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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONER
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JEFF HATCH-MILLER
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MIKE GLEASON
COMMISSIONER

Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION
ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, FOR
ADJUSTMENTS TO ITS RATES AND
CHARGES FOR UTILITY SERVICE
FURNISHED BY ITS EASTERN GROUP
AND FOR CERTAIN RELATED
APPROVAL.

Docket No. W-01445A-02-0619

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Redacted Direct Testimony of William A. Rigsby, the Cost of Capital Testimony of William A. Rigsby, and the Direct Testimony of Timothy J. Coley, in the above-referenced matter. The unredacted testimony of Mr. Rigsby is being filed under-seal and will be provided to parties who have executed a confidentiality agreement.

RESPECTFULLY SUBMITTED this 8th day of July, 2003.

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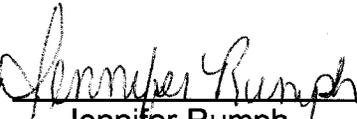
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ARIZONA WATER COMPANY
DOCKET NO. W-01445A-02-0619

DIRECT TESTIMONY
OF
TIMOTHY J. COLEY

ON BEHALF OF
THE
RESIDENTIAL UTILITY CONSUMER OFFICE

JULY 8, 2003

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1 **INTRODUCTION**

2 Q. Please state your name and business address.

3 A. My name is Timothy J. Coley. My business address is 1110 W. Washington, Suite
4 220, Phoenix, Arizona 85007.

5
6 Q. By whom are you employed and in what capacity?

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

9
10 Q. Please state your educational background and qualifications in utility regulation.

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

17
18 Q. Have you previously testified in rate proceedings before the Arizona Corporation
19 Commission (ACC)?

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

22

23

24

1 Q. Please state the purpose of your testimony.

2 A. The purpose of my testimony is to present findings and recommendations resulting
3 from my analysis and review of Arizona Water Company, Inc. (hereafter referred to
4 as AWC, Company or Arizona Water) Rate Application for a permanent rate
5 increase in the Company's Eastern Group. The Eastern Group is comprised of
6 eight individual water systems that provide water services in southeastern Arizona.
7 I will sponsor the Oracle, San Manuel, Sierra Vista, and Winkelman systems.
8 RUCO witness William A. Rigsby will present the Company's other four systems,
9 which are the Apache Junction, Bisbee, Miami, and Superior systems including the
10 cost of capital and capital structure issues. Mr. Rigsby and I will both individually
11 support RUCO's Post-Test-Year (PTY) position and concerns regarding this case.

12
13 Q. Please describe your participation and work effort on this project.

14 A. I performed the following procedures to determine whether sufficient, relevant, and
15 reliable evidence exists to support the financial data and claims in the Company's
16 application: reviewed and analyzed the Company's application and supporting work
17 papers; reviewed all other interveners' data requests; prepared written data
18 requests and evaluated the Company's responses; reviewed annual reports and
19 prior Commission decisions regarding Arizona Water.

20
21 In addition, Mr. Rigsby and I conducted an onsite field audit inspection of the
22 Company's Eastern Group. The onsite audit required three days of visual
23 inspection. The respective System Managers and Mr. Whitehead, AWC Vice

1 President of Engineering, accompanied Mr. Rigsby and myself during the onsite
2 visits, which provided valuable insight into the Company's overall operations.
3

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

5 A. I will address rate base and net operating income issues as well as sponsor
6 RUCO's recommended revenue requirements for the Oracle, San Manuel, Sierra
7 Vista, and Winkelman Systems. Mr. Rigsby will present rate base, operating
8 income issues and sponsor RUCO's recommended revenue requirements for
9 Apache Junction, Bisbee, Miami, and Superior. He will also sponsor cost of capital,
10 capital structure, and rate design for the entire Eastern Group Systems.
11

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

13 A. My testimony is composed of separate Schedules TJC-1 through TJC-20 for the
14 Oracle, San Manuel, Sierra Vista, and Winkelman Systems located in the AWC
15 Eastern Group.
16

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

19 A. No.
20
21
22

1 **THE TEST YEAR**

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

3 A. No. The Company used a partial historical test-year and part projected test-year.
4 The Company requested certain post-test-year plant additions and estimated future
5 expenses that extended a full year outside the historical test-year.

6

7 Q. What test-year did AWC use for its rate application?

8 A. The Company began with the test-year ending December 31, 2001 and adjusted
9 that to include selected plant additions through December 31, 2002. The Company
10 also selected certain 2001 test-year expenses, which it adjusted to reflect estimated
11 2002 levels.

12

13 Q. Does RUCO agree with the Company's methodology of mixing and matching rate
14 base and operating components by requesting an additional year beyond the
15 Company's chosen historical test-year?

16 A. No. RUCO has consistently opposed allowing any company to pick and choose
17 what elements it desires to be inclusive in a rate case outside the historical test-
18 year, while not recognizing all components on the same test-year basis so that a
19 true matching of all rate case elements will result. This violates the matching
20 principle and skews the resultant recommended rates.

21

22

23

1 Q. What remedy or position is RUCO recommending in this case that would result in a
2 true matching of all rate case components?

3 A. RUCO recommends that if the Commission considers the Company's selected post-
4 test-year plant additions that it should also recognize the actual revenues,
5 expenses, and investment incurred in the post-test-year. All of those numbers are
6 known and measurable in this case because the Commission's extension of time
7 granted in the procedural order allowed audited numbers and financial statements
8 to be completed and generated for the 2002 post-test-year. This approach more
9 closely conforms to the accounting framework established by Commission rules and
10 principles. Not only does this approach utilize the most current known and
11 measurable test-year numbers available, it also highlights the inaccuracies that
12 resulted from the Company's rate application analysis of pro-forma adjustments
13 based on mere projections when utilized in settling rates.

14
15 Q. Please address the inherent weaknesses of accepting pro-forma numbers and
16 adjustments in a rate case?

17 A. Pro-forma is defined as "provided in advance to prescribe form or describe items."
18 Pro-forma adjustments are estimates of expenses and revenues made by the
19 Company in the absence of actual figures. Albeit, some estimates are inevitably
20 ingrained in the accounting process, but future conditions and events and their
21 effects cannot be perceived with certainty. Pro-forma adjustments place a
22 substantial burden on the accounting profession to measure performance
23 accurately and fairly on a timely basis. Whenever actual known and measurable
24 numbers are available, those figures should always supersede all estimates.

1 Moreover, estimates are often times inaccurate and highly unreliable resulting in
2 unfair and unreasonable rates.

3
4 Q. Please explain more thoroughly, what you meant by your earlier statement that
5 “This approach more closely conforms to the accounting framework established by
6 Commission rules and principles.”

7 A. I made that statement in reference to the matching principle but will expand on it by
8 discussing the two primary qualities that make accounting information useful for
9 decision-making. Relevance and reliability are often referred to as the two primary
10 qualities in the conceptual framework underlying financial accounting.

11 Relevance

12 “To be relevant, accounting information must be capable of making a difference in a
13 decision. Relevant information helps users make predictions about the ultimate
14 outcome of past, present, and future events; that is, it has predictive value.
15 Relevant information also helps users confirm or correct prior expectations; it has
16 feedback value. It must be presented on a timely basis.¹”

17 Reliability

18 “Accounting information is reliable to the extent that it is verifiable, is a faithful
19 representation, and is reasonably free of error or bias. Pro-forma adjustments lack
20 neutrality, which is factual, truthful, unbiased information that does not favor one set
21 of interested parties over another. This must be the overriding consideration.²”

¹ D. E. Kiesco Ph.D., C.P.A., J. J. Weygandt Ph.D., C.P.A., T. D. Warfield Ph.D., “Conceptual Framework Underlying Financial Accounting,” Intermediate Accounting, Tenth Edition, by John Wiley & Sons, Inc., 2001.

² Ibid, pg. 38.

1 By using actual 2002 year-end financial numbers and making the necessary
2 adjustments to the Company's 2001 pro-forma adjusted test-year figures, RUCO's
3 approach adheres to the most fundamental accounting rules and principles. It is the
4 most current accounting information available that is known and measurable. The
5 numbers are actual 2002 revenue and expense items that are both relevant and
6 reliable. Thus, RUCO's methodology is fully representational of all the expenses,
7 revenues, and investments that the Company is entitled to earn a fair and
8 reasonable return because the accounting numbers agree with the events that
9 those numbers purport to represent.

10
11 Q. Please summarize your testimony.

12 A. Taking the Commission's past and recent decisions that allowed post-test-year
13 plant additions into consideration, RUCO has taken an approach that fully
14 recognizes all the ratemaking components based on a 2002 known and measurable
15 post-test-year. This includes all rate base items of plant, accumulated depreciation,
16 accumulated deferred income taxes, advances, contributions-in-aid-of-construction
17 (CIAC), and amortization of CIAC. In other words, all rate base, operating
18 revenues, expenses, and capital structure elements. In taking this counter position,
19 RUCO still maintains and advocates the use of a historical test-year as the best
20 means in achieving the matching principle. When a historical test-year is utilized,
21 there is an automatic matching of all rate base components.

22
23
24

1 Q. Does RUCO recommend a projected test-year (PTY)?

2 A. No. To quote Marylee Diaz Cortez in AWC's last Northern Group rate case "the
3 overriding issue here is not whether to use a historic test-year versus a projected
4 test-year, but rather that **one or the other be utilized**. The Company's application
5 as filed would have certain items calculated based on a historical test-year and
6 other items on a projected test-year. By selectively choosing which items to reflect
7 on a historical test-year and which items to base on a projected test-year the
8 Company has intentionally maximized the level of rate base," which will be clearly
9 shown here by utilizing all 2002 actual numbers in the revenue requirement formula.

10
11 Q. How does RUCO's actual 2002 test-year differ from the Company's mixed
12 historical/projected approach?

13 A. There is a significant difference in "Gross Revenue Increase" amounts when
14 utilizing the two approaches as revealed below:

15

	2001/2002		
<u>System</u>	<u>Company Mixed T/Y</u>	<u>RUCO Actual 2002 T/Y</u>	<u>Difference</u>
17 Apache Junction	\$1,305,661	\$(578,088)	\$(1,883,749)
18 Bisbee	612,649	321,793	(290,856)
19 Sierra Vista	411,593	83,568	(328,025)
20 Miami	722,718	246,822	(475,896)
21 San Manuel	446,870	355,068	(91,802)
22 Oracle	233,328	(18,466)	(251,794)
23 Winkelman	32,341	19,836	(12,505)
24 Superior	491,353	280,602	(210,751)

1 The reason the Company's gross revenue increases are so much larger than that
2 calculated by RUCO is because the Company has selectively chosen what rate
3 base items it wishes to portray in a historical manner and what elements to present
4 utilizing a post-test-year. The Company wants full recognition of post-test-year
5 plant placed in service and accumulated depreciation through December 31, 2002,
6 but Arizona Water fails to also recognize the other rate base components on a 2002
7 post-test-year basis. RUCO's revenue requirement model has utilized an actual
8 2002 test-year. In order for the Commission to determine fair and reasonable rates,
9 the Commission will need to use a test-year that is fully matched using "either" a
10 historical, projected or actual test-year. As was shown by RUCO witness Ms. Diaz
11 Cortez in her surrebuttal testimony in the AWC Northern Group rate case and
12 included here in my testimony as Exhibit A in the Appendix, "the choice of a
13 historical or projected test year is irrespective in materiality." But, by mixing and
14 matching rate base components from two different years allows the Company to
15 maximize its requested rate increase in favor of its stockholders and to the
16 detriment of the ratepayers; neutrality is thus lost in favor of one interested party
17 over another. Once neutrality is compromised, one of the two primary qualities,
18 reliability, of the conceptual framework underlying financial accounting is sacrificed.
19 The result would be unfair and unreasonable rates.

1 **SUMMARY**

2 Q. Please summarize the recommendations and adjustments you address in your
3 testimony.

4 A. In my testimony, I recommend that the most recent known and measurable
5 numbers and financials be adopted, which is post-test-year 2002. This will adhere
6 to the matching principle as well as other validated ratemaking concepts. All my
7 adjustments are based on factual accounting information rather than the Company's
8 estimated pro-forma adjustments. This approach more closely conforms to the
9 accounting framework established by Commission rules and principles.

10

11 **Rate Base Adjustments:**

12 Plant in Service/Post-Test-Year Plant Additions – This adjustment calculates plant
13 placed in service since the Company's last rate case. This adjustment also
14 recognizes the additions or reductions (dependent on the individual system) in rate
15 base by the actual amount of plant placed in service by December 31, 2002.

16 Phoenix Office & Meter Shop Allocation – This adjustment allocates the general
17 Phoenix Office and Meter Shop plant items that were placed into service by
18 December 31, 2002 and increases rate base accordingly.

19 Accumulated Depreciation – This adjustment calculates accumulated depreciation
20 since the Company's last rate case proceeding. It reduces or increases the level of
21 accumulated depreciation (dependent upon the particular system) that was in the
22 Company's rate application.

23 Reconcile Phoenix Office & Meter Shop and Accumulated Depreciation – This
24 adjustment was necessary to bring the Phoenix Office and Meter Shop back to a

1 gross amount as opposed to the Company's net amount, which also required
2 debiting (or backing out) the same amount out of accumulated depreciation.

3 Remove Construction Work In Progress (CWIP) from Phoenix Office Allocation – In
4 accordance with Arizona ratemaking principles, this adjustment removes the PTY
5 CWIP balances from rate base. This adjustment is also necessary to remove CWIP
6 from Company proposed levels of Phoenix Office plant to avoid a double count of
7 post-test-year plant additions placed in service during 2002.

8 Advances-In-Aid-of-Construction (AIAC) – 2002 Balance – This adjusts AIAC from
9 the amount reported in the Company's application to the actual PTY 2002 amount
10 booked.

11 Contributions-In-Aid-of-Construction (CIAC) & CIAC Amortization – 2002 Balance

12 This adjusts CIAC from the amount reported in the Company's application to the
13 actual PTY 2002 amount booked. This adjustment also recognizes the amount of
14 CIAC amortization actually booked as opposed to what was estimated and reported
15 in the Company's application.

16 Accumulated Deferred Income Taxes (ADIT) - This adjusts the ADIT from the
17 amount reported in the Company's application to the actual PTY 2002 amount
18 booked.

19 Working Capital – This adjustment recalculates working capital based on RUCO's
20 recommended actual operating expenses and correction in the Company's lead/lag
21 days.

1 **Operating Adjustments:**

2 Revenue – Water Sales – This adjustment reconciles the actual 2002 booked
3 amount of water sales from what was estimated and recorded in the Company's
4 rate application.

5 Remove 2002 Regulatory Assessment & Sales Taxes – This adjustment removes
6 the actual 2002 regulatory assessment and applicable sales taxes from water sales
7 revenue.

8 Purchased Power (PPAM) & Purchased Water (PWAM) Revenues – This
9 adjustment is to remove purchased power and purchased water adjustment
10 mechanism revenues that are automatically recovered through a surcharge and not
11 part of base rates.

12 Unbilled Revenues & Expenses – This adjustment eliminates year-end unbilled
13 revenues and expense accruals that were recorded on the Company's books during
14 the period ended December 31, 2002.

15 Annualize Additional Revenues & Expenses – This adjustment annualizes revenues
16 and associated expenses to 2002 post-test-year-end levels rather than the
17 Company's 2001 average customer count.

18 Rate Case Expense – This adjustment amortizes the Company's rate case
19 expenses over a three-year period. RUCO recommends that an adjustment be
20 made once the final expense is known and analyzed.

21 Remove MAP Surcharge Revenues – This adjustment removes the revenues
22 collected through the surcharge for water testing conducted by Arizona Department
23 of Environmental Quality (ADEQ) in the Eastern Group systems with fewer than

1 10,000 service connections. These revenues are recovered through a separate
2 charge and not included in base rates.

3 Depreciation & Amortization Expense – This adjustment calculates depreciation and
4 amortization expense based on RUCO’s recommended plant levels.

5 Property Tax Expense – This adjustment calculates property tax expense on the
6 currently effective Arizona Department of Revenue (DOR) formula.

7 Income Tax Expense – This adjustment calculates the appropriate level of income
8 tax expense given RUCO’s recommended operating income.

9 **Rate Design:**

10 RUCO is recommending a single-tier rate design. Please refer to RUCO witness
11 Mr. Rigsby’s testimony for further discussion on rate design and rate consolidation
12 issues.

13
14 **RATEMAKING RULES AND PRINCIPLES**

15 Q. Please describe the Company’s rate application.

16 A. RUCO’s actual 2002 post-test-year methodology utilized in this case exemplifies the
17 position RUCO has previously argued before the Commission that by mismatching
18 the various rate base components utilities skew their revenue requirement results
19 significantly. The circumstances (“tolling the time clock”) in this case, that allowed
20 RUCO to utilize actual versus pro-forma figures clearly shows the consequences of
21 allowing a company to select what rate base elements it wishes to pose in a
22 historical test-year basis and what components to guise on a projected test-year
23 basis. It is not significant which test-year (historical or projected) a company
24 chooses, but it is extremely critical to match all rate base components to the same

1 basis or test-year. RUCO has long advocated for the use of a historical-test-year.
2 When actual numbers are used rather than an estimate, a much greater degree of
3 accuracy and certainty will result because future conditions and events and their
4 effects cannot be perceived with certainty.

5
6 Q. Can fair and reasonable rates be determined based on the Company's application
7 as filed?

8 A. No. For the Commission to accept the Company's rate application as filed, it would
9 require the Commission to depart from certain established ratemaking principles
10 such as known and measurable and the matching principle. These principles have
11 served as a basis of utility regulation for over a century. There is "sound" reason
12 why these principles are still in place today and to depart from them would result in
13 unfair, unreasonable, and unbalanced rates for the ratepayer to bear.

14
15 Q. Is RUCO departing from its position regarding the use of a historical test-year in this
16 case?

17 A. No, RUCO is not departing from its policy of utilizing a historical test-year, but in this
18 specific case, it serves as a good example of how estimates and mismatches
19 severely affect the outcome of rates. RUCO strongly prefers and believes that fair
20 and reasonable rates can best be achieved using a historical test-year. However,
21 RUCO acknowledges the recent decisions of the Commission. Fortunately, RUCO
22 is in a position in this case to show the Commission the severity of mismatching
23 since it has been provided with the actual post-test-year figures.

24

1 **REVENUE REQUIREMENTS**

2 Q. Please summarize the results of your analysis of Arizona Water Company and your
3 recommended revenue requirement.

4 A. Arizona Water's revenue should be reduced by \$(24,335) for the Oracle system,
5 increased by not more than \$334,630 for the San Manuel system, increased by not
6 more than \$78,405 for the Sierra Vista system, and not increased by more than
7 \$17,686 for the Winkelman system. These recommendations are summarized on
8 Schedule TJC-1, page 1 for each system respectively. My recommended original
9 cost rate base ("OCRB") is \$2,513,635 for Oracle, \$746,978 for San Manuel,
10 \$2,256,648 for Sierra Vista, and \$252,070 for Winkelman, which are shown on TJC-
11 2. The supporting detail for the OCRB can be found on Schedules TJC-3. RUCO's
12 recommended adjusted operating income, which is also reconciled from the
13 company's rate application to Arizona Water's 2002 actual financials, is \$218,255
14 for Oracle, \$64,859 for San Manuel, \$195,941 for Sierra Vista, and \$21,887 for
15 Winkelman are shown on Schedules TJC-8, and the detail that supports my
16 recommendations can be found on Schedules TJC-9.

17
18 **RATE BASE**

19 Q. Did Arizona Water address the Environmental Protection Agency's ("EPA") new
20 arsenic maximum contaminant level (MCL) in this rate application?

21 A. Yes. Three of the Company's officers presented direct testimony addressing the
22 arsenic standard in the rate application. They included Mr. William M. Garfield,
23 AWC's Vice President of Operations, Mr. Michael J. Whitehead, Vice President –
24 Engineering, and Mr. Ralph J. Kennedy, Vice President and Treasurer.

1 Mr. Garfield testified that the new arsenic treatment facilities must be constructed
2 and operational by January 23, 2006 in order to comply with the EPA's new 10 parts
3 per billion ("ppb") arsenic MCL. He estimated that the Eastern Group would need
4 as many as 21 treatment facilities with a capital cost of \$12.5 million.

5 Mr. Whitehead testified that there were no costs in this case associated with
6 arsenic. He further testified that three of the eight systems in the Eastern Group
7 would be affected by the new EPA standard. These systems are Apache Junction,
8 San Manuel, and Superior.

9 Mr. Kennedy's direct testimony provided details of how the costs to construct/lease
10 arsenic treatment facilities are to be recovered.

11 The issue of arsenic treatment was addressed in Phase II of the Company's
12 Northern Group rate case application. In that proceeding, the Commission was
13 asked to consider an arsenic cost recovery mechanism ("ACRM"). The matter was
14 heard before an Administrative Law Judge (ALJ), and the parties are currently
15 awaiting a ruling. Mr. Whitehead testified as part of his direct testimony that the
16 Eastern Group be approved for the same cost recovery mechanism that the
17 Commission ultimately approves for the Northern Group. RUCO incorporates by
18 reference its arguments and positions regarding the ACRM in Phase II of the
19 Northern Group rate case proceeding into this docket.
20
21
22
23
24

1 **Rate Base Adjustment #1 – 2002 Pro-forma Plant, Post-Test-Year Plant Additions**

2 Q. Is the Company seeking rate inclusion of post-test-year (“PTY”) plant additions?

3 A. Yes. Arizona Water is requesting all Company invested plant be included in rate
4 base that is revenue neutral, used and useful, and placed in service by December
5 31, 2002.

6
7 Q. Is it true that RUCO has taken exception in the past to PTY plant additions to be
8 included in rate base in Commission proceedings?

9 A. Yes. RUCO has consistently held that including post-test-year plant creates a
10 mismatch of rate base items that strongly favors the stockholders at the detriment of
11 the ratepayers. In the Northern Group rate case, RUCO filed testimony that pointed
12 out the inherent flaws when the Commission allows PTY plant additions without
13 recognizing all other rate base components on an equal footing.

14
15 Q. Please explain why post-test-year plant additions are likely to result in unfair and
16 unreasonable rates.

17 A. The problem with allowing post-test-year plant additions is there is no recognition of
18 **all** the other rate base items in the same base year as PTY plant additions. For
19 example, in this case, when one rate base item that makes up a substantial amount
20 of rate base is recognized in the 2002 projected-test-year and **all** the other rate
21 base items are based on the 2001 historical test-year, severe mismatches have
22 been created at the peril of the ratepayers. Whereas, a historical test-year
23 automatically matches all rate base items. The matching principle is a long-

1 standing principle in regulatory utility ratemaking, and with good reason. Fair and
2 reasonable rates cannot be determined when mismatches occur.

3
4 Q. Are these mismatches mitigated by the Company's claim that its PTY plant
5 additions are non-revenue producing?

6 A. No. To restate Ms. Diaz Cortez testimony in the Northern Group rate case,
7 "Matching problems are not just created by revenues but also by expenses. For the
8 most part, the expenses reflected in the test year represent the cost of serving the
9 test year plant. Much of the test year plant has been replaced by these post-test-
10 year plant additions. The cost of service of the new plant will not necessarily be the
11 same as the cost to serve the old plant, thus, there is a mismatch between
12 investment and expenses."

13
14 Q. Considering the entire Eastern Group, please provide the dollar amount of PTY
15 plant additions that the Company requests a return and provide the dollar amount
16 produced by these PTY additions based on the Company's requested rate of return.

17 A. The Company seeks \$3.1 million in additional PTY plant additions. Using the
18 Company's requested rate of return of 11%, the PTY plant alone produces an
19 additional \$341,000 first year return in earnings for the Company.

20
21 Q. Please explain the mismatch that has occurred from the scenario you addressed
22 above.

23 A. The mismatches are numerous. The Company selectively failed to recognize the
24 following actual 2002 rate base elements, all of which reduce rate base: 1) 2002

1 additional and unrecognized AIAC balance of \$1,594,539, 2) 2002 additional and
2 unrecognized CIAC balance of \$739,351, 3) 2002 additional and unrecognized
3 amortization of CIAC balance of \$19,149, and 4) an additional actual accumulated
4 deferred income taxes of \$885,853, which is a rate base reduction component also.
5 On an equal 2002 PTY basis, the actual 2002 additional AIAC and CIAC net of
6 amortization balances of \$2,314,741 plus the unrealized actual 2002 accumulated
7 deferred income taxes of \$885,853 would have a rate base reduction effect of
8 \$3,200,594. That reduction, if properly recognized in the rate application, would
9 completely eliminate the \$341,000 earned on PTY plant additions. In fact, those
10 rate base reductions reduce earnings by \$352,065 (a 103% reduction in additional
11 PTY earnings) because the Company has not fully recognized those four actual
12 2002 rate base items.

13
14 Q. Does RUCO continue to maintain that a historical test-year should be the basis for
15 setting rates?

16 A. Yes. However, since the Commission has ruled in several recent decisions,
17 including Arizona Water's Northern Group, to allow PTY plant additions, RUCO's
18 position in this rate application is to match all rate base components on an actual
19 2002 post-test-year that is both known and measurable. Due to the Commission's
20 ruling to Staff's motion on "Tolling of the Rate Case Time-Clock," all the actual 2002
21 PTY financials are available to accurately make the necessary adjustments to true
22 up the Company's pro-forma adjustments to 2002 actuals.

23

1 Q. If the Commission was to utilize a 2002 test-year, what are the necessary
2 adjustments to plant?

3 A. It would be necessary to update all components of the rate base to reflect the year-
4 end 2002 actual balances. As discussed earlier, the Company has reflected certain
5 rate base items on a projected basis (i.e. plant in service and accumulated
6 depreciation) and other rate base items on a test-year basis. This results in
7 mismatches that have biased effects on both rates and ratepayers. ScheduleTJC-2
8 shows the adjustments necessary to utilize a fully matched post-test-year. These
9 adjustments would decrease the Company's proposed rate base by \$305,764 for
10 Oracle, \$47,015 for San Manuel, \$318,039 for Sierra Vista, and decrease
11 Winkelman's rate base by \$13,829.

12

13 **Rate Base Adjustment #2 – Phoenix Office & Meter Shop Allocation**

14 Q. Please explain the purpose of the Phoenix Office & Meter Shop allocation
15 adjustment.

16 A. The reason for this adjustment was to allocate the Phoenix Office and Meter Shop
17 on a gross basis inclusive of 2002 PTY depreciation costs. My supporting rate base
18 Schedule TJC-4, page 7 provides detail for the adjustment that increases Oracle's
19 rate base by \$13,419, San Manuel's rate base by \$10,955, Sierra Vista's rate base
20 by \$15,830, and Winkelman's rate base by \$1,573 all gross of depreciation
21 expenses.

22

23

24

1 **Rate Base Adjustment #3 – Accumulated Depreciation**

2 Q. Please explain the adjustment to accumulated depreciation.

3 A. This adjustment increases/decreases accumulated depreciation, depending on the
4 particular system, by RUCO's gross plant in service recommendation and
5 calculation since the Company's last rate case. Schedule TJC-4, page 7 shows the
6 gross plant in service as calculated and recommended by RUCO. These
7 adjustments would increase Oracle's accumulated depreciation by \$105,338,
8 decrease San Manuel's accumulated depreciation by \$26,651, increase Sierra
9 Vista's accumulated depreciation by \$22,283, and decrease Winkelman's
10 accumulated depreciation by \$6,668 as shown on Schedules TJC-3.

11

12 **Rate Base Adjustment #4 – Reconcile Phoenix Office & Meter Shop and**
13 **Accumulated Depreciation**

14 Q. Please explain the purpose of the adjustment to reconcile the Phoenix Office and
15 Meter Shop along with the corresponding accumulated depreciation adjustment.

16 A. The simultaneous adjustment simply restates the Company's net of depreciation
17 figure to a gross of depreciation figure. Because the Company's application
18 reflected the accumulated depreciation on the Phoenix Office and Meter Shop, it
19 was necessary to add the accumulated depreciation back into gross plant and
20 remove the same amount from the accumulated depreciation account. Schedule
21 TJC-5 shows the necessary adjustment to restate the Company's proposed net
22 figure back to a gross figure. These adjustments would increase the Company's
23 proposed rate base by \$12,423 for Oracle and increase accumulated depreciation
24 by the same amount, \$10,559 for San Manuel and increase accumulated

1 depreciation by the same amount, \$17,440 for Sierra Vista and increase
2 accumulated depreciation by the same amount, and \$1,482 for Winkelman and
3 increase accumulated depreciation by the same amount.
4

5 **Rate Base Adjustment #5 – Remove CWIP from Phoenix Office Allocation**

6 Q. Has the Company included any Construction Work in Progress (CWIP) in its rate
7 base in this rate application?

8 A. Yes.
9

10 Q. Is CWIP an allowable rate base element when determining revenue requirements?

11 A. No. In fact, it would be an extraordinary circumstance in which CWIP would be an
12 allowable expense when determining revenue requirements. CWIP is almost
13 always an item that this Commission and others have disallowed while determining
14 the revenue requirements for any regulated company.
15

16 Q. What is the logic for not including CWIP in the rate base?

17 A. The rationale for not allowing CWIP in rate base is that it is not used and useful in
18 servicing test year customers. I therefore have removed the CWIP balances from
19 the Phoenix Office adjusted test-year rate base component of the revenue
20 requirement. Until plant is used and useful, it provides no benefit to the customer.
21 Accordingly, ratepayers should not be required to pay a return on assets that
22 provide no benefit to them.
23
24

1 Q. What adjustment was necessary to remove CWIP from rate base?

2 A. The adjustments necessary to remove CWIP from rate base were based on the
3 three-factor allocation factor. These adjustments would all decrease rate base by
4 \$3,291 for Oracle, \$2,797 for San Manuel, \$17,440 for Sierra Vista, and \$392 for
5 Winkelman as shown on Schedules TJC-6.

6
7 Q. Was there any other reason(s) for removing CWIP in this case; if so why?

8 A. Yes. Since RUCO used an actual post-test-year, the adjustment was necessary to
9 remove CWIP from the Company's adjusted test-year CWIP account to avoid a
10 double count when 2002 PTY plant additions were allowed.

11

12 **Rate Base Adjustment #6 – Advances-in-Aid-of-Construction (AIAC)**

13 Q. Did the Company recognize any AIAC balances in its proposed rate base?

14 A. Yes. The Company's adjusted test-year includes the 2001 recorded AIAC plus an
15 adjustment to remove 2001 AIAC related to 2001 CWIP balances.

16

17 Q. What adjustment is necessary to reflect AIAC?

18 A. An adjustment is necessary to properly match the AIAC balances in the rate
19 application with the 2002 level of plant. The 2002 AIAC balances were obtained in
20 a RUCO data request from the Company. These adjustments simply restate the
21 Company's requested AIAC balances with the actual 2002 recorded balances as
22 follows:

23

Oracle - \$(10,013)

Sierra Vista - \$337,114

24

San Manuel - \$0

Winkelman - \$(162)

1 **Rate Base Adjustment #7 – CIAC, 2002 Balances & Amortization**

2 Q. Did the Company recognize any CIAC balances and Amortization of CIAC for
3 2002?

4 A. Yes. The Company's adjusted test-year recognizes the 2001 CIAC balances.
5

6 Q. What adjustment is necessary to properly reflect the CIAC and amortization of CIAC
7 on a post-test-year basis?

8 A. A rate base adjustment is necessary to properly reflect the 2002 CIAC balances
9 otherwise, there is a mismatched rate base. The actual 2002 CIAC balances and
10 amortization balances were obtained in a RUCO data request from the Company.
11 These adjustments are simply restating the Company requested CIAC balances
12 with the actual 2002 balances as follows:

13 Reconciliation of CIAC 2002 Actual Balances

14 Oracle - \$11,741 Sierra Vista - \$42,631

15 San Manuel - \$0 Winkelman - \$0

16 Reconciliation of CIAC Amortization 2002 Actual Balances

17 Oracle - \$6,838 Sierra Vista - \$18,668

18 San Manuel - \$528 Winkelman - \$48
19
20
21
22
23
24

1 **Rate Base Adjustment #8 – Accumulated Deferred Income Taxes**

2 Q. Please provide an explanation for your adjustment to Accumulated Deferred Income
3 Taxes.

4 A. These adjustments are necessary to reconcile the Company's adjusted test-year
5 balances to the actual 2002 post-test-year. These balances were also obtained
6 through a RUCO data request from the Company:

7 Reconciliation of Accumulated Deferred Income Taxes 2002 Actual Balances

8 Oracle - \$63,763 Sierra Vista - \$49,050

9 San Manuel - \$17,534 Winkelman - \$6,399

10

11 **Rate Base Adjustment #9 – Cash & Working Capital**

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

13 A. The Company is requesting working capital in the amount of \$52,086 for the Oracle
14 system, \$28,714 for the San Manuel system, \$70,439 for the Sierra Vista system,
15 and \$2,906 for its Winkelman system.

16

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

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

19

20 Q. Please explain the concept of working capital?

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

1 study measures the actual lead and lag days attributable to the individual revenues
2 and expenses.

3

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

5 A. Yes. An adjustment is necessary to restate the working capital requirement based
6 on my recommended level of operating expenses. I have decreased the amount of
7 working capital by (\$52,718) for the Oracle system, decreased working capital by
8 (\$22,351) for the San Manuel system, decreased working capital by (\$52,224) for
9 the Sierra Vista system, and decreased the working capital requirement for the
10 Winkelman system by (\$7,979). These adjustments are shown on Schedule TJC-7,
11 page 1 – 4. These adjustments are due primarily to the level of expense I am
12 recommending in this case and to a correction in the calculation of the Company's
13 income tax lag.

14

15 Q. Why do you disagree with the Company's calculation in the income tax lag?

16 A. The Company's calculation of its Federal Income Tax lag is incorrect because it
17 assumes that the Company makes monthly payments to the IRS. The IRS requires
18 quarterly payment of taxes not monthly.

19

20 Q. What correction to the lead-lag study did you make to correct the income tax day
21 lag?

22 A. The necessary correction to reflect payments on a quarterly payment schedule
23 versus the Company's monthly payment calculation is to change the tax lag to

1 61.95 days rather than the 2.52 days the Company used. This calculation is shown
2 on TJC-7, page 2.

3
4 Q. Does that conclude your Rate Base Adjustments?

5 A. Yes.

6

7 **OPERATING INCOME**

8 **Operating Adjustment #1 – Reconcile Company’s Estimated Water Sales to 2002**

9 **Actuals**

10 Q. Please explain the operating adjustments you made to water sales.

11 A. These adjustments are simply the difference between what the Company estimated
12 and actual 2002 booked amounts. The majority of the remaining operating
13 adjustments are made in the same manner with a few exceptions as will be noted.

14

15 Q. What adjustments were necessary to true up or reconcile the Company’s proposed
16 water sales to the actual 2002 water sales that were booked by the Company?

17 A. The following adjustments are necessary to reflect the actual 2002 earned revenues
18 booked rather than what the Company estimated and proposed in its application
19 (each adjustment is an increase in actual revenues versus what the Company
20 proposed):

21 Amount of Increase in 2002 Water Sales Revenues

22 Oracle - \$170,819 Sierra Vista - \$170,735

23 San Manuel - \$249,317 Winkelman - \$3,599

24

1 **Operating Adjustment #2 – Remove 2002 Regulatory Assessments & Sales Tax**
2 **From Water Sales Revenue**

3 Q. Please provide an explanation for this adjustment.

4 A. This adjustment is necessary to remove the regulatory assessment tax and sales
5 tax from the water sales revenue. GAAP allows two methods of recording revenues
6 and both are acceptable when booking revenues. "In many companies, however,
7 the sales tax and the amount of the sale are not segregated at the time sale; both
8 are credited in total in the Sales account.³" Arizona Water books the revenue
9 when earned and realized inclusive of all taxes applicable, and then the Company
10 makes an appropriate debit adjustment to the Sales account. My adjustment simply
11 removes the sales tax and regulatory assessments due to the government entity.

12

13 **Operating Adjustment #3 – Eliminate PPAM and PWAM**

14 Q. Please explain the rationale for eliminating the purchased power and water
15 adjustment mechanisms.

16 A. These adjustments remove any 2002 revenues that are collected through the
17 separate purchased power and purchased water surcharges and should not be
18 included in base rates because the Company automatically recovers these
19 additional charges through the adjuster mechanism.

20

21

22

³ D. E. Kiesco Ph.D., C.P.A., J. J. Weygandt Ph.D., C.P.A., T. D. Warfield Ph.D., "Current Liabilities and Contingencies," Intermediate Accounting, Tenth Edition, by John Wiley & Sons, Inc., 2001.

1 **Operating Adjustment #4 – Eliminate Unbilled Revenues & Expenses**

2 Q. Please explain your adjustment to remove any unbilled revenues and expenses.

3 A. This adjustment is necessary to account for a temporary change from accrual
4 accounting to cash accounting. Water sales occurring at year-end are not collected
5 in revenues until the start of the following new-year, and thus are not booked in the
6 current year. The exact opposite scenario happens at the beginning of each new-
7 year. Water service sales made in the previous December are collected and
8 booked in the upcoming new-year. This has long been acceptable in regulatory
9 accounting to maintain balance from year to year.

10

11 **Operating Adjustment #5 – Annualize Additional Revenues & Expenses**

12 Q. Has the Company made an adjustment to annualize its test-year revenues and
13 expenses?

14 A. Yes. However, the Company has failed to recognize its test-year-end number of
15 customers. Instead, it has made an adjustment to increase revenues to reflect the
16 average number of customers during the test-year.

17

18 Q. Do you agree with this adjustment?

19 A. No. Arizona ratemaking requires the use of a test-year-end rate base. It is
20 necessary to annualize revenues to the test-year-end, not test-year-average in
21 order to match the level of net investment reflected in the rate base with the level of
22 revenue that that investment will generate. The Company's adjustment to reflect
23 the average test-year customers would only be appropriate if an average rate base

1 were used in Arizona ratemaking. Accordingly, the correct adjustment is to use the
2 test-year-end number of customers.

3
4 Q. What adjustment is necessary to recognize the 2002 year-end customers?

5 A. As shown on Schedule TJC-11, page 1, the recognition of the 2002 year-end
6 number of customers increases revenues by \$4,001 for Oracle, by \$7,179 for San
7 Manuel, by \$15,070 for Sierra Vista, and decreases revenues by (\$4,735) for
8 Winkelman. Use of the 2002 year-end customer count is necessary to match with
9 the 2002 year-end rate base.

10
11 Q. Did you also make the necessary expense adjustments associated with the
12 additional 2002 year-end water sales attributable to the 2002 year-end customer
13 count?

14 A. Yes, I also recognized and accounted for additional expenses associated with the
15 additional 2002 year-end customer count. To earn this additional revenue, the
16 Company will incur additional costs such as expenses relating to the following:

17 Oracle - 1) Other – Purchased Power, i.e. pumping cost, increased an additional
18 \$566 to pump the additional necessary gallons, 2) Water Treatment costs increased
19 \$84, and (3) Customer Accounts increased by \$346, which are the billing and
20 accounting costs related to the additional year-end customer count.

21 San Manuel - Again, I recognized and accounted for the additional expenses
22 required to account for the 2002 year-end customer count. The 1) Purchased
23 Power, i.e. pumping cost, increased an additional \$731, 2) Water Treatment
24 increased \$210, while the 3) Customer Accounting increased an additional \$970.

1 Sierra Vista – The additional expenses associated with the additional 2002
2 customers by adjusting the affected expense accounts are as follows: 1) Other –
3 Purchased Power, i.e. pumping cost, increased an additional \$3,192 to pump the
4 additional necessary gallons, 2) Water Treatment costs increased by \$366, and (3)
5 Customer Accounts increased by \$1,789, which are the billing and accounting costs
6 related to the additional year-end customer count.

7 Winkelman – The additional 2002 year-end customer count will decrease 1)
8 Purchased Power – by \$(515), and 2) Water Treatment – by \$(150), and 3)
9 Customer Accounting by \$(547). All of these adjustments are shown in detail on
10 Schedule TJC-11.

11
12 Q. How did you determine what expenses would be affected?

13 A. Marylee Diaz Cortez, RUCO's Audit Manager, performed a regression analysis to
14 determine what expenses are affected when additional customers are added. That
15 statistical study was made in the Northern Group's rate case and is attached in the
16 Appendix as Exhibit B.

17
18 **Operating Adjustment #6 – Amortization of Rate Case Expense**

19 Q. Please explain your rate case adjustment.

20 A. At the time of my direct testimony writing, I am accepting what the Company has
21 stated for rate case expenses. However, I reserve my right to change my position
22 once the Company provides more accurate and final numbers to RUCO for further
23 analysis.

1 **Operating Adjustment #7 – Remove MAP Surcharge Revenues**

2 Q. Please explain your adjustment to the “Monitoring Assistance Program” (MAP)
3 surcharge revenues.

4 A. These revenues are not included in determining base rates. They are collected
5 through a surcharge and must be removed to determine proper revenue
6 requirements.

7

8 Q. What adjustment is necessary to remove the 2002 MAP costs.

9 A. The Apache Junction system is not required to participate in the mandated water
10 testing program because it exceeds the 10,000 service connections, which is
11 required by ADEQ in order to not participate. San Manuel is not required to
12 participate because it purchases all of its water supply from BHP Copper. The other
13 systems required an adjustment to be removed from revenues as follows:

14	Bisbee - \$1,081	Oracle - \$413
15	Sierra Vista – \$673	Winkelman - \$45
16	Miami - \$897	Superior - \$380

17

18 Q. Does RUCO agree with the surcharge?

19 A. No, RUCO presented its disagreements concerning the surcharge in the AWC
20 Northern Group rate case. In that case, the Commission ruled against RUCO's
21 position. RUCO continues to maintain the same position but in light of the
22 Commission's decision regarding the Northern Group, RUCO will not attempt to
23 relitigate the issue again here.

24

1 **Operating Adjustment #8 – Depreciation & Amortization Expense**

2 Q. What amount of total depreciation & amortization expense has the Company
3 requested?

4 A. The Company is requesting depreciation & amortization expense of \$129,495 for its
5 Oracle system, \$52,727 for its San Manuel system, \$142,443 for its Sierra Vista
6 system, and \$13,888 for its Winkelman system.

7
8 Q. Have you recomputed depreciation & amortization expense?

9 A. Yes, it was necessary for me to recalculate depreciation expense based on the
10 2002 year-end plant balances. I also recomputed amortization expense based on
11 the 2002 CIAC balances. I have accepted the Company's proposed depreciation
12 rate, accordingly, and the differences in my recommended depreciation and
13 amortization expense versus the Company's are attributable solely to balance
14 differences.

15

16 Q. What is your recommended adjustment?

17 A. My depreciation and amortization adjustment for the Oracle system is (\$4,286), the
18 San Manuel system also requires a reduction of depreciation expense as compared
19 to the Company's amount filed in its Rate Application of (\$15,512). The Sierra Vista
20 and Winkelman systems also require depreciation reductions of (\$17,008) and
21 (\$2,748) respectively. The details of my calculations are shown on Schedule TJC-
22 12.

23

24

1 Q. Does that complete RUCO's Depreciation and Amortization Operating Adjustment?

2 A. Yes.

3

4 **Operating Adjustment #9 – Property Tax Expense**

5 Q. Have you reviewed the property tax calculation that the Company used in
6 determining its revenue requirement?

7 A. Yes.

8

9 Q. How did the Company arrive at its property tax amount as reported in its filing?

10 A. The Company computed its property tax calculation the same way I did using the
11 new ADOR formula. However, the Company has used its projected revenues for
12 purposes of valuation as opposed to its historical revenue.

13

14 Q. What adjustment is necessary?

15 A. It was necessary and proper to recompute the property taxes based on historical
16 revenues as required by the ADOR formula. Oracle, San Manuel, and Sierra Vista
17 required the following adjusted decreases of (\$4,917), (\$2,184), and (\$10,102)
18 respectively. Winkelman required a property tax increase of \$65 more than what
19 Arizona Water reported in its rate application. The adjustment is detailed on
20 Schedule TJC-13.

21

22

23

24

1 **Operating Adjustment #10 – Income Tax Expense**

2 Q. Please discuss your income tax expense adjustment.

3 A. As shown on Schedule TJC-14, I calculated Arizona Water Company's state and
4 federal income taxes based on RUCO's recommended level of operating income at
5 present water rates.

6
7 Q. After reviewing the Company's income tax expense as reported in its filing, do you
8 agree with the tax rates the Company used?

9 A. No. ADOR has made some recent changes in the corporate tax rate. The current
10 corporate state income tax rate is 6.968% as compared to the 6.95183% used by
11 the Company and supported on Schedule C-3, page 1. This also accounts in part
12 for the difference in the Company's and RUCO's "Gross Revenue Conversion
13 Factor". The Company has computed its Federal Income Tax rate based on total
14 Company income. This Commission has required pro-forma income taxes to be
15 computed on a "stand-alone" basis for each system. My income tax calculations
16 therefore utilize stand-alone net income to determine the tax liability.

17
18 Q. What were the necessary adjustments based on RUCO's findings and
19 recommendations?

20 A. My revenue requirements would warrant an additional \$44,169 in state and federal
21 income taxes for Oracle, an additional \$35,449 for San Manuel, an additional
22 \$43,513 for Sierra Vista, and an additional \$3,181 for the Winkelman systems. My
23 calculations are supported in detail on Schedule TJC-14.

24

1 **Operating Adjustment #11 – Purchased Water**

2 Q. Does the San Manuel system purchase water from a second party?

3 A. Yes, San Manuel purchases all of its water from a second party.

4
5 Q. From whom is the water purchased?

6 A. As is the case in many of the Eastern Group's water systems, San Manuel was
7 once a mining town. BHP Copper has provided water to the town ever since
8 Arizona Water purchased the infrastructure back in the mid 1950's. AWC does not
9 own any wells in San Manuel. Over the years, BHP Copper has provided all the
10 water for this system. Arizona Water has served as more of a transmission and
11 distribution system while BHP provided the source of water. BHP Copper ceased
12 its mining operations in San Manuel a few years ago but still owns the wells.

13
14 Q. Has BHP Copper offered to sell the wells to Arizona Water?

15 A. No, however, Arizona Water and BHP have several formal agreements that
16 mandates certain situations if something unexpected occurred that would interrupt
17 the water supply for the town of San Manuel. In one of the agreements, the
18 possibility was mentioned that Arizona Water would have the first rights to purchase
19 the wells if for some reason BHP were to decide to sell the wells.

20

21

22

23

1 Q. Regarding the agreements you mentioned, is there any concern that San Manuel
2 could suffer an interruption of water service?

3 A. From what I read, the agreements seemed to cover every scenario that could
4 possibly come up. Therefore, I believe the town has a secure source of water
5 supply now and in the future.

6
7 Q. In March 2002, did BHP Copper increase the commodity charge of its water to
8 AWC?

9 A. Yes. BHP Copper increased the commodity charge from \$.60 per thousand gallons
10 to \$1.12 per thousand.

11
12 Q. Can Arizona Water drill their own wells and supply their own source of water more
13 economically than what BHP is now charging AWC?

14 A. A hydrology engineer could address that question more accurately than I. Mr.
15 Whitehead did mention to me while on the field audit that BHP Copper had long
16 subsidized the cost of providing water service to San Manuel. Arizona Water did
17 answer some of Staff's data requests that leads me to believe that the new BHP
18 commodity charge is just a reflection of the true cost of continuing to provide a
19 source of supply to San Manuel. Unfortunately, due to the mine closing, San
20 Manuel no longer will enjoy the mine's subsidization of water rates.

21

22 **COST OF CAPITAL**

23 Q. Has RUCO determined cost of capital and a fair return on common equity?

24 A. Yes, Mr. Rigsby will sponsor that section of the Rate Application in his testimony.

1 **RATE DESIGN**

2 Q. Have you prepared a schedule showing your recommended monthly minimum rates
3 and commodity rates?

4 A. Yes.

5
6 Q. How did you design your rates?

7 A. My rate design is shown on Schedule WAR-17. Mr. Rigsby discusses RUCO's
8 Rate Design fully in his testimony section of Rate Design.

9
10 Q. Does this complete your testimony on behalf of RUCO on Arizona Water
11 Company's Eastern Group Rate Application?

12 A. Yes.

13

14

15

16

17

18

19

20

21

Exhibit

A

1 Q. How does RUCO's recommended rate increase differ between the primary
2 historical approach and the secondary projected approach?

3 A. RUCO's recommended rate increase varies only slightly depending on
4 whether a historical or projected approach is used as compared with the
5 Company's mixed historical/projected approach.

6	<u>System</u>	<u>RUCO Historical T/Y</u>	<u>RUCO Projected T/Y</u>	<u>Company Mixed T/Y</u>
7	Lakeside	\$166,297	157,334	616,167
8	Overgaard	37,740	(61,881)	401,059
9	Sedona	310,229	330,210	809,862
10	Pinewood	114,909	115,580	333,941
11	Rimrock	37,919	54,939	124,096

12

13 As can be seen above, the amount of required rate increase varies very
14 little based on a historical vs. projected test year. The reason the
15 Company's calculated rate increase is so much larger is not because of
16 the choice of either a historical or projected test year but from its failure to
17 choose one or the other (failure to match all elements). By picking and
18 choosing which items to reflect on a historical vs. projected basis, and
19 mismatching items from various time periods it has maximized the level of
20 its requested rate increase. In order to determine fair and reasonable
21 rates the Commission will need to use a matched test year, irrespective of
22 whether it is historical or projected.

23

Exhibit B

1 Q. Has the Company also proposed an adjustment to annualize expenses
2 based on its proposed increase in customers?

3 A. Yes. The Company has proposed an adjustment to annualize what it calls
4 "variable" expenses in order to match the increased customers with
5 increased costs. The Company claims that these "variable" costs are
6 directly impacted by increases in customers and consumption.

7
8 Q. What expenses has the Company defined as variable?

9 A. The Company has defined the following expenses as variable: Source of
10 Supply, Pumping, Water Treatment, Transmission and Distribution, and
11 Customer Accounting.

12 Q. Has the Company increased all of these expenses?

13 A. Yes. The Company maintains that each of these expenses is directly
14 impacted by an increase in the number of customers/gallons sold. The
15 adjustment assumes that there is a one-to-one relationship between cost
16 and number of customers.

17
18 Q. Do you agree with the Company's "variable" expense adjustment?

19 A. No, not in its entirety. While it is true that certain expenses are directly
20 impacted by an increase in sales, not all the expense categories adjusted
21 by the Company are in fact a direct function of sales.

22

1 Q. Did you perform an objective analysis to determine which of these
2 expense categories are truly variable?

3 A. Yes. I have performed a regression analysis on each of the expense
4 categories that the Company has identified as variable. The purpose of
5 this analysis was to determine the degree of correlation between the
6 number of customers and the annual change in each expense. I
7 performed this analysis using actual customer counts for each year and
8 actual expenses for each year 1993 through 1999.

9
10 Q. What were the results of this analysis?

11 A. The following R squared factors were derived from the regression
12 analyses. The R squared factor in a regression analysis assesses the
13 degree of correlation between two data sets. R squared factors range
14 from 0 though 1; 0 represents no correlation between data sets and 1
15 represents perfect correlation. R squared factors of .75 or greater
16 generally indicate there is a significant relationship between data sets.

17	<u>Expense Category</u>	<u>R Squared</u>
18	Source of Supply	.644
19	Pumping	.887
20	Transmission & Distribution/Water Treat	.612
21	Customer Accounting	.983

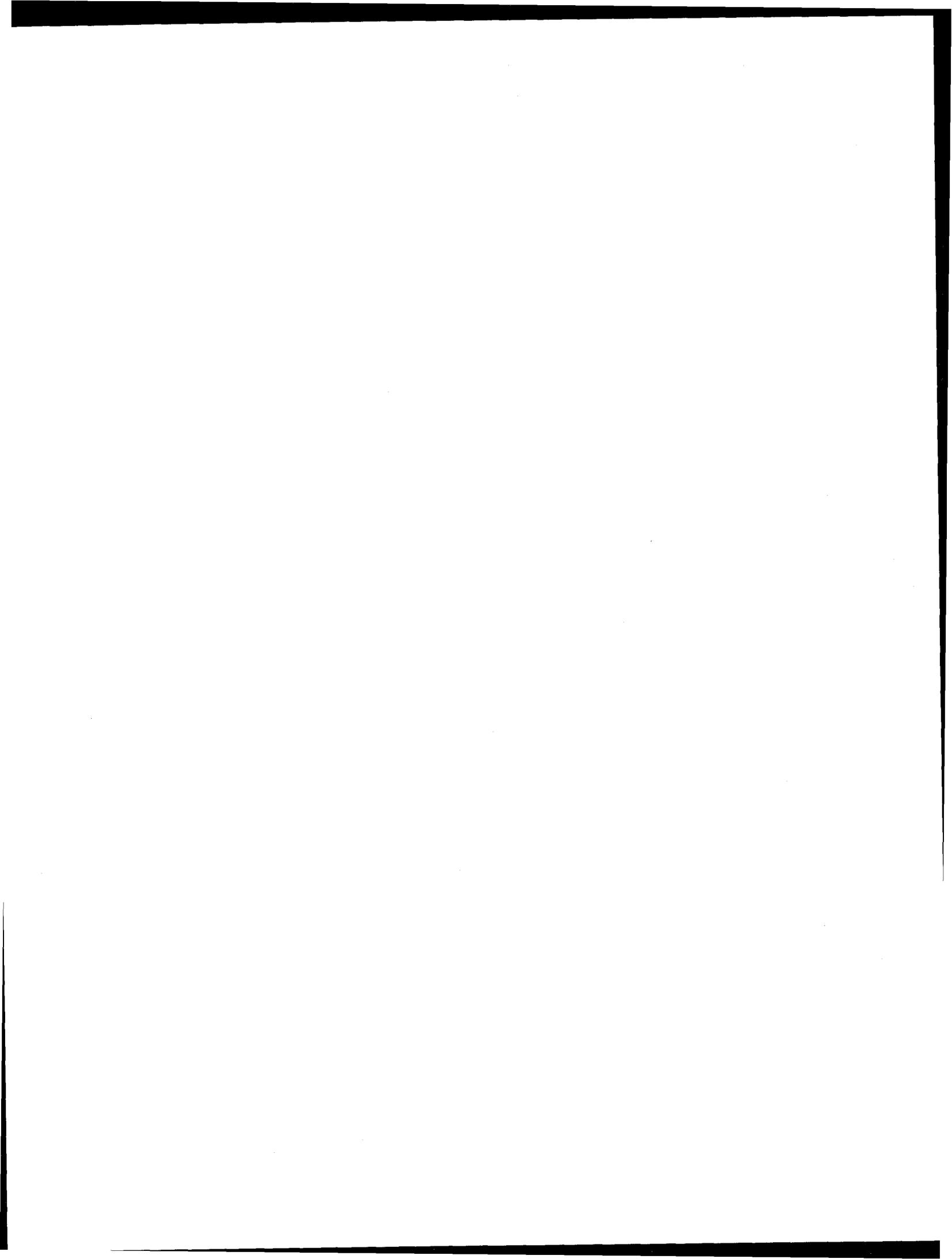
22

23

24

1 Q. Which expenses have a significant correlation with the number of
2 customers?

3 A. The regression analysis indicates that the only expenses that are directly
4 impacted by a change in customer levels are Pumping and Customer
5 Accounting. These expenses all have an R squared factor that exceeds
6 .75, Accordingly these are the only expenses that require annualization.
7 The necessary adjustment to annualize only these expenses is shown on
8 Schedules MDC-9, page 1, lines 16, 21, 22, and 23 for each system.



