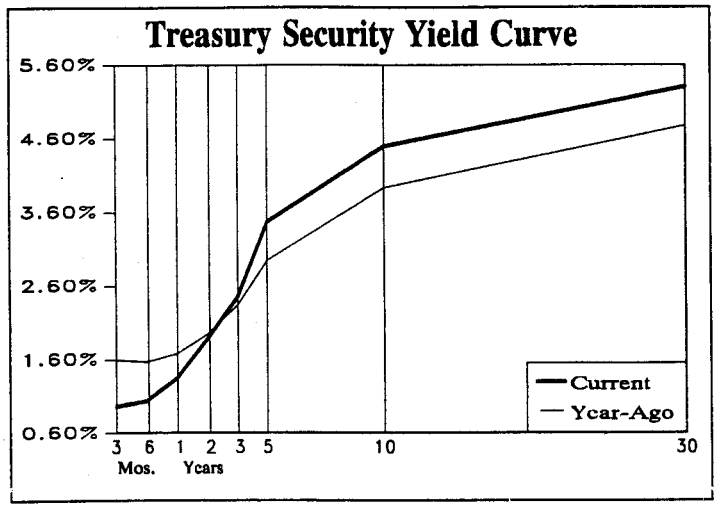
# INTERNATIONAL COMPANIES

| COMPANY | OPER REV $ MILL (1) | % TEL REV LOCAL OR CLEC | NET PLANT $ MILL | NET PLANT PER $ REV (1) | S&P BOND RATING | MOODY'S BOND RATING | COMMON EQUITY RATIO (3) | % RETURN ON BOOK VALUE: COMMON EQUITY (4) | % RETURN ON BOOK VALUE: TOTAL CAPITAL | REGULATION: ALLOWED ROE | REGULATION: ORDER DATE |
|---|---|---|---|---|---|---|---|---|---|---|---|
| BCE, Inc. (NYSE-BCE) | 12,769.2 | 87 | 12,965.8 | 1.02 | NR | A3 | 36 | 13.2 | 8.1 | | |
| BT Group PLC (NYSE-BTY) | 20,712.6 | 46 | 22,812.1 | 1.10 | NR | Baa1 | NM | 8.8 | 7.9 | | |
| Philippine Long Distance Tel. Co. (NYSE-PHI) | 1,476.0 | 28 | 4,809.5 | 3.26 | NR | Ba3 | 33 | 5.5 | 7.8 | | |
| Telecom Argentina (NYSE-TEO) | 957.7 | 62 | 2,780.0 | 2.90 | NR | Ca | 8 | NM | NM | | |
| Telecom New Zealand (NYSE-NZT) | 2,934.3 | 19 | 2,221.2 | 0.76 | NR | A3 | 21 | NM | 16.7 | | |
| AVERAGE | | | | | | | 24 | 9.2 | 10.1 | | |

# Selected Yields

| | Recent (9/4/03) | 3 Months Ago (6/5/03) | Year Ago (9/5/02) |
|---|---|---|---|
| **TAXABLE** | | | |
| **Market Rates** | | | |
| Discount Rate | 2.00 | 2.25 | 1.25 |
| Federal Funds | 1.00 | 1.25 | 1.75 |
| Prime Rate | 4.00 | 4.25 | 4.75 |
| 30-day CP (A1/P1) | 1.05 | 1.20 | 1.73 |
| 3-month LIBOR | 1.15 | 1.24 | 1.78 |
| **Bank CDs** | | | |
| 6-month | 0.72 | 0.84 | 1.35 |
| 1-year | 0.83 | 0.94 | 1.53 |
| 5-year | 2.91 | 2.53 | 3.63 |
| **U.S. Treasury Securities** | | | |
| 3-month | 0.96 | 1.04 | 1.60 |
| 6-month | 1.04 | 1.02 | 1.57 |
| 1-year | 1.36 | 1.04 | 1.69 |
| 5-year | 3.47 | 2.23 | 2.95 |
| 10-year | 4.50 | 3.34 | 3.93 |
| 30-year | 5.31 | 4.41 | 4.78 |
| 30-year Zero | 5.38 | 4.61 | 5.11 |

| | Recent (9/4/03) | 3 Months Ago (6/5/03) | Year Ago (9/5/02) |
|---|---|---|---|
| **Mortgage-Backed Securities** | | | |
| GNMA 6.5% | 5.08 | 2.69 | 4.93 |
| FHLMC 6.5% (Gold) | 5.17 | 2.85 | 4.48 |
| FNMA 6.5% | 5.07 | 2.70 | 4.32 |
| FNMA ARM | 2.79 | 2.97 | 3.97 |
| **Corporate Bonds** | | | |
| Financial (10-year) A | 5.65 | 4.49 | 5.49 |
| Industrial (25/30-year) A | 6.21 | 5.35 | 6.13 |
| Utility (25/30-year) A | 6.28 | 5.74 | 6.72 |
| Utility (25/30-year) Baa/BBB | 6.79 | 6.06 | 7.38 |
| **Foreign Bonds (10-Year)** | | | |
| Canada | 4.92 | 4.35 | 4.85 |
| Germany | 4.35 | 3.61 | 4.39 |
| Japan | 1.49 | 0.52 | 1.19 |
| United Kingdom | 4.74 | 4.00 | 4.48 |
| **Preferred Stocks** | | | |
| Utility A | 6.84 | 6.84 | 6.85 |
| Financial A | 6.00 | 5.75 | 6.58 |
| Financial Adjustable A | 5.47 | 5.02 | 5.02 |




| | Recent (9/4/03) | 3 Months Ago (6/5/03) | Year Ago (9/5/02) |
|---|---|---|---|
| **TAX-EXEMPT** | | | |
| **Bond Buyer Indexes** | | | |
| 20-Bond Index (GOs) | 5.07 | 4.27 | 4.78 |
| 25-Bond Index (Revs) | 5.41 | 4.83 | 5.16 |
| **General Obligation Bonds (GOs)** | | | |
| 1-year Aaa | 1.05 | 0.90 | 1.38 |
| 1-year A | 1.36 | 1.16 | 1.61 |
| 5-year Aaa | 2.68 | 1.98 | 2.54 |
| 5-year A | 3.14 | 2.44 | 2.85 |
| 10-year Aaa | 3.97 | 2.99 | 3.46 |
| 10-year A | 4.47 | 3.50 | 3.80 |
| 25/30-year Aaa | 5.04 | 4.30 | 4.77 |
| 25/30-year A | 5.30 | 4.62 | 4.98 |
| **Revenue Bonds (Revs) (25/30-Year)** | | | |
| Education AA | 5.24 | 4.42 | 4.96 |
| Electric AA | 5.14 | 4.40 | 4.83 |
| Housing AA | 5.35 | 4.58 | 5.10 |
| Hospital AA | 5.45 | 4.77 | 5.20 |
| Toll Road Aaa | 5.20 | 4.50 | 4.79 |

EXHIBIT
A-24
Admitted

# Federal Reserve Data

**BANK RESERVES**

*(Two-Week Period; in Millions, Not Seasonally Adjusted)*

| | Recent Levels | | | Average Levels Over the Last... | | |
|---|---|---|---|---|---|---|
| | 9/3/03 | 8/20/03 | Change | 12 Wks. | 26 Wks. | 52 Wks. |
| Excess Reserves | 2237 | 5688 | -3451 | 2497 | 2030 | 1843 |
| Borrowed Reserves | 162 | 541 | -379 | 202 | 118 | 122 |
| Net Free/Borrowed Reserves | 2075 | 5147 | -3072 | 2295 | 1912 | 1721 |

**MONEY SUPPLY**

*(One-Week Period; in Billions, Seasonally Adjusted)*

| | Recent Levels | | | Growth Rates Over the Last... | | |
|---|---|---|---|---|---|---|
| | 8/25/03 | 8/18/03 | Change | 3 Mos. | 6 Mos. | 12 Mos. |
| M1 (Currency+demand deposits) | 1282.6 | 1307.4 | -24.8 | 4.2% | 7.9% | 7.7% |
| M2 (M1+savings+small time deposits) | 6113.0 | 6178.2 | -65.2 | 7.1% | 8.3% | 7.5% |
| M3 (M2+large time deposits) | 8918.5 | 8979.5 | -61.0 | 9.5% | 8.4% | 7.3% |

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A-25
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**The high costs of maintaining and upgrading the country's water and wastewater distribution systems have led to widespread consolidation in the Water Utility Industry.**

**The Water utility stocks in this review are not timely for year-ahead investment. Income-oriented investors may, however, find an appealing choice here, based upon above-average Safety ranks and healthy dividend payouts.**

### The Need For Consolidation

Long-term trends in the Water Utility Industry indicate that infrastructure costs will continue to escalate. Water Utilities must maintain and upgrade existing facilities in order to remain in compliance with increasingly strict rules mandated by the Environmental Protection Agency (EPA) and other local regulators. Many of the water/wastewater systems that are presently in use were originally built about 100 years ago. The EPA and other industry sources indicate that hundreds of billions of dollars over the next 20 years will be needed to repair the nation's entire water system. The Water Infrastructure Network believes that there will be a $12 billion annual shortfall for wastewater infrastructure over that period, and long-term help from the federal government is needed to solve the problem. Also, transportation costs will continue to rise, as nearby sources of water are exhausted. Water is difficult and expensive to transport, because it is heavy and cannot be compressed. Increased federal spending will cover some of the industry's long-term costs, but water companies will probably foot most of the bill.

The costs of staying in compliance with numerous laws are particularly burdensome for smaller utilities because they have a smaller base of customers over which they can spread costs. Small and mid-sized water companies usually welcome takeover offers from large-scale suitors and the significant capital resources they bring. The larger utilities benefit from economies of scale, which enables them to reduce overhead. They also gain enhanced geographic diversity from acquisitions, which reduces their susceptibility to weather fluctuations that may cause undesirable volatility in earnings. The heavy regulatory oversight that the industry faces means that some local regulators are bound to be more cooperative with utilities than officials from a different locale. A multistate territory helps to limit a company's exposure to especially onerous regulatory atmospheres.

**INDUSTRY TIMELINESS: 92 (of 98)**

In the past few years, large foreign utilities have swallowed up domestic water companies in an effort to gain exposure to this country's stable regulatory environment and steady population growth.

### Regulatory Challenges

These are difficult times for water utilities. Budget deficits at the federal, state, and local levels imply that scarce public funds will likely be allocated to places other than major infrastructure projects. This hardship is exacerbated by increased spending by the industry on security to protect the nation's water-distribution network from potential attacks. The industry has, however, sought regulatory relief through tort reform and changes in the tax code. In particular, they are seeking laws to make compliance with federal drinking water standards a defense in lawsuits involving contaminants covered by such standards, and they are looking for legislation that would remove existing volume caps on private activity bonds for infrastructure improvements.

### Meeting Government Regulations

The Safe Drinking Water Act (SDWA) of 1974 (amended in 1996) authorizes the EPA to work with state and local governments to periodically test for impurities in drinking water. The EPA regulates the levels of contaminants that are acceptable per a specified amount of water. These standards have been developed taking into account the health effects of chemicals, measurement capabilities, and technical feasibility. Water utilities spend a large portion of their annual capital budgets on infrastructure improvements in order to stay in compliance with the SDWA, the Clean Water Act, and numerous state and local laws.

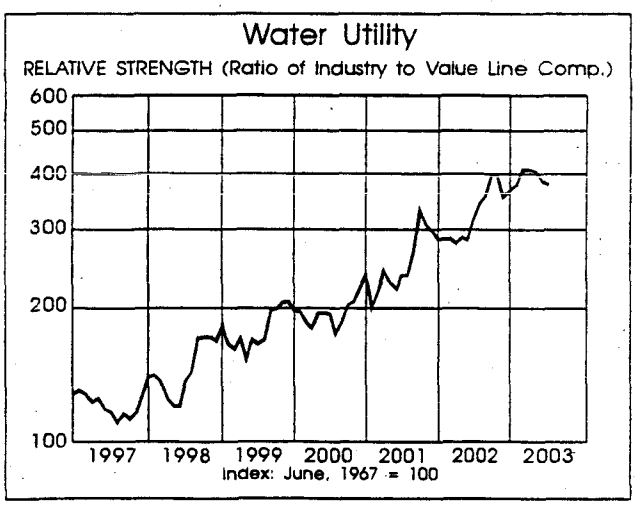
### Investment Advice

None of the stocks in the industry are ranked to outperform the year-ahead market. Nevertheless, the recent passage of a federal tax bill has reduced the top rate investors pay on dividend income to 15%. The change has enhanced the popularity of income stocks, including water utilities. Also, *Philadelphia Suburban* and *California Water* have above-average Safety ranks, and offer decent risk-adjusted total return potential over the coming 3 to 5 years.

*Joseph Espaillat*

Composite Statistics: Water Utility Industry

| 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | | 06-08 |
|---|---|---|---|---|---|---|---|
| 637.2 | 704.3 | 751.8 | 794.4 | ***835*** | ***880*** | Revenues ($mill) | ***1090*** |
| 72.4 | 90.9 | 95.4 | 106.6 | ***110*** | ***130*** | Net Profit ($mill) | ***180*** |
| 40.0% | 41.2% | 40.2% | 38.8% | ***39.0%*** | ***39.5%*** | Income Tax Rate | ***40.0%*** |
| -- | -- | -- | -- | ***Nil*** | ***.5%*** | AFUDC % to Net Profit | ***.5%*** |
| 51.1% | 50.3% | 52.4% | 53.9% | ***53.0%*** | ***51.5%*** | Long-Term Debt Ratio | ***51.0%*** |
| 48.3% | 49.3% | 47.2% | 45.9% | ***46.5%*** | ***48.5%*** | Common Equity Ratio | ***49.0%*** |
| 1444.7 | 1661.0 | 1840.7 | 1973.6 | ***2200*** | ***2380*** | Total Capital ($mill) | ***2900*** |
| 2100.3 | 2342.5 | 2532.3 | 2751.1 | ***2990*** | ***3180*** | Net Plant ($mill) | ***3850*** |
| 7.4% | 7.0% | 6.8% | 7.0% | ***6.5%*** | ***7.0%*** | Return on Total Cap'l | ***7.5%*** |
| 11.5% | 10.7% | 10.6% | 11.2% | ***10.0%*** | ***10.5%*** | Return on Shr. Equity | ***12.0%*** |
| 11.5% | 10.8% | 10.7% | 11.2% | ***10.0%*** | ***11.0%*** | Return on Com Equity | ***12.0%*** |
| 3.8% | 3.6% | 3.3% | 3.9% | ***3.0%*** | ***4.0%*** | Retained to Com Eq | ***5.5%*** |
| 68% | 67% | 69% | 66% | ***75%*** | ***65%*** | All Div'ds to Net Prof | ***54%*** |
| 19.5 | 18.6 | 22.6 | 21.5 | ***Bold figures are Value Line estimates*** | | Avg Ann'l P/E Ratio | ***13.5*** |
| 1.11 | 1.21 | 1.16 | 1.17 | | | Relative P/E Ratio | ***.90*** |
| 3.5% | 3.6% | 3.1% | 3.1% | | | Avg Ann'l Div'd Yield | ***3.0%*** |

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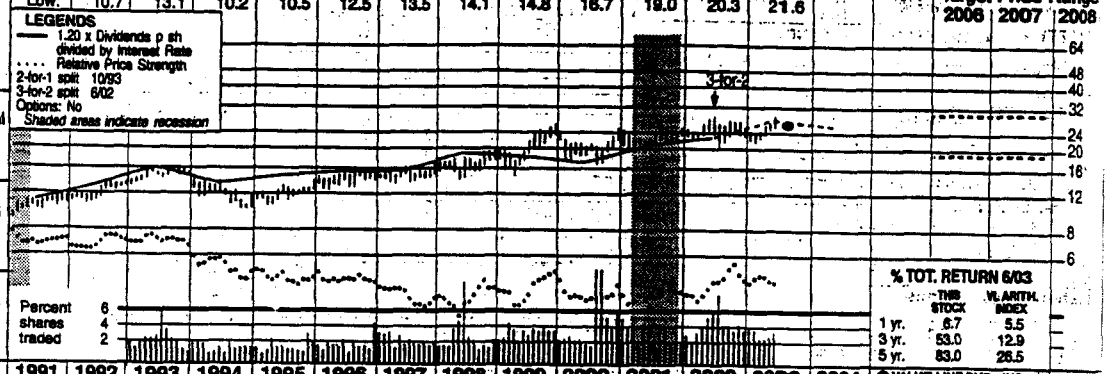
# AMER. STATES WATER NYSE-AWR

RECENT PRICE 26.30 | P/E RATIO 20.2 (Trailing: 20.4; Median: 15.0) | RELATIVE P/E RATIO 1.16 | DIV'D YLD 3.3% | VALUE LINE 1421

TIMELINESS 4 Lowered 5/23/03
SAFETY 3 New 2/4/00
TECHNICAL 3 Raised 5/16/03
BETA .60 (1.00 = Market)

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 13.8 | 16.3 | 14.7 | 14.0 | 16.1 | 17.1 | 19.5 | 26.5 | 25.3 | 26.4 | 29.0 | 29.0 | | | Target Price Range | | |
| Low: | 10.7 | 13.1 | 10.2 | 10.5 | 12.5 | 13.5 | 14.1 | 14.8 | 16.7 | 19.0 | 20.3 | 21.6 | | | 2006 | 2007 | 2008 |

LEGENDS
— 1.20 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 10/93
3-for-2 split 6/02
Options: No
Shaded areas indicate recession




**2006-08 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 30 | (+15%) | 7% |
| Low | 19 | (-30%) | -3% |

**Insider Decisions**

| | S | O | N | D | J | F | M | A | M |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 3 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| to Sell | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 3 |

**Institutional Decisions**

| | 3Q2002 | 4Q2002 | 1Q2003 |
|---|---|---|---|
| to Buy | 39 | 36 | 41 |
| to Sell | 39 | 34 | 30 |
| Hld's(000) | 5713 | 5723 | 5593 |

**% TOT. RETURN 6/03**

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr. | 6.7 | 5.5 |
| 3 yr. | 53.0 | 12.9 |
| 5 yr. | 83.0 | 26.5 |

| 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | © VALUE LINE PUB., INC. | 06-08 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8.35 | 8.58 | 9.12 | 9.58 | 9.15 | 10.10 | 9.27 | 10.43 | 11.03 | 11.37 | 11.44 | 11.02 | 12.91 | 12.17 | 13.06 | 13.78 | *13.40* | *14.00* | Revenues per sh | *16.35* |
| 1.34 | 1.13 | 1.44 | 1.49 | 1.78 | 1.81 | 1.67 | 1.68 | 1.75 | 1.75 | 1.85 | 2.04 | 2.26 | 2.20 | 2.53 | 2.54 | *2.45* | *2.70* | "Cash Flow" per sh | *3.35* |
| .89 | .65 | .92 | .94 | 1.19 | 1.15 | 1.11 | .95 | 1.03 | 1.13 | 1.04 | 1.08 | 1.19 | 1.28 | 1.35 | 1.34 | *1.30* | *1.45* | Earnings per sh A | *1.85* |
| .64 | .67 | .69 | .72 | .73 | .77 | .79 | .80 | .81 | .82 | .83 | .84 | .85 | .86 | .87 | .87 | *.88* | *.90* | Div'd Decl'd per sh B■ | *.98* |
| 2.45 | 2.39 | 2.46 | 2.53 | 2.77 | 2.31 | 1.90 | 2.43 | 2.19 | 2.40 | 2.58 | 3.11 | 4.30 | 3.03 | 3.18 | 2.68 | *4.75* | *4.75* | Cap'l Spending per sh | *5.65* |
| 7.11 | 7.07 | 7.31 | 7.54 | 8.39 | 8.85 | 9.95 | 10.07 | 10.29 | 11.01 | 11.24 | 11.48 | 11.82 | 12.74 | 13.22 | 14.05 | *14.90* | *14.90* | Book Value per sh | *17.70* |
| 9.31 | 9.35 | 9.39 | 9.43 | 9.91 | 9.96 | 11.71 | 11.77 | 11.77 | 13.33 | 13.44 | 13.44 | 13.44 | 15.12 | 15.12 | 15.18 | *16.80* | *16.80* | Common Shs Outst'g C | *16.80* |
| 10.0 | 14.2 | 9.7 | 10.2 | 8.8 | 10.6 | 13.4 | 12.8 | 11.6 | 12.6 | 14.5 | 15.5 | 17.1 | 15.9 | 16.7 | 18.3 | *Bold figures are* | *Value Line* | Avg Ann'l P/E Ratio | *13.0* |
| .67 | 1.18 | .73 | .76 | .56 | .84 | .79 | .84 | .78 | .79 | .84 | .81 | .97 | 1.03 | .86 | 1.00 | *estimates* | | Relative P/E Ratio | *.85* |
| 7.2% | 7.4% | 7.7% | 7.5% | 7.0% | 6.3% | 5.3% | 6.6% | 6.7% | 5.8% | 5.5% | 5.0% | 4.2% | 4.2% | 3.9% | 3.6% | | | Avg Ann'l Div'd Yield | *4.1%* |

**CAPITAL STRUCTURE as of 3/31/03**
Total Debt $274.2 mill. Due in 5 Yrs $63.1 mill.
LT Debt $230.9 mill. LT Interest $17.0 mill.
(Total interest coverage: 2.9x) (52% of Cap'l)

Leases, Uncapitalized: None
Pension Assets-12/02 $39.8 mill.
Oblig. $49.1 mill.
Pfd Stock None. Pfd Div'd None.

Common Stock 15,194,865 shs.
as of 5/14/03
MARKET CAP: $400 million (Small Cap)

| 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | | 06-08 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 108.5 | 122.7 | 129.8 | 151.5 | 153.8 | 148.1 | 173.4 | 184.0 | 197.5 | 209.2 | *225* | *235* | Revenues ($mill) | *275* |
| 12.0 | 11.3 | 12.2 | 13.5 | 14.1 | 14.6 | 16.1 | 18.0 | 20.4 | 20.3 | *21.0* | *24.5* | Net Profit ($mill) | *31.0* |
| 31.3% | 43.9% | 41.9% | 43.3% | 41.1% | 40.9% | 46.0% | 45.7% | 43.0% | 38.9% | *40.0%* | *40.0%* | Income Tax Rate | *41.0%* |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | *Nil* | *Nil* | AFUDC % to Net Profit | *Nil* |
| 41.5% | 43.5% | 46.6% | 41.9% | 43.0% | 43.6% | 51.0% | 47.5% | 54.9% | 52.0% | *48.0%* | *47.0%* | Long-Term Debt Ratio | *50.0%* |
| 57.4% | 55.5% | 52.5% | 57.3% | 56.3% | 55.7% | 48.4% | 51.9% | 44.7% | 48.0% | *52.0%* | *53.0%* | Common Equity Ratio | *50.0%* |
| 203.0 | 213.5 | 230.6 | 256.0 | 268.4 | 277.1 | 328.2 | 371.1 | 447.6 | 444.4 | *480* | *490* | Total Capital ($mill) | *615* |
| 295.0 | 314.9 | 335.0 | 357.8 | 383.6 | 414.8 | 449.6 | 509.1 | 539.8 | 563.3 | *605* | *640* | Net Plant ($mill) | *800* |
| 7.8% | 7.1% | 7.2% | 6.9% | 6.9% | 7.0% | 6.6% | 6.4% | 6.1% | 6.5% | *6.0%* | *6.5%* | Return on Total Cap'l | *6.5%* |
| 10.1% | 9.4% | 9.9% | 9.0% | 9.2% | 9.4% | 10.0% | 9.2% | 10.1% | 9.5% | *8.5%* | *9.5%* | Return on Shr. Equity | *10.0%* |
| 10.2% | 9.5% | 10.0% | 9.0% | 9.2% | 9.4% | 10.1% | 9.3% | 10.1% | 9.5% | *8.5%* | *9.5%* | Return on Com Equity | *10.0%* |
| 2.9% | 1.6% | 2.1% | 2.4% | 1.8% | 2.1% | 2.9% | 3.0% | 3.6% | 3.3% | *2.5%* | *3.5%* | Retained to Com Eq | *5.0%* |
| 72% | 84% | 79% | 73% | 80% | 78% | 72% | 68% | 65% | 65% | *68%* | *62%* | All Div'ds to Net Prof | *53%* |

| CURRENT POSITION ($MILL.) | 2001 | 2002 | 3/31/03 |
|---|---|---|---|
| Cash Assets | 30.5 | 18.4 | 16.4 |
| Receivables | 10.6 | 10.8 | 10.4 |
| Inventory (Avg Cst) | 1.0 | .9 | 1.0 |
| Other | 45.7 | 21.7 | 18.9 |
| Current Assets | 87.8 | 51.8 | 46.7 |
| Accts Payable | 13.9 | 11.6 | 8.4 |
| Debt Due | 20.8 | 48.3 | 43.3 |
| Other | 28.9 | 19.6 | 23.1 |
| Current Liab. | 63.6 | 79.5 | 74.8 |
| Fix. Chg. Cov. | 327% | 285% | 208% |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '00-'02 to '06-'08 |
|---|---|---|---|
| Revenues | 3.0% | 3.0% | *4.0%* |
| "Cash Flow" | 3.5% | 6.5% | *5.5%* |
| Earnings | 2.0% | 4.5% | *6.0%* |
| Dividends | 1.5% | 1.0% | *2.0%* |
| Book Value | 5.0% | 4.0% | *5.0%* |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2000 | 38.7 | 45.4 | 55.3 | 44.6 | 184.0 |
| 2001 | 40.3 | 49.9 | 59.4 | 47.9 | 197.5 |
| 2002 | 44.5 | 52.8 | 61.6 | 50.3 | 209.2 |
| 2003 | 46.7 | *57.0* | *67.0* | *54.3* | *225* |
| 2004 | *49.0* | *60.0* | *69.0* | *57.0* | *235* |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2000 | .21 | .29 | .57 | .21 | 1.28 |
| 2001 | .21 | .33 | .63 | .18 | 1.35 |
| 2002 | .25 | .36 | .50 | .23 | 1.34 |
| 2003 | .20 | *.35* | *.55* | *.20* | *1.30* |
| 2004 | *.25* | *.38* | *.60* | *.22* | *1.45* |

| Cal-endar | QUARTERLY DIVIDENDS PAID B■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 1999 | .213 | .213 | .213 | .213 | .85 |
| 2000 | .213 | .213 | .213 | .217 | .86 |
| 2001 | .217 | .217 | .217 | .217 | .87 |
| 2002 | .217 | .217 | .217 | .221 | .87 |
| 2003 | .221 | .221 | | | |

**BUSINESS:** American States Water Co. operates as a holding company. Through its principal subsidiary, Southern California Water Company, it supplies water to 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to approximately 22,000 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00); 11,400 customers. Has about 500 employees. Off. & dir. own less than 1% of common stock (4/03 Proxy). Chairman: Lloyd Ross. President & CEO: Floyd Wicks. Incorporated: CA. Add.: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel.: 909-394-3600. Web: www.gswater.com.

**American States Water Company's second-half share earnings will likely be in line with last year's total.** Although the utility will benefit from a recent $2.1 million rate decision (to be recovered over the next one to two years), ongoing delays on rate decisions at the California Public Utilities Commission (CPUC) will hamper bottom-line growth. Regulatory delays cost the company about $0.09 a share in 2002. Also, elevated operating expenses and higher depreciation expense will likely hurt earnings. Elsewhere, we expect management to ramp up its capital expenditures this year after a couple of years of cutbacks stemming from a cash-preservation program. American will probably finance these expenditures with borrowings and an equity offering later in the year. Investors ought to note that an equity offering would dilute share earnings.

**The company continues to seek regulatory relief.** American States Water filed a rate case last October that has the potential to add $25.8 million to revenues if approved by the CPUC. Moreover, it has applied to the CPUC to recognize its contracts for energy with Pinnacle West as a regulatory asset. If this were to happen, previously unrealized losses associated with these contracts would be reversed, enhancing earnings.

**American should generate moderate share-net growth out to 2006–2008.** Continual rate increases and steady population growth ought to maintain revenue momentum. Too, the company's strategy of purchasing small-sized water utilities outside of California should reduce its exposure to the state's onerous regulatory environment, while providing a boost to the top line.

**These shares are ranked to underperform the market over the coming six to 12 months.** Indeed, if the market continues to rebound, conservative equities such as this one will probably get left behind. Moreover, the stock has negligible total-return potential over the coming 3 to 5 years. Nonetheless, income-oriented investors may find this offering attractive because of the solid dividend payout, and the favorable overall Price Stability rating of the stock.

*Joseph Espaillat* • *August 1, 2003*

(A) Primary earnings. Excludes nonrecurring gains: '91, 73¢; '92, 13¢. Next earnings report due late Oct.
(B) Dividends historically paid in early-March, June, September, December.■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

| | |
|---|---|
| Company's Financial Strength | B+ |
| Stock's Price Stability | 85 |
| Price Growth Persistence | 45 |
| Earnings Predictability | 85 |

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# CALIFORNIA WATER NYSE-CWT

| RECENT PRICE | P/E RATIO | | RELATIVE P/E RATIO | DIV'D YLD | VALUE LINE |
|---|---|---|---|---|---|
| 29.88 | 27.2 | (Trailing: 27.9) (Median: 16.0) | 1.56 | 3.7% | 1422 |

TIMELINESS **4** Lowered 8/1/03

SAFETY **2** Lowered 8/11/95

TECHNICAL **3** Lowered 7/18/03

BETA .60 (1.00 = Market)

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 17.5 | 20.6 | 20.5 | 17.6 | 21.9 | 29.6 | 33.8 | 32.0 | 31.4 | 28.6 | 26.9 | 31.4 | |
| Low: | 13.1 | 16.1 | 14.7 | 14.8 | 16.3 | 18.6 | 20.8 | 22.6 | 21.5 | 22.9 | 20.5 | 23.7 | |

Target Price Range 2006 | 2007 | 2008

**2006-08 PROJECTIONS**

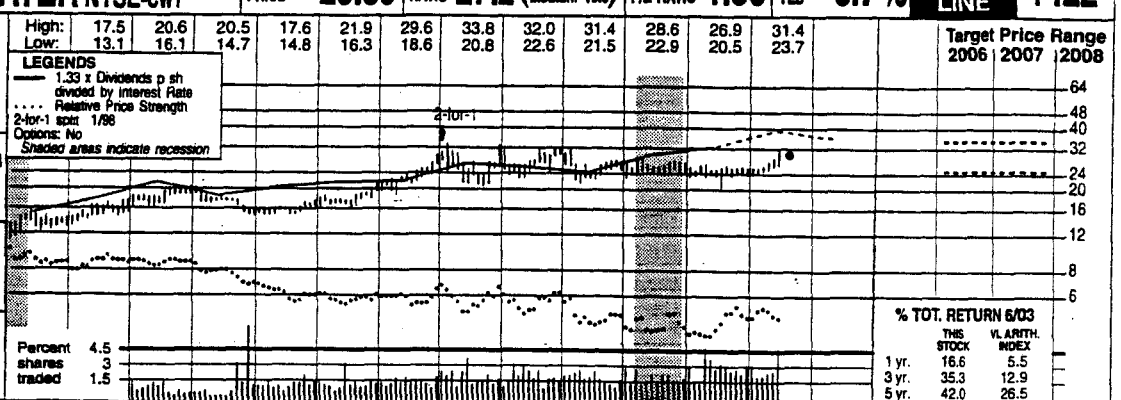
| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 35 | (+15%) | 7% |
| Low | 25 | (-15%) | Nil |