**ARIZONA WATER COMPANY
ORACLE SYSTEM
DOCKET NO. W-1445A-02-0619
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ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 REVENUE REQUIREMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-1
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY REQUESTED	(B) RUCO RECOMMENDED
1	ADJUSTED RATE BASE	\$ 2,819,400	\$ 2,513,635
2	ADJUSTED OPERATING INCOME	167,200	233,731
3	CURRENT RATE OF RETURN (L2 / L1)	5.93%	9.30%
4	REQUIRED RATE OF RETURN	11.00%	8.68%
5	REQUIRED OPERATING INCOME (L4 * L1)	310,134	218,255
6	OPERATING INCOME DEFICIENCY (L5 - L2)	142,934	(15,476)
7	GROSS REVENUE CONVERSION FACTOR	1.63241	1.57244
8	GROSS REVENUE INCREASE	\$ 233,328	\$ (24,335)
9	CURRENT REVENUES T/Y ADJUSTED	827,577	935,677
10	PROPOSED ANNUAL REVENUE (L8 + L9)	1,060,904	911,342
11	PERCENTAGE AVERAGE INCREASE	28.19%	-2.60%

REFERENCES:

COLUMN (A): COMPANY SCHEDULE A-1

COLUMN (B): SCHEDULE TJC-1, PG. 2, TJC-2, AND TJC-8

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 GROSS REVENUE CONVERSION FACTOR

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-1
 PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	UNCOLLECTIBLES	<u>0.002316</u>	COMPANY SCH. C-3
3	SUB-TOTAL	0.9977	LINE 1 - LINE 2
4	LESS: TAX RATE	<u>36.17%</u>	NOTE (a)
5	TOTAL	0.6360	LINE 3 - LINE 4
6	REVENUE CONVERSION FACTOR	1.57244	LINE 1/LINE 5

NOTE (a):
 CALCULATION OF EFFECTIVE TAX RATE

OPERATING INCOME BEFORE TAXES	100.00%
ARIZONA STATE TAX	<u>6.97%</u>
TAXABLE INCOME FEDERAL	93.03%
FEDERAL INCOME TAX RATE	<u>31.48%</u>
SUBTOTAL	29.29%
ADD STATE TAX RATE	36.26%
LINE 3 ABOVE	<u>99.77%</u>
EFFECTIVE TAX RATE	36.17%

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 RATE BASE - ORIGINAL COST

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-2

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 5,179,022	\$ (99,184)	\$ 5,079,838
2	PHOENIX OFFICE & METER SHOP ALLOCATION	94,945	22,551	117,496
3	ACCUMULATED DEPRECIATION	<u>(1,468,546)</u>	<u>(117,761)</u>	<u>(1,586,306)</u>
4	NET PLANT IN SERVICE	\$ 3,805,422	\$ (194,394)	\$ 3,611,028
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	<u>-</u>	<u>-</u>	<u>-</u>
6	TOTAL NET PLANT	\$ 3,805,422	\$ (194,394)	\$ 3,611,028
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(473,356)	10,013	(463,343)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(258,151)	(11,741)	(269,892)
9	ACCUMULATED AMORTIZATION OF CIAC	37,740	6,838	44,578
10	DEFERRED INCOME TAXES	(344,341)	(63,763)	(408,104)
11	WORKING CAPITAL	<u>52,086</u>	<u>(52,718)</u>	<u>(632)</u>
12	TOTAL RATE BASE	<u>\$ 2,819,400</u>	<u>\$ (305,764)</u>	<u>\$ 2,513,635</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE B-1
 COLUMN (B): SCHEDULE TJC-3
 COLUMN (C): COLUMN (A) + COLUMN (B)

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCCO ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 5,179,022	(\$99,184)	13,419	(\$105,338)	12,423	(\$3,291)							\$ 5,079,838
2	PHOENIX OFFICE & METER SHOP ALLOCATION	94,945												117,496
3	ACCUMULATED DEPRECIATION	(1,468,546)			(105,338)	(12,423)								(1,586,305)
4	NET PLANT IN SERVICE	\$ 3,805,422	\$ (99,184)	\$ 13,419	\$ (105,338)	\$ -	\$ (3,291)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,611,028
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	-	-	-	-	-	-	-	-	-	-	-	-	-
6	TOTAL NET PLANT	\$ 3,805,422	\$ (99,184)	\$ 13,419	\$ (105,338)	\$ -	\$ (3,291)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,611,028
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(473,356)						10,013						(463,343)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(258,151)							(11,741)					(269,892)
9	ACCUMULATED AMORTIZATION OF OF CIAC	37,740							6,838					44,578
10	DEFERRED INCOME TAXES	(344,341)							(63,763)					(408,104)
11	WORKING CAPITAL	52,086										(52,719)		(632)
12	TOTAL RATE BASE	\$ 2,819,400	\$ (99,184)	\$ 13,419	\$ (105,338)	\$ -	\$ (3,291)	\$ 10,013	\$ (4,903)	\$ (63,763)	\$ (52,719)	\$ -	\$ -	\$ 2,513,635

ADJUSTMENT #:
 1. PLANT IN SERVICE/POST-TEST YEAR ADDITIONS
 2. PHOENIX OFFICE & METER SHOP ALLOCATION
 3. ACCUMULATED DEPRECIATION
 4. RECONCILE PHX OFFICE & METER SHOP AND ACCUM. DEPR.
 5. REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION
 6. AIAC - 2002 BALANCE

REFERENCE:
 SCHEDULE TJC-4, PAGE 7
 SCHEDULE TJC-4, PAGE 7
 SCHEDULE TJC-4, PAGE 7
 SCHEDULE TJC-5
 SCHEDULE TJC-8
 RUCCO D.R. NO. 6.3

ADJUSTMENT #:
 7. CIAC - 2002 BAL. & AMORTIZATION
 8. ACCUMULATED DEFERRED INCOME TAXES
 9. WORKING CAPITAL
 10. NOT USED
 11. NOT USED

REFERENCE:
 RUCCO D.R. NO. 6.3, TESTIMONY - TJC
 RUCCO D.R. NO. 6.3
 SCHEDULE TJC-7, PAGE 3
 N/A
 N/A

NOTES:
 (A) NET OF ACCUMULATED DEPRECIATION
 (B) GROSS PHOENIX OFFICE AND METER SHOP ADDITIONS ALLOCATED DURING 2002
 (C) INCLUDES ACCUMULATED DEPRECIATION ON 2002 PHOENIX OFFICE AND METER SHOP ADDITIONS

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1990 PLANT VALUE PER COMPANY	1990 ACCUM DEPR PER COMPANY	1990 NET PLANT ACC PER COMPANY	1991 ADDITIONS PER COMPANY	1991 (RETIREMENTS) PER COMPANY	1991 YEAR END PLANT VALUE PER RUCO	1991 DEPRECIATION EXPENSE PER RUCO	1991 ACCUMULATED DEPRECIATION PER RUCO	1991 YEAR END NET PLANT PER RUCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	15,943	0	15,943	0	0	15,943	0	0	15,943
7	314.0	SOURCE OF SUPPLY: WELLS	183,345	44,799	148,546	0	0	193,345	4,679	49,478	143,867
8	320.0	PUMPING PLANT: LAND*	2,742	0	2,742	0	0	2,742	0	0	2,742
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	18,089	4,194	13,905	0	0	18,089	438	4,632	13,457
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	516,857	119,759	397,098	1,994	0	518,851	12,532	132,291	386,560
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	2,817	653	2,164	0	0	2,817	0	721	2,096
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	6,441	1,492	4,949	0	0	6,441	156	1,648	4,793
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	17,290	0	17,290	0	0	17,290	0	0	17,290
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	271,267	62,854	208,413	0	0	271,267	6,565	69,419	201,848
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	1,160,038	268,788	891,250	120,551	(1,476)	1,279,113	29,514	296,625	982,288
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	0	0	0	0	0	0	0	0	0
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	0	0	0	0	0	0
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	216,927	50,263	166,664	11,547	(657)	227,917	5,383	55,089	172,828
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	59,759	13,856	45,943	3,064	(789)	62,074	1,475	14,541	47,533
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	81,382	18,857	62,525	2,559	0	83,941	2,000	20,857	63,084
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	9,378	2,173	7,205	0	0	9,378	227	2,400	6,978
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	771	179	592	0	0	771	19	197	574
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	32	7	25	0	0	32	1	8	24
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	923	214	709	0	0	923	22	236	687
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	0	0	0	0	0	0	0
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	21,149	4,900	16,249	0	0	21,149	512	5,412	15,737
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	0	0	0	0	0	0	0
39	397.2	GENERAL PLANT: AUTO CONTROLS	7,487	1,735	5,752	1,830	0	9,317	203	1,938	7,379
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0
41		TOTALS	\$2,602,687	\$594,722	\$2,007,965	\$141,545	(\$2,822)	\$2,741,410	\$63,793	\$655,693	\$2,085,717

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1992 ADDITIONS PER COMPANY	1992 (RETIREMENTS) PER COMPANY	1992 YEAR END PLANT VALUE PER RUO	1992 DEPRECIATION EXPENSE PER RUO	1992 ACCUMULATED DEPRECIATION PER RUO	1992 YEAR END NET PLANT PER RUO	1993 ADDITIONS PER COMPANY	1993 (RETIREMENTS) PER COMPANY	1993 YEAR END PLANT VALUE PER RUO	1993 DEPRECIATION EXPENSE PER RUO	1993 ACCUMULATED DEPRECIATION PER RUO	1993 YEAR END NET PLANT PER RUO
1	3010	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	3020	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	3030	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	3101	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0	0	0	0
5	3102	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	3103	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	15,114	0	15,114	0	0	15,114
7	3113	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
8	3200	PUMPING PLANT: WELLS	230	0	15,943	4,682	54,160	139,415	48,291	0	241,866	5,639	59,790	15,843
9	3210	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	2,742	0	0	18,099	2,742	0	18,099	469	5,598	12,542
10	3250	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	18,099	498	5,070	13,029	0	0	18,099	469	5,598	12,542
11	3280	PUMPING PLANT: GAS ENGINE EQUIPMENT	22	0	518,873	12,556	144,847	374,026	0	0	518,873	13,439	158,286	360,587
12	3300	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	3310	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	2,817	68	789	2,028	0	0	2,817	73	862	1,955
14	3320	WATER TREATMENT PLANT: EQUIPMENT	0	0	6,441	156	1,804	4,637	0	0	6,441	167	1,971	4,470
15	3400	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	17,290	0	0	17,290	0	0	17,290	0	0	17,290
16	3401	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	3410	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	3420	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	271,267	6,565	75,983	195,284	0	0	271,267	7,026	83,009	188,258
19	3430	TRANSMISSION & DISTRIBUTION: MAINS	18,242	(288)	1,297,067	31,172	327,709	989,358	106,889	(1,656)	1,402,300	34,957	361,010	1,041,290
20	3440	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	0	0	0	0	0	0	0	0	0
21	3450	TRANSMISSION & DISTRIBUTION: SERVICES	13,893	(259)	241,551	5,681	60,510	181,041	6,645	(62)	247,984	6,339	66,787	181,147
22	3460	TRANSMISSION & DISTRIBUTION: METERS	4,087	(959)	65,792	1,547	15,689	50,073	330	(840)	66,052	1,707	16,756	49,296
23	3480	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	83,941	2,031	22,888	61,053	0	0	83,941	2,174	25,053	58,878
24	3891	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	3892	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	3893	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	3901	GENERAL PLANT: OFFICE BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
28	3902	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	9,378	227	2,627	6,751	0	0	9,378	243	2,870	6,508
29	3910	GENERAL PLANT: MISC. BUILDINGS	0	0	771	19	216	555	0	0	771	20	238	535
30	3911	GENERAL PLANT: ELECTRIC EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
31	3912	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
32	3912	GENERAL PLANT: OFFICE EQUIPMENT	0	0	32	1	9	23	4,918	0	4,950	65	73	4,877
33	3930	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	923	22	259	664	0	0	923	24	282	641
34	3940	GENERAL PLANT: GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
35	3950	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
36	3960	GENERAL PLANT: POWER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
37	3970	GENERAL PLANT: POWER EQUIPMENTS	0	(2,135)	19,014	486	3,763	15,251	0	0	19,014	492	4,256	14,758
38	3971	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	753	0	753	0	0	744	0	0	753	20	29	724
39	3972	GENERAL PLANT: MOBILE RADIOS	5,555	0	14,882	293	2,263	12,619	0	0	14,882	365	2,516	12,366
40	3980	GENERAL PLANT: AUTO CONTROLS	0	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$42,732	(\$3,081)	\$2,781,121	\$65,952	\$718,564	\$2,062,557	\$182,597	(\$2,359)	\$2,961,950	\$73,238	\$789,444	\$2,171,506

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24
 NOTE:
 *NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1994 ADDITIONS PER COMPANY	1994 (RETIREMENTS) PER COMPANY	1994 YEAR END PLANT VALUE PER RUO	1994 DEPRECIATION EXPENSE PER RUO	1994 ACCUMULATED DEPRECIATION PER RUO	1994 YEAR END NET PLANT PER RUO	1995 ADDITIONS PER COMPANY	1995 (RETIREMENTS) PER COMPANY	1995 YEAR END PLANT VALUE PER RUO	1995 DEPRECIATION EXPENSE PER RUO	1995 ACCUMULATED DEPRECIATION PER RUO	1995 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES ORGANIZATION*	0	0	0	0	0	0	0	0	0	0	0	0
2	302.0	INTANGIBLES FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES MISC.	0	0	0	0	0	0	0	0	0	0	0	0
4	303.1	SOURCE OF SUPPLY - LAND - WATER RIGHTS*	6,518	0	21,632	0	0	25,214	0	0	25,214	0	0	25,214
5	310.2	SOURCE OF SUPPLY - LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY - LAND - WELLS*	0	0	15,943	0	0	15,943	0	0	15,943	0	0	15,943
7	310.3	SOURCE OF SUPPLY - WELLS	1,589	0	243,465	0	0	243,465	0	0	243,465	0	0	243,465
8	320.0	PUMPING PLANT - LAND*	0	0	2,742	0	0	2,742	0	0	2,742	0	0	2,742
9	321.0	PUMPING PLANT - STRUCTURES & IMPROVEMENTS	0	0	18,099	469	0	18,099	0	0	18,099	469	0	18,099
10	325.0	PUMPING PLANT - ELECTRICAL EQUIPMENT	102,505	(45,210)	576,169	14,181	127,257	448,912	35,284	(20,382)	591,081	15,116	121,991	469,090
11	328.0	PUMPING PLANT - GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT - LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT - STRUCTURES & IMPROVEMENTS	0	0	2,817	73	935	1,882	0	0	2,817	73	1,008	1,809
14	332.0	WATER TREATMENT PLANT - EQUIPMENT*	0	0	6,441	167	2,136	4,303	0	0	6,441	167	2,305	4,136
15	340.0	TRANSMISSION & DISTRIBUTION - LAND - TANKS & MAINS*	0	0	17,290	0	0	17,290	0	0	17,290	0	0	17,290
16	340.1	TRANSMISSION & DISTRIBUTION - LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION - TOWERS*	0	0	0	0	0	0	0	0	0	0	0	0
18	341.0	TRANSMISSION & DISTRIBUTION - STORAGE TANKS	0	0	271,267	0	0	271,267	0	0	271,267	0	0	271,267
19	343.0	TRANSMISSION & DISTRIBUTION - MAINS	0	0	1,537,112	7,026	90,035	1,812,332	11,859	(906)	1,870,576	7,168	96,297	1,852,233
20	344.0	TRANSMISSION & DISTRIBUTION - FIRE SPRINKLERS	136,115	(1,303)	0	0	397,772	1,139,340	133,484	0	1,870,576	41,540	439,312	1,231,264
21	345.0	TRANSMISSION & DISTRIBUTION - SERVICES	20,215	(19)	268,136	6,683	73,457	194,679	19,962	(529)	287,589	7,197	80,125	207,464
22	346.0	TRANSMISSION & DISTRIBUTION - METERS	0	(254)	18,210	1,707	18,210	47,588	1,521	(209)	67,110	1,721	19,722	47,388
23	348.0	TRANSMISSION & DISTRIBUTION - HYDRANTS	0	0	83,941	2,174	27,237	56,704	0	0	83,941	2,174	29,411	54,530
24	389.1	GENERAL PLANT - LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT - LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT - LAND - MISC.	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT - OFFICE BUILDINGS	5,689	0	15,077	917	3,186	11,891	685	0	15,772	399	3,586	12,176
28	390.2	GENERAL PLANT - WAREHOUSE BUILDINGS	0	0	771	0	256	515	0	0	771	20	276	495
29	391.0	GENERAL PLANT - OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
30	391.1	GENERAL PLANT - ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
31	391.2	GENERAL PLANT - OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
32	391.2	GENERAL PLANT - OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT - WAREHOUSE EQUIPMENT	0	0	4,950	128	202	4,748	0	0	4,950	128	330	4,620
34	394.0	GENERAL PLANT - GARAGE EQUIPMENT	1,623	0	2,746	48	330	2,416	0	0	2,746	71	401	2,345
35	395.0	GENERAL PLANT - LAB EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT - POWER EQUIPMENT	0	0	11,488	385	(2,865)	14,363	0	0	11,488	298	(2,987)	14,085
37	397.0	GENERAL PLANT - COMMUNICATIONS EQUIPMENT	0	(7,516)	0	0	0	0	0	0	0	0	0	0
38	397.1	GENERAL PLANT - MOBILE RADIOS	0	0	753	20	20	753	0	0	753	0	0	753
39	397.2	GENERAL PLANT - AUTO CONTROLS	4,103	0	18,963	493	3,055	15,903	742	0	19,722	501	3,556	16,171
40	398.0	GENERAL PLANT - MISC.	0	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$276,978	(\$54,290)	\$3,185,632	\$78,196	\$513,343	\$2,372,269	\$207,129	(\$22,026)	\$3,370,735	\$63,367	\$874,684	\$2,496,051

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24
 NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1996 ADDITIONS PER COMPANY	1996 (RETIREMENTS) PER COMPANY	1996 YEAR END PLANT VALUE PER RUO	1996 DEPRECIATION EXPENSE PER RUO	1996 ACCUMULATED DEPRECIATION PER RUO	1996 YEAR END NET PLANT PER RUO	1997 ADDITIONS PER COMPANY	1997 (RETIREMENTS) PER COMPANY	1997 YEAR END PLANT VALUE PER RUO	1997 DEPRECIATION EXPENSE PER RUO	1997 ACCUMULATED DEPRECIATION PER RUO	1997 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	4,450	0	29,664	0	0	29,664	0	0	35,656	0	0	35,656
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	15,943	0	0	15,943	0	0	15,943	0	0	15,943
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	243,465	6,306	78,695	164,770	0	0	243,465	6,306	85,001	159,464
8	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	878	(268)	11,827	474	6,882	11,827	0	0	2,742	0	0	2,742
9	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	2,770	(543)	593,308	15,338	136,785	583,308	0	0	593,308	15,387	152,152	441,156
10	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
11	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	2,817	73	1,091	1,796	0	0	2,817	73	1,154	1,663
13	331.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	6,441	167	2,471	3,970	0	0	6,441	167	2,658	3,683
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	17,290	0	0	17,290	2,390	0	19,680	0	0	19,680
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	282,220	7,309	103,606	176,614	0	0	282,220	7,309	110,916	171,304
18	342.0	TRANSMISSION & DISTRIBUTION: TOWER TANKS	0	0	1,841,981	45,486	484,709	1,357,152	183,596	(494)	2,024,563	50,075	534,290	1,490,673
19	343.0	TRANSMISSION & DISTRIBUTION: TOWER TANKS	0	0	0	0	0	0	0	0	0	0	0	0
20	344.0	TRANSMISSION & DISTRIBUTION: MAINS	171,374	(89)	0	0	0	0	0	0	0	0	0	0
21	345.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	22,555	(193)	309,951	7,738	87,670	222,281	28,146	(765)	337,332	8,382	95,287	242,045
22	346.0	TRANSMISSION & DISTRIBUTION: SERVICES	8,035	(409)	72,736	1,811	21,124	51,612	4,228	(1,361)	75,603	1,921	21,684	53,919
23	348.0	TRANSMISSION & DISTRIBUTION: METERS	0	0	83,941	2,174	31,595	52,396	8,490	0	92,431	2,294	33,869	58,562
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	5,685	0	21,457	482	4,068	17,389	815	0	22,272	566	4,634	17,638
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	771	20	296	475	0	0	771	20	316	455
29	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
30	391.1	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
31	391.2	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	4,950	128	458	4,492	0	0	4,950	128	586	4,364
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	0	0	2,746	71	472	2,274	0	0	2,746	71	543	2,203
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	11,498	296	(2,270)	13,768	0	0	11,498	296	(1,972)	13,470
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	84	21	86	755	0	0	84	22	110	733
38	397.1	GENERAL PLANT: MOBILE RADIOS	90	0	19,727	511	4,097	15,680	334	0	20,061	515	4,582	15,479
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	0	0	0	0	0	0	0	0	0	0
40	399.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$213,847	(\$1,402)	\$3,392,860	\$88,407	\$661,569	\$2,821,291	\$233,961	(\$2,620)	\$3,141,251	\$63,984	\$1,052,353	\$2,761,298

REFERENCE:
 ACC STAFF D.R. NO. REL. 1-24
 NOTE:
 * NON-DEPRECIABLE PLANT

PLANT IN SERVICE/POST TEST YEAR PLANT
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1998 ADDITIONS PER COMPANY	1998 (RETIREMENTS) PER COMPANY	1998 YEAR END PLANT VALUE PER RUCCO	1998 DEPRECIATION EXPENSE PER RUCCO	1998 ACCUMULATED DEPRECIATION PER RUCCO	1998 YEAR END NET PLANT PER RUCCO	1999 ADDITIONS PER COMPANY	1999 (RETIREMENTS) PER COMPANY	1999 YEAR END PLANT VALUE PER RUCCO	1999 DEPRECIATION EXPENSE PER RUCCO	1999 ACCUMULATED DEPRECIATION PER RUCCO	1999 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	303.0	INTANGIBLES: MISC.*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	10,850	\$0	46,506	\$0	\$0	46,506	4,914	\$0	51,420	\$0	\$0	51,420
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	\$0	\$0	15,943	\$0	\$0	15,943	\$0	\$0	15,943	\$0	\$0	15,943
7	314.0	SOURCE OF SUPPLY: WELLS	\$0	\$0	243,465	6,306	91,307	152,158	\$0	\$0	243,465	6,306	97,613	145,852
8	320.0	PUMPING PLANT: LAND	\$0	\$0	2,742	\$0	\$0	2,742	\$0	\$0	2,742	\$0	\$0	2,742
9	320.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	\$0	\$0	11,608	492	7,653	11,608	2,250	(193)	21,618	531	7,981	13,327
10	325.0	PUMPING PLANT: STRUCTURE EQUIPMENT	35,037	\$0	628,345	15,820	167,973	480,372	11,588	(3,849)	636,054	16,374	180,488	455,556
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	330.0	WATER TREATMENT PLANT: LAND*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	\$0	\$0	2,817	78	1,237	1,590	\$0	\$0	35,054	490	1,717	33,337
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	\$0	\$0	12,247	242	2,660	9,567	56	\$0	12,303	318	3,196	9,105
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	5,806	\$0	19,660	\$0	\$0	19,660	\$0	\$0	19,660	\$0	\$0	19,660
16	341.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	341.1	TRANSMISSION & DISTRIBUTION: STRUCTURES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	\$0	\$0	282,220	7,309	118,225	163,995	\$0	\$0	282,220	7,309	125,555	156,665
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	162,783	(374)	2,187,372	54,350	588,466	1,598,906	370,963	\$0	2,568,839	61,467	649,323	1,909,412
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	18,963	(386)	355,909	8,977	103,879	252,030	21,107	(303)	376,713	9,487	113,063	263,650
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	\$0	(524)	75,079	1,951	23,111	51,968	6,408	(2,123)	79,964	2,000	22,988	58,376
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	4,560	\$0	96,991	2,453	38,322	60,669	4,912	\$0	101,903	2,576	38,897	63,006
24	389.1	GENERAL PLANT: LAND - OFFICE*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	389.3	GENERAL PLANT: LAND - MISC.*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	\$0	\$0	22,272	577	5,211	17,061	282	\$0	22,554	580	5,791	16,763
29	390.3	GENERAL PLANT: MISC. BUILDINGS	\$0	\$0	771	20	396	435	\$0	\$0	771	20	356	415
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
31	391.1	GENERAL PLANT: OFFICE FURNITURE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
32	391.2	GENERAL PLANT: OFFICE FURNITURE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	\$0	\$0	4,950	128	715	4,235	\$0	\$0	4,950	128	843	4,107
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	644	\$0	3,390	79	623	2,767	1,509	\$0	4,899	107	730	4,169
35	395.0	GENERAL PLANT: POWER EQUIPMENT	146	\$0	146	2	2	144	\$0	\$0	146	4	6	140
36	396.0	GENERAL PLANT: POWER EQUIPMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	\$0	\$0	11,498	288	(1,674)	13,172	\$0	\$0	11,498	288	(1,376)	12,874
38	397.1	GENERAL PLANT: MOBILE RADIOS	\$0	\$0	843	22	132	711	\$0	\$0	843	22	154	689
39	397.2	GENERAL PLANT: AUTO CONTROLS	2,014	\$0	22,075	546	5,128	16,947	1,120	\$0	23,195	546	5,714	17,481
40	398.0	GENERAL PLANT: MISC.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
41		TOTALS	\$241,755	(\$1,284)	\$4,054,722	\$99,846	\$1,151,515	\$2,903,207	\$457,316	(\$6,468)	\$4,505,970	\$108,534	\$1,253,641	\$3,252,329

REFERENCE
 ACC STAFF D.R. NO. REL 1-24
 NOTE
 *NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2000 ADDITIONS PER COMPANY	2000 (RETIREMENTS) PER COMPANY	2000 YEAR END PLANT VALUE PER RUO	2000 DEPRECIATION EXPENSE PER RUO	2000 ACCUMULATED DEPRECIATION PER RUO	2000 YEAR END NET PLANT PER RUO	2001 ADDITIONS PER COMPANY	2001 (RETIREMENTS) PER COMPANY	2001 YEAR END PLANT VALUE PER RUO	2001 DEPRECIATION EXPENSE PER RUO	2001 ACCUMULATED DEPRECIATION PER RUO	2001 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	0	0	0	0	0	0	0	0	0	0	0	0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	1,671	0	53,091	0	0	53,091	1,464	0	54,555	0	0	54,555
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	15,943	0	0	15,943	0	0	15,943	0	0	15,943
7	314.0	SOURCE OF SUPPLY: LAND - WELLS	180	0	243,645	6,308	103,921	139,724	865	0	244,510	6,322	110,242	134,268
8	320.0	PUMPING PLANT: LAND*	0	0	22,043	564	8,555	13,488	0	0	22,043	571	2,742	21,301
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	5,491	0	641,545	16,545	197,043	444,502	108,169	(25,928)	725,786	17,681	188,796	534,990
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	35,054	907	2,652	36,654	0	0	35,054	908	3,553	31,501
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	27,673	0	36,100	677	3,672	40,447	4,746	0	45,193	1,097	4,972	39,750
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	19,680	0	0	19,680	0	0	19,680	0	0	19,680
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS*	0	0	0	0	0	0	0	0	0	0	0	0
16	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
17	341.1	TRANSMISSION & DISTRIBUTION: TOWERS	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	282,220	7,309	132,844	149,376	4,833	0	287,053	7,372	140,216	146,837
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	42,777	0	2,601,112	66,815	716,738	1,884,374	113,677	(1,896)	2,712,853	68,816	783,618	1,929,235
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	0	0	0	0	0	0	0	0	0
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	8,957	(87)	385,583	9,872	122,848	262,735	21,570	(76)	407,077	10,265	133,037	274,040
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	4,094	(1,914)	81,544	2,064	23,158	58,386	654	(423)	81,775	2,115	24,850	56,925
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	933	(789)	102,037	2,641	40,739	61,298	460	0	102,497	2,649	43,388	59,109
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	0	0	0	0	93	0	93	1	1	92
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	22,554	584	6,375	16,178	4,724	0	27,278	645	7,021	20,257
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	771	20	375	395	0	0	771	20	396	375
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
31	391.1	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	1,440	0	1,440	19	19	1,421
32	391.2	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	4,950	128	971	3,979	0	0	4,950	128	1,099	3,851
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	1,161	0	6,060	142	872	5,188	1,578	0	7,658	177	1,049	6,589
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	146	4	5	137	0	0	146	4	13	133
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
37	397.1	GENERAL PLANT: MOBILE EQUIPMENT	0	0	11,488	298	(1,078)	12,576	0	0	7,900	25	(4,424)	12,325
38	397.2	GENERAL PLANT: MOBILE RADIOS	0	0	843	22	176	667	17,372	(3,597)	18,215	247	17,795	17,795
39	397.2	GENERAL PLANT: AUTO CONTROLS	1,808	0	25,003	624	6,339	18,664	395	0	25,398	653	6,991	18,407
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$95,270	(\$2,801)	\$4,596,040	\$115,545	\$1,366,395	\$3,231,655	\$282,040	(\$31,960)	\$4,848,120	\$119,940	\$1,454,365	\$3,393,755

REFERENCE:
 ACC STAFF D R NO. REL 1-24
 NOTE:
 *NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2002 ADDITIONS PER COMPANY	2002 (RETIREMENTS) PER COMPANY	2002 YEAR END PLANT VALUE PER RUCCO	2002 DEPRECIATION EXPENSE PER RUCCO	2002 ACCUMULATED DEPRECIATION PER RUCCO	2002 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	5,706	0	60,261	0	0	60,261
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	15,943	0	0	15,943
7	314.0	SOURCE OF SUPPLY: WELLS	96	0	244,606	6,334	116,576	128,030
8	320.0	PUMPING PLANT: LAND*	0	0	2,742	0	0	2,742
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	37,786	(2,120)	57,709	1,033	8,039	49,670
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	7,158	0	730,944	18,839	207,634	523,310
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	35,054	908	4,441	30,613
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	1,819	0	46,541	1,182	6,154	40,387
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	19,680	0	0	19,680
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	1,503	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	188,945	0	288,556	7,454	147,670	140,886
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	0	0	2,871,798	72,321	855,939	2,015,859
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	0	0	0
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	15,513	(180)	422,410	10,742	143,599	278,811
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	1,978	(434)	83,319	2,138	26,554	56,765
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	1,727	(77)	104,147	2,676	45,987	58,159
24	389.1	GENERAL PLANT: LAND - OFFICE*	185	0	185	0	0	185
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	1,368	0	1,461	0	21	1,439
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	27,278	707	7,727	19,551
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	771	20	416	355
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	13,034	(3,929)	9,105	118	(3,811)	12,916
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	1,440	37	56	1,384
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	4,950	128	1,227	3,723
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	1,441	0	9,079	216	1,266	7,813
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	146	4	17	129
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	0	0	0	0
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	514	0	8,415	211	(4,213)	12,628
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	18,215	472	894	17,321
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	25,398	658	7,649	17,749
40	398.0	GENERAL PLANT: MISC.	3,105	0	3,105	40	40	0
41		TOTALS	\$251,877	(\$6,740)	\$5,093,257	\$126,256	\$1,573,883	\$3,516,309
42		BALANCES PER COMPANY			\$ 5,179,022		\$ 1,468,546	
43		BALANCES PER RUCCO			\$ 5,093,257		\$ 1,573,883	
44		LESS: POST-TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP ADDITIONS**			\$ 13,419			
45		TOTAL ADJUSTMENTS			\$ (89,184)		\$ 105,338	

REFERENCES:
 ACC STAFF D.R. NO. REL 1-24
 ACC STAFF D.R. NO. REL 18-1
 RUCCO D.R. NO. 6.2

NOTE:
 * NON-DEPRECIABLE PLANT
 ** BASED ON AN ALLOCATION FACTOR OF 0.0256 PER RUCCO D.R. NO. 4.2

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 RATE BASE ADJ. #4 - RECONCILE TEST YEAR ALLOCATED PHOENIX OFFICE
 & METER SHOP AND ACCUMULATED DEPRECIATION BALANCES

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-5

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>TEST YEAR COMPANY</u>
1	GROSS PHOENIX OFFICE PLANT & METER SHOP	\$ 4,002,988
2	ADD: PHOENIX OFFICE CONSTRUCTION WORK IN PROGRESS (CWIP)	<u>126,565</u>
3	GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 4,129,553
4	TIMES: ALLOCATION FACTOR	<u>0.0260</u>
5	ALLOCATED GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 107,368
6	NET ALLOCATED PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	<u>94,945</u>
7	RUCO ADJUSTMENT TO PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION	<u>\$ 12,423</u>

REFERENCES:

- LINE 1: COMPANY SCHEDULE B-2 PAGES 10 AND 11
- LINE 2: COMPANY SCHEDULE B-2 PAGE 10
- LINE 3: LINE 1 + LINE 2
- LINE 4: COMPANY SCHEDULE B-1 PAGE 2
- LINE 5: LINE 3 x LINE 4
- LINE 6: COMPANY SCHEDULE B-1 PAGE 2 (SUM OF LINES 6 AND 7)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 RATE BASE ADJ. #5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-6

LINE NO.	DESCRIPTION	(A) TEST YEAR COMPANY	(B) TEST YEAR RUCO	
1	GROSS PHOENIX OFFICE PLANT	\$ 3,903,884	\$ 3,903,884	COMPANY SCHEDULE B-2 PAGE 10
2	LESS: ACCUMULATED DEPRECIATION	453,222	453,222	COMPANY SCHEDULE B-2 PAGE 10
3	NET PHOENIX OFFICE PLANT	\$ 3,450,662	\$ 3,450,662	LINE 1 + LINE 2
4	ADD: CWIP	126,565	-	COMPANY SCHEDULE B-2 PAGE 10
5	TOTALS	\$ 3,577,227	\$ 3,450,662	LINE 3 + LINE 4
4	TIMES: ALLOCATION FACTOR	0.0260	0.0260	COMPANY SCHEDULE B-1 PAGE 2
5	ALLOCATED PHOENIX OFFICE PLANT	\$ 93,008	\$ 89,717	COMPANY SCHEDULE B-1 PAGE 2
6	RUCO ADJUSTMENT		\$ (3,291)	LINE 5 COLUMN (B) - LINE 5 COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 1999
 ORACLE SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL

DOCKET NO. W-1445A-00-0962
 SCHEDULE TJC-7
 PAGE 1 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	CASH WORKING CAPITAL PER COMPANY	\$ 28,184	COMPANY SCH. B-5, PG. 2
2	CASH WORKING CAPITAL PER RUCO	(21,872)	SCH. TJC-7, PG. 3
3	DECREASE IN CASH WORKING CAPITAL	(50,056)	LINE 2 - LINE 1
4	MATERIALS & SUPPLIES PER COMPANY	3,519	COMPANY SCH. B-5, PG. 2
5	MATERIALS & SUPPLIES PER RUCO	3,508	DATA REQUEST 6.4 a)
6	MATERIALS & SUPPLIES ADJUSTMENT	(11)	LINE 5 - LINE 4
7	PREPAYMENTS PER COMPANY AND SPECIAL DEPOSITS	7,424	COMPANY SCH. B-5, PG. 2
8	PREPAYMENTS PER RUCO	6,499	DATA REQUEST 6.4 b)
9	PREPAYMENTS ADJUSTMENT	(925)	LINE 8 - LINE 7
10	REQUIRED BANK BALANCES PER COMPANY	12,958	COMPANY SCH. B-5, PG. 2
11	REQUIRED BANK BALANCES PER RUCO	11,232	DATA REQUEST 6.4 c)
12	REQUIRED BANK BALANCE ADJUSTMENT	(1,726)	LINE 11 - LINE 10
13	TOTAL WORKING CAPITAL ADJUSTMENT	(52,718)	LINES 3, 6, 9 & 12

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 LEAD/LAG CALCULATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 2 OF 4

LINE NO.	DESCRIPTION	EXPENSES PER COMPANY	RUCO ADJUSTMENTS	ADJUSTED EXPENSES	(LEAD)/LAG DAYS	\$ DAYS
1	PURCHASED POWER	\$ 83,124	\$ 8,394	\$ 91,518	40.31	\$ 3,689,091
2	PAYROLL	162,002	7,404	169,406	14.00	2,371,681
3	PURCHASED WATER	-	-	-	-	-
4	CHEMICALS	1,678	1,742	3,420	15.00	51,300
5	PROPERTY & LIABILITY INSURANCE	2,578	11	2,589	(45.27)	(117,183)
6	WORKER'S COMPENSATION	2,050	346	2,396	(46.50)	(111,417)
7	HEALTH INSURANCE	29,809	(1,924)	27,885	(8.92)	(248,730)
8	OTHER O&M EXPENSES	100,473	(76,247)	24,226	(9.27)	(224,574)
9	DEPRECIATION & AMORTIZATION	129,495	(4,286)	125,209	N/A	N/A
10	FEDERAL & STATE INCOME TAXES	104,942	(18,163)	86,779	61.95	5,376,320
11	DEFERRED INCOME TAXES	13,105	N/A	N/A	N/A	N/A
12	FICA TAXES	11,425	592	12,017	14.00	168,238
13	FUTA & SUTA TAXES	251	30	281	83.10	23,351
14	PROPERTY TAXES	57,842	(5,689)	52,153	212.00	11,056,346
15	REG., CONTRACT, & MISCELLANEOUS FEES	15,661	1,273	16,934	(98.83)	(1,673,543)
16	SALES & OCCUPATION TAXES	53,536	10,582	64,118	37.53	2,406,349
17	PENSION EXPENSE	13,060	1,098	14,158	34.72	491,566
18	TOTAL	\$ 781,031	\$ (74,839)	\$ 693,087 *	33.56	\$ 23,258,794

NOTE

N/A = NON CASH CHARGES EXCLUDED FROM WORKING CAPITAL CALCULATION

* RUCO RECOMMENDED LEVEL OF OPERATING EXPENSE - SCHEDULE TJC-8, COLUMN (E), LINE 16

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF CASH WORKING CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 3 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	AVERAGE EXPENSE LAG	33.56	SCH. TJC-7, PG. 2
2	AVERAGE REVENUE COLLECTION LAG	<u>22.04</u>	CO. SCH. B-5, PG. 2
3	EXCESS EXPENSE OVER REVENUE LAG	(11.52)	LINE 2 - LINE 1
4	TOTAL EXPENSES	\$ 693,087	SCH. TJC-7, PG. 2
5	CASH WORKING CAPITAL REQUIREMENT	(21,872)	(LINE 3 X LINE 4)/365 DAYS
6	PER COMPANY	<u>\$ 28,184</u>	CO. SCH. B-5, PG. 2
7	INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (50,056)</u>	LINE 5 - LINE 6

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF INCOME TAX LAG

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 4 OF 4

<u>LINE NO.</u>	<u>(A) PAYMENT DATE</u>	<u>(B) SERVICE PERIOD MIDPOINT</u>	<u>(C) (LEAD)/LAG DAYS</u>	<u>(D) PAYMENT AMOUNT</u>	<u>(E) DOLLAR DAYS</u>
1	04/12/99	07/01/99	(80.00)	\$ 397,000	(31,760,000)
2	06/11/99	07/01/99	(20.00)	50,000	(1,000,000)
3	09/14/99	07/01/99	75.00	486,000	36,450,000
4	12/14/99	07/01/99	166.00	970,000	161,020,000
5	03/14/00	07/01/99	257.00	<u>(240,000)</u>	<u>(61,680,000)</u>
6	TOTALS			\$ 1,663,000	103,030,000
7	INCOME TAX LAG		61.95		

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
ORACLE SYSTEM
OPERATING INCOME - TEST YEAR AND RUCO PROPOSED

DOCKET NO. W-1445A-02-0619
SCHEDULE TJC-8

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO RECOMMENDED
<u>REVENUES - WATER:</u>						
1	REVENUE FROM WATER SALES	\$ 827,577	\$ 108,100	\$ 935,677	\$ (24,335)	\$ 911,342
2	OTHER REVENUES	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 827,577	\$ 108,100	\$ 935,677	\$ (24,335)	\$ 911,342
<u>OPERATING EXPENSES:</u>						
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	6,728	573	7,301		7,301
4	PURCHASED POWER	83,755	6,867	90,622		90,622
5	PURCHASED GAS	-	-	-		-
6	OTHER	29,003	(2,448)	26,555		26,555
7	WATER TREATMENT	13,318	10,260	23,578		23,578
8	TRANSMISSION & DISTRIBUTION	89,698	(5,850)	83,848		83,848
9	CUSTOMER ACCOUNTS	84,928	397	85,325		85,325
10	SALES	428	(214)	214		214
11	ADMINISTRATIVE & GENERAL	104,590	(5,384)	99,206		99,206
12	DEPRECIATION & AMORTIZATION	129,495	(4,286)	125,209		125,209
13	PROPERTY TAXES	57,070	(4,917)	52,153		52,153
14	OTHER TAXES	9,895	2,403	12,298		12,298
15	INCOME TAXES	51,469	44,169	95,638	(8,859)	86,779
16	TOTAL OPERATING EXPENSES	\$ 660,377	\$ 41,569	\$ 701,946	\$ (8,859)	\$ 693,087
17	NET INCOME	\$ 167,200	\$ 66,531	\$ 233,731	\$ (15,476)	\$ 218,255

REFERENCES:

COLUMN (A): CO. SCH. C-1, PG. 4
COLUMN (B): SCH. TJC-9
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): SCH. TJC-1
COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-9

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCO ADJUSTED
<u>REVENUES - WATER</u>														
1	REVENUE FROM WATER SALES	\$ 827,577	\$ 170,819	\$ (64,118)	\$ (824)	\$ (1,364)	\$ 4,001		\$ (413)					\$ 935,677
2	OTHER REVENUES	-	-	-	-	-	-	-	-	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 827,577	\$ 170,819	\$ (64,118)	\$ (824)	\$ (1,364)	\$ 4,001		\$ (413)					\$ 935,677
<u>OPERATING EXPENSES</u>														
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	6,728	573											7,301
4	PURCHASED POWER	89,755	7,763			(1,462)	566							90,622
5	PURCHASED GAS	-	-											-
6	OTHER	29,003	(2,448)											26,555
7	WATER TREATMENT	13,318	10,176				84							23,578
8	TRANSMISSION & DISTRIBUTION	89,898	(5,174)			(676)								83,848
9	CUSTOMER ACCOUNTS	84,928	397											85,325
10	SALES	428	(214)											214
11	ADMINISTRATIVE & GENERAL	104,590	(8,642)	(1,959)			346	4,871						99,206
12	DEPRECIATION & AMORTIZATION	129,485							(4,286)					125,209
13	PROPERTY TAXES	57,070									(4,917)			52,153
14	OTHER TAXES	9,895	64,562	(82,159)										12,298
15	INCOME TAXES	51,469										44,169		95,638
16	TOTAL OPERATING EXPENSES	\$ 660,377	\$ 66,993	\$ (64,118)	\$ -	\$ (2,138)	\$ 995	\$ 4,871	\$ -	\$ (4,286)	\$ (4,917)	\$ 44,169	\$ -	\$ 701,946
17	NET INCOME	\$ 167,200	\$ 103,826	\$ -	\$ (824)	\$ 774	\$ 3,006	\$ (4,871)	\$ (413)	\$ 4,286	\$ 4,917	\$ (44,169)	\$ -	\$ 233,731

ADJUSTMENT #:
 1. RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL
 2. REMOVE 2002 REGULATORY ASSESSMENT & SALES TAXES
 3. ELIMINATE PPM AND PWAM REVENUES
 4. ELIMINATE UNBILLED REVENUES & EXPENSES
 5. ANNUALIZE ADDITIONAL REVENUES & EXPENSES
 6. AMORTIZATION OF RATE CASE EXPENSE

REFERENCE:
 RUCO D.R. NO. 1.10
 RUCO D.R. NO. 1.10 & ACC STAFF D.R. NO. REL 19-1
 RUCO D.R. NO. 7.1 & RUCO D.R. NO. 7.2
 RUCO D.R. NO. 7.3
 RUCO D.R. NO. 6.6
 COMPANY SCHEDULE C-2, PAGE 7, TESTIMONY TJC

ADJUSTMENT #:
 7. REMOVE MAP SURCHARGE REVENUES
 8. DEPRECIATION & AMORTIZATION EXPENSE
 9. PROPERTY TAX EXPENSE
 10. INCOME TAX EXPENSE
 11. NOT USED

REFERENCE:
 TESTIMONY TJC
 SCHEDULE TJC-12
 SCHEDULE TJC-13
 SCHEDULE TJC-14
 N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-10
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) 2002 ACTUAL	(C) DIFFERENCE	(D) RUCO ADJUSTMENT
<u>REVENUES - WATER:</u>					
1	REVENUE FROM WATER SALES	\$ 827,577	\$ 998,395	\$ 827,577	\$ 170,819
2	OTHER REVENUES	0.00	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 827,577	\$ 998,395	\$ 827,577	\$ 170,819
<u>OPERATING EXPENSES:</u>					
4	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -
5	OTHER	6,728	7,301	6,728	573
6	PURCHASED POWER	83,755	91,518	83,755	7,763
7	PURCHASED GAS	-	-	-	-
8	OTHER	29,003	26,555	29,003	(2,448)
9	WATER TREATMENT	13,318	23,494	13,318	10,176
10	TRANSMISSION & DISTRIBUTION	89,698	84,524	89,698	(5,174)
11	CUSTOMER ACCOUNTS	84,928	85,325	84,928	397
12	SALES	428	214	428	(214)
13	ADMINISTRATIVE & GENERAL	104,590	95,948	104,590	(8,642)
14	DEPRECIATION & AMORTIZATION	129,495	123,023	129,495	- (a)
15	PROPERTY TAXES	57,070	49,928	57,070	- (a)
16	OTHER TAXES	9,895	74,457	9,895	64,562
17	INCOME TAXES	51,469	89,066	51,469	- (a)
18	TOTAL OPERATING EXPENSES	\$ 660,377	\$ 751,353	\$ 660,377	\$ 66,993
19	NET INCOME	\$ 167,200	\$ 247,042	\$ 167,200	\$ 103,826

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 4 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)
 COLUMN (D): COLUMN (C) LINES 1 THRU 13, LINES 16, 18 & 19

NOTE:

(a) SEPARATE PRO FORMA ADJUSTMENTS NOT INCLUDED IN RECONCILIATION

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-10
 PAGE 2 OF 2

LINE NO.	DESCRIPTION	(A) TEST YEAR ACTUAL	(B) 2002 ACTUAL	(C) DIFFERENCE
<u>REVENUES - WATER:</u>				
1	REVENUE FROM WATER SALES	\$ 862,383	\$ 998,395	\$ 136,012
2	OTHER REVENUES	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 862,383	\$ 998,395	\$ 136,012
<u>OPERATING EXPENSES:</u>				
4	PURCHASED WATER	\$ -	\$ -	\$ -
5	OTHER	6,656	7,301	645
6	PURCHASED POWER	87,807	91,518	3,711
7	PURCHASED GAS	-	-	-
8	OTHER	29,003	26,555	(2,448)
9	WATER TREATMENT	17,309	23,494	6,185
10	TRANSMISSION & DISTRIBUTION	79,930	84,524	4,594
11	CUSTOMER ACCOUNTS	83,391	85,325	1,934
12	SALES	428	214	(214)
13	ADMINISTRATIVE & GENERAL	90,154	95,948	5,794
14	DEPRECIATION & AMORTIZATION	116,913	123,023	6,110
15	PROPERTY TAXES	49,774	49,928	154
16	OTHER TAXES	63,130	74,457	11,327
17	INCOME TAXES	70,394	89,066	18,672
18	TOTAL OPERATING EXPENSES	694,889	751,353	56,464
19	NET INCOME	\$ 167,494	\$ 247,042	\$ 79,548

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 4 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
ORACLE SYSTEM
OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1	YEAR END CUSTOMERS - 2002	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410	1,410
2	2002 CUSTOMERS	1,403	1,401	1,406	1,398	1,403	1,403	1,403	1,407	1,409	1,402	1,406	1,410
3	INCREASE IN CUSTOMERS - 2002	7	9	4	12	7	7	7	3	1	8	4	-
4	AVERAGE REVENUE FOR THE MONTH	\$ 46.95	\$ 40.97	\$ 47.71	\$ 51.64	\$ 64.26	\$ 76.67	\$ 86.79	\$ 61.17	\$ 64.72	\$ 55.90	\$ 50.88	\$ 46.82
5	INCREASE IN REVENUES	\$ 329	\$ 369	\$ 191	\$ 620	\$ 450	\$ 537	\$ 608	\$ 184	\$ 65	\$ 447	\$ 204	\$ -
6	TOTAL INCREASE IN REVENUE	\$ 4,001											
7	INCREASE IN REVENUE PER COMPANY												
8	REVENUE ADJUSTMENT	4,001											
9	GALLONS SOLD PER AVERAGE CUSTOMER	5,669	4,865	5,753	6,385	8,510	10,516	12,162	7,850	8,440	7,005	6,336	5,332
10	INCREASE IN CUSTOMERS	7	9	4	12	7	7	7	3	1	8	4	0
11	INCREASE IN GALLONS	39,883	43,783	23,010	76,020	59,572	73,611	85,136	23,549	8,440	56,039	25,342	0
12	TOTAL INCREASE IN GALLONS	514,185											
13	PUMPING COST PER GALLON	0.0011											
14	INCREASE IN PUMPING COST	566											
15	WATER TREATMENT COSTS PER GALLON	0.000163											
16	INCREASE IN WATER TREATMENT COSTS	84											
17	TOTAL INCREASE IN BILLS	69											
18	MONTHLY ACCOUNTING COST PER BILL	5.01											
19	INCREASE IN ACCOUNTING COST	346											

REFERENCES:
 LINE #1 - RUCO DATA REQUEST #6.6
 LINE #2 - RUCO DATA REQUEST #6.6
 LINE #3 - LINE #1 MINUS LINE #2
 LINE #4 - RUCO DR #1.10 = TOTAL MONTH REV. MINUS OTHER REV. / TOTAL MONTHLY CUSTOMERS FOR POST-TEST-YEAR
 LINE #5 = LINE #3 MULTIPLIED BY LINE #4
 LINE #6 = SUMMATION OF LINE #5
 LINE #7 - NO REFERENCE
 LINE #8 - LINE #6 MINUS LINE #7
 LINE #9 - GALLONS SOLD, AWC's ANNUAL REPORT & MONTHLY CUSTOMERS, RUCO DR #6.6
 LINE #10 = LINE #3
 LINE #11 = LINE #9 MULTIPLIED BY LINE #10
 LINE #12 = SUMMATION OF LINE #11
 LINE #13 - CO. W/P C2-5, PAGE 3
 LINE #14 = LINE #12 X LINE #13
 LINE #15 - CO. W/P C2-5, PAGE 3
 LINE #16 = LINE #12 MULTIPLIED BY LINE #15
 LINE #17 = SUMMATION OF LINE #3
 LINE #18 - CO. W/P C2-5, PAGE 4
 LINE #19 = LINE #17 X LINE #18

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 OPERATING ADJ. #8 - DEPRECIATION & AMORTIZATION EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-12

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	(A) ACTUAL TEST YEAR BALANCE PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED BALANCE	(D) COMPOSITE DEPRECIATION RATE	(E) RUCO RECOMMENDED DEPRECIATION EXPENSE
1	301.0	INTANGIBLES: ORGANIZATION*	\$ -	\$ -	\$0	0.00%	\$ -
2	302.0	INTANGIBLES: FRANCHISES*	-	-	-	0.00%	-
3	303.0	INTANGIBLES: MISC.*	-	-	-	0.00%	-
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	54,555	-	54,555	0.00%	-
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	-	-	-	0.00%	-
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	15,943	-	15,943	0.00%	-
7	314.0	SOURCE OF SUPPLY: WELLS	244,509	1	244,510	2.59%	6,333
8	320.0	PUMPING PLANT: LAND*	2,742	-	2,742	0.00%	-
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	22,043	-	22,043	2.59%	571
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	723,785	1	723,786	2.59%	18,746
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	-	-	-	2.59%	-
12	330.0	WATER TREATMENT PLANT: LAND*	-	-	-	0.00%	-
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	35,054	-	35,054	2.59%	908
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	44,721	1	44,722	2.59%	1,158
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	19,680	-	19,680	0.00%	-
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	-	-	-	0.00%	-
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	-	-	-	2.59%	-
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	287,052	1	287,053	2.59%	7,435
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	2,712,853	-	2,712,853	2.59%	70,263
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	-	-	-	2.59%	-
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	407,077	-	407,077	2.59%	10,543
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	81,774	1	81,775	2.59%	2,118
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	102,497	-	102,497	2.59%	2,655
24	389.1	GENERAL PLANT: LAND - OFFICE*	-	-	-	0.00%	-
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	-	-	-	0.00%	-
26	389.3	GENERAL PLANT: LAND - MISC.*	-	-	-	0.00%	-
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	93	-	93	2.59%	2
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	27,277	1	27,278	2.59%	707
29	390.3	GENERAL PLANT: MISC. BUILDINGS	771	-	771	2.59%	20
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	-	-	-	2.59%	-
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	1,440	-	1,440	2.59%	37
32	391.2	GENERAL PLANT: OFFICE FURNITURE	-	-	-	2.59%	-
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	32	4,918	4,950	2.59%	128
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	12,557	(4,919)	7,638	2.59%	198
35	395.0	GENERAL PLANT: LAB EQUIPMENT	146	-	146	2.59%	4
36	396.0	GENERAL PLANT: POWER EQUIPMENT	-	-	-	2.59%	-
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	7,901	-	7,901	2.59%	205
38	397.1	GENERAL PLANT: MOBILE RADIOS	18,215	-	18,215	2.59%	472
39	397.2	GENERAL PLANT: AUTO CONTROLS	25,398	-	25,398	2.59%	658
40	398.0	GENERAL PLANT: MISC.	-	-	-	2.59%	-
41							
42		TEST YEAR TOTALS	\$ 4,848,115	\$ 5	\$ 4,848,120		\$ 123,160
43							
44		POST TEST YEAR ADDITIONS	330,907	(99,189)	231,718	2.59%	6,001
45							
46		GROSS DEPRECIABLE PHOENIX OFFICE AND METER SHOP ALLOCATION	104,078	13,234	117,312 **	2.59%	3,038
47							
48		2002 TOTALS	\$ 5,283,100	\$ (85,950)	\$ 5,197,150		\$ 132,200
49							
50		LESS:					
51		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION @ 2.59% COMPOSITE RATE **					6,990
52							
53		TOTAL PRO FORMA DEPRECIATION & AMORTIZATION EXPENSE					\$ 125,209
54							
55		DEPRECIATION & AMORTIZATION EXPENSE PER COMPANY					\$ 129,495
56							
57		DEPRECIATION & AMORTIZATION EXPENSE ADJUSTMENT (LINE 53 - LINE 55)					\$ (4,286)

REFERENCES:

COLUMN (A): COMPANY SCHEDULE E-5 PAGE 3 OF 4 AND STAFF DATA REQUEST REL 1-24
 COLUMN (B): COLUMN (C) - COLUMN (A)
 COLUMN (C): RUCO SCHEDULE TJC-4 PAGE 7
 COLUMN (D): COMPOSITE DEPRECIATION RATE OF 2.59%
 COLUMN (E): COLUMN (C) x COLUMN (D)

NOTES:

* NON-DEPRECIABLE PLANT ASSETS
 ** NET OF \$184 IN NON-DEPRECIABLE LEASEHOLD IMPROVEMENTS (\$7,215 x 0.0256 ALLOCATION FACTOR FOR 2002 = \$184)
 *** RUCO ADJUSTED CIAC BALANCE x COMPOSITE RATE = \$269,892 x 2.59% = \$6,990

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 OPERATING ADJ. #9 - PROPERTY TAX EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-13

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES - 2000	\$ 834,637	COMPANY SCH. C-2, W/P C2-19a
2	REVENUES - 2001	808,847	COMPANY SCH. C-2, W/P C2-19a
3	REVENUES - 2002	<u>934,278</u>	D. R. NO. REL 19-1
4	TOTAL	\$ 2,577,762	SUM LINES 1, 2, & 3
5	3 YEAR AVERAGE	859,254	LINE 4/3 YEARS
6	MULTIPLIER FOR REVENUES (2 X LAST 3 YRS. AVERAGE REVENUE)	<u>x 2</u>	ADOR VALUATION FACTOR
7	REVENUES FOR FULL CASH VALUE	1,718,508	LINE 5 X 2 (MULTIPLIER FOR REVENUES)
8	ADD: 10% OF CWIP BALANCE	19	COMPANY SCH. B-2, PG. 7; LINE 4 X 10%
9	LESS: LICENSED VEHICLES	<u>-</u>	STAFF DATA REQUEST REL 23-1
10	FULL CASH VALUE	1,718,527	LINE 7 + LINE 8 MINUS LINE 9
11	ASSESSMENT RATIO	<u>25%</u>	PER ADOR VALUATION METHOD
12	ASSESSED VALUE	429,632	LINE 10 X LINE 11
13	PROPERTY TAX RATE	<u>12.1389%</u>	PER TAX BILLS
14	PROPERTY TAXES PAYABLE PER RUCO	52,153	LINE 12 X LINE 13
15	PROPERTY TAXES PER COMPANY	<u>57,070</u>	COMPANY SCH. C-1, PG. 4
16	ADJUSTMENT	<u>(4,917)</u>	LINE 14 MINUS LINE 15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 OPERATING ADJ. #10 - INCOME TAXES

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-14

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
	<u>FEDERAL INCOME TAXES:</u>		
1	OPERATING INCOME BEFORE INCOME TAXES	\$ 329,369	SCH. TJC-9
	LESS:		
2	ARIZONA STATE TAX	18,381	LINE 11
3	INTEREST EXPENSE	<u>65,580</u>	NOTE (a)
4	FEDERAL TAXABLE INCOME	245,408	LINE 1 - LINES 2 & 3
5	FEDERAL INCOME TAX RATE	<u>31.48%</u>	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	77,257	LINE 4 X LINE 5
	<u>STATE INCOME TAXES:</u>		
7	OPERATING INCOME BEFORE INCOME TAXES	329,369	LINE 1
	LESS:		
8	INTEREST EXPENSE	<u>65,580</u>	NOTE (A)
9	STATE TAXABLE INCOME	263,789	LINE 7 - LINE 8
10	STATE TAX RATE	<u>6.968%</u>	TAX RATE
11	STATE INCOME TAX EXPENSE	18,381	LINE 9 X LINE 10
12	TOTAL INCOME TAXES	95,638	LINE 6 + LINE 11
13	INCOME TAXES PER COMPANY	<u>51,469</u>	COMPANY SCH. C-1, PG. 2
14	ADJUSTMENT	<u>\$ 44,169</u>	LINE 12 - LINE 13

NOTE (a):
 INTEREST SYCHRONIZATION

ADJUSTED RATE BASE	\$ 2,513,635
WEIGHTED COST OF DEBT	<u>2.61%</u>
INTEREST EXPENSE	\$ 65,580

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
ORACLE SYSTEM
OPERATING ADJ. #11 - NOT USED FOR THIS SYSTEM

DOCKET NO. W-1445A-02-0619
SCHEDULE TJC-15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) ADJUSTMENT	(C) ADJUSTED BALANCE	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	\$ 2,850,000	\$ 1,650,000	\$ 4,500,000	5.62%	4.00%	0.22%
2	LONG-TERM DEBT:	23,000,677	(400,677)	22,600,000	28.24%	8.44%	2.38%
3	COMMON EQUITY	49,442,738	3,473,716	52,916,454	66.13%	9.18%	6.07%
4	TOTAL	\$ 75,293,415	4,723,039	\$ 80,016,454	100.00%		8.68%

REFERENCES:

- COLUMN (A): COMPANY SCH. D - 1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 PROPOSED RATES

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-17

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	MONTHLY MINIMUM USAGE CHARGE:			
2				
3	<u>(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)</u>			
4	5/8 X 3/4 - INCH	\$ 15.54	\$ 20.05	\$ 13.22
5	1 - INCH	38.84	50.13	42.95
6	2 - INCH	103.58	146.97	131.35
7	3 - INCH	155.37	250.63	224.65
8	4 - INCH	207.16	384.36	334.76
9	6 - INCH	492.01	818.64	696.26
10	8 - INCH	621.48	1,203.00	1,215.70
11	10 - INCH	673.27	1,687.41	1,431.54
12				
13	GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:			
14				
15	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS	1,000	0	0
16				
17	COMMODITY RATE (PER 100 GAL. OVER MINIMUM):	\$0.57490	\$ 0.62980	\$ 0.58470
18				
19	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM):	\$5.74900	\$ 6.29800	\$ 5.84700

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-18

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO PROPOSED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 15.54	\$ 20.05	\$ 4.51	29.02%	\$ 13.22	\$ (2.32)	-14.93%
2	1 - INCH	38.84	50.13	11.29	29.07%	42.95	4.11	10.58%
3	2 - INCH	103.58	146.97	43.39	41.89%	131.35	27.77	26.81%
4	3 - INCH COMMERCIAL	155.37	250.63	95.26	61.31%	224.65	69.28	44.59%
5	4 - INCH COMMERCIAL	207.16	384.36	177.20	85.54%	334.76	127.60	61.59%
6	6 - INCH	492.01	818.64	326.63	66.39%	696.26	204.25	41.51%
7	8 - INCH	621.48	1,203.00	581.52	93.57%	1,215.70	594.22	95.61%
8	10 - INCH	673.27	1,687.41	1,014.14	150.63%	1,431.54	758.27	112.62%
9	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	1,000	0			0		

REFERENCES

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 3 OF 4
 COLUMN (E): TESTIMONY WAR
 COLUMN (F): COLUMN (E) - COLUMN (A)
 COLUMN (G): COLUMN (F) ÷ COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-19
 PAGE 1 OF 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 15.54	\$ 38.84	\$ 103.58	\$ 155.37	\$ 207.16	\$ 492.01	\$ 621.48	\$ 673.27
2	1,000	15.54	38.84	103.58	155.37	207.16	492.01	621.48	673.27
3	2,000	21.29	44.59	109.33	161.12	212.91	497.76	627.23	679.02
4	3,000	27.04	50.34	115.08	166.87	218.66	503.51	632.98	684.77
5	4,000	32.79	56.09	120.83	172.62	224.41	509.26	638.73	690.52
6	5,000	38.54	61.84	126.58	178.37	230.16	515.01	644.48	696.27
7	6,000	44.29	67.59	132.33	184.12	235.91	520.76	650.23	702.02
8	7,000	50.03	73.33	138.07	189.86	241.65	526.50	655.97	707.76
9	8,000	55.78	79.08	143.82	195.61	247.40	532.25	661.72	713.51
10	9,000	61.53	84.83	149.57	201.36	253.15	538.00	667.47	719.26
11	10,000	67.28	90.58	155.32	207.11	258.90	543.75	673.22	725.01
12	15,000	96.03	119.33	184.07	235.86	287.65	572.50	701.97	753.76
13	20,000	124.77	148.07	212.81	264.60	316.39	601.24	730.71	782.50
14	25,000	153.52	176.82	241.56	293.35	345.14	629.99	759.46	811.25
15	50,000	297.24	320.54	385.28	437.07	488.86	773.71	903.18	954.97
16	75,000	440.97	464.27	529.01	580.80	632.59	917.44	1,046.91	1,098.70
17	100,000	584.69	607.99	672.73	724.52	776.31	1,061.16	1,190.63	1,242.42
18	125,000	728.42	751.72	816.46	868.25	920.04	1,204.89	1,334.36	1,386.15
19	150,000	872.14	895.44	960.18	1,011.97	1,063.76	1,348.61	1,478.08	1,529.87
20	175,000	1,015.87	1,039.17	1,103.91	1,155.70	1,207.49	1,492.34	1,621.81	1,673.60
21	200,000	1,159.59	1,182.89	1,247.63	1,299.42	1,351.21	1,636.06	1,765.53	1,817.32
22									
23	AVG. NO. OF CUST:	1,331	66	7	0	0	1	0	0
24									
25	AVG. USE (GAL.):	5,519	11,237	105,688	N/A	N/A	56,225	N/A	N/A
26	MONTHLY BILL:	\$ 41.52	\$ 97.70	\$ 705.43	N/A	N/A	\$ 809.50	N/A	N/A
27									
28	MEDIAN USE (GAL.):	4,515	6,009	60,000	N/A	N/A	50,000	N/A	N/A
29	MONTHLY BILL:	\$ 35.75	\$ 67.64	\$ 442.77	N/A	N/A	\$ 773.71	N/A	N/A

RUCO PROPOSED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 13.22	\$ 42.95	\$ 131.35	\$ 160.40	\$ 300.75	\$ 696.26	\$ 1,002.50	\$ 1,503.75
2	1,000	19.07	48.80	137.20	166.77	307.12	702.11	1,008.87	1,510.12
3	2,000	24.91	54.64	143.04	173.13	313.48	707.95	1,015.23	1,516.48
4	3,000	30.76	60.49	148.89	179.50	319.85	713.80	1,021.60	1,522.85
5	4,000	36.61	66.34	154.74	185.86	326.21	719.65	1,027.96	1,529.21
6	5,000	42.46	72.19	160.59	192.23	332.58	725.50	1,034.33	1,535.58
7	6,000	48.30	78.03	166.43	198.59	338.94	731.34	1,040.69	1,541.94
8	7,000	54.15	83.88	172.28	204.96	345.31	737.19	1,047.06	1,548.31
9	8,000	60.00	89.73	178.13	211.32	351.67	743.04	1,053.42	1,554.67
10	9,000	65.84	95.57	183.97	217.69	358.04	748.88	1,059.79	1,561.04
11	10,000	71.69	101.42	189.82	224.05	364.40	754.73	1,066.15	1,567.40
12	15,000	100.93	130.66	219.06	255.88	396.23	783.97	1,097.98	1,599.23
13	20,000	130.16	159.89	248.29	287.70	428.05	813.20	1,129.80	1,631.05
14	25,000	159.40	189.13	277.53	319.53	459.88	842.44	1,161.63	1,662.88
15	50,000	305.57	335.30	423.70	478.65	619.00	988.61	1,320.75	1,822.00
16	75,000	451.75	481.48	569.88	637.78	778.13	1,134.79	1,479.88	1,981.13
17	100,000	597.92	627.65	716.05	796.90	937.25	1,280.96	1,639.00	2,140.25
18	125,000	744.10	773.83	862.23	956.03	1,096.38	1,427.14	1,798.13	2,299.38
19	150,000	890.27	920.00	1,008.40	1,115.15	1,255.50	1,573.31	1,957.25	2,458.50
20	175,000	1,036.45	1,066.18	1,154.58	1,274.28	1,414.63	1,719.49	2,116.38	2,617.63
21	200,000	1,182.62	1,212.35	1,300.75	1,433.40	1,573.75	1,865.66	2,275.50	2,776.75
22									
23	AVG. NO. OF CUST:	1,331	66	7	0	0	1	0	0
24									
25	AVG. USE (GAL.):	5,519	11,237	105,688	N/A	N/A	56,225	N/A	N/A
26	MONTHLY BILL:	\$ 45.49	\$ 108.66	\$ 749.31	N/A	N/A	\$ 1,025.01	N/A	N/A
27									
28	MEDIAN USE (GAL.):	4,515	6,009	60,000	N/A	N/A	50,000	N/A	N/A
29	MONTHLY BILL:	\$ 39.62	\$ 78.08	\$ 482.17	N/A	N/A	\$ 988.61	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ (2.32)	\$ 4.11	\$ 27.77	\$ 5.03	\$ 93.59	\$ 204.25	\$ 381.02	\$ 830.48
2	1,000	3.53	9.96	33.62	11.40	99.96	210.10	387.39	836.85
3	2,000	3.63	10.06	33.72	12.01	100.57	210.20	388.00	837.46
4	3,000	3.72	10.15	33.81	12.63	101.19	210.29	388.62	838.08
5	4,000	3.82	10.25	33.91	13.24	101.80	210.39	389.23	838.69
6	5,000	3.92	10.35	34.01	13.86	102.42	210.49	389.85	839.31
7	6,000	4.02	10.45	34.11	14.48	103.04	210.59	390.47	839.93
8	7,000	4.11	10.55	34.21	15.09	103.65	210.69	391.08	840.54
9	8,000	4.21	10.64	34.30	15.71	104.27	210.78	391.70	841.16
10	9,000	4.31	10.74	34.40	16.32	104.88	210.88	392.31	841.77
11	10,000	4.41	10.84	34.50	16.94	105.50	210.98	392.93	842.39
12	15,000	4.90	11.33	34.99	20.02	108.58	211.47	396.01	845.47
13	20,000	5.39	11.82	35.48	23.10	111.66	211.96	399.09	848.55
14	25,000	5.88	12.31	35.97	26.18	114.74	212.45	402.17	851.63
15	50,000	8.33	14.76	38.42	41.58	130.14	214.90	417.57	867.03
16	75,000	10.78	17.21	40.87	56.98	145.54	217.35	432.97	882.43
17	100,000	13.23	19.66	43.32	72.38	160.94	219.80	448.37	897.83
18	125,000	15.68	22.11	45.77	87.78	176.34	222.25	463.77	913.23
19	150,000	18.13	24.56	48.22	103.18	191.74	224.70	479.17	928.63
20	175,000	20.58	27.01	50.67	118.58	207.14	227.15	494.57	944.03
21	200,000	23.03	29.46	53.12	133.98	222.54	229.60	509.97	959.43
22									
23	AVG. NO. OF CUST:	1,331	66	7	0	0	1	0	0
24									
25	AVG. USE (GAL.):	5,519	11,237	105,688	N/A	N/A	56,225	N/A	N/A
26	MONTHLY BILL:	\$ 3.97	\$ 10.96	\$ 43.88	N/A	N/A	\$ 215.51	N/A	N/A
27									
28	MEDIAN USE (GAL.):	4,515	6,009	60,000	N/A	N/A	50,000	N/A	N/A
29	MONTHLY BILL:	\$ 3.87	\$ 10.45	\$ 39.40	N/A	N/A	\$ 214.90	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	-14.9%	10.6%	26.8%	3.2%	45.2%	41.5%	61.3%	123.4%
2	1,000	22.7%	25.6%	32.5%	7.3%	48.3%	42.7%	62.3%	124.3%
3	2,000	17.0%	22.6%	30.8%	7.5%	47.2%	42.2%	61.9%	123.3%
4	3,000	13.8%	20.2%	29.4%	7.6%	46.3%	41.8%	61.4%	122.4%
5	4,000	11.7%	18.3%	28.1%	7.7%	45.4%	41.3%	60.9%	121.5%
6	5,000	10.2%	16.7%	26.9%	7.8%	44.5%	40.9%	60.5%	120.5%
7	6,000	9.1%	15.5%	25.8%	7.9%	43.7%	40.4%	60.1%	119.6%
8	7,000	8.2%	14.4%	24.8%	7.9%	42.9%	40.0%	59.6%	118.8%
9	8,000	7.6%	13.5%	23.9%	8.0%	42.1%	39.6%	59.2%	117.9%
10	9,000	7.0%	12.7%	23.0%	8.1%	41.4%	39.2%	58.8%	117.0%
11	10,000	6.6%	12.0%	22.2%	8.2%	40.7%	38.8%	58.4%	116.2%
12	15,000	5.1%	9.5%	19.0%	8.5%	37.7%	36.9%	56.4%	112.2%
13	20,000	4.3%	8.0%	16.7%	8.7%	35.3%	35.3%	54.6%	108.4%
14	25,000	3.8%	7.0%	14.9%	8.9%	33.2%	33.7%	53.0%	105.0%
15	50,000	2.8%	4.6%	10.0%	9.5%	26.6%	27.8%	46.2%	90.8%
16	75,000	2.4%	3.7%	7.7%	9.8%	23.0%	23.7%	41.4%	80.3%
17	100,000	2.3%	3.2%	6.4%	10.0%	20.7%	20.7%	37.7%	72.3%
18	125,000	2.2%	2.9%	5.6%	10.1%	19.2%	18.4%	34.8%	65.9%
19	150,000	2.1%	2.7%	5.0%	10.2%	18.0%	16.7%	32.4%	60.7%
20	175,000	2.0%	2.6%	4.6%	10.3%	17.2%	15.2%	30.5%	56.4%
21	200,000	2.0%	2.5%	4.3%	10.3%	16.5%	14.0%	28.9%	52.8%
22									
23	AVG. NO. OF CUST:	1,331	66	7	0	0	1	0	0
24									
25	AVG. USE (GAL.):	5,519	11,237	105,688	N/A	N/A	56,225	N/A	N/A
26	MONTHLY BILL:	9.6%	11.2%	6.2%	N/A	N/A	26.6%	N/A	N/A
27									
28	MEDIAN USE (GAL.):	4,515	6,009	60,000	N/A	N/A	50,000	N/A	N/A
29	MONTHLY BILL:	10.8%	15.4%	8.9%	N/A	N/A	27.8%	N/A	N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ORACLE SYSTEM
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01445A-02-061
 SCHEDULE TJC-20