**Insider Decisions**

| | S | O | N | D | J | F | M | A | M |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| to Sell | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Institutional Decisions**

| | 3Q2002 | 4Q2002 | 1Q2003 |
|---|---|---|---|
| to Buy | 26 | 28 | 24 |
| to Sell | 13 | 10 | 18 |
| Hld's(000) | 2633 | 2901 | 2803 |




**% TOT. RETURN 6/03**

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr. | 16.6 | 5.5 |
| 3 yr. | 35.3 | 12.9 |
| 5 yr. | 42.0 | 26.5 |

| 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | © VALUE LINE PUB., INC. | 06-08 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10.13 | 10.03 | 10.33 | 10.93 | 11.18 | 12.29 | 13.34 | 12.59 | 13.17 | 14.48 | 15.48 | 14.76 | 15.96 | 16.16 | 16.26 | 17.33 | *15.60* | *14.90* | Revenues per sh | *19.15* |
| 1.94 | 1.87 | 1.89 | 1.97 | 1.98 | 1.92 | 2.25 | 2.02 | 2.07 | 2.50 | 2.92 | 2.60 | 2.75 | 2.52 | 2.20 | 2.65 | *2.50* | *2.75* | "Cash Flow" per sh | *3.60* |
| 1.32 | 1.23 | 1.20 | 1.25 | 1.21 | 1.09 | 1.35 | 1.22 | 1.17 | 1.51 | 1.83 | 1.45 | 1.53 | 1.31 | .94 | 1.25 | *1.10* | *1.45* | Earnings per sh A | *1.95* |
| .74 | .80 | .84 | .87 | .90 | .93 | .96 | .99 | 1.02 | 1.04 | 1.06 | 1.07 | 1.09 | 1.10 | 1.12 | 1.12 | *1.12* | *1.13* | Div'd Decl'd per sh B ■ | *1.18* |
| 1.75 | 2.12 | 2.40 | 2.36 | 3.03 | 3.09 | 2.53 | 2.26 | 2.17 | 2.83 | 2.61 | 2.74 | 3.44 | 2.45 | 4.09 | 5.82 | *4.70* | *4.25* | Cap'l Spending per sh | *5.30* |
| 8.85 | 9.30 | 9.66 | 10.04 | 10.35 | 10.51 | 10.90 | 11.56 | 11.72 | 12.22 | 13.00 | 13.38 | 13.43 | 12.90 | 12.95 | 13.12 | *13.90* | *15.75* | Book Value per sh C | *18.45* |
| 11.13 | 11.34 | 11.38 | 11.38 | 11.38 | 11.38 | 11.38 | 12.49 | 12.54 | 12.62 | 12.62 | 12.62 | 12.94 | 15.15 | 15.18 | 15.18 | *17.00* | *18.80* | Common Shs Outst'g D | *18.80* |
| 10.5 | 11.5 | 10.6 | 10.4 | 11.2 | 14.1 | 13.6 | 14.1 | 13.7 | 11.9 | 12.6 | 17.8 | 17.8 | 19.6 | 27.1 | 19.8 | *Bold figures are* | | Avg Ann'l P/E Ratio | *14.5* |
| .70 | .95 | .80 | .77 | .72 | .86 | .80 | .92 | .92 | .75 | .73 | .93 | 1.01 | 1.27 | 1.39 | 1.08 | *Value Line* | | Relative P/E Ratio | *.95* |
| 5.3% | 5.7% | 6.6% | 6.7% | 6.6% | 6.1% | 5.2% | 5.8% | 6.4% | 5.8% | 4.6% | 4.2% | 4.0% | 4.3% | 4.4% | 4.5% | *estimates* | | Avg Ann'l Div'd Yield | *4.2%* |
| | | | | | | 151.7 | 157.3 | 165.1 | 182.8 | 195.3 | 186.3 | 206.4 | 244.8 | 246.8 | 263.2 | *265* | *280* | Revenues ($mill) | *360* |
| | | | | | | 15.5 | 14.4 | 14.7 | 19.1 | 23.3 | 18.4 | 19.9 | 20.0 | 14.4 | 19.1 | *18.5* | *27.5* | Net Profit ($mill) | *37.0* |
| | | | | | | 40.6% | 40.0% | 40.1% | 38.9% | 37.4% | 36.4% | 37.9% | 42.3% | 39.4% | 39.7% | *42.0%* | *42.0%* | Income Tax Rate | *42.0%* |
| | | | | | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | *Nil* | *Nil* | AFUDC % to Net Profit | *Nil* |
| | | | | | | 50.4% | 46.6% | 49.2% | 47.4% | 45.4% | 44.2% | 46.9% | 48.9% | 50.3% | 55.3% | *57.0%* | *53.0%* | Long-Term Debt Ratio | *51.5%* |
| | | | | | | 48.2% | 52.2% | 49.7% | 51.4% | 53.5% | 54.7% | 52.0% | 50.2% | 48.8% | 44.0% | *42.5%* | *46.5%* | Common Equity Ratio | *48.0%* |
| | | | | | | 257.1 | 276.9 | 296.0 | 299.9 | 306.7 | 308.6 | 333.8 | 388.8 | 402.7 | 453.1 | *555* | *635* | Total Capital ($mill) | *725* |
| | | | | | | 391.7 | 407.9 | 422.2 | 443.6 | 460.4 | 478.3 | 515.4 | 582.0 | 624.3 | 697.0 | *780* | *820* | Net Plant ($mill) | *950* |
| | | | | | | 8.1% | 7.1% | 6.8% | 8.3% | 9.4% | 7.8% | 7.8% | 6.8% | 5.3% | 5.9% | *5.0%* | *6.0%* | Return on Total Cap'l | *6.5%* |
| | | | | | | 12.2% | 9.7% | 9.8% | 12.1% | 13.9% | 10.7% | 11.2% | 10.0% | 7.2% | 9.4% | *8.0%* | *9.0%* | Return on Shr. Equity | *10.5%* |
| | | | | | | 12.4% | 9.9% | 9.9% | 12.3% | 14.1% | 10.8% | 11.4% | 10.1% | 7.2% | 9.5% | *8.0%* | *9.0%* | Return on Com Equity | *10.5%* |
| | | | | | | 3.6% | 1.9% | 1.2% | 3.8% | 6.0% | 2.8% | 3.5% | 1.8% | NMF | 1.0% | *NMF* | *2.0%* | Retained to Com Eq | *4.0%* |
| | | | | | | 71% | 81% | 88% | 69% | 58% | 74% | 70% | 82% | 119% | 90% | *102%* | *78%* | All Div'ds to Net Prof | *61%* |

**CAPITAL STRUCTURE as of 3/31/03**
**Total Debt** $301.7 mill. **Due in 5 Yrs** $28.5 mill.
**LT Debt** $270.1 mill. **LT Interest** $16.4 mill.

(LT interest earned: 2.6x; total int. cov.: 2.4x)

**Pension Assets-12/02** $56.3 mill. **Oblig.** $79.6 mill.

**Pfd Stock** $3.5 mill. **Pfd Div'd** $.15 mill.
139,000 shares, 4.4% cumulative ($25 par).

**Common Stock** 15,182,046 shs.
**as of 5/5/03**
**MARKET CAP: $450 million (Small Cap)**

| CURRENT POSITION ($MILL.) | 2001 | 2002 | 3/31/03 |
|---|---|---|---|
| Cash Assets | 1.0 | 1.1 | 1.7 |
| Other | 39.4 | 41.9 | 36.6 |
| Current Assets | 40.4 | 43.0 | 38.3 |
| Accts Payable | 24.0 | 23.7 | 23.0 |
| Debt Due | 26.6 | 24.8 | 31.6 |
| Other | 28.4 | 43.0 | 34.2 |
| Current Liab. | 79.0 | 91.5 | 88.8 |
| Fix. Chg. Cov. | 214% | 250% | 242% |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '00-'02 to '06-'08 |
|---|---|---|---|
| Revenues | 4.0% | 3.0% | *2.5%* |
| "Cash Flow" | 2.5% | -.5% | *6.5%* |
| Earnings | -- | -5.0% | *9.0%* |
| Dividends | 2.0% | 1.5% | *1.0%* |
| Book Value | 2.5% | 1.0% | *7.0%* |

| Cal-endar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2000 | 46.6 | 66.0 | 76.6 | 55.6 | 244.8 |
| 2001 | 47.0 | 67.0 | 76.3 | 56.5 | 246.8 |
| 2002 | 51.7 | 69.2 | 81.4 | 60.9 | 263.2 |
| 2003 | 51.3 | 68.0 | *82.0* | *63.7* | *265* |
| 2004 | *55.0* | *73.0* | *85.0* | *67.0* | *280* |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2000 | .09 | .40 | .60 | .22 | 1.31 |
| 2001 | .01 | .34 | .39 | .20 | .94 |
| 2002 | .12 | .43 | .50 | .20 | 1.25 |
| 2003 | d.05 | .30 | *.60* | *.25* | *1.10* |
| 2004 | *.15* | *.40* | *.62* | *.28* | *1.45* |

| Cal-endar | QUARTERLY DIVIDENDS PAID B ■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 1999 | .272 | .271 | .271 | .271 | 1.09 |
| 2000 | .275 | .275 | .275 | .275 | 1.10 |
| 2001 | .279 | .279 | .279 | .279 | 1.12 |
| 2002 | .28 | .28 | .28 | .28 | 1.12 |
| 2003 | .281 | .281 | | | |

**BUSINESS:** California Water Service Group provides regulated and nonregulated water service to over 2 million people (461,200 customers) in 98 communities in California, Washington, and New Mexico. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Dominguez Services Corp. (5/00); Rio Grande Corp. (11/00). Revenue breakdown, '02: residential, 70%; business, 18%; public authorities, 5%; industrial, 4%; other, 3%. '02 reported deprec. rate: 2.1%. Has about 800 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson. Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwater.com.

**California Water's second-quarter results were weak.** Year-over-year share net fell 30%, to $0.30, due mainly to continued delays in receiving rate relief from the California Public Utilities Commission (CPUC). The company is still awaiting a decision on 15 rate cases filed in July 2001 that ought to add at least $12.8 million to revenues. Also, cool and wet weather led to lower water usage. Indeed, water sales to existing customers declined $4.5 million. This was partially offset, however, by $1.4 million in sales to new customers and $1.9 million in rate increases. Meanwhile, production costs decreased $1 million because of lower water usage.

**The company's results should get better in the second half of 2003.** The top line ought to benefit from recent rate decisions for $2.8 million and $1.8 million that are to be collected through June 2004 and June 2005, respectively. CWT plans to submit the third of three filings for the recovery of costs associated with a new treatment plant in the September quarter, and may receive a decision this year. But if it does not, cost containment should help buoy the bottom line.

**California Water ought to generate solid share-earnings advances over the coming 3 to 5 years.** Ongoing delays at the CPUC will probably continue to plague the company's revenues, but there have been some recent changes to the makeup of the commission. As a result, we expect rate relief to gradually improve for the water utility. Moreover, regular rate increases and steady population growth should help sustain solid revenue momentum. The company recently completed its acquisition of Ka'anapali Water, which is a Hawaii-based, 500-customer utility. We believe that California Water will continue to make small out-of-state purchases like this in an effort to achieve cost synergies and diversify its regulatory environment.

**These shares are an untimely selection for investment over the coming 12 months,** due to unfavorable price and earnings trends. Although the stock has an above-average Safety rank (2) and appealing dividend-growth prospects, its total-return potential out to 2006–2008 is negligible.

*Joseph Espaillat* *August 1, 2003*

(A) Basic EPS. Excl. nonrecurring gain (loss): '87, 39¢; '00, (7¢); '01, 4¢; Q2'02, 8¢. Next earnings report due late Oct.

(B) Dividends historically paid in mid-Feb., May, Aug., Nov. ■ Div'd reinvestment plan available.

(C) Incl. deferred charges. In '02: $31.4 mill., $2.07/sh.

(D) In millions, adjusted for split.

| | |
|---|---|
| Company's Financial Strength | B++ |
| Stock's Price Stability | 95 |
| Price Growth Persistence | 55 |
| Earnings Predictability | 70 |

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# PHILA. SUBURBAN NYSE-PSC

RECENT PRICE **23.67** | P/E RATIO **23.7** (Trailing: 25.7; Median: 18.0) | RELATIVE P/E RATIO **1.36** | DIV'D YLD **2.5%** | VALUE LINE **1423**

TIMELINESS **3** Lowered 2/1/02
SAFETY **3** Lowered 8/1/03
TECHNICAL **3** Lowered 7/18/03
BETA .70 (1.00 = Market)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 5.3 | 6.6 | 6.3 | 6.9 | 9.5 | 14.2 | 19.2 | 19.2 | 20.0 | 24.6 | 25.0 | 25.1 |
| Low: | 4.4 | 5.0 | 5.5 | 5.6 | 6.6 | 7.3 | 12.1 | 12.6 | 10.6 | 15.7 | 16.0 | 19.7 |

**2006-08 PROJECTIONS**

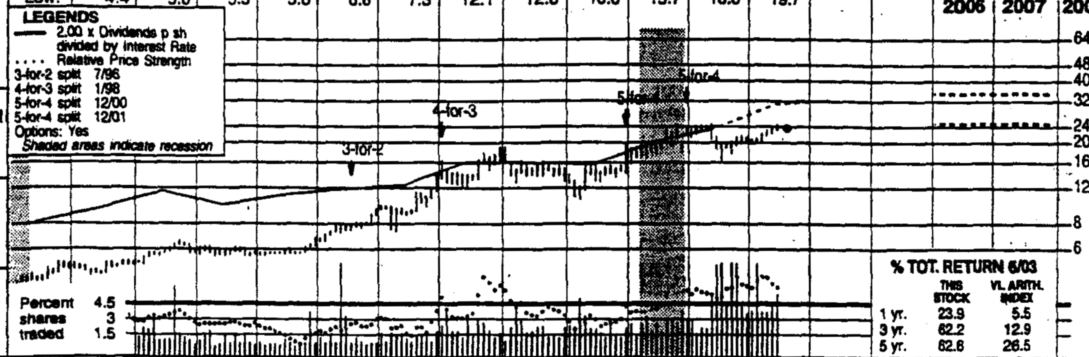
| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 35 | (+50%) | 12% |
| Low | 25 | (+5%) | 4% |

**Insider Decisions**

| | S | O | N | D | J | F | M | A | M |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 |
| to Sell | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |

**Institutional Decisions**

| | 3Q2002 | 4Q2002 | 1Q2003 |
|---|---|---|---|
| to Buy | 99 | 78 | 85 |
| to Sell | 37 | 55 | 55 |
| Hld's(000) | 24196 | 23378 | 23158 |




**% TOT. RETURN 6/03**

| | THIS STOCK | VL ARITH. INDEX |
|---|---|---|
| 1 yr. | 23.9 | 5.5 |
| 3 yr. | 62.2 | 12.9 |
| 5 yr. | 62.6 | 26.5 |

| 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | © VALUE LINE PUB., INC. | 06-08 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 4.60 | 5.57 | 5.67 | 3.37 | 3.57 | 3.04 | 2.84 | 3.03 | 3.06 | 3.11 | 3.36 | 3.49 | 4.02 | 4.11 | 4.49 | 4.74 | *5.00* | *5.20* | Revenues per sh | *6.00* |
| .75 | .83 | .81 | .72 | .74 | .65 | .70 | .70 | .78 | .84 | .93 | 1.02 | 1.20 | 1.26 | 1.44 | 1.57 | *1.75* | *1.90* | "Cash Flow" per sh | *2.45* |
| .36 | .37 | .34 | .41 | .41 | .39 | .41 | .43 | .49 | .50 | .57 | .66 | .70 | .78 | .85 | .90 | *1.00* | *1.10* | Earnings per sh A | *1.45* |
| .30 | .30 | .30 | .32 | .32 | .33 | .34 | .35 | .36 | .38 | .40 | .43 | .45 | .47 | .50 | .54 | *.57* | *.60* | Div'd Decl'd per sh B ■ | *.70* |
| .92 | 1.10 | 1.44 | 1.26 | .90 | 1.00 | .78 | .76 | .87 | .80 | .96 | 1.36 | 1.50 | 1.93 | 1.81 | 2.00 | *2.20* | *2.35* | Cap'l Spending per sh | *2.85* |
| 3.52 | 3.60 | 3.65 | 3.50 | 3.45 | 3.48 | 3.81 | 4.01 | 4.10 | 4.48 | 4.73 | 5.34 | 5.71 | 6.42 | 6.91 | 7.26 | *7.55* | *8.00* | Book Value per sh | *9.90* |
| 22.59 | 22.62 | 23.56 | 24.39 | 24.85 | 30.72 | 35.64 | 35.87 | 38.25 | 39.45 | 40.48 | 43.32 | 64.08 | 67.10 | 68.39 | 67.92 | *69.00* | *70.50* | Common Shs Outst'g C | *75.00* |
| 14.0 | 12.3 | 12.9 | 10.2 | 10.8 | 12.5 | 14.4 | 13.5 | 12.0 | 15.6 | 17.8 | 22.5 | 21.2 | 18.2 | 23.6 | 23.6 | *Bold figures are* | | Avg Ann'l P/E Ratio | *21.0* |
| .94 | 1.02 | .98 | .76 | .69 | .76 | .85 | .89 | .80 | .98 | 1.03 | 1.17 | 1.21 | 1.18 | 1.21 | 1.29 | *Value Line* | | Relative P/E Ratio | *1.40* |
| 6.0% | 5.5% | 6.9% | 7.7% | 7.2% | 6.8% | 5.9% | 6.0% | 6.2% | 4.9% | 3.9% | 2.9% | 3.0% | 3.3% | 2.5% | 2.5% | *estimates* | | Avg Ann'l Div'd Yield | *2.3%* |

**CAPITAL STRUCTURE as of 3/31/03**
Total Debt $741.9 mill. Due in 5 Yrs $260.0 mill.
LT Debt $580.8 mill. LT Interest $35.0 mill.
(Total interest coverage: 3.5x)

Pension Assets-12/02 $94.4 mill. Oblig. $131.1 mill.
Pfd Stock $.2 mill. Pfd Div'd $.1 mill.

Common Stock 68,097,741 shares as of 4/29/03

**MARKET CAP: $1.6 billion (Mid Cap)**

| 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | © VALUE LINE PUB., INC. | 06-08 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 101.2 | 108.6 | 117.0 | 122.5 | 136.2 | 151.0 | 257.3 | 275.5 | 307.3 | 322.0 | *345* | *365* | Revenues ($mill) | *450* |
| 14.7 | 15.6 | 19.0 | 19.8 | 23.2 | 28.8 | 45.0 | 50.7 | 58.5 | 62.7 | *70.0* | *77.5* | Net Profit ($mill) | *110* |
| 41.5% | 42.5% | 40.4% | 41.4% | 40.6% | 40.5% | 38.4% | 38.9% | 39.3% | 38.5% | *39.5%* | *39.5%* | Income Tax Rate | *39.5%* |
| 5.5% | .8% | 1.6% | -- | -- | -- | 1.5% | 4.2% | -- | -- | *Nil* | *1.0%* | AFUDC % to Net Profit | *2.0%* |
| 49.9% | 50.2% | 51.9% | 54.1% | 54.4% | 52.7% | 52.9% | 52.0% | 52.2% | 54.2% | *54.0%* | *55.0%* | Long-Term Debt Ratio | *52.0%* |
| 46.7% | 47.4% | 46.4% | 44.0% | 44.8% | 46.6% | 46.7% | 47.8% | 47.7% | 45.8% | *46.0%* | *45.0%* | Common Equity Ratio | *48.0%* |
| 291.2 | 303.1 | 338.0 | 401.7 | 427.2 | 496.6 | 782.7 | 901.1 | 990.4 | 1076.2 | *1160* | *1250* | Total Capital ($mill) | *1550* |
| 366.2 | 385.7 | 436.9 | 502.9 | 534.5 | 609.8 | 1135.4 | 1251.4 | 1368.1 | 1490.8 | *1600* | *1720* | Net Plant ($mill) | *2100* |
| 7.1% | 7.0% | 7.7% | 6.8% | 7.4% | 7.6% | 7.6% | 7.4% | 7.8% | 7.6% | *7.5%* | *8.0%* | Return on Total Cap'l | *9.0%* |
| 10.1% | 10.4% | 11.7% | 10.7% | 11.9% | 12.3% | 12.2% | 11.7% | 12.3% | 12.7% | *13.0%* | *14.0%* | Return on Shr. Equity | *15.0%* |
| 10.2% | 10.3% | 11.7% | 11.2% | 12.0% | 12.4% | 12.3% | 11.7% | 12.4% | 12.7% | *13.0%* | *14.0%* | Return on Com Equity | *15.0%* |
| 1.6% | 2.1% | 3.5% | 2.8% | 3.6% | 4.5% | 4.3% | 4.7% | 5.1% | 5.2% | *6.0%* | *6.5%* | Retained to Com Eq D | *8.0%* |
| 85% | 81% | 71% | 75% | 70% | 64% | 65% | 60% | 59% | 59% | *56%* | *55%* | All Div'ds to Net Prof | *46%* |

| CURRENT POSITION ($MILL.) | 2001 | 2002 | 3/31/03 |
|---|---|---|---|
| Cash Assets | 20.8 | 49.7 | 49.7 |
| Receivables | 56.3 | 57.7 | 56.7 |
| Inventory (AvgCst) | 4.4 | 4.6 | 5.1 |
| Other | 8.1 | 2.7 | 2.3 |
| Current Assets | 89.6 | 114.7 | 113.8 |
| Accts Payable | 27.7 | 31.1 | 17.7 |
| Debt Due | 124.6 | 149.4 | 161.1 |
| Other | 50.3 | 46.0 | 49.1 |
| Current Liab. | 202.6 | 226.5 | 227.9 |
| Fix. Chg. Cov. | 335% | 347% | 340% |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '00-'02 to '06-'08 |
|---|---|---|---|
| Revenues | 3.0% | 7.0% | *5.0%* |
| "Cash Flow" | 7.5% | 11.0% | *9.5%* |
| Earnings | 7.5% | 10.0% | *10.0%* |
| Dividends | 4.5% | 6.0% | *5.5%* |
| Book Value | 7.0% | 9.0% | *6.5%* |

| Calendar | QUARTERLY REVENUES ($ mill.) Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2000 | 64.5 | 68.5 | 73.3 | 69.2 | 275.5 |
| 2001 | 70.2 | 77.3 | 84.7 | 75.1 | 307.3 |
| 2002 | 71.7 | 76.6 | 91.9 | 81.8 | 322.0 |
| 2003 | 80.5 | *84.5* | *95.0* | *85.0* | *345* |
| 2004 | *83.0* | *90.0* | *101* | *91.0* | *365* |

| Calendar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2000 | .16 | .19 | .24 | .19 | .78 |
| 2001 | .17 | .22 | .28 | .18 | .85 |
| 2002 | .17 | .20 | .31 | .22 | .90 |
| 2003 | .19 | *.23* | *.33* | *.25* | *1.00* |
| 2004 | *.22* | *.25* | *.35* | *.28* | *1.10* |

| Calendar | QUARTERLY DIVIDENDS PAID B ■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 1999 | .109 | .109 | .115 | .115 | .45 |
| 2000 | .115 | .115 | .115 | .124 | .47 |
| 2001 | .124 | .124 | .124 | .132 | .50 |
| 2002 | .132 | .132 | .132 | .14 | .54 |
| 2003 | .14 | .14 | | | |

**BUSINESS:** Philadelphia Suburban Corp., parent of Philadelphia Suburban Water Co. (PSWC), a regulated utility, provides water to approximately 2.0 million residents in Pennsylvania, Ohio, New Jersey, Illinois, Maine and North Carolina. Sold three of four non-water businesses in '91; sold telemarketing group in '93. Acquired Consumers Water 4/99. Water supply revenues '02: residential, 61%; commercial, 17%; industrial & other, 22%. Has about 970 employees, 21,600 stockholders. Officers and directors own 1.6% of the common stock (4/03 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-527-8000. Internet: www.suburbanwater.com.

**Philadelphia Suburban Corp. has generated solid operating results thus far in 2003.** This is attributable, in part, to the many growth ventures (i.e., new contracts and acquisitions) conducted over the past year. And thanks to substantial rainfall late in 2002 and early this year, the company has been well positioned to meet the heavy demand during the summer months in its core Pennsylvania service territory. (Last year, consumption here was held back by drought restrictions.) Finally, earnings are being boosted by higher water rates in Pennsylvania, New Jersey, and Ohio. All things considered, we believe that Philadelphia Suburban's bottom line will advance in the 10% range this year.

**The company remains an active participant in the ongoing consolidation in the water-service industry.** The costs required for compliance with current quality standards for drinking water have risen to the point where a number of the many small water suppliers in the United States have been struggling financially. This has resulted in a buyer's market in which a well-capitalized company (such as Philadelphia Suburban) can enlarge its customer base at relatively low cost. The latest additions to its portfolio are Village of Grant Park water system, serving roughly 1,500 residents in Kankakee County, Illinois, and Deep Well Terrace water system, serving around 150 customers in Burlington County, New Jersey. (Note that future acquisitions are excluded from our figures because of timing issues and other uncertainties associated with that strategy.)

**Philadelphia Suburban shares are ranked to perform only in line with the market for the coming year.** That's based on recent price and earnings momentum. And though we project solid bottom-line advances out to 2006-2008 (aided by rate increases and productivity enhancements), total-return potential at the current quotation is moderate, assuming 5% to 6% average annual dividend growth during that time. These shares possess some positive attributes, though, including a high mark for Price Growth Persistence and a good Price Stability rating.

*Frederick L. Harris, III* *August 1, 2003*

(A) Primary shares outstanding through '96; diluted thereafter. Excl. nonrec. gains (losses): '90, (47¢); '91, (43¢); '92, (47¢); '99, (14¢); '00, 3¢; '01, 2¢; '02, 6¢. Excl. gain from disc. operations: '96, 3¢. Next earnings report due late Oct. (B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available. (C) In millions, adjusted for stock splits. (D) Return on common equity allowed by PA PUC in '91 rate adjustment: 12.0%. Return on avg. common equity in '02, 13.9%.

| | |
|---|---|
| Company's Financial Strength | B+ |
| Stock's Price Stability | 85 |
| Price Growth Persistence | 90 |
| Earnings Predictability | 100 |

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# CONN. WATER SERVICES NDQ-CTWS

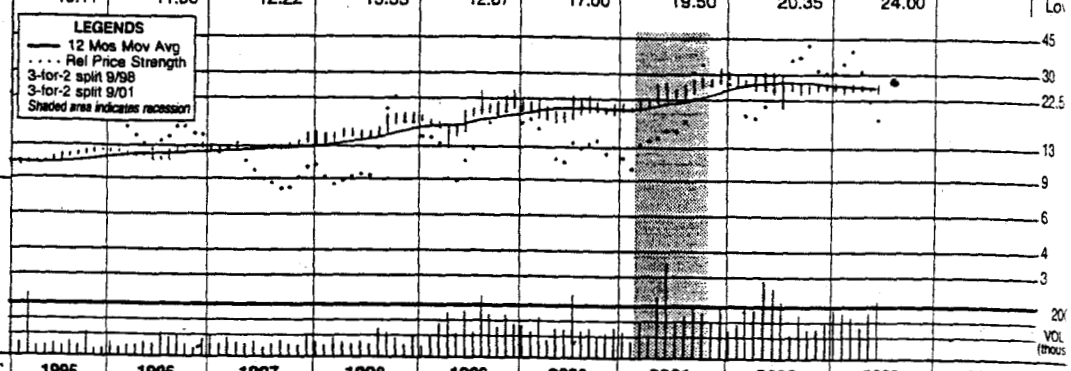
| RECENT PRICE | TRAILING P/E RATIO | RELATIVE P/E RATIO | DIV'D YLD | VALUE LINE |
|---|---|---|---|---|
| 27.68 | 23.3 | 1.29 | 3.0% | 4713 |

**RANKS**

| | | |
|---|---|---|
| PERFORMANCE | 3 | Average |
| Technical | 3 | Average |
| SAFETY | 3 | Average |
| BETA .60 | (1.00 = Market) | |

| | |
|---|---|
| Financial Strength | B++ |
| Price Stability | 85 |
| Price Growth Persistence | 50 |
| Earnings Predictability | 95 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 12.56 | 13.56 | 15.11 | 19.00 | 24.67 | 23.50 | 32.21 | 31.09 | 28.80 |
| 10.11 | 11.00 | 12.22 | 13.33 | 12.67 | 17.00 | 19.50 | 20.35 | 24.00 |




| © VALUE LINE PUBLISHING, INC. | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004/2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| SALES PER SH | 5.88 | 5.69 | 5.67 | 5.58 | 5.87 | 5.70 | 5.93 | 5.77 | -- | |
| "CASH FLOW" PER SH | 1.42 | 1.46 | 1.51 | 1.59 | 1.65 | 1.73 | 1.78 | 1.78 | -- | |
| EARNINGS PER SH | .96 | .97 | 1.00 | 1.02 | 1.03 | 1.09 | 1.13 | 1.12 | NA | NA/NA |
| DIV'DS DECL'D PER SH | .75 | .76 | .77 | .78 | .79 | .79 | .80 | .81 | -- | |
| CAP'L SPENDING PER SH | 1.38 | 1.62 | 1.99 | 1.12 | 1.42 | 1.43 | 1.86 | 1.98 | -- | |
| BOOK VALUE PER SH | 7.74 | 8.03 | 8.26 | 8.52 | 8.61 | 8.92 | 9.25 | 10.06 | -- | |
| COMMON SHS OUTST'G (MILL) | 6.69 | 6.78 | 6.79 | 6.80 | 7.26 | 7.28 | 7.65 | 7.94 | -- | |
| AVG ANN'L P/E RATIO | 11.7 | 12.5 | 12.9 | 15.5 | 18.2 | 18.2 | 21.5 | 24.3 | NA | NA/NA |
| RELATIVE P/E RATIO | .78 | .78 | .74 | .81 | 1.04 | 1.18 | 1.10 | 1.33 | -- | |
| AVG ANN'L DIV'D YIELD | 6.6% | 6.2% | 6.0% | 4.9% | 4.2% | 4.0% | 3.3% | 3.0% | -- | |
| SALES ($MILL) | 39.4 | 38.6 | 38.5 | 37.9 | 42.6 | 41.5 | 45.4 | 45.8 | -- | Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios. |
| OPERATING MARGIN | 60.8% | 44.9% | 45.5% | 46.2% | 48.7% | 48.8% | 56.1% | 57.7% | -- | |
| DEPRECIATION ($MILL) | 3.2 | 3.3 | 3.5 | 3.9 | 4.5 | 4.7 | 5.0 | 5.4 | -- | |
| NET PROFIT ($MILL) | 6.4 | 6.6 | 6.8 | 7.0 | 7.5 | 8.0 | 8.7 | 8.8 | -- | |
| INCOME TAX RATE | 43.8% | 37.0% | 35.1% | 34.3% | 40.1% | 35.7% | 36.1% | 33.8% | -- | |
| NET PROFIT MARGIN | 16.2% | 17.1% | 17.7% | 18.4% | 17.6% | 19.2% | 19.1% | 19.2% | -- | |
| WORKING CAP'L ($MILL) | d4.7 | d7.9 | d10.4 | d3.7 | d3.8 | .3 | d3.3 | d5.1 | -- | |
| LONG-TERM DEBT ($MILL) | 54.5 | 54.4 | 54.5 | 62.5 | 65.4 | 64.7 | 64.0 | 64.8 | -- | |
| SHR. EQUITY ($MILL) | 52.6 | 55.2 | 56.8 | 58.7 | 63.3 | 65.7 | 71.6 | 80.7 | -- | |
| RETURN ON TOTAL CAP'L | 7.8% | 7.6% | 7.7% | 7.3% | 7.4% | 7.6% | 7.9% | 7.4% | -- | |
| RETURN ON SHR. EQUITY | 12.1% | 12.0% | 12.0% | 11.9% | 11.8% | 12.1% | 12.1% | 10.9% | -- | |
| RETAINED TO COM EQ | 2.7% | 2.7% | 2.8% | 2.8% | 3.1% | 3.2% | 3.6% | 3.1% | -- | |
| ALL DIV'DS TO NET PROF | 78% | 78% | 77% | 76% | 74% | 74% | 71% | 72% | -- | |