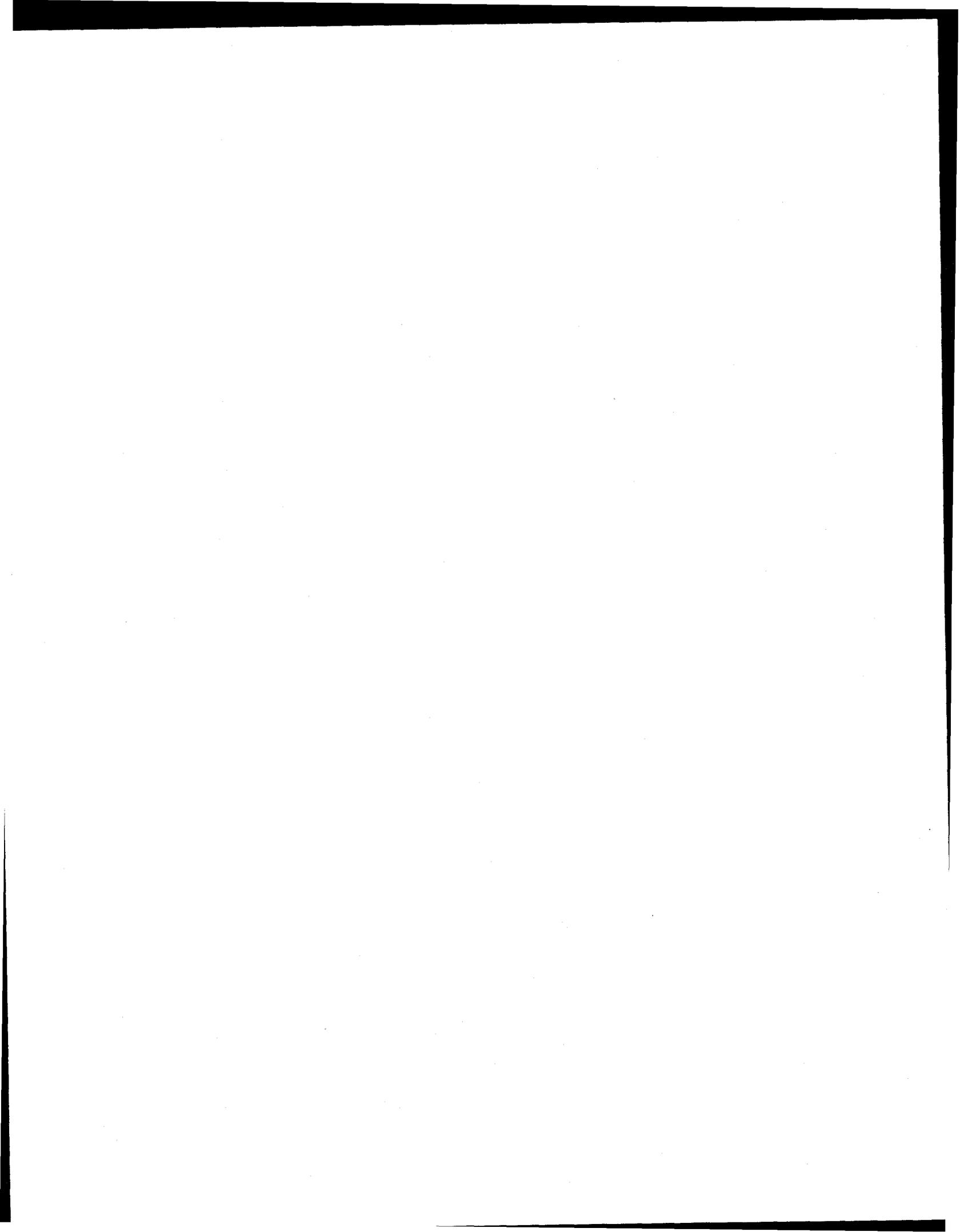
LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$ 211,150	\$ 515,398	\$ 726,548
2	1 - INCH	34,145	52,236	86,381
3	2 - INCH	11,033	51,908	62,942
4	3 - INCH	0	0	0
5	4 - INCH	0	0	0
6	6 - INCH	8,355	3,945	12,300
7	8 - INCH	0	0	0
13	10 - INCH	0	0	0
14				
15	TOTALS	<u>\$ 264,684</u>	<u>\$ 623,488</u>	<u>\$ 888,171</u> (a)
16				
17	PERCENTAGE OF TOTAL REVENUE	30.00%	70.00%	100.00%

NOTE (a):

RUCO REQUIRED REVENUE		\$ 911,342
LESS:		
FIRE SPRINKLER REVENUE	\$ 60	
FIRE HYDRANT REVENUE	-	
MISCELLANEOUS REVENUE	19,334	
RENT - WATER PROPERTY REVENUE	-	
OTHER WATER REVENUE	3,777	
TOTAL	<u>23,171</u>	\$ 23,171
REVENUE TO BE GENERATED FROM WATER SALES		<u>\$ 888,171</u>

REFERENCE:

NOTE (a) 2002 REVENUE INFORMATION OBTAINED FROM RUCO D.R. NO. 1.10



**ARIZONA WATER COMPANY
SAN MANUEL SYSTEM
DOCKET NO. W-1445A-02-0619
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TJC - 2	RATE BASE - ORIGINAL COST
TJC - 3	SUMMARY OF RATE BASE ADJUSTMENTS
TJC - 4	RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT, PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION
TJC - 5	RATE BASE ADJ. #4 - RECONCILE TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP AND ACCUMULATED DEPRECIATION BALANCES
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ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 REVENUE REQUIREMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-1
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY REQUESTED	(B) RUCO RECOMMENDED
1	ADJUSTED RATE BASE	\$ 793,993	\$ 746,978
2	ADJUSTED OPERATING INCOME	(186,410)	(196,499)
3	CURRENT RATE OF RETURN (L2 / L1)	-23.48%	-26.31%
4	REQUIRED RATE OF RETURN	11.00%	8.68%
5	REQUIRED OPERATING INCOME (L4 * L1)	87,339	64,859
6	OPERATING INCOME DEFICIENCY (L5 - L2)	273,749	261,358
7	GROSS REVENUE CONVERSION FACTOR	1.63241	1.28035
8	GROSS REVENUE INCREASE	\$ 446,870	\$ 334,630
9	CURRENT REVENUES T/Y ADJUSTED	474,250	509,760
10	PROPOSED ANNUAL REVENUE (L8 + L9)	921,120	844,390
11	PERCENTAGE AVERAGE INCREASE	94.23%	65.64%

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE A-1
 COLUMN (B): SCHEDULE TJC-1, PG. 2, TJC-2, AND TJC-8

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 GROSS REVENUE CONVERSION FACTOR

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-1
 PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	UNCOLLECTIBLES	<u>0.002316</u>	COMPANY SCH. C-3
3	SUB-TOTAL	0.9977	LINE 1 - LINE 2
4	LESS: TAX RATE	<u>21.66%</u>	NOTE (a)
5	TOTAL	0.7810	LINE 3 - LINE 4
6	REVENUE CONVERSION FACTOR	1.28035	LINE 1/LINE 5

NOTE (a):
 CALCULATION OF EFFECTIVE TAX RATE

OPERATING INCOME BEFORE TAXES	100.00%
ARIZONA STATE TAX	<u>6.97%</u>
TAXABLE INCOME FEDERAL	93.03%
FEDERAL INCOME TAX RATE	<u>15.85%</u>
SUBTOTAL	14.75%
ADD STATE TAX RATE	21.72%
LINE 3 ABOVE	<u>99.77%</u>
EFFECTIVE TAX RATE	21.66%

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 RATE BASE - ORIGINAL COST

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-2

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 1,554,600	\$ (42,467)	\$ 1,512,133
2	PHOENIX OFFICE & METER SHOP ALLOCATION	80,704	18,717	99,421
3	ACCUMULATED DEPRECIATION	<u>(736,074)</u>	<u>16,092</u>	<u>(719,982)</u>
4	NET PLANT IN SERVICE	\$ 899,230	\$ (7,658)	\$ 891,572
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	<u>-</u>	<u>-</u>	<u>-</u>
6	TOTAL NET PLANT	\$ 899,230	\$ (7,658)	\$ 891,572
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(23,194)	-	(23,194)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(20,375)	-	(20,375)
9	ACCUMULATED AMORTIZATION OF CIAC	2,990	528	3,518
10	DEFERRED INCOME TAXES	(93,372)	(17,534)	(110,906)
11	WORKING CAPITAL	<u>28,714</u>	<u>(22,351)</u>	<u>6,363</u>
12	TOTAL RATE BASE	<u>\$ 793,993</u>	<u>\$ (47,015)</u>	<u>\$ 746,978</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE B-1
 COLUMN (B): SCHEDULE TJC-3
 COLUMN (C): COLUMN (A) + COLUMN (B)

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCCO ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 1,554,600	(\$42,467)	10,955	26,651	10,559	(2,797)							\$ 1,512,133
2	PHOENIX OFFICE & METER SHOP ALLOCATION	80,704												89,421
3	ACCUMULATED DEPRECIATION	(735,074)			26,651	(10,559)								(719,992)
4	NET PLANT IN SERVICE	\$ 899,230	\$ (42,467)	\$ 10,955	\$ 26,651	\$ -	\$ (2,797)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 891,572
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	-	-	-	-	-	-	-	-	-	-	-	-	-
6	TOTAL NET PLANT	\$ 899,230	\$ (42,467)	\$ 10,955	\$ 26,651	\$ -	\$ (2,797)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 891,572
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(23,194)												(23,194)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(20,375)												(20,375)
9	ACCUMULATED AMORTIZATION OF CIAC	2,990						528						3,518
10	DEFERRED INCOME TAXES	(93,372)								(17,534)				(110,906)
11	WORKING CAPITAL	28,714									(22,351)			6,363
12	TOTAL RATE BASE	\$ 793,993	\$ (42,467)	\$ 10,955	\$ 26,651	\$ -	\$ (2,797)	\$ -	\$ 528	\$ (17,534)	\$ (22,351)	\$ -	\$ -	\$ 746,878

ADJUSTMENT #:
 1. PLANT IN SERVICE/POST-TEST YEAR ADDITIONS
 2. PHOENIX OFFICE & METER SHOP ALLOCATION
 3. ACCUMULATED DEPRECIATION
 4. RECONCILE PHX OFFICE & METER SHOP AND ACCUM. DEPR.
 5. REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION

ADJUSTMENT #:
 7. CIAC - 2002 BAL. & AMORTIZATION
 8. ACCUMULATED DEFERRED INCOME TAXES
 9. WORKING CAPITAL
 10. NOT USED
 11. NOT USED

REFERENCE:
 SCHEDULE TJC 4, PAGE 7
 SCHEDULE TJC 4, PAGE 7
 SCHEDULE TJC 4, PAGE 7
 SCHEDULE TJC-5
 SCHEDULE TJC-6

REFERENCE:
 RUCO D.R. NO 6.3, TESTIMONY - TJC
 RUCO D.R. NO 6.3
 SCHEDULE TJC-7, PAGE 3
 N/A
 N/A

NOTES:
 (a) NET OF ACCUMULATED DEPRECIATION
 (b) GROSS PHOENIX OFFICE AND METER SHOP ADDITIONS ALLOCATED DURING 2002
 (c) INCLUDES ACCUMULATED DEPRECIATION ON 2002 PHOENIX OFFICE AND METER SHOP ADDITIONS

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE POST TEST YEAR PLANT,
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE POST TEST YEAR PLANT,
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1990 PLANT VALUE PER COMPANY	1990 ACCUM DEPR. PER COMPANY	1990 NET PLANT PER PRIOR ACC PER COMPANY	1991 ADDITIONS PER COMPANY	1991 (RETIREMENTS) PER COMPANY	1991 YEAR-END PLANT VALUE PER RUCCO	1991 DEPRECIATION EXPENSE PER RUCCO	1991 ACCUMULATED DEPRECIATION PER RUCCO	1991 YEAR-END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	0	0	0	0	0	0	0
8	320.0	PUMPING PLANT: LAND*	0	0	0	0	0	0	0	0	0
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	457	216	241	0	0	457	11	228	229
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	1,990	943	1,047	0	0	1,990	48	991	999
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	1,942	920	1,022	0	0	1,942	47	967	975
13	331.0	WATER TREATMENT PLANT: EQUIPMENT	7,483	3,544	3,939	0	0	7,483	184	3,728	4,007
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	0	252	0	1,942	0	0	0
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	7,735	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	82,187	38,928	43,259	0	0	82,187	1,989	40,917	41,270
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	441,782	209,249	232,533	9,308	0	451,090	10,804	220,053	231,037
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	0	0	0	0	0	0
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	84,956	40,239	44,717	13,475	(303)	98,128	2,215	42,152	55,976
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	102,307	48,457	53,850	8,414	(4,186)	106,535	2,527	46,798	59,737
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	49,065	23,240	25,825	2,457	0	51,522	1,217	24,457	27,065
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	3,175	1,504	1,671	0	0	3,175	77	1,581	1,594
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	3,298	1,562	1,736	0	0	3,298	80	1,642	1,656
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	11,912	5,642	6,270	0	0	11,912	288	5,930	5,962
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	16,568	7,847	8,721	54	0	16,622	402	8,373	8,249
32	391.2	GENERAL PLANT: OFFICE FURNITURE	9,214	4,364	4,850	306	0	9,520	227	4,591	4,929
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	21	10	11	0	0	21	1	10	11
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	35,533	16,830	18,703	1,666	0	37,199	880	17,710	19,489
35	395.0	GENERAL PLANT: POWER EQUIPMENT	2,599	1,231	1,368	0	0	2,599	63	1,294	1,305
36	396.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	1,419	1,276	1,149	0	0	2,685	65	1,342	1,353
37	397.0	GENERAL PLANT: MOBILE RADIOS	14,647	6,938	7,709	1,555	(1,528)	13,119	326	5,745	7,374
38	397.1	GENERAL PLANT: AUTO CONTROLS	5,857	2,774	3,083	1,555	0	7,412	161	2,935	4,477
39	397.2	GENERAL PLANT: MISC.	13,813	6,542	7,271	8,462	0	22,275	437	6,979	15,296
40	398.0	GENERAL PLANT: MISC.	5,068	2,400	2,668	0	0	5,068	123	2,523	2,545
41		TOTALS	\$896,569	\$424,858	\$471,911	\$45,949	(\$6,017)	\$936,501	\$22,180	\$440,821	\$495,680

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 *NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-4
 PAGE 2 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1992 ADDITIONS PER COMPANY	1992 (RETIREMENTS) PER COMPANY	1992 YEAR END PLANT VALUE PER RUCCO	1992 DEPRECIATION EXPENSE PER RUCCO	1992 ACCUMULATED DEPRECIATION PER RUCCO	1992 YEAR END NET PLANT PER RUCCO	1993 ADDITIONS PER COMPANY	1993 (RETIREMENTS) PER COMPANY	1993 YEAR END PLANT VALUE PER RUCCO	1993 DEPRECIATION EXPENSE PER RUCCO	1993 ACCUMULATED DEPRECIATION PER RUCCO	1993 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	0	0	0	0	249	0	249	0	0	249
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	0	0	0	0	0	0	0	0	0	0
8	321.0	CONDUITS, STRUCTURES & IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
9	321.1	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
10	325.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	1,091	0	457	11	239	218	0	0	457	12	250	207
11	328.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	3,081	61	1,052	2,029	0	0	3,081	80	1,132	1,949
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	1,945	47	1,014	928	0	0	1,942	50	1,084	878
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	7,735	187	3,916	3,819	0	0	7,735	200	4,116	3,619
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	0	0	0	0	0	0	0	0	0	0
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	140	0	82,187	1,989	42,906	39,281	0	0	82,187	2,129	45,084	37,153
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	451,230	10,918	230,971	220,259	51,198	0	502,428	12,350	243,321	259,107
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	3,101	(496)	100,733	2,408	44,082	56,671	45,276	(820)	142,662	(10)	(812)	10
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	3,383	(1,853)	108,045	2,596	47,542	60,503	4,017	(1,868)	110,194	3,148	43,581	98,799
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	51,522	1,247	25,703	25,819	0	0	51,522	1,334	27,058	24,464
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	393.0	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	393.1	GENERAL PLANT: OFFICE BUILDINGS	2,660	0	5,835	109	1,680	4,145	0	0	5,835	151	1,841	3,994
28	393.2	GENERAL PLANT: MISC. BUILDINGS	0	0	3,298	80	1,722	1,576	0	0	3,298	85	1,807	1,491
29	393.3	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	283	0	11,912	288	6,218	5,694	0	0	11,912	309	6,527	5,385
31	391.1	GENERAL PLANT: OFFICE FURNITURE	0	0	16,905	408	9,655	8,250	2,797	0	19,702	474	9,129	10,573
32	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	9,520	230	4,821	4,699	113	0	9,633	248	5,069	4,564
33	394.0	GENERAL PLANT: GARAGE EQUIPMENT	4,750	(63)	41,868	957	11,111	23,282	1,341	0	43,227	1,102	19,706	23,521
34	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	2,998	63	1,367	1,242	0	0	2,998	68	1,425	1,573
35	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	2,695	63	1,307	1,268	43	0	2,642	70	1,477	1,217
36	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	709	0	13,119	317	6,063	7,056	0	0	13,119	340	6,403	6,716
37	397.1	GENERAL PLANT: MOBILE RADIOS	71	0	8,121	188	3,123	4,998	35	0	8,156	211	3,333	4,823
38	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	22,346	540	7,519	14,827	2,948	0	25,294	617	8,196	17,158
39	398.0	GENERAL PLANT: MISC.	0	0	5,069	123	2,646	2,422	0	0	5,069	91	2,777	2,291
40		TOTALS	\$16,188	(\$2,412)	\$950,257	\$22,830	\$461,239	\$483,018	\$106,017	(\$5,299)	\$1,051,975	\$25,826	\$480,896	\$571,099

REFERENCE:
 ACC STAFF DR. NO. REL 1-24
 NOTE:
 *NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1994 ADDITIONS PER COMPANY	1994 (RETIREMENTS) PER COMPANY	1994 YEAR END PLANT VALUE PER RUCCO	1994 DEPRECIATION EXPENSE PER RUCCO	1994 ACCUMULATED DEPRECIATION PER RUCCO	1994 YEAR END NET PLANT PER RUCCO	1995 ADDITIONS PER COMPANY	1995 (RETIREMENTS) PER COMPANY	1995 YEAR END PLANT VALUE PER RUCCO	1995 DEPRECIATION EXPENSE PER RUCCO	1995 ACCUMULATED DEPRECIATION PER RUCCO	1995 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	66	0	315	0	0	315	240	0	555	0	0	555
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	311.0	SOURCE OF SUPPLY: WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
7	311.0	SOURCE OF SUPPLY: WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
8	320.0	PUMPING PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
9	320.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	457	12	262	195	0	0	457	12	274	183
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	3,081	80	1,212	1,869	0	0	3,081	80	1,291	1,790
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	1,942	50	1,114	828	0	0	1,942	50	1,165	777
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	7,735	200	4,316	3,419	0	0	7,735	200	4,517	3,218
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	4,887	(840)	86,014	2,176	46,371	39,643	0	0	86,014	2,228	48,600	37,414
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	(552)	0	501,876	13,098	256,327	245,549	250	0	502,126	13,348	269,894	232,786
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	(802)	(21)	(833)	31	0	0	(802)	(21)	(821)	0
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	3,184	(1,119)	144,445	3,714	46,176	98,269	5,147	0	149,592	3,608	49,784	98,608
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	3,614	(146)	113,662	2,899	51,253	62,409	10,656	(7,480)	117,038	2,899	46,761	70,277
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	51,522	1,334	28,372	23,150	0	0	51,522	1,334	29,707	21,815
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	5,885	151	1,862	3,843	0	0	5,885	151	2,143	3,692
27	390.0	GENERAL PLANT: OFFICE BUILDINGS	0	0	3,239	86	1,695	1,465	0	0	3,239	85	1,978	1,320
28	390.1	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	390.2	GENERAL PLANT: MISC. BUILDINGS	0	0	11,912	309	6,836	5,076	0	0	11,912	309	7,124	4,781
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	709	0	20,411	519	9,648	10,763	16,298	0	36,595	740	10,388	26,391
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	9,633	249	5,319	4,314	0	0	9,633	249	5,568	4,095
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	21	1	12	9	0	0	21	1	13	8
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	45,687	1,151	20,658	24,829	13,079	0	58,766	1,353	22,210	96,556
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	2,460	0	2,642	68	1,483	1,149	0	0	2,642	68	1,582	1,090
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	2,695	70	1,547	1,148	0	0	2,695	70	1,616	1,079
36	399.0	GENERAL PLANT: POWER EQUIPMENT	0	0	13,119	340	6,743	5,376	0	0	13,119	340	7,082	6,037
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	3,546	212	3,546	4,988	1,719	0	9,951	235	3,791	6,170
38	397.1	GENERAL PLANT: MOBILE RADIOS	76	0	25,232	135	2,901	16,321	0	0	25,234	655	9,446	15,848
39	397.2	GENERAL PLANT: MOBILE CONTROLS	0	0	5,068	131	2,901	6,977	0	0	5,068	131	3,040	2,028
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$14,224	(\$2,102)	\$1,084,094	\$27,396	\$505,152	\$553,001	\$47,579	(\$7,480)	\$1,104,138	\$58,098	\$526,144	\$577,449

REFERENCE:
 ACC STAFF D.R. NO. REL.1-24
 NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1996 ADDITIONS PER COMPANY	1996 (RETIREMENTS) PER COMPANY	1996 YEAR END PLANT VALUE PER RUCCO	1996 DEPRECIATION EXPENSE PER RUCCO	1996 ACCUMULATED DEPRECIATION PER RUCCO	1996 YEAR END NET PLANT PER RUCCO	1997 ADDITIONS PER COMPANY	1997 (RETIREMENTS) PER COMPANY	1997 YEAR END PLANT VALUE PER RUCCO	1997 DEPRECIATION EXPENSE PER RUCCO	1997 ACCUMULATED DEPRECIATION PER RUCCO	1997 YEAR END NET PLANT PER RUCCO
1	3010	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	3020	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	3030	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	3101	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	71	0	626	0	0	648	22	0	648	0	0	648
5	3102	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	3110	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
7	3114	SOURCE OF SUPPLY: WELLS	0	0	0	0	0	0	0	0	0	0	0	0
8	3200	PUMPING PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
9	3210	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	12	457	12	286	457	0	0	457	12	286	457
10	3250	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	80	3,081	80	1,371	3,783	702	0	3,783	89	1,460	2,323
11	3280	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	3300	WATER TREATMENT PLANT: LAND*	0	0	1,942	50	1,215	1,942	0	0	1,942	50	1,265	677
13	3310	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	7,755	200	4,717	7,953	158	0	7,953	202	4,919	2,974
14	3320	WATER TREATMENT PLANT: EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
15	3400	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
16	3410	TRANSMISSION & DISTRIBUTION: LAND RIGHTS*	0	0	0	0	0	0	0	0	0	0	0	0
17	3411	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	3420	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	86,014	2,228	50,828	86,014	0	0	86,014	2,228	53,056	32,958
19	3430	TRANSMISSION & DISTRIBUTION: MAINS	(222)	0	501,904	13,002	282,331	517,668	15,964	0	517,668	13,206	296,537	222,331
20	3440	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	55	(208)	(747)	(20)	(874)	(19)	0	0	(747)	(19)	(893)	(146)
21	3450	TRANSMISSION & DISTRIBUTION: SERVICES	6,773	0	156,157	3,859	53,796	156,157	2,837	(50)	158,944	4,081	57,766	101,178
22	3460	TRANSMISSION & DISTRIBUTION: METERS	4,623	0	119,408	3,062	47,570	117,838	(1,241)	(323)	117,644	3,072	50,319	67,525
23	3480	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	51,522	1,334	31,041	51,522	0	0	51,522	1,334	32,376	19,146
24	3891	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	3892	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	3893	GENERAL PLANT: LAND - MISC.*	0	0	5,835	15	2,290	3,545	35,214	0	35,214	52	(9,100)	26,223
27	3901	GENERAL PLANT: OFFICE BUILDINGS	0	0	3,298	85	2,063	3,298	3,984	0	7,282	137	2,269	5,065
28	3902	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	3903	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
30	3910	GENERAL PLANT: OFFICE EQUIPMENT	0	0	11,912	309	7,453	4,459	0	(406)	11,506	303	7,350	4,156
31	3911	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	(2,500)	34,575	923	8,811	25,764	2,820	0	37,585	932	9,743	27,652
32	3912	GENERAL PLANT: OFFICE FURNITURE	5,701	0	15,334	323	5,892	8,442	7,921	0	23,255	500	6,391	16,864
33	3930	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	21	1	13	8	0	0	21	1	14	7
34	3940	GENERAL PLANT: GARAGE EQUIPMENT	532	(154)	59,144	1,527	23,563	35,581	1,232	0	60,376	1,548	25,131	35,245
35	3950	GENERAL PLANT: LAB EQUIPMENT	0	0	2,642	68	1,630	1,012	0	0	2,642	68	1,698	944
36	3960	GENERAL PLANT: POWER EQUIPMENT	0	0	2,895	70	1,696	1,009	0	0	2,895	70	1,796	959
37	3970	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	1,889	0	13,119	340	4,762	9,997	0	0	13,119	340	7,762	5,357
38	3971	GENERAL PLANT: AUTO EQUIPMENT	1,889	0	13,119	340	4,762	9,997	1,610	0	13,119	340	7,762	5,357
39	3972	GENERAL PLANT: AUTO CONTROLS	4,933	0	29,687	712	10,158	19,529	634	0	30,321	777	10,385	19,936
40	3980	GENERAL PLANT: MISC.	0	0	5,068	131	3,171	(3,040)	0	0	5,068	131	3,302	1,768
41		TOTALS	\$24,141	(\$5,115)	\$1,123,219	\$28,830	\$550,459	\$867,823	\$71,859	(\$6,615)	\$1,168,463	\$29,920	\$573,764	\$614,699

REFERENCE:
 ACC STAFF D.R. NO. REL. 1-24

NOTE:
 *NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT;
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE T-JC-4
 PAGE 5 OF 7

LINE NO.	ACCT NO.	PLANT ACCOUNT NAME	1988 ADDITIONS PER COMPANY	1988 (RETIREMENTS) PER COMPANY	1988 YEAR END PLANT VALUE PER RUO	1988 DEPRECIATION EXPENSE PER RUO	1988 ACCUMULATED DEPRECIATION PER RUO	1988 YEAR END NET PLANT PER RUO	1989 ADDITIONS PER COMPANY	1989 (RETIREMENTS) PER COMPANY	1989 YEAR END PLANT VALUE PER RUO	1989 DEPRECIATION EXPENSE PER RUO	1989 ACCUMULATED DEPRECIATION PER RUO	1989 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES ORGANIZATION*	0	0	0	0	0	0	0	0	0	0	0	0
2	302.0	INTANGIBLES FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES MISC*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	150,069	0	153,717	0	0	153,717	236	0	153,953	0	0	153,953
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	0	0	0	0	0	0	0	0	0	0
8	320.0	PUMPING PLANT: LAND*	0	0	457	0	0	457	0	0	457	0	0	457
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	310	12	310	321	0	0	321	0	0	321
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	1,027	(340)	4,470	107	1,227	3,243	0	0	4,470	116	1,343	3,127
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	1,942	50	1,916	626	0	0	1,200	27	(480)	600
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	7,393	205	5,124	2,784	0	(1,822)	7,908	205	5,329	2,579
14	340.0	TRANSMISSION & DISTRIBUTION: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
15	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.2	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	86,014	2,228	55,283	30,731	10,269	0	96,283	2,351	57,644	38,639
18	342.0	TRANSMISSION & DISTRIBUTION: MAINS	2,073	0	519,941	13,440	308,976	210,965	211	0	520,152	13,469	322,445	197,707
19	343.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	(19)	(913)	166	0	(747)	0	0	(932)	185
20	344.0	TRANSMISSION & DISTRIBUTION: SERVICES	14,809	(340)	173,413	4,304	61,730	111,683	17,004	(341)	190,076	4,707	66,096	123,980
21	345.0	TRANSMISSION & DISTRIBUTION: METERS	607	(443)	118,008	3,054	52,930	65,078	4,191	(309)	121,890	3,107	55,728	66,162
22	346.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	51,522	1,334	33,710	17,812	0	0	51,522	1,334	35,044	16,478
23	348.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
24	385.1	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
25	385.2	GENERAL PLANT: LAND - MISC*	0	0	0	0	0	0	0	0	0	0	0	0
26	385.3	GENERAL PLANT: OFFICE BUILDINGS	0	0	35,213	912	(2,089)	37,311	0	0	35,213	912	(1,186)	36,359
27	390.1	GENERAL PLANT: WAREHOUSE BUILDINGS	5,213	0	12,495	256	2,457	10,038	0	0	12,495	324	2,780	9,715
28	390.2	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	390.3	GENERAL PLANT: OFFICE EQUIPMENT	0	0	11,506	289	7,648	3,858	0	0	11,506	289	7,946	3,560
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	784	(83)	38,076	977	10,637	27,439	13,251	0	51,327	1,158	11,795	39,532
31	391.1	GENERAL PLANT: OFFICE FURNITURE	0	0	23,655	602	6,994	16,261	0	0	23,255	602	7,596	15,659
32	391.2	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	21	1	14	7	1,107	0	1,128	15	29	1,099
33	392.0	GENERAL PLANT: POWER EQUIPMENT	223	(1,128)	59,473	1,522	25,585	33,918	1,388	0	60,861	1,598	27,114	33,747
34	393.0	GENERAL PLANT: TELEPHONE EQUIPMENT	0	0	2,875	75	1,875	875	0	0	2,816	68	1,810	808
35	394.0	GENERAL PLANT: POWER EQUIPMENT	0	(24)	2,985	70	1,826	875	0	0	2,916	68	1,810	808
36	395.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	13,119	340	8,102	5,017	0	0	13,119	340	1,896	799
37	397.0	GENERAL PLANT: MOBILE RADIOS	0	0	13,402	347	4,736	8,666	0	0	13,402	347	5,441	4,678
38	397.1	GENERAL PLANT: AUTO CONTROLS	0	0	30,321	785	11,721	18,600	292	0	30,613	789	12,510	8,319
39	397.2	GENERAL PLANT: MISC.	832	0	5,900	142	3,444	18,600	852	0	30,613	184	3,608	3,143
40	398.0	TOTALS	\$178,634	(\$2,358)	\$1,364,739	\$31,065	\$602,471	\$756,510	\$48,801	(\$2,472)	\$1,411,068	\$31,962	\$631,961	\$779,107

REFERENCE:
 ACC STAFF DR. NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2000 ADDITIONS PER COMPANY	2000 (RETIREMENTS) PER COMPANY	2000 YEAR END PLANT VALUE PER RUCCO	2000 DEPRECIATION EXPENSE PER RUCCO	2000 ACCUMULATED DEPRECIATION PER RUCCO	2000 YEAR END NET PLANT VALUE PER RUCCO	2001 ADDITIONS PER COMPANY	2001 (RETIREMENTS) PER COMPANY	2001 YEAR END PLANT VALUE PER RUCCO	2001 DEPRECIATION EXPENSE PER RUCCO	2001 ACCUMULATED DEPRECIATION PER RUCCO	2001 YEAR END NET PLANT VALUE PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	184	0	154,117	0	0	154,117	40	0	154,157	0	0	154,157
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	0	0	0	0	0	0	0	0	0	0
8	320.0	PUMPING PLANT: LAND*	0	0	457	0	0	457	0	0	457	0	0	457
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	4,654	12	363	4,654	0	0	4,654	12	363	4,654
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	184	0	0	116	1,461	3,193	0	0	3,193	121	1,582	3,072
11	326.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	120	3	(477)	597	290	0	410	7	(477)	88
13	331.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	7,908	205	5,534	2,374	(4,605)	0	3,303	145	5,678	(2,376)
14	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
15	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
16	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
17	341.1	TRANSMISSION & DISTRIBUTION: STRUCTURES TANKS	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	96,283	2,494	60,138	36,145	2,067	0	98,350	2,520	62,658	35,692
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	(270)	0	519,882	13,468	335,914	183,968	2,289	(1,244)	520,927	13,478	343,148	172,779
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	(19)	(951)	204	45	(555)	(702)	(19)	(970)	268
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	7,795	(209)	197,662	5,021	70,909	126,753	38,034	(463)	235,141	5,605	75,958	159,183
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	(303)	(1,868)	119,719	3,129	56,989	62,730	1,029	(463)	120,285	3,108	59,634	60,651
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	1,657	(276)	52,903	1,352	36,121	16,782	1,115	(352)	53,666	1,380	37,149	16,517
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	35,213	912	(274)	35,487	0	0	35,213	912	638	34,575
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	12,095	324	3,104	9,391	0	0	12,495	324	3,427	9,068
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	75	0	11,506	296	8,244	3,262	(654)	0	10,652	287	7,677	2,975
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	51,402	1,300	13,125	38,277	1,001	0	52,403	1,344	14,470	37,933
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	23,035	602	8,196	15,057	500	0	23,557	609	8,807	14,948
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	2,288	57	1,811	1,128	0	0	1,128	29	88	1,040
34	394.0	GENERAL PLANT: LAB EQUIPMENT	599	(1,904)	59,568	1,569	26,788	32,787	1,816	(696)	61,901	1,568	27,894	33,692
35	395.0	GENERAL PLANT: POWER EQUIPMENT	0	0	2,818	88	1,878	730	0	0	2,818	88	1,878	692
36	396.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	2,895	70	1,965	730	0	0	2,895	70	2,035	662
37	397.0	GENERAL PLANT: MOBILE RADIOS	0	0	11,318	316	6,957	4,361	(981)	0	10,937	288	6,864	4,073
38	397.1	GENERAL PLANT: AUTO CONTROLS	382	(1,801)	13,754	352	5,435	8,319	0	0	13,754	356	5,791	7,963
39	397.2	GENERAL PLANT: MISC.	0	0	30,613	793	13,303	17,310	0	0	30,613	793	14,096	16,517
40	398.0	TOTALS	442	(1,059)	7,085	179	(3,459)	3,678	0	0	7,085	184	3,852	3,223
41			\$10,695	(\$6,187)	\$1,415,596	\$32,616	\$658,410	\$750,280	\$43,621	(\$4,215)	\$1,455,002	\$33,182	\$687,377	\$767,625

REFERENCE:
 ACC STAFF R. NO. REL.1-24

NOTE:
 * - NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2002 ADDITIONS PER COMPANY	2002 (RETIREMENTS) PER COMPANY	2002 YEAR END PLANT VALUE PER RUO	2002 DEPRECIATION EXPENSE PER RUO	2002 ACCUMULATED DEPRECIATION PER RUO	2002 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	1,347	0	155,504	0	0	155,504
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	0	0	0	0
8	320.0	PUMPING PLANT: LAND*	0	0	0	0	0	0
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	457	12	357	100
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	4,654	121	1,702	2,952
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	410	11	(459)	869
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	(3,303)	0	43	2,419	(2,419)
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	55	0	96,405	2,548	65,206	33,199
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	23,445	0	544,372	13,796	361,944	182,428
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	(702)	(18)	(988)	286
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	8,483	(476)	243,148	6,194	81,676	161,472
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	2,294	(1,304)	121,275	3,128	61,458	59,817
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	1,674	(233)	55,107	1,409	38,324	16,783
24	389.1	GENERAL PLANT: LAND - OFFICE*	151	0	151	0	0	151
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	144	0	35,357	914	1,552	33,806
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	12,495	324	3,751	8,744
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	10,578	0	21,230	413	8,090	13,140
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	52,403	1,357	15,827	36,576
32	391.2	GENERAL PLANT: OFFICE FURNITURE	3,378	0	27,133	659	9,466	17,667
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	1,128	29	117	1,011
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	1,113	0	62,119	1,584	29,559	32,560
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	2,618	68	2,014	604
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	2,695	70	2,105	590
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	24,113	(7,192)	27,858	502	174	27,683
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	13,754	356	6,147	7,607
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	30,613	793	14,888	15,725
40	398.0	GENERAL PLANT: MISC.	3,820	0	10,905	233	4,095	(3,862)
41		TOTALS	\$80,594	(\$12,509)	\$1,523,068	\$34,554	\$709,423	\$802,993
42		BALANCES PER COMPANY			\$ 1,554,600		\$ 736,074	
43		BALANCES PER RUO			\$ 1,523,088		\$ 709,423	
44		LESS: POST-TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP ADDITIONS**			\$ 10,955			
45		TOTAL ADJUSTMENTS			\$ (42,457)		\$ (26,651)	

REFERENCES:
 ACC STAFF D.R. NO. REL. 1-24
 ACC STAFF D.R. NO. REL. 18-1
 RUO D.R. NO. 6.2

NOTE:
 * NON-DEPRECIABLE PLANT
 ** BASED ON AN ALLOCATION FACTOR OF 0.0209 PER RUO D.R. NO. 4.2

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-5

RATE BASE ADJ. #4 - RECONCILE TEST YEAR ALLOCATED PHOENIX OFFICE
 & METER SHOP AND ACCUMULATED DEPRECIATION BALANCES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>TEST YEAR COMPANY</u>
1	GROSS PHOENIX OFFICE PLANT & METER SHOP	\$ 4,002,988
2	ADD: PHOENIX OFFICE CONSTRUCTION WORK IN PROGRESS (CWIP)	126,565
3	GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 4,129,553
4	TIMES: ALLOCATION FACTOR	0.0221
5	ALLOCATED GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 91,263
6	NET ALLOCATED PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	80,704
7	RUCO ADJUSTMENT TO PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION	\$ 10,559

REFERENCES:

- LINE 1: COMPANY SCHEDULE B-2 PAGES 10 AND 11
- LINE 2: COMPANY SCHEDULE B-2 PAGE 10
- LINE 3: LINE 1 + LINE 2
- LINE 4: COMPANY SCHEDULE B-1 PAGE 2
- LINE 5: LINE 3 x LINE 4
- LINE 6: COMPANY SCHEDULE B-1 PAGE 2 (SUM OF LINES 6 AND 7)

ARIZONA WATER COMPANY

TEST YEAR ENDED DECEMBER 31, 2001

SAN MANUEL SYSTEM

RATE BASE ADJ. #5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION

DOCKET NO. W-1445A-02-0619
SCHEDULE TJC-6

LINE NO.	DESCRIPTION	(A) TEST YEAR COMPANY	(B) TEST YEAR RUCO	
1	GROSS PHOENIX OFFICE PLANT	\$ 3,903,884	\$ 3,903,884	COMPANY SCHEDULE B-2 PAGE 10
2	LESS: ACCUMULATED DEPRECIATION	453,222	453,222	COMPANY SCHEDULE B-2 PAGE 10
3	NET PHOENIX OFFICE PLANT	\$ 3,450,662	\$ 3,450,662	LINE 1 + LINE 2
4	ADD: CWIP	126,565	-	COMPANY SCHEDULE B-2 PAGE 10
5	TOTALS	\$ 3,577,227	\$ 3,450,662	LINE 3 + LINE 4
4	TIMES: ALLOCATION FACTOR	0.0221	0.0221	COMPANY SCHEDULE B-1 PAGE 2
5	ALLOCATED PHOENIX OFFICE PLANT	\$ 79,057	\$ 76,260	COMPANY SCHEDULE B-1 PAGE 2
6	RUCO ADJUSTMENT		\$ (2,797)	LINE 5 COLUMN (B) - LINE 5 COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 1999
 SAN MANUEL SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL

DOCKET NO. W-1445A-00-0962
 SCHEDULE TJC-7
 PAGE 1 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	CASH WORKING CAPITAL PER COMPANY	\$ 7,402	COMPANY SCH. B-5, PG. 2
2	CASH WORKING CAPITAL PER RUCO	(12,041)	SCH. TJC-7, PG. 3
3	DECREASE IN CASH WORKING CAPITAL	(19,443)	LINE 2 - LINE 1
4	MATERIALS & SUPPLIES PER COMPANY	3,987	COMPANY SCH. B-5, PG. 2
5	MATERIALS & SUPPLIES PER RUCO	3,928	DATA REQUEST 6.4 a)
6	MATERIALS & SUPPLIES ADJUSTMENT	(59)	LINE 5 - LINE 4
7	PREPAYMENTS PER COMPANY AND SPECIAL DEPOSITS	6,310	COMPANY SCH. B-5, PG. 2
8	PREPAYMENTS PER RUCO	5,306	DATA REQUEST 6.4 b)
9	PREPAYMENTS ADJUSTMENT	(1,004)	LINE 8 - LINE 7
10	REQUIRED BANK BALANCES PER COMPANY	11,015	COMPANY SCH. B-5, PG. 2
11	REQUIRED BANK BALANCES PER RUCO	9,170	DATA REQUEST 6.4 c)
12	REQUIRED BANK BALANCE ADJUSTMENT	(1,845)	LINE 11 - LINE 10
13	TOTAL WORKING CAPITAL ADJUSTMENT	(22,351)	LINES 3, 6, 9 & 12

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 LEAD/LAG CALCULATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 2 OF 4

LINE NO.	DESCRIPTION	EXPENSES PER COMPANY	RUCO ADJUSTMENTS	ADJUSTED EXPENSES	(LEAD)/LAG DAYS	\$ DAYS
1	PURCHASED POWER	\$ 34,327	\$ 3,428	\$ 37,755	34.69	\$ 1,309,721
2	PAYROLL	177,010	51,637	228,647	14.00	3,201,064
3	PURCHASED WATER	135,178	144,298	279,476	26.38	7,372,577
4	CHEMICALS	1,548	(1,389)	159	18.00	2,862
5	PROPERTY & LIABILITY INSURANCE	2,457	717	3,174	(45.27)	(143,676)
6	WORKER'S COMPENSATION	2,656	775	3,431	(46.50)	(159,533)
7	HEALTH INSURANCE	30,866	9,004	39,870	(8.92)	(355,643)
8	OTHER O&M EXPENSES	79,074	(39,898)	\$ 39,176	(9.27)	(363,164)
9	DEPRECIATION & AMORTIZATION	40,950	(4,011)	36,939	N/A	N/A
10	FEDERAL & STATE INCOME TAXES	(11,982)	25,348	13,366	61.95	828,086
11	DEFERRED INCOME TAXES	(3,322)	N/A	N/A	N/A	N/A
12	FICA TAXES	13,229	68	13,297	14.00	186,158
13	FUTA & SUTA TAXES	319	(5)	314	83.10	26,093
14	PROPERTY TAXES	38,948	12,121	51,069	212.00	10,826,608
15	REG., CONTRACT, & MISCELLANEOUS FEES	13,311	3,883	17,194	(98.83)	(1,699,292)
17	PENSION EXPENSE	15,145	518	15,663	34.72	543,819
18	TOTAL	\$ 569,714	\$ 206,495	\$ 779,531 *	27.68	\$ 21,575,682

NOTE

N/A = NON CASH CHARGES EXCLUDED FROM WORKING CAPITAL CALCULATION

* RUCO RECOMMENDED LEVEL OF OPERATING EXPENSE - SCHEDULE TJC-8, COLUMN (E), LINE 16

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF CASH WORKING CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 3 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	AVERAGE EXPENSE LAG	27.68	SCH. TJC-7, PG. 2
2	AVERAGE REVENUE COLLECTION LAG	<u>22.04</u>	CO. SCH. B-5, PG. 2
3	EXCESS EXPENSE OVER REVENUE LAG	(5.64)	LINE 2 - LINE 1
4	TOTAL EXPENSES	\$ 779,531	SCH. TJC-7, PG. 2
5	CASH WORKING CAPITAL REQUIREMENT	(12,041)	(LINE 3 X LINE 4)/365 DAYS
6	PER COMPANY	<u>\$ 7,402</u>	CO. SCH. B-5, PG. 2
7	INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (19,443)</u>	LINE 5 - LINE 6

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF INCOME TAX LAG

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 4 OF 4

<u>LINE NO.</u>	<u>(A) PAYMENT DATE</u>	<u>(B) SERVICE PERIOD MIDPOINT</u>	<u>(C) (LEAD)/LAG DAYS</u>	<u>(D) PAYMENT AMOUNT</u>	<u>(E) DOLLAR DAYS</u>
1	04/12/99	07/01/99	(80.00)	\$ 397,000	(31,760,000)
2	06/11/99	07/01/99	(20.00)	50,000	(1,000,000)
3	09/14/99	07/01/99	75.00	486,000	36,450,000
4	12/14/99	07/01/99	166.00	970,000	161,020,000
5	03/14/00	07/01/99	257.00	<u>(240,000)</u>	<u>(61,680,000)</u>
6	TOTALS			\$ 1,663,000	103,030,000
7	INCOME TAX LAG		61.95		

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 OPERATING INCOME - TEST YEAR AND RUCO PROPOSED

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-8

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO RECOMMENDED
<u>REVENUES - WATER:</u>						
1	REVENUE FROM WATER SALES	\$ 474,250	\$ 35,510	\$ 509,760	\$ 334,630	\$ 844,390
2	OTHER REVENUES	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 474,250	\$ 35,510	\$ 509,760	\$ 334,630	\$ 844,390
<u>OPERATING EXPENSES:</u>						
2	PURCHASED WATER	\$ 258,703	\$ 28,748	\$ 287,451	\$ -	\$ 287,451
3	OTHER	6,246	671	6,917		6,917
4	PURCHASED POWER	31,358	7,783	39,141		39,141
5	PURCHASED GAS	-	-	-		-
6	OTHER	32,609	(3,189)	29,420		29,420
7	WATER TREATMENT	30,393	(8,030)	22,363		22,363
8	TRANSMISSION & DISTRIBUTION	83,146	8,845	91,991		91,991
9	CUSTOMER ACCOUNTS	86,740	3,077	89,817		89,817
10	SALES	472	(237)	235		235
11	ADMINISTRATIVE & GENERAL	107,529	(10,318)	97,212		97,212
12	DEPRECIATION & AMORTIZATION	52,727	(15,788)	36,939		36,939
13	PROPERTY TAXES	53,253	(2,184)	51,069		51,069
14	OTHER TAXES	12,838	773	13,611		13,611
15	INCOME TAXES	(95,355)	35,449	(59,906)	73,272	13,366
16	TOTAL OPERATING EXPENSES	\$ 660,660	\$ 45,599	\$ 706,259	\$ 73,272	\$ 779,531
17	NET INCOME	\$ (186,410)	\$ (10,089)	\$ (196,499)	\$ 261,358	\$ 64,859

REFERENCES:

COLUMN (A): CO. SCH. C-1, PG. 4
 COLUMN (B): SCH. TJC-9
 COLUMN (C): COLUMN (A) + COLUMN (B)
 COLUMN (D): SCH. TJC-1
 COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE T-JC-9

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCO ADJUSTED
REVENUES - WATER:														
1	REVENUE FROM WATER SALES	\$ 474,250	\$ 249,317	\$ (47,010)	\$ (167,309)	\$ (6,667)	\$ 7,179							\$ 509,760
2	OTHER REVENUES	-	-	-	-	-	-	-	-	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 474,250	\$ 249,317	\$ (47,010)	\$ (167,309)	\$ (6,667)	\$ 7,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 509,760
OPERATING EXPENSES:														
2	PURCHASED WATER	\$ 258,703	\$ 20,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,975	\$ 287,451
3	OTHER	6,246	671	-	-	-	-	-	-	-	-	-	-	6,917
4	PURCHASED POWER	31,358	6,397	-	-	655	731	-	-	-	-	-	-	39,141
5	PURCHASED GAS	-	-	-	-	-	-	-	-	-	-	-	-	-
6	OTHER	32,609	(3,189)	-	-	-	-	-	-	-	-	-	-	29,420
7	WATER TREATMENT	30,393	(8,240)	-	-	-	210	-	-	-	-	-	-	22,363
8	TRANSMISSION & DISTRIBUTION	83,146	9,696	-	(851)	-	-	-	-	-	-	-	-	91,991
9	CUSTOMER ACCOUNTS	86,740	3,077	-	-	-	-	-	-	-	-	-	-	89,817
10	SALES	472	(237)	-	-	-	-	-	-	-	-	-	-	235
11	ADMINISTRATIVE & GENERAL	107,529	(13,982)	(1,417)	-	-	941	4,141	-	-	-	-	-	97,212
12	DEPRECIATION & AMORTIZATION	52,727	-	-	-	-	-	-	(15,788)	-	-	-	-	36,939
13	PROPERTY TAXES	53,253	-	-	-	-	-	-	-	(2,184)	-	-	-	51,069
14	OTHER TAXES	12,838	46,366	(45,593)	-	-	-	-	-	-	-	-	-	13,611
15	INCOME TAXES	(95,355)	-	-	-	-	-	-	-	-	-	-	-	(59,906)
16	TOTAL OPERATING EXPENSES	\$ 660,660	\$ 61,332	\$ (47,010)	\$ -	\$ (196)	\$ 1,881	\$ 4,141	\$ -	\$ (15,788)	\$ (2,184)	\$ 35,449	\$ 7,975	\$ 706,259
17	NET INCOME	\$ (186,410)	\$ 187,985	\$ -	\$ (167,309)	\$ (6,471)	\$ 5,298	\$ (4,141)	\$ -	\$ 15,788	\$ 2,184	\$ (35,449)	\$ (7,975)	\$ (196,499)

<p>ADJUSTMENT #: 1. RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL 2. REMOVE 2002 REGULATORY ASSESSMENT & SALES TAXES 3. ELIMINATE PPAM AND PWAM REVENUES 4. ELIMINATE UNBILLED REVENUES & EXPENSES 5. ANNUALIZE ADDITIONAL REVENUES & EXPENSES 6. AMORTIZATION OF RATE CASE EXPENSE</p>	<p>ADJUSTMENT #: 7. REMOVE MAP SURCHARGE REVENUES 8. DEPRECIATION & AMORTIZATION EXPENSE 9. PROPERTY TAX EXPENSE 10. INCOME TAX EXPENSE 11. PURCHASED WATER EXPENSE</p>	<p>REFERENCE: RUCO D.R. NO. 1.10 RUCO D.R. NO. 1.10 & ACC STAFF D.R. NO. REL 19-1 RUCO D.R. NO. 7.1 & RUCO D.R. NO. 7.2 RUCO D.R. NO. 7.3 RUCO D.R. NO. 6.6 COMPANY SCHEDULE C-2, PAGE 7, TESTIMONY TJC</p>	<p>REFERENCE: TESTIMONY TJC SCHEDULE T-JC-12 SCHEDULE T-JC-13 SCHEDULE T-JC-14 SCHEDULE T-JC-15</p>
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ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-10
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) 2002 ACTUAL	(C) DIFFERENCE	(D) RUCO ADJUSTMENT
<u>REVENUES - WATER:</u>					
1	REVENUE FROM WATER SALES	\$ 474,250	\$ 723,567	\$ 474,250	\$ 249,317
2	OTHER REVENUES	0.00	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 474,250	\$ 723,567	\$ 474,250	\$ 249,317
<u>OPERATING EXPENSES:</u>					
4	PURCHASED WATER	\$ 258,703	\$ 279,476	\$ 258,703	\$ 20,773
5	OTHER	6,246	6,917	6,246	671
6	PURCHASED POWER	31,358	37,755	31,358	6,397
7	PURCHASED GAS	-	-	-	-
8	OTHER	32,609	29,420	32,609	(3,189)
9	WATER TREATMENT	30,393	22,153	30,393	(8,240)
10	TRANSMISSION & DISTRIBUTION	83,146	92,842	83,146	9,696
11	CUSTOMER ACCOUNTS	86,740	89,817	86,740	3,077
12	SALES	472	235	472	(237)
13	ADMINISTRATIVE & GENERAL	107,529	93,547	107,529	(13,982)
15	PROPERTY TAXES	53,253	48,776	53,253	- (a)
16	OTHER TAXES	12,838	59,204	12,838	46,366
17	INCOME TAXES	(95,355)	(20,040)	(95,355)	- (a)
18	TOTAL OPERATING EXPENSES	\$ 607,932	\$ 740,102	\$ 607,932	\$ 61,332
19	NET INCOME	<u>\$ (133,682)</u>	<u>\$ (16,535)</u>	<u>\$ (133,682)</u>	<u>\$ 187,985</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 4 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)
 COLUMN (D): COLUMN (C) LINES 1 THRU 13, LINES 16, 18 & 19

NOTE:

(a) SEPARATE PRO FORMA ADJUSTMENTS NOT INCLUDED IN RECONCILIATION

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-10
 PAGE 2 OF 2

LINE NO.	DESCRIPTION	(A) TEST YEAR ACTUAL	(B) 2002 ACTUAL	(C) DIFFERENCE
<u>REVENUES - WATER:</u>				
1	REVENUE FROM WATER SALES	\$ 560,527	\$ 723,567	\$ 163,040
2	OTHER REVENUES	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 560,527	\$ 723,567	\$ 163,040
<u>OPERATING EXPENSES:</u>				
4	PURCHASED WATER	\$ 135,178	\$ 279,476	\$ 144,298
5	OTHER	6,246	6,917	671
6	PURCHASED POWER	32,506	37,755	5,249
7	PURCHASED GAS	-	-	-
8	OTHER	32,609	29,420	(3,189)
9	WATER TREATMENT	18,742	22,153	3,411
10	TRANSMISSION & DISTRIBUTION	88,796	92,842	4,046
11	CUSTOMER ACCOUNTS	86,301	89,817	3,516
12	SALES	472	235	(237)
13	ADMINISTRATIVE & GENERAL	92,577	93,547	970
15	PROPERTY TAXES	38,291	48,776	10,485
16	OTHER TAXES	48,298	59,204	10,906
17	INCOME TAXES	(17,978)	(20,040)	(2,062)
18	TOTAL OPERATING EXPENSES	562,038	740,102	178,064
19	NET INCOME	\$ (1,511)	\$ (16,535)	\$ (15,024)

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 4 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-11

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1	YEAR END CUSTOMERS - 2002	1,590	1,590	1,590	1,590	1,590	1,590	1,590	1,590	1,590	1,590	1,590	1,590
2	2002 YEAR-END CUSTOMERS	1,544	1,557	1,559	1,565	1,577	1,575	1,572	1,583	1,582	1,583	1,583	1,590
3	INCREASE IN CUSTOMERS - 2002	46	33	31	25	13	15	18	7	8	7	7	-
4	AVERAGE REVENUE FOR THE MONTH	\$ 24.50	\$ 25.45	\$ 32.48	\$ 34.82	\$ 41.75	\$ 46.88	\$ 52.33	\$ 42.57	\$ 44.26	\$ 36.94	\$ 33.68	\$ 35.65
5	INCREASE IN REVENUES	\$ 1,127	\$ 840	\$ 1,007	\$ 870	\$ 543	\$ 703	\$ 942	\$ 298	\$ 354	\$ 259	\$ 236	\$ -
6	TOTAL INCREASE IN REVENUE	\$ 7,179											
7	INCREASE IN REVENUE PER COMPANY												
8	REVENUE ADJUSTMENT												
9	GALLONS SOLD PER AVERAGE CUSTOMER	7,511	8,185	9,609	10,947	14,777	17,707	20,736	15,299	16,202	12,109	10,285	9,077
10	INCREASE IN CUSTOMERS	46	33	31	25	13	15	18	7	8	7	7	0
11	INCREASE IN GALLONS	345,498	270,119	297,882	273,688	192,105	265,609	373,253	107,096	129,616	84,765	71,993	0
12	TOTAL INCREASE IN GALLONS	2,411,602											
13	PUMPING COST PER GALLON	0.000303											
14	INCREASE IN PUMPING COST	731											
15	WATER TREATMENT COSTS PER GALLON	0.000087											
16	INCREASE IN WATER TREATMENT COSTS	210											
19	INCREASE IN ACCOUNTING COST	941											

REFERENCES:
 LINE #1 - RUCO DATA REQUEST #6 6
 LINE #2 - RUCO DATA REQUEST #6 6
 LINE #3 = LINE #1 MINUS LINE #2
 LINE #4 - RUCO DR #1.10 = TOTAL MONTH REV. MINUS OTHER REV. / TOTAL MONTHLY CUSTOMERS FOR POST-TEST-YEAR
 LINE #5 = LINE #3 MULTIPLIED BY LINE #4
 LINE #6 = SUMMATION OF LINE #5
 LINE #7 - NO REFERENCE
 LINE #8 - LINE #6 MINUS LINE #7
 LINE #9 - GALLONS SOLD, AWC's ANNUAL REPORT & MONTHLY CUSTOMERS, RUCO DR #6.6
 LINE #10 = LINE #3
 LINE #11 = LINE #9 MULTIPLIED BY LINE #10
 LINE #12 = SUMMATION OF LINE #11
 LINE #13 - CO. W/P C2-5, PAGE 3
 LINE #14 = LINE #12 X LINE #13
 LINE #15 - CO. W/P C2-5, PAGE 3
 LINE #16 = LINE #12 MULTIPLIED BY LINE #15
 LINE #17 = SUMMATION OF LINE #3
 LINE #18 - CO. W/P C2-5, PAGE 4
 LINE #19 = LINE #17 X LINE #18

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 OPERATING ADJ. #8 - DEPRECIATION & AMORTIZATION EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-12

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	(A) ACTUAL TEST YEAR BALANCE PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED BALANCE	(D) COMPOSITE DEPRECIATION RATE	(E) RUCO RECOMMENDED DEPRECIATION EXPENSE
1	301.0	INTANGIBLES: ORGANIZATION*	\$ -	\$ -	\$0	0.00%	\$ -
2	302.0	INTANGIBLES: FRANCHISES*	-	-	-	0.00%	-
3	303.0	INTANGIBLES: MISC.*	-	-	-	0.00%	-
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	154,157	-	154,157	0.00%	-
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	-	-	-	0.00%	-
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	-	-	-	0.00%	-
7	314.0	SOURCE OF SUPPLY: WELLS	-	-	-	2.59%	-
8	320.0	PUMPING PLANT: LAND*	-	-	-	0.00%	-
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	457	-	457	2.59%	12
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	4,653	1	4,654	2.59%	121
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	-	-	-	2.59%	-
12	330.0	WATER TREATMENT PLANT: LAND*	-	-	-	0.00%	-
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	411	(1)	410	2.59%	11
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	3,303	-	3,303	2.59%	86
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	-	-	-	0.00%	-
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	-	-	-	0.00%	-
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	-	-	-	2.59%	-
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	98,349	1	98,350	2.59%	2,547
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	520,927	-	520,927	2.59%	13,492
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	(702)	-	(702)	2.59%	(18)
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	235,142	(1)	235,141	2.59%	6,090
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	120,289	(4)	120,285	2.59%	3,115
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	53,666	-	53,666	2.59%	1,390
24	389.1	GENERAL PLANT: LAND - OFFICE*	-	-	-	0.00%	-
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	-	-	-	0.00%	-
26	389.3	GENERAL PLANT: LAND - MISC.*	-	-	-	0.00%	-
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	35,214	(1)	35,213	2.59%	912
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	12,495	-	12,495	2.59%	324
####	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	52,404	(1)	52,403	2.59%	1,357
####	391.2	GENERAL PLANT: OFFICE FURNITURE	23,755	-	23,755	2.59%	615
####	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	1,128	-	1,128	2.59%	29
####	394.0	GENERAL PLANT: GARAGE EQUIPMENT	61,006	-	61,006	2.59%	1,580
####	395.0	GENERAL PLANT: LAB EQUIPMENT	2,618	-	2,618	2.59%	68
####	396.0	GENERAL PLANT: POWER EQUIPMENT	2,695	-	2,695	2.59%	70
####	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	10,937	(0)	10,937	2.59%	283
####	397.1	GENERAL PLANT: MOBILE RADIOS	13,754	(0)	13,754	2.59%	356
####	397.2	GENERAL PLANT: AUTO CONTROLS	30,614	(1)	30,613	2.59%	793
####	398.0	GENERAL PLANT: MISC.	7,084	1	7,085	2.59%	184
####		TEST YEAR TOTALS	\$ 1,444,357	\$ (7)	\$ 1,444,350		\$ 33,416
####		POST TEST YEAR ADDITIONS	110,243	(53,112)	57,131	2.59%	1,480
####		GROSS DEPRECIABLE PHOENIX OFFICE AND METER SHOP ALLOCATION	88,466	10,804	99,270 **	2.59%	2,571
####		2002 TOTALS	\$ 1,643,066	\$ (42,315)	\$ 1,600,751		\$ 37,467
####		LESS:					
####		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION @ 2.59% COMPOSITE RATE **					528
####		TOTAL PRO FORMA DEPRECIATION & AMORTIZATION EXPENSE					\$ 36,939
####		DEPRECIATION & AMORTIZATION EXPENSE PER COMPANY					\$ 52,727
####		DEPRECIATION & AMORTIZATION EXPENSE ADJUSTMENT (LINE 53 - LINE 55)					\$ (15,788)

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE E-5 PAGE 2 OF 4 AND STAFF DATA REQUEST REL 1-24
 COLUMN (B): COLUMN (C) - COLUMN (A)
 COLUMN (C): RUCO SCHEDULE TJC-4 PAGE 7
 COLUMN (D): COMPOSITE DEPRECIATION RATE OF 2.59%
 COLUMN (E): COLUMN (C) x COLUMN (D)

NOTES:
 * NON-DEPRECIABLE PLANT ASSETS
 ** NET OF \$151 IN NON-DEPRECIABLE LEASEHOLD IMPROVEMENTS (\$7,215 x 0.0209 ALLOCATION FACTOR FOR 2002 = \$151)
 *** RUCO ADJUSTED CIAC BALANCE x COMPOSITE RATE = \$20,375 x 2.59% = \$528

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 OPERATING ADJ. #9 - PROPERTY TAX EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-13

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES - 2000	\$ 540,035	COMPANY SCH. C-2, W/P C2-19a
2	REVENUES - 2001	524,678	COMPANY SCH. C-2, W/P C2-19a
3	REVENUES - 2002	<u>676,557</u>	D. R. NO. REL 19-1
4	TOTAL	\$ 1,741,270	SUM LINES 1, 2, & 3
5	3 YEAR AVERAGE	580,423	LINE 4/3 YEARS
6	MULTIPLIER FOR REVENUES (2 X LAST 3 YRS. AVERAGE REVENUE)	<u>x 2</u>	ADOR VALUATION FACTOR
7	REVENUES FOR FULL CASH VALUE	1,160,847	LINE 5 X 2 (MULTIPLIER FOR REVENUES)
8	ADD: 10% OF CWIP BALANCE	277	COMPANY SCH. B-2, PG. 7; LINE 4 X 10%
9	LESS: LICENSED VEHICLES	<u>-</u>	STAFF DATA REQUEST REL 23-1
10	FULL CASH VALUE	1,161,124	LINE 7 + LINE 8 MINUS LINE 9
11	ASSESSMENT RATIO	<u>25%</u>	PER ADOR VALUATION METHOD
12	ASSESSED VALUE	290,281	LINE 10 X LINE 11
13	PROPERTY TAX RATE	<u>17.5929%</u>	PER TAX BILLS
14	PROPERTY TAXES PAYABLE PER RUCO	51,069	LINE 12 X LINE 13
15	PROPERTY TAXES PER COMPANY	<u>53,253</u>	COMPANY SCH. C-1, PG. 4
16	ADJUSTMENT	<u>(2,184)</u>	LINE 14 MINUS LINE 15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 OPERATING ADJ. #10 - INCOME TAXES

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-14

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
<u>FEDERAL INCOME TAXES:</u>			
1	OPERATING INCOME BEFORE INCOME TAXES	\$ (256,405)	SCH. TJC-9
LESS:			
2	ARIZONA STATE TAX	(19,224)	LINE 11
3	INTEREST EXPENSE	<u>19,488</u>	NOTE (a)
4	FEDERAL TAXABLE INCOME	(256,669)	LINE 1 - LINES 2 & 3
5	FEDERAL INCOME TAX RATE	<u>15.85%</u>	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	(40,682)	LINE 4 X LINE 5
<u>STATE INCOME TAXES:</u>			
7	OPERATING INCOME BEFORE INCOME TAXES	(256,405)	LINE 1
LESS:			
8	INTEREST EXPENSE	<u>19,488</u>	NOTE (A)
9	STATE TAXABLE INCOME	(275,893)	LINE 7 - LINE 8
10	STATE TAX RATE	<u>6.968%</u>	TAX RATE
11	STATE INCOME TAX EXPENSE	(19,224)	LINE 9 X LINE 10
12	TOTAL INCOME TAXES	(59,906)	LINE 6 + LINE 11
13	INCOME TAXES PER COMPANY	<u>(95,355)</u>	COMPANY SCH. C-1, PG. 2
14	ADJUSTMENT	<u>\$ 35,449</u>	LINE 12 - LINE 13
<u>NOTE (a):</u>			
INTEREST SYCHRONIZATION			
	ADJUSTED RATE BASE	\$ 746,978	
	WEIGHTED COST OF DEBT	<u>2.61%</u>	
	INTEREST EXPENSE	\$ 19,488	