**Note: No analyst estimates available.**

**ANNUAL RATES**

| of change (per share) | 5 Yrs. | 1 Yr. |
|---|---|---|
| Sales | -- | -2.5% |
| "Cash Flow" | 4.0% | -0.5% |
| Earnings | 2.5% | -1.0% |
| Dividends | 1.0% | 1.0% |
| Book Value | 3.5% | 8.5% |

| Fiscal Year | QUARTERLY SALES ($mill.) 1Q | 2Q | 3Q | 4Q | Full Year |
|---|---|---|---|---|---|
| 12/31/00 | 9.7 | 10.2 | 11.5 | 10.1 | 41.5 |
| 12/31/01 | 10.2 | 11.0 | 13.5 | 10.7 | 45.4 |
| 12/31/02 | 10.3 | 10.7 | 13.8 | 11.0 | 45.8 |
| 12/31/03 | 10.9 | | | | |

| Fiscal Year | EARNINGS PER SHARE 1Q | 2Q | 3Q | 4Q | Full Year |
|---|---|---|---|---|---|
| 12/31/99 | .21 | .25 | .37 | .20 | 1.03 |
| 12/31/00 | .22 | .25 | .37 | .25 | 1.09 |
| 12/31/01 | .30 | .25 | .38 | .20 | 1.13 |
| 12/31/02 | .19 | .24 | .50 | .19 | 1.12 |
| 12/31/03 | .26 | | | | |

| Cal-endar | QUARTERLY DIVIDENDS PAID 1Q | 2Q | 3Q | 4Q | Full Year |
|---|---|---|---|---|---|
| 2000 | .198 | .198 | .20 | .20 | .80 |
| 2001 | .20 | .20 | .202 | .202 | .80 |
| 2002 | .202 | .202 | .205 | .205 | .81 |
| 2003 | .205 | .205 | | | |

**INSTITUTIONAL DECISIONS**

| | 3Q'02 | 4Q'02 | 1Q'03 |
|---|---|---|---|
| to Buy | 14 | 19 | 13 |
| to Sell | 12 | 7 | 12 |
| Hld's(000) | 1147 | 1189 | 1157 |

| ASSETS ($mill.) | 2001 | 2002 | 3/31/03 |
|---|---|---|---|
| Cash Assets | .1 | .5 | .9 |
| Receivables | 8.2 | 8.8 | 8.6 |
| Inventory (Avg cost) | .9 | 1.0 | 1.0 |
| Other | .2 | .1 | 1.4 |
| Current Assets | 9.4 | 10.4 | 11.9 |
| Property, Plant & Equip, at cost | 283.7 | 321.5 | -- |
| Accum Depreciation | 78.0 | 88.8 | -- |
| Net Property | 205.7 | 232.7 | 231.8 |
| Other | 16.6 | 21.7 | 21.6 |
| Total Assets | 231.7 | 264.8 | 265.3 |
| **LIABILITIES ($mill.)** | | | |
| Accts Payable | 6.1 | 6.5 | 3.7 |
| Debt Due | 4.0 | 7.2 | 10.9 |
| Other | 2.6 | 1.8 | .3 |
| Current Liab | 12.7 | 15.5 | 14.9 |

**LONG-TERM DEBT AND EQUITY as of 3/31/03**

Total Debt $75.6 mill. Due in 5 Yrs. NA
LT Debt $64.7 mill.
Including Cap. Leases NA
(44% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability None in '02 vs. None in '01

Pfd Stock $.8 mill. Pfd Div'd Paid NMF
(1% of Cap'l)

Common Stock 7,947,093 shares
(55% of Cap'l)

**INDUSTRY: Water Utility**

**BUSINESS:** Connecticut Water Services, Inc. acts as the parent company of The Connecticut Water Co. and other subsidiaries, which supply water for residential, commercial, industrial, and municipal purposes in Connecticut. Sales and distributions are affected by seasonal weather fluctuations throughout the year. Profitability is dependent on numerous factors, such as the quantity of rainfall and temperature in a given period of time, industrial demand, prevailing rates of interest for short-term and long-term borrowings, energy rates, and compliance with environmental and water-quality regulations. Connecticut Water owns and operates 10 water filtration treatment plants, including the Guilford Well, Rockville, Westbrook Well, MacKenzie, Hunt Well Field, Stafford Springs, and Reynolds Bridge. Has 191 employees. Chairman, C.E.O. & President: Marshall T. Chiaraluce. Inc.: CT. Address: 93 West Main Street, Clinton, CT 06413. Tel.: 860 669-8636. Internet: http://www.ctwater.com.

A.Z.

*August 1, 2003*

**TOTAL SHAREHOLDER RETURN**

*Dividends plus appreciation as of 6/30/2003*

| 3 Mos. | 6 Mos. | 1 Yr. | 3 Yrs. | 5 Yrs. |
|---|---|---|---|---|
| -3.06% | 2.83% | -13.57% | 56.64% | 98.26% |

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1/3/02 – 3 for 2

# MIDDLESEX WATER NDQ–MSEX

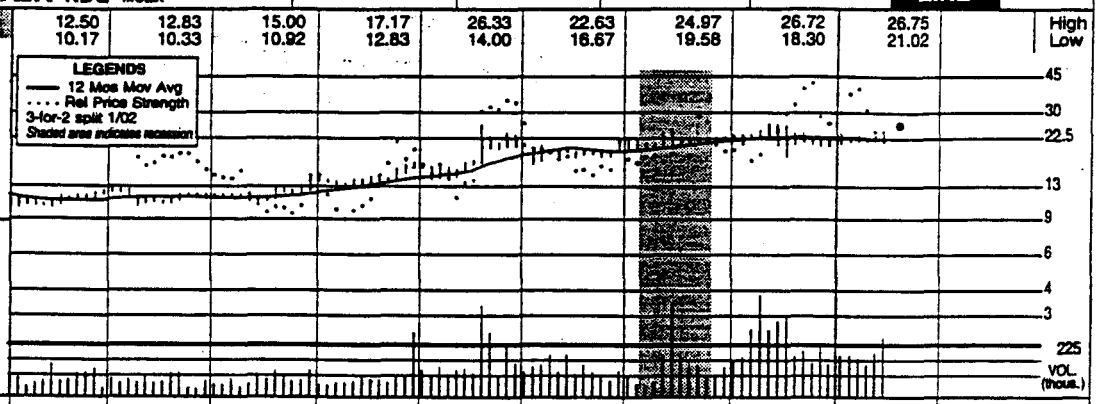
| RECENT PRICE | TRAILING P/E RATIO | RELATIVE P/E RATIO | DIV'D YLD | VALUE LINE |
|---|---|---|---|---|
| 26.05 | 27.1 | 1.50 | 3.3% | 4714 |

**RANKS**

| | | |
|---|---|---|
| PERFORMANCE | 3 | Average |
| Technical | 3 | Average |
| SAFETY | 2 | Above Average |
| BETA .55 | | (1.00 = Market) |

| | |
|---|---|
| Financial Strength | B+ |
| Price Stability | 95 |
| Price Growth Persistence | 45 |
| Earnings Predictability | 70 |

| | | | | | | | | | | High / Low |
|---|---|---|---|---|---|---|---|---|---|---|
| | 12.50 / 10.17 | 12.83 / 10.33 | 15.00 / 10.92 | 17.17 / 12.83 | 26.33 / 14.00 | 22.63 / 16.67 | 24.97 / 19.58 | 26.72 / 18.30 | 26.75 / 21.02 | |




| © VALUE LINE PUBLISHING, INC. | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004/2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| SALES PER SH | 6.08 | 6.03 | 6.29 | 5.85 | 7.13 | 7.18 | 7.82 | 7.97 | – | |
| "CASH FLOW" PER SH | 1.34 | 1.26 | 1.36 | 1.36 | 1.58 | 1.32 | 1.57 | 1.61 | – | |
| EARNINGS PER SH | .91 | .80 | .89 | .94 | 1.01 | .67 | .88 | .97 | *1.03*[A,B] | *1.15*[C]*/NA* |
| DIV'DS DECL'D PER SH | .72 | .74 | .75 | .77 | .79 | .82 | .83 | .85 | – | |
| CAP'L SPENDING PER SH | 1.44 | .98 | 1.60 | 3.57 | 3.10 | 1.76 | 1.67 | 2.12 | – | |
| BOOK VALUE PER SH | 7.65 | 7.80 | 8.00 | 9.06 | 9.27 | 9.31 | 9.48 | 9.85 | – | |
| COMMON SHS OUTST'G (MILL) | 6.23 | 6.31 | 6.40 | 7.36 | 7.50 | 7.59 | 7.63 | 7.77 | – | |
| AVG ANN'L P/E RATIO | 12.2 | 14.4 | 13.4 | 15.2 | 17.6 | 28.7 | 24.6 | 23.5 | *25.3* | *22.7/NA* |
| RELATIVE P/E RATIO | .82 | .90 | .77 | .79 | 1.00 | 1.87 | 1.26 | 1.28 | – | |
| AVG ANN'L DIV'D YIELD | 6.5% | 6.4% | 6.3% | 5.4% | 4.4% | 4.2% | 3.8% | 3.7% | – | |
| SALES ($MILL) | 37.9 | 38.0 | 40.3 | 43.1 | 53.5 | 54.5 | 59.6 | 61.9 | – | *Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.* |
| OPERATING MARGIN | 38.8% | 36.0% | 37.2% | 37.0% | 33.9% | 32.2% | 47.2% | 47.1% | – | |
| DEPRECIATION ($MILL) | 2.8 | 2.9 | 3.1 | 3.8 | 4.3 | 4.9 | 5.3 | 5.0 | – | |
| NET PROFIT ($MILL) | 5.7 | 5.2 | 5.9 | 6.5 | 7.9 | 5.3 | 7.0 | 7.8 | – | |
| INCOME TAX RATE | 34.3% | 32.8% | 34.9% | 31.5% | 28.8% | 33.1% | 34.8% | 33.3% | – | |
| NET PROFIT MARGIN | 15.1% | 13.6% | 14.5% | 15.1% | 14.7% | 9.7% | 11.7% | 12.5% | – | |
| WORKING CAP'L ($MILL) | 4.2 | 2.0 | d2.9 | 14.6 | 6.8 | d2.7 | d.9 | d9.3 | – | |
| LONG-TERM DEBT ($MILL) | 53.0 | 53.0 | 52.9 | 78.0 | 82.3 | 81.1 | 88.1 | 87.5 | – | |
| SHR. EQUITY ($MILL) | 50.3 | 51.9 | 56.2 | 71.7 | 74.6 | 74.7 | 76.4 | 80.6 | – | |
| RETURN ON TOTAL CAP'L | 6.9% | 6.4% | 6.8% | 5.7% | 6.4% | 4.9% | 5.6% | 6.0% | – | |
| RETURN ON SHR. EQUITY | 11.3% | 10.0% | 10.4% | 9.1% | 10.6% | 7.1% | 9.1% | 9.6% | – | |
| RETAINED TO COM EQ | 2.4% | .8% | 1.7% | 1.8% | 2.5% | NMF | .5% | 1.3% | – | |
| ALL DIV'DS TO NET PROF | 80% | 92% | 85% | 81% | 78% | 121% | 94% | 87% | – | |

[A]*No. of analysts changing earn. est. in last 19 days: 0 up, 0 down, consensus 5-year earnings growth 7.0% per year.* [B]*Based upon 2 analysts' estimates.* [C]*Based upon 2 analysts' estimates.*

**ANNUAL RATES**

| *of change (per share)* | 5 Yrs. | 1 Yr. |
|---|---|---|
| Sales | 4.5% | 2.0% |
| "Cash Flow" | 2.5% | 2.0% |
| Earnings | -0.5% | 10.0% |
| Dividends | 2.5% | 2.0% |
| Book Value | 4.0% | 4.0% |

| Fiscal Year | QUARTERLY SALES ($mill.) 1Q | 2Q | 3Q | 4Q | Full Year |
|---|---|---|---|---|---|
| 12/31/00 | 13.0 | 14.1 | 14.4 | 13.0 | 54.5 |
| 12/31/01 | 13.1 | 14.7 | 16.1 | 15.7 | 59.6 |
| 12/31/02 | 14.3 | 15.5 | 17.0 | 15.1 | 61.9 |
| 12/31/03 | 15.0 | | | | |

| Fiscal Year | EARNINGS PER SHARE 1Q | 2Q | 3Q | 4Q | Full Year |
|---|---|---|---|---|---|
| 12/31/99 | .19 | .33 | .36 | .13 | 1.01 |
| 12/31/00 | .12 | .17 | .19 | .19 | .67 |
| 12/31/01 | .11 | .24 | .30 | .23 | .88 |
| 12/31/02 | .16 | .24 | .32 | .25 | .97 |
| 12/31/03 | .15 | .27 | .34 | .27 | |

| Cal-endar | QUARTERLY DIVIDENDS PAID 1Q | 2Q | 3Q | 4Q | Full Year |
|---|---|---|---|---|---|
| 2000 | .203 | .203 | .203 | .207 | .82 |
| 2001 | .207 | .207 | .207 | .21 | .83 |
| 2002 | .21 | .21 | .21 | .215 | .85 |
| 2003 | .215 | .215 | | | |

**INSTITUTIONAL DECISIONS**

| | 3Q'02 | 4Q'02 | 1Q'03 |
|---|---|---|---|
| to Buy | 16 | 17 | 15 |
| to Sell | 13 | 7 | 10 |
| Hld's(000) | 1058 | 1206 | 1216 |

| ASSETS ($mill.) | 2001 | 2002 | 3/31/03 |
|---|---|---|---|
| Cash Assets | 4.5 | 2.9 | 4.9 |
| Receivables | 9.5 | 9.2 | 8.7 |
| Inventory (Avg cost) | 1.0 | 1.2 | 1.3 |
| Other | 10.1 | 7.0 | 6.0 |
| Current Assets | 25.1 | 20.3 | 20.9 |
| Property, Plant & Equip, at cost | 242.7 | 259.3 | -- |
| Accum Depreciation | 43.6 | 47.9 | -- |
| Net Property | 199.1 | 211.4 | 214.0 |
| Other | 12.2 | 12.9 | 13.1 |
| Total Assets | 236.4 | 244.6 | 248.0 |
| **LIABILITIES ($mill.)** | | | |
| Accts Payable | 2.4 | 2.1 | 2.5 |
| Debt Due | 13.6 | 18.3 | 19.1 |
| Other | 10.0 | 9.2 | 10.4 |
| Current Liab | 26.0 | 29.6 | 32.0 |

**LONG-TERM DEBT AND EQUITY as of 3/31/03**

Total Debt $106.6 mill. Due in 5 Yrs. NA
LT Debt $87.5 mill.
Including Cap. Leases NA (52% of Cap'l)
Leases, Uncapitalized Annual rentals NA

Pension Liability $5.3 mill. in '02 vs. $5.3 mill. in '01

Pfd Stock $4.1 mill. Pfd Div'd Paid $.3 mill. (2% of Cap'l)

Common Stock 7,810,409 shares (46% of Cap'l)

**INDUSTRY: Water Utility**

**BUSINESS:** Middlesex Water Company collects, treats, and distributes water for domestic, commercial, industrial, and fire-protection purposes. The company provides water services to retail customers primarily in eastern Middlesex County, NJ, where water services are furnished to approximately 57,000 retail customers, and in Delaware. The retail customers include residential customers, large industrial concerns, and commercial and light industrial facilities. The water utility plant consists of source of supply, pumping, water treatment transmission, distribution, and general facilities. Water is obtained from both surface and groundwater sources. It is also derived from groundwater sources equipped with electric-motor-driven, deep-well, turbine-type pumps. Has 199 employees. C.E.O. & President: Dennis Sullivan. Inc.: NJ. Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: (732) 634-1500. Internet: http://www.middlesexwater.com.