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 OPERATING ADJ. #11 - SAN MANUEL PURCHASED WATER EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-15

<u>LINE NO.</u>	<u>DESCRIPTION</u>	(A) ACTUAL PER COMPANY	(B) PROFORMA PER RUCO
1	JANUARY 2002 PURCHASED WATER EXPENSE	\$ 9,585	\$ 12,988
2	FEBRUARY 2002 PURCHASED WATER EXPENSE	9,702	14,274
3	TOTAL SAN MANUEL PURCHASED WATER EXPENSE FOR JAN. & FEB. 2002	\$ 19,287	\$ 27,262
4	RUCO ADJUSTMENT		\$ 7,975

REFERENCES:

COLUMN (A): RUCO DATA REQUEST #1.10

COLUMN (B): GALLONAGE SOLD PER 2002 ANNUAL REPORT x NEW COMMODITY RATE

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 COST OF CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-16

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) ADJUSTMENT	(C) ADJUSTED BALANCE	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	\$ 2,850,000	\$ 1,650,000	\$ 4,500,000	5.62%	4.00%	0.22%
2	LONG-TERM DEBT:	23,000,677	(400,677)	22,600,000	28.24%	8.44%	2.38%
3	COMMON EQUITY	49,442,738	3,473,716	52,916,454	66.13%	9.18%	6.07%
4	TOTAL	\$ 75,293,415	4,723,039	\$ 80,016,454	100.00%		8.68%

REFERENCES:

- COLUMN (A): COMPANY SCH. D - 1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 PROPOSED RATES

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-17

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	MONTHLY MINIMUM USAGE CHARGE:			
2				
3	<u>(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)</u>			
4	5/8 X 3/4 - INCH	\$ 13.98	\$ 27.47	\$ 15.38
5	1 - INCH	31.07	64.83	40.39
6	2 - INCH	93.22	201.36	139.83
7	3 - INCH	155.37	358.76	264.13
8	4 - INCH	269.31	607.91	509.69
9	6 - INCH	362.53	1,043.04	759.41
10	8 - INCH	362.53	1,455.09	833.82
11	10 - INCH	673.27	2,378.35	1,683.18
12				
13	GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:			
14				
15	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS	1,000	0	0
16				
17	COMMODITY RATE (PER 100 GAL. OVER MINIMUM):	\$ 0.09220	\$ 0.16220	\$ 0.23120
18				
19	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM):	\$ 0.92200	\$ 1.62200	\$ 2.31200

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SAN MANUEL SYSTEM
MONTHLY MINIMUM CHARGES

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO PROPOSED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 13.98	\$ 27.47	\$ 13.49	96.49%	\$ 15.38	\$ 1.40	10.01%
2	1 - INCH	31.07	64.83	33.76	108.66%	40.39	9.32	30.00%
3	2 - INCH	93.22	201.36	108.14	116.01%	139.83	46.61	50.00%
4	3 - INCH COMMERCIAL	155.37	358.76	203.39	130.91%	264.13	108.76	70.00%
5	4 - INCH COMMERCIAL	269.31	607.91	338.60	125.73%	509.69	240.38	89.26%
6	6 - INCH	362.53	1,043.04	680.51	187.71%	759.41	396.88	109.48%
7	8 - INCH	362.53	1,455.09	1,092.56	301.37%	833.82	471.29	130.00%
8	10 - INCH	673.27	2,378.35	1,705.08	253.25%	1,683.18	1,009.91	150.00%
9	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	1,000	0			0		

REFERENCES
 COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 3 OF 4
 COLUMN (E): TESTIMONY WAR
 COLUMN (F): COLUMN (E) - COLUMN (A)
 COLUMN (G): COLUMN (F) ÷ COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-19
 PAGE 1 OF 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 13.98	\$ 31.07	\$ 93.22	\$ 155.37	\$ 269.31	\$ 362.53	\$ 362.53	\$ 673.27
2	1,000	13.98	31.07	93.22	155.37	269.31	362.53	362.53	673.27
3	2,000	14.90	31.99	94.14	156.29	270.23	363.45	363.45	674.19
4	3,000	15.82	32.91	95.06	157.21	271.15	364.37	364.37	675.11
5	4,000	16.75	33.84	95.99	158.14	272.08	365.30	365.30	676.04
6	5,000	17.67	34.76	96.91	159.06	273.00	366.22	366.22	676.96
7	6,000	18.59	35.68	97.83	159.98	273.92	367.14	367.14	677.88
8	7,000	19.51	36.60	98.75	160.90	274.84	368.06	368.06	678.80
9	8,000	20.43	37.52	99.67	161.82	275.76	368.98	368.98	679.72
10	9,000	21.36	38.45	100.60	162.75	276.69	369.91	369.91	680.65
11	10,000	22.28	39.37	101.52	163.67	277.61	370.83	370.83	681.57
12	15,000	26.89	43.98	106.13	168.28	282.22	375.44	375.44	686.18
13	20,000	31.50	48.59	110.74	172.89	286.83	380.05	380.05	690.79
14	25,000	36.11	53.20	115.35	177.50	291.44	384.66	384.66	695.40
15	50,000	59.16	76.25	138.40	200.55	314.49	407.71	407.71	718.45
16	75,000	82.21	99.30	161.45	223.60	337.54	430.76	430.76	741.50
17	100,000	105.26	122.35	184.50	246.65	360.59	453.81	453.81	764.55
18	125,000	128.31	145.40	207.55	269.70	383.64	476.86	476.86	787.60
19	150,000	151.36	168.45	230.60	292.75	406.69	499.91	499.91	810.65
20	175,000	174.41	191.50	253.65	315.80	429.74	522.96	522.96	833.70
21	200,000	197.46	214.55	276.70	338.85	452.79	546.01	546.01	856.75
22									
23	AVG. NO. OF CUST:	1,556	22	9	1	1	1	0	0
24									
25	AVG. USE (GAL.):	10,191	21,816	120,468	92,942	233,208	276,192	N/A	N/A
26	MONTHLY BILL:	\$ 22.45	\$ 50.26	\$ 203.37	\$ 240.14	\$ 483.41	\$ 616.26	N/A	N/A
27									
28	MEDIAN USE (GAL.):	7,752	12,000	50,000	90,000	100,800	100,800	N/A	N/A
29	MONTHLY BILL:	\$ 20.21	\$ 41.21	\$ 138.40	\$ 237.43	\$ 361.33	\$ 454.55	N/A	N/A

RUCO PROPOSED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 15.38	\$ 40.39	\$ 139.83	\$ 264.13	\$ 509.69	\$ 759.41	\$ 1,373.50	\$ 2,060.25
2	1,000	17.69	42.70	142.14	266.44	512.00	761.72	1,375.19	2,061.94
3	2,000	20.00	45.01	144.45	268.75	514.31	764.03	1,376.88	2,063.63
4	3,000	22.32	47.33	146.77	271.07	516.63	766.35	1,378.57	2,065.32
5	4,000	24.63	49.64	149.08	273.38	518.94	768.66	1,380.26	2,067.01
6	5,000	26.94	51.95	151.39	275.69	521.25	770.97	1,381.95	2,068.70
7	6,000	29.25	54.26	153.70	278.00	523.56	773.28	1,383.63	2,070.38
8	7,000	31.56	56.57	156.01	280.31	525.87	775.59	1,385.32	2,072.07
9	8,000	33.88	58.89	158.33	282.63	528.19	777.91	1,387.01	2,073.76
10	9,000	36.19	61.20	160.64	284.94	530.50	780.22	1,388.70	2,075.45
11	10,000	38.50	63.51	162.95	287.25	532.81	782.53	1,390.39	2,077.14
12	15,000	50.06	75.07	174.51	298.81	544.37	794.09	1,398.84	2,085.59
13	20,000	61.62	86.63	186.07	310.37	555.93	805.65	1,407.28	2,094.03
14	25,000	73.18	98.19	197.63	321.93	567.49	817.21	1,415.73	2,102.48
15	50,000	130.98	155.99	255.43	379.73	625.29	875.01	1,457.95	2,144.70
16	75,000	188.78	213.79	313.23	437.53	683.09	932.81	1,500.18	2,186.93
17	100,000	246.58	271.59	371.03	495.33	740.89	990.61	1,542.40	2,229.15
18	125,000	304.38	329.39	428.83	553.13	798.69	1,048.41	1,584.63	2,271.38
19	150,000	362.18	387.19	486.63	610.93	856.49	1,106.21	1,626.85	2,313.60
20	175,000	419.98	444.99	544.43	668.73	914.29	1,164.01	1,669.08	2,355.83
21	200,000	477.78	502.79	602.23	726.53	972.09	1,221.81	1,711.30	2,398.05
22									
23	AVG. NO. OF CUST:	1,556	22	9	1	1	1	0	0
24									
25	AVG. USE (GAL.):	10,191	21,816	120,468	92,942	233,208	276,192	N/A	N/A
26	MONTHLY BILL:	\$ 38.94	\$ 90.83	\$ 418.35	\$ 479.01	\$ 1,048.87	\$ 1,397.97	N/A	N/A
27									
28	MEDIAN USE (GAL.):	7,752	12,000	50,000	90,000	100,800	100,800	N/A	N/A
29	MONTHLY BILL:	\$ 33.30	\$ 68.13	\$ 255.43	\$ 472.21	\$ 742.74	\$ 992.46	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 1.40	\$ 9.32	\$ 46.61	\$ 108.76	\$ 240.38	\$ 396.88	\$ 1,010.97	\$ 1,386.98
2	1,000	3.71	11.63	48.92	111.07	242.69	399.19	1,012.66	1,388.67
3	2,000	5.10	13.02	50.31	112.46	244.08	400.58	1,013.43	1,389.44
4	3,000	6.49	14.41	51.70	113.85	245.47	401.97	1,014.19	1,390.20
5	4,000	7.88	15.80	53.09	115.24	246.86	403.36	1,014.96	1,390.97
6	5,000	9.27	17.19	54.48	116.63	248.25	404.75	1,015.73	1,391.74
7	6,000	10.66	18.58	55.87	118.02	249.64	406.14	1,016.49	1,392.50
8	7,000	12.05	19.97	57.26	119.41	251.03	407.53	1,017.26	1,393.27
9	8,000	13.44	21.36	58.65	120.80	252.42	408.92	1,018.03	1,394.04
10	9,000	14.83	22.75	60.04	122.19	253.81	410.31	1,018.80	1,394.81
11	10,000	16.22	24.14	61.43	123.58	255.20	411.70	1,019.56	1,395.57
12	15,000	23.17	31.09	68.38	130.53	262.15	418.65	1,023.40	1,399.41
13	20,000	30.12	38.04	75.33	137.48	269.10	425.60	1,027.23	1,403.24
14	25,000	37.07	44.99	82.28	144.43	276.05	432.55	1,031.07	1,407.08
15	50,000	71.82	79.74	117.03	179.18	310.80	467.30	1,050.24	1,426.25
16	75,000	106.57	114.49	151.78	213.93	345.55	502.05	1,069.42	1,445.43
17	100,000	141.32	149.24	186.53	248.68	380.30	536.80	1,088.59	1,464.60
18	125,000	176.07	183.99	221.28	283.43	415.05	571.55	1,107.77	1,483.78
19	150,000	210.82	218.74	256.03	318.18	449.80	606.30	1,126.94	1,502.95
20	175,000	245.57	253.49	290.78	352.93	484.55	641.05	1,146.12	1,522.13
21	200,000	280.32	288.24	325.53	387.68	519.30	675.80	1,165.29	1,541.30
22									
23	AVG. NO. OF CUST:	1,556	22	9	1	1	1	0	0
24									
25	AVG. USE (GAL.):	10,191	21,816	120,468	92,942	233,208	276,192	N/A	N/A
26	MONTHLY BILL:	\$ 16.49	\$ 40.57	\$ 214.98	\$ 238.87	\$ 565.46	\$ 781.71	N/A	N/A
27									
28	MEDIAN USE (GAL.):	7,752	12,000	50,000	90,000	100,800	100,800	N/A	N/A
29	MONTHLY BILL:	\$ 13.10	\$ 26.92	\$ 117.03	\$ 234.78	\$ 381.41	\$ 537.91	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	10.0%	30.0%	50.0%	70.0%	89.3%	109.5%	278.9%	206.0%
2	1,000	26.6%	37.4%	52.5%	71.5%	90.1%	110.1%	279.3%	206.3%
3	2,000	34.2%	40.7%	53.4%	72.0%	90.3%	110.2%	278.8%	206.1%
4	3,000	41.0%	43.8%	54.4%	72.4%	90.5%	110.3%	278.3%	205.9%
5	4,000	47.1%	46.7%	55.3%	72.9%	90.7%	110.4%	277.8%	205.8%
6	5,000	52.5%	49.5%	56.2%	73.3%	90.9%	110.5%	277.4%	205.6%
7	6,000	57.4%	52.1%	57.1%	73.8%	91.1%	110.6%	276.9%	205.4%
8	7,000	61.8%	54.6%	58.0%	74.2%	91.3%	110.7%	276.4%	205.3%
9	8,000	65.8%	56.9%	58.8%	74.7%	91.5%	110.8%	275.9%	205.1%
10	9,000	69.5%	59.2%	59.7%	75.1%	91.7%	110.9%	275.4%	204.9%
11	10,000	72.8%	61.3%	60.5%	75.5%	91.9%	111.0%	274.9%	204.8%
12	15,000	86.2%	70.7%	64.4%	77.6%	92.9%	111.5%	272.6%	203.9%
13	20,000	95.6%	78.3%	68.0%	79.5%	93.8%	112.0%	270.3%	203.1%
14	25,000	102.7%	84.6%	71.3%	81.4%	94.7%	112.5%	268.0%	202.3%
15	50,000	121.4%	104.6%	84.6%	89.3%	98.8%	114.6%	257.6%	198.5%
16	75,000	129.6%	115.3%	94.0%	95.7%	102.4%	116.6%	248.3%	194.9%
17	100,000	134.3%	122.0%	101.1%	100.8%	105.5%	118.3%	239.9%	191.6%
18	125,000	137.2%	126.5%	106.6%	105.1%	108.2%	119.9%	232.3%	188.4%
19	150,000	139.3%	129.9%	111.0%	108.7%	110.6%	121.3%	225.4%	185.4%
20	175,000	140.8%	132.4%	114.6%	111.8%	112.8%	122.6%	219.2%	182.6%
21	200,000	142.0%	134.3%	117.6%	114.4%	114.7%	123.8%	213.4%	179.9%
22									
23	AVG. NO. OF CUST:	1,556	22	9	1	1	1	0	0
24									
25	AVG. USE (GAL.):	10,191	21,816	120,468	92,942	233,208	276,192	N/A	N/A
26	MONTHLY BILL:	73.4%	80.7%	105.7%	99.5%	117.0%	126.8%	N/A	N/A
27									
28	MEDIAN USE (GAL.):	7,752	12,000	50,000	90,000	100,800	100,800	N/A	N/A
29	MONTHLY BILL:	64.8%	65.3%	84.6%	98.9%	105.6%	118.3%	N/A	N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SAN MANUEL SYSTEM
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01445A-02-061
 SCHEDULE TJC-20

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$ 287,114	\$ 439,860	\$ 726,974
2	1 - INCH	10,663	13,316	23,979
3	2 - INCH	15,102	30,080	45,182
4	3 - INCH	3,170	2,579	5,748
5	4 - INCH	6,116	6,470	12,586
6	6 - INCH	9,113	7,663	16,776
7	8 - INCH	0	0	0
13	10 - INCH	0	0	0
14				
15	TOTALS	<u>\$ 331,277</u>	<u>\$ 499,967</u>	<u>\$ 831,245</u> (a)
16				
17	PERCENTAGE OF TOTAL REVENUE	40.00%	60.00%	100.00%

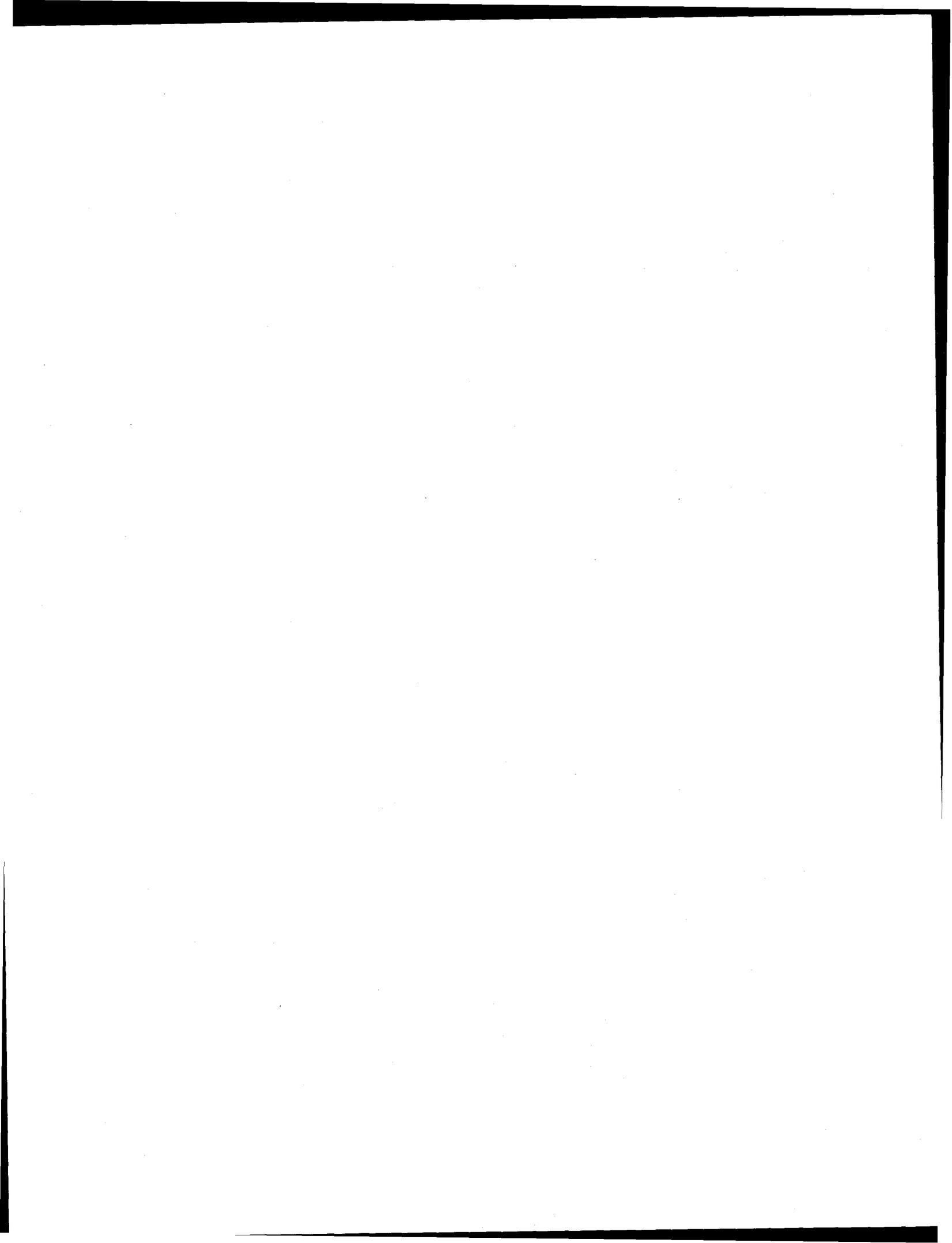
NOTE (a):

RUCO REQUIRED REVENUE		\$ 844,390
LESS:		
FIRE SPRINKLER REVENUE	\$ 60	
FIRE HYDRANT REVENUE	-	
MISCELLANEOUS REVENUE	7,003	
RENT - WATER PROPERTY REVENUE	-	
OTHER WATER REVENUE	<u>6,082</u>	
TOTAL		<u>\$ 13,145</u>

REVENUE TO BE GENERATED FROM WATER SALES \$ 831,245

REFERENCE:

NOTE (a) 2002 REVENUE INFORMATION OBTAINED FROM RUCO D.R. NO. 1.10



**ARIZONA WATER COMPANY
SIERRA VISTA SYSTEM
DOCKET NO. W-1445A-02-0619
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TJC - 3	SUMMARY OF RATE BASE ADJUSTMENTS
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ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 REVENUE REQUIREMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-1
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY REQUESTED	(B) RUCO RECOMMENDED
1	ADJUSTED RATE BASE	\$ 2,574,687	\$ 2,256,648
2	ADJUSTED OPERATING INCOME	31,078	145,377
3	CURRENT RATE OF RETURN (L2 / L1)	1.21%	6.44%
4	REQUIRED RATE OF RETURN	11.00%	8.68%
5	REQUIRED OPERATING INCOME (L4 * L1)	283,216	195,941
6	OPERATING INCOME DEFICIENCY (L5 - L2)	252,138	50,564
7	GROSS REVENUE CONVERSION FACTOR	1.63241	1.55060
8	GROSS REVENUE INCREASE	\$ 411,593	\$ 78,405
9	CURRENT REVENUES T/Y ADJUSTED	896,485	1,000,248
10	PROPOSED ANNUAL REVENUE (L8 + L9)	1,308,078	1,078,653
11	PERCENTAGE AVERAGE INCREASE	45.91%	7.84%

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE A-1
 COLUMN (B): SCHEDULE TJC-1, PG. 2, TJC-2, AND TJC-8

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 GROSS REVENUE CONVERSION FACTOR

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-1
 PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	UNCOLLECTIBLES	<u>0.002316</u>	COMPANY SCH. C-3
3	SUB-TOTAL	0.9977	LINE 1 - LINE 2
4	LESS: TAX RATE	<u>35.28%</u>	NOTE (a)
5	TOTAL	0.6449	LINE 3 - LINE 4
6	REVENUE CONVERSION FACTOR	<u>1.55060</u>	LINE 1/LINE 5

NOTE (a):
 CALCULATION OF EFFECTIVE TAX RATE

OPERATING INCOME BEFORE TAXES	100.00%
ARIZONA STATE TAX	<u>6.97%</u>
TAXABLE INCOME FEDERAL	93.03%
FEDERAL INCOME TAX RATE	<u>30.52%</u>
SUBTOTAL	28.39%
ADD STATE TAX RATE	35.36%
LINE 3 ABOVE	<u>99.77%</u>
EFFECTIVE TAX RATE	35.28%

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 RATE BASE - ORIGINAL COST

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-2

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 5,282,359	\$ 155,384	\$ 5,437,743
2	PHOENIX OFFICE & METER SHOP ALLOCATION	133,289	28,651	161,940
3	ACCUMULATED DEPRECIATION	<u>(1,406,900)</u>	<u>(39,723)</u>	<u>(1,446,623)</u>
4	NET PLANT IN SERVICE	\$ 4,008,748	\$ 144,312	\$ 4,153,060
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	<u>-</u>	<u>-</u>	<u>-</u>
6	TOTAL NET PLANT	\$ 4,008,748	\$ 144,312	\$ 4,153,060
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(587,611)	(337,114)	(924,725)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(699,448)	(42,631)	(742,079)
9	ACCUMULATED AMORTIZATION OF CIAC	113,980	18,668	132,648
10	DEFERRED INCOME TAXES	(331,421)	(49,050)	(380,471)
11	WORKING CAPITAL	<u>70,439</u>	<u>(52,224)</u>	<u>18,215</u>
12	TOTAL RATE BASE	<u>\$ 2,574,687</u>	<u>\$ (318,039)</u>	<u>\$ 2,256,648</u>

REFERENCES:

- COLUMN (A): COMPANY SCHEDULE B-1
- COLUMN (B): SCHEDULE TJC-3
- COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SIERRA VISTA SYSTEM
SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCO ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 5,282,359	\$ 155,384	15,830	(22,283)	17,440	(4,620)							\$ 5,437,743
2	PHOENIX OFFICE & METER SHOP ALLOCATION													161,940
3	ACCUMULATED DEPRECIATION	(1,406,900)			(22,283)	(17,440)								(1,446,623)
4	NET PLANT IN SERVICE	\$ 4,008,748	\$ 155,384	\$ 15,830	\$ (22,283)	\$ -	\$ (4,620)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,155,060
5	CONSTRUCTION WORK IN PROGRESS (CWIP)													
6	TOTAL NET PLANT	\$ 4,008,748	\$ 155,384	\$ 15,830	\$ (22,283)	\$ -	\$ (4,620)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,155,060
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(587,611)						(337,114)						(924,725)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(699,448)						(42,631)						(742,079)
9	ACCUMULATED AMORTIZATION OF CIAC	113,980						18,668						132,648
10	DEFERRED INCOME TAXES	(331,421)								(49,050)				(380,471)
11	WORKING CAPITAL	70,439									(52,224)			18,215
12	TOTAL RATE BASE	\$ 2,574,667	\$ 155,384	\$ 15,830	\$ (22,283)	\$ -	\$ (4,620)	\$ (337,114)	\$ (23,963)	\$ (49,050)	\$ (52,224)	\$ -	\$ -	\$ 2,256,648

ADJUSTMENT #:
1. PLANT IN SERVICE/POST-TEST YEAR ADDITIONS
2. PHOENIX OFFICE & METER SHOP ALLOCATION
3. ACCUMULATED DEPRECIATION
4. RECONCILE PHX. OFFICE & METER SHOP AND ACCUM. DEPR.
5. REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION
6. AIAC - 2002 BALANCE

REFERENCE:
SCHEDULE TJC 4, PAGE 7
SCHEDULE TJC 4, PAGE 7
SCHEDULE TJC 4, PAGE 7
SCHEDULE TJC-5
SCHEDULE TJC-6
RUCO D.R. NO. 6.3

ADJUSTMENT #:
7. CIAC - 2002 BAL. & AMORTIZATION
8. ACCUMULATED DEFERRED INCOME TAXES
9. WORKING CAPITAL
10. NOT USED
11. NOT USED

REFERENCE:
RUCO D.R. NO. 6.3. TESTIMONY - TJC
RUCO D.R. NO. 6.3
SCHEDULE TJC-7, PAGE 3
N/A
N/A

NOTES:

- (a) NET OF ACCUMULATED DEPRECIATION
- (b) GROSS PHOENIX OFFICE AND METER SHOP ADDITIONS ALLOCATED DURING 2002
- (c) INCLUDES ACCUMULATED DEPRECIATION ON 2002 PHOENIX OFFICE AND METER SHOP ADDITIONS

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1990 PLANT VALUE PER COMPANY	1990 ACQUM DEPR PER COMPANY	1990 NET PLANT PER PRIOR ACC PER COMPANY	1991 ADDITIONS PER COMPANY	1991 (RETIREMENTS) PER COMPANY	1991 YEAR END PLANT VALUE PER RUCO	1991 DEPRECIATION EXPENSE PER RUCO	1991 ACCUMULATED DEPRECIATION PER RUCO	1991 YEAR END NET PLANT PER RUCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	40	0	40	0	0	40	0	0	40
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	8,932	0	8,932	0	0	8,932	0	0	8,932
8	320.0	PUMPING PLANT: LAND*	175,668	38,476	137,192	0	0	175,668	4,251	42,727	132,941
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	1,881	0	1,881	0	0	1,881	0	0	1,881
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	12,941	2,834	10,107	0	0	12,941	313	3,148	9,793
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	344,148	75,377	268,771	34,956	(15,131)	363,973	8,568	68,814	295,159
12	330.0	WATER TREATMENT PLANT: LAND*	11,932	2,613	9,319	0	0	11,932	289	2,902	9,030
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	0	0	0	0	0	0	0
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	1,033	226	807	37,473	0	38,506	478	705	37,801
15	340.0	TRANSMISSION & DISTRIBUTION: LAND, TANKS & MAINS*	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	226,659	49,644	177,015	0	0	226,659	5,485	55,129	171,530
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	1,152,128	252,345	899,783	52,051	0	1,204,179	28,511	280,857	923,322
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	24,478	5,361	19,117	0	0	24,478	592	5,954	18,524
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	241,749	52,949	188,800	2,343	(337)	243,755	5,875	58,487	185,268
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	112,634	24,670	87,964	2,597	(1,173)	114,058	2,743	26,240	87,818
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	117,352	25,703	91,649	0	0	117,352	2,840	28,543	88,809
24	388.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	3,468	760	2,708	165	0	3,633	86	846	2,787
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	19,113	4,186	14,927	0	0	19,113	463	4,649	14,464
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	6,447	1,412	5,035	0	0	6,447	156	1,568	4,879
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	8,509	1,864	6,645	0	0	8,509	206	2,070	6,439
32	391.2	GENERAL PLANT: OFFICE FURNITURE	5,989	1,312	4,677	0	0	5,989	145	1,457	4,532
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	10,431	2,285	8,146	318	0	10,749	256	2,541	8,208
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	6,608	0	6,608	80	80	6,528
36	396.0	GENERAL PLANT: POWER EQUIPMENT	3,792	831	2,961	0	0	3,792	92	922	2,870
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	19,409	4,251	15,158	0	0	19,409	470	4,721	14,688
38	397.1	GENERAL PLANT: MOBILE RADIOS	166	36	130	373	0	539	9	45	494
39	397.2	GENERAL PLANT: AUTO CONTROLS	74,203	16,252	57,951	21,392	0	95,595	2,055	18,307	77,288
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0
41		TOTALS	\$2,583,102	\$563,388	\$2,019,714	\$158,276	(\$15,641)	\$2,724,737	\$63,962	\$610,705	\$2,114,032

REFERENCE:
 ACC STAFF D. R. NO. REL 1-24

NOTE:
 *NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1992 ADDITIONS PER COMPANY	1992 (RETIREMENTS) PER COMPANY	1992 YEAR END NET PLANT VALUE PER RUO	1992 DEPRECIATION EXPENSE PER RUO	1992 ACCUMULATED DEPRECIATION PER RUO	1993 ADDITIONS PER COMPANY	1993 (RETIREMENTS) PER COMPANY	1993 YEAR END NET PLANT VALUE PER RUO	1993 DEPRECIATION EXPENSE PER RUO	1993 ACCUMULATED DEPRECIATION PER RUO	1993 YEAR END NET PLANT VALUE PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	40	0	0	671	0	711	0	0	711
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	8,932	0	0	0	0	8,932	0	0	8,932
7	314.0	SOURCE OF SUPPLY: WELLS	12	0	175,680	4,251	46,578	161	0	175,841	4,552	51,530	124,311
8	320.0	PUMPING PLANT: LAND*	0	0	1,881	0	0	0	0	1,881	0	0	1,881
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	12,941	313	3,461	0	0	12,941	335	3,796	9,145
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	2,105	(805)	385,273	8,624	76,633	196	0	385,471	9,463	86,296	279,175
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	11,552	289	3,191	1,363	0	13,315	327	3,516	9,797
12	330.0	WATER TREATMENT PLANT: LAND	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	41,932	973	1,678	0	0	41,932	1,086	2,764	38,168
14	332.0	WATER TREATMENT PLANT: TANKS & MAINS*	3,426	0	0	0	0	0	0	0	0	0	0
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	72,803	0	259,462	6,956	61,495	3,856	0	302,046	7,790	68,013	234,033
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	2,539	0	1,206,818	29,173	310,030	504	(1,272)	1,207,322	31,263	341,293	866,029
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	24,478	592	6,546	3,543	0	28,021	680	7,226	20,795
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	2,189	(15)	245,929	5,925	64,397	17,295	(878)	262,946	6,582	70,101	192,245
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	2,017	(241)	115,834	2,782	28,780	7,938	(91)	123,681	3,102	31,791	91,890
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	117,352	2,840	31,383	0	0	117,352	3,039	34,422	82,930
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	3,633	88	933	0	0	3,633	94	1,028	2,605
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	19,113	463	5,111	0	0	19,113	485	5,606	13,507
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	6,447	156	1,724	0	0	6,447	167	1,891	4,556
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	8,509	206	2,276	385	0	8,894	225	2,501	6,393
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	5,969	145	1,502	0	0	5,969	155	1,757	4,232
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	10,748	260	2,830	0	0	11,778	292	3,093	8,685
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	0	0	6,608	160	2,100	1,023	0	7,631	242	2,571	5,060
35	395.0	GENERAL PLANT: BUS EQUIPMENT	0	0	3,995	94	1,016	640	0	4,635	111	1,127	3,486
36	397.0	GENERAL PLANT: POWER EQUIPMENT	163	0	19,408	470	5,190	0	0	19,409	503	5,683	13,716
37	397.1	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	580	14	58	0	0	580	15	73	507
38	397.2	GENERAL PLANT: MOBILE RADIOS	41	0	98,359	2,347	20,654	2,011	0	100,370	2,574	23,227	77,143
39	397.2	GENERAL PLANT: AUTO CONTROLS	2,764	0	2,650	32	20,654	0	0	2,650	69	101	2,549
40	398.0	GENERAL PLANT: MISC.	2,650	(51,061)	0	32	566,762	\$59,614	0	\$2,851,859	\$73,089	\$747,259	\$2,104,599
41		TOTALS	\$90,809	\$0	\$2,814,485	\$66,762	\$676,710	\$59,614	0	\$2,851,859	\$73,089	\$747,259	\$2,104,599

REFERENCE:
 ACC STAFF D R. NO. REL 1-24

NOTE:
 *NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT,
 PHOENIX OFFICE & METER SHOP ALLOCATION, AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TUC-4
 PAGE 3 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1994 ADDITIONS PER COMPANY	1994 (RETIREMENTS) PER COMPANY	1994 YEAR END PLANT VALUE PER RUCCO	1994 DEPRECIATION EXPENSE PER RUCCO	1994 ACCUMULATED DEPRECIATION PER RUCCO	1994 YEAR END NET PLANT PER RUCCO	1995 ADDITIONS PER COMPANY	1995 (RETIREMENTS) PER COMPANY	1995 YEAR END PLANT VALUE PER RUCCO	1995 DEPRECIATION EXPENSE PER RUCCO	1995 ACCUMULATED DEPRECIATION PER RUCCO	1995 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	884	0	0	884	677	0	1,561	0	0	1,561
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	8,932	0	0	8,932	0	0	8,932	0	0	8,932
7	314.0	SOURCE OF SUPPLY: LAND - WELLS*	288	0	176,129	4,558	56,088	120,041	0	0	176,129	4,558	60,650	115,479
8	320.0	PUMPING PLANT: LAND*	0	0	1,881	0	0	1,881	0	0	1,881	0	0	1,881
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	12,941	335	4,131	8,810	0	0	12,941	335	4,466	8,475
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	22,127	(1,690)	385,908	9,730	94,337	291,571	24,855	(8,534)	402,239	10,206	96,009	306,230
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	13,315	345	3,863	9,452	0	0	13,315	345	4,208	9,107
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
14	332.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	982	0	42,065	1,066	2,998	39,063	0	0	42,061	1,089	4,087	37,974
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	4,808	(120)	306,734	7,884	75,777	230,957	5,441	0	312,175	8,016	83,791	228,384
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	1,447	0	1,208,769	31,288	372,581	836,188	6,619	0	1,215,388	31,393	403,971	811,417
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	28,021	728	7,952	20,069	0	0	28,021	728	8,877	19,144
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	8,285	(161)	270,470	8,800	78,840	191,630	6,122	(176)	276,416	7,092	83,746	192,670
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	511	0	124,192	3,210	35,001	89,191	0	0	124,175	3,187	35,373	88,802
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	117,352	3,039	37,462	79,890	2,083	0	119,435	3,066	40,528	78,907
24	389.1	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: OFFICE BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	3,633	84	1,122	2,511	82	0	3,713	48	(2,483)	2,545
28	390.2	GENERAL PLANT: MISC. BUILDINGS	0	0	18,113	495	6,101	13,012	0	0	19,113	495	6,596	12,517
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	1,605	0	6,447	167	2,058	4,389	0	0	6,447	167	2,225	4,222
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	10,499	251	2,752	7,747	26,841	0	37,440	821	3,373	34,067
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	5,989	155	1,912	4,077	104	0	6,083	156	2,068	4,015
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	882	0	12,670	317	3,409	9,261	1,019	0	13,689	341	3,751	9,938
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	6,698	171	582	6,026	0	0	6,698	171	753	5,945
36	396.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	1,738	0	6,331	141	1,288	5,043	0	0	6,331	141	1,432	4,899
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	19,409	503	6,196	13,213	0	0	19,409	503	6,889	12,520
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	100,370	2,600	25,897	74,473	133	0	100,503	17	105	608
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	0	0	0	0	347	0	103,644	2,642	28,489	75,175
40	398.0	GENERAL PLANT: MISC.	0	0	2,650	69	169	2,481	0	0	2,650	69	239	2,412
41		TOTALS	\$42,855	(\$2,825)	\$2,891,889	\$74,081	\$318,514	\$2,070,792	\$77,849	(\$15,153)	\$2,954,578	\$75,460	\$878,736	\$2,075,842

REFERENCE:
 ACC STAFFDR. NO. REL.1-24

NOTE:
 *NON-DEPRECIABLE PLANT

LINE NO.	ACCT NO.	PLANT ACCOUNT NAME	1996 ADDITIONS PER COMPANY	1996 (RETIREMENTS) PER COMPANY	1996 YEAR END PLANT VALUE PER RUCCO	1996 DEPRECIATION EXPENSE PER RUCCO	1996 ACCUMULATED DEPRECIATION PER RUCCO	1996 YEAR END NET PLANT PER RUCCO	1997 ADDITIONS PER COMPANY	1997 (RETIREMENTS) PER COMPANY	1997 YEAR END PLANT VALUE PER RUCCO	1997 DEPRECIATION EXPENSE PER RUCCO	1997 ACCUMULATED DEPRECIATION PER RUCCO	1997 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	211	0	1,772	0	0	1,845	0	0	0	0	0	1,845
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: WELLS*	0	0	8,932	0	0	8,932	0	0	0	0	0	8,932
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	178,129	4,582	65,212	168,073	0	(8,058)	168,073	4,457	61,613	108,460
8	320.0	PUMPING PLANT: LAND*	0	0	1,881	0	1,881	0	0	0	0	0	0	1,881
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	12,841	335	4,801	13,323	531	(149)	13,323	340	4,993	6,330
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	3,207	(854)	404,582	10,448	105,603	288,979	28,284	(22)	432,854	10,845	116,426	316,428
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	13,315	345	4,552	8,763	0	0	13,315	345	4,897	6,418
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	42,061	1,089	5,176	36,685	153	0	42,214	1,091	6,268	35,946
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: TANKS*	0	0	0	0	0	0	0	0	0	0	0	0
17	340.2	TRANSMISSION & DISTRIBUTION: STRUCTURES*	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	312,175	8,085	91,877	220,298	0	0	312,175	8,085	89,962	212,213
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	351,849	0	1,567,237	36,035	440,009	1,127,228	324	(420)	1,567,141	40,590	480,179	1,086,962
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	2,937	0	30,558	784	9,441	21,517	34,042	0	30,958	802	10,243	20,715
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	59,344	(1,380)	354,400	7,910	90,296	244,104	3,181	(3,461)	384,981	9,057	85,892	289,089
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	0	(188)	121,689	3,154	38,341	83,348	2,670	(394)	123,985	3,181	41,128	82,857
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	17,351	0	136,786	3,318	43,846	92,940	0	0	136,786	3,543	47,389	89,397
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC. BUILDINGS	0	0	82	2	(2,481)	2,543	0	(82)	0	0	(2,542)	9,542
27	390.1	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	18,113	485	7,091	12,022	0	0	18,113	485	7,586	11,527
28	390.2	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	390.3	GENERAL PLANT: OFFICE BUILDINGS	0	0	6,447	167	2,392	4,055	0	0	6,447	167	2,559	3,888
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	462	(5,095)	32,807	910	(812)	33,619	1,312	0	34,119	867	54	34,065
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	6,083	158	2,226	3,857	0	0	6,083	158	2,384	3,709
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	13,725	355	4,108	9,619	0	0	13,725	355	4,461	9,264
34	394.0	GENERAL PLANT: LAB EQUIPMENT	36	0	6,608	171	924	5,684	0	0	6,608	171	1,096	5,512
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	6,331	164	1,596	4,735	0	0	6,331	164	1,444	4,887
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	19,449	483	7,268	12,181	(1,507)	0	17,946	444	7,704	17,105
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	12,687	0	13,408	183	1,638	11,770	74	0	13,482	183	1,753	11,729
38	397.1	GENERAL PLANT: TELEPHONES	0	0	103,444	2,684	31,153	72,291	334	0	103,978	2,889	33,842	70,136
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	0	0	0	0	0	0	0	0	0	0
40	398.0	GENERAL PLANT: MISC.	4,959	0	7,609	133	371	7,238	0	0	7,609	137	866	7,041
41		TOTALS	\$453,053	(\$7,495)	\$3,400,536	\$91,970	\$952,232	\$2,439,428	\$67,807	(\$14,091)	\$3,453,952	\$88,432	\$1,027,673	\$2,426,279

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24
 NOTE:
 * NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1465A-02-0619
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LINE NO.	ACCT NO.	PLANT ACCOUNT NAME	1998 ADDITIONS PER COMPANY	1998 (RETIREMENTS) PER COMPANY	1998 YEAR END PLANT VALUE PER RUCCO	1998 DEPRECIATION EXPENSE PER RUCCO	1998 ACCUMULATED DEPRECIATION PER RUCCO	1998 YEAR END NET PLANT PER RUCCO	1999 ADDITIONS PER COMPANY	1999 (RETIREMENTS) PER COMPANY	1999 YEAR END PLANT VALUE PER RUCCO	1999 DEPRECIATION EXPENSE PER RUCCO	1999 ACCUMULATED DEPRECIATION PER RUCCO	1999 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	76	0	1,921	0	0	1,921	869	0	2,790	0	0	2,790
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	8,932	0	0	8,932	0	0	8,932	0	0	8,932
7	314.0	SOURCE OF SUPPLY: WELLS	496,633	0	684,906	0	72,400	592,506	101	0	665,007	17,222	89,623	575,384
8	320.0	PUMPING PLANT: LAND*	0	0	1,881	0	0	1,881	0	0	1,881	0	0	1,881
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	13,323	0	5,338	17,965	61	0	13,384	346	5,683	7,701
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	36,312	(16,806)	432,360	11,464	111,084	341,276	56,035	0	508,395	12,442	128,525	384,870
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	13,315	345	5,242	8,073	0	0	13,315	345	5,587	7,728
12	330.0	WATER TREATMENT PLANT: LAND	0	0	0	0	0	0	84	0	84	0	0	84
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	105,931	2,026	6,284	109,931	3,409	0	117,634	3,003	11,295	106,336
14	332.0	WATER TREATMENT PLANT: TANKS & MAINS*	72,011	0	114,225	0	0	186,236	0	0	186,236	0	0	186,236
15	340.0	TRANSMISSION & DISTRIBUTION: LAND, TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
16	341.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS, FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	342.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	312,175	8,065	108,047	204,128	16,320	0	328,495	8,237	116,344	212,151
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	81,984	0	1,649,125	41,651	521,630	1,127,295	12,960	0	1,662,085	42,880	564,710	1,097,375
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	30,958	802	19,913	30,958	0	0	30,958	802	11,847	19,111
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	5,507	(46)	370,442	9,524	106,370	265,072	18,838	(376)	388,904	9,834	114,828	274,076
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	1,381	(1,033)	124,243	3,214	43,239	81,004	2,330	(136)	126,497	3,247	46,350	80,147
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	2,398	0	139,184	3,574	50,963	88,221	7,700	0	146,884	3,705	54,667	92,217
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	66	0	66	0	0	66	0	0	66	0	0	66
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	0	0	(2,542)	2,542	0	0	0	0	(2,542)	2,542
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	1,629	0	20,742	516	8,103	12,639	0	0	20,742	537	8,640	12,102
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	2,463	0	2,463	32	32	2,431
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	6,447	167	2,726	3,721	0	0	6,447	167	2,893	3,554
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	4,336	0	34,119	894	568	33,161	12,232	(800)	45,511	1,033	1,170	44,441
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	10,446	214	2,396	7,851	0	0	10,446	271	2,869	7,580
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	86	0	13,810	357	4,818	8,992	215	0	14,025	360	5,178	8,847
34	395.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	86	0	6,608	171	1,267	5,341	0	0	6,608	171	1,438	5,170
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	4,824	125	359	4,465	0	0	4,824	125	484	4,340
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	19,409	503	8,207	11,202	0	(1,695)	17,714	481	6,992	10,722
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	1,272	0	14,756	366	1,002	13,754	0	0	14,756	382	1,384	13,372
38	397.1	GENERAL PLANT: MOBILE RADIOS	22,021	0	125,999	2,978	36,820	89,179	21,466	0	147,465	9,541	40,361	107,104
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	7,609	197	765	(568)	0	0	7,609	197	962	6,647
40	398.0	GENERAL PLANT: MISC.	\$725,331	(\$17,955)	\$4,181,828	\$98,233	\$1,107,911	\$3,046,505	\$155,223	(\$3,071)	\$4,314,044	\$109,420	\$1,214,324	\$3,099,720
41		TOTALS												

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24
 NOTE:
 * NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #8 - PLANT IN SERVICE/POST TEST YEAR PLANT,
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-4
 PAGE 6 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2000 ADDITIONS PER COMPANY	2000 (RETIREMENTS) PER COMPANY	2000 YEAR END PLANT VALUE PER RUO	2000 DEPRECIATION EXPENSE PER RUO	2000 ACCUMULATED DEPRECIATION PER RUO	2000 YEAR END NET PLANT PER RUO	2001 ADDITIONS PER COMPANY	2001 (RETIREMENTS) PER COMPANY	2001 YEAR END PLANT VALUE PER RUO	2001 DEPRECIATION EXPENSE PER RUO	2001 ACCUMULATED DEPRECIATION PER RUO	2001 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	543	0	3,333	0	0	3,333	138	0	3,471	0	0	3,471
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	8,932	0	0	8,932	0	0	8,932	0	0	8,932
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	665,007	17,224	106,846	558,161	204	0	665,211	17,226	124,073	541,138
8	320.0	PUMPING PLANT: LAND*	0	0	1,881	0	0	1,881	0	0	1,881	0	0	1,881
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	13,384	347	6,090	13,384	0	0	13,384	347	6,377	7,007
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	122,254	(7,455)	623,194	14,854	130,725	482,469	3,110	(228)	626,076	16,178	146,675	473,401
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	666	0	13,961	353	5,941	5,040	1,215	(21)	15,175	378	5,297	8,878
12	330.0	WATER TREATMENT PLANT: LAND*	14,728	0	117,341	193	114	14,618	0	0	14,812	384	578	14,234
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	21,721	(22,014)	117,341	3,076	(7,675)	125,016	0	0	117,341	3,039	(4,696)	121,977
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
16	341.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	342.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	343.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	28,669	0	357,164	8,879	125,223	231,941	23,481	0	380,625	9,554	134,778	245,847
19	344.0	TRANSMISSION & DISTRIBUTION: MAINS	349,360	0	2,011,445	47,572	612,282	1,399,163	24,669	(1,159)	2,034,955	52,401	663,524	1,371,431
20	345.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	15,282	0	46,740	1,006	12,853	33,887	0	0	46,740	1,211	14,063	32,677
21	346.0	TRANSMISSION & DISTRIBUTION: SERVICES	92,591	(4,967)	476,528	11,207	121,068	355,460	83,064	(37,474)	522,118	12,932	96,526	425,592
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	4,591	(60)	140,929	3,463	49,784	91,165	2,199	(25)	143,103	3,678	53,417	89,686
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	41,012	0	187,856	4,335	59,003	128,853	3,447	0	191,343	4,911	63,914	127,429
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	66	0	0	66	0	0	66	0	0	66
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	0	0	(2,542)	0	0	0	0	0	(2,542)	0
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	20,742	537	9,177	11,565	0	0	20,742	537	9,714	11,028
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	2,483	64	96	2,387	0	0	2,483	64	161	2,322
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	6,447	167	3,060	3,387	0	0	6,447	167	3,227	3,220
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	75	0	45,696	1,182	2,363	43,333	425	0	46,111	1,189	3,541	42,570
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	10,449	271	3,139	7,310	428	0	10,877	276	3,416	7,461
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GAS EQUIPMENT	4,325	(78)	18,972	418	5,519	12,725	2,910	0	21,182	511	6,629	15,153
35	395.0	GENERAL PLANT: LAND RIGHTS	538	0	1,143	178	1,616	5,931	0	0	7,147	165	1,763	4,897
36	396.0	GENERAL PLANT: POWER EQUIPMENT	768	0	5,590	135	1,618	4,972	0	0	5,190	145	763	4,427
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	17,714	459	7,451	10,263	0	(13,733)	3,981	281	(6,001)	9,982
38	397.1	GENERAL PLANT: MOBILE RADIOS	554	0	15,310	389	1,774	13,536	6,528	0	21,938	481	2,255	19,583
39	397.2	GENERAL PLANT: AUTO CONTROLS	13,421	0	160,886	3,983	44,355	116,531	21,679	0	182,565	4,448	48,802	133,763
40	399.0	GENERAL PLANT: MISC.	0	0	7,609	197	1,159	6,951	197	0	7,609	197	1,356	6,253
41		TOTALS	\$721,488	(634,584)	\$5,000,966	\$120,268	\$1,300,028	\$3,653,528	\$173,477	(652,640)	\$5,121,905	\$130,720	\$1,378,108	\$3,743,697

REFERENCE:
 ACC STAFF D.R. NO. REL 124

NOTE:
 * NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT,
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-4
 PAGE 7 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2002 ADDITIONS PER COMPANY	2002 (RETIREMENTS) PER COMPANY	2002 YEAR END PLANT VALUE PER RUCO	2002 DEPRECIATION EXPENSE PER RUCO	2002 ACCUMULATED DEPRECIATION PER RUCO	2002 YEAR END NET PLANT PER RUCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY; LAND - WATER RIGHTS*	1,946	0	5,417	0	0	5,417
5	310.2	SOURCE OF SUPPLY; LAND - RESERVOIRS*	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY; LAND - WELLS*	0	0	8,932	0	0	8,932
7	314.0	SOURCE OF SUPPLY; WELLS	0	0	665,211	17,229	141,302	523,909
8	320.0	PUMPING PLANT: LAND*	0	0	1,881	0	0	1,881
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	13,384	347	6,723	6,661
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	19,532	(16,139)	629,469	16,259	146,795	482,674
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	15,175	393	6,690	8,485
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	14,812	384	961	13,851
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	1,379	(42,383)	76,337	2,508	(44,511)	120,848
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	2,684	(3,499)	379,870	9,848	141,187	238,683
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	211,789	6	2,246,750	55,448	718,978	1,527,772
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	5,844	0	1,286	1,286	15,350	37,234
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	118,407	(18,295)	622,230	14,819	93,051	529,179
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	14,385	(592)	156,896	3,885	56,710	100,186
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	19,492	0	210,835	5,208	69,122	141,713
24	389.1	GENERAL PLANT: LAND - OFFICE*	218	0	218	0	0	218
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	66	0	66	0	0	66
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	208	0	208	3	(2,539)	2,748
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	20,742	537	10,251	10,491
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	2,483	64	225	2,258
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	18,244	(4,635)	20,055	343	(1,065)	21,121
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	46,111	1,194	4,736	41,375
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	10,877	282	3,697	7,180
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	2,890	0	24,072	586	6,615	17,456
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	7,147	185	1,986	5,161
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	5,590	145	908	4,682
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	190	0	4,171	106	(5,895)	10,066
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	21,838	566	2,820	19,018
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	182,565	4,728	53,531	129,034
40	398.0	GENERAL PLANT: MISC.	37	0	7,646	198	1,554	(1,356)
41		TOTALS	\$417,245	(\$85,477)	\$5,453,573	\$136,551	\$1,429,183	\$4,016,942
42		BALANCES PER COMPANY	\$	\$	\$ 5,282,359	\$	\$ 1,406,900	\$
43		BALANCES PER RUCO	\$	\$	\$ 5,453,573	\$	\$ 1,429,183	\$
44		LESS: POST-TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP ADDITIONS**	\$	\$	\$ 15,830	\$	\$ 22,283	\$
45		TOTAL ADJUSTMENTS	\$	\$	\$ 155,524	\$	\$ 22,283	\$

REFERENCES:
 ACC STAFF D.R. NO. REL 1-24
 ACC STAFF D.R. NO. REL 18-1
 RUCO D.R. NO. 6.2

NOTE:
 * - NON-DEPRECIABLE PLANT
 ** - BASED ON AN ALLOCATION FACTOR OF 0.0002 PER RUCO D.R. NO. 4.2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>TEST YEAR COMPANY</u>
1	GROSS PHOENIX OFFICE PLANT & METER SHOP	\$ 4,002,988
2	ADD: PHOENIX OFFICE CONSTRUCTION WORK IN PROGRESS (CWIP)	126,565
3	GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 4,129,553
4	TIMES: ALLOCATION FACTOR	0.0365
5	ALLOCATED GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 150,729
6	NET ALLOCATED PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	133,289
7	RUCO ADJUSTMENT TO PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION	\$ 17,440

REFERENCES:

- LINE 1: COMPANY SCHEDULE B-2 PAGES 10 AND 11
- LINE 2: COMPANY SCHEDULE B-2 PAGE 10
- LINE 3: LINE 1 + LINE 2
- LINE 4: COMPANY SCHEDULE B-1 PAGE 1
- LINE 5: LINE 3 x LINE 4
- LINE 6: COMPANY SCHEDULE B-1 PAGE 1 (SUM OF LINES 6 AND 7)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 RATE BASE ADJ. #5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-6

LINE NO.	DESCRIPTION	(A) TEST YEAR COMPANY	(B) TEST YEAR RUCO	
1	GROSS PHOENIX OFFICE PLANT	\$ 3,903,884	\$ 3,903,884	COMPANY SCHEDULE B-2 PAGE 10
2	LESS: ACCUMULATED DEPRECIATION	453,222	453,222	COMPANY SCHEDULE B-2 PAGE 10
3	NET PHOENIX OFFICE PLANT	\$ 3,450,662	\$ 3,450,662	LINE 1 + LINE 2
4	ADD: CWIP	126,565	-	COMPANY SCHEDULE B-2 PAGE 10
5	TOTALS	\$ 3,577,227	\$ 3,450,662	LINE 3 + LINE 4
4	TIMES: ALLOCATION FACTOR	0.0365	0.0365	COMPANY SCHEDULE B-1 PAGE 1
5	ALLOCATED PHOENIX OFFICE PLANT	\$ 130,569	\$ 125,949	COMPANY SCHEDULE B-1 PAGE 1
6	RUCO ADJUSTMENT		\$ (4,620)	LINE 5 COLUMN (B) - LINE 5 COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 1999
 SIERRA VISTA SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL

DOCKET NO. W-1445A-00-0962
 SCHEDULE TJC-7
 PAGE 1 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	CASH WORKING CAPITAL PER COMPANY	\$ 24,193	COMPANY SCH. B-5, PG. 1
2	CASH WORKING CAPITAL PER RUCO	(19,245)	SCH. TJC-7, PG. 3
3	DECREASE IN CASH WORKING CAPITAL	(43,438)	LINE 2 - LINE 1
4	MATERIALS & SUPPLIES PER COMPANY	17,633	COMPANY SCH. B-5, PG. 1
5	MATERIALS & SUPPLIES PER RUCO	16,542	DATA REQUEST RUCO 6.4 a)
6	MATERIALS & SUPPLIES ADJUSTMENT	(1,091)	LINE 5 - LINE 4
7	PREPAYMENTS PER COMPANY AND SPECIAL DEPOSITS	10,422	COMPANY SCH. B-5, PG. 1
8	PREPAYMENTS PER RUCO	7,667	DATA REQUEST RUCO 6.4 b)
9	PREPAYMENTS ADJUSTMENT	(2,755)	LINE 8 - LINE 7
10	REQUIRED BANK BALANCES PER COMPANY	18,191	COMPANY SCH. B-5, PG. 1
11	REQUIRED BANK BALANCES PER RUCO	13,251	DATA REQUEST RUCO 6.4 c)
12	REQUIRED BANK BALANCE ADJUSTMENT	(4,940)	LINE 11 - LINE 10
13	TOTAL WORKING CAPITAL ADJUSTMENT	(52,224)	LINES 3, 6, 9 & 12

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 LEAD/LAG CALCULATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 2 OF 4

LINE NO.	DESCRIPTION	EXPENSES PER COMPANY	RUCO ADJUSTMENTS	ADJUSTED EXPENSES	(LEAD)/LAG DAYS	\$ DAYS
1	PURCHASED POWER	\$ 163,660	\$ 35,650	\$ 199,310	32.96	\$ 6,569,258
2	PAYROLL	231,350	(2,495) *	228,855	14.00	3,203,964
3	PURCHASED WATER	-	-	-	N/A	N/A
4	CHEMICALS	14,104	(7,705)	6,399	21.00	134,379
5	PROPERTY & LIABILITY INSURANCE	3,620	(174) *	3,446	(45.27)	(156,001)
6	WORKER'S COMPENSATION	3,141	326 *	3,467	(46.50)	(161,238)
7	HEALTH INSURANCE	45,659	(5,267) *	40,392	(8.92)	(360,296)
8	OTHER O&M EXPENSES	134,186	(114,752) *	19,434	(9.27)	(180,155)
9	DEPRECIATION & AMORTIZATION	142,443	(17,008)	125,435	N/A	N/A
10	FEDERAL & STATE INCOME TAXES	128,549	(53,394)	75,155	61.95	4,656,193
11	DEFERRED INCOME TAXES	5,372	N/A	N/A	N/A	N/A
12	FICA TAXES	17,502	(6,144)	11,358	14.00	159,012
13	FUTA & SUTA TAXES	383	(119)	264	83.10	21,938
14	PROPERTY TAXES	64,639	(11,186)	53,453	212.00	11,332,053
15	REG., CONTRACT, & MISCELLANEOUS FEES	21,865	473 *	22,338	(98.83)	(2,207,700)
16	SALES & OCCUPATION TAXES	70,912	9,112	80,024	37.53	3,003,301
17	PENSION EXPENSE	20,005	(6,624)	13,381	34.72	464,588
18	TOTAL	\$ 1,067,390	\$ (179,307)	\$ 882,711 *	30.00	\$ 26,479,296

NOTE

N/A = NON CASH CHARGES EXCLUDED FROM WORKING CAPITAL CALCULATION

* RUCO RECOMMENDED LEVEL OF OPERATING EXPENSE - SCHEDULE TJC-8, COLUMN (E), LINE 16

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF CASH WORKING CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 3 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	AVERAGE EXPENSE LAG	30.00	SCH. TJC-6, PG. 2
2	AVERAGE REVENUE COLLECTION LAG	<u>22.04</u>	CO. SCH. B-5, PG. 2
3	EXCESS EXPENSE OVER REVENUE LAG	-7.96	LINE 2 - LINE 1
4	TOTAL EXPENSES	\$ 882,711	SCH. TJC-6, PG. 2
5	CASH WORKING CAPITAL REQUIREMENT	(19,245)	(LINE 3 X LINE 4)/365 DAYS
6	PER COMPANY	<u>\$ 24,193</u>	CO. SCH. B-5, PG. 2
7	INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (43,438)</u>	LINE 5 - LINE 6

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF INCOME TAX LAG

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 4 OF 4

<u>LINE NO.</u>	<u>(A) PAYMENT DATE</u>	<u>(B) SERVICE PERIOD MIDPOINT</u>	<u>(C) (LEAD)/LAG DAYS</u>	<u>(D) PAYMENT AMOUNT</u>	<u>(E) DOLLAR DAYS</u>
1	04/12/99	07/01/99	(80.00)	\$ 397,000	(31,760,000)
2	06/11/99	07/01/99	(20.00)	50,000	(1,000,000)
3	09/14/99	07/01/99	75.00	486,000	36,450,000
4	12/14/99	07/01/99	166.00	970,000	161,020,000
5	03/14/00	07/01/99	257.00	<u>(240,000)</u>	<u>(61,680,000)</u>
6	TOTALS			\$ 1,663,000	103,030,000
7	INCOME TAX LAG		61.95		

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SIERRA VISTA SYSTEM
OPERATING INCOME - TEST YEAR AND RUCO PROPOSED

DOCKET NO. W-1445A-02-0619
SCHEDULE TJC-8

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO RECOMMENDED
<u>REVENUES - WATER:</u>						
1	REVENUE FROM WATER SALES	\$ 896,485	\$ 103,763	\$ 1,000,248	\$ 78,405	\$ 1,078,653
2	OTHER REVENUES	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 896,485	\$ 103,763	\$ 1,000,248	\$ 78,405	\$ 1,078,653
<u>OPERATING EXPENSES:</u>						
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	1,540	(92)	1,448		1,448
4	PURCHASED POWER	162,283	41,058	203,341		203,341
5	PURCHASED GAS	504	45	549		549
6	OTHER	27,471	(3,576)	23,895		23,895
7	WATER TREATMENT	26,475	(273)	26,202		26,202
8	TRANSMISSION & DISTRIBUTION	139,484	(4,544)	134,940		134,940
9	CUSTOMER ACCOUNTS	122,643	(8,041)	114,602		114,602
10	SALES	666	(509)	157		157
11	ADMINISTRATIVE & GENERAL	158,596	(46,684)	111,912		111,912
12	DEPRECIATION & AMORTIZATION	142,443	(17,008)	125,435		125,435
13	PROPERTY TAXES	63,555	(10,102)	53,453		53,453
14	OTHER TAXES	15,946	(4,324)	11,622		11,622
15	INCOME TAXES	3,802	43,513	47,315	27,841	75,155
16	TOTAL OPERATING EXPENSES	\$ 865,408	\$ (10,537)	\$ 854,871	\$ 27,841	\$ 882,711
17	NET INCOME	\$ 31,078	\$ 114,299	\$ 145,377	\$ 50,564	\$ 195,941

REFERENCES:

COLUMN (A): CO. SCH. C-1, PG. 2
COLUMN (B): SCH. TJC-9
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): SCH. TJC-1
COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-9

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M) RUCCO ADJUSTED
		ADJ.#1	ADJ.#2	ADJ.#3	ADJ.#4	ADJ.#5	ADJ.#6	ADJ.#7	ADJ.#8	ADJ.#9	ADJ.#10	ADJ.#11		
REVENUES - WATER:														
1	REVENUE FROM WATER SALES	\$ 896,485	\$ 170,735	\$ (80,024)	\$ (1,345)	\$ 15,070		\$ (673)						\$ 1,000,248
2	OTHER REVENUES	-	-	-	-	-	-	-	-	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 896,485	\$ 170,735	\$ (80,024)	\$ (1,345)	\$ 15,070		\$ (673)						\$ 1,000,248
OPERATING EXPENSES:														
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	1,540	(92)											1,448
4	PURCHASED POWER	162,283	36,478		1,388	3,192								203,341
5	PURCHASED GAS	504	45											549
6	OTHER	27,471	(3,576)											23,895
7	WATER TREATMENT	26,475	(639)			366								26,202
8	TRANSMISSION & DISTRIBUTION	139,484	(3,734)		(810)									134,940
9	CUSTOMER ACCOUNTS	122,643	(8,041)											114,602
10	SALES	666	(509)											157
11	ADMINISTRATIVE & GENERAL	158,596	(53,280)	(2,032)		1,789	6,839							111,912
12	DEPRECIATION & AMORTIZATION	142,443						(17,008)						125,435
13	PROPERTY TAXES	63,555							(10,102)					53,453
14	OTHER TAXES	15,946	73,668	(77,992)										11,622
15	INCOME TAXES	3,802									43,513			47,315
16	TOTAL OPERATING EXPENSES	\$ 865,408	\$ 40,321	\$ (80,024)	\$ -	\$ 5,347	\$ 6,839	\$ -	\$ (17,008)	\$ (10,102)	\$ 43,513	\$ -	\$ -	\$ 854,871
17	NET INCOME	\$ 31,078	\$ 130,415	\$ -	\$ (1,925)	\$ 9,722	\$ (6,839)	\$ (673)	\$ 17,008	\$ 10,102	\$ (43,513)	\$ -	\$ -	\$ 145,377

ADJUSTMENT #:
 1. RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL
 2. REMOVE 2002 REGULATORY ASSESSMENT & SALES TAXES
 3. ELIMINATE PP&M AND PW&M REVENUES
 4. ELIMINATE UNBILLED REVENUES & EXPENSES
 5. ANNUALIZE ADDITIONAL REVENUES & EXPENSES
 6. AMORTIZATION OF RATE CASE EXPENSE