A.Z.

*August 1, 2003*

**TOTAL SHAREHOLDER RETURN**

*Dividends plus appreciation as of 6/30/2003*

| 3 Mos. | 6 Mos. | 1 Yr. | 3 Yrs. | 5 Yrs. |
|---|---|---|---|---|
| 12.51% | 19.78% | -2.58% | 43.05% | 124.75% |

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# SJW CORP. AMEX-SJW

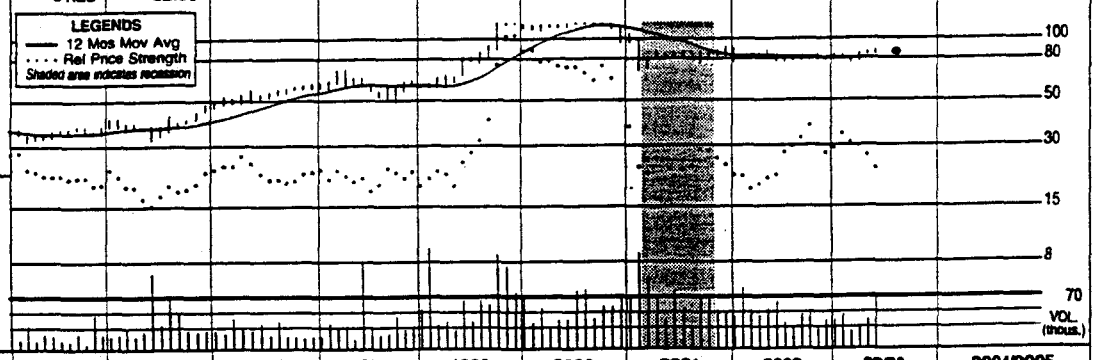
| RECENT PRICE | TRAILING P/E RATIO | RELATIVE P/E RATIO | DIV'D YLD | VALUE LINE |
|---|---|---|---|---|
| 85.53 | 14.7 | 0.81 | 3.4% | 4715 |

**RANKS**

| | | |
|---|---|---|
| PERFORMANCE | 3 | Average |
| Technical | 3 | Average |
| SAFETY | 2 | Above Average |
| BETA .50 | (1.00 = Market) | |

| | |
|---|---|
| Financial Strength | B++ |
| Price Stability | 100 |
| Price Growth Persistence | 65 |
| Earnings Predictability | 65 |

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|---|---|---|
| High | 37.88 | 48.25 | 60.50 | 71.50 | 121.00 | 122.00 | 107.00 | 90.40 | 87.45 |
| Low | 31.25 | 32.00 | 46.00 | 48.50 | 57.25 | 95.00 | 69.50 | 76.00 | 75.40 |




| © VALUE LINE PUBLISHING, INC. | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004/2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| SALES PER SH | 29.96 | 32.36 | 34.72 | 33.47 | 38.42 | 40.44 | 44.69 | 47.83 | -- | |
| "CASH FLOW" PER SH | 5.90 | 8.59 | 7.59 | 7.57 | 8.58 | 7.39 | 8.95 | 9.28 | -- | |
| EARNINGS PER SH | 3.55 | 5.75 | 4.80 | 4.54 | 5.20 | 3.50 | 4.60 | 4.67 | *5.03*[A,B] | *5.30*[C]*/NA* |
| DIV'DS DECL'D PER SH | 2.10 | 2.22 | 2.28 | 2.34 | 2.40 | 2.46 | 2.57 | 2.76 | -- | |
| CAP'L SPENDING PER SH | 5.76 | 6.33 | 7.60 | 10.85 | 10.60 | 11.31 | 15.76 | 12.35 | -- | |
| BOOK VALUE PER SH | 33.48 | 37.86 | 42.12 | 45.19 | 47.25 | 47.40 | 49.05 | 50.41 | -- | |
| COMMON SHS OUTST'G (MILL) | 3.25 | 3.17 | 3.17 | 3.17 | 3.05 | 3.05 | 3.05 | 3.05 | -- | |
| AVG ANN'L P/E RATIO | 9.9 | 6.8 | 11.2 | 13.1 | 15.5 | 33.1 | 18.5 | 17.3 | *17.0* | *16.1/NA* |
| RELATIVE P/E RATIO | .66 | .43 | .65 | .68 | .88 | 2.15 | .95 | .94 | -- | |
| AVG ANN'L DIV'D YIELD | 6.0% | 5.7% | 4.3% | 3.9% | 3.0% | 2.1% | 3.0% | 3.4% | -- | |
| SALES ($MILL.) | 97.4 | 102.6 | 110.1 | 106.0 | 117.0 | 123.2 | 136.1 | 145.7 | -- | *Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.* |
| OPERATING MARGIN | 41.1% | 34.4% | 34.8% | 36.0% | 33.2% | 30.2% | 64.4% | 63.7% | -- | |
| DEPRECIATION ($MILL.) | 7.6 | 8.7 | 8.9 | 9.6 | 10.2 | 11.9 | 13.2 | 14.0 | -- | |
| NET PROFIT ($MILL.) | 11.5 | 18.6 | 15.2 | 14.4 | 15.9 | 10.7 | 14.0 | 14.2 | -- | |
| INCOME TAX RATE | 40.2% | 32.8% | 39.9% | 40.2% | 35.9% | 41.0% | 34.5% | 40.4% | -- | |
| NET PROFIT MARGIN | 11.8% | 18.1% | 13.8% | 13.6% | 13.6% | 8.7% | 10.3% | 9.8% | -- | |
| WORKING CAP'L ($MILL.) | 10.7 | 11.9 | 7.0 | 9.4 | d3.0 | d11.4 | d3.8 | d4.9 | -- | |
| LONG-TERM DEBT ($MILL.) | 76.5 | 75.0 | 75.0 | 90.0 | 90.0 | 90.0 | 110.0 | 110.0 | -- | |
| SHR. EQUITY ($MILL.) | 108.9 | 120.0 | 133.6 | 143.2 | 143.9 | 144.3 | 149.4 | 153.5 | -- | |
| RETURN ON TOTAL CAP'L | 7.5% | 11.0% | 8.7% | 7.4% | 8.2% | 5.9% | 6.7% | 6.9% | -- | |
| RETURN ON SHR. EQUITY | 10.6% | 15.5% | 11.4% | 10.1% | 11.0% | 7.4% | 9.4% | 9.3% | -- | |
| RETAINED TO COM EQ | 4.2% | 9.5% | 6.0% | 4.9% | 5.9% | 2.2% | 4.1% | 3.8% | -- | |
| ALL DIV'DS TO NET PROF | 61% | 39% | 48% | 52% | 46% | 70% | 56% | 59% | -- | |

[A]No. of analysts changing earn. est. in last 19 days: 0 up, 0 down, consensus 5-year earnings growth 4.0% per year. [B]Based upon one analyst's estimate. [C]Based upon one analyst's estimate.

**ANNUAL RATES**

| of change (per share) | 5 Yrs. | 1 Yr. |
|---|---|---|
| Sales | 6.5% | 7.0% |
| "Cash Flow" | 3.0% | 3.5% |
| Earnings | -2.0% | 1.5% |
| Dividends | 3.5% | 7.5% |
| Book Value | 5.5% | 3.0% |

| Fiscal Year | QUARTERLY SALES ($mill.) 1Q | 2Q | 3Q | 4Q | Full Year |
|---|---|---|---|---|---|
| 12/31/00 | 23.6 | 33.1 | 39.2 | 27.3 | 123.2 |
| 12/31/01 | 24.2 | 36.4 | 44.2 | 31.3 | 136.1 |
| 12/31/02 | 27.7 | 38.7 | 46.2 | 33.1 | 145.7 |
| 12/31/03 | 27.8 | | | | |

| Fiscal Year | EARNINGS PER SHARE 1Q | 2Q | 3Q | 4Q | Full Year |
|---|---|---|---|---|---|
| 12/31/99 | .58 | 1.34 | 1.78 | 1.52 | 5.20 |
| 12/31/00 | .44 | .89 | 1.63 | .54 | 3.50 |
| 12/31/01 | .22 | 1.37 | 2.10 | .91 | 4.60 |
| 12/31/02 | .57 | 1.31 | 1.90 | .89 | 4.67 |
| 12/31/03 | 1.73 | *1.37* | *2.00* | *.93* | |

| Cal-endar | QUARTERLY DIVIDENDS PAID 1Q | 2Q | 3Q | 4Q | Full Year |
|---|---|---|---|---|---|
| 2000 | .615 | .615 | .615 | .615 | 2.46 |
| 2001 | .615 | .652 | .652 | .652 | 2.57 |
| 2002 | .69 | .69 | .69 | .69 | 2.76 |
| 2003 | .728 | .728 | | | |

**INSTITUTIONAL DECISIONS**

| | 3Q'02 | 4Q'02 | 1Q'03 |
|---|---|---|---|
| to Buy | 14 | 22 | 19 |
| to Sell | 12 | 8 | 10 |
| Hld's(000) | 616 | 644 | 652 |

| ASSETS ($mill.) | 2001 | 2002 | 3/31/03 |
|---|---|---|---|
| Cash Assets | 5.0 | .3 | 1.8 |
| Receivables | 13.6 | 13.9 | 13.8 |
| Inventory (Avg cost) | .5 | .5 | .0 |
| Other | 1.3 | 4.0 | 6.6 |
| Current Assets | 20.4 | 18.7 | 22.2 |
| Property, Plant & Equip. at cost | 517.5 | 552.4 | -- |
| Accum Depreciation | 149.7 | 161.6 | -- |
| Net Property | 367.8 | 390.8 | 400.6 |
| Other | 42.8 | 43.7 | 47.8 |
| Total Assets | 431.0 | 453.2 | 470.6 |
| **LIABILITIES ($mill.)** | | | |
| Accts Payable | .4 | .4 | 7.0 |
| Debt Due | 11.5 | 11.5 | 7.6 |
| Other | 12.3 | 11.7 | 12.1 |
| Current Liab | 24.2 | 23.6 | 26.7 |

**LONG-TERM DEBT AND EQUITY as of 3/31/03**

Total Debt $117.6 mill. Due in 5 Yrs. NA
LT Debt $110.0 mill.
Including Cap. Leases NA (41% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability None in '02 vs. None in '01

Pfd Stock None Pfd Div'd Paid None

Common Stock 3,045,147 shares (59% of Cap'l)

**INDUSTRY: Water Utility**

**BUSINESS:** SJW Corp. operates as a holding company with two wholly owned subsidiaries: San Jose Water Co. and SJW Land Co. San Jose Water Co. is a public utility in the business of providing water service to a population of approximately 988,000 in an area comprising about 138 square miles in the metropolitan San Jose area. SJW Land Co. owns and operates parking facilities adjacent to the company's headquarters and the San Jose Arena. It also owns commercial buildings in San Jose and a 70% limited partnership interest in 444 West Santa Clara Street, L.P. SJW produces, purifies, and distributes water. The company's water supply is obtained from wells, surface run-off, or diversion and by purchases from the Santa Clara Valley Water District. Has 301 employees. Chairman: Drew Gibson. Inc.: CA. Address: 374 West Santa Clara Street, San Jose, CA 95196. Tel.: 408 279-7800. Internet: http://www.sjwater.com.

A.Z.

*August 1, 2003*

**TOTAL SHAREHOLDER RETURN**

*Dividends plus appreciation as of 6/30/2003*

| 3 Mos. | 6 Mos. | 1 Yr. | 3 Yrs. | 5 Yrs. |
|---|---|---|---|---|
| 12.41% | 11.18% | 8.99% | -21.94% | 67.60% |

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## Publicly Traded Water Companies

## Actual and Projected Returns on Equity*

| | Dec. 31, 2002 | June 30, 2003 | Projected 2004 | Projected 2006 - 08 |
|---|---|---|---|---|
| American States Water | 9.6% | 8.2% | 9.5% | 10.0% |
| California Water Services | 9.6% | 7.2% | 9.0% | 10.5% |
| Connecticut Water Service | 11.6% | 11.4% | -- | -- |
| Middlesex Water | 9.8% | 9.6% | -- | -- |
| Philadelphia Suburban Water | 13.9% | 16.0% | 14.0% | 15.0% |
| SJW Corp. | 9.4% | 9.7% | -- | -- |
| **Averages** | **10.65%** | **10.35%** | **10.83%** | **11.83%** |

| | |
|---|---|
| **Reiker CAPM (basic model)** | **7.7%** |
| **Reiker DCF (basic model)** | **8.5%** |
| **Zepp DCF (updated)** | **10.6% -- 10.8%** |
| **Zepp Risk Premium (updated)** | **10.3% -- 11.2%** |

*Actual returns from C.A. Turner Utility Reports (April 2003 and Sept. 2003). Projected returns from Value Line Investment Services (August 1, 2003). These materials have been reproduced and separately submitted as exhibits.

1463614.1/12001.187

EXHIBIT
A-26
Admitted

**Joel M. Reiker**

**2002 Testimony on Equity Returns**

**Constant Growth DCF Model**

| Company | Date of Filing | Return on Equity |
|---|---|---|
| Litchfield Park Service Co. (Direct) | Feb. 5, 2002 | 8.55% |
| Green Valley Water Co. (Direct) | Feb. 11, 2002 | 8.83% |
| Litchfield Park Service Co. (Surrebuttal) | March 15, 2002 | 8.71% |
| New River Utility Co. (Direct) | March 28, 2002 | 8.7% |
| Green Valley Water Co. (Surrebuttal) | April 1, 2002 | N/A |
| Bella Vista Water Co. (Direct) | April 29, 2002 | 9.12% |
| New River Utility Co. (Surrebuttal) | May 8, 2002 | 9.12% |
| Bella Vista Water Co. (Surrebuttal) | June 18, 2002 | N/A |
| **Average** | | **8.84%** |
| Arizona Water | July 8, 2003 | 8.5% |

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## CAPM Historical Market

## Risk Premimum

| Company | Date of Filing | Return on Equity |
|---|---|---|
| Litchfield Park Service Co. (Direct) | Feb. 5, 2002 | 9.27% |
| Green Valley Water Co. (Direct) | Feb. 11, 2002 | 8.99% |
| Litchfield Park Service Co. (Surrebuttal) | March 18, 2002 | 8.90% |
| New River Utility Co. (Direct) | March 28, 2002 | 8.8% |
| Green Valley Water Co. (Surrebuttal) | April 1, 2002 | N/A |
| Bella Vista Water Co. (Direct) | April 29, 2002 | 9.41% |
| New River Utility Co. (Surrebuttal) | May 8, 2002 | 9.41% |
| Bella Vista Water Co. (Surrebuttal) | June 18, 2002 | N/A |
| **Average** | | **9.13%** |
| Arizona Water | July 8, 2003 | 7.7% |

1463616.1/12001.187

# Alternative Rates

**AWWA MANUAL M34**

*First Edition*

FOUNDED
1881

American Water Works Association

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A-28
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*Chapter* 3

# Lifeline Rates and Low-Income Discounts

## INTRODUCTION

Lifeline rates and low-income discounts are rate alternatives designed to provide a minimal or essential volume of water service at a reduced cost to those residential customers who, due to their income level, find it difficult to afford water service.

Both lifeline rates and low-income discounts address social welfare concerns. The propriety of a water utility's involvement in this role may be controversial. Some argue that this role is better and more efficiently achieved by governmental agencies specially designed for that function. Others believe that the advancement of accepted governmental policies is an appropriate role for any and all governmental units and investor-owned water utilities that are granted exclusive franchise service rights by the government.

### Determining Rates

A lifeline rate structure provides an initial, below-cost rate for a specified volume of water. The volume of water billed at the lifeline rate is set at a level that represents the perceived minimal sanitary requirements for the residential customers it is intended to benefit. A low-income discount simply provides for a percentage discount from the normal rates. The discount can be applied to some or all of the water bill and can be set to ensure that the average water bill does not exceed a specified percentage of poverty-level income.

### Eligibility

Lifeline rates or low-income discounts should only be offered to customers who meet preestablished income eligibility requirements. In some cases, when lifeline rates were first established, the lower lifeline rate was applied to all customers. The assumption was that low-income customers used less water than other customers,

which may not necessarily be true. As a result, all customers received the benefit of the reduced rates. The subsidy provided by the reduced rates was recovered through higher rates in all other usage blocks. Low-income customers who used more than the established lifeline volume allowance actually payed higher water bills due to the higher cost of the nonlifeline-priced water.

There are three primary considerations that must be addressed in setting lifeline rates or low-income discounts for residential customers.

- What is the appropriate level of water use used to determine the minimum sanitary level?
- Who should be offered the lifeline rates or low-income discounts?
- What amount of discount in the rates is warranted?

**Minimum sanitary level.** The minimum sanitary level of water use is not a single volume for all customers. Utilities that wish to adopt lifeline rates must determine the appropriate level of water use, recognizing that low-income households will consist of varying numbers of occupants resulting in varying minimal water requirements. This can make a lifeline program difficult to administer.

**Participants.** Lifeline rates and low-income discounts should not be offered to all residential customers. Only those customers that meet preestablished income eligibility criteria should be offered these rate alternatives. The determination of an appropriate income level at which to offer the alternative is a local utility decision. The use of the federal poverty level for a family of four can be a reasonable suggested starting point. Since family sizes vary, using a percentage of this measure, for example 150 percent of the federal poverty level for a family of four, may be useful for determining eligibility.

**Determination of discounts.** The determination of the amount of the discount or subsidy to offer is also a subjective decision that must be made at the local level. A determinant that may be considered is the annual household water bill as a percentage of typical household income. The lifeline rates or discount would be set at a level such that the annual water bill would not exceed some percentage of estimated household income.

Lifeline rates might be better administered by collecting family size and household income information. This would allow both income eligibility and the quantity of water provided at lifeline rates to be related to household size.

## Applications

Lifeline rates or low-income discounts may be considered in the following situations:

- The local cost of water service is high relative to other similar water utilities.
- A significant percentage of residential customers are perceived to be unable to afford water service.

Evaluation and study should be performed to make sure that both these conditions exist in sufficient magnitude to justify further consideration of such rates.

The use of lifeline rates and low-income discounts should be discouraged in areas with extreme water shortages and where water use is of concern. This alternative may encourage greater use among the eligible customers and therefore be inconsistent with the need to reduce water consumption. In this case, the benefits to customers whose water costs might be reduced would have to be weighed against water use concerns.

# ADVANTAGES AND DISADVANTAGES

## Financial Sufficiency

Lifeline rates and low-income discounts do not present a major obstacle to revenue stability, though they may be less stable than some other rate alternatives. If the rates are properly developed, the revenues recovered under the lifeline rate or low-income discount should be reasonably stable because consumption has been set for minimum requirements. However, a key consideration is to determine how to recover the subsidies provided by the rate. The subsidy could be recovered only from the residential class. If the revenues recovered under rates for other classes do not include any subsidy for the lifeline or discounted rates, the revenues under the nondiscounted rates will then correspond well to changes in consumption levels or utility operating conditions.

## Equity

Since lifeline rates and low-income discounts involve subsidized rates to certain residential customers, those particular customers do not contribute their relevant share of costs. Ineligible customers generally bear noncost-based price increases to provide the subsidy. If possible, the lifeline rate should be established so that all variable production costs are recovered.

## Impact on Customers

The adoption of this rate alternative results in decreased water bills for those customers eligible for the lifeline rate or the low-income discount. Ineligible customers would encounter increased water bills. The amount of increase to these customers would depend on: (1) the relative number of customers being subsidized through the lifeline or low-income discount rates; (2) the amount of the subsidy that was granted; and (3) the method for recovering the subsidy from other customers or classes. In some cases, the number of eligible customers is relatively small, as is the amount of the subsidy. As a result, the impact on the nonsubsidized customers may be relatively insignificant.

## Simplicity

While the concept and application of this rate alternative is relatively easy for customers to understand, the eligibility criteria may seem confusing.

## Implementation

The implementation of lifeline rates or low-income discounts is particularly complex. This is one of its major problems. While the design of the rates is straightforward, the determination of several key factors is difficult. Those factors include:

- The minimum sanitary requirement to which the rate alternative would apply.
- Income eligibility criteria. The varying number of household inhabitants compounds this problem.
- The level of subsidy to allow. While the US government publishes poverty level statistics, these vary by household size. In any case, the subsidy should be of sufficient magnitude to provide adequate relief to the intended customers.
- The additional cost of administering the program, including personnel to create, implement, and operate the programs, and changes to the billing and collection

system. The cost of administering the program should be evaluated against the cost of the benefits to the targeted customers. If costs exceed benefits, simple direct payments to targeted customers might be an alternative to consider.

Once the rates are determined, the administration of lifeline rates and low-income discounts is made difficult due to the income verification procedures that are necessary. Not only do customer income levels need to be initially determined, but they should be verified periodically to ensure continued eligibility. Local agencies that provide other forms of assistance may be useful in this endeavor.

### Conservation

Lifeline rates and low-income discounts provide no conservation or water reduction incentive to those that receive the subsidy. Since water is sold below cost, the pricing incentive to reduce consumption is lessened. Water use among the subsidized customers could increase, especially during peak periods. The impact on demand should be carefully considered in areas where water supplies are scarce.

Since the impact on those not receiving the lifeline or low-income subsidy is typically minimal, there is little to no conservation impact on these customers.

## HISTORICAL PERSPECTIVE

Lifeline rates for electric utility service were considered by numerous state public service commissions in the early 1980s as one of the requirements of the 1978 Public Utility Regulatory Policy Act (PURPA). As the cost of water increases, lifeline rates are being considered by the water utility industry with greater frequency. These rate structures, however, have been the source of controversy among rate technicians in the electric, gas, and telephone industries. As a result, lifeline rates have not been widely adopted by these utilities.

## EXAMPLE

### Rate Determination

A lifeline rate structure determination is presented below. In this example, it is assumed that 40 gal per capita per day is a minimum sanitary requirement. For a household of four, this results in annual water use of 60,000 gal (5000 gal per month). The utility has also determined that customers with annual incomes at or below $9000 should become eligible for a lifeline water rate and that there are 200 such households in the service area. Because the utility chose a fairly low eligibility level when compared to the federal poverty level, it decided that the annual water bill with minimum sanitary usage should not exceed 1 percent of the annual income or $90 per year.

Under the current water rates, a household using 60,000 gal per year would have an annual water bill of $105.60 based on an annual service charge of $47.40 and a usage charge of $58.20. As shown on Table 3-1, the annual water bill would have to be reduced by $15.60 to achieve the desired annual bill of $90 for eligible low-income customers.

The utility has chosen to affect the entire reduction through the consumption or usage charges, rather than reducing its service charges. As a result, the annual usage charge would have to be reduced from $58.20 per year to $42.60 per year to achieve the annual reduction of $15.60. Table 3-2 shows the lifeline rate of $0.710 for the first 5000 gal per month would result in annual usage charges equal to the goal of $42.60.

Table 3-1 System Characteristics and Assumptions

| | |
|---|---|
| Minimum Sanitary Use | 60,000 gal/year<br>5000 gal/month |
| Eligibility (Income) | ≤$9000 per year |
| Estimated Eligible Customers | 200 |
| Desired Maximum Annual Water Bill: | |
| One percent of eligible income ($9000/year) | $90/year water bill |
| Annual Charge Under Current Rates: | |
| Service charge | $47.40 |
| Water use (5000 gal/month) | 58.20 |
| Total | $105.60 |
| Necessary Reduction to Annual Bill | $15.60 |

Table 3-2 Calculation of Lifeline Rate

| | | | |
|---|---|---|---|
| Current Consumption Charge Revenue | | $58.20 | |
| Required Reduction | | 15.60 | |
| Revised Consumption Charge Revenue | | $42.60 | |
| Calculation of Lifeline Rate: | | | |
| Revenue | | $42.60 | |
| Usage | | 60,000 gal/year | |
| Rate/thous gal | | $0.710 | |
| Calculation of Lifeline Subsidy: | | | |
| Number of eligible accounts | | 200 | |
| Total subsidy | | $3120 | |
| Increase in Other Rates Required | | 0.148% | |
| | Current Rates | Lifeline Rates Eligible* | Lifeline Rates Ineligible |
| First 5000 gal/month | $0.970 | $0.7100 | $0.9714 |
| Next 10,000 gal/month | 0.970 | 0.9714 | 0.9714 |
| Next 1,485,000 gal/month | 0.860 | 0.8613 | 0.8613 |
| Over 1,500,000 gal/month | $0.680 | $0.6810 | $0.6810 |

*Applies only to customers meeting income eligibility requirements.

## Subsidy Required

The next step in the calculation of the lifeline rates is to determine the amount of subsidy that the reduced lifeline rate requires and how all other rates should be adjusted to produce this subsidy. Having determined that 200 households are eligible for the lifeline rates, the utility can calculate the amount of revenues that would be lost under this alternative. It is assumed that all 200 eligible households will use the minimum volume of 5000 gal per month. The annual lost revenues from this subsidy is determined by multiplying 200 by the per account subsidy of $15.60 to derive a total annual subsidy of $3120. To recover this from all other customers will require an across-the-board increase in the nonlifeline rates of 0.148 percent.

Table 3-2 presents the current rates and lifeline rates that result from this calculation. The utility has added an extra initial rate block for the first 5000 gal per

Table 3-3 Impact of Lifeline Rate

| Meter Size *in.* | Monthly Usage *ft*$^3$ | Monthly Usage *thous gal* | Current Cost/ Month* | Cost With Lifeline/ Month* | Increase | Percent Increase |
|---|---|---|---|---|---|---|
| 5/8 | 0 | 0.000 | $3.95 | $3.95 | $0.00 | 0.0 |
| 5/8 | 500 | 3.740 | 7.58 | 7.58 | 0.00 | 0.0 |
| Lifeline | 668 | 5.000 | 8.80 | 7.50 | −1.30 | −14.8 |
| 5/8 | 1000 | 7.480 | 11.21 | 11.22 | 0.01 | 0.1 |
| 5/8 | 3000 | 22.440 | 24.90 | 24.93 | 0.03 | 0.1 |
| 2 | 50,000 | 374.000 | 330.34 | 330.82 | 0.48 | 0.1 |
| 4 | 1,000,000 | 7480.000 | 5383.35 | 5391.26 | 7.91 | 0.1 |
| 8 | 1,500,000 | 11,220.000 | $7951.25 | $7962.91 | $11.66 | 0.1 |

*Includes service charges as follows:

| Meter Size—*in.* | Monthly Charge |
|---|---|
| 5/8 | $3.95 |
| 2 | 7.05 |
| 4 | 25.30 |
| 8 | $50.00 |

month at the calculated lifeline rate. This rate would be available only to customers that met income eligibility requirements. It should be noted that customers eligible for the lifeline rate begin paying the normal or "ineligible" rates after their usage exceeds the minimum use of 5000 gal per month. All customers ineligible for the lifeline rate pay the same rate for the first two rate blocks.

Table 3-3 presents the impact of the lifeline example presented above. As stated earlier, the impact on noneligible customers is typically minimal, but depends on numerous factors.

The example allocated the lifeline rate subsidy to all other customers. It is preferable to allocate the subsidy only to the residential class.

## Low-Income Discount

With a low-income discount, the utility's rates or bills are discounted for eligible customers, typically across the board. It is possible to discount only the consumption charges or a portion of the consumption charges (up to 5000 gal per month, for example). As with the lifeline rates, the subsidy provided by the discount would have to be allocated back to the other customers to ensure that the utility recovers its total revenue requirements.

# SUMMARY

Lifeline rates and low-income discounts may be more widely used as the cost of water service grows relative to other goods and services. Since water is considered a necessity, many utilities may decide that arrangements to provide minimal quantities of service to those customers otherwise unable to afford service is a proper utility function. In developing lifeline rates or low-income discounts, utilities should develop rates that ensure that only eligible customers receive the benefits and that the determination of discount amounts and/or use allowances are properly reflected. This will ensure that subsidies provided by this rate alternative do not unfairly burden other customers. The utility must also weigh the benefits received against the cost of administering the program.

Chapter 10

# Marginal-Cost Pricing

## INTRODUCTION

One of the most controversial areas in utility rate design is marginal-cost pricing. In theory, a marginal-cost rate structure is designed to set rates equal to the cost of providing the next increment, or marginal unit(s), of service to the customer.

Under this theory, water rates set at the marginal cost should send the most accurate signal to the customer as to what it costs the utility to provide the additional unit of service. Customers can then make the decision as to what they are willing to consume at the given rate. In other words, and in the classic economic sense, the objective of marginal-cost pricing is to promote the most efficient use of the resource by pricing at the marginal cost of production.

Economists criticize traditional methods of developing rates because cost allocations and rates are based on average or "embedded" utility costs. Traditional rates are designed so that the consumer pays a charge that recovers the average unit cost of providing service. This cost may be above or below a calculated marginal cost.

### Problems

A major problem with marginal-cost pricing for water service is that the theory is very difficult to apply to real world situations. Marginal-cost rates are difficult to define, develop, and implement. The interplay of customer demand and usage characteristics, changes in operating costs, growth patterns, capital requirements, weather conditions, metering and billing, and numerous other factors create major barriers to implementing an effective marginal-cost structure that achieves the objective of promoting the most efficient use of the resource.

It is important to consider the theory behind marginal-cost rates in order to better understand the difficulty of developing and implementing them. In the short term, fixed costs remain constant because utility facilities remain fixed. As a result, as consumption increases, the marginal cost to provide the next unit of service initially decreases. In the long term, however, because the utility is forced to construct

or acquire more expensive supply, treatment, and distribution facilities to meet increased demand, the marginal cost to provide the next unit of service will eventually increase.