REFERENCE:
 RUCCO D.R. NO. 1.10
 RUCCO D.R. NO. 1.10 & ACC STAFF D.R. NO. REL 19-1
 RUCCO D.R. NO. 7.1 & RUCCO D.R. NO. 7.2
 RUCCO D.R. NO. 7.3
 RUCCO D.R. NO. 6.6
 COMPANY SCHEDULE C-2, PAGE 7, TESTIMONY TJC

ADJUSTMENT #:
 7. REMOVE MAP SURCHARGE REVENUES
 8. DEPRECIATION & AMORTIZATION EXPENSE
 9. PROPERTY TAX EXPENSE
 10. INCOME TAX EXPENSE
 11. NOT USED

REFERENCE:
 TESTIMONY TJC
 SCHEDULE TJC-12
 SCHEDULE TJC-13
 SCHEDULE TJC-14
 N/A

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SIERRA VISTA SYSTEM
OPERATING ADJ. #1 - RECONCILE COMPANY
PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
SCHEDULE TJC-10
PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) 2002 ACTUAL	(C) DIFFERENCE	(D) RUCO ADJUSTMENT
<u>REVENUES - WATER:</u>					
1	REVENUE FROM WATER SALES	\$ 896,485	\$ 1,067,220	\$ 896,485	\$ 170,735
2	OTHER REVENUES	0.00	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 896,485	\$ 1,067,220	\$ 896,485	\$ 170,735
<u>OPERATING EXPENSES:</u>					
4	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -
5	OTHER	1,540	1,448	1,540	(92)
6	PURCHASED POWER	162,283	198,761	162,283	36,478
7	PURCHASED GAS	504	549	504	45
8	OTHER	27,471	23,895	27,471	(3,576)
9	WATER TREATMENT	26,475	25,836	26,475	(639)
10	TRANSMISSION & DISTRIBUTION	139,484	135,750	139,484	(3,734)
11	CUSTOMER ACCOUNTS	122,643	114,602	122,643	(8,041)
12	SALES	666	157	666	(509)
13	ADMINISTRATIVE & GENERAL	158,596	105,316	158,596	(53,280)
14	DEPRECIATION & AMORTIZATION	142,443	122,348	142,443	- (a)
15	PROPERTY TAXES	63,555	51,981	63,555	- (a)
16	OTHER TAXES	15,946	89,614	15,946	73,668
17	INCOME TAXES	3,802	52,326	3,802	- (a)
18	TOTAL OPERATING EXPENSES	\$ 865,408	\$ 922,583	\$ 865,408	\$ 40,321
19	NET INCOME	\$ 31,078	\$ 144,637	\$ 31,078	\$ 130,415

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 2 OF 5
COLUMN (B): DATA REQUEST RUCO 1.10
COLUMN (C): COLUMN (B) - COLUMN (A)
COLUMN (D): COLUMN (C) LINES 1 THRU 13, LINES 16, 18 & 19

NOTE:

(a) SEPARATE PRO FORMA ADJUSTMENTS NOT INCLUDED IN RECONCILIATION

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-10
 PAGE 2 OF 2

LINE NO.	DESCRIPTION	(A) TEST YEAR ACTUAL	(B) 2002 ACTUAL	(C) DIFFERENCE
<u>REVENUES - WATER:</u>				
1	REVENUE FROM WATER SALES	\$ 971,687	\$ 1,067,220	\$ 95,533
2	OTHER REVENUES	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 971,687	\$ 1,067,220	\$ 95,533
<u>OPERATING EXPENSES:</u>				
4	PURCHASED WATER	\$ -	\$ -	\$ -
5	OTHER	1,533	1,448	(85)
6	PURCHASED POWER	161,884	198,761	36,877
7	PURCHASED GAS	504	549	45
8	OTHER	27,471	23,895	(3,576)
9	WATER TREATMENT	21,802	25,836	4,034
10	TRANSMISSION & DISTRIBUTION	138,985	135,750	(3,235)
11	CUSTOMER ACCOUNTS	121,012	114,602	(6,410)
12	SALES	666	157	(509)
13	ADMINISTRATIVE & GENERAL	137,373	105,316	(32,057)
14	DEPRECIATION & AMORTIZATION	116,754	122,348	5,594
15	PROPERTY TAXES	59,799	51,981	(7,818)
16	OTHER TAXES	86,383	89,614	3,231
17	INCOME TAXES	28,867	52,326	23,459
18	TOTAL OPERATING EXPENSES	903,033	922,583	19,550
19	NET INCOME	\$ 68,654	\$ 144,637	\$ 75,983

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 2 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SIERRA VISTA SYSTEM
OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1	YEAR END CUSTOMERS - 2002	2,341	2,341	2,341	2,341	2,341	2,341	2,341	2,341	2,341	2,341	2,341	2,341
2	2002 CUSTOMERS	2,295	2,297	2,301	2,297	2,298	2,303	2,308	2,311	2,314	2,300	2,322	2,341
3	INCREASE IN CUSTOMERS - 2002	46	44	40	44	43	38	33	30	27	41	19	-
4	AVERAGE REVENUE FOR THE MONTH	\$ 29.43	\$ 29.56	\$ 30.28	\$ 35.45	\$ 41.88	\$ 49.21	\$ 47.97	\$ 35.99	\$ 41.01	\$ 37.15	\$ 36.27	\$ 32.17
5	INCREASE IN REVENUES	\$ 1,354	\$ 1,300	\$ 1,211	\$ 1,560	\$ 1,792	\$ 1,870	\$ 1,583	\$ 1,080	\$ 1,107	\$ 1,523	\$ 689	\$ -
6	TOTAL INCREASE IN REVENUE	\$ 15,070											
7	INCREASE IN REVENUE PER COMPANY												
8	REVENUE ADJUSTMENT												
9	GALLONS SOLD PER AVERAGE CUSTOMER	9,492	9,588	10,490	13,118	17,354	22,022	21,079	13,424	16,449	14,043	13,586	11,065
10	INCREASE IN CUSTOMERS	46	44	40	44	43	38	33	30	27	41	19	0
11	INCREASE IN GALLONS	436,629	421,854	419,581	577,182	748,207	836,827	695,592	402,713	444,136	575,763	258,143	0
12	TOTAL INCREASE IN GALLONS	5,814,627											
13	PUMPING COST PER GALLON	0.000549											
14	INCREASE IN PUMPING COST	3,192											
15	WATER TREATMENT COSTS PER GALLON	0.000063											
16	INCREASE IN WATER TREATMENT COSTS	366											
17	TOTAL INCREASE IN BILLS	405											
18	MONTHLY ACCOUNTING COST PER BILL	4.42											
19	INCREASE IN ACCOUNTING COST	1,789											

REFERENCES:
 LINE #1 - RUCO DATA REQUEST #6 6
 LINE #2 - RUCO DATA REQUEST #6 6
 LINE #3 = LINE #1 MINUS LINE #2
 LINE #4 - RUCO DR #1.10 = TOTAL MONTH REV. MINUS OTHER REV. / TOTAL MONTHLY CUSTOMERS FOR POST-TEST-YEAR
 LINE #5 = LINE #3 MULTIPLIED BY LINE #4
 LINE #6 = SUMMATION OF LINE #5
 LINE #7 - NO REFERENCE
 LINE #8 - LINE #6 MINUS LINE #7
 LINE #9 - GALLONS SOLD, AVC's ANNUAL REPORT & MONTHLY CUSTOMERS, RUCO DR #6.6
 LINE #10 = LINE #3
 LINE #11 = LINE #9 MULTIPLIED BY LINE #10
 LINE #12 = SUMMATION OF LINE #11
 LINE #13 - CO. W/P C2-5, PAGE 3
 LINE #14 = LINE #12 X LINE #13
 LINE #15 - CO. W/P C2-5, PAGE 3
 LINE #16 = LINE #12 MULTIPLIED BY LINE #15
 LINE #17 = SUMMATION OF LINE #3
 LINE #18 - CO. W/P C2-5, PAGE 4
 LINE #19 = LINE #17 X LINE #18

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 OPERATING ADJ. #8 - DEPRECIATION & AMORTIZATION EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-12

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	(A) ACTUAL TEST YEAR BALANCE PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED BALANCE	(D) COMPOSITE DEPRECIATION RATE	(E) RUCO RECOMMENDED DEPRECIATION EXPENSE
1	301.0	INTANGIBLES: ORGANIZATION*	\$ -	\$ -	\$0	0.00%	\$ -
2	302.0	INTANGIBLES: FRANCHISES*	-	-	-	0.00%	-
3	303.0	INTANGIBLES: MISC.*	-	-	-	0.00%	-
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	3,470	1	3,471	0.00%	-
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	-	-	-	0.00%	-
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	8,932	-	8,932	0.00%	-
7	314.0	SOURCE OF SUPPLY: WELLS	665,211	-	665,211	2.59%	17,229
8	320.0	PUMPING PLANT: LAND*	1,881	-	1,881	0.00%	-
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	13,385	(1)	13,384	2.59%	347
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	626,077	(1)	626,076	2.59%	16,215
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	15,174	1	15,175	2.59%	393
12	330.0	WATER TREATMENT PLANT: LAND*	-	-	-	0.00%	-
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	14,812	-	14,812	2.59%	384
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	117,341	-	117,341	2.59%	3,039
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	-	-	-	0.00%	-
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	-	-	-	0.00%	-
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	-	-	-	2.59%	-
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	380,625	-	380,625	2.59%	9,858
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	2,034,958	(3)	2,034,955	2.59%	52,705
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	46,740	-	46,740	2.59%	1,211
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	522,118	-	522,118	2.59%	13,523
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	143,103	-	143,103	2.59%	3,706
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	191,343	-	191,343	2.59%	4,956
24	389.1	GENERAL PLANT: LAND - OFFICE*	-	-	-	0.00%	-
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	66	-	66	0.00%	-
26	389.3	GENERAL PLANT: LAND - MISC.*	-	-	-	0.00%	-
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	-	-	-	2.59%	-
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	20,742	-	20,742	2.59%	537
29	390.3	GENERAL PLANT: MISC. BUILDINGS	2,483	-	2,483	2.59%	64
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	6,447	-	6,447	2.59%	167
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	46,109	2	46,111	2.59%	1,194
32	391.2	GENERAL PLANT: OFFICE FURNITURE	10,877	-	10,877	2.59%	282
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	-	-	-	2.59%	-
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	21,180	2	21,182	2.59%	549
35	395.0	GENERAL PLANT: LAB EQUIPMENT	7,147	-	7,147	2.59%	185
36	396.0	GENERAL PLANT: POWER EQUIPMENT	5,590	-	5,590	2.59%	145
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	3,981	-	3,981	2.59%	103
38	397.1	GENERAL PLANT: MOBILE RADIOS	21,838	-	21,838	2.59%	566
39	397.2	GENERAL PLANT: AUTO CONTROLS	182,565	-	182,565	2.59%	4,728
40	398.0	GENERAL PLANT: MISC.	7,609	-	7,609	2.59%	197
41							
42		TEST YEAR TOTALS	\$ 5,121,804	\$ 1	\$ 5,121,805		\$ 132,283
43							
44		POST TEST YEAR ADDITIONS	160,555	155,383	\$315,938	2.59%	8,183
45							
46		GROSS DEPRECIABLE PHOENIX OFFICE AND METER SHOP ALLOCATION	146,109	15,613	161,722 **	2.59%	4,189
47							
48		2002 TOTALS	\$ 5,428,468	\$ 170,997	\$ 5,599,465		\$ 144,654
49							
50		LESS:					
51		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION @ 2.59% COMPOSITE RATE ***					19,220
52							
53		TOTAL PRO FORMA DEPRECIATION & AMORTIZATION EXPENSE					\$ 125,435
54							
55		DEPRECIATION & AMORTIZATION EXPENSE PER COMPANY					\$ 142,443
56							
57		DEPRECIATION & AMORTIZATION EXPENSE ADJUSTMENT (LINE 53 - LINE 55)					\$ (17,008)

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE E-5 PAGE 2 OF 4 AND STAFF DATA REQUEST REL 1-24
 COLUMN (B): COLUMN (C) - COLUMN (A)
 COLUMN (C): RUCO SCHEDULE TJC-4 PAGE 7
 COLUMN (D): COMPOSITE DEPRECIATION RATE OF 2.59%
 COLUMN (E): COLUMN (C) x COLUMN (D)

NOTES:

* NON-DEPRECIABLE PLANT ASSETS
 ** NET OF \$218 IN NON-DEPRECIABLE LEASEHOLD IMPROVEMENTS (\$7,215 x 0.0302 ALLOCATION FACTOR FOR 2002 = \$218)
 *** RUCO ADJUSTED CIAC BALANCE x COMPOSITE RATE = \$722,084 x 2.59% = \$19,220

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 OPERATING ADJ. #9 - PROPERTY TAX EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-13

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES - 2000	\$ 923,693	COMPANY SCH. C-2, W/P C2-19a
2	REVENUES - 2001	900,775	COMPANY SCH. C-2, W/P C2-19a
3	REVENUES - 2002	987,194	D. R. NO. REL 19-1
4	TOTAL	\$ 2,811,662	SUM LINES 1, 2, & 3
5	3 YEAR AVERAGE	937,221	LINE 4/3 YEARS
6	MULTIPLIER FOR REVENUES (2 X LAST 3 YRS. AVERAGE REVENUE)	x 2	ADOR VALUATION FACTOR
7	REVENUES FOR FULL CASH VALUE	1,874,441	LINE 5 X 2 (MULTIPLIER FOR REVENUES)
8	ADD: 10% OF CWIP BALANCE	11,844	COMPANY SCH. B-2, PG. 4; LINE 4 X 10%
9	LESS: LICENSED VEHICLES	-	STAFF DATA REQUEST REL 23-1
10	FULL CASH VALUE	1,886,285	LINE 7 + LINE 8 MINUS LINE 9
11	ASSESSMENT RATIO	25%	PER ADOR VALUATION METHOD
12	ASSESSED VALUE	471,571	LINE 10 X LINE 11
13	PROPERTY TAX RATE	11.3351%	PER TAX BILLS
14	PROPERTY TAXES PAYABLE PER RUCO	53,453	LINE 12 X LINE 13
15	PROPERTY TAXES PER COMPANY	63,555	COMPANY SCH. C-1, PG. 2
16	ADJUSTMENT	(10,102)	LINE 14 MINUS LINE 15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 OPERATING ADJ. #10 - INCOME TAXES

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-14

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
<u>FEDERAL INCOME TAXES:</u>			
1	OPERATING INCOME BEFORE INCOME TAXES	\$ 192,692	SCH. TJC-9
LESS:			
2	ARIZONA STATE TAX	9,324	LINE 11
3	INTEREST EXPENSE	<u>58,875</u>	NOTE (a)
4	FEDERAL TAXABLE INCOME	124,492	LINE 1 - LINES 2 & 3
5	FEDERAL INCOME TAX RATE	<u>30.52%</u>	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	37,990	LINE 4 X LINE 5
<u>STATE INCOME TAXES:</u>			
7	OPERATING INCOME BEFORE INCOME TAXES	192,692	LINE 1
LESS:			
8	INTEREST EXPENSE	<u>58,875</u>	NOTE (A)
9	STATE TAXABLE INCOME	133,817	LINE 7 - LINE 8
10	STATE TAX RATE	<u>6.968%</u>	TAX RATE
11	STATE INCOME TAX EXPENSE	9,324	LINE 9 X LINE 10
12	TOTAL INCOME TAXES	47,315	LINE 6 + LINE 11
13	INCOME TAXES PER COMPANY	<u>3,802</u>	COMPANY SCH. C-1, PG. 2
14	ADJUSTMENT	<u>\$ 43,513</u>	LINE 12 - LINE 13

NOTE (a):
 INTEREST SYNCHRONIZATION

ADJUSTED RATE BASE	\$ 2,256,648
WEIGHTED COST OF DEBT	<u>2.61%</u>
INTEREST EXPENSE	\$ 58,875

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SIERRA VISTA SYSTEM
OPERATING ADJ. #11 - NOT USED FOR THIS SYSTEM

DOCKET NO. W-1445A-02-0619
SCHEDULE TJC-15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 COST OF CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-16

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) ADJUSTMENT	(C) ADJUSTED BALANCE	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	\$ 2,850,000	\$ 1,650,000	\$ 4,500,000	5.62%	4.00%	0.22%
2	LONG-TERM DEBT:	23,000,677	(400,677)	22,600,000	28.24%	8.44%	2.38%
3	COMMON EQUITY	49,442,738	3,473,716	52,916,454	66.13%	9.18%	6.07%
4	TOTAL	\$ 75,293,415	4,723,039	\$ 80,016,454	100.00%		8.68%

REFERENCES:

- COLUMN (A): COMPANY SCH. D - 1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 PROPOSED RATES

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-17

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	MONTHLY MINIMUM USAGE CHARGE:			
2				
3	<u>(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)</u>			
4	5/8 X 3/4 - INCH	\$ 12.43	\$ 18.25	\$ 13.67
5	1 - INCH	24.86	41.06	32.32
6	2 - INCH	62.15	118.63	93.23
7	3 - INCH	103.58	212.98	176.20
8	4 - INCH	207.16	380.15	388.70
9	6 - INCH	362.53	722.34	761.31
10	8 - INCH	362.53	996.09	833.82
11	10 - INCH	673.27	1,634.84	1,683.18
12				
13	GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:			
14				
15	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS	1,000	0	0
16				
17	COMMODITY RATE (PER 100 GAL. OVER MINIMUM):	\$0.15950	\$ 0.21130	\$ 0.17140
18				
19	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM):	\$1.59500	\$ 2.11300	\$ 1.71400

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SIERRA VISTA SYSTEM
MONTHLY MINIMUM CHARGES

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT INCREASE	(E) RUCO PROPOSED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT INCREASE
1	5/8 X 3/4 - INCH	\$ 12.43	\$ 18.25	\$ 5.82	46.82%	\$ 13.67	\$ 1.24	9.98%
2	1 - INCH	24.86	41.06	16.20	65.16%	32.32	7.46	30.01%
3	2 - INCH	62.15	118.63	56.48	90.88%	93.23	31.08	50.01%
4	3 - INCH COMMERCIAL	103.58	212.98	109.40	105.62%	176.20	72.62	70.11%
5	4 - INCH COMMERCIAL	207.16	380.15	172.99	83.51%	388.70	181.54	87.63%
6	6 - INCH	362.53	722.34	359.81	99.25%	761.31	398.78	110.00%
7	8 - INCH	362.53	996.09	633.56	174.76%	833.82	471.29	130.00%
8	10 - INCH	673.27	1,634.84	961.57	142.82%	1,683.18	1,009.91	150.00%
9	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	1,000	0			0		

REFERENCES:
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 2 OF 4
COLUMN (E): TESTIMONY WAR
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-19
 PAGE 1 OF 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 12.43	\$ 24.86	\$ 62.15	\$ 103.58	\$ 207.16	\$ 362.53	\$ 362.53	\$ 673.27
2	1,000	12.43	24.86	62.15	103.58	207.16	362.53	362.53	673.27
3	2,000	14.03	26.46	63.75	105.18	208.76	364.13	364.13	674.87
4	3,000	15.62	28.05	65.34	106.77	210.35	365.72	365.72	676.46
5	4,000	17.22	29.65	66.94	108.37	211.95	367.32	367.32	678.06
6	5,000	18.81	31.24	68.53	109.96	213.54	368.91	368.91	679.65
7	6,000	20.41	32.84	70.13	111.56	215.14	370.51	370.51	681.25
8	7,000	22.00	34.43	71.72	113.15	216.73	372.10	372.10	682.84
9	8,000	23.60	36.03	73.32	114.75	218.33	373.70	373.70	684.44
10	9,000	25.19	37.62	74.91	116.34	219.92	375.29	375.29	686.03
11	10,000	26.79	39.22	76.51	117.94	221.52	376.89	376.89	687.63
12	15,000	34.76	47.19	84.48	125.91	229.49	384.86	384.86	695.60
13	20,000	42.74	55.17	92.46	133.89	237.47	392.84	392.84	703.58
14	25,000	50.71	63.14	100.43	141.86	245.44	400.81	400.81	711.55
15	50,000	90.59	103.02	140.31	181.74	285.32	440.69	440.69	751.43
16	75,000	130.46	142.89	180.18	221.61	325.19	480.56	480.56	791.30
17	100,000	170.34	182.77	220.06	261.49	365.07	520.44	520.44	831.18
18	125,000	210.21	222.64	259.93	301.36	404.94	560.31	560.31	871.05
19	150,000	250.09	262.52	299.81	341.24	444.82	600.19	600.19	910.93
20	175,000	289.96	302.39	339.68	381.11	484.69	640.06	640.06	950.80
21	200,000	329.84	342.27	379.56	420.99	524.57	679.94	679.94	990.68
22									
23	AVG. NO. OF CUST:	2,220	90	28	2	1	0	0	0
24									
25	AVG. USE (GAL.):	10,131	20,409	118,840	608,213	368,917	N/A	N/A	N/A
26	MONTHLY BILL:	\$ 26.99	\$ 55.82	\$ 250.10	\$ 1,072.08	\$ 793.99	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	7,615	10,971	60,237	96,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	\$ 22.98	\$ 40.76	\$ 156.63	\$ 255.11	N/A	N/A	N/A	N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-19
 PAGE 2 OF 4

RUCO PROPOSED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 13.67	\$ 32.32	\$ 93.23	\$ 176.20	\$ 388.70	\$ 335.00	\$ 912.50	\$ 1,368.75
2	1,000	15.38	34.03	94.94	177.91	390.41	336.77	914.63	1,370.88
3	2,000	17.10	35.75	96.66	179.63	392.13	338.53	916.76	1,373.01
4	3,000	18.81	37.46	98.37	181.34	393.84	340.30	918.89	1,375.14
5	4,000	20.53	39.18	100.09	183.06	395.56	342.07	921.02	1,377.27
6	5,000	22.24	40.89	101.80	184.77	397.27	343.84	923.16	1,379.41
7	6,000	23.95	42.60	103.51	186.48	398.98	345.60	925.29	1,381.54
8	7,000	25.67	44.32	105.23	188.20	400.70	347.37	927.42	1,383.67
9	8,000	27.38	46.03	106.94	189.91	402.41	349.14	929.55	1,385.80
10	9,000	29.10	47.75	108.66	191.63	404.13	350.90	931.68	1,387.93
11	10,000	30.81	49.46	110.37	193.34	405.84	352.67	933.81	1,390.06
12	15,000	39.38	58.03	118.94	201.91	414.41	361.51	944.47	1,400.72
13	20,000	47.95	66.60	127.51	210.48	422.98	370.34	955.12	1,411.37
14	25,000	56.52	75.17	136.08	219.05	431.55	379.18	965.78	1,422.03
15	50,000	99.37	118.02	178.93	261.90	474.40	423.35	1,019.05	1,475.30
16	75,000	142.22	160.87	221.78	304.75	517.25	467.53	1,072.33	1,528.58
17	100,000	185.07	203.72	264.63	347.60	560.10	511.70	1,125.60	1,581.85
18	125,000	227.92	246.57	307.48	390.45	602.95	555.88	1,178.88	1,635.13
19	150,000	270.77	289.42	350.33	433.30	645.80	600.05	1,232.15	1,688.40
20	175,000	313.62	332.27	393.18	476.15	688.65	644.23	1,285.43	1,741.68
21	200,000	356.47	375.12	436.03	519.00	731.50	688.40	1,338.70	1,794.95
22									
23	AVG. NO. OF CUST:	2,220	90	28	2	1	0	0	0
24									
25	AVG. USE (GAL.):	10,131	20,409	118,840	608,213	368,917	N/A	N/A	N/A
26	MONTHLY BILL:	\$ 31.03	\$ 67.30	\$ 296.92	\$ 1,218.68	\$ 1,021.02	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	7,615	10,971	60,237	96,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	\$ 26.72	\$ 51.12	\$ 196.48	\$ 340.74	N/A	N/A	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 1.24	\$ 7.46	\$ 31.08	\$ 72.62	\$ 181.54	\$ (27.53)	\$ 549.97	\$ 695.48
2	1,000	2.95	9.17	32.79	74.33	183.25	(25.76)	552.10	697.61
3	2,000	3.07	9.29	32.91	74.45	183.37	(25.59)	552.64	698.15
4	3,000	3.19	9.41	33.03	74.57	183.49	(25.42)	553.17	698.68
5	4,000	3.31	9.53	33.15	74.69	183.61	(25.25)	553.71	699.22
6	5,000	3.43	9.65	33.27	74.81	183.73	(25.08)	554.25	699.76
7	6,000	3.55	9.77	33.39	74.93	183.85	(24.90)	554.78	700.29
8	7,000	3.67	9.89	33.51	75.05	183.97	(24.73)	555.32	700.83
9	8,000	3.79	10.01	33.63	75.17	184.09	(24.56)	555.85	701.36
10	9,000	3.91	10.13	33.75	75.29	184.21	(24.39)	556.39	701.90
11	10,000	4.03	10.25	33.87	75.41	184.33	(24.22)	556.93	702.44
12	15,000	4.62	10.84	34.46	76.00	184.92	(23.36)	559.61	705.12
13	20,000	5.22	11.44	35.06	76.60	185.52	(22.50)	562.29	707.80
14	25,000	5.81	12.03	35.65	77.19	186.11	(21.63)	564.97	710.48
15	50,000	8.79	15.01	38.63	80.17	189.09	(17.33)	578.37	723.88
16	75,000	11.76	17.98	41.60	83.14	192.06	(13.04)	591.77	737.28
17	100,000	14.74	20.96	44.58	86.12	195.04	(8.73)	605.17	750.68
18	125,000	17.71	23.93	47.55	89.09	198.01	(4.43)	618.57	764.08
19	150,000	20.69	26.91	50.53	92.07	200.99	(0.13)	631.97	777.48
20	175,000	23.66	29.88	53.50	95.04	203.96	4.16	645.37	790.88
21	200,000	26.64	32.86	56.48	98.02	206.94	8.47	658.77	804.28
22									
23	AVG. NO. OF CUST:	2,220	90	28	2	1	0	0	0
24									
25	AVG. USE (GAL.):	10,131	20,409	118,840	608,213	368,917	N/A	N/A	N/A
26	MONTHLY BILL:	\$ 4.04	\$ 11.48	\$ 46.82	\$ 146.59	\$ 227.04	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	7,615	10,971	60,237	96,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	\$ 3.74	\$ 10.36	\$ 39.84	\$ 85.64	N/A	N/A	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	10.0%	30.0%	50.0%	70.1%	87.6%	-7.6%	151.7%	103.3%
2	1,000	23.8%	36.9%	52.8%	71.8%	88.5%	-7.1%	152.3%	103.6%
3	2,000	21.9%	35.1%	51.6%	70.8%	87.8%	-7.0%	151.8%	103.4%
4	3,000	20.4%	33.6%	50.6%	69.8%	87.2%	-7.0%	151.3%	103.3%
5	4,000	19.2%	32.2%	49.5%	68.9%	86.6%	-6.9%	150.7%	103.1%
6	5,000	18.2%	30.9%	48.5%	68.0%	86.0%	-6.8%	150.2%	103.0%
7	6,000	17.4%	29.8%	47.6%	67.2%	85.5%	-6.7%	149.7%	102.8%
8	7,000	16.7%	28.7%	46.7%	66.3%	84.9%	-6.6%	149.2%	102.6%
9	8,000	16.1%	27.8%	45.9%	65.5%	84.3%	-6.6%	148.7%	102.5%
10	9,000	15.5%	26.9%	45.0%	64.7%	83.8%	-6.5%	148.3%	102.3%
11	10,000	15.0%	26.1%	44.3%	63.9%	83.2%	-6.4%	147.8%	102.2%
12	15,000	13.3%	23.0%	40.8%	60.4%	80.6%	-6.1%	145.4%	101.4%
13	20,000	12.2%	20.7%	37.9%	57.2%	78.1%	-5.7%	143.1%	100.6%
14	25,000	11.5%	19.1%	35.5%	54.4%	75.8%	-5.4%	141.0%	99.8%
15	50,000	9.7%	14.6%	27.5%	44.1%	66.3%	-3.9%	131.2%	96.3%
16	75,000	9.0%	12.6%	23.1%	37.5%	59.1%	-2.7%	123.1%	93.2%
17	100,000	8.7%	11.5%	20.3%	32.9%	53.4%	-1.7%	116.3%	90.3%
18	125,000	8.4%	10.7%	18.3%	29.6%	48.9%	-0.8%	110.4%	87.7%
19	150,000	8.3%	10.2%	16.9%	27.0%	45.2%	0.0%	105.3%	85.4%
20	175,000	8.2%	9.9%	15.8%	24.9%	42.1%	0.7%	100.8%	83.2%
21	200,000	8.1%	9.6%	14.9%	23.3%	39.4%	1.2%	96.9%	81.2%
22									
23	AVG. NO. OF CUST:	2,220	90	28	2	1	0	0	0
24									
25	AVG. USE (GAL.):	10,131	20,409	118,840	608,213	368,917	N/A	N/A	N/A
26	MONTHLY BILL:	15.0%	20.6%	18.7%	13.7%	28.6%	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	7,615	10,971	60,237	96,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	16.3%	25.4%	25.4%	33.6%	N/A	N/A	N/A	N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SIERRA VISTA SYSTEM
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01445A-02-061
 SCHEDULE TJC-20

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$ 364,210	\$ 462,640	\$ 826,849
2	1 - INCH	34,776	37,639	72,415
3	2 - INCH	31,419	68,644	100,062
4	3 - INCH	4,229	25,019	29,248
5	4 - INCH	4,664	7,588	12,252
6	6 - INCH	0	0	0
7	8 - INCH	0	0	0
13	10 - INCH	0	0	0
14				
15	TOTALS	<u>\$ 439,298</u>	<u>\$ 601,530</u>	<u>\$ 1,040,828 (a)</u>
16				
17	PERCENTAGE OF TOTAL REVENUE	42.00%	58.00%	100.00%

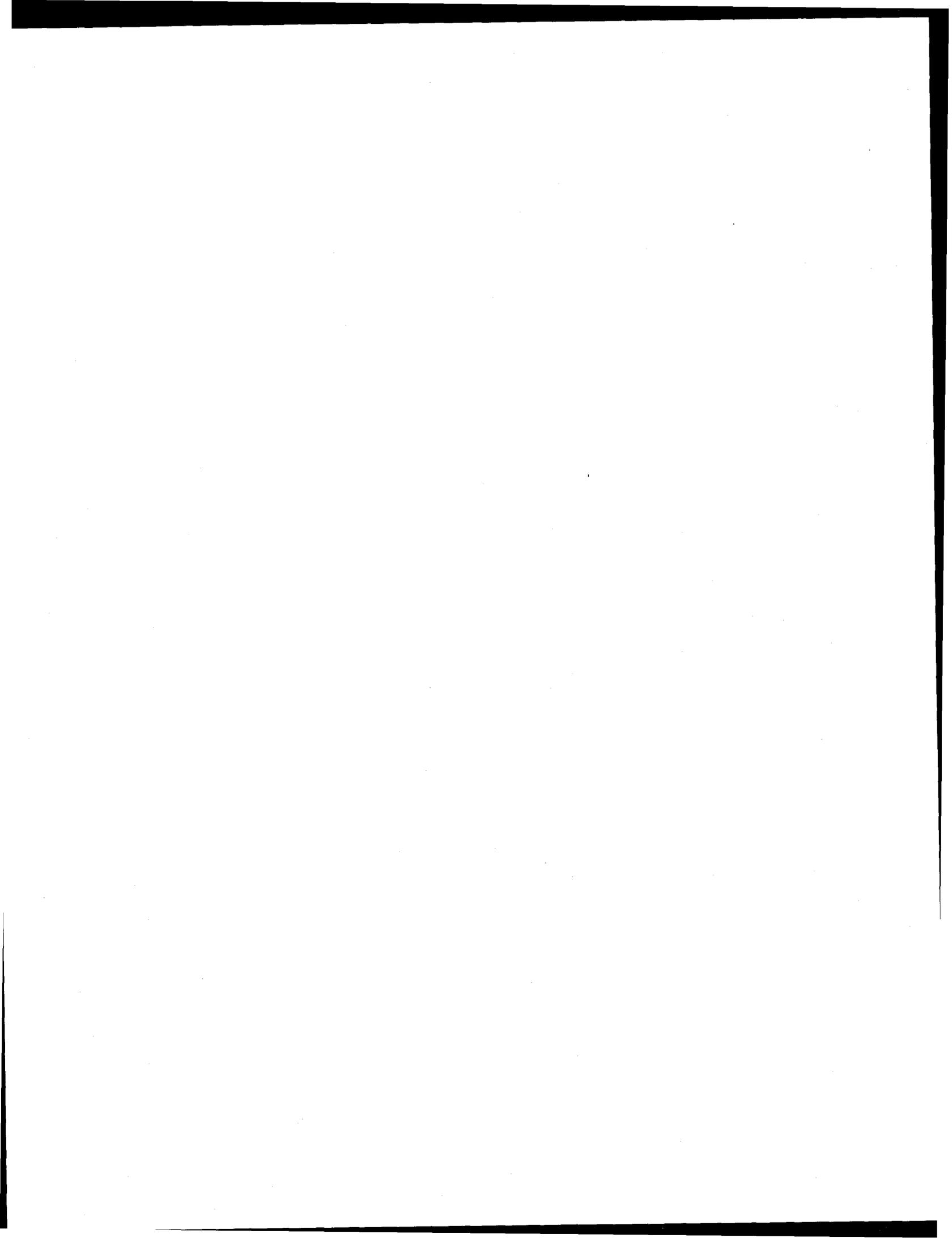
NOTE (a):

RUCO REQUIRED REVENUE	\$ 1,078,653
LESS:	
FIRE SPRINKLER REVENUE	\$ 1,057
FIRE HYDRANT REVENUE	-
MISCELLANEOUS REVENUE	29,982
RENT - WATER PROPERTY REVENUE	-
OTHER WATER REVENUE	6,786
TOTAL	<u>\$ 37,825</u>

REVENUE TO BE GENERATED FROM WATER SALES \$ 1,040,828

REFERENCE:

NOTE (a) 2002 REVENUE INFORMATION OBTAINED FROM RUCO D.R. NO. 1.10



**ARIZONA WATER COMPANY
WINKELMAN SYSTEM
DOCKET NO. W-1445A-02-0619
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TJC - 2	RATE BASE - ORIGINAL COST
TJC - 3	SUMMARY OF RATE BASE ADJUSTMENTS
TJC - 4	RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT, PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION
TJC - 5	RATE BASE ADJ. #4 - RECONCILE TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP AND ACCUMULATED DEPRECIATION BALANCES
TJC - 6	RATE BASE ADJ. # 5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION
TJC - 7	RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
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TJC - 10	OPERATING ADJ. #1 - RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL
TJC - 11	OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002
TJC - 12	OPERATING ADJ. #8 - DEPRECIATION & AMORTIZATION EXPENSE
TJC - 13	OPERATING ADJ. #9 - PROPERTY TAX EXPENSE
TJC - 14	OPERATING ADJ. #10 - INCOME TAXES
TJC - 15	OPERATING ADJ. #11 - NOT USED FOR THIS SYSTEM
TJC - 16	COST OF CAPITAL
TJC - 17	PROPOSED RATES
TJC - 18	MONTHLY MINIMUM CHARGES
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ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 REVENUE REQUIREMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-1
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY REQUESTED	(B) RUCO RECOMMENDED
1	ADJUSTED RATE BASE	\$ 265,899	\$ 252,070
2	ADJUSTED OPERATING INCOME	9,437	7,934
3	CURRENT RATE OF RETURN (L2 / L1)	3.55%	3.15%
4	REQUIRED RATE OF RETURN	11.00%	8.68%
5	REQUIRED OPERATING INCOME (L4 * L1)	29,249	21,887
6	OPERATING INCOME DEFICIENCY (L5 - L2)	19,812	13,953
7	GROSS REVENUE CONVERSION FACTOR	1.63241	1.26755
8	GROSS REVENUE INCREASE	\$ 32,341	\$ 17,686
9	CURRENT REVENUES T/Y ADJUSTED	98,022	90,067
10	PROPOSED ANNUAL REVENUE (L8 + L9)	130,363	107,753
11	PERCENTAGE AVERAGE INCREASE	32.99%	19.64%

REFERENCES:

COLUMN (A): COMPANY SCHEDULE A-1

COLUMN (B): SCHEDULE TJC-1, PG. 2, TJC-2, AND TJC-8

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 GROSS REVENUE CONVERSION FACTOR

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-1
 PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	UNCOLLECTIBLES	<u>0.002316</u>	COMPANY SCH. C-3
3	SUB-TOTAL	0.9977	LINE 1 - LINE 2
4	LESS: TAX RATE	<u>20.88%</u>	NOTE (a)
5	TOTAL	0.7889	LINE 3 - LINE 4
6	REVENUE CONVERSION FACTOR	1.26755	LINE 1/LINE 5

NOTE (a):
 CALCULATION OF EFFECTIVE TAX RATE

OPERATING INCOME BEFORE TAXES	100.00%
ARIZONA STATE TAX	<u>6.97%</u>
TAXABLE INCOME FEDERAL	93.03%
FEDERAL INCOME TAX RATE	<u>15.00%</u>
SUBTOTAL	13.95%
ADD STATE TAX RATE	20.92%
LINE 3 ABOVE	<u>99.77%</u>
EFFECTIVE TAX RATE	20.88%

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 RATE BASE - ORIGINAL COST

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-2

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 428,421	\$ (7,508)	\$ 420,913
2	PHOENIX OFFICE & METER SHOP ALLOCATION	11,320	2,662	13,982
3	ACCUMULATED DEPRECIATION	<u>(119,405)</u>	<u>5,186</u>	<u>(114,219)</u>
4	NET PLANT IN SERVICE	\$ 320,337	\$ 340	\$ 320,676
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	<u>-</u>	<u>-</u>	<u>-</u>
6	TOTAL NET PLANT	\$ 320,337	\$ 340	\$ 320,676
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(20,855)	162	(20,693)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(1,835)	-	(1,835)
9	ACCUMULATED AMORTIZATION OF CIAC	264	48	312
10	DEFERRED INCOME TAXES	(34,918)	(6,399)	(41,317)
11	WORKING CAPITAL	<u>2,906</u>	<u>(7,979)</u>	<u>(5,073)</u>
12	TOTAL RATE BASE	<u>\$ 265,899</u>	<u>\$ (13,829)</u>	<u>\$ 252,070</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE B-1
 COLUMN (B): SCHEDULE TJC-3
 COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 SUMMARY OF RATE BASE ADJUSTMENTS

DOCKET NO. W-1465A-02-0619
 SCHEDULE TJC-3

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCCO ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 428,421	\$ (7,508)	1,573 (b)		1,482	(392)							\$ 420,913
2	PHOENIX OFFICE & METER SHOP ALLOCATION	11,320 (a)			6,668 (c)	(1,482)								13,992
3	ACCUMULATED DEPRECIATION	(119,405)												(114,219)
4	NET PLANT IN SERVICE	\$ 320,337	\$ (7,508)	\$ 1,573	\$ 6,668	\$ -	\$ (392)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,676
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	-												-
6	TOTAL NET PLANT	\$ 320,337	\$ (7,508)	\$ 1,573	\$ 6,668	\$ -	\$ (392)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,676
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(20,855)						162						(20,693)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(1,835)							48					(1,835)
9	ACCUMULATED AMORTIZATION OF CIAC	264								(6,399)				312
10	DEFERRED INCOME TAXES	(34,918)												(41,317)
11	WORKING CAPITAL	2,906									(7,979)			(5,073)
12	TOTAL RATE BASE	\$ 265,899	\$ (7,508)	\$ 1,573	\$ 6,668	\$ -	\$ (392)	\$ 162	\$ 48	\$ (6,399)	\$ (7,979)	\$ -	\$ -	\$ 252,070

ADJUSTMENT #
 1. PLANT IN SERVICE/POST-TEST YEAR ADDITIONS
 2. PHOENIX OFFICE & METER SHOP ALLOCATION
 3. ACCUMULATED DEPRECIATION
 4. RECONCILE PHX OFFICE & METER SHOP AND ACCUM. DEPR.
 5. REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION
 6. AIAC - 2002 BALANCE

ADJUSTMENT #
 7. CIAC - 2002 BAL. & AMORTIZATION
 8. ACCUMULATED DEFERRED INCOME TAXES
 9. WORKING CAPITAL
 10. NOT USED
 11. NOT USED

REFERENCE:
 SCHEDULE TJC 4, PAGE 7
 SCHEDULE TJC 4, PAGE 7
 SCHEDULE TJC 4, PAGE 7
 SCHEDULE TJC 5
 SCHEDULE TJC 6
 RUCOD.R. NO. 6.3

REFERENCE:
 RUCOD.R. NO. 6.3, TESTIMONY - TJC
 RUCOD.R. NO. 6.3
 SCHEDULE TJC-7, PAGE 3
 N/A
 N/A

NOTES:
 (B) NET OF ACCUMULATED DEPRECIATION
 (D) GROSS PHOENIX OFFICE AND METER SHOP ADDITIONS ALLOCATED DURING 2002
 (E) INCLUDES ACCUMULATED DEPRECIATION ON 2002 PHOENIX OFFICE AND METER SHOP ADDITIONS

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1990 PLANT VALUE PER COMPANY	1990 ACCUM DEPR. PER COMPANY	1990 NET PLANT PER PRIOR ACC PER COMPANY	1991 ADDITIONS PER COMPANY	1991 (RETIREMENTS) PER COMPANY	1991 PLANT VALUE PER RUCO	1991 DEPRECIATION EXPENSE PER RUCO	1991 ACCUMULATED DEPRECIATION PER RUCO	1991 YEAR END NET PLANT PER RUCO
1	301.0	INTANGIBLES; ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES; FRANCHISES*	2,072	0	2,072	0	0	2,072	0	0	2,072
3	303.0	INTANGIBLES; MISC.*	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY; LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY; LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY; LAND - WELLS*	422	0	422	0	0	422	0	0	422
7	314.0	SOURCE OF SUPPLY; WELLS	43,348	17,326	26,022	0	0	43,348	1,049	18,375	24,973
8	320.0	PUMPING PLANT: LAND*	0	0	0	0	0	0	0	0	0
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	6,073	2,427	3,646	0	0	6,073	147	2,574	3,499
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	49,409	19,749	29,660	15,421	(8,488)	56,362	1,280	12,561	43,801
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	2,053	821	1,232	0	0	2,053	50	870	1,183
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	6,448	2,577	3,871	0	0	6,448	156	2,733	3,715
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	15,039	6,011	9,028	0	0	15,039	364	6,375	8,664
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	119,865	47,910	71,955	176	0	120,041	2,903	50,813	69,228
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	0	0	0	0	0	0
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	51,589	20,620	30,969	2,453	(79)	53,963	1,277	21,818	32,145
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	17,541	7,011	10,530	4,260	(717)	21,084	467	6,762	14,322
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	20,082	8,031	12,051	0	0	20,082	486	8,517	11,575
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	0	0	0	0	0	0	0
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	127	51	76	0	0	127	3	54	73
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	1,295	518	777	0	0	1,295	31	549	746
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	0	0	0	0	0	0	0
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	873	349	524	0	0	873	21	370	503
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	0	0	0	0	0	0	0
39	397.2	GENERAL PLANT: AUTO CONTROLS	7,841	3,134	4,707	272	0	8,113	193	3,327	4,786
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0
41		TOTALS	\$344,087	\$136,535	\$207,552	\$22,582	(\$2,284)	\$357,405	\$6,428	\$135,695	\$221,706

REFERENCE:
 ACC STAFF D.R. NO. REL. 1-24

NOTE:
 *NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1992 ADDITIONS PER COMPANY	1992 (RETIREMENTS) PER COMPANY	1992 YEAR END PLANT VALUE PER RUCCO	1992 DEPRECIATION EXPENSE PER RUCCO	1992 ACCUMULATED DEPRECIATION PER RUCCO	1992 YEAR END NET PLANT PER RUCCO	1993 ADDITIONS PER COMPANY	1993 (RETIREMENTS) PER COMPANY	1993 YEAR END PLANT VALUE PER RUCCO	1993 DEPRECIATION EXPENSE PER RUCCO	1993 ACCUMULATED DEPRECIATION PER RUCCO	1993 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	2,072	0	0	2,072	0	0	2,072	0	0	2,072
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	101	0	0	0	101	0	0	101
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	422	0	0	422	0	0	422	0	0	422
8	320.0	PUMPING PLANT: LAND*	0	0	43,348	1,049	19,424	3,826	0	0	47,174	1,172	20,597	26,577
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	0	147	2,721	0	0	0	6,073	157	2,879	3,194
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	63,557	1,451	14,072	333	(899)	63,191	14,964	1,641	14,964	48,237
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	7,195	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	6	96	0	0	0	2,853	59	872	1,030
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	2,053	6	96	0	0	0	8,295	181	3,086	5,215
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	6,446	156	2,869	1,847	0	0	0	0	0	0
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS*	0	0	0	0	0	0	0	0	0	0	0	0
17	340.2	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	340.3	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	0	0	0	0	0	0	0	0	0	0
19	340.4	TRANSMISSION & DISTRIBUTION: MAINS	617	(65)	15,039	364	6,739	0	0	0	15,039	390	7,128	7,911
20	340.5	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	120,522	2,912	53,659	13,390	(45,678)	84,304	2,653	6,634	77,670	0
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	0	0	0	0	0	0	0	0	0	0	0	0
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	1,112	(164)	54,911	1,317	22,972	2,906	(8,421)	49,396	1,351	15,901	33,495	0
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	1,222	(1,416)	20,890	508	5,853	40	(395)	20,535	536	5,995	14,540	0
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	20,092	486	9,003	0	(4,852)	15,240	458	4,609	10,631	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	127	3	57	70	0	0	127	3	60	67
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	0	0	1,295	31	580	715	0	0	1,295	34	614	681
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	873	21	391	482	0	0	873	23	414	459
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	0	0	0	0	0	0	0	0	0	0
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	8,113	196	3,523	4,590	0	0	8,113	210	3,734	4,379
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$10,146	(\$1,646)	\$385,905	\$9,592	\$142,744	\$223,161	(\$54,045)	\$524,303	\$8,872	\$97,572	\$236,731	

REFERENCE:
 ACC STAFF D.R. NO. REL 124

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1994 ADDITIONS PER COMPANY	1994 (RETIREMENTS) PER COMPANY	1994 YEAR END PLANT VALUE PER RUCCO	1994 DEPRECIATION EXPENSE PER RUCCO	1994 ACCUMULATED DEPRECIATION PER RUCCO	1994 YEAR END NET PLANT PER RUCCO	1995 ADDITIONS PER COMPANY	1995 (RETIREMENTS) PER COMPANY	1995 YEAR END PLANT VALUE PER RUCCO	1995 DEPRECIATION EXPENSE PER RUCCO	1995 ACCUMULATED DEPRECIATION PER RUCCO	1995 YEAR END NET PLANT PER RUCCO
1	3010	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	3020	INTANGIBLES: FRANCHISES*	0	0	2,072	0	0	2,072	0	0	0	0	0	2,072
3	3030	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	3101	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	27	0	128	0	0	225	97	0	0	0	0	225
5	3102	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	3103	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	422	0	0	0	0	0	422
7	3200	PUMPING PLANT: LAND*	334	0	47,508	1,226	21,823	25,685	0	0	47,508	1,230	23,053	24,455
8	3210	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	6,073	157	3,036	3,037	0	0	6,073	157	3,193	2,890
9	3250	PUMPING PLANT: ELECTRICAL EQUIPMENT	208	0	63,369	1,639	16,593	46,806	0	0	63,369	1,642	18,235	45,164
10	3250	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
11	3300	WATER TREATMENT PLANT: LAND*	0	0	2,053	0	1,028	1,027	0	0	2,053	53	1,079	974
12	3310	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	8,295	215	3,295	5,000	0	0	8,295	215	3,510	4,785
13	3320	WATER TREATMENT PLANT: EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
14	3330	WATER TREATMENT PLANT: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
15	3400	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
16	3401	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	3410	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	3420	TRANSMISSION & DISTRIBUTION: TANKS	0	0	0	0	0	0	0	0	0	0	0	0
19	3430	TRANSMISSION & DISTRIBUTION: MANS	13,918	0	26,655	566	7,694	20,961	0	0	28,655	742	8,437	20,218
20	3440	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	84,304	2,183	8,818	75,486	0	0	84,304	2,183	11,001	73,303
21	3450	TRANSMISSION & DISTRIBUTION: SERVICES	562	0	49,958	1,287	17,188	32,770	290	0	50,248	1,298	18,486	31,782
22	3480	TRANSMISSION & DISTRIBUTION: METERS	483	(1,216)	19,802	522	5,301	14,501	1,383	(2,057)	19,128	504	3,748	15,380
23	3480	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	15,240	395	5,004	10,236	0	0	15,240	395	5,398	9,842
24	3891	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	3892	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	3893	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	3901	GENERAL PLANT: OFFICE BUILDINGS	0	0	127	3	63	64	0	0	127	3	67	60
28	3902	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	3910	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
30	3910	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
31	3911	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
32	3912	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
33	3930	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	1,295	34	647	648	0	0	1,295	34	681	614
34	3940	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
35	3950	GENERAL PLANT: LAB EQUIPMENT	0	0	873	23	436	477	0	0	873	23	459	414
36	3960	GENERAL PLANT: POWER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
37	3970	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
38	3971	GENERAL PLANT: MOBILE RADIOS	0	0	8,113	210	3,944	4,169	0	0	8,113	210	4,154	3,959
39	3972	GENERAL PLANT: AUTO CONTROLS	0	0	0	0	0	0	0	0	0	0	0	0
40	3980	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$15,230	(\$1,216)	\$396,317	\$5,513	\$94,869	\$243,448	\$1,770	(\$2,057)	\$338,030	\$5,690	\$101,902	\$236,528

REFERENCE:
 ACC STAFF D R I NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1996 ADDITIONS PER COMPANY	1996 (RETIREMENTS) PER COMPANY	1996 YEAR END PLANT VALUE PER RUO	1996 DEPRECIATION EXPENSE PER RUO	1996 ACCUMULATED DEPRECIATION PER RUO	1996 YEAR END NET PLANT PER RUO	1997 ADDITIONS PER COMPANY	1997 (RETIREMENTS) PER COMPANY	1997 YEAR END PLANT VALUE PER RUO	1997 DEPRECIATION EXPENSE PER RUO	1997 ACCUMULATED DEPRECIATION PER RUO	1997 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	2,072	0	0	2,072	0	0	0	0	0	2,072
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	32	0	257	0	0	289	0	0	0	0	0	289
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: WELLS*	0	0	422	0	0	422	0	0	0	0	0	422
7	310.5	SOURCE OF SUPPLY: WELLS*	0	0	47,508	0	0	47,508	0	0	0	0	0	47,508
8	320.0	PUMPING PLANT: LAND*	0	0	24,284	1,230	24,284	23,224	0	0	0	1,230	25,514	21,994
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	6,073	157	3,350	2,723	0	0	0	157	3,508	2,565
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	32,750	(24,002)	72,187	1,756	(4,011)	76,198	0	0	0	1,870	(2,141)	74,328
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	2,053	53	1,153	920	0	0	0	53	1,186	867
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	8,285	215	3,725	4,570	0	(85)	2,053	233	3,095	5,376
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
16	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: FEES*	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	0	0	0	0	0	0	0	0	0	0
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	0	0	28,655	742	9,179	19,476	0	0	0	742	9,921	18,734
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	84,304	2,183	13,184	71,120	0	0	0	2,183	15,368	66,936
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	0	0	50,248	1,301	19,787	30,461	5	0	0	1,301	21,089	28,164
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	182	0	19,310	488	4,246	15,064	(577)	0	18,733	493	4,162	14,571
23	346.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	15,240	385	5,793	9,447	0	0	15,240	385	6,188	9,052
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	127	3	70	57	0	0	127	3	73	54
28	390.2	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	1,295	34	714	581	0	0	1,295	34	748	547
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	87	20	48	39	0	0	87	20	504	369
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
38	397.1	GENERAL PLANT: MOBILE PHONES	0	0	0	0	0	0	0	0	0	0	0	0
39	398.0	GENERAL PLANT: MISC. CONTROLS	0	0	8,113	210	4,364	3,749	0	0	8,113	210	4,574	3,539
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$33,004	(\$24,002)	\$347,032	\$6,801	\$86,300	\$260,732	\$1,249	(\$672)	\$547,009	\$8,524	\$84,553	\$253,056

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24
 NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1998 ADDITIONS PER COMPANY	1998 (RETIREMENTS) PER COMPANY	1998 YEAR END PLANT VALUE PER RUCCO	1998 DEPRECIATION EXPENSE PER RUCCO	1998 ACCUMULATED DEPRECIATION PER RUCCO	1998 YEAR END NET PLANT PER RUCCO	1998 (RETIREMENTS) PER COMPANY	1998 YEAR END PLANT VALUE PER RUCCO	1998 DEPRECIATION EXPENSE PER RUCCO	1998 ACCUMULATED DEPRECIATION PER RUCCO	1998 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES ORGANIZATION*	\$0	\$0	0	\$0	0	0	0	0	0	0	0
2	302.0	INTANGIBLES FRANCHISES*	0	0	2,072	0	0	2,072	0	0	0	0	2,072
3	303.0	INTANGIBLES MISC.*	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY - LAND - WATER RIGHTS*	9	0	275	0	83	358	0	0	0	0	358
5	310.2	SOURCE OF SUPPLY - LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY - LAND - WELLS*	0	0	422	0	0	422	0	0	0	0	422
7	314.0	SOURCE OF SUPPLY - WELLS	0	0	47,508	1,230	26,744	47,508	0	0	1,230	27,975	19,533
8	320.0	PUMPING PLANT - LAND*	0	0	0	0	0	0	0	0	0	0	0
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	6,073	157	3,665	6,073	0	0	157	3,822	2,251
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	87,780	2,072	(70)	87,850	(2,448)	0	2,242	3,822	85,608
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT - LAND*	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	2,053	53	1,239	2,053	0	0	77	1,316	2,590
14	332.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	9,435	244	4,104	13,174	(7,500)	0	318	(3,078)	18,187
15	340.0	TRANSMISSION & DISTRIBUTION - LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION - LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	28,655	742	10,483	29,397	0	0	742	11,405	17,950
19	343.0	TRANSMISSION & DISTRIBUTION: MISC. BUILDINGS	12,988	(1,087)	96,205	2,338	16,919	116,326	0	0	2,752	19,371	96,555
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	0	0	0	0	0	0	0	0
21	346.0	TRANSMISSION & DISTRIBUTION: MISC. BUILDINGS	0	0	50,253	1,302	22,390	51,612	0	0	1,319	23,709	27,903
22	346.0	TRANSMISSION & DISTRIBUTION: MISC. BUILDINGS	0	0	18,733	485	4,647	19,481	(860)	0	456	4,282	15,199
23	348.0	TRANSMISSION & DISTRIBUTION: METERS	0	0	15,240	395	6,582	16,284	0	0	408	6,991	9,303
24	369.1	GENERAL PLANT - LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0
25	369.2	GENERAL PLANT - LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0
26	369.3	GENERAL PLANT - LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	127	0	77	127	0	0	0	80	47
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	0	0	0	0	0	0	0	0	0
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
31	391.1	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	1,295	34	782	1,295	0	0	34	815	480
34	394.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	873	23	527	873	0	0	23	549	324
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	8,113	210	4,784	8,113	0	0	210	4,994	3,119
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	0	0	0	0	0	0	0	0	0
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$29,591	(\$1,087)	\$575,113	\$9,288	\$102,763	\$272,369	(\$10,803)	\$403,556	\$10,011	\$101,956	\$301,600

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 * - NON-DEPRECIABLE PLANT

LINE NO.	ACCT NO.	PLANT ACCOUNT NAME	2000 ADDITIONS PER COMPANY	2000 (RETIREMENTS) PER COMPANY	2000 YEAR END NET PLANT PER RUO	2000 DEPRECIATION EXPENSE PER RUO	2000 ACCUMULATED DEPRECIATION PER RUO	2000 YEAR END NET PLANT PER RUO	2001 ADDITIONS PER COMPANY	2001 (RETIREMENTS) PER COMPANY	2001 YEAR END NET PLANT PER RUO	2001 DEPRECIATION EXPENSE PER RUO	2001 ACCUMULATED DEPRECIATION PER RUO	2001 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	2,072	\$0	\$0	2,072	\$0	\$0	2,072	\$0	\$0	2,072
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	59	0	417	0	0	432	15	0	432	0	0	432
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	422	0	0	422	0	0	422	0	0	422
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	47,508	1,230	29,205	18,303	819	0	48,327	1,241	30,446	17,881
8	320.0	PUMPING PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	6,073	157	3,980	6,073	0	0	6,073	157	4,137	1,936
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	85,332	2,210	1,934	83,398	11,559	(7,773)	89,118	2,259	(9,579)	92,697
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	3,906	0	0	3,906	0	0	3,906	101	1,518	2,388
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	15,483	396	(2,692)	15,165	593	0	16,416	413	(2,289)	16,685
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	374	0	0	0	0	0	0	0	0	0	0	0
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	28,655	742	12,147	16,508	206	0	28,661	746	12,892	15,969
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	116,326	3,013	22,384	93,942	78	0	116,404	3,014	25,396	91,006
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	0	0	0	0	0	0	0	0	0	0	0	0
20	344.0	TRANSMISSION & DISTRIBUTION: MISC. SPRINKLERS	0	0	51,592	1,308	25,028	26,566	0	0	51,592	1,308	26,382	25,230
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	0	(20)	0	0	0	0	0	0	0	0	0	0
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	0	(601)	18,680	494	3,975	14,705	603	(100)	19,183	490	4,385	14,818
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	16,294	422	7,413	8,881	0	0	16,294	422	7,835	8,459
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	127	0	0	127	0	0	127	3	87	40
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	0	83	0	44	0	0	0	0	0	0
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	1,295	34	849	446	0	0	1,295	34	882	413
35	395.0	GENERAL PLANT: GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	873	23	572	301	0	0	873	23	595	278
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	9735	281	5,295	4,510	127	0	9,735	282	5,478	4,257
39	397.2	GENERAL PLANT: AUTO CONTROLS	1,622	0	0	0	0	0	0	0	0	0	0	0
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0	0	0	0	0	0	0
41		TOTALS	\$2,035	(\$921)	\$404,790	\$10,393	\$111,529	\$293,261	\$14,340	(\$7,873)	\$411,257	\$10,482	\$114,146	\$297,109

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24
 NOTE:
 * - NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2002 ADDITIONS PER COMPANY	2002 (RETIREMENTS) PER COMPANY	2002 YEAR END PLANT VALUE PER RUCO	2002 DEPRECIATION EXPENSE PER RUCO	2002 ACCUMULATED DEPRECIATION PER RUCO	2002 YEAR END NET PLANT PER RUCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES	0	0	2,072	0	0	2,072
3	303.0	INTANGIBLES: MISC.	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	193	0	625	0	0	625
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	422	0	0	422
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	48,327	1,252	31,698	16,629
8	320.0	PUMPING PLANT: LAND*	0	0	0	0	0	0
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	6,073	157	4,294	1,779
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	8,899	(11,559)	86,458	2,274	(12,865)	99,323
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	3,906	101	1,620	2,286
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	8,399	0	24,815	534	(1,735)	26,550
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	41	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	28,902	748	13,640	15,262
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	0	0	116,404	3,015	28,412	87,992
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	0	0	0	0
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	9	0	51,601	1,336	27,698	23,903
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	1,743	(110)	20,816	518	4,773	16,043
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	(0)	0	16,294	422	8,257	8,037
24	389.1	GENERAL PLANT: LAND - OFFICE*	22	0	22	0	0	22
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	21	0	21	0	0	20
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	127	3	90	37
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	1,518	(460)	1,068	14	(447)	1,505
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	0	0	1,295	34	916	379
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	0	0	0	0
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	2,045	0	2,918	49	644	2,274
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	127	3	5	122
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	9,735	252	5,730	4,005
40	398.0	GENERAL PLANT: MISC.	469	0	469	6	6	0
41		TOTALS	\$23,358	(\$12,129)	\$422,486	\$10,718	\$112,737	\$309,286
42		BALANCES PER COMPANY			\$ 428,421		\$ 119,405	
43		BALANCES PER RUCO			\$ 422,486		\$ 112,737	
44		LESS: POST-TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP ADDITIONS**			\$ 1,573		\$ (6,868)	
45		TOTAL ADJUSTMENTS			\$ (7,508)		\$ (6,868)	

REFERENCES:
 ACC STAFF D.R. NO. REL 1-24
 ACC STAFF D.R. NO. REL 18-1
 RUCCO D.R. NO. 6.2

NOTE:
 * NON-DEPRECIABLE PLANT
 ** BASED ON AN ALLOCATION FACTOR OF 0.0030 PER RUCCO D.R. NO. 4.2

LINE NO.	DESCRIPTION	TEST YEAR COMPANY
1	GROSS PHOENIX OFFICE PLANT & METER SHOP	\$ 4,002,988
2	ADD: PHOENIX OFFICE CONSTRUCTION WORK IN PROGRESS (CWIP)	126,565
3	GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 4,129,553
4	TIMES: ALLOCATION FACTOR	0.0031
5	ALLOCATED GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 12,802
6	NET ALLOCATED PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	11,320
7	RUCO ADJUSTMENT TO PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION	\$ 1,482

REFERENCES:
 LINE 1: COMPANY SCHEDULE B-2 PAGES 10 AND 11
 LINE 2: COMPANY SCHEDULE B-2 PAGE 10
 LINE 3: LINE 1 + LINE 2
 LINE 4: COMPANY SCHEDULE B-1 PAGE 2
 LINE 5: LINE 3 x LINE 4
 LINE 6: COMPANY SCHEDULE B-1 PAGE 2 (SUM OF LINES 6 AND 7)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 RATE BASE ADJ. # 5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-6

LINE NO.	DESCRIPTION	(A) TEST YEAR COMPANY	(B) TEST YEAR RUCO	
1	GROSS PHOENIX OFFICE PLANT	\$ 3,903,884	\$ 3,903,884	COMPANY SCHEDULE B-2 PAGE 10
2	LESS: ACCUMULATED DEPRECIATION	<u>453,222</u>	<u>453,222</u>	COMPANY SCHEDULE B-2 PAGE 10
3	NET PHOENIX OFFICE PLANT	\$ 3,450,662	\$ 3,450,662	LINE 1 + LINE 2
4	ADD: CWIP	<u>126,565</u>	-	COMPANY SCHEDULE B-2 PAGE 10
5	TOTALS	\$ 3,577,227	\$ 3,450,662	LINE 3 + LINE 4
4	TIMES: ALLOCATION FACTOR	<u>0.0031</u>	<u>0.0031</u>	COMPANY SCHEDULE B-1 PAGE 2
5	ALLOCATED PHOENIX OFFICE PLANT	\$ 11,089	\$ 10,697	COMPANY SCHEDULE B-1 PAGE 2
6	RUCO ADJUSTMENT		<u>\$ (392)</u>	LINE 5 COLUMN (B) - LINE 5 COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 1999
 WINKELMAN SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL

DOCKET NO. W-1445A-00-0962
 SCHEDULE TJC-7
 PAGE 1 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	CASH WORKING CAPITAL PER COMPANY	\$ -	COMPANY SCH. B-5, PG. 2
2	CASH WORKING CAPITAL PER RUCO	(7,614)	SCH. TJC-7, PG. 3
3	DECREASE IN CASH WORKING CAPITAL	(7,614)	LINE 2 - LINE 1
4	MATERIALS & SUPPLIES PER COMPANY	476	COMPANY SCH. B-5, PG. 2
5	MATERIALS & SUPPLIES PER RUCO	463	DATA REQUEST RUCO 6.4 a)
6	MATERIALS & SUPPLIES ADJUSTMENT	(13)	LINE 5 - LINE 4
7	PREPAYMENTS PER COMPANY AND SPECIAL DEPOSITS	885	COMPANY SCH. B-5, PG. 2
8	PREPAYMENTS PER RUCO	762	DATA REQUEST RUCO 6.4 b)
9	PREPAYMENTS ADJUSTMENT	(123)	LINE 8 - LINE 7
10	REQUIRED BANK BALANCES PER COMPANY	1,545	COMPANY SCH. B-5, PG. 2
11	REQUIRED BANK BALANCES PER RUCO	1,316	DATA REQUEST RUCO 6.4 c)
12	REQUIRED BANK BALANCE ADJUSTMENT	(229)	LINE 11 - LINE 10
13	TOTAL WORKING CAPITAL ADJUSTMENT	(7,979)	LINES 3, 6, 9 & 12