If the utility strictly follows marginal-cost theory in establishing rates, a rate-making "catch-22" results. When the marginal-unit cost is decreasing, rates based on marginal costs will be lower than average or embedded-cost rates. As a result, customers will tend to use more water than at the higher average-cost rate and revenues will be less than revenue requirements based on average costs. As demand increases, however, the utility is forced to consider more expensive facilities. Marginal-cost rates will then become higher than average cost rates because they will be based on new, more expensive facilities. The resulting revenues would then also be greater than the utility's revenue requirements based on average costs.

One solution to this dilemma is to adopt modified marginal-cost rates. Under this concept, the utility sets rates based on long-term marginal costs associated with new supply, treatment, distribution, and customer facilities, which are typically more expensive. For example, if a utility is currently using groundwater as its supply, marginal-cost theory might establish rates based on more expensive surface water as the next likely supply source. For treatment costs, the utility might consider the next more expensive plant it must construct in establishing that component of the marginal-cost rates. In this situation, the utility is signaling the customer what it would potentially cost to construct more expensive facilities for service. The customers respond to the pricing increase through their consumption and signal whether the utility should go to the more expensive service facilities.

## Excess Recovery

One significant problem remains because the utility will very likely recover more than its revenue requirements. Overrecovery of the revenue requirement results because rates would have been set on the basis of larger and more expensive plant and supply as compared to the plant and supply actually in service. In many instances, the utility is limited by law to recovering average costs. Overrecovery results because long-term marginal-cost rates will be higher than rates based on average costs. In many cases, the surplus revenue could be substantial. The utility is thus confronted with the problem of reconciliation of the excess revenues generated from these higher marginal-cost rates with its actual revenue requirements based on average costs.

Utilities implementing modified marginal-cost rates can deal with the overrecovery of revenue in different ways. The surplus revenue can be used to offset customer service costs and create a rate structure that is more commodity-based. Under this approach, large-volume customers will be much more adversely affected than smaller-volume customers since service charges typically comprise an insignificant portion of the large-volume customer's bill. Changes in the commodity charges to the large-volume customers will be much more significant. The revenues surplus can also be used to finance future capital improvements and other facilities required to meet increasing demands. Finally, the surplus revenues could be used to fund water conservation and education programs. For investor-owned utilities such overrecovery of the revenue requirement would be regulated by the state public service commission and would not likely be allowed.

### Favorable Conditions

Characteristics that lend themselves to adopting marginal-cost pricing include the following:

- water resources are scarce in the area served;
- water-use reduction is a major objective of the utility or community;
- utility capital improvement programs are more costly than the existing average on embedded costs; and
- rates based on marginal costs would be competitive with adjacent or similar communities.

## ADVANTAGES AND DISADVANTAGES

The modified marginal-cost approach as discussed above is considered in evaluating advantages and disadvantages.

### Financial Sufficiency

Since marginal-cost rates tend to be higher than rates based on average or embedded costs, a revenue surplus would be generated. As a result, one could argue that marginal-cost rates are financially sufficient for the utility. However, high marginal-cost rates could have an unpredictable impact on demand, and therefore create revenue instability. A comprehensive demand model could estimate the degree of demand volatility if marginal-cost rates were implemented. If implemented on a commodity basis, revenue stability could be significantly affected if large-volume customers were to sharply reduce their usage.

### Equity

Since marginal-cost rates are typically much higher than average cost rates, they do not reflect the current cost of service. Modifying the rate structure to offset excess revenue may further diminish equity. Customers would also be paying rates based, in part, on water facilities that have not been constructed nor which the utility has current cost responsibility.

### Impact on Customers

When moving from a traditional rate structure to one based on marginal-cost pricing, there will likely be significant impacts on various classes of customers. Generally, high-volume users will be the most severely impacted. This impact is dependent on how the excess revenues are handled and reconciled with the utility's revenue requirements.

### Simplicity

Marginal-cost pricing structures can be very complex to develop, explain, and understand. The form, however, can be relatively simple in that it might include a customer charge and a single commodity rate for all customers or a separate commodity rate applicable to each customer class.

Marginal-cost pricing structures can be accepted if a community believes an important objective is to promote the most efficient use of a resource as its primary goal.

### Conservation

A major objective of marginal-cost pricing is to ensure efficient use of the utility's facilities and water resources. If a marginal-cost rate is properly designed, it can promote this objective.

## HISTORICAL PERSPECTIVE

Beginning in 1973, during the oil crisis, regulators exhibited increasing interest in marginal-cost pricing as a way to encourage more efficient use of electric energy. This was demonstrated in the *Madison Gas and Electric* case and in a generic marginal-cost pricing case in New York. In later years, the Public Utility Regulatory Policies Act required state commissioners to consider marginal-cost pricing. The overwhelming majority of them rejected it after extensive hearings. Today only two or three state commissions consider marginal-cost studies for electric and gas utilities. Embedded-cost studies are commonly filed with most commissions for gas, electric, and water utilities.

As the cost of providing water service increases, water utilities must also seek ways to discourage nonessential use of the resource. Marginal-cost pricing might provide one mechanism to ensure that more expensive water projects will not be adopted without consumer knowledge of the cost consequences of these projects. This knowledge is communicated by customer demands. As water becomes more scarce, the implementation of marginal-cost pricing rate designs could expand.

## EXAMPLE

A utility is reaching limitations on its current surface water supply and is being forced to consider additional supply alternatives. It appears that the most cost-effective approach is to purchase water from adjacent land areas, convey the water to a treatment plant yet to be built, and distribute the potable water through an expanded transmission system. This proposed supply, treatment, and transmission program will translate into a higher unit cost of service than the cost associated with the existing facilities. Furthermore, once these proposed facilities reach capacity, the next supply alternative is significantly more expensive.

Through public hearings, the community becomes sensitized to the supply limitations of its service area. It recognizes that it is imperative to encourage and promote more efficient use of the resource. The community is aware that, to achieve this objective, it must adopt a rate structure that communicates the cost of the proposed capital program to the customer. The utility decides to adopt marginal-cost rates to achieve this objective.

Assume the following information relevant to the development of marginal-cost rates:

- Marginal cost associated with proposed supply, treatment, and transmission projects = $1,400,000.
- Capacity provided from proposed program = 3.5 mgd.
- Marginal-cost rate = $1,400,000/1,277,500,000 (annual gal), or $1.0959/thous gal.

Some economists argue that a marginal-cost rate alternative should be a uniform marginal rate for all classes. Based on this argument, the marginal-cost rate would be $1.0959/thous gal. As it stands, this uniform marginal-cost rate does not recognize potential cost effects of economies of scale, peak-to-average demand ratio, demand size, and water losses among the customer classes. In the example, it is

Table 10-1 Marginal-Cost Pricing

| Monthly Usage | Current | Proposed Marginal-Cost Rates |
|---|---|---|
| First 15,000 Gal | $0.97 | $1.2749 |
| Next 1,485,000 Gal | $0.86 | $1.1303 |
| Over 1,500,000 Gal | $0.68 | $0.8937 |

Table 10-2 Impact of Marginal Costs

| Meter Size *in.* | Monthly Usage $ft^3$ | Monthly Usage *thous gal* | Current Rates/Month* | Proposed Marginal-Cost Rates/Month | Increase/ (Decrease) | Percent Increase/ (Decrease) |
|---|---|---|---|---|---|---|
| 5/8 | 0 | 0.000 | $3.95 | $2.44 | $(1.51) | (38.2) |
| 5/8 | 500 | 3.740 | 7.56 | 7.21 | (.35) | (4.6) |
| 5/8 | 1000 | 7.480 | 11.21 | 11.98 | .77 | 6.9 |
| 5/8 | 3000 | 22.440 | 24.90 | 29.97 | 5.07 | 20.4 |
| 2 | 50,000 | 374.000 | 330.34 | 429.25 | 98.91 | 29.9 |
| 4 | 1,000,000 | 7480.000 | 5383.35 | 7057.41 | 1674.06 | 31.1 |
| 8 | 1,500,000 | 11,220.000 | $7951.25 | $10,415.26 | $2464.01 | 31.0 |

*Includes monthly service charges as follows:

| Meter Size—*in.* | Current | Proposed |
|---|---|---|
| 5/8 | $3.95 | $2.44 |
| 2 | 7.05 | 4.35 |
| 4 | 25.03 | 15.46 |
| 8 | $50.00 | $30.88 |

assumed that new marginal-cost rates are implemented using the consumption information provided in AWWA Manual M1, Fourth Edition. In order to recognize cost differences caused by various classes of customers, a marginal cost of service is developed for each class of customer and remains in the same relationship as the current average costs and rates. As a result, all customers will have their rates increased by the ratio of the uniform marginal-cost rate, to the current overall cost rate. The current rates are multiplied by the ratio of 1.3143 to derive the marginal-cost rates. All rates could then be raised by 31.43 percent to determine the marginal rate.

Using the marginal-cost rate, surplus revenue of $664,712 will be generated. The utility decides to use half the excess revenue to offset the service charge that is assessed on a per-account basis, and the other half is set aside for future capital improvements.

Since the current service-charge-related costs are $868,900, the current service charge will be reduced by approximately 77 percent. The new service charges and related rate impacts are presented in Table 10-2.

For purposes of comparing rates and impacts in Tables 10-1 and 10-2, marginal-cost rates based upon ratioing the current rates were used.

## SUMMARY

Marginal-cost pricing is based on the economic theory that a consumer should pay for the next increment of cost, or marginal cost, to provide service. Marginal-cost pricing attempts to promote the efficient use of the resource. Rates based on marginal-cost principles may be relevant to areas that have scarce water resources. The development of marginal-cost pricing can be complex and costly.

| | | | | | | |
|---|---|---|---|---|---|---|
| interest rate | | 9% | | | | |
| project life | | 40 | | 9038642 | RR | |
| | | | | 2190849.9 | Gallons | |
| | | | | 15502 | Customers | |
| **Capital Requirements** | | | | | | 0.75 |
| Well | $ | 750,000 | 315,360.00 | Commodity | Monthly | |
| Tank | $ | 500,000 | | 6778981.5 | 2259661 | |
| Mains | $ | 1,584,000 | 0.625222222 | 3.0942245 | 12.14714 | |
| Treatment | | | | | | |
| | $ | 2,834,000 | | | | |
| | | | | Ratio: | 1.21 | |
| Annualized | $ | 263,448 | | | | |
| Incremental customers | | 1,324 | | | | |
| Sales 1,000 gals/customer/yr. | | 148.92 | | | | |
| Incremental annual gals sold (000s) | | 197,170 | | | | |
| Annualized capital/1,000 gals sold | | 1.33614356 | | | | |

**O&M/1000**

| | | |
|---|---|---|
| | $ | 1.91 |
| Treatment/1,000 gals. | $ | 0.50 |
| Total AIC/1,000 gals.: | $ | 3.74 |

EXHIBIT
tabbies
A-29
Admitted

Arizona Water Company - Apache Junction
Docket No. W-01445A-02-0619
Test Year Ended December 31, 2001

Schedule REL-22

**OPERATING INCOME ADJUSTMENT NO. 15 - DEPRECIATION EXPENSE INCL. POST-TEST YEAR PLANT**

| LINE NO. | DESCRIPTION | [A] COMPANY AS FILED | [B] STAFF ADJUSTMENT | [C] STAFF AS ADJUSTED |
|---|---|---|---|---|
| 1 | Depreciation Expense | $ 1,425,605 | $ (212,006) | $ 1,213,599 |
| 2 | CIAC Amortization | - | (145,747) | (145,747) |
| | | $ 1,425,605 | $ (357,753) | $ 1,067,852 |

EXHIBIT
A-30
Admitted

Arizona Water Company - Apache Junction
Docket No. W-01445A-02-0619
Test Year Ended December 31, 2001

Schedule REL-22
**REVISED BY AWC**

**OPERATING INCOME ADJUSTMENT NO. 15 - DEPRECIATION EXPENSE INCL. POST-TEST YEAR PLANT**

| LINE NO. | DESCRIPTION | [A] COMPANY AS FILED | [B] STAFF ADJUSTMENT | [C] STAFF AS ADJUSTED |
|---|---|---|---|---|
| 1 | Depreciation Expense | $ 1,337,604 | $ (129,763) | $ 1,207,841 |
| 2 | Amortization of CAP | 233,588 | (213,470) | 20,118 |
| 3 | CIAC Amortization | (145,587) | (160) | (145,747) (a) |
| | | $ 1,425,605 | $ (343,393) | $ 1,082,212 |

**DETAIL TO LINE 1 ABOVE:**

| | | | | |
|---|---|---|---|---|
| 1 | Depreciation Expense: | | | |
| 2 | 2001 Test Year Level | $ 1,227,593 | $ (33,212) | $ 1,194,381 |
| 3 | 6 Mo Addtl Depr | (2,886) | 2,886 | 0 |
| 4 | Depr PTYPA | 112,897 | (99,437) | 13,460 |
| 5 | **Adjusted Test Year Depreciation** | **1,337,604** | **(129,763)** | **1,207,841** |

(a) - ($6,228,486 @ 2.34%)

Arizona Water Company - Apache Junction
Docket No. W-01445A-02-0619
Test Year Ended December 31, 2001

Schedule REL-7

## RATE BASE ADJUSTMENT NOS. 7, 8, 9 and 10 - ACCUMULATED DEPRECIATION

| LINE NO. | DESCRIPTION | [A] COMPANY AS FILED | [B] STAFF ADJUSTMENTS | [C] STAFF AS ADJUSTED |
|---|---|---|---|---|
| 1 | Accumulated Depreciation, Actual | $ (8,681,694) | $ (35,589) | $ (8,717,283) |
| 2 | Accumulated Depreciation, Post-Test Year Plant | $ (112,897) | $ 96,399 | $ (16,498) |
| 3 | Accumulated Depreciation, Test Year Plant | $ 2,886 | $ (1,307,339) | $ (1,304,453) |
| 4 | Accumulated Depreciation, Retired Plant | $ - | $ 145,982 | $ 145,982 |
| | | **$(8,791,705)** | **$ (1,100,547)** | **$ (9,892,252)** |

EXHIBIT
A-31
Admitted

Arizona Water Company - Apache Junction
Docket No. W-01445A-02-0619
Test Year Ended December 31, 2001

Schedule REL-7
**REVISED**

## RATE BASE ADJUSTMENT NOS. 7, 8, 9 and 10 - ACCUMULATED DEPRECIATION

| LINE NO. | DESCRIPTION | [A] COMPANY AS FILED | [B] STAFF ADJUSTMENTS | [C] STAFF AS ADJUSTED |
|---|---|---|---|---|
| 1 | Accumulated Depreciation, Actual | $ (8,681,694) | $ (22,294) | $ (8,703,988) |
| 2 | Accumulated Depreciation, Post-Test Year Plant | $ (112,897) | $ 99,437 | $ (13,460) |
| 3 | Accumulated Depreciation, Test Year Plant | $ 2,886 | $ (1,307,339) | $ (1,304,453) |
| 4 | Accumulated Depreciation, Retired Plant | $ - | $ 109,650 | $ 109,650 |
| | | **$ (8,791,705)** | **$ (1,120,546)** | **$ (9,912,251)** |

## ESTIMATED LIFELINE RATE SUBSIDY – APACHE JUNCTION

| | |
|---|---|
| Price per 1,000 gallons for 0 to 3,000 gallons | $ 1.5248 |
| Price per 1,000 gallons for 3,001 to 50,000 gallons | $ 1.9060 |
| Price difference between tiers | $ 0.3812 |
| Total reduction per customer bill | $ 1.1436 |
| Total annual reduction per customer X12 | $13.7232 |
| Total subsidy (16,093 customers) | $220,847 |
| Total subsidy (15,000 customers) | $205,848 |

Ludders Surrebuttal Exhibit REL-3

EXHIBIT
A-32
Admitted

1465790.1/12001.187