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 LEAD/LAG CALCULATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 2 OF 4

LINE NO.	DESCRIPTION	EXPENSES PER COMPANY	RUCO ADJUSTMENTS	ADJUSTED EXPENSES	(LEAD)/LAG DAYS	\$ DAYS
1	PURCHASED POWER	\$ 7,697	\$ (675)	\$ 7,022	40.11	\$ 281,652
2	PAYROLL	22,974	(1,071) *	21,903	14.00	306,639
3	PURCHASED WATER	-	-	-	N/A	N/A
4	CHEMICALS	1,288	(305)	983	26.63	26,177
5	PROPERTY & LIABILITY INSURANCE	327	(28) *	299	(45.27)	(13,553)
6	WORKER'S COMPENSATION	276	18 *	294	(46.50)	(13,692)
7	HEALTH INSURANCE	4,019	(595) *	3,424	(8.92)	(30,543)
8	OTHER O&M EXPENSES	15,306	(12,652) *	2,654	(9.27)	(24,603)
9	DEPRECIATION & AMORTIZATION	13,888	(2,748)	11,140	N/A	N/A
10	FEDERAL & STATE INCOME TAXES	10,731	(1,959)	8,772	61.95	543,454
11	DEFERRED INCOME TAXES	1,207	N/A	N/A	N/A	N/A
13	FICA TAXES	1,541	87	1,628	14.00	22,792
14	FUTA & SUTA TAXES	34	1	35	83.10	2,909
15	PROPERTY TAXES	15,822	(27)	15,795	212.00	3,348,562
16	REG., CONTRACT, & MISCELLANEOUS FEES	1,867	(28) *	1,839	(98.83)	(181,709)
17	SALES & OCCUPATION TAXES	8,340	(182)	8,158	41.30	336,925
18	PENSION EXPENSE	1,761	159	1,920	34.72	66,662
19	TOTAL	\$ 107,080	\$ (20,006)	\$ 85,866 *	54.41	\$ 4,671,672

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF CASH WORKING CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 3 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	AVERAGE EXPENSE LAG	54.41	SCH. TJC-6, PG. 2
2	AVERAGE REVENUE COLLECTION LAG	<u>22.04</u>	CO. SCH. B-5, PG. 2
3	EXCESS EXPENSE OVER REVENUE LAG	-32.37	LINE 2 - LINE 1
4	TOTAL EXPENSES	\$ 85,866	SCH. TJC-6, PG. 2
5	CASH WORKING CAPITAL REQUIREMENT	(7,614)	(LINE 3 X LINE 4)/365 DAYS
6	PER COMPANY	<u>\$ -</u>	CO. SCH. B-5, PG. 2
7	INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (7,614)</u>	LINE 5 - LINE 6

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF INCOME TAX LAG

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-7
 PAGE 4 OF 4

<u>LINE NO.</u>	<u>(A) PAYMENT DATE</u>	<u>(B) SERVICE PERIOD MIDPOINT</u>	<u>(C) (LEAD)/LAG DAYS</u>	<u>(D) PAYMENT AMOUNT</u>	<u>(E) DOLLAR DAYS</u>
1	04/12/99	07/01/99	(80.00)	\$ 397,000	(31,760,000)
2	06/11/99	07/01/99	(20.00)	50,000	(1,000,000)
3	09/14/99	07/01/99	75.00	486,000	36,450,000
4	12/14/99	07/01/99	166.00	970,000	161,020,000
5	03/14/00	07/01/99	257.00	<u>(240,000)</u>	<u>(61,680,000)</u>
6	TOTALS			\$ 1,663,000	103,030,000
7	INCOME TAX LAG		61.95		

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
WINKELMAN SYSTEM
OPERATING INCOME - TEST YEAR AND RUCO PROPOSED

DOCKET NO. W-1445A-02-0619
SCHEDULE TJC-8

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO RECOMMENDED
<u>REVENUES - WATER:</u>						
1	REVENUE FROM WATER SALES	\$ 98,022	\$ (7,955)	\$ 90,067	\$ 17,686	\$ 107,753
2	OTHER REVENUES	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 98,022	\$ (7,955)	\$ 90,067	\$ 17,686	\$ 107,753
<u>OPERATING EXPENSES:</u>						
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	759	58	816		816
4	PURCHASED POWER	7,793	(1,191)	6,601		6,601
5	PURCHASED GAS	-	-	-		-
6	OTHER	4,034	(407)	3,627		3,627
7	WATER TREATMENT	2,994	470	3,464		3,464
8	TRANSMISSION & DISTRIBUTION	14,855	(4,368)	10,487		10,487
9	CUSTOMER ACCOUNTS	11,844	(377)	11,467		11,467
10	SALES	56	(27)	29		29
11	ADMINISTRATIVE & GENERAL	13,395	(1,390)	12,005		12,005
12	DEPRECIATION & AMORTIZATION	13,888	(2,748)	11,140		11,140
13	PROPERTY TAXES	15,730	65	15,795		15,795
14	OTHER TAXES	1,380	283	1,663		1,663
15	INCOME TAXES	1,858	3,181	5,039	3,733	8,772
16	TOTAL OPERATING EXPENSES	\$ 88,585	\$ (6,452)	\$ 82,133	\$ 3,733	\$ 85,866
17	NET INCOME	\$ 9,437	\$ (1,503)	\$ 7,934	\$ 13,953	\$ 21,887

REFERENCES:

COLUMN (A): CO. SCH. C-1, PG. 4
COLUMN (B): SCH. TJC-9
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): SCH. TJC-1
COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-9

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) ADJ #10	(L) ADJ #11	(M) RUCO ADJUSTED
REVENUES - WATER														
1	REVENUE FROM WATER SALES	\$ 98,022	\$ 3,599	\$ (8,158)	\$ 479	\$ 905	\$ (4,735)		\$ (45)					\$ 90,067
2	OTHER REVENUES	-	-	-	-	-	-	-	-	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 98,022	\$ 3,599	\$ (8,158)	\$ 479	\$ 905	\$ (4,735)		\$ (45)					\$ 90,067
OPERATING EXPENSES														
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	759	58											816
4	PURCHASED POWER	7,793	(771)			94	(515)							6,601
5	PURCHASED GAS	-	-											-
6	OTHER	4,034	(407)											3,627
7	WATER TREATMENT	2,994	620				(150)							3,464
8	TRANSMISSION & DISTRIBUTION	14,855	(4,319)			(49)								10,487
9	CUSTOMER ACCOUNTS	11,844	(377)											11,467
10	SALES	56	(27)											29
11	ADMINISTRATIVE & GENERAL	13,395	(1,244)	(180)			(547)	581						12,005
12	DEPRECIATION & AMORTIZATION	13,888								(2,748)				11,140
13	PROPERTY TAXES	15,730									65			15,795
14	OTHER TAXES	1,380	8,261	(7,978)										1,663
15	INCOME TAXES	1,858										3,181		5,039
16	TOTAL OPERATING EXPENSES	\$ 88,585	\$ 1,794	\$ (8,158)	\$ -	\$ 45	\$ (1,212)	\$ 581	\$ -	\$ (2,748)	\$ 65	\$ 3,181	\$ -	\$ 82,133
17	NET INCOME	\$ 9,437	\$ 1,805	\$ -	\$ 479	\$ 860	\$ (3,524)	\$ (581)	\$ (45)	\$ 2,748	\$ (65)	\$ (3,181)	\$ -	\$ 7,934

ADJUSTMENT #:
 1. RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL
 2. REMOVE 2002 REGULATORY ASSESSMENT & SALES TAXES
 3. ELIMINATE PP&M AND PW&M REVENUES
 4. ELIMINATE UNBILLED REVENUES & EXPENSES
 5. ANNUALIZE ADDITIONAL REVENUES & EXPENSES
 6. AMORTIZATION OF RATE CASE EXPENSE

REFERENCE:
 RUCO D.R. NO. 1.10
 RUCO D.R. NO. 1.10 & ACC STAFF D.R. NO. REL 19-1
 RUCO D.R. NO. 7.1 & RUCO D.R. NO. 7.2
 RUCO D.R. NO. 7.3
 RUCO D.R. NO. 6.6
 COMPANY SCHEDULE C-2, PAGE 7, TESTIMONY TJC

ADJUSTMENT #:
 7. REMOVE MAP SURCHARGE REVENUES
 8. DEPRECIATION & AMORTIZATION EXPENSE
 9. PROPERTY TAX EXPENSE
 10. INCOME TAX EXPENSE
 11. NOT USED

REFERENCE:
 TESTIMONY TJC
 SCHEDULE TJC-12
 SCHEDULE TJC-13
 SCHEDULE TJC-14
 N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-10
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) 2002 ACTUAL	(C) DIFFERENCE	(D) RUCO ADJUSTMENT
<u>REVENUES - WATER:</u>					
1	REVENUE FROM WATER SALES	\$ 98,022	\$ 101,621	\$ 98,022	\$ 3,599
2	OTHER REVENUES	0.00	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 98,022	\$ 101,621	\$ 98,022	\$ 3,599
<u>OPERATING EXPENSES:</u>					
4	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -
5	OTHER	759	816	759	58
6	PURCHASED POWER	7,793	7,022	7,793	(771)
7	PURCHASED GAS	-	-	-	-
8	OTHER	4,034	3,627	4,034	(407)
9	WATER TREATMENT	2,994	3,614	2,994	620
10	TRANSMISSION & DISTRIBUTION	14,855	10,536	14,855	(4,319)
11	CUSTOMER ACCOUNTS	11,844	11,467	11,844	(377)
12	SALES	56	29	56	(27)
13	ADMINISTRATIVE & GENERAL	13,395	12,151	13,395	(1,244)
14	DEPRECIATION & AMORTIZATION	13,888	11,081	13,888	- (a)
15	PROPERTY TAXES	15,730	14,730	15,730	- (a)
16	OTHER TAXES	1,380	9,641	1,380	8,261
17	INCOME TAXES	1,858	4,453	1,858	- (a)
18	TOTAL OPERATING EXPENSES	\$ 88,585	\$ 89,167	\$ 88,585	\$ 1,794
19	NET INCOME	\$ 9,437	\$ 12,454	\$ 9,437	\$ 1,805

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 4 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)
 COLUMN (D): COLUMN (C) LINES 1 THRU 13, LINES 16, 18 & 19

NOTE:

(a) SEPARATE PRO FORMA ADJUSTMENTS NOT INCLUDED IN RECONCILIATION

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-10
 PAGE 2 OF 2

LINE NO.	DESCRIPTION	(A) TEST YEAR ACTUAL	(B) 2002 ACTUAL	(C) DIFFERENCE
<u>REVENUES - WATER:</u>				
1	REVENUE FROM WATER SALES	\$ 105,968	\$ 101,621	\$ (4,347)
2	OTHER REVENUES	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 105,968	\$ 101,621	\$ (4,347)
<u>OPERATING EXPENSES:</u>				
4	PURCHASED WATER	\$ -	\$ -	\$ -
5	OTHER	747	816	69
6	PURCHASED POWER	7,599	7,022	(577)
7	PURCHASED GAS	-	-	-
8	OTHER	4,034	3,627	(407)
9	WATER TREATMENT	3,361	3,614	253
10	TRANSMISSION & DISTRIBUTION	10,241	10,536	295
11	CUSTOMER ACCOUNTS	11,570	11,467	(103)
12	SALES	56	29	(27)
13	ADMINISTRATIVE & GENERAL	11,508	12,151	643
14	DEPRECIATION & AMORTIZATION	10,839	11,081	242
15	PROPERTY TAXES	14,335	14,730	395
16	OTHER TAXES	9,671	9,641	(30)
17	INCOME TAXES	6,583	4,453	(2,130)
18	TOTAL OPERATING EXPENSES	90,544	89,167	(1,377)
19	NET INCOME	\$ 15,424	\$ 12,454	\$ (2,970)

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE C-1 PAGE 4 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
WINKELMAN SYSTEM
OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1	YEAR END CUSTOMERS - 2002	176	176	176	176	176	176	176	176	176	176	176	176
2	2002 CUSTOMERS	192	191	190	188	187	187	187	183	182	177	176	176
3	INCREASE IN CUSTOMERS - 2002	(16)	(15)	(14)	(12)	(11)	(11)	(11)	(7)	(6)	(1)	-	-
4	AVERAGE REVENUE FOR THE MONTH	\$ 36.92	\$ 35.70	\$ 36.11	\$ 37.04	\$ 48.90	\$ 52.35	\$ 65.96	\$ 53.30	\$ 60.30	\$ 45.42	\$ 42.94	\$ 33.22
5	INCREASE IN REVENUES	\$ (581)	\$ (536)	\$ (505)	\$ (445)	\$ (587)	\$ (576)	\$ (726)	\$ (373)	\$ (382)	\$ (45)	\$ -	\$ -
6	TOTAL INCREASE IN REVENUE	\$ (4,735)											
7	INCREASE IN REVENUE PER COMPANY												
8	REVENUE ADJUSTMENT	(4,735)											
9	GALLONS SOLD PER AVERAGE CUSTOMER	14,347	13,871	14,322	14,923	23,719	26,382	36,824	26,898	32,255	21,045	19,088	15,669
10	INCREASE IN CUSTOMERS	(16)	(15)	(14)	(12)	(11)	(11)	(11)	(7)	(6)	(1)	-	-
11	INCREASE IN GALLONS	(229,558)	(208,068)	(200,509)	(179,081)	(284,630)	(290,206)	(405,065)	(188,289)	(193,530)	(21,045)	-	0
12	TOTAL INCREASE IN GALLONS	(2,199,980)											
13	PUMPING COST PER GALLON	0.000234											
14	INCREASE IN PUMPING COST	(515)											
15	WATER TREATMENT COSTS PER GALLON	0.000068											
16	INCREASE IN WATER TREATMENT COSTS	(150)											
17	TOTAL INCREASE IN BILLS	(105)											
18	MONTHLY ACCOUNTING COST PER BILL	5.21											
19	INCREASE IN ACCOUNTING COST	(547)											

REFERENCES:
 LINE #1 - RUCO DATA REQUEST #6.6
 LINE #2 - RUCO DATA REQUEST #6.6
 LINE #3 - LINE #1 MINUS LINE #2
 LINE #4 - RUCO DR #1:10 = TOTAL MONTH REV. MINUS OTHER REV. / TOTAL MONTHLY CUSTOMERS FOR POST-TEST-YEAR
 LINE #5 = LINE #3 MULTIPLIED BY LINE #4
 LINE #6 = SUMMATION OF LINE #5
 LINE #7 - NO REFERENCE
 LINE #8 - LINE #6 MINUS LINE #7
 LINE #9 - GALLONS SOLD, AWC'S ANNUAL REPORT & MONTHLY CUSTOMERS, RUCO DR #6.6

LINE #10 = LINE #3
 LINE #11 = LINE #9 MULTIPLIED BY LINE #10
 LINE #12 = SUMMATION OF LINE #11
 LINE #13 - CO. W/P C2-5, PAGE 3
 LINE #14 = LINE #12 X LINE #13
 LINE #15 - CO. W/P C2-5, PAGE 3
 LINE #16 = LINE #12 MULTIPLIED BY LINE #15
 LINE #17 = SUMMATION OF LINE #3
 LINE #18 - CO. W/P C2-5, PAGE 4
 LINE #19 = LINE #17 X LINE #18

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 OPERATING ADJ. #8 - DEPRECIATION & AMORTIZATION EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-12

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	(A) ACTUAL TEST YEAR BALANCE PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED BALANCE	(D) COMPOSITE DEPRECIATION RATE	(E) RUCO RECOMMENDED DEPRECIATION EXPENSE
1	301.0	INTANGIBLES: ORGANIZATION*	\$ -	\$ -	\$0	0.00%	\$ -
2	302.0	INTANGIBLES: FRANCHISES*	2,072	-	2,072	0.00%	-
3	303.0	INTANGIBLES: MISC.*	-	-	-	0.00%	-
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	432	-	432	0.00%	-
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	-	-	-	0.00%	-
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	422	-	422	0.00%	-
7	314.0	SOURCE OF SUPPLY: WELLS	48,327	-	48,327	2.59%	1,252
8	320.0	PUMPING PLANT: LAND*	-	-	-	0.00%	-
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	6,073	-	6,073	2.59%	157
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	89,117	1	89,118	2.59%	2,308
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	-	-	-	2.59%	-
12	330.0	WATER TREATMENT PLANT: LAND*	-	-	-	0.00%	-
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	3,906	-	3,906	2.59%	101
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	16,417	(1)	16,416	2.59%	425
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	-	-	-	0.00%	-
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	-	-	-	0.00%	-
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	-	-	-	2.59%	-
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	28,861	-	28,861	2.59%	747
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	116,404	-	116,404	2.59%	3,015
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	-	-	-	2.59%	-
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	51,591	1	51,592	2.59%	1,336
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	19,182	1	19,183	2.59%	497
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	16,294	-	16,294	2.59%	422
24	389.1	GENERAL PLANT: LAND - OFFICE*	-	-	-	0.00%	-
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	-	-	-	0.00%	-
26	389.3	GENERAL PLANT: LAND - MISC.*	-	-	-	0.00%	-
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	-	-	-	2.59%	-
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	127	-	127	2.59%	3
29	390.3	GENERAL PLANT: MISC. BUILDINGS	-	-	-	2.59%	-
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	-	-	-	2.59%	-
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	-	-	-	2.59%	-
32	391.2	GENERAL PLANT: OFFICE FURNITURE	-	-	-	2.59%	-
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	-	-	-	2.59%	-
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	1,296	(1)	1,295	2.59%	34
35	395.0	GENERAL PLANT: LAB EQUIPMENT	-	-	-	2.59%	-
36	396.0	GENERAL PLANT: POWER EQUIPMENT	-	-	-	2.59%	-
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	873	-	873	2.59%	23
38	397.1	GENERAL PLANT: MOBILE RADIOS	127	-	127	2.59%	3
39	397.2	GENERAL PLANT: AUTO CONTROLS	9,734	2	9,735	2.59%	252
40	398.0	GENERAL PLANT: MISC.	-	-	-	2.59%	-
41							
42		TEST YEAR TOTALS	\$ 411,255	\$ 3	\$ 411,257		\$ 10,576
43							
44		POST TEST YEAR ADDITIONS	17,167	(7,510)	\$9,656	2.59%	250
45							
46		GROSS DEPRECIABLE PHOENIX OFFICE AND METER SHOP ALLOCATION	12,409	1,551	13,961 **	2.59%	362
47							
48		2002 TOTALS	\$ 440,830	\$ (5,957)	\$ 434,874		\$ 11,187
49							
50		LESS:					
51		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION @ 2.59% COMPOSITE RATE ***					48
52							
53		TOTAL PRO FORMA DEPRECIATION & AMORTIZATION EXPENSE					\$ 11,140
54							
55		DEPRECIATION & AMORTIZATION EXPENSE PER COMPANY					\$ 13,888
56							
57		DEPRECIATION & AMORTIZATION EXPENSE ADJUSTMENT (LINE 53 - LINE 55)					\$ (2,748)

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE E-5 PAGE 3 OF 4 AND STAFF DATA REQUEST REL 1-24
 COLUMN (B): COLUMN (C) - COLUMN (A)
 COLUMN (C): RUCO SCHEDULE TJC-4 PAGE 7
 COLUMN (D): COMPOSITE DEPRECIATION RATE OF 2.59%
 COLUMN (E): COLUMN (C) x COLUMN (D)

NOTES:

- * NON-DEPRECIABLE PLANT ASSETS
- ** NET OF \$22 IN NON-DEPRECIABLE LEASEHOLD IMPROVEMENTS (\$7,215 x 0.0030 ALLOCATION FACTOR FOR 2002 = \$22)
- *** RUCO ADJUSTED CIAC BALANCE x COMPOSITE RATE = \$1,835 x 2.59% = \$48

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 OPERATING ADJ. #9 - PROPERTY TAX EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-13

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES - 2000	\$88,776	COMPANY SCH. C-2, W/P C2-19a
2	REVENUES - 2001	97,628	COMPANY SCH. C-2, W/P C2-19a
3	REVENUES - 2002	93,460	D. R. NO. REL 19-1
4	TOTAL	\$279,864	SUM LINES 1, 2, & 3
5	3 YEAR AVERAGE	93,288	LINE 4/3 YEARS
6	MULTIPLIER FOR REVENUES (2 X LAST 3 YRS. AVERAGE REVENUE)	x 2	ADOR VALUATION FACTOR
7	REVENUES FOR FULL CASH VALUE	186,576	LINE 5 X 2 (MULTIPLIER FOR REVENUES)
8	ADD: 10% OF CWIP BALANCE	-	COMPANY SCH. B-2, PG. 7; LINE 4 X 10%
9	LESS: LICENSED VEHICLES	-	STAFF DATA REQUEST REL 23-1
10	FULL CASH VALUE	186,576	LINE 7 + LINE 8 MINUS LINE 9
11	ASSESSMENT RATIO	25%	PER ADOR VALUATION METHOD
12	ASSESSED VALUE	46,644	LINE 10 X LINE 11
13	PROPERTY TAX RATE	33.8631%	PER TAX BILLS
14	PROPERTY TAXES PAYABLE	15,795	LINE 12 X LINE 13
15	PROPERTY TAXES PER COMPANY	15,730	COMPANY SCH. C-1, PG. 4
16	ADJUSTMENT	65	LINE 14 MINUS LINE 15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 OPERATING ADJ. #10 - INCOME TAXES

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-14

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
	<u>FEDERAL INCOME TAXES:</u>		
1	OPERATING INCOME BEFORE INCOME TAXES	\$ 30,659	SCH. TJC-9
	LESS:		
2	ARIZONA STATE TAX	1,678	LINE 11
3	INTEREST EXPENSE	<u>6,576</u>	NOTE (a)
4	FEDERAL TAXABLE INCOME	22,404	LINE 1 - LINES 2 & 3
5	FEDERAL INCOME TAX RATE	<u>15.00%</u>	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	3,361	LINE 4 X LINE 5
	<u>STATE INCOME TAXES:</u>		
7	OPERATING INCOME BEFORE INCOME TAXES	30,659	LINE 1
	LESS:		
8	INTEREST EXPENSE	<u>6,576</u>	NOTE (A)
9	STATE TAXABLE INCOME	24,082	LINE 7 - LINE 8
10	STATE TAX RATE	<u>6.968%</u>	TAX RATE
11	STATE INCOME TAX EXPENSE	1,678	LINE 9 X LINE 10
12	TOTAL INCOME TAXES	5,039	LINE 6 + LINE 11
13	INCOME TAXES PER COMPANY	<u>1,858</u>	COMPANY SCH. C-1, PG. 2
14	ADJUSTMENT	<u>\$ 3,181</u>	LINE 12 - LINE 13

NOTE (a):
 INTEREST SYNCHRONIZATION

ADJUSTED RATE BASE	\$ 252,070
WEIGHTED COST OF DEBT	<u>2.61%</u>
INTEREST EXPENSE	\$ 6,576

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
WINKELMAN SYSTEM
OPERATING ADJ. #11 - NOT USED FOR THIS SYSTEM

DOCKET NO. W-1445A-02-0619
SCHEDULE TJC-15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 COST OF CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE TJC-16

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) ADJUSTMENT	(C) ADJUSTED BALANCE	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	\$ 2,850,000	\$ 1,650,000	\$ 4,500,000	5.62%	4.00%	0.22%
2	LONG-TERM DEBT:	23,000,677	(400,677)	22,600,000	28.24%	8.44%	2.38%
3	COMMON EQUITY	49,442,738	3,473,716	52,916,454	66.13%	9.18%	6.07%
4	TOTAL	\$ 75,293,415	4,723,039	\$ 80,016,454	100.00%		8.68%

REFERENCES:

- COLUMN (A): COMPANY SCH. D - 1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 PROPOSED RATES

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-17

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	MONTHLY MINIMUM USAGE CHARGE:			
2				
3	<u>(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)</u>			
4	5/8 X 3/4 - INCH	\$ 12.95	\$ 17.30	\$ 14.25
5	1 - INCH	24.86	38.23	32.32
6	2 - INCH	62.15	110.72	93.23
7	3 - INCH	103.58	198.95	176.49
8	4 - INCH	207.16	354.65	393.60
9	6 - INCH	362.53	674.70	761.31
10	8 - INCH	362.53	934.20	833.82
11	10 - INCH	673.27	1,530.88	1,683.18
12				
13	GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:			
14				
15	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS	1,000	0	0
16				
17	COMMODITY RATE (PER 100 GAL. OVER MINIMUM):	\$0.12330	\$ 0.14910	\$ 0.12640
18				
19	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM):	\$1.23300	\$ 1.49100	\$ 1.26400

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-18

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO PROPOSED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 12.95	\$ 17.30	\$ 4.35	33.59%	\$ 14.25	\$ 1.30	10.04%
2	1 - INCH	24.86	38.23	13.37	53.78%	32.32	7.46	30.01%
3	2 - INCH	62.15	110.72	48.57	78.15%	93.23	31.08	50.01%
4	3 - INCH COMMERCIAL	103.58	198.95	95.37	92.07%	176.49	72.91	70.39%
5	4 - INCH COMMERCIAL	207.16	354.65	147.49	71.20%	393.60	186.44	90.00%
6	6 - INCH	362.53	674.70	312.17	86.11%	761.31	398.78	110.00%
7	8 - INCH	362.53	934.20	571.67	157.69%	833.82	471.29	130.00%
8	10 - INCH	673.27	1,530.88	857.61	127.38%	1,683.18	1,009.91	150.00%
9	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	1,000	0			0		

REFERENCES

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 4 OF 4
 COLUMN (E): TESTIMONY WAR
 COLUMN (F): COLUMN (E) - COLUMN (A)
 COLUMN (G): COLUMN (F) ÷ COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-19
 PAGE 1 OF 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 12.95	\$ 24.86	\$ 62.15	\$ 103.58	\$ 207.16	\$ 362.53	\$ 362.53	\$ 673.27
2	1,000	12.95	24.86	62.15	103.58	207.16	362.53	362.53	673.27
3	2,000	14.18	26.09	63.38	104.81	208.39	363.76	363.76	674.50
4	3,000	15.42	27.33	64.62	106.05	209.63	365.00	365.00	675.74
5	4,000	16.65	28.56	65.85	107.28	210.86	366.23	366.23	676.97
6	5,000	17.88	29.79	67.08	108.51	212.09	367.46	367.46	678.20
7	6,000	19.12	31.03	68.32	109.75	213.33	368.70	368.70	679.44
8	7,000	20.35	32.26	69.55	110.98	214.56	369.93	369.93	680.67
9	8,000	21.58	33.49	70.78	112.21	215.79	371.16	371.16	681.90
10	9,000	22.81	34.72	72.01	113.44	217.02	372.39	372.39	683.13
11	10,000	24.05	35.96	73.25	114.68	218.26	373.63	373.63	684.37
12	15,000	30.21	42.12	79.41	120.84	224.42	379.79	379.79	690.53
13	20,000	36.38	48.29	85.58	127.01	230.59	385.96	385.96	696.70
14	25,000	42.54	54.45	91.74	133.17	236.75	392.12	392.12	702.86
15	50,000	73.37	85.28	122.57	164.00	267.58	422.95	422.95	733.69
16	75,000	104.19	116.10	153.39	194.82	298.40	453.77	453.77	764.51
17	100,000	135.02	146.93	184.22	225.65	329.23	484.60	484.60	795.34
18	125,000	165.84	177.75	215.04	256.47	360.05	515.42	515.42	826.16
19	150,000	196.67	208.58	245.87	287.30	390.88	546.25	546.25	856.99
20	175,000	227.49	239.40	276.69	318.12	421.70	577.07	577.07	887.81
21	200,000	258.32	270.23	307.52	348.95	452.53	607.90	607.90	918.64
22									
23	AVG. NO. OF CUST:	165	4	4	1	2	0	0	0
24									
25	AVG. USE (GAL.):	9,554	42,044	61,038	384,358	837,667	N/A	N/A	N/A
26	MONTHLY BILL:	\$ 23.50	\$ 75.47	\$ 136.18	\$ 576.26	\$ 1,238.77	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	6,865	30,625	50,167	99,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	\$ 20.18	\$ 61.39	\$ 122.77	\$ 224.41	N/A	N/A	N/A	N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE TJC-19
 PAGE 2 OF 4

RUCO PROPOSED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$14.25	\$32.32	\$93.23	\$176.49	\$393.60	\$387.50	\$865.00	\$1,297.50
2	1,000	15.51	33.58	94.49	177.75	394.86	388.82	866.57	1,299.07
3	2,000	16.78	34.85	95.76	179.02	396.13	390.13	868.14	1,300.64
4	3,000	18.04	36.11	97.02	180.28	397.39	391.45	869.71	1,302.21
5	4,000	19.31	37.38	98.29	181.55	398.66	392.76	871.28	1,303.78
6	5,000	20.57	38.64	99.55	182.81	399.92	394.08	872.86	1,305.36
7	6,000	21.83	39.90	100.81	184.07	401.18	395.39	874.43	1,306.93
8	7,000	23.10	41.17	102.08	185.34	402.45	396.71	876.00	1,308.50
9	8,000	24.36	42.43	103.34	186.60	403.71	398.02	877.57	1,310.07
10	9,000	25.63	43.70	104.61	187.87	404.98	399.34	879.14	1,311.64
11	10,000	26.89	44.96	105.87	189.13	406.24	400.65	880.71	1,313.21
12	15,000	33.21	51.28	112.19	195.45	412.56	407.23	888.57	1,321.07
13	20,000	39.53	57.60	118.51	201.77	418.88	413.80	896.42	1,328.92
14	25,000	45.85	63.92	124.83	208.09	425.20	420.38	904.28	1,336.78
15	50,000	77.45	95.52	156.43	239.69	456.80	453.25	943.55	1,376.05
16	75,000	109.05	127.12	188.03	271.29	488.40	486.13	982.83	1,415.33
17	100,000	140.65	158.72	219.63	302.89	520.00	519.00	1,022.10	1,454.60
18	125,000	172.25	190.32	251.23	334.49	551.60	551.88	1,061.38	1,493.88
19	150,000	203.85	221.92	282.83	366.09	583.20	584.75	1,100.65	1,533.15
20	175,000	235.45	253.52	314.43	397.69	614.80	617.63	1,139.93	1,572.43
21	200,000	267.05	285.12	346.03	429.29	646.40	650.50	1,179.20	1,611.70
22									
23	AVG. NO. OF CUST:	165	4	4	1	2	0	0	0
24									
25	AVG. USE (GAL.):	9,554	42,044	61,038	384,358	837,667	N/A	N/A	N/A
26	MONTHLY BILL:	\$26.33	\$85.46	\$170.38	\$662.32	\$1,452.41	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.) :	6,865	30,625	50,167	99,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	\$22.93	\$71.03	\$156.64	\$301.63	N/A	N/A	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 1.30	\$ 7.46	\$ 31.08	\$ 72.91	\$ 186.44	\$ 24.97	\$ 502.47	\$ 624.23
2	1,000	2.56	8.72	32.34	74.17	187.70	26.29	504.04	625.80
3	2,000	2.60	8.76	32.38	74.21	187.74	26.37	504.38	626.14
4	3,000	2.63	8.79	32.41	74.24	187.77	26.45	504.72	626.48
5	4,000	2.66	8.82	32.44	74.27	187.80	26.53	505.06	626.82
6	5,000	2.69	8.85	32.47	74.30	187.83	26.61	505.39	627.15
7	6,000	2.72	8.88	32.50	74.33	187.86	26.70	505.73	627.49
8	7,000	2.75	8.91	32.53	74.36	187.89	26.78	506.07	627.83
9	8,000	2.78	8.94	32.56	74.39	187.92	26.86	506.41	628.17
10	9,000	2.81	8.97	32.59	74.42	187.95	26.94	506.75	628.51
11	10,000	2.84	9.00	32.62	74.45	187.98	27.02	507.08	628.84
12	15,000	3.00	9.16	32.78	74.61	188.14	27.43	508.77	630.53
13	20,000	3.15	9.31	32.93	74.76	188.29	27.84	510.46	632.22
14	25,000	3.31	9.47	33.09	74.92	188.45	28.25	512.15	633.91
15	50,000	4.08	10.24	33.86	75.69	189.22	30.30	520.60	642.36
16	75,000	4.86	11.02	34.64	76.47	190.00	32.35	529.05	650.81
17	100,000	5.63	11.79	35.41	77.24	190.77	34.40	537.50	659.26
18	125,000	6.41	12.57	36.19	78.02	191.55	36.45	545.95	667.71
19	150,000	7.18	13.34	36.96	78.79	192.32	38.50	554.40	676.16
20	175,000	7.96	14.12	37.74	79.57	193.10	40.55	562.85	684.61
21	200,000	8.73	14.89	38.51	80.34	193.87	42.60	571.30	693.06
22									
23	AVG. NO. OF CUST:	165	4	4	1	2	0	0	0
24									
25	AVG. USE (GAL.):	9,554	42,044	61,038	384,358	837,667	N/A	N/A	N/A
26	MONTHLY BILL:	\$ 2.83	\$ 10.00	\$ 34.21	\$ 86.06	\$ 213.64	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	6,865	30,625	50,167	99,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	\$ 2.75	\$ 9.64	\$ 33.87	\$ 77.21	N/A	N/A	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	10.0%	30.0%	50.0%	70.4%	90.0%	6.9%	138.6%	92.7%
2	1,000	19.8%	35.1%	52.0%	71.6%	90.6%	7.3%	139.0%	92.9%
3	2,000	18.3%	33.6%	51.1%	70.8%	90.1%	7.2%	138.7%	92.8%
4	3,000	17.0%	32.2%	50.2%	70.0%	89.6%	7.2%	138.3%	92.7%
5	4,000	16.0%	30.9%	49.3%	69.2%	89.1%	7.2%	137.9%	92.6%
6	5,000	15.0%	29.7%	48.4%	68.5%	88.6%	7.2%	137.5%	92.5%
7	6,000	14.2%	28.6%	47.6%	67.7%	88.1%	7.2%	137.2%	92.4%
8	7,000	13.5%	27.6%	46.8%	67.0%	87.6%	7.2%	136.8%	92.2%
9	8,000	12.9%	26.7%	46.0%	66.3%	87.1%	7.2%	136.4%	92.1%
10	9,000	12.3%	25.8%	45.3%	65.6%	86.6%	7.2%	136.1%	92.0%
11	10,000	11.8%	25.0%	44.5%	64.9%	86.1%	7.2%	135.7%	91.9%
12	15,000	9.9%	21.7%	41.3%	61.7%	83.8%	7.2%	134.0%	91.3%
13	20,000	8.7%	19.3%	38.5%	58.9%	81.7%	7.2%	132.3%	90.7%
14	25,000	7.8%	17.4%	36.1%	56.3%	79.6%	7.2%	130.6%	90.2%
15	50,000	5.6%	12.0%	27.6%	46.2%	70.7%	7.2%	123.1%	87.6%
16	75,000	4.7%	9.5%	22.6%	39.3%	63.7%	7.1%	116.6%	85.1%
17	100,000	4.2%	8.0%	19.2%	34.2%	57.9%	7.1%	110.9%	82.9%
18	125,000	3.9%	7.1%	16.8%	30.4%	53.2%	7.1%	105.9%	80.8%
19	150,000	3.7%	6.4%	15.0%	27.4%	49.2%	7.0%	101.5%	78.9%
20	175,000	3.5%	5.9%	13.6%	25.0%	45.8%	7.0%	97.5%	77.1%
21	200,000	3.4%	5.5%	12.5%	23.0%	42.8%	7.0%	94.0%	75.4%
22									
23	AVG. NO. OF CUST:	165	4	4	1	2	0	0	0
24									
25	AVG. USE (GAL.):	9,554	42,044	61,038	384,358	837,667	N/A	N/A	N/A
26	MONTHLY BILL:	12.0%	13.2%	25.1%	14.9%	17.2%	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.) :	6,865	30,625	50,167	99,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	13.6%	15.7%	27.6%	34.4%	N/A	N/A	N/A	N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 WINKELMAN SYSTEM
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01445A-02-061
 SCHEDULE TJC-20

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$ 28,229	\$ 23,923	\$ 52,152
2	1 - INCH	1,551	2,551	4,102
3	2 - INCH	4,475	3,703	8,178
4	3 - INCH	2,118	5,830	7,948
5	4 - INCH	9,446	25,411	34,858
6	6 - INCH	0	0	0
7	8 - INCH	0	0	0
13	10 - INCH	0	0	0
14				
15	TOTALS	<u>\$ 45,820</u>	<u>\$ 61,418</u>	<u>\$ 107,238</u> (a)
16				
17	PERCENTAGE OF TOTAL REVENUE	43.00%	57.00%	100.00%

NOTE (a):

RUCO REQUIRED REVENUE		\$ 107,753
LESS:		
FIRE SPRINKLER REVENUE	\$ -	
FIRE HYDRANT REVENUE	-	
MISCELLANEOUS REVENUE	306	
RENT - WATER PROPERTY REVENUE	-	
OTHER WATER REVENUE	209	
TOTAL	<u>515</u>	\$ 515

REVENUE TO BE GENERATED FROM WATER SALES \$ 107,238

REFERENCE:

NOTE (a) 2002 REVENUE INFORMATION OBTAINED FROM RUCO D.R. NO. 1.10

ARIZONA WATER COMPANY
DOCKET NO. W-01445A-02-0619

**COST OF CAPITAL
DIRECT TESTIMONY**

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JULY 8, 2003

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1 **INTRODUCTION**

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

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

6
7 Q. Please state your educational background and your qualifications in the
8 field of utilities regulation.

9 A. Appendix I, which is attached to this testimony, describes my educational
10 background and also includes a list of the rate cases and regulatory
11 matters that I have been involved with.

12
13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to present recommendations that are
15 based on my analysis of Arizona Water Company's ("Arizona Water" or
16 "Company") application for a permanent rate increase ("Application") for
17 the Company's Eastern Group. The Eastern Group is comprised of the
18 Company's Apache Junction, Bisbee, Miami, Oracle, San Manuel, Sierra
19 Vista, Superior, and Winkelman systems. Arizona Water's Application
20 was filed with the Arizona Corporation Commission ("ACC" or
21 "Commission") on August 14, 2002. During the 2001 test year ("Test

1 Year”) the Company’s Eastern Group provided water service to
2 approximately 29,236 customers.

3
4 Q. Please explain your role in RUCO's analysis of Arizona Water's
5 application.

6 A. I reviewed Arizona Water’s application and performed a cost of capital
7 analysis to determine a fair rate of return on Arizona Water’s equity
8 capital, cost of debt, and capital structure. The recommendations
9 contained in this testimony are based on information obtained from the
10 Company through written data requests and on research that I conducted
11 during my cost of capital analysis. In addition, I also had the opportunity
12 to observe each of the aforementioned systems during a tour of the
13 Eastern Group that was conducted in early January 2003 by Company
14 witness and Vice President of Engineering for Arizona Water, Michael J.
15 Whitehead. As is common in cases that involve an operating segment or
16 wholly owned subsidiary of a public utility, my cost of capital analysis was
17 performed on a total company basis as opposed to concentrating on the
18 Eastern Group alone or on any one particular system within the Eastern
19 Group.

1 Q. Were you also responsible for conducting an analysis of Arizona Water's
2 proposed revenue level, rate base, and rate design?

3 A. Yes. I have also filed, under separate cover, direct testimony on revenue
4 and rate base issues associated with the Apache Junction, Bisbee, Miami
5 and Superior systems. My direct testimony on these systems also
6 contains RUCO's rate design recommendations for the entire Eastern
7 Group. The revenue and rate design issues associated with the Oracle,
8 San Manuel, Sierra Vista and Winkelman systems will be addressed in the
9 direct testimony of RUCO witness Timothy J. Coley.

10
11 Q. What areas will you address in your testimony?

12 A. I will address the cost of capital issues associated with the case.

13
14 Q. Please identify the exhibits that you are sponsoring.

15 A. I am sponsoring Schedules WAR-1 through WAR-10.

16
17 **SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

18 Q. Briefly summarize how your cost of capital testimony is organized.

19 A. My cost of capital testimony is organized into four sections. First, I will
20 present the findings of my cost of equity capital analysis, in which I utilized
21 both the discounted cash flow ("DCF") and capital asset pricing model
22 ("CAPM") methodologies. These are the two most commonly used

1 methods for calculating the cost of equity capital in rate case proceedings
2 and are generally regarded as the most reliable¹. In this first section I will
3 also provide a brief overview of the current economic climate that Arizona
4 Water is operating in. Second, I will explain how I arrived at my
5 recommended cost of debt. Third, I will compare my recommended
6 capital structure with the Company proposed capital structure. Fourth, I
7 will comment on Arizona Water's cost of capital testimony. Schedules
8 WAR-1 through WAR-10 support my cost of capital analysis.

9
10 Q. Please summarize the recommendations and adjustments that you will
11 address in your testimony.

12 A. Based on the results of my analysis of Arizona Water, I am making the
13 following recommendations:

14
15 Cost of Equity Capital – I am recommending a 9.18 percent cost of equity
16 capital. The 9.18 percent figure is based on the results of my cost of
17 equity analysis, which used both the DCF and CAPM methodologies.

18
19 Cost of Short-Term Debt – I am recommending a 4.00 percent cost of
20 short-term debt. This 4.00 percent figure is based on information provided

¹ A. Lawrence Kolbe and James A Read Jr., The Cost of Capital – Estimating the Rate of Return for Public Utilities, The MIT Press: Cambridge, Massachusetts, 1984, pp. 35-94.

1 by the Company on its post-test year short-term debt position as of
2 December 31, 2002.

3
4 Cost of Long-Term Debt – I am recommending an 8.44 percent cost of
5 long-term debt. This 8.44 percent figure is based on my review of the
6 method used by Arizona Water to arrive at the Company-proposed
7 cost of debt, and the terms associated with Arizona Water's Series I
8 through K general mortgage bond issues.

9
10 Common Equity – I am recommending that the December 31, 2002 post-
11 test year level of \$52,916,454 in common equity, be adopted by the ACC.

12
13 Cost of Capital – Based on the results of my capital structure, cost of
14 common equity, and debt analyses, I am recommending an 8.66 percent
15 cost of capital for Arizona Water. This figure represents the weighted cost
16 of both the Company's debt and common equity.

17
18 Q. Why do you believe that your recommended 8.66 percent cost of capital is
19 an appropriate rate of return for Arizona Water to earn on its invested
20 capital?

21 A. The 8.66 percent cost of capital figure that I have recommended meets
22 the criteria established in the landmark Supreme Court cases of Bluefield

1 Water Works & Improvement Co. v. Public Service Commission of West
2 Virginia (262 U.S. 679, 1923) and Federal Power Commission v. Hope
3 Natural Gas Company (320 U.S. 391, 1944). Simply stated, these two
4 cases affirmed that a public utility, that is efficiently and economically
5 managed, is entitled to a return on investment that instills confidence in its
6 financial soundness, allows the utility to attract capital, and also allows the
7 utility to perform its duty to provide service to ratepayers. The rate of
8 return adopted for the utility should also be comparable to a return that
9 investors would expect to receive from investments with similar risk.

10 The Hope decision allows for the rate of return to cover both the operating
11 expenses and the “capital costs of the business” which includes interest
12 on debt and dividend payment to shareholders. This is predicated on the
13 belief that, in the long run, a company that cannot meet its debt obligations
14 and provide its shareholders with an adequate rate of return will not
15 continue to supply adequate public utility service to ratepayers.

16
17 Q. Do the Bluefield and Hope decisions indicate that a rate of return sufficient
18 to cover all operating and capital costs is guaranteed?

19 A. No. Neither case guarantees a rate of return on utility investment. What
20 the Bluefield and Hope decisions *do allow*, is for a utility to be provided
21 with the *opportunity* to earn a reasonable rate of return on its investment.
22 That is to say that a utility, such as Arizona Water, is provided with the

1 opportunity to earn an appropriate rate of return if the Company's
2 management exercises good judgment and manages its assets and
3 resources in a manner that is both prudent and economically efficient
4

5 **COST OF EQUITY CAPITAL**

6 Q. What is your recommended cost of equity capital for Arizona Water?

7 A. Based on the results of my DCF and CAPM analyses, which ranged from
8 6.79 percent to 9.18 percent, I am recommending a 9.18 percent cost of
9 equity capital for Arizona Water. The 9.18 percent figure was derived from
10 my DCF analysis, which should be given the greatest weight in
11 establishing a final estimate.
12

13 **Discounted Cash Flow (DCF) Method**

14 Q. Please explain the DCF method that you used to estimate Arizona Water's
15 cost of equity capital.

16 A. The DCF method employs a stock valuation model that is often referred to
17 as either the constant growth valuation model or the Gordon² model.
18 Simply stated, the DCF model is based on the premise that the current
19 price of a given share of common stock is determined by the present value
20 of all of the future cash flows that will be generated by that share of
21 common stock. The rate that is used to discount these cash flows back to

² Named after Dr. Myron J. Gordon, the professor of finance who developed the model.

1 calculated by dividing the expected dividend by
2 the current market price of the given share of
3 stock, and

4 g = the expected rate of future dividend growth.

5
6 This formula is the basis for the standard growth valuation model that I
7 used to determine Arizona Water's cost of equity capital. It is similar to
8 the model that was used by the Company.

9
10 Q. In determining the rate of future dividend growth for Arizona Water, what
11 assumptions did you make?

12 A. There are two primary assumptions regarding dividend growth that must
13 be made when using the DCF method. First, dividends will grow by a
14 constant rate into perpetuity, and second, the dividend payout ratio will
15 remain at a constant rate. Both of these assumptions are predicated on
16 the traditional DCF model's basic underlying assumption that a company's
17 earnings, dividends, book value and share growth all increase at the same
18 constant rate of growth into infinity. Given these assumptions, if the
19 dividend payout ratio remains constant, so does the earnings retention
20 ratio (the percentage of earnings that are retained by the company as
21 opposed to being paid out in dividends). This being the case, a
22 company's dividend growth can be measured by multiplying its retention

1 ratio (1 - dividend payout ratio) by its book return on equity. This can be
2 stated as $g = b \times r$.

3
4 Q. Would you please provide an example that will illustrate the relationship
5 that earnings, the dividend payout ratio and book value have with dividend
6 growth?

7 A. RUCO consultant Stephen Hill illustrated this relationship in a Citizens
8 Utilities Company 1993 rate case by using a hypothetical utility.³

9
10 Table I

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Growth</u>
11 Book Value	\$10.00	\$10.40	\$10.82	\$11.25	\$11.70	4.00%
12 Equity Return	10%	10%	10%	10%	10%	N/A
13 Earnings/Sh.	\$1.00	\$1.04	\$1.082	\$1.125	\$1.170	4.00%
14 Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
15 Dividend/Sh	\$0.60	\$0.624	\$0.649	\$0.675	\$0.702	4.00%

16
17
18 Table I of Mr. Hill's illustration presents data for a five-year period on his
19 hypothetical utility. In Year 1, the utility had a common equity or book
20 value of \$10.00 per share, an investor-expected equity return of ten
21 percent, and a dividend payout ratio of sixty percent. This results in
22 earnings per share of \$1.00 (\$10.00 book value x 10 percent equity return)

³ Citizens Utilities Company, Arizona Gas Division, Docket No. E-1032-93-111, Prepared Testimony, dated December 10, 1993, p. 25.

1 and a dividend of \$0.60 (\$1.00 earnings/sh. x 0.60 payout ratio) during
2 Year 1. Because forty percent (1 - 0.60 payout ratio) of the utility's
3 earnings are retained as opposed to being paid out to investors, book
4 value increases to \$10.40 in Year 2 of Mr. Hill's illustration. Table I
5 presents the results of this continuing scenario over the remaining five-
6 year period.

7 The results displayed in Table I demonstrate that under "steady-state" (i.e.
8 constant) conditions, book value, earnings and dividends all grow at the
9 same constant rate. The table further illustrates that the dividend growth
10 rate, as discussed earlier, is a function of (1) the internally generated
11 funds or earnings that are retained by a company to become new equity,
12 and (2) the return that an investor earns on that new equity. The DCF
13 dividend growth rate, expressed as $g = b \times r$, is also referred to as the
14 internal or sustainable growth rate.

15
16 Q. If earnings and dividends both grow at the same rate as book value,
17 shouldn't that rate be the sole factor in determining the DCF growth rate?

18 A. No. Possible changes in the expected rate of return on either common
19 equity or the dividend payout ratio make earnings and dividend growth by
20 themselves unreliable. This can be seen in the continuation of Mr. Hill's
21 illustration on a hypothetical utility.

22

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Table II

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Growth</u>
Book Value	\$10.00	\$10.40	\$10.82	\$11.47	\$12.158	5.00%
Equity Return	10%	10%	15%	15%	15%	10.67%
Earnings/Sh	\$1.00	\$1.04	\$1.623	\$1.720	\$1.824	16.20%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	\$0.60	\$0.624	\$0.974	\$1.032	\$1.094	16.20%

In the example displayed in Table II, a sustainable growth rate of four percent⁴ exists in Year 1 and Year 2 (as in the prior example). In Year 3, Year 4 and Year 5, however, the sustainable growth rate increases to six percent.⁵ If the hypothetical utility in Mr. Hill's illustration were expected to earn a fifteen-percent return on common equity on a continuing basis, then a six percent long-term rate of growth would be reasonable. However, the compound growth rates for earnings and dividends, displayed in the last column, are 16.20 percent. If this rate were to be used in the DCF model, the utility's return on common equity would be expected to increase by fifty percent every five years, [(15 percent ÷ 10 percent) – 1]. This is clearly an unrealistic expectation.

⁴ [(Year 2 Earnings/Sh – Year 1 Earnings/Sh) ÷ Year 1 Earnings/Sh] = [(\$1.04 - \$1.00) ÷ \$1.00] = [\$0.04 ÷ \$1.00] = 4.00%

⁵ [(1 – Payout Ratio) x Rate of Return] = [(1 - 0.60) x 15.00%] = 0.40 x 15.00% = 6.00%

1 Although it is not illustrated in Mr. Hill's hypothetical example, a change in
2 only the dividend payout ratio will eventually result in a utility paying out
3 more in dividends than it earns. While it is not uncommon for a utility in
4 the real world to have a dividend payout ratio that exceeds one hundred
5 percent on occasion, it would be unrealistic to expect the practice to
6 continue over a sustained long-term period of time.

7
8 Q. Other than the retention of internally generated funds, as illustrated in Mr.
9 Hill's hypothetical example, are there any other sources of new equity
10 capital that can influence an investor's growth expectations for a given
11 company?

12 A. Yes, a company can raise new equity capital externally. The best
13 example of external funding would be the sale of new shares of common
14 stock. This would create additional equity for the issuer and is often the
15 case with utilities that are either in the process of acquiring smaller
16 systems or providing service to rapidly growing areas.

17
18 Q. How does external equity financing influence the growth expectations held
19 by investors?

20 A. Rational investors will put their available funds into investments that will
21 either meet or exceed their given cost of capital (i.e. the return earned on
22 their investment). In the case of a utility, the book value of a company's

1 stock usually mirrors the equity portion of its rate base (the utility's earning
2 base). Because regulators allow utilities the opportunity to earn a
3 reasonable rate of return on rate base, an investor would take into
4 consideration the effect that a change in book value would have on the
5 rate of return that he or she would expect the utility to earn. If an investor
6 believes that a utility's book value (i.e. the utility's earning base) will
7 increase, then he or she would expect the return on the utility's common
8 stock to increase. If this positive trend in book value continues over an
9 extended period of time, an investor would have a reasonable expectation
10 for sustained long-term growth.

11
12 Q. Please provide an example of how external financing affects a utility's
13 book value of equity.

14 A. As I explained earlier, one way that a utility can increase its equity is by
15 selling new shares of common stock on the open market. If these new
16 shares are purchased at prices that are higher than those shares sold
17 previously, the utility's book value per share will increase in value. This
18 would increase both the earnings base of the utility and the earnings
19 expectations of investors. However, if new shares sold at a price below
20 the pre-sale book value per share, the after-sale book value per share
21 declines in value. If this downward trend continues over time, investors
22 might view this as a decline in the utility's sustainable growth rate and will

1 and $v = 1 - [(BV) \div (MP)]$

2 where: $BV =$ book value per share of common stock, and

3 $MP =$ the market price per share of common stock.

4

5 Q. Did you include the effect of external equity financing on long-term growth
6 rate expectations in your analysis of expected dividend growth for the DCF
7 model?

8 A. Yes. The external growth rate estimate (sv) is displayed on Page 1 of
9 Schedule WAR-5, where it is added to the internal growth rate estimate
10 (br) to arrive at a final sustainable growth rate estimate.

11

12 Q. Please explain why your calculation of external growth on page 2 of
13 Schedule WAR-5, is the current market-to-book ratio averaged with 1.0 in
14 the equation $[(M \div B) + 1] \div 2$?

15 A. The market price of a utility's common stock will tend to move toward book
16 value, or a market-to-book ratio of 1.0, if regulators allow a rate of return
17 that is equal to the cost of capital (one of the desired effects of regulation).
18 As a result of this situation, I used $[(M \div B) + 1] \div 2$ as opposed to the
19 current market-to-book ratio by itself to represent investor's expectations
20 that, in the future, a given utility will achieve a market-to-book ratio of 1.0.

21

1 Q. In determining your dividend growth rate estimate, you analyzed the data
2 on three water companies. Why did you use this methodology as
3 opposed to a direct analysis of Arizona Water?

4 A. One of the problems in performing this type of analysis is that the utility
5 applying for a rate increase is not always a publicly traded company, as is
6 the case with Arizona Water. Because there is no financial data available
7 on dividends paid on *publicly held shares*⁷ of Arizona Water common
8 stock or the historical market prices of the Company's common stock, it
9 was necessary to create a proxy by analyzing publicly traded water
10 companies with similar risk characteristics.

11
12 Q. What criteria did you use in selecting the water companies that make up
13 your proxy for Arizona Water?

14 A. Each of the water companies used in the proxy are followed by Value Line
15 Investment Survey ("Value Line") and comprise Value Line's Water Utility
16 Industry segment of the U.S. economy.

17
18 Q. Are these the same water companies that Arizona Water used in its
19 application?

20 A. Yes, Arizona Water used all of the water companies included in my proxy.
21

⁷ In the case of Arizona Water, the Company is a closely held corporation that pays dividends on shares of common stock that are not publicly traded.

1 Q. Are there any other advantages to the use of a proxy?

2 A. Yes. As I noted earlier, the U.S. Supreme Court ruled in the Hope
3 decision that a utility is entitled to earn a rate of return that is
4 commensurate with the returns on investments of other firms with
5 comparable risk. The proxy technique that I have used derives that rate of
6 return. One other advantage to using a sample of companies is that it
7 reduces the possible impact that any undetected biases, anomalies, or
8 measurement errors may have on the DCF growth estimate.

9

10 Q. Please explain your DCF growth rate calculations for the sample
11 companies used in your proxy.

12 A. Schedule WAR-6 provides retention ratios, returns on book equity, internal
13 growth rates, book values per share, numbers of shares outstanding, and
14 the compounded share growth for each of the utilities included in the
15 sample for the period 1998 to 2002. Schedule WAR-6 also includes Value
16 Line's projected 2003, 2004, and 2006-2008 values for the retention ratio,
17 equity return, book value per share growth rate, and number of shares
18 outstanding.

19

20

21

22

1 Q. Please describe how you used the information displayed in Schedule
2 WAR-6 to estimate each comparable utility's dividend growth rate?

3 A. In explaining my analysis, I will use American States Water Company,
4 NYSE symbol AWR, as an example. The first dividend growth component
5 that I evaluated was the internal growth rate. I used the "b x r" formula
6 (page 10) to multiply AWR's earned return on common equity by its
7 earnings retention ratio for each year 1998 through 2002 to derive the
8 utility's annual internal growth rates. I used the mean average of this five-
9 year period as a benchmark against which I compared the 2003 internal
10 growth rate and projected growth rate trends provided by Value Line.
11 Because an investor is more likely to be influenced by recent growth
12 trends, as opposed to historical averages, the five-year mean noted earlier
13 was used only as a benchmark figure. As shown on Schedule WAR-6,
14 AWR's sustainable internal growth rate averaged 2.99 percent from 1998
15 to 2002. This average 2.99 percent figure reflects an upward trend that
16 occurred in the first four years of the observation period followed by a 7.00
17 percent drop to 3.33% recorded in 2002. During the 1998-2001 time
18 frame, the company's growth rate consistently increased from a low of
19 2.09% in 1998, to a high of 3.59% in 2001. Value Line is predicting a
20 further decline to 3.13% for 2003 with projected increases ranging from
21 3.60% in 2004 to 4.94% during the 2006-2008 time frame. However, after

1 weighing Value Line's 7.00% earnings and 2.00% dividend projections, I
2 believe that a 4.60% rate of growth would appear to be more realistic.

3
4 Q. Please continue with the external growth rate component portion of your
5 analysis.

6 A. Schedule WAR-6 demonstrates that despite the drop in AWR's
7 sustainable internal growth rate in 2002, the pattern of share's outstanding
8 increased from 13.44 million to 15.18 from 1998 to 2002. Value Line is
9 predicting that this level will increase to 16.80 million in 2003 and remain
10 constant through 2008. Still, some share growth is possible so I believe
11 that a 0.10% growth in shares is not unreasonable for AWR. My final
12 dividend growth rate estimate for AWR is 4.70 percent (4.60 percent
13 internal + 0.10 percent external) and is shown on Page 1 of Schedule
14 WAR-5.

15
16 Q. What is your average dividend growth rate estimate using the DCF model
17 for the sample water utilities?

18 A. Based on the DCF model; my average dividend growth rate estimate is
19 5.90 percent as displayed on Page 1 of Schedule WAR-5.

1 Q. How does your average dividend growth rate compare to the growth rate
2 data of other publicly traded firms?

3 A. Overall my estimate is in line with the projections of analysts at Zacks
4 Investment Research, Inc. ("Zacks") and somewhat optimistic when
5 compared with the projections of analysts at Value Line. Schedule WAR-7
6 compares my sustainable growth estimates with the five-year projections
7 of both Zacks and Value Line. The 5.90 percent estimate that I have
8 calculated matches the projected EPS average of 5.90 percent for Zacks
9 and 5.78 percent for Value Line (which is an average of EPS, DPS and
10 BVPS). My 5.90 percent estimate is 251 basis points higher than the five-
11 year compound historical average also displayed in Schedule WAR-7.
12 This indicates that investors are expecting increased performance from
13 water utilities in the future. On balance, I would say my 5.90 percent
14 estimate is a good representation of the growth projections that are
15 available to the investing public.

16
17 Q. How did you calculate the dividend yields displayed in Schedule WAR-4?

18 A. I used the estimated annual dividends, for the next twelve-month period,
19 that appeared in the May 2, 2003 Ratings and Reports water utility update
20 of The Value Line Investment Survey. I then divided that figure by the
21 eight-week average price per share of the appropriate utility's common

1 stock. The eight-week average price is based on the daily closing stock
2 prices for each utility for the period April 21, 2003 to June 13, 2003.

3
4 Q. Based on the results of your DCF analysis, what is your cost of equity
5 capital estimate for the water utilities included in your sample?

6 A. As shown in Schedule WAR-3, the cost of equity capital derived from my
7 analysis is 9.18 percent.

8
9 **Capital Asset Pricing Model (CAPM) Method**

10 Q. Please explain the theory behind the capital asset pricing model ("CAPM")
11 and why you decided to use it as an equity capital valuation method in this
12 proceeding.

13 A. CAPM is a mathematical tool that was developed during the early 1960's
14 by William F. Sharpe.⁸ The CAPM model is used to analyze the
15 relationships between rates of return on various assets and risk as
16 measured by beta.⁹ In this regard, CAPM can help an investor to
17 determine how much risk is associated with a given investment so that he
18 or she can decide if that investment meets their individual preferences.

⁸ William F. Sharpe, "A Simplified Model of Portfolio Analysis," Management Science, Vol. 9, No. 2 (January 1963), pp. 277-93.

⁹ Beta is defined as an index of volatility, or risk, in the return of an asset relative to the return of a market portfolio of assets. It is a measure of systematic or non-diversifiable risk. The returns on a stock with a beta of 1.0 will mirror the returns of the overall stock market. The returns on stocks with betas greater than 1.0 are more volatile or riskier than those of the overall stock market; and if a stock's beta is less than 1.0, its returns are less volatile or riskier than the overall stock market.

1 Finance theory has always held that as the risk associated with a given
2 investment increases, so should the expected rate of return on that
3 investment and vice versa. According to CAPM theory, risk can be
4 classified into two specific forms: nonsystematic or diversifiable risk, and
5 systematic or non-diversifiable risk. While nonsystematic risk can be
6 virtually eliminated through diversification (i.e. by including stocks of
7 various companies in various industries in a portfolio of securities),
8 systematic risk, on the other hand, cannot be eliminated by diversification.
9 Thus, systematic risk is the only risk of importance to investors. Simply
10 stated, the underlying theory behind CAPM states that the expected return
11 on a given investment is the sum of a risk-free rate of return plus a market
12 risk premium that is proportional to the systematic (non-diversifiable risk)
13 associated with that investment. In mathematical terms, the formula is as
14 follows:

$$k = r_f + [\beta (r_m - r_f)]$$

15
16
17 where: k = cost of capital of a given security,
18 r_f = risk-free rate of return,
19 β = beta coefficient, a statistical measurement of a
20 security's systematic risk,
21 r_m = average market return (e.g. S&P 500), and
22 r_m - r_f = market risk premium.

1 Q. What security did you use for a risk-free rate of return in your CAPM?

2 A. I used an average of a 91-day Treasury Bill ("T-Bill") rate¹⁰ and the 91-day
3 T-Bill futures rate that appeared in the June 20, 2003 issue of The Wall
4 Street Journal ("WSJ"). This resulted in a risk-free (r_f) rate of return of
5 0.91 percent.

6
7 Q. Why did you use the short-term T-Bill rate as opposed to the yield on an
8 intermediate 5-year Treasury note or a long-term 30-year Treasury bond?

9 A. Because a 91-day T-Bill presents the lowest possible total risk to an
10 investor. As citizens and investors, we would like to believe that U.S.
11 Treasury securities (which are backed by the full faith and credit of the
12 United States Government) pose no threat of default no matter what their
13 maturity dates are. However, a comparison of various Treasury
14 instruments will reveal that those with longer maturity dates do have
15 slightly higher yields. Treasury yields are comprised of two separate
16 components,¹¹ a true rate of interest (believed to be approximately 2.00
17 percent) and an inflationary expectation. When the true rate of interest is
18 subtracted from the total treasury yield, all that remains is the inflationary
19 expectation. Because increased inflation represents a potential capital

¹⁰ A six-week average was computed for the current rate using 91-day T-Bill quotes listed in Value Line's Selection and Opinion newsletter from May 16, 2003 to June 20, 2003.

¹¹ As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the true rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

1 loss, or risk, to investors, a higher inflationary expectation by itself
2 represents a degree of risk to an investor. Another way of looking at this
3 is from an opportunity cost standpoint. When an investor locks up funds in
4 long-term T-Bonds, compensation must be provided for future investment
5 opportunities foregone. This is often described as maturity or interest rate
6 risk and it can affect an investor adversely if market rates increase before
7 the instrument matures (a rise in interest rates would decrease the value
8 of the debt instrument). As discussed earlier in the DCF portion of my
9 testimony, this compensation translates into higher rates of returns to the
10 investor. Since a 91-day T-Bill presents the lowest possible total risk to an
11 investor, it more closely meets the definition of a risk-free rate of return
12 and is the more appropriate instrument to use in a CAPM analysis.

13
14 Q. How did you calculate the market risk premium used in your CAPM
15 analysis?

16 A. I used both a geometric and an arithmetic mean of the historical returns on
17 the S&P 500 index from 1926 to 2002 as the proxy for the market rate of
18 return (r_m). The risk premium ($r_m - r_f$) that results by using the geometric
19 mean calculation for r_m is equal to 9.29 percent (10.20 percent – 0.91
20 percent). The risk premium that results by using the arithmetic mean
21 calculation for r_m is 11.29 percent (12.20 percent – 0.91 percent).

22

1 Q. How did you select the beta coefficients that were used in your CAPM
2 analysis?

3 A. The beta coefficients (β), for the individual utilities used in my sample,
4 were calculated by Value Line and were current as of May 2, 2003. Value
5 Line calculates its betas by using a regression analysis between weekly
6 percentage changes in the market price of the security being analyzed
7 and weekly percentage changes in the NYSE Composite Index over a
8 five-year period. The betas are then adjusted by Value Line for their long-
9 term tendency to converge toward 1.00. The beta coefficients for the
10 water utilities included in my sample ranged from 0.60 to 0.70 with an
11 average beta of 0.63.

12
13 Q. What are the results of your CAPM analysis?

14 A. As shown on Pages 1 and 2 of Schedule WAR-8, my CAPM calculation
15 using a geometric mean for r_m results in an average expected return of
16 6.79 percent. My calculation using the arithmetic mean results in an
17 average expected return of 8.06 percent. The consensus among financial
18 analysts is that the arithmetic mean is the better of the two averages. For
19 this reason, I believe that the 8.06 percent figure is the better check on the
20 results of my DCF analysis.

21

1 Q. Please summarize the results derived under each of the methodologies
2 presented in your testimony.

3 A. The following is a summary of the cost of equity capital derived under
4 each methodology used:

<u>METHOD</u>	<u>RESULTS</u>
DCF	9.18%
CAPM	6.79% – 8.06%

5
6
7
8
9
10 Based on these results, my best estimate of an appropriate range for the
11 cost of equity is 6.79 percent to 9.18 percent. My final recommendation is
12 a 9.18 percent return for Arizona Water's cost of equity capital.

13
14 **Current Economic Environment**

15 Q. Please explain why it is necessary to consider the current economic
16 environment when performing a cost of equity capital analysis for a
17 regulated utility.

18 A. Consideration of the economic environment is necessary because trends
19 in interest rates, present and projected levels of inflation, and the overall
20 state of the U.S. economy determine the rates of return that investors earn
21 on their invested funds. Each of these factors represent potential risks
22 that must be weighed when estimating the cost of equity capital for a

1 regulated utility and are, most often, the same factors considered by
2 individuals who are investing in non-regulated entities also.

3
4 Q. Please discuss your analysis of the current economic environment.

5 A. My analysis includes a review of the economic events that have occurred
6 since 1990. Schedule WAR-9 displays various economic indicators and
7 other data that I will refer to during this portion of my testimony.

8 In 1991, as measured by the annual change in gross domestic product
9 ("GDP"), the U.S. Economy experienced a rate of growth of only 0.85
10 percent. This decline in GDP marked the beginning of a mild recession
11 that ended sometime before the end of the first half of 1992. Reacting to
12 this situation, the Federal Reserve Board ("Federal Reserve" or "Fed"),
13 chaired by noted economist Alan Greenspan, lowered its benchmark
14 federal funds rate¹² in an effort to further loosen monetary constraints - an
15 action that resulted in lower interest rates.

16 During this same period, the nation's major money center banks followed
17 the Federal Reserve's lead and began lowering their interest rates as well.

18 By the end of the fourth quarter of 1993, the prime rate (the rate charged
19 by banks to their best customers) had dropped to 6.00 percent from a
20 1990 level of 10.01 percent. In addition, the Federal Reserve's discount

¹² The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board, respectively.

1 rate on loans to its member banks had fallen to 3.00 percent and short-
2 term interest rates had declined to levels that had not been seen since
3 1972.

4
5 Although GDP increased in 1992 and 1993, the Federal Reserve took
6 steps to increase interest rates beginning in February of 1994, in order to
7 keep inflation under control. By the end of 1995, the Federal discount rate
8 had risen to 5.21 percent. Once again, the banking community followed
9 the Federal Reserve's moves. The Fed's strategy, during this period, was
10 to engineer a "soft landing." That is to say that the Federal Reserve
11 wanted to foster a situation in which economic growth would be stabilized
12 without incurring either a prolonged recession or runaway inflation.

13
14 Q. Did the Federal Reserve achieve its goals during this period?

15 A. The Fed's strategy of decreasing interest rates to stimulate the economy
16 worked. The annual change in GDP began an upward trend in 1991. A
17 change of 3.9 percent was recorded at the end of both 1997 and 1998.
18 Based on daily reports that were presented in the mainstream print and
19 broadcast media during most of 1999, there appeared to be little doubt
20 among both economists and the public at large that the U.S. was
21 experiencing a period of robust economic growth highlighted by low rates
22 of unemployment and inflation. Investors who believed that technology

1 stocks and Internet company start-ups (with little or no history of earnings)
2 had high growth potential, purchased these types of issues with
3 enthusiasm. These types of investors, who exhibited what Chairman
4 Greenspan described as "irrational exuberance," pushed stock prices and
5 market indexes to all time highs from 1997 to 2000.

6
7 Q. What has been the state of the economy over the last two years?

8 A. The U.S. economy plunged into recession following the tragic events of
9 September 11, 2001. The bullish trend, which had characterized the last
10 half of the 1990's, had already run its course sometime during the third
11 quarter of 2000. Economic data released since the beginning of 2001
12 had already been disappointing during the months preceding the terrorist
13 attacks on the World Trade Center and the Pentagon. Slower growth
14 figures, rising layoffs in the high technology manufacturing sector, and
15 falling equity prices (due to lower earnings expectations) prompted the
16 Fed to begin cutting interest rates as it had done in the early 1990's. The
17 now infamous terrorist attacks on New York and Washington D.C.
18 triggered an economic slump that prompted the Federal Reserve to
19 continue its rate cutting actions through December 2001.

20
21
22

1 Q. What actions has the Federal Reserve taken in terms of interest rates
2 since the beginning of 2001?

3 A. To date, the Federal Reserve has cut interest rates thirteen times since
4 the beginning of 2001. Despite some signs of economic strength, that
5 were mainly attributed to consumer spending, Chairman Greenspan
6 appeared to be concerned with sharp declines in capital spending in the
7 business sector. Prior to the 9/11 attacks, Commentators reporting in both
8 the mainstream financial press and various economic publications,
9 including Value Line, believed that the Fed Chairman was cutting rates in
10 the hope of avoiding the recession that the U.S. is presently experiencing.

11
12 Despite several intervals in which the Federal Open Market Committee
13 ("FOMC") decided not to cut interest rates, moves that indicated that the
14 worst may be over and that the current recession might have bottomed out
15 in the last quarter of 2001, a lackluster economy has persisted. This
16 continuing economic malaise prompted the FOMC to make its thirteenth
17 rate cut on June 24, 2003. The quarter point cut reduced the federal
18 funds rate to 1.00 percent, the lowest level in 45 years.

19
20 Q. How has the Fed's actions affected benchmark rates?

21 A. Virtually all of the benchmark rates have fallen to levels not seen in over
22 forty years. The Fed's actions have had the effect of reducing the cost of

1 many types of business and consumer loans. In addition to slashing the
2 federal funds rate, the Fed has also cut the federal discount rate (the rate
3 charged to member banks) from 5.73 percent in 2000, to its present level
4 of only 2.00 percent. The federal discount rate has declined by three
5 hundred and fifty basis points since January 2001 when it stood at 5.50
6 percent.

7
8 Q. What has been the trend in other leading interest rates over the last year?

9 A. As of the first week of July 2003, all of the leading interest rates have
10 declined. The prime rate has fallen from 4.75 percent a year ago to a
11 current level of 4.00 percent. The benchmark federal funds rate, just
12 discussed, has dropped from 1.75 percent, in June 2002, to its current
13 level of 1.00 percent. The yields on all maturities of U.S. Treasury
14 instruments have declined over the past year. The 91-day T-bill rate, used
15 in my CAPM analysis, has declined from 1.69 percent, in June 2002, to
16 0.88 percent, as has the One-Year Treasury Constant Maturity rate, which
17 has dropped from 1.98 percent to 0.86 percent.

18
19 Q. How much more room does the Fed have for cutting interest rates?

20 A. In the months before the Fed's most recent rate cut move, Chairman
21 Greenspan made it clear that the Fed had other tools at its disposal to
22 boost the economy other than cutting its key interest rate, this includes

1 purchasing long-term U.S. Treasury Instruments. As has been reported in
2 the mainstream financial press, Chairman Greenspan is now more
3 concerned with deflation as opposed to inflation. A situation where falling
4 prices in goods and service can force employers to layoff employees as
5 part of their cost cutting measures to remain competitive in the
6 marketplace (a situation that existed during the great depression of the
7 1930's).

8
9 Q. How have analysts viewed the Fed's recent rate cutting actions and the
10 economy in general?

11 A. Economists at the major money center banks serving Arizona have
12 remained upbeat about the economy and the Fed's actions since January
13 of 2002. In his "Economic Brief" dated June 30, 2003, Bank of America
14 Chief Economist Mickey Levy forecasted for 3.00 percent to 3.25 percent
15 in annualized growth for the last half of 2003. In its "Selection & Opinion"
16 update dated July 4, 2003, Value Line stated their analysts believed that
17 the Fed's last interest rate cut will "energize the economy. " Value Line's
18 analysts have consistently reiterated their belief that the Fed's recent
19 actions on the interest rate front will result in a period of moderate
20 economic growth and low inflation. Value Line's analysts do not appear to
21 share Chairman Greenspan's fears regarding deflation. Sung Won Sohn,

1 the chief economist for Wells Fargo Bank, has even stated that mild
2 deflation may even be good for the equity markets.

3
4 Q. How would utilities such as Arizona water fare in a deflationary
5 environment?

6 A. Regulated public utilities would more than likely fare well in such an
7 environment. This is because utility rates would be immune to the same
8 economic pressures forcing the prices of competitive goods and services
9 down. Utility stocks would probably be extremely attractive to investors
10 since lower prices on the goods and services purchased by utilities would
11 result in higher earnings expectations and stable, possibly even increased,
12 dividend payouts.

13
14 Q. Please summarize how the economic data just presented relates to
15 Arizona Water.

16 A. Summarizing this information, as it relates to Arizona Water, the current
17 low (or for that matter nonexistent) rate of inflation translates into stable
18 and even possibly declining prices for goods and services, which in turn
19 means that Arizona Water can expect its present operating expenses to
20 either remain stable or possibly decline in the coming years. Lower
21 interest rates would also benefit Arizona Water in regard to the Company's
22 short and long-term borrowing needs. Lower interest rates, would further

1 help to accelerate growth in new construction projects and home
2 developments in the Company's service territories, and may result in new
3 revenue streams to Arizona Water.

4
5 Q. After weighing the economic information that you've just discussed, do you
6 believe that your 6.79 percent to 9.18 percent estimated cost of equity
7 capital is reasonable for Arizona Water?

8 A. I believe that my estimate of equity costs will provide Arizona Water with a
9 reasonable rate of return on the Company's invested capital when the data
10 on lower interest rates, continued growth in construction, and the low and
11 stable outlook for inflation are all taken into consideration. As I noted
12 earlier, the Hope decision determined that a utility is entitled to earn a rate
13 of return that is commensurate with the returns it would make on other
14 investments with comparable risk. I believe that my DCF analysis has
15 produced such a return. The results that I have obtained are consistent
16 with Value Line's view that water utility stocks are likely to appeal to
17 conservative investors who seek steady earnings growth and good
18 dividend yield. In Value Line's opinion, water utilities, such as Arizona
19 Water, which face little to no competition in their geographic service areas,
20 are the nation's last pure monopolies (hence low risk resulting in lower
21 returns on investment).

22

1 **COST OF DEBT**

2 Q. Have you accepted the Company's 8.44 percent cost of long-term debt?

3 A. Yes. The Company has not issued any additional long-term debt since its
4 Northern Group rate case in 2001. During that proceeding I accepted the
5 Company's methodology for calculating its cost of debt on the bond
6 issuances that were outstanding at the end of December 31, 2002, the
7 post-test year period that RUCO has adopted in this proceeding (Schedule
8 WAR-2).

9
10 Q. Have you accepted the Company's 7.37 percent cost of short-term debt?

11 A. No. Based on information obtained through data requests from the
12 Company, I have placed the Company's short-term cost of debt at 4.00
13 percent.

14
15 Q. How did you arrive at your recommended 4.00 percent cost of short-term
16 debt?

17 A. My recommended cost of 4.00 percent is based on the fact that the
18 Company's only short-term debt balance, as of December 31, 2002,
19 consisted of borrowings from a line of credit from Bank of America.
20 Decision No. 64996, dated June 26, 2002 ordered that the interest rate on
21 this line of credit was not to exceed Bank of America's reference rate

1 minus 25 basis points. According to the Company, Bank of America's
2 reference rate was 4.25 percent as of November 2002.

3
4 **CAPITAL STRUCTURE**

5 Q. Have you reviewed Arizona Water's testimony regarding the Company's
6 proposed capital structure?

7 A. Yes, I have.

8
9 Q. Please describe the Company's proposed capital structure.

10 A. The Company-proposed (actual and adjusted) Test Year capital structure,
11 which allocates total Company debt and equity on a percentage basis for
12 the Eastern Group in Schedule D-1 of Arizona Water's Application, is
13 comprised of 3.79 percent in short-term debt, 30.55 percent long-term
14 debt and 65.87 percent in common equity. The Company's projected
15 2002 capital structure is comprised of 9.05 percent short-term debt, 27.65
16 percent long-term debt and 63.30 percent in common equity.

17
18 Q. What capital structure are you proposing for Arizona Water?

19 A. My proposed capital structure, displayed in Schedule WAR-1, is
20 comprised of 5.62 percent in short-term debt, 28.24 percent in long-term
21 debt and 66.13 percent in common equity. In keeping with RUCO's
22 recommendation to match all of the Company's ratemaking elements to

1 the period ended December 31, 2002, I have used the balances of debt
2 and equity that were recorded on the Company's books at the end of
3 2002.

4
5 Q. How does your recommended cost of equity capital compare with the cost
6 of equity capital proposed by the Company?

7 A. The 12.40 percent cost of equity capital, based on the actual and adjusted
8 Test Year capital structure, proposed by the Company is 322 basis points
9 higher than the 9.18 percent cost of equity capital that I am
10 recommending. This is also true for the Company's projected 2002 capital
11 structure.

12
13 Q. How does the Company's proposed weighted cost of capital compare with
14 your recommendation?

15 A. The Company has proposed a weighted cost of capital of 11.00 percent.
16 This composite figure is the result of a weighted average of Arizona
17 Water's proposed 7.37 percent cost of short-term debt, 8.46 percent cost
18 of long-term debt and a 12.40 percent cost of equity capital. The
19 Company-proposed 11.00 percent weighted cost of capital is 232 basis
20 points higher than the 8.68 percent weighted cost that I am
21 recommending. The Company's weighted cost of capital of 10.85 percent

1 for the projected 2002 period is 217 basis points higher than my
2 recommended 8.68 percent weighted cost of capital.

3
4 Q. Is Arizona Water's capital structure in line with industry averages?

5 A. No. Arizona Water's capital structure is heavier in equity than the capital
6 structures of the other water companies included in my cost of capital
7 analysis (Schedule WAR-10). The capital structures for those utilities
8 averaged 59.9 percent for debt (7.8 percent short-term debt + 52.1
9 percent long-term debt) and 40.1 percent for equity (0.2 percent preferred
10 equity + 39.9 percent common equity).

11
12 Q. In terms of risk, how does Arizona Water's capital structure compare to
13 the water utilities in your sample?

14 A. The water utilities in my sample would be considered as having a higher
15 level of financial risk (i.e. the risk associated with debt repayment)
16 because of their higher levels of debt. The additional financial risk due to
17 debt leverage is embedded in the cost of equities derived for those
18 companies through the DCF analysis. Thus, the cost of equity derived in
19 my DCF analysis is applicable to companies that are more leveraged and,
20 theoretically speaking, riskier than a utility with a level of debt similar to
21 Arizona Water's. In the case of a publicly traded company, such as those
22 included in my proxy, a company with Arizona Water's level of debt would

1 be perceived as having a lower level of financial risk and would therefore
2 also have a lower expected return on common equity.

3
4 Q. Have you made a downward adjustment to your DCF estimate based on
5 this perception of lower financial risk?

6 A. No. I have not made an adjustment to my recommended cost of equity. I
7 recognize that Arizona Water may have some degree of risk that would
8 not be present in the sample companies. However, I believe that such risk
9 is minimal at best. Well-managed regulated water utilities are similar in
10 nature regardless of their size; however, a smaller utility may experience a
11 slightly higher level of liquidity risk due to size. Arizona Water's potential
12 for a small degree of liquidity risk is more than offset by its lower level of
13 financial risk.

14
15 **COMMENTS ON ARIZONA WATER'S COST OF EQUITY CAPITAL**

16 **TESTIMONY**

17 Q. Are there portions of the cost of equity capital testimony presented by the
18 Company that you would like to comment on?

19 A. Yes. I would like to discuss the methodologies used to calculate the
20 Company's proposed cost of equity capital and the factors on which the
21 Company is relying on in support of a risk premium.

22

1 **Comparison of Methods**

2 Q. What methodology did Arizona Water use to determine its proposed cost
3 of equity capital?

4 A. The Company's consultant, Dr. Thomas M. Zepp, used two methods for
5 determining a cost of equity capital: the DCF and a risk premium method,
6 which I did not use in my cost of common equity analysis.

7
8 Q. Please compare Dr. Zepp's DCF results and the results of your DCF
9 analysis.

10 A. Dr. Zepp's DCF analysis derived an estimated cost of equity capital for
11 sample water and gas utilities that ranged from 11.00 percent to 11.20
12 percent, which is 182 to 202 basis points higher than the 9.18 percent
13 result derived from my DCF analysis. Dr. Zepp's estimated equity costs
14 for Arizona Water ranged from 12.00 percent to 12.70 percent or 282 to
15 352 basis points higher than my 9.18 percent recommended cost for
16 equity capital. Dr. Zepp's final recommended cost of common equity for
17 Arizona water of 12.40 percent is based on his belief that a 100 to 150
18 basis point risk adjustment is warranted for Arizona Water because of the
19 risks that the Company faces.

1 Q. What factors does Dr. Zepp cite in order to justify an additional return over
2 the results of his cost of equity capital analysis?

3 A. Dr. Zepp cites the following factors:

4

5 a) company size,

6 b) inability to place bonds at reasonable rates,

7 c) not being publicly traded,

8 d) historical test year concept practiced in Arizona; and

9 e) new Environmental Protection Agency ("EPA")
10 standards for arsenic.

11

12 Dr. Zepp proposes that these factors merit a 100 to 150 basis point
13 increase, or a 1.00 percent to 1.50 percent risk premium, above the rates
14 of return derived from the lower range of his DCF and risk premium
15 results.

16

17 Q. Do you agree with Dr. Zepp's position that a 100 to 150 basis point "risk
18 premium" should be added to Arizona Water's cost of equity capital based
19 on the issues listed in the Company's Application?

20 A. No I do not. I will address each of these issues in the remainder of my
21 direct testimony.

22

23

1 **Company Size**

2 Q. What sources does Dr. Zepp cite as a justification for a risk premium
3 based on company size?

4 A: Dr. Zepp cites several sources that advocate a risk premium because of
5 firm size. The first source is a 1997 article¹³ published by Eugene Fama
6 and Kenneth R. French that, according to Dr. Zepp, presents evidence
7 that smaller companies, with betas that are identical to larger companies,
8 are generally riskier. The second source, which is closely related to the
9 findings presented in the Fama-French article just noted, is Chapter 7 of
10 Ibbotson Associates' annual publication Stocks Bonds, Bills and Inflation,
11 2000 Yearbook ("SBBI Yearbook"), which advocates that a risk premium is
12 warranted on smaller sized firms because their actual returns exceed the
13 expected returns that are derived from the results of a CAPM analysis.
14 The third source is a decision on a California water utility (Park Water
15 Company) that was influenced by a 1990 California Public Utilities
16 Commission ("CPUC") Order Instituting Investigation (OII). In regard to
17 this last source, the Company cites a CPUC study that has been quoted in
18 other Arizona proceedings as a justification for a risk premium¹⁴.

19
20

¹³ Fama, E.F. and French, K.R., "Industry Costs of Equity," The Journal of Financial Economics,
No. 43 (1997), pp. 153-193.

¹⁴ Bermuda Water Company, Docket No. W-01812A-98-0390, Exhibit A-12 presented during
hearing.

1 Q. Have you reviewed these studies?

2 A. Yes, I have.

3

4 Q. Does the Fama-French article cited by the Company support a risk
5 premium?

6 A. The "Industry Costs of Equity" article by Fama and French presents
7 research in support of their position that the CAPM (developed by Sharpe,
8 Lintner and Black) and a three-factor equity-pricing model (created by
9 Fama and French) provide imprecise estimates of cost of equity. I believe
10 that this article is a continuation of research originally presented 1992, and
11 does not contain any new revelations in regard to an ongoing debate in
12 the academic community over the returns of publicly traded small
13 capitalization firms. Both the 1992 and 1997 Fama French articles do,
14 however, refer to a third journal article titled "Structural and Return
15 Characteristics of Small and Large Firms," which was published by K.C.
16 Chan and Nai-Fu Chen ("Chan & Chen") in the September 1991 issue of
17 The Journal of Finance. This article presents evidence that small size by
18 itself does not necessarily imply higher risk and that differences in market
19 capitalization fail to explain why small and large firms have different
20 responses to economic news.

21

22

1 Q. What were the findings presented in the Chan & Chen article?

2 A. Chan & Chen concluded that certain smaller publicly traded firms on the
3 NYSE, are firms that can be best described as economically distressed.
4 That is to say that these firms were once large capitalization companies
5 that *declined* in size because of poor management (i.e. being run
6 inefficiently) a situation that contributed to their higher financial leverage
7 (i.e. higher levels of debt). These types of companies, or “marginal firms”
8 as Chan & Chen refer to them, also suffer from cash flow problems that
9 are a result of their higher levels of debt. Because these “marginal firms”
10 are experiencing declining cash flows, they are often forced to cut their
11 dividends. This in turn causes their stock prices to fall because investors
12 are not realizing their expected rate of return. Chan & Chen’s findings
13 also addressed a seasonal phenomenon, known as the January effect,
14 which is exhibited in the monthly return data on the publicly traded stocks
15 of marginal firms.

16
17 Q. Would Arizona Water fit the description of a marginal firm in terms of the
18 Company’s level of debt?

19 A. I do not believe so. As I explained in my testimony on the Company’s
20 capital structure, Arizona Water’s post-test year 2002 debt level of 33.86
21 percent was 26.04 percent lower than the average debt level of all the
22 water utilities tracked by Value Line.

1 Q. Has Arizona Water had a history of cash flow problems?

2 A. Not according to data compiled from the Company's Annual Reports to the
3 ACC's Utilities Division. Between 1992 and 2002, Arizona Water reported
4 positive after-tax net income ranging from \$2.6 million in 1992 to \$6.2
5 million in 2002. The Company also paid out regular dividends to
6 shareholders in each of these years. In terms of Arizona Water's ability to
7 meet the Company's debt obligations, Decision No. 64996, dated June 26,
8 2002, which approved the Company's current line of credit with Bank of
9 America, stated that Commission Staff had calculated a pro forma times
10 interest earned ratio¹⁵ ("TIER") of 3.86 and a debt service coverage ratio¹⁶
11 ("DSC") of 3.69. Generally speaking, a TIER of at least 1.50 and a DSC of
12 1.25 are considered to be adequate. The results of Staff's financial
13 analysis in the aforementioned proceeding indicate that Arizona Water
14 had more than adequate cash flows needed to meet the Company's
15 annual debt service obligations.

16
17 Q. Did Arizona Water cut the Company's dividend per share that was paid
18 out at any time during the period from 1992 to 2002?

19 A. Only during the Test Year. In 2000 the Company paid out an \$11.45 per
20 share dividend (53.26 percent of net income) the largest dividend paid

¹⁵ A ratio that measures the number of times that a company's earnings will cover its contractual interest obligations.

¹⁶ The number of times that a company's cash flow will cover its principal and interest payments.

1 prior to that year. During the Test Year, the Company paid out \$5.58 per
2 share (34.34 percent in net income), the first cut in dividends since 1989.
3 However, in 2002 the Company paid out a dividend of \$11.81 per share,
4 the largest dividend paid since 1989 (51.61 percent of net income). Prior
5 to the 2000 operating period, Arizona Water's dividends increased an
6 average 6.9 percent between 1989 and 1999. This average included a
7 9.4 percent increase during 1999 due to a special dividend which was paid
8 out in addition to the Company's regular annual dividend.¹⁷ The
9 Company's dividend payout averaged 47.8 percent of net income over this
10 same period of time.¹⁸

11
12 Q. Is there any other evidence that would support your view that Arizona
13 Water does not fit the description of a marginal firm?

14 A. Yes, the Commission-approved \$11.5 million line of credit with Bank of
15 America discussed earlier. In my opinion, the fact that Bank of America is
16 extending credit to the Company reinforces my position that Arizona Water
17 is a creditworthy entity and certainly not one that is viewed by financial
18 institutions as a lending risk or, for that matter, a marginal firm.

19

¹⁷ During 1999, Arizona Water paid a regular dividend of \$9.87 and a special dividend of \$7.41.

¹⁸ Based on 270,000 shares of common stock.

1 Q. Please describe the information presented in Chapter 7 of the SBBI
2 publication.

3 A. As noted earlier Chapter 7 of the SBBI Yearbook advocates risk premiums
4 for firms with certain size characteristics because the actual returns of
5 these types of firms exceed the expected returns that are derived from the
6 results of a CAPM analysis. The chapter presents the results of NYSE
7 Common stock return data, observed from 1926 to the present, on various
8 sized firms in ten different size groups or "deciles."

9

10 Q. Given the information that is presented in the SBBI Yearbook, why are you
11 convinced that a risk premium is not warranted?

12 A. My principal rejection of the information contained in Chapter 7 of the
13 SBBI Yearbook is because it is not utility specific. A compelling argument
14 as to why the size effect does not apply to regulated utilities can be found
15 in the attached study by Annie Wong titled Utility Stocks and the Size
16 Effect: An Empirical Analysis (Attachment 1).

17

18 Q. Do you have any additional comments on Chapter 7 of the SBBI
19 Yearbook?

20 A. Yes. I think that it is interesting to note that there is a passage in the
21 chapter that briefly discusses a seasonal phenomenon that is known as
22 the "January effect" (which I noted earlier in my discussion on the Chan

1 and Chen article published in 1991). In my opinion, this passage is
2 something of a disclaimer for the small capitalization stock results that are
3 presented in the chapter.
4

5 Q. What exactly is the January effect?

6 A. The January effect refers to a situation that has existed for at least the last
7 thirty-six years and may have occurred in forty of the last forty-seven
8 years, whereby small company stocks outperform large company stocks
9 from the end of December through January. Research conducted in 1981
10 by Donald B. Keim¹⁹ and later by Robert A. Haugen,²⁰ revealed that
11 virtually all of the effect occurred in the month of January and that a large
12 part of the effect occurred within the first five days of January. In other
13 words there is virtually no significant difference in the prices (which would
14 affect the rates of return on the stocks that are used to calculate beta) of
15 small company stocks and large company stocks during the remaining
16 eleven months of the year. Given this information, I believe that there
17 appears to be no really sound rationale for a small company premium.
18

¹⁹ Keim, D.B. "Size-Related Anomalies and Stock Return Seasonality: Further Empirical Evidence," Journal of Financial Economics, Vol. 12, no. 1 (June. 1983): 13-32.

²⁰ Haugen, Robert A. and Philippe Jorion "The January Effect: Still There After All These Years," Financial Analysts Journal. (Jan. Feb. 1996): 27-31.

1 Q. What exactly causes this difference in performance between small
2 company and large company stocks primarily in January?

3 A. The conventional wisdom on the subject is that the difference results from
4 both portfolio balancing and tax-loss selling by large institutional investors
5 (i.e. mutual and pension funds) at the end of December. Since this sell off
6 (which results in a drop in small company stock prices) occurs at the end
7 of the year, these same small company stocks tend to rebound during the
8 early days of January. This is due to increased demand for small
9 company stocks from optimistic investors. As a result of this increased
10 demand, the prices of small company stocks are driven up higher than the
11 prices for large company stocks.

12
13 Because the sell off may be tax motivated, it has even been suggested
14 that the policies of the federal government would essentially perpetuate
15 the January effect on an annual basis. However, it is interesting to note
16 that the January effect has not materialized since 1995 (although some
17 analysts believe that the timing of the effect has shifted to October and
18 November). According to an article, dated February 3, 1997, which
19 appeared on the CNN Financial Network Internet web site, the absence of
20 the January effect in recent years may have occurred due to a shift in
21 buying habits among younger investors who prefer large company stocks.
22 If this is actually the case, the lack of demand kept the prices of small

1 company stocks down and also in line with the prices of large company
2 stocks. This would only strengthen the argument that no real difference
3 exists between the prices of small company stocks and large company
4 stocks and further weakens the argument for a small company premium.

5
6 Q. Have you reviewed the background on the Park Water Company case that
7 the Dr. Zepp cited his direct testimony in support of his proposed risk
8 premium?

9 A. Yes. The Park Water Company decision has its basis in two CPUC
10 decisions. Decision 92-03-093, dealt with California Class B, C and D
11 water utilities and Decision 94-06-033 dealt with larger California Class A
12 water utilities.

13
14 Q. Do these CPUC Decisions support a risk premium as requested by the
15 Company?

16 A. No. I do not believe that the findings and conclusions contained in these
17 two decisions support the risk premium being proposed by the Company.

18
19 Q. What is the background behind these two CPUC decisions?

20 A. As noted previously, these decisions were the result of a 1990 CPUC OIL.
21 Acting under this order, the CPUC Staff prepared a study ("CPUC Study")

1 that examined the risks faced by water providers operating in the state of
2 California.

3
4 Q. Briefly summarize the conclusions of the CPUC Decision 92-03-093.

5 A. Based on the conclusions and recommendations presented in the CPUC
6 Study, Decision 92-03-093 adopted a generic rate of return that ranged
7 from 11.6 percent to 12.1 percent for California Class C utilities and 13.9
8 percent to 14.4 percent on California Class D utilities.²¹ The CPUC Study,
9 which was conducted in 1991(at a time when interest rates were much
10 higher than now), concluded that the use of a rate of return on rate base
11 methodology is not the best method for compensating specific classes of
12 water utilities that are considered to be “risky,” or perhaps more
13 appropriately, that have been deemed to be “at risk.” These are water
14 providers that have relatively small rate bases and relatively high
15 operating expenses. In adopting its guidelines for setting rates for
16 companies that fall into these classes, the CPUC recognized “that Class C
17 and Class D water utilities are fundamentally different from Class A water
18 utilities in terms of the operational and financial risks [that] they face, [and]
19 it is not appropriate to tie the range of returns to those of Class A utilities.”
20
21

²¹ The Decision also stated that a rate of return could be set above or below these ranges if the facts of the case merited it.

1 Q. How are water utilities classified in California?

2 A. Unlike Arizona, which classifies utilities by the amount of operating
3 revenue that they generate, the CPUC classifies utilities by the number of
4 service connections that they have. These classifications are as follows:

5

6 Class A greater than 10,000 connections

7 Class B between 2,000 and 10,000 connections

8 Class C between 500 and 2,000 connections

9 Class D 500 or fewer connections

10

11 Q. Does Arizona Water, or the Company's Eastern Group as a whole fall into
12 the class C or D categories?

13 A. No.

14

15 Q. What class of utility would Arizona Water be under the CPUC system?

16 A. Arizona Water by itself would be a Class A utility if it were regulated by the
17 CPUC. The Company's Eastern Group, with 29,236 combined service
18 connections, would also qualify as a Class A utility as would the Apache
19 Junction system with its 16,093 customers. Bisbee, Sierra Vista and
20 Miami, would qualify as Class B utilities. Superior, San Manuel and
21 Oracle would be a Class C utility under the CPUC standard. Winkelman
22 would be a Class D utility. So in terms of service connections, only the

1 Superior, San Manuel, Oracle and Winkelman systems which are all
2 benefiting from various economies of scale by being a part of the larger
3 Arizona Water family of systems, would fall into a class of utility targeted in
4 the CPUC Study cited by the Company.

5
6 Q. What did Decision 94-06-033, which dealt with large Class A water
7 utilities, conclude?

8 A. As stated in the Introduction of CPUC Decision 94-06-033 the CPUC
9 concluded that “no fundamental change in our ratemaking procedures are
10 necessary at this time based on the risks of endemic water shortage and
11 increased costs of water quality.” However, the CPUC Staff does
12 distinguish somewhat between larger and smaller Class A utilities as
13 evidenced in a decision, cited by Dr. Zepp, on a California Class A water
14 utility, Park Water Company, which I will discuss later in my testimony.

15
16 **Inability to Place Bonds at Reasonable Rates**

17 Q. Please address Dr. Zepp’s justification for a risk premium based on
18 Arizona Water Company’s inability to place bonds at reasonable rates.

19 A. This is a moot point since Arizona Water successfully placed its Series K,
20 8.04 percent general mortgage bonds, due in 2031, during April 2001.
21 Although I will concede that it may have taken Arizona Water longer to
22 place this particular bond issue than others in the past (do to changing

1 market conditions for the size of the issues being offered), the fact
2 remains that the issue was indeed placed by the Company.

3
4 **Not Being Publicly Traded**

5 Q. What is your response to Dr. Zepp's argument that Arizona Water is
6 entitled to a risk premium because it is a closely held firm whose stock is
7 not publicly traded?

8 A. I believe that Chan & Chen's assertion that smallness by itself does not
9 necessarily imply higher risk could also be applied to the fact that Arizona
10 Water is a closely held firm. Although Arizona Water may not have the
11 same access to the capital markets that a publicly traded firm does, being
12 closely held has not prevented the Company from raising needed capital.
13 This includes Arizona Water's ability to place bond issues (the Company's
14 preferred method of debt financing), obtain lines of credit with major
15 money center banks such as Bank of America, or manage internally
16 generated funds in order to allow the Company to meet its annual debt
17 service obligations and still pay steadily increasing dividends on a regular
18 basis.

19
20 Other than not having access to the capital markets to issue additional
21 shares of common stock, the Company has been able to do virtually
22 everything else that a publicly traded firm can do – without having to deal

1 with the additional problems and costs associated with being a publicly
2 traded firm. This would include such things as shareholder relations
3 problems, the additional costs associated with producing annual reports to
4 shareholders, the costs associated with additional required regulatory
5 filings (i.e. annual 10-K's and quarterly 10-Q's) with the U.S. Securities
6 and Exchange Commission ("SEC"), the costs associated with registering
7 new issues of stocks and bonds with the SEC, not to mention the legal
8 costs associated with lawsuits by shareholders.

9
10 Q. Please respond to Dr. Zepp's Park Water Company²² ("Park Water")
11 example of a California Class A water utility that received an additional
12 rate of return based on its size?

13 A. According to the information contained on page 20 of Dr. Zepp's
14 testimony, the CPUC provided Park Water with an additional 30 basis
15 points for the following reasons:

- 16
17 a) small size,
18 b) limited financial flexibility,
19 c) demonstrated higher costs to borrow; and
20 d) vulnerability to catastrophic events.

²² Based on information contained on its Internet web site, Park Water is an investor owned, public water utility, that currently delivers water to approximately 60,000 service connections. Park Water serves a population of about 200,000 people in Los Angeles and San Bernardino Counties in California, and in Missoula and Superior Counties in Montana.

1 With the exception of “vulnerability to catastrophic events,” which I believe
2 refers to natural disasters, I have explained why I believe that none of the
3 aforementioned issues merit an increase for additional risk over my 9.18
4 percent cost of equity capital recommendation for Arizona Water.

5
6 Q. Do you believe that Arizona Water is vulnerable to the type of catastrophic
7 events that Park Water is exposed to?

8 A. A public utility operating in California would be subject to natural disasters
9 such as fire, earthquakes and mudslides. Of these types of disasters, I
10 believe that it is reasonable to assume that a major earthquake would
11 probably be the most catastrophic event faced by a water utility. Of the
12 three water utilities included in my proxy, two of them have large portions
13 of their operations located in the state of California. Of these three
14 utilities, the one that is probably the most vulnerable to earthquakes,
15 based on recent history is California Water (which operates in both
16 California and the state of Washington). Value Line is projecting returns
17 on common equity for California Water of 7.50 percent in 2003, 9.00
18 percent in 2004 and a 10.0 percent return during the 2006 – 2008 time
19 frame. Even if Arizona Water did experience losses from the types of
20 extraordinary incidents noted earlier, the Company would, as would any
21 other type of business in Arizona, recover losses through either insurance

1 coverage or possibly from some combination of state and/or federal
2 disaster relief funds.²³

3
4 Q. You have discussed catastrophic events in the context of a natural
5 disaster, what about a situation that would be unique to a water utility,
6 such as having to shut down a key well or losing some other major source
7 of water supply?

8 A. This type of catastrophic event would fall more in line with the ACC's
9 power to set emergency rates. The Commission has the authority to set
10 temporary rates (that are subject to refund) on a case by case basis that
11 will provide rate relief that is needed as a result of some sudden change
12 that brings hardship on a utility. In recent years the Commission has
13 granted numerous requests for emergency rates, the best example of
14 which was the ACC's decision regarding emergency rates for Far West
15 Water & Sewer, Inc., in which interim rates were established in order to
16 help cover the costs associated with Commission mandated
17 improvements to utility plant.²⁴

18

²³ Perhaps the best example of this is Bonita Creek Land and Homeowners Association, which was able to rebuild a water system that had been destroyed in a fire near Payson (the Dude Fire) through the use of state disaster relief funds.

²⁴ Decision No. 61833, dated July 20, 1999.

1 Q. What would be the effect of a 30 basis point increase, such as the one
2 granted to Park Water by the CPUC, to your cost of capital to Arizona
3 Water?

4 A. A 30 basis point increase to my recommended cost of common equity
5 would raise my recommended overall weighted cost of capital from 8.68
6 percent to 8.88 percent. While my recommended 8.68 percent rate of
7 return may be lower than returns realized by Arizona Water since the
8 Company's last authorized rate increase, it has to be remembered that my
9 recommended 8.44 percent cost of long-term debt is 173 basis points
10 lower than the 10.17 percent cost of long-term debt authorized by the
11 Commission in December 1992. This is largely due to the steady decline
12 in interest rates over the past eleven years which Arizona Water has taken
13 advantage of in its decision to refinance older higher cost long-term debt
14 instruments (i.e. the Company's Series G bonds).

15
16 **Historical Test Year Concept Practiced in Arizona**

17 Q. Please discuss risk in the context of the Company's regulatory climate in
18 Arizona.

19 A. The regulatory climate that a utility must operate in has always been
20 considered as a potential source of risk when determining the rate of
21 return that a utility is entitled to. In my opinion, the regulatory climate that
22 Arizona Water is operating in has never been more favorable to water

1 utilities. Over the past seven years, the federal reauthorization of the Safe
2 Drinking Water Act ("SDWA") has provided federal funds from which a
3 state revolving fund has been established. The fund, administered in
4 Arizona by the Water Infrastructure Authority ("WIFA"), has been set up to
5 provide low interest rate loans to water utilities that want to make
6 improvements to their systems. Unlike other states, such as Indiana,
7 which has in the past, exercised its discretionary power to limit the
8 distribution of that state's share of federal monies to public systems only,
9 Arizona has encouraged both public and investor owned systems like
10 Arizona Water to apply for WIFA loans. Although an Arizona-based water
11 provider might not wish to take advantage of loans offered by WIFA (for
12 whatever reasons decided on by the water provider's management) that
13 does not change the fact that low interest financing is available to the
14 water provider through the WIFA program. The ADEQ's Monitoring
15 Assistance Program ("MAP") is also now in place to aid water utilities on
16 their water testing needs.

17
18 Q. Can you cite any recent events that would support your claim that Arizona
19 is a favorable jurisdiction for water utilities?

20 A. Yes. American Water Works was recently acquired by RWE, a large
21 German conglomerate. Prior to becoming a part of RWE, American Water
22 Works (which owns Arizona American Water Company in Paradise Valley)

1 acquired the Sun City water and wastewater operations that were put up
2 for sale by Citizens Utilities. American States Water Co. ("American
3 States"), one of the firms included in my proxy, acquired Chaparral City
4 Water Company in Fountain Hills. This acquisition is noteworthy since it
5 marked the first time that American States had acquired a system outside
6 of California. Southwest Gas recently expanded its operations in Arizona
7 by acquiring Black Mountain Gas and UniSource Energy acquired the
8 electric and gas operations of Citizens Utilities. I don't believe that any of
9 these public utility holding companies would have expanded in Arizona if
10 they believed they were going to have to face a harsh regulatory climate.

11
12 Q. Are there other facts that would indicate that the Arizona jurisdiction is not
13 as risky as the Company would want one to believe?

14 A. One of the interesting things which I discovered while reviewing the CPUC
15 documents were the various aspects of California regulation which have
16 not even been major issues in the water utility proceedings that I have
17 been involved with in Arizona. This includes rigid caps on management
18 salary levels and strict policies that allow utilities to recover only fifty
19 percent of their fixed operating costs through minimum monthly service
20 charges. During the CPUC OII proceedings, Park Water expressed
21 displeasure over being subject to an imputed capital structure, which is
22 also rare in the case of water utility proceedings in Arizona. These

1 examples indicate that the Arizona jurisdiction is not as unfavorable as
2 many utility consultants would lead you to believe.

3
4 **New Environmental Protection Agency Standards for Arsenic**

5 Q. Please respond to the risks posed to Arizona Water due to revised arsenic
6 standards for drinking water that are being proposed by the Environmental
7 Protection Agency ("EPA")?

8 A. A decision is now pending on an arsenic recovery mechanism that will
9 allow Arizona Water to recover costs associated with the removal of
10 arsenic in the Company's affected systems. This would include the
11 Apache Junction, Superior and San Manuel systems in this proceeding.
12 Given this fact, any additional return on investment for revised arsenic
13 standards would not be warranted.

14
15 Q. Are there any final remarks that you would like to make regarding your
16 recommended cost of capital for Arizona Water?

17 A. Yes. I would like to reiterate my firm belief that the water utilities (with
18 betas in the 0.60 to 0.70 range) that were included in my DCF and CAPM
19 sample fit the Hope decision definition of "other investments with
20 comparable risk." I further believe that the utilities included in my sample
21 closely resemble Arizona Water in terms of both an operating and risk
22 standpoint. In addition, the relatively high equity ratio of the capital

1 structure proposed by both the Company and myself, takes into account
2 any risk differentials that Arizona Water may be exposed to.

3

4 Q. Does your silence on any of the issues, matters or findings addressed in
5 the testimony of Dr. Zepp or other witnesses for Arizona Water constitute
6 your acceptance of their positions on such issues, matters or findings?

7 A. No, it does not.

8

9 Q. Does this conclude your testimony on Arizona Water's Eastern Group?

10 A. Yes, it does.

Qualifications of William A. Rigsby

EDUCATION:

University of Phoenix
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University
College of Business
Bachelor of Science, Finance, 1990

Mesa Community College
Associate of Applied Science, Banking and Finance, 1986

Michigan State University
Institute of Public Utilities
N.A.R.U.C. Annual Regulatory Studies Program, 1997 & 1999

Florida State University
Center for Professional Development & Public Service
N.A.R.U.C. Annual Western Utility Rate School, 1996

EXPERIENCE:

Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona
April 2001 – Present

Senior Rate Analyst
Accounting & Rates - Financial Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
July 1999 – April 2001

Senior Rate Analyst
Residential Utility Consumer Office
Phoenix, Arizona
December 1997 – July 1999

Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
October 1994 – November 1997

Revenue Auditor II
Arizona Department of Revenue
Corporate Income Tax Audit Unit
Phoenix, Arizona
November 1993 – October 1994

Tax Examiner Technician I
Arizona Department of Revenue
Transaction Privilege Tax Audit Unit
Phoenix, Arizona
July 1991 – November 1993

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase

**ARIZONA WATER COMPANY
EASTERN GROUP
DOCKET NO. W-01445A-02-0619
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WAR - 7	GROWTH RATE COMPARISON
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ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 COST OF CAPITAL SUMMARY

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR - 1

LINE NO.	DESCRIPTION	(A) CAPITALIZATION PER COMPANY	(B) RUJO ADJUSTMENTS	(C) RUJO ADJUSTED CAPITALIZATION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	\$ 2,850,000	\$ 1,650,000	\$ 4,500,000	5.62%	4.00%	0.22%
2	LONG-TERM DEBT	23,000,677	(400,677)	22,600,000	28.24%	8.44%	2.38%
3	COMMON EQUITY	49,442,738	3,473,716	52,916,454	66.13%	9.18%	6.07%
4	TOTAL CAPITALIZATION	\$ 75,293,415	\$ 4,723,039	\$ 80,016,454	100.00%		
5	COST OF CAPITAL						8.68%

REFERENCES:

- COLUMN (A): COMPANY SCH. D-1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)

LINE NO.	DESCRIPTION	(A) TEST YEAR AMOUNT	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED	(D) LONG-TERM DEBT RATIO	(E) COST OF DEBT	(F) WEIGHTED COST
1	SERIES I, 9.25% GENERAL MORTGAGE BONDS DUE 2006	\$ 2,000,000	(400,000)	\$ 1,600,000	7.08%	9.3070%	0.66%
2	SERIES J, 9.13% GENERAL MORTGAGE BONDS DUE 2015	6,000,000	-	6,000,000	26.55%	9.1769%	2.44%
3	SERIES K, 8.04% GENERAL MORTGAGE BONDS DUE 2031	15,000,000	-	15,000,000	66.37%	8.0538%	5.35%
4	BANK OF AMERICA LINE OF CREDIT	677	(677)	-	0.00%	5.0000%	0.00%
5	TOTAL LONG-TERM DEBT	\$ 23,000,677	\$ (400,677)	\$ 22,600,000	100.00%		8.44%

REFERENCES:

- COLUMN (A): COMPANY SCHEDULE D-2
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 6
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 DCF COST OF EQUITY CAPITAL

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	AWR	AMERICAN STATES WATER CO.	3.41%	+	4.70%	=	8.11%
2	CWT	CALIFORNIA WATER SERVICE GROUP	4.03%	+	4.19%	=	8.22%
3	PSC	PHILADELPHIA SUBURBAN CORP.	2.43%	+	8.80%	=	11.23%
4	WATER COMPANY AVERAGE						9.18%

REFERENCES:

- COLUMN (A): SCHEDULE WAR - 4, COLUMN C
- COLUMN (B): SCHEDULE WAR - 5, PAGE 1, COLUMN C
- COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 DIVIDEND YIELD CALCULATION

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	÷	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWR	AMERICAN STATES WATER CO.	\$0.88	÷	\$25.96	=	3.41%
2	CWT	CALIFORNIA WATER SERVICE GROUP	1.12	÷	27.91	=	4.03%
3	PSC	PHILADELPHIA SUBURBAN CORP.	0.56	÷	23.08	=	2.43%
4	WATER COMPANY AVERAGE						3.29%

REFERENCES:

COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - SUMMARY AND INDEX DATED 05/02/03.
 COLUMN (B): EIGHT WEEK AVERAGE OF CLOSING PRICES FROM 04/21/03 TO 06/13/03
 STOCK QUOTES OBTAINED THROUGH BIG CHARTS WEB SITE -
 HISTORICAL QUOTES (www.bigcharts.com).
 COLUMN (C): COLUMN (A) ÷ COLUMN (B)

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
2	AWR	AMERICAN STATES WATER CO.	4.60%	+	0.10%	=	4.70%
3	CWT	CALIFORNIA WATER SERVICE GROUP	3.75%	+	0.44%	=	4.19%
4	PSC	PHILADELPHIA SUBURBAN CORP.	7.00%	+	1.80%	=	8.80%
5	WATER COMPANY AVERAGE						5.90%

REFERENCES:

COLUMN (A): TESTIMONY, WAR
 COLUMN (B): SCHEDULE WAR - 5, PAGE 2, COLUMN C
 COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 DIVIDEND GROWTH RATE CALCULATION

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 SCHEDULE WAR - 5
 PAGE 2 OF 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH	(B) $\{ [((M \div B) + 1) \div 2] - 1 \}$	(C) EXTERNAL GROWTH (sv)
2	AWR	AMERICAN STATES WATER CO.	0.25%	$\{ [((1.82) + 1) \div 2] - 1 \}$	$= 0.10\%$
3	CWT	CALIFORNIA WATER SERVICE GROUP	1.00%	$\{ [((1.89) + 1) \div 2] - 1 \}$	$= 0.44\%$
4	PSC	PHILADELPHIA SUBURBAN CORP.	1.75%	$\{ [((3.06) + 1) \div 2] - 1 \}$	$= 1.80\%$

REFERENCES:

COLUMN (A): TESTIMONY, WAR
 COLUMN (B): VALUE LINE INVESTMENT SURVEY, 05/04/01
 COLUMN (C): COLUMN (A) x COLUMN (B)

LINE NO.	STOCK SYMBOL	COMPANY	OPERATING PERIOD	(A) RETENTION RATIO (b)	(B) RETURN ON BOOK EQUITY (f)	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE (\$/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AWR	AMERICAN STATES WATER CO.	1998	0.2222	9.40%	2.09%	11.44	13.44	
2			1999	0.2857	10.10%	2.89%	11.82	13.44	
3			2000	0.3281	9.30%	3.05%	12.74	15.12	
4			2001	0.3556	10.10%	3.59%	13.22	15.12	
5			2002	0.3507	9.50%	3.33%	14.05	15.18	
6			GROWTH 1998 - 2002			2.99%	4.00%		3.09%
7			2003	0.3481	9.00%	3.13%		16.80	10.67%
8			2004	0.3793	9.50%	3.60%		16.80	5.20%
9			2006-08	0.4703	10.50%	4.94%	5.00%	16.80	2.05%
10									
11	CWT	CALIFORNIA WATER SERVICE GROUP	1998	0.2621	10.80%	2.83%	13.38	12.62	
12			1999	0.2876	11.40%	3.28%	13.43	12.62	
13			2000	0.1603	10.10%	1.82%	12.90	15.15	
14			2001	-0.1915	7.20%	-1.38%	12.95	15.18	
15			2002	0.1040	9.50%	0.99%	13.12	15.18	
16			GROWTH 1998 - 2002			1.47%	1.00%		4.73%
17			2003	-0.0455	7.50%	-0.34%		17.00	11.99%
18			2004	0.2138	9.00%	1.92%		18.80	11.29%
19			2006-08	0.3949	10.00%	3.95%	7.00%	18.80	4.37%
20									
21	PSC	PHILADELPHIA SUBURBAN CORP.	1998	0.3485	12.40%	4.32%	5.34	43.32	
22			1999	0.3571	12.30%	4.39%	5.71	64.08	
23			2000	0.3974	11.70%	4.65%	6.42	67.10	
24			2001	0.4118	12.40%	5.11%	6.91	68.39	
25			2002	0.4000	12.70%	5.08%	7.26	67.92	
26			GROWTH 1998 - 2002			4.71%	9.00%		11.90%
27			2003	0.4300	13.50%	5.81%		69.00	1.59%
28			2004	0.4545	14.00%	6.36%		70.50	1.88%
29			2006-08	0.5172	15.00%	7.76%	6.50%	75.00	2.00%

REFERENCES:
 COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 05/02/03
 COLUMN (C): COLUMN (A) x COLUMN (B)
 COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATES OF GROWTH, 1998 - 2002
 COLUMN (E): VALUE LINE INVESTMENT SURVEY - RATES OF GROWTH, 1998 - 2002
 COLUMN (F): VALUE LINE INVESTMENT SURVEY - RATES OF GROWTH, 1998 - 2002

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 GROWTH RATE COMPARISON

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR - 7

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)		(B) ZACKS			(C) VALUE LINE PROJECTED			(D) VALUE LINE HISTORIC			(E) VALUE LINE & ZACKS AVGS.		(F) 5-YEAR COMPOUND HISTORY			
		EPS	BVPS	EPS	DPS	BVPS	EPS	DPS	BVPS	EPS	DPS	BVPS	EPS	DPS	BVPS	EPS	DPS	BVPS
1	AWR	4.70%	5.00%	4.50%	2.00%	5.00%	4.50%	1.00%	4.00%	4.50%	1.00%	4.00%	3.86%	5.54%	0.88%	5.18%		
2	CWT	4.19%	7.00%	5.00%	1.00%	7.00%	-5.00%	1.50%	1.00%	-5.00%	1.50%	1.00%	2.79%	-3.64%	1.15%	-0.49%		
3	PSC	8.80%	6.50%	8.20%	5.50%	6.50%	10.00%	6.00%	9.00%	10.00%	6.00%	9.00%	7.89%	8.06%	5.86%	7.98%		
4			6.17%		2.83%	6.17%	3.17%	2.83%	4.67%	3.17%	2.83%	4.67%		3.32%	2.63%	4.22%		
5	AVERAGES	5.90%	5.78%	5.90%				3.56%					4.84%		3.39%			

REFERENCES:

- COLUMN (A): SCHEDULE WAR - 5, PAGE 1, COLUMN C
- COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)
- COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 05/02/03
- COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 05/02/03
- COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1, 3, 5 AND 7
- COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM
 - VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 05/02/03

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	(A)						(B) EXPECTED RETURN
		k	=	r _f	+	[β x (r _m - r _f)]	=	
1	AWR	k	=	0.91%		0.60 x (10.20% - 0.91%)	=	6.48%
2	CWT	k	=	0.91%	+	[0.60 x (10.20% - 0.91%)]	=	6.48%
3	PSC	k	=	0.91%	+	[0.70 x (10.20% - 0.91%)]	=	7.41%
4	AVERAGE					0.63		6.79%

REFERENCES:

COLUMN (A): GENERAL CAPITAL ASSET PRICING MODEL (CAPM) FORMULA

$$k = r_f + [\beta (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
 r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
 β = THE BETA COEFFICIENT OF A GIVEN SECURITY
 r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

- (a) AN AVERAGE OF THE 91-DAY T-BILL RATE (6-WEEK AVG.) AND THE 91-DAY T-BILL FUTURES RATE THAT APPEARED IN THE 06/20/03 COPY OF THE WALL STREET JOURNAL WAS USED AS A RISK FREE RATE OF RETURN.
- (b) THE MARKET RATE PROXY USED WAS THE GEOMETRIC MEAN FOR S&P 500 RETURNS OVER THE 1926 - 2002 PERIOD. THE DATA WAS OBTAINED FROM IBBOTSON ASSOCIATES' STOCKS, BONDS, BILLS AND INFLATION: 2002 YEARBOOK.

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 CAPM COST OF EQUITY CAPITAL

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 SCHEDULE WAR - 8
 PAGE 2 OF 2

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	(A)						=	(B)
		k	=	r _f	+	[β x (r _m - r _f)]	=		EXPECTED RETURN
1	AWR	k	=	0.91%	+	[0.60 x (12.20% - 0.91%)]	=	7.68%	
2	CWT	k	=	0.91%	+	[0.60 x (12.20% - 0.91%)]	=	7.68%	
3	PSC	k	=	0.91%	+	[0.70 x (12.20% - 0.91%)]	=	8.81%	
4	AVERAGE					0.63		8.06%	

REFERENCES:

COLUMN (A): GENERAL CAPITAL ASSET PRICING MODEL (CAPM) FORMULA

$$k = r_f + [\beta (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
 r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
 β = THE BETA COEFFICIENT OF A GIVEN SECURITY
 r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

- (a) AN AVERAGE OF THE 91-DAY T-BILL RATE (6-WEEK AVG.) AND THE 91-DAY T-BILL FUTURES RATE THAT APPEARED IN THE 06/20/03 COPY OF THE WALL STREET JOURNAL WAS USED AS A RISK FREE RATE OF RETURN.
- (b) THE MARKET RATE PROXY USED WAS THE GEOMETRIC MEAN FOR S&P 500 RETURNS OVER THE 1926 - 2002 PERIOD. THE DATA WAS OBTAINED FROM IBBOTSON ASSOCIATES' STOCKS, BONDS, BILLS AND INFLATION: 2002 YEARBOOK.

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 ECONOMIC INDICATORS - 1990 TO PRESENT

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 SCHEDULE WAR - 9

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 \$)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) Aa-RATED UTIL. BOND YIELD	(I) A-RATED UTIL. BOND YIELD	(J) Baa-RATED UTIL. BOND YIELD
1	1990	5.40%	0.46%	10.01%	6.98%	8.10%	7.49%	8.61%	9.65%	9.86%	10.06%
2	1991	4.20%	0.85%	8.46%	5.45%	5.69%	5.38%	8.14%	9.09%	9.36%	9.55%
3	1992	3.00%	4.01%	6.25%	3.25%	3.52%	3.43%	7.67%	8.55%	8.69%	8.86%
4	1993	3.00%	2.55%	6.00%	3.00%	3.02%	3.00%	6.60%	7.44%	7.59%	7.91%
5	1994	2.60%	4.08%	7.14%	3.60%	4.20%	4.25%	7.37%	8.21%	8.31%	8.63%
6	1995	2.80%	2.16%	8.83%	5.21%	5.84%	5.49%	6.88%	7.77%	7.89%	8.29%
7	1996	3.00%	4.06%	8.27%	5.02%	5.30%	5.01%	6.70%	7.57%	7.75%	8.17%
8	1997	2.30%	4.31%	8.44%	5.00%	5.46%	5.06%	6.61%	7.66%	7.60%	8.12%
9	1998	1.60%	4.61%	8.35%	4.92%	5.35%	4.78%	5.58%	6.91%	7.04%	7.27%
10	1999	2.20%	4.96%	7.99%	4.62%	4.97%	4.64%	5.86%	7.51%	7.62%	7.88%
11	2000	3.40%	3.41%	9.23%	5.73%	6.24%	5.82%	5.94%	8.06%	8.24%	8.36%
12	2001	2.80%	0.05%	6.92%	3.41%	3.88%	3.38%	5.95%	7.98%	7.59%	8.02%
13	2002	1.58%	2.91%	4.67%	1.17%	1.66%	1.60%	5.38%	7.17%	7.41%	7.98%
14	CURRENT	2.00%	0.47%	4.00%	2.00%	1.00%	0.88%	4.56%	6.01%	6.04%	6.13%

REFERENCES:

COLUMN (A): 1990 - 2002, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE
 COLUMN (B): 1990 - 2002, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS WEB SITE
 COLUMN (C) THROUGH (G): 1990 - 2002, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 CAPITAL STRUCTURES OF PUBLICLY TRADED WATER (IN MILLIONS)

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR - 10

LINE NO.	AWR	PCT.	CWT	PCT.	PSC	PCT.	AVERAGE	PCT.
1	\$13.0	2.9%	\$36.4	7.4%	\$115.1	9.8%	\$55	7.8%
2	235.5	51.6%	251.4	51.3%	617.2	52.6%	\$368	52.1%
3	0.0	0.0%	3.5	0.7%	1.7	0.1%	\$2	0.2%
4	207.6	45.5%	199.2	40.6%	439.1	37.4%	282	39.9%
5	\$456.1	100%	\$490.4	100%	\$1,173.1	100%	\$707	100%

NOTE:
 * INCLUDES CURRENT PORTION OF LONG-TERM DEBT

REFERENCES:
 YEAR 2002 ANNUAL REPORTS TO SHAREHOLDERS AND 10-K FILINGS TO THE U.S. SECURITIES AND EXCHANGE COMMISSION

ARIZONA WATER COMPANY
DOCKET NO. W-01445A-02-0619

DIRECT TESTIMONY
OF
WILLIAM A. RIGSBY

ON BEHALF OF
THE
RESIDENTIAL UTILITY CONSUMER OFFICE

JULY 8, 2003

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1 **INTRODUCTION**

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

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

6
7 Q. Please state your educational background and your qualifications in the
8 field of utilities regulation.

9 A. Appendix I, which is attached to this testimony, describes my educational
10 background and also includes a list of the rate cases and regulatory
11 matters that I have been involved with.

12
13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to present recommendations that are
15 based on my analysis of Arizona Water Company's ("Arizona Water" or
16 "Company") application for a permanent rate increase ("Application") for
17 each of the eight water systems that comprise the Company's Eastern
18 Group. Arizona Water's Application was filed with the Arizona Corporation
19 Commission ("ACC" or "Commission") on August 14, 2002.

1 Q. What are the eight water systems that comprise Arizona Water's Eastern
2 Group?

3 A. The Eastern Group is comprised of the Apache Junction, Bisbee, Miami,
4 Oracle, San Manuel, Sierra Vista, Superior, and Winkelman systems.

5

6 Q. What systems will you provide direct testimony on?

7 A. My direct testimony will concentrate on revenue and rate base issues
8 associated with the Apache Junction, Bisbee, Miami, and Superior
9 systems. RUCO witness Timothy J. Coley will file direct testimony on
10 revenue and rate base issues associated with the other four systems in
11 the Company's Eastern Group.

12

13 Q. Were you responsible for conducting an analysis of Arizona Water's
14 proposed rate design?

15 A. Yes. My rate design analysis includes all eight of the systems that
16 comprise the Company's Eastern Group.

17

18 Q. Did you perform a cost of capital analysis to determine a recommended
19 rate of return on the Company's invested capital?

20 A. Yes, I did. I have also filed, under separate cover, direct testimony on the
21 cost of capital issues associated with this proceeding. As is common in
22 cases that involve an operating segment or wholly owned subsidiary of a
23 public utility, my cost of capital analysis was performed on a total company

1 basis as opposed to concentrating on the Eastern Group alone or on any
2 one particular system within the Eastern Group.

3
4 Q. Please describe how you conducted your analysis of Arizona Water's
5 Application.

6 A. I reviewed Arizona Water's Application and analyzed various accounting
7 records that were provided to RUCO by the Company. During the course
8 of my audit, I also obtained copies of various documents that are kept on
9 file at the ACC. Other pertinent information and source documents were
10 collected through a series of written data requests that were faxed and
11 mailed to the Company. In addition to these methods of obtaining
12 information, both Mr. Coley and myself had the opportunity to visually
13 inspect most of the Company-proposed post-test year plant additions
14 during a tour of the Eastern Group that was conducted in early January
15 2003 by Company witness and Vice President of Engineering for Arizona
16 Water, Michael J. Whitehead. After compiling the aforementioned
17 information and materials, I performed an analysis that provided additional
18 insight into the Company's rate base, operating income and rate design
19 proposals. The recommendations on rate base, operating revenue, and
20 operating expenses for the four systems covered in this testimony are
21 based on the results of my analysis. As I stated earlier, my
22 recommendations on rate design will include all eight of the systems that

1 comprise the Company's Eastern Group, as will my cost of capital
2 recommendations.

3
4 Q. Please identify the exhibits that you are sponsoring.

5 A. I am sponsoring a full set of separate schedules for each of the four
6 systems that I am testifying on. This includes Schedules WAR-1 through
7 WAR-20.

8
9 Q. Does your silence on any of the issues or matters addressed in the
10 Company's Application constitute RUCO's acceptance of the Company's
11 position on such issues or matters?

12 A. No, it does not.

13
14 **SUMMARY OF TESTIMONY AND RECOMMENDATIONS**

15 Q. Please summarize the recommendations and adjustments that you
16 address in your testimony on operating revenue, operating expense and
17 rate design.

18 A. My testimony will address the following issues:

19 **Rate Base Adjustments:**

20 Plant in Service/Post-Test Year Additions – This adjustment calculates the
21 level of plant placed into service since the Company's last rate case
22 proceeding and increases or decreases (depending on the particular

1 system) the levels of test year and post-test year plant additions that were
2 placed into service by December 31, 2002.

3 Phoenix Office & Meter Shop Allocation – This adjustment increases gross
4 plant in service by the levels of allocated Phoenix Office & Meter Shop
5 additions that were placed into service by December 31, 2002.

6 Accumulated Depreciation – This adjustment calculates accumulated
7 depreciation over the time period since the Company's last rate case
8 proceeding and removes or adds (depending on the particular system) pro
9 forma accumulated depreciation associated with test year and post-test
10 year plant additions placed into service by December 31, 2002.

11 Reconcile Phoenix Office & Meter Shop and Accumulated Depreciation –
12 This adjustment restates the Company-proposed level of allocated
13 Phoenix Office and Meter Shop plant from a net figure to a gross figure,
14 and restates the Company-proposed accumulated depreciation figure to
15 reflect the amounts of accumulated depreciation associated with Phoenix
16 Office & Meter Shop plant.

17 Remove CWIP from Phoenix Office Allocation – This adjustment removes
18 construction work in progress ("CWIP") from Company-proposed levels of
19 Phoenix Office plant in order to avoid a double count of post-test year
20 plant additions placed into service during 2002.

21 AIAC - 2002 Balance – This adjustment was made to accurately reflect
22 the balances of advances in aid of construction ("AIAC") that were
23 recorded on the Company's books as of December 31, 2002.

1 CIAC - 2002 Balance – This adjustment was made to accurately reflect
2 the balances of contributions in aid of construction (“CIAC”) that were
3 recorded on the Company’s books as of December 31, 2002. The
4 adjustment also calculates appropriate levels of pro forma amortization of
5 CIAC through the end of the Company’s 2002 operating period.

6 Accumulated Deferred Income Taxes – This adjustment was made to
7 accurately reflect the balances of accumulated deferred income taxes
8 (“ADIT”) that were recorded on the Company’s books as of December 31,
9 2002.

10 Working Capital – This adjustment recalculates levels of working capital
11 based on RUCO’s recommended operating expenses and lead/lag days.

12 Deferred CAP Charges – This adjustment, which decreases the
13 Company-proposed Apache Junction system rate base by \$59,696,
14 reflects the \$645,207 level of deferred Central Arizona Project (“CAP”)
15 charges that were recorded on the Company’s books as of December 31,
16 2002. The adjustment is part of RUCO’s recommendation to allow the
17 Company to recover deferred CAP charges over a ten-year period and to
18 treat future CAP costs as an operating expense.

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Operating Adjustments:

Reconcile Company Proposed to 2002 Actual – This adjustment reconciles the Company’s proposed operating revenue and expense levels with the actual levels of operating revenues and expense that were recorded by each of the Eastern Group systems during the period ended December 31, 2002.

Remove 2002 Regulatory Assessment & Sales Taxes – This adjustment removes actual 2002 regulatory assessment and state and local sales (transaction privilege) tax revenues and expenses that were recorded by each of the Eastern Group systems during the period ended December 31, 2002.

Eliminate PPAM and PWAM Revenues – This adjustment removes amounts collected from both the Company’s purchased power adjuster mechanism (“PPAM”) and the purchased water adjuster mechanism (“PWAM”) during the period ended December 31, 2002.

Eliminate Unbilled Revenues & Expenses – This adjustment removes year-end unbilled revenue and expense accruals that were recorded on the Company’s books during the period ended December 31, 2002.

1 Annualize Additional Revenues & Expenses – This adjustment annualizes
2 revenues and associated expenses to levels recorded at the end of the
3 2002 operating period.

4 Amortization of Rate Case Expense – This adjustment reflects the
5 Company's estimated rate case expense for the instant proceeding.
6 RUCO recommends that the figure be subject to a "true-up" after the
7 Company's final rate case expense has been tabulated.

8 Remove MAP Surcharge Revenues – This adjustment removes revenues
9 collected under the ADEQ Monitoring Assistance Program ("MAP") for
10 those Eastern Group systems serving populations of up to 10,000 people.

11 Depreciation & Amortization Expense – This pro forma adjustment
12 calculates RUCO's recommended level of depreciation & amortization
13 expense based on RUCO's recommended level of plant.

14 Property Tax Expense – This adjustment calculates property tax expense
15 using the currently effective Arizona Department of Revenue ("DOR")
16 formula.

17 Income Tax Expense – This adjustment calculates the appropriate level of
18 income tax expense given RUCO's recommended operating income.

19 Purchased CAP Water Expense – This adjustment calculates RUCO's
20 recommended level of purchased CAP water expense for the Apache
21 Junction system. The adjustment is part of RUCO's recommendation to
22 allow the Company to recover deferred CAP charges over a ten-year
23 period and to treat future CAP costs as an operating expense.

1 **Rate Design:**

2 Based on the data obtained in my analysis of Arizona Water, I am
3 recommending a single-tier rate design that applies to all classes and
4 meter sizes of customers. My testimony on rate design also includes a
5 discussion on Arizona Water's proposal for partial rate consolidation
6 between the Company's Apache Junction and Superior systems.
7

8 **REVENUE REQUIREMENTS**

9 Q. Please summarize the results of your analysis of Arizona Water's revenue
10 requirements.

11 A. Based on the results of my audit, I am recommending that the level of
12 revenue be increased by no more than \$8,979,160 for Apache Junction,
13 \$1,639,067 for Bisbee, \$1,750,757 for Miami and \$980,894 for Superior.
14 My recommended levels of revenue are exhibited in Schedule WAR-1 for
15 each of the aforementioned systems. My original cost rate base ("OCRB")
16 figures of \$19,792,391 for Apache Junction, \$3,603,099 for Bisbee,
17 \$3,600,871 for Miami and \$2,471,297 for Superior are exhibited in
18 Schedule WAR-1 for each of these systems. My supporting OCRB details
19 for each of the four systems, is based on the original costs that Arizona
20 Water has agreed to accept as the Company's fair value rate base. My
21 recommended adjusted operating incomes of \$1,718,542 for Apache
22 Junction, \$312,851 for Bisbee, \$312,658 for Miami and \$214,579 for
23 Superior are also displayed in Schedule WAR-1 for each system.

1 Schedule WAR-9 for each of the four systems includes supporting detail
2 for these operating income figures.

3
4 Q. What elements of operating revenue make up your recommended levels
5 of total operating revenues?

6 A. My recommended increases and decreases in total operating revenue are
7 comprised of both water sales revenue and other operating revenues
8 recorded during the period ended December 31, 2002. I am
9 recommending a \$632,849 decrease for the Apache Junction system, a
10 \$314,074 increase for the Bisbee system, a \$237,179 increase for the
11 Miami system, and a \$273,481 increase for the Superior system.

12
13 **RATEMAKING RULES AND PRINCIPLES**

14 Q. Please describe Arizona Water's rate application.

15 A. Arizona Water is requesting rate increases of \$1,305,666 for the Apache
16 Junction system, \$612,649 for the Bisbee system, \$722,718 for the Miami
17 system, and \$491,353 for the Superior system. Arizona Water's
18 application is based on a test year ended December 31, 2001 ("Test
19 Year") and a projected test year ended December 31, 2002. The
20 Company seeks to include non-revenue producing post-test year plant
21 placed into service prior to December 31, 2002. The Company's request
22 to use the December 31, 2002 cut off date is based on a similar treatment

1 of post-test year plant, which was approved by the Commission during the
2 Company's Northern Group rate case proceeding in 2001.

3
4 The Company is also seeking rate base treatment and the recovery of
5 deferred CAP charges, incurred since 1986, over a 3-year period for the
6 Apache Junction system. Arizona Water also seeks the recovery of future
7 Apache Junction CAP water charges in rates on a going forward basis.
8 The Company has further requested a partial rate consolidation for the
9 Apache Junction and Superior systems.

10
11 In regard to the recovery of costs associated with the U.S. Environmental
12 Protection Agency's ("EPA") revised arsenic standard of 10 parts per
13 billion (scheduled to go into effect in January 2006), the Company has
14 stated that it will abide by the ACC's decision on Arizona Water's pending
15 request for an arsenic recovery cost mechanism ("ACRM") that is now
16 before the Commission. RUCO witness Timothy J. Coley discusses this
17 issue in more detail in his direct testimony on Arizona Water's Eastern
18 Group systems.

19
20 Q. Does the Company's application adhere to generally accepted ratemaking
21 principles and the Commission's own rules?

22 A. No. The Commission's rules require the use of an historical test year.
23 Arizona Water's rate request for the Eastern Group is based in part on a

1 projected test year. The Company's application also violates the matching
2 principle. Selected items, such as the revenue-neutral plant additions
3 noted earlier, have been treated on a projected basis as opposed to an
4 historical basis. As a result of this situation, the ratemaking components
5 of the application are mismatched to provide results that are favorable to
6 the Company.

7
8 Q. Can you provide an example of this?

9 A. A good example of this is the Company's exclusion of 2002 levels of CIAC
10 from its projected test year.

11
12 Q. Why is this a problem?

13 A. Increased levels of CIAC result in lower levels of depreciation and
14 amortization expense to the Company. This is because the amortization
15 of CIAC reduces the level of depreciation and amortization expense that
16 the Company collects in rates. Since depreciation expense is a non-cash
17 charge, this results in a lower level of cash flow for the Company. By only
18 permitting company-funded post-test year plant (which results in higher
19 levels of depreciation expense and additional cash flow to the Company)
20 the Company collects more in depreciation expense than it should and
21 enjoys an improved cash flow position at the expense of ratepayers.

1 Q. Has this situation occurred in the instant case?

2 A. Yes. This can be seen in the Apache Junction system where the level of
3 post-test year CIAC increased by \$668,894. Applying the Company's
4 composite rate of depreciation of 2.59 percent, results in a reduction to
5 depreciation expense of \$17,324. The exclusion of post-test year net
6 CIAC, along with post-test year AIAC and post-test year ADIT, also result
7 in a higher operating income, since each of these ratemaking elements
8 are treated as deductions to rate base. Using Apache Junction as an
9 example, the Company's failure to include the post-test year balances of
10 AIAC, net CIAC and ADIT inflate rate base by approximately \$2.2 million.
11 This produces an additional \$188,561 in operating income based on
12 RUCO's recommended rate of return. The overall effect of the Company's
13 failure to recognize selected post-test year balances is approximately
14 \$206,000 in additional cash flow to the Company or an additional
15 ratepayer expense of \$12.09 per year (based on an average customer
16 count of 17,028).

17
18 Q. Is it normal regulatory practice to include post-test year plant in rate base?

19 A No. The normal regulatory treatment of plant in rate base is to include
20 plant that meets both the historical test year and the used and useful (i.e.
21 plant which is both necessary and available for the provision of utility
22 service at the end of the test year) standards. The use of a historical test
23 year is one of the fundamental concepts for ratemaking in the state of

1 Arizona. The inclusion of post-test year plant in rate base is a violation of
2 the historical test year concept. On occasion, certain known and
3 measurable changes will be taken into consideration.

4
5 Q. In what instances are known and measurable changes taken into
6 consideration?

7 A. Under certain circumstances, known and measurable changes are
8 recognized for revenues and expenses and for capital expenditures (i.e.
9 additions to plant). It is difficult even under ideal circumstances to
10 determine if plant additions are known and measurable and virtually
11 impossible when there is not enough time to perform a proper analysis. In
12 situations when the cost of post-test year plant additions can be accurately
13 determined, such additions cannot be considered as known and
14 measurable without determining the impact that the additions will have on
15 other important factors. For instance, new plant additions may result in
16 the subsequent retirement of other plant assets, the generation of
17 additional revenue, lower operating and maintenance expenditures, and
18 changes in the actual operating characteristics of the water system.
19 Unless all of the factors impacted by the addition of new plant are
20 identified and accurately estimated, a mismatch of revenues and
21 expenses will occur and the resulting recommended revenue requirement
22 will be incorrect.

1 Q. Are there other factors that must be considered before including post-test
2 year plant in rate base?

3 A. Yes, the allowance of post-test year plant can result in the Company
4 earning a rate of return on and a return of its investment over a period of
5 time that exceeds the actual useful life of the plant. As a result, the
6 Company may earn a return on its investment and recover the cost of
7 plant through depreciation expense for more years than the plant is
8 actually in service. This occurs because the Company will continue to
9 recover such costs from the time that the plant's useful life has expired
10 until the time that the Commission authorizes new rates in a future rate
11 proceeding. In other words, the allowance of post-test year plant in rate
12 base takes the future into consideration at the beginning of the plant's
13 useful life, but fails to consider the past at the end of the plant's useful life.

14
15 Q. Has the Commission allowed post-test year additions in certain recent
16 decisions?

17 A. Yes. Both RUCO and ACC Staff have continued to argue for the
18 exclusion of post-test year plant additions and advocate for adherence to
19 the historical test year concept. However, in certain circumstances, the
20 Commission has allowed the inclusion of post-test year plant contrary to
21 both the matching principle and the historical test year concept.

1 Q. Has RUCO changed its position in this particular case?

2 A. No. RUCO has not changed its position in this case regarding the
3 importance of the historical test year concept and the matching principle.
4 However, the specific timing of this particular case has given RUCO a
5 unique opportunity to match all of the other post-test year ratemaking
6 elements (i.e. operating revenues, operating expenses and rate base
7 components) to the revenue neutral post-test year plant additions that the
8 Company is seeking recovery on.

9

10 Q. How is this possible?

11 A. As a result of the Administrative Law Judge's decision to grant ACC Staff
12 and intervenors with a 105-day extension of the discovery period in this
13 case, RUCO has had the time to collect and analyze the Company's 2002
14 operating results. This is the same period for which the Company has
15 requested post-test year additions for and has made pro forma
16 adjustments for in its Application. In short, RUCO's recommendations in
17 this particular case are based on the actual operating results of 2002 as
18 opposed to developing and/or relying on Company pro forma adjustments
19 to the 2001 test year period.

20

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23

1 Q. Why has RUCO taken this approach when it believes that the historical
2 test year concept should be adhered to?

3 A. As I noted earlier, in certain recent decisions the Commission has allowed
4 post-test year additions in rate base. RUCO can support a 2002 post-test
5 year approach only because the timing in this case renders it possible to
6 utilize actual 2002 data. RUCO does not advocate or endorse the use of
7 projected or future test years. In fact, it is hoped that RUCO's approach in
8 this particular case will make it clear to the Commission why it is important
9 *not* to adopt the use of future or projected test years or to continue to allow
10 mismatched post-test year plant into rate base without considering the
11 other essential ratemaking elements that such plant has an effect on.
12

13 **POST-TEST YEAR PLANT ADDITIONS**

14 Q. What post-test year plant is the Company seeking recovery on?

15 A. Arizona Water is seeking the recovery of Eastern Group projected post-
16 test year plant and allocated Phoenix Office and Meter Shop additions
17 placed into service by December 31, 2002.
18

19 Q. Has all of the Company-proposed post-test year plant been placed into
20 service?

21 A. No. Just prior to the Administrative Law Judge's decision to allow the 105-
22 day extension in this case, RUCO obtained final cost figures from the

1 Company on the projected post-test year plant projects that were
2 completed and placed into service by the December 31, 2002 cutoff date.

3
4 Q. Is RUCO recommending the inclusion of these completed post-test year
5 projects in the Company's plant in service account?

6 A. Yes. In making the decision as to which post-test year items should be
7 included in rate base, RUCO conducted a scrutiny test that subjected
8 each of the completed post-test year projects to the following standards:

- 9
- 10 1. Was the cost of the project known and measurable?
 - 11 2. Were operating revenues matched to the investment
12 in the project?
 - 13 3. Were expenses matched to the investment in the project?
 - 14 4. Did the project meet the used and useful standard?

15
16 The purpose of the scrutiny test is to assure that any recommended post-
17 test year plant additions fall within the guidelines of generally accepted
18 ratemaking principles. RUCO has consistently utilized this standard test
19 whenever it considers the inclusion of post-test year projects in rate base.
20 Only those projects that met all of the above standards passed the
21 scrutiny test and were included in rate base. Based on this analysis, the
22 decision to include all 2002 ratemaking elements, and my observations of
23 the areas that the plant is providing service to (i.e. established

1 communities as opposed to new or speculative developments), RUCO is
2 recommending that all of the completed post-test year projects be
3 included in the Company's plant in service account.

4
5 **RATE BASE**

6 **Rate Base Adjustment #1 - Plant in Service/Post-Test Year Additions**

7 Q. Please explain your adjustment to the Company's plant in service account.

8 A. Rate Base Adjustment #1 calculates the level of gross plant placed into
9 service since the Company's last rate case proceeding and increases or
10 decreases (depending on the particular system) the levels of test year and
11 post-test year gross plant additions that were placed into service by
12 December 31, 2002.

13
14 The calculation of my recommended plant in service figure is exhibited in
15 Schedule WAR-4, Pages 1 through 7, for each of the systems that I am
16 providing testimony on. Schedule WAR-4 calculates plant additions and
17 retirements that occurred from 1990 through the 2002 post-test year
18 period. RUCO's calculated 2001 test year level of gross plant reconciled
19 with the Company-proposed level for each of the systems in the Eastern
20 Group. The difference between the Company-proposed level of gross
21 plant and RUCO's recommended level of gross plant is that RUCO has
22 included all of the Company's 2002 actual plant additions, whereas
23 Arizona Water has included selected items on an estimated basis.

1 RUCO's recommended plant balances therefore are more accurate as
2 they represent actual and fully matched rate base balances. The
3 adjustment results in a \$733,301 decrease for Apache Junction, a
4 \$187,076 increase for Bisbee, a \$103,965 decrease for Miami and a
5 \$55,250 decrease for Superior.

6
7 **Rate Base Adjustment #2 - Phoenix Office & Meter Shop Allocation**

8 Q. Please describe your adjustment to the Company-proposed level of
9 allocated Phoenix Office and Meter Shop plant.

10 A. The adjustment, displayed as a separate line item for clarity on Schedules
11 WAR-2 and WAR-3, increases gross allocated Phoenix Office & Meter
12 Shop plant in service by the levels of allocated Phoenix Office & Meter
13 Shop additions placed into service by December 31, 2002. This
14 adjustment is consistent with RUCO's recommendation to set rates based
15 on a fully matched test year. The adjustment results in the following
16 increases in gross allocated Phoenix Office & Meter Shop plant: \$130,939
17 for Apache Junction; \$28,987 for Bisbee; \$26,995 for Miami; and, \$12,423
18 for Superior. The associated accumulated depreciation on these 2002
19 allocated plant additions was also calculated on Schedule WAR-4 along
20 with the additions and retirements for the individual systems that the post-
21 test year Phoenix Office and Meter Shop plant additions were allocated to.

22

1 Q. Please explain the Company's method of recovering plant associated with
2 the Phoenix Office and Meter Shop.

3 A. The Company calculates a set of annual allocation factors for each system
4 within its three operating groups. The total Phoenix Office and Meter
5 Shop plant is then multiplied by each system's allocation factor to
6 determine how much Phoenix Office and Meter Shop plant should be
7 allocated to a specific system. The allocation factors I have used in my
8 recommended adjustment are consistent with the factors used by Arizona
9 Water. The purpose of my adjustment is to match the Phoenix Office and
10 Meter Shop balances on a 2002 basis.

11

12 **Rate Base Adjustment #3 – Accumulated Depreciation**

13 Q. Do you agree with the Company's calculation of accumulated depreciation
14 expense?

15 A. No. The Company's calculation of accumulated depreciation includes an
16 additional six months of depreciation expense to reflect a full year of
17 accumulated depreciation on new additions that are subject to the half
18 year convention.

19

20 Q. What is the half-year convention?

21 A. The half-year convention is a tax accounting concept that simplifies the
22 procedure for recording depreciation expense on new assets placed into
23 service during different times of the year. Under the half-year convention,

1 six months of depreciation expense is calculated on a new asset addition
2 regardless of what date it goes into service. The same six-month's worth
3 of depreciation is calculated on a new asset placed into service on
4 January 1 as on a similar asset that goes into service on December 31.

5
6 Q. Was RUCO's calculation of accumulated depreciation performed under
7 the half -year convention?

8 A. Yes. RUCO's adjusted accumulated depreciation figure for post-test year
9 plant additions, including the Phoenix Office and Meter Shop allocations,
10 only includes the six months of depreciation expense that should be
11 recorded under the half year convention. The annual depreciation
12 expense and accumulated depreciation balances from 1990 to the end of
13 2002 are exhibited in Schedule WAR-4.

14
15 Q. When should the unrecorded six months of depreciation be taken into
16 account for ratemaking purposes?

17 A. A full year of depreciation expense should be calculated in order to arrive
18 at the appropriate level of depreciation & amortization operating expense
19 that the Company is entitled to receive in rates on a going forward basis.
20 My calculation of pro forma depreciation & amortization expense using a
21 full-year convention is exhibited in Schedule WAR-12.

22

1 **Rate Base Adjustment #4 - Reconcile Phoenix Office & Meter Shop and**
2 **Accumulated Depreciation**

3 Q. What was your rationale for making the adjustment to the Company-
4 proposed level of allocated Phoenix Office and Meter Shop plant?

5 A. The figures for allocated Phoenix Office & Meter Shop plant contained in
6 the Company's application reflect amounts that are net of accumulated
7 depreciation. My adjustment, which is exhibited in Schedule WAR-5,
8 simply restates the Company-proposed level of allocated Phoenix Office
9 and Meter Shop plant from a net figure to a gross figure, and then restates
10 the Company-proposed accumulated depreciation figure to reflect the
11 amounts of accumulated depreciation that are associated with the
12 allocated Phoenix Office & Meter Shop plant. The main reason for the
13 adjustment was to state the Company's proposed levels of allocated
14 Phoenix Office & Meter Shop plant on the same gross basis as my
15 adjusted post-test year allocated Phoenix Office & Meter Shop plant
16 additions figure in Rate Base Adjustment #6.

17
18 **Rate Base Adjustment #5 - Remove CWIP from Phoenix Office Allocation**

19 Q. Why have you removed the CWIP contained in the Company-proposed
20 level of allocated Phoenix Office plant in Rate Base Adjustment #5?

21 A. The adjustment, which is exhibited in Schedule WAR-6, avoids a double
22 count of allocated post-test year Phoenix Office additions that were placed
23 into service in each of the Eastern Group systems during 2002. The

1 adjustment also removes CWIP entirely from the rate bases of the Eastern
2 Group systems.

3

4 Q. Is it a generally accepted practice to remove CWIP from rate base in
5 Arizona?

6 A. Yes. Since these balances represent plant that does not provide service
7 to customers in a test year, the ACC has historically excluded CWIP from
8 rate base.

9

10 **Rate Base Adjustment #6 - AIAC - 2002 Balance**

11 Q. Why have you adjusted the Company-proposed level of AIAC?

12 A. The adjustment reflects the amount of AIAC that was recorded on the
13 Company's books at December 31, 2002. The adjustment, along with
14 Rate Base Adjustments #7, and #8, are needed in order to achieve the
15 proper matching of rate base components that I discussed earlier in my
16 testimony.

17

18 **Rate Base Adjustment #7 - CIAC - 2002 Balance**

19 Q. What was the purpose for your adjustment to the Company-proposed
20 levels of CIAC and accumulated amortization of CIAC?

21 A. In addition to adjusting the Company-proposed level of CIAC to reflect the
22 amount recorded on the Company's books at December 31, 2002 (as in
23 Rate Base Adjustment #6), the adjustment also calculates the pro forma

1 amount of accumulated amortization of CIAC for the end of 2002. The
2 calculation of accumulated amortization for post-test year CIAC additions
3 was made under the half-year convention explained in Rate Base
4 Adjustment #3.

5
6 **Rate Base Adjustment #8 - Accumulated Deferred Income Taxes**

7 Q. Why have you adjusted the levels of ADIT for each of the Eastern Group
8 systems that you are testifying on?

9 A. The adjustment reflects the amount of ADIT that was recorded on the
10 Company's books at December 31, 2002. Once again, the adjustment is
11 needed to achieve a proper matching of rate base components.

12
13 **Rate Base Adjustment #9 - Working Capital**

14 Q. Have you adjusted the Company-proposed working capital figures for the
15 four systems in the Eastern Group that you are providing testimony on?

16 A. Yes. My working capital adjustments, exhibited in Schedule WAR-7,
17 result in a decrease of \$561,523 in the working capital requirements for
18 Apache Junction, a decrease of \$59,546 for Bisbee, a decrease of
19 \$73,165 for Miami, and a decrease of \$37,956 for Superior.

20
21 A detailed discussion and explanation for RUCO's method for calculating
22 this adjustment is contained in the testimony of RUCO witness Timothy J.
23 Coley.

1 **Rate Base Adjustment #10 - Deferred CAP C**

2 Q. Is Arizona Water seeking recovery of deferred CAP charges associated
3 with the Company's Apache Junction system?

4 A. Yes. In its Application, Arizona Water requested rate base treatment for
5 deferred CAP charges that the Company's Apache Junction system has
6 incurred since 1986. Arizona Water is also requesting that the Company
7 be permitted to amortize and recover these deferred CAP charges over a
8 three-year period. The Company is further requesting that it be permitted
9 to treat all future CAP charges as a regular operating expense.

10
11 Q. What is RUCO's position on Arizona Water being permitted to recover and
12 earn a rate of return on the deferred CAP charges?

13 A. RUCO believes that the Company should be permitted to include the
14 deferred CAP charges in rate base and earn a rate of return on those
15 amounts. RUCO's opinion is based on the fact that the Company is
16 actually utilizing approximately its entire Apache Junction system's CAP
17 allocation and ratepayers are actually receiving the benefits associated
18 with the CAP water.

19
20 Q. Is RUCO recommending that the Company be permitted to amortize and
21 recover the deferred CAP charges over a three-year period?

22 A. No. RUCO differs with the Company on this point. RUCO believes that an
23 amortization period of only three years will place an undue hardship on the

1 Company's Apache Junction ratepayers, particularly at a time when it is
2 almost certain that Apache Junction ratepayers will be facing increased
3 charges for the removal of arsenic. RUCO believes that ten years is a
4 more reasonable recovery period. As I stated earlier, Arizona Water has
5 been deferring the Apache Junction system CAP charges since 1986 and
6 will continue to incur this cost on a going-forward basis. Given the lengthy
7 deferral period and the continued annual CAP payment requirements,
8 RUCO believes that a three-year amortization period would aggravate the
9 intergenerational inequities inherent in deferral accounting and result in an
10 undesirable compounding of costs. These intergenerational inequities
11 result from deferral accounting because the body of ratepayers for which
12 costs are incurred are not necessarily the same body of ratepayers that
13 will be required to pay these costs. The longer the disparity between
14 when costs are incurred and when ratepayers are required to pay such
15 costs, the greater the intergenerational inequities and the doubling up of
16 current costs with prior costs. For these reasons, RUCO is recommending
17 that the Company be permitted to recover the deferred CAP charges over
18 a period of not less than ten years.

19
20 Q. What amount of deferred CAP charges is RUCO recommending that the
21 Company be permitted to recover and earn a rate of return on?

22 A. RUCO is recommending that the Company be permitted to recover no
23 more than \$645,207.

1 Q. How did RUCO arrive at its recommended deferred CAP charge figure for
2 the Apache Junction system?

3 A. RUCO's recommended figure of \$645,207 represents the actual balance
4 of deferred CAP charges that were recorded by the Company at
5 December 31, 2002. RUCO's recommended figure is \$59,696 less than
6 the estimated amount being proposed by the Company.
7

8 Q. What is RUCO's recommended method for the recovery of the deferred
9 CAP charges?

10 A. RUCO recommends that the recovery of the deferred CAP charges be
11 included in the Company's depreciation & amortization expense.
12 Accordingly, RUCO has included one-tenth of its recommended level of
13 deferred CAP charges in its recommended level of depreciation &
14 amortization expense for the Company's Apache Junction system
15 (Operating Adjustment #8).
16

17 Q. Should the Company be permitted to recover future CAP charges as an
18 operating expense?

19 A. Yes. As I stated earlier, since the Company is actually utilizing close to the
20 full amount of the Apache Junction system's CAP allocation and
21 ratepayers are actually receiving the benefits associated with the CAP
22 water, the Company should be permitted to recover its future CAP
23 charges in rates as an operating expense. Accordingly, I have included

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RUCO's recommended level of annual CAP water expense in my adjusted
purchased water expense figure (Operating Adjustment #11).

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[END CONFIDENTIAL]

7

OPERATING INCOME

8

Operating Adjustment #1 - Reconcile Company Proposed Operating

9

Income to 2002 Actual

10

Q. What is the purpose of this adjustment?

11

A. The purpose of this adjustment is to reconcile, or "true-up," the Company-proposed revenue and expense levels with the actual revenue and expense levels that were booked during the 2002 operating period. The adjustment provides the complete matching of post-test year revenues and expenses with the post-test year plant additions that are being allowed in rate base. Schedule WAR-10, Page 1 exhibits the differences between the Company's estimated post-test year revenue and expense levels and the actual amounts. In addition, Page 2 of Schedule WAR-10 compares actual 2001 test year revenues and expenses with actual 2002 revenue and expenses. These schedules show that the Company has consistently over estimated its post-test year expenses and consistently under estimated its post-test year revenue. As a result, the Company's application overstates the required rate increase.

23

1 Q. Why were certain expense items not included in this adjustment?

2 A. Depreciation & amortization expense, property tax expense, and income
3 tax expense were not included in this adjustment because these expense
4 items must be calculated on RUCO's recommended levels of revenue and
5 plant in service.

6

7 **Operating Adjustment #2 - Remove 2002 Regulatory Assessment & Sales**
8 **Taxes**

9 Q. Please explain why you removed the 2002 regulatory assessment & sales
10 taxes from your reconciled levels of revenue and expense?

11 A. These are pass-through items, recorded during the 2002 operating period,
12 which are not included in base rates. The Company simply collects these
13 amounts on behalf of the state or local agency that the assessment or
14 taxes must be paid to. The adjustment is the same as the one proposed
15 by the Company for amounts recorded in the Test Year.

16

17 **Operating Adjustment #3 - Eliminate PPAM and PWAM Revenues**

18 Q. Why has RUCO removed the PPAM and PWAM revenues for 2002?

19 A. The adjustment, which is similar to the one that is proposed by the
20 Company, removes 2002 revenues that are collected through separate
21 purchased power and purchased water surcharges and should not be
22 included in the calculation of base rates.

23

1 **Operating Adjustment #4 - Eliminate Unbilled Revenues & Expenses**

2 Q. Please explain your removal of unbilled revenues and expenses?

3 A. This adjustment, which is similar to the one proposed by the Company for
4 Test Year accruals, removes accrued amounts of revenues and expenses
5 that were recorded during the 2002 operating period. The adjustment
6 essentially restates period revenues and expenses from an accrual basis
7 to a cash basis for ratemaking purposes.

8
9 **Operating Adjustment #5 - Annualize Additional Revenues & Expenses**

10 Q. Has RUCO annualized revenues to take into account the change in
11 customers during the 2002 operating period?

12 A. Yes. Schedule WAR-11 for each of the systems I am providing testimony
13 on presents RUCO's revenue and expense reconciliation based on the
14 customer count in 2002. RUCO witness Timothy J. Coley discusses the
15 adjustment in detail in his direct testimony on the Eastern Group systems.

16
17 **Operating Adjustment #6 - Amortization of Rate Case Expense**

18 Q. Please explain your adjustments to rate case expense for each of the four
19 systems you are providing testimony on.

20 A. At this time I am not proposing an adjustment to the Company's requested
21 level of rate case expense.

22

23

1 Q. Does this mean RUCO has adopted the Company's estimates in full?

2 A. No. RUCO has reviewed the amount of rate case expense billed to date
3 and has decided that the prudent approach would be to wait until a final
4 figure can be accurately calculated. At that point in time, possibly before
5 the scheduled hearing date, RUCO will then "true-up" its final
6 recommended level of amortized rate case expense for the Eastern Group
7 systems.

8

9 **Operating Adjustment #7 - Remove MAP Surcharge Revenues**

10 Q. Why has RUCO removed the MAP surcharge revenues for those systems
11 that fall under the ADEQ program?

12 A. The adjustment, which is similar to the one that is proposed by the
13 Company, removes revenues that are collected through a surcharge that
14 is completely separate from base rates. A detailed explanation for the
15 adjustment is contained in the direct testimony of RUCO witness Timothy
16 J. Coley.

17

18 **Operating Adjustment #8 - Depreciation & Amortization Expense**

19 Q. Have you recalculated Test Year depreciation and amortization expense?

20 A. Yes. The calculation is exhibited in Schedule WAR-12. As explained
21 earlier in my testimony, I have recalculated a full year of depreciation and
22 amortization expense based on RUCO's adjusted level of 2002 plant

1 balances including allocated post-test year Phoenix Office and Meter
2 Shop additions.

3
4 Q. How did you calculate your recommended levels of depreciation and
5 amortization expense for each of the four systems that you are providing
6 testimony on?

7 A. As exhibited in Schedule WAR-12, my recommended levels of
8 depreciation and amortization expense were calculated by applying the
9 Company-proposed 2.59 percent composite depreciation rate to the level
10 of plant in service calculated on Page 7 of Schedule WAR-4. The same
11 2.59 percent composite rate of depreciation was then applied to the
12 Company's 2002 level of CIAC in order to arrive at the proper amount of
13 amortization of CIAC to be deducted from depreciation expense. RUCO's
14 recalculation of depreciation and amortization expense resulted in a
15 decrease of \$129,166 for Apache Junction, a \$7,517 decrease for Bisbee,
16 a \$67,944 decrease for Miami, and an \$8,768 decrease for Superior.
17 Included in RUCO's recommended level of depreciation & amortization
18 expense for the Company's Apache Junction system, is the \$64,521 of
19 amortization expense associated with RUCO's recommended figure of
20 \$645,207 in deferred CAP charges.

21 **[BEGIN CONFIDENTIAL]**

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[END CONFIDENTIAL]

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Operating Adjustment #9 - Property Tax Expense

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Q. Is RUCO recommending an adjustment to the Company-proposed levels of property tax expense for the Eastern Group systems?

7

8

A. Yes. The adjustment, exhibited in Schedule WAR-13, results in a \$9,387 decrease for Apache Junction, a \$19,510 decrease for Bisbee, a \$19,180 decrease for Miami, and a \$9,016 increase for Superior. The property tax calculation was made using the currently effective DOR formula. Please refer to the direct testimony of RUCO witness Timothy J. Coley for a detailed discussion on property tax issues in this case.

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Operating Adjustment #10 - Income Tax Expense

16

Q. Have you calculated income tax expense based on RUCO's recommended adjusted operating income for each of the four Eastern Group systems you are providing testimony on?

17

18

19

A. Yes. This adjustment is shown on Schedules WAR-14 for each of the four systems I am providing testimony on.

20

21

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23

1 **Operating Adjustment #11 - Purchased CAP Water Expense**

2 Q. What level of purchased CAP water expense are you recommending?

3 A. I am recommending a level of \$130,225, which is \$36,000 less than the
4 Company-proposed figure of \$166,225.

5
6 Q. Please explain the \$36,000 difference between your recommended level
7 of CAP water expense and the Company-proposed level of expense.

8 A. My level of CAP water expense, which is exhibited in Schedule WAR-15,
9 is based on a \$37 per acre-foot CAP municipal & industrial ("M&I") charge
10 that was approved by the Central Arizona Water Conservation District
11 ("CAWCD") Board of Directors in March 2003 as opposed to the \$43.00
12 per acre foot M&I charge which expired in June 2003. The Company's
13 proposed CAP water expense figure was based on the expired M&I rate of
14 \$43 per acre-foot. It should also be noted that the CAWCD Board of
15 Directors have announced further reductions in the M&I rate. The present
16 rate of \$37 per acre-foot is scheduled to drop to \$32 in 2004, to \$28 per
17 acre-foot in 2005, to \$24 per acre-foot in 2006, and to \$21 per acre-foot in
18 2007. I believe that these further reductions in the M&I rate, which will
19 result in substantial savings to the Company over the next four years,
20 present a strong argument as to why my recommended level of deferred
21 CAP charges (explained in Rate Base Adjustment #10) should be capped
22 at the \$645,207 amount that was recorded at the end of the 2002
23 operating period.

1 **RATE DESIGN**

2 Q. Have you reviewed Arizona Water's proposed rate design?

3 A. Yes. A comparison of the present rates, Arizona Water's proposed rates,
4 and my proposed rates are exhibited in Schedule WAR-17 for each of the
5 Eastern Group systems I am providing direct testimony on and Schedule
6 TJC-17 for each of the Eastern Group systems that RUCO witness Coley
7 is providing direct testimony on.

8
9 Q. What is the Company proposing in its rate designs?

10 A. The Company is proposing to continue the existing single-tier rate
11 structure for all meter sizes in all of the rate designs for the Eastern
12 Group. The Company is also proposing that the monthly minimum
13 charge, for each of the eight Eastern Group systems, contain zero gallons
14 as opposed to the current design that includes 1,000 gallons in the
15 minimum monthly charge.

16
17 Schedules WAR-17 and TJC-17 exhibit the changes in commodity
18 charges that the Company is requesting. For the sake of clarity, I have
19 stated the commodity charges for each of the Eastern Group systems in
20 both per 100-gallon increments, as the Company did in its Application, and
21 in the more common per 1,000-gallon increments.

1 Q. Please summarize your recommended rate design for Arizona Water.

2 A. I recommend that the current single-tier rate design be retained. I also
3 recommend that uniform minimum charges be retained for both residential
4 and commercial customers and that no gallons be included in the
5 minimum charge for all meter sizes.

6
7 Schedules WAR-18 and TJC-18 compare my recommended monthly
8 minimum charges for each of the Eastern Group systems with the
9 Company's present and proposed monthly minimum charges. With the
10 exception of several systems, I am recommending a uniform increase in
11 each of the monthly minimum charges.

12
13 Q. Why does RUCO agree with the Company's proposal to eliminate all
14 gallons from the monthly minimum charge?

15 A. RUCO believes that the elimination of gallons from the minimum will give
16 ratepayers greater control over their monthly bills. Those ratepayers who
17 use less than a thousand gallons per month would only be billed for their
18 actual level of consumption as opposed to being billed for a full thousand
19 gallons whether they use it or not.

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1 Q. Please provide a comparison of what a monthly charge would be, at the
2 median level of consumption for a 5/8 X 3/4-inch meter customer, with and
3 without 1,000 gallons of water included in the minimum monthly charge.

4 A. I will use the Superior system as an example. My recommended rate
5 design, with zero gallons in the minimum, sets the monthly minimum
6 charge for a 5/8 X 3/4-inch meter at the same \$18.13 level that Superior
7 customers are presently paying. At the 5,009-gallon median level of
8 consumption, a Superior system customer would be billed \$48.25 (\$18.13
9 minimum monthly charge + \$30.12 commodity charge). With 1,000
10 gallons included in the minimum, the same customer would be billed
11 \$48.24 or \$0.01 cent less.

12
13 Q. How is your proposed rate design different from the Company's?

14 A. My rate design is very similar to the one that the Company is proposing.
15 The biggest area of contention between my rate design and the
16 Company's rate design involves the Company's recommendation that the
17 Commission adopt consolidated rates for the Apache Junction and
18 Superior systems.

19
20 Q. What is the Company's rationale for consolidating Apache Junction and
21 Superior rates?

22 A. In its Application, the Company stated that it expects to construct an
23 interconnection between the two systems within the next several years.

1 However, no such interconnection or sharing of facilities is in effect at the
2 present time.

3

4 Q. Did the Company state why it would build an interconnection between the
5 two systems?

6 A. Yes. The Company stated that it is obligated to provide service to two
7 new developments, known as Entrada Del Oro and Ranch 160, that are
8 located near the Superior system's well field near Florence Junction.
9 However, the Company also stated that it must obtain right of way
10 clearance for a transmission line that is still under design review. The
11 Company did not provide any specific dates regarding a construction
12 schedule and did not provide a firm completion date for the proposed
13 interconnection that would link the Apache Junction and Superior systems.

14

15 Q. Does RUCO support rate consolidation for the Apache Junction and
16 Superior systems.

17 A. No. RUCO cannot support rate consolidation between the Apache
18 Junction and Superior systems at this time. RUCO believes that the
19 Company's consolidation proposal amounts to a subsidization of the
20 Superior system's ratepayers by the Apache Junction System's
21 ratepayers. RUCO believes that the Company's proposal would have a
22 negative effect for Apache Junction ratepayers at this time. RUCO is also

1 concerned that this type of consolidation would set a bad precedent for
2 consumers in Arizona.

3
4 Q. Does RUCO believe that Superior ratepayers would benefit from
5 consolidation?

6 A. RUCO believes that the Company's proposal would result in lower rates
7 for Superior system ratepayers, however these lower rates would be made
8 possible by Apache Junction ratepayers who receive no real benefit from
9 the Company-proposed consolidation of rates. Although it is true that both
10 systems share a common problem regarding the removal of higher arsenic
11 levels that exceed the new EPA standard of 10 parts per billion, neither
12 system would be able to share facilities or realize any meaningful
13 economies of scale until the actual interconnection between the two
14 systems is completed. In the meantime, Apache Junction ratepayers
15 would be paying for new plant improvements that only provide service to
16 Superior ratepayers. For the reasons just stated, RUCO opposes the
17 Company's request for rate consolidation. Accordingly, RUCO has
18 designed rates that are based on the costs to provide service to
19 ratepayers served by these two systems on a stand-alone basis.

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1 Q. Would RUCO support rate consolidation if the projected interconnection is
2 completed?

3 A. RUCO believes that the costs of service for the two systems should be
4 studied in the context of a rate case proceeding after the projected
5 interconnection is completed. If it is evident that customers on both
6 systems are receiving the benefits of the interconnection, then rate
7 consolidation might be viewed in a more favorable light.

8

9 Q. Will your rate design provide Arizona Water with the level of revenue
10 recommended by RUCO?

11 A. Yes, it will. Based on the test year billing determinants as adjusted, my
12 rate design will generate RUCO's recommended levels of revenue for
13 each of the systems in the Eastern Group from water sales. This can be
14 viewed in Schedules WAR-20 and TJC-20.

15

16 Q. Do you agree with the Company that there should be no difference in the
17 minimum charges billed to either the residential or commercial classes of
18 customers?

19 A. Yes, absent a cost analysis that demonstrates a significant incremental
20 cost to the Company of providing service to commercial versus residential
21 customers, uniform rates are appropriate.

22

23

1 Q. For each meter size used during the test year; did you prepare a schedule
2 that shows at various consumption levels the resulting monthly bills under
3 present and your proposed rates?

4 A. Yes. This information is displayed on Pages 1 and 2 of Schedules WAR-
5 19 and TJC-19. Pages 3 and 4 of these schedules, respectively, also
6 display the difference in dollars and percent between the present rates
7 and my proposed rates for each of the Eastern Group systems.

8

9 Q. Does this conclude your testimony on Arizona Water's Eastern Group
10 systems?

11 A. Yes, it does.

Qualifications of William A. Rigsby

EDUCATION:

University of Phoenix
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University
College of Business
Bachelor of Science, Finance, 1990

Mesa Community College
Associate of Applied Science, Banking and Finance, 1986

Michigan State University
Institute of Public Utilities
N.A.R.U.C. Annual Regulatory Studies Program, 1997 & 1999

Florida State University
Center for Professional Development & Public Service
N.A.R.U.C. Annual Western Utility Rate School, 1996

EXPERIENCE:

Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona
April 2001 – Present

Senior Rate Analyst
Accounting & Rates - Financial Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
July 1999 – April 2001

Senior Rate Analyst
Residential Utility Consumer Office
Phoenix, Arizona
December 1997 – July 1999

Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
October 1994 – November 1997

Revenue Auditor II
Arizona Department of Revenue
Corporate Income Tax Audit Unit
Phoenix, Arizona
November 1993 – October 1994

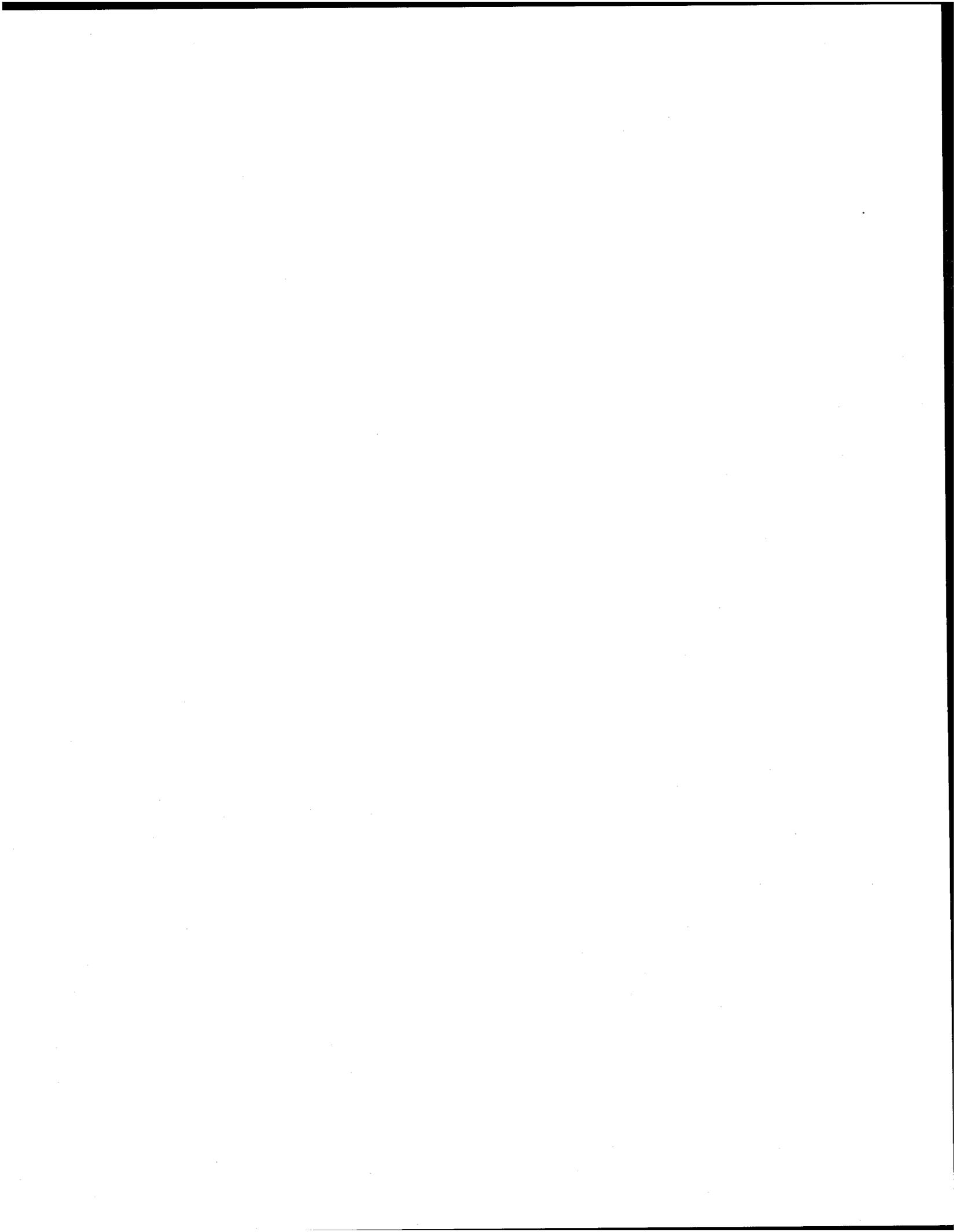
Tax Examiner Technician I
Arizona Department of Revenue
Transaction Privilege Tax Audit Unit
Phoenix, Arizona
July 1991 – November 1993

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase



UTILITY STOCKS AND THE SIZE EFFECT: AN EMPIRICAL ANALYSIS

Annie Wong*

I. Introduction

The objective of this study is to examine whether the firm size effect exists in the public utility industry. Public utilities are regulated by federal, municipal, and state authorities. Every state has a public service commission with board and varying powers. Often their task is to estimate a fair rate of return to a utility's stockholders in order to determine the rates charged by the utility. The legal principles underlying rate regulation are that "the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks," and that the return to a utility should be sufficient to "attract capital and maintain credit worthiness." However, difficulties arise from the ambiguous interpretation of the legal definition of *fair and reasonable rate of return* to an equity owner.

Some finance researchers have suggested that the Capital Asset Pricing Model (CAPM) should be used in rate regulation because the CAPM beta can serve as a risk measure, thus making risk comparisons possible. This approach is consistent with the spirit of a Supreme Court ruling that equity owners sharing similar level of risk should be compensated by similar rate of return.

The empirical studies of Banz (1981) and Reinganum (1981) showed that small firms tend to earn higher returns than large firms after adjusting for beta. This phenomenon leads to the proposition that firm size is a proxy for omitted risk factors in determining stock returns. Barry and Brown (1984) and Brauer (1986) suggested that the omitted risk factor could be the differential information environment between small and large firms. Their argument is based on the fact that investors often have less publicly available information to assess the future cash flows of small firms than that of large

firms. Therefore, an additional risk premium should be included to determine the appropriate rate of return to shareholders of small firms.

The samples used in prior studies are dominated by industrial firms, no one has examined the size effect in public utilities. The objective of this study is to extend the empirical findings of the existing studies by investigating whether the size effect is also present in the utility industry. The findings of this study have important implications for investors, public utility firms, and state regulatory agencies. If the size effect does exist in the utility industry, this would suggest that the size factor should be considered when the CAPM is being used to determine the fair rate of return for public utilities in regulatory proceedings.

II. Information Environment of Public Utilities

In general, utilities differ from industrials in that utilities are heavily regulated and they follow similar accounting procedures. A public utility's financial reporting is mainly regulated by the Securities and Exchange Commission (SEC) and the Federal Energy Regulatory Commission (FERC). Under the Public Utility Holding Company Act of 1935, the SEC is empowered to regulate the holding company systems of electric and gas utilities. The Act requires registration of public utility holding companies with the SEC. Only under strict conditions would the purchase, sale or issuance of securities by these holding companies be permitted. The purpose of the Act is to keep the SEC and investors informed of the financial conditions of these firms. Moreover, the FERC is in charge of the interstate operations of electric and gas companies. It requires utilities to follow the accounting procedures set forth in its Uniform Systems of Accounts. In particular, electric and gas utilities must request their Certified Public Accountants to certify that certain schedules in the financial reports are in conformity with the Commission's accounting requirements. These detailed reports are submitted annually and are open to the public.

*Western Connecticut State University. The author thanks Philip Perry, Robert Hagerman, Eric Press, the anonymous referee, and Clay Singleton for their helpful comments.

The FERC requires public utilities to keep accurate records of revenues, operating costs, depreciation expenses, and investment in plant and equipment. Specific financial accounting standards for these purposes are also issued by the Financial Accounting Standards Board (FASB). Uniformity is required so that utilities are not subject to different accounting regulations in each of the states in which they operate. The ultimate objective is to achieve comparability in financial reporting so that factual matters are not hidden from the public view by accounting flexibility.

Other regulatory reports tend to provide additional financial information about utilities. For example, utilities are required to file the FERC Form No. 1 with the state commission. This form is designed for state commissions to collect financial and operational information about utilities, and serves as a source for statistical reports published by state commissions.

Unlike industrials, a utility's earnings are predetermined to a certain extent. Before allowed earnings requests are approved, a utility's performance is analyzed in depth by the state commission, interest groups, and other witnesses. This process leads to the disclosure of substantial amount of information.

III. Hypothesis and Objective

Due to the Act of 1935, the Uniform Systems of Accounts, the uniform disclosure requirements, and the predetermined earnings, all utilities are reasonably homogeneous with respect to the information available to the public. Barry and Brown (1984) and Brauer (1986) suggested that the difference of risk-adjusted returns between small and large firms is due to their differential information environment. Assuming that the differential information hypothesis is true, then uniformity of information availability among utility firms would suggest that the size effect should not be observed in the public utility industry. The objective of this paper is to provide a test of the size effect in public utilities.

IV. Methodology

1. Sample and Data

To test for the size effect, a sample of public utilities and a sample of industrials matched by equity value are formed so that their results can be compared. Companies in both samples are listed on the Center for Research in Security Prices (CRSP)

Daily and Monthly Returns files. The utility sample includes 152 electric and gas companies. For each utility in the sample, two industrial firms with similar firm size (one is slightly larger and the other is slightly smaller than the utility) are selected. Thus, the industrial sample includes 304 non-regulated firms.

The size variable is defined as the natural logarithm of market value of equity at the beginning of each year. Both the equally-weighted and value-weighted CRSP indices are employed as proxies for the market returns. Daily, weekly and monthly returns are used. The Fama-MacBeth (1973) procedure is utilized to examine the relation between risk-adjusted returns and firm size.

2. Research Design

All utilities in the sample are ranked according to the equity size at the beginning of the year, and the distribution is broken down into deciles. Decile one contains the stocks with the lowest market values while decile ten contains those with the highest market values. These portfolios are denoted by MV_1 , MV_2 , ..., and MV_{10} , respectively.

The combinations of the ten portfolios are updated annually. In the year after a portfolio is formed, equally-weighted portfolio returns are computed by combining the returns of the component stocks within the portfolio. The betas for each portfolio at year t , $\hat{\beta}_p$'s, are estimated by regressing the previous five years of portfolio returns on market returns:

$$\bar{R}_p = \alpha_p + \hat{\beta}_p \bar{R}_{mt} + \bar{U}_p \quad (1)$$

where

R_p = periodic return in year t on portfolio p

R_{mt} = periodic market return in year t

U_p = disturbance term.

Banz (1981) applied both the ordinary and generalized least squares regressions to estimate β ; and concluded that the results are essentially identical (p.8). Since adjusting for heteroscedasticity does not necessarily lead to more efficient estimators, the ordinary least squares procedures are used in this study to estimate β in equation (1).

The following cross-sectional regression is then run for the portfolios to estimate γ_i , $i = 0, 1$, and 2:

$$R_{pt} = \gamma_0 + \gamma_1 \hat{\beta}_{pt} + \gamma_2 \hat{S}_{pt} + U_{pt} \quad (2)$$

where

$\hat{\beta}_{pt}$ = estimated beta for portfolio p at year t, t=1968, ..., 1987

\hat{S}_{pt} = mean of the logarithm of firm size in portfolio p at the beginning of year t

U_{pt} = disturbance term.

Depending on whether daily, weekly or monthly returns are used, a portfolio's average return changes periodically while its beta and size only change once a year. The γ_1 and γ_2 coefficients are estimated over the following four subperiods: 1968-72, 1973-77, 1978-82 and 1983-1987. If portfolio betas can fully account for the differences in returns, one would expect the average coefficient for the beta variable to be positive and for the size variable to be zero. A t-statistic will be used to test the hypothesis. The coefficients of a matched sample are also examined so that the results between industrial and utility firms can be compared.

V. Analysis of Results

1. Equity Value of the Utility Portfolios

The mean equity values of the ten size-based utility portfolios are reported in Table 1. Panels A and B present the average firm size of these portfolios at the beginning and end of the test period, 1968-1987. The first interesting observation from Table 1 is that the difference in magnitude between the smallest and the largest market value utility portfolios is tremendous. In Panel A, the average size of MV_1 is about \$31 million while that of MV_{10} is over \$1.4 billion. In Panel B, that is twenty years later, they are \$62 million and \$5.2 billion, respectively. Another interesting finding is that there is a substantial increase in average firm size from MV_9 to MV_{10} . Since these two findings are consistent over the entire test period, the average portfolio market values for interim years are not reported. These results are similar to the empirical evidence provided by Reinganum (1981).

The utility sample in this study contains 152 firms whereas Reinganum's sample contains 535 firms that are mainly industrial companies. Two conclusions may be drawn from the results of the Reinganum study and this one. First, utilities and industrials are similar in the sense that their market

values vary over a wide spectrum. Second, the fact that there is a huge jump in firm size from MV_9 to MV_{10} indicates that the distribution of firm size is positively skewed. To correct for the skewness problem, the natural logarithm of the mean equity value of each portfolio is calculated. This variable is then used in later regressions instead of the actual mean equity value.

2. Betas of the Utility and Industrial Samples

The betas based on monthly, weekly and daily returns are reported for the utility and industrial samples. For simplicity, they will be referred to as monthly, weekly, and daily betas. In all cases, five years of returns are used to estimate the systematic risk. The betas estimated over the 1963-67 time period are used to proxy for the betas in 1968, which is the beginning of the test period. By the same token, the betas obtained from the time period 1982-86 are used as proxies for the betas in 1987, which is the end of the test period.

The betas from using the equally-weighted and value-weighted indices are calculated in order to check whether the results are affected by the choice of market index. Since the results are similar, only those obtained from the equally-weighted index are reported and analyzed.

Table 2 reports the monthly, weekly and daily betas of the two samples at the beginning and end of the test period. Panel A shows the various betas of the industrial portfolios. Two conclusions may be drawn. First, in the 1960's, smaller market value portfolios tend to have relatively larger betas. This is consistent with the empirical findings by Banz (1981) and Reinganum (1981). Second, this trend seems to vanish in the 1980's, especially when weekly and daily returns are used.

The betas of the utility portfolios are presented in Panel B. The table shows that none of the utility betas are greater than 0.71. A comparison between Panels A and B reveals that utility portfolios are relatively less risky than industrial portfolios after controlling for firm size. The comparison also reveals that, unlike industrial stocks, betas of the utility portfolios are not related to the market values of equity.

The negative correlation between firm size and beta in the industrial sample may introduce a multicollinearity problem in estimating equation (2). Banz (p.11) had addressed this issue and concluded that the test results are not sensitive to the

multicollinearity problem. For the utility sample, this problem does not exist.

3. Tests on the Coefficients of Beta and Size

The beta and firm size are used to estimate γ_1 and γ_2 in equation (2). A t-statistic is used to test if the mean values of the gammas are significantly different from zero. The tests were performed for four 5-year periods which are reported in Table 3. The mean of the gammas and their t-statistic are presented in Panel A for the utilities and in Panel B for the industrial firms.

The empirical results for the utility sample are reported in Panel A of Table 3. When monthly returns are used, 60 regressions were run to obtain 60 pairs of gammas for each of the 5-year periods. When daily returns are used, over 1200 regressions were run for each period to obtain the gammas. The results are similar: in all of the time periods tested, none of the average coefficients for beta and size are significantly different from zero. When weekly returns are used, 260 pairs of gammas were obtained. The average coefficients for beta are not significant in any test period, and the average coefficients for size are not significant in three of the test periods. For the test period of 1978-82, the average coefficient for size is significantly negative at a 5% level.

The test results for the industrial sample are reported in Panel B of Table 3. When monthly returns are used, the average coefficient estimates for size and beta are significant and have the expected sign only in the 1983-87 test period. When weekly returns are used, only the size variable is significantly negative in the 1978-82 period. When daily returns are used, the coefficient estimates for betas and size are not significant at any conventional level.

According to the CAPM, beta is the sole determinant of stock returns. It is expected that the coefficient for beta is significantly positive. However, the empirical findings reported in this study and in Fama and French (1992) only provide weak support for beta in explaining stock returns. The empirical findings in this study also suggest that the size effect varies over time. It is not unusual to document the firm size effect at certain time periods but not at others. Banz (1981) found that the size effect is not stable over time with substantial differences in the magnitude of the coefficient of the size factor (p.9, Table 1). Brown, Kleidon and Marsh (1983) not only have shown that size effect is not constant over time but also have reported a reversal of the size anomaly for certain years.

The research design of this study allows us to keep the sample, test period, and methodology the same with the holding-period being the only variable. The size effect is documented for the industrial sample in one of the four test periods when monthly returns are used and in another when weekly returns are used. When daily returns are used, no size effect is observed. For the utility sample, the size effect is significant in only one test period when weekly returns are used. When monthly and daily returns are used, no size effect is found. Therefore, this study concludes that the size effect is not only time-period specific but also holding-period specific.

VI. Concluding Remarks

The fact that the two samples show different, though weak, results indicates that utility and industrial stocks do not share the same characteristics. First, given firm size, utility stocks are consistently less risky than industrial stocks. Second, industrial betas tend to decrease with firm size but utility betas do not. These findings may be attributed to the fact that all public utilities operate in an environment with regional monopolistic power and regulated financial structure. As a result, the business and financial risks are very similar among the utilities regardless of their sizes. Therefore, utility betas would not necessarily be expected to be related to firm size.

The objective of this study is to examine if the size effect exists in the utility industry. After controlling for equity values, there is some weak evidence that firm size is a missing factor from the CAPM for the industrial but not for the utility stocks. This implies that although the size phenomenon has been strongly documented for the industrials, the findings suggest that there is no need to adjust for the firm size in utility rate regulations.

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Table 1

Average Equity Size of the Utility Portfolios at the Beginning and End of the Test Period
(Dollar figures in millions)

	A: Beginning (1968)	B: End (1987)
MV ₁	\$31	\$62
MV ₂	\$77	\$177
MV ₃	\$113	\$334
MV ₄	\$161	\$475
MV ₅	\$220	\$715
MV ₆	\$334	\$957
MV ₇	\$437	\$1,279
MV ₈	\$505	\$1,805
MV ₉	\$791	\$2,665
MV ₁₀	\$1,447	\$5,399

Table 2

Betas of the Two Samples at the Beginning and End of the Test Period

	<u>Monthly Betas</u>		<u>Weekly Betas</u>		<u>Daily Betas</u>	
	1963-67	1982-86	1963-67	1982-86	1963-67	1982-86
Panel A: Industrial Firms						
MV ₁	0.89	1.00	1.15	0.95	1.11	0.92
MV ₂	0.94	0.87	1.07	1.01	1.14	1.01
MV ₃	0.88	0.82	1.12	0.86	1.14	1.04
MV ₄	0.69	0.74	1.00	0.83	1.03	0.86
MV ₅	0.73	0.80	1.05	0.96	1.13	1.01
MV ₆	0.66	0.82	1.03	1.01	1.05	1.04
MV ₇	0.64	0.81	0.97	1.04	0.98	1.09
MV ₈	0.62	0.75	0.97	1.11	1.00	1.20
MV ₉	0.52	0.78	0.84	1.06	0.94	1.16
MV ₁₀	0.43	0.65	0.78	1.01	0.86	1.22
Panel B: Public Utilities						
MV ₁	0.30	0.37	0.31	0.43	0.30	0.40
MV ₂	0.28	0.38	0.37	0.47	0.36	0.44
MV ₃	0.22	0.42	0.33	0.42	0.31	0.49
MV ₄	0.27	0.35	0.36	0.52	0.34	0.54
MV ₅	0.25	0.45	0.37	0.61	0.35	0.62
MV ₆	0.25	0.41	0.39	0.54	0.40	0.65
MV ₇	0.20	0.35	0.34	0.54	0.37	0.63
MV ₈	0.17	0.38	0.34	0.65	0.33	0.68
MV ₉	0.19	0.34	0.35	0.60	0.34	0.71
MV ₁₀	0.18	0.29	0.38	0.59	0.39	0.71

Table 3

Tests on the Mean Coefficients of Beta (γ_1) and Size (γ_2)

$$R_{pt} = \gamma_\alpha + \gamma_{1t}\hat{\beta}_{pt} + \gamma_{2t}\hat{S}_{pt} + U_{pt}$$

Returns Used:		Monthly (t-value)	Weekly (t-value)	Daily (t-value)
Panel A: Utility Sample				
1968-72	γ_1	-0.46% (-0.26)	-0.32% (-0.42)	-0.02% (-0.18)
	γ_2	-0.07% (-0.78)	-0.01% (-0.51)	-0.00% (-0.46)
1973-77	γ_1	-0.28% (-0.13)	0.14% (0.14)	-0.03% (-0.21)
	γ_2	-0.11% (-0.70)	-0.03% (-0.67)	-0.00% (-0.53)
1978-82	γ_1	0.55% (0.36)	0.54% (1.00)	0.05% (0.43)
	γ_2	-0.10% (-0.75)	-0.05% (-1.71)*	-0.01% (-1.60)
1983-87	γ_1	1.74% (1.28)	-0.24% (-0.51)	-0.02% (-0.18)
	γ_2	-0.16% (-1.54)	-0.03% (-0.86)	-0.01% (-0.63)
Panel B: Industrial Sample				
1968-72	γ_1	-0.36% (-0.27)	-0.28% (-0.55)	-0.02% (-0.32)
	γ_2	-0.07% (0.43)	-0.01% (-0.19)	0.00% (0.51)
1973-77	γ_1	1.34% (0.64)	-0.23% (-0.31)	0.14% (1.45)
	γ_2	-0.01% (-0.06)	-0.04% (-0.85)	-0.00% (-0.64)
1978-82	γ_1	-0.84% (-0.28)	-0.56% (-0.91)	-0.09% (-0.81)
	γ_2	-0.29% (-0.75)	-0.01% (-1.72)*	-0.00% (-1.33)
1983-87	γ_1	2.51% (1.83)*	0.34% (0.64)	0.11% (1.40)
	γ_2	-0.25% (-1.90)*	-0.01% (-0.43)	0.00% (0.14)

* Significant at the 5% level based on a one-tailed test.

**ARIZONA WATER COMPANY
APACHE JUNCTION SYSTEM
DOCKET NO. W-1445A-02-0619
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ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 REVENUE REQUIREMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-1
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY REQUESTED	(B) RUCO RECOMMENDED
1	ADJUSTED RATE BASE	\$ 24,207,015	\$ 19,792,391
2	ADJUSTED OPERATING INCOME	1,862,935	2,106,211
3	CURRENT RATE OF RETURN (L2 / L1)	7.70%	10.64%
4	REQUIRED RATE OF RETURN	11.00%	8.68%
5	REQUIRED OPERATING INCOME (L4 * L1)	2,662,772	1,718,542
6	OPERATING INCOME DEFICIENCY (L5 - L2)	799,837	(387,668)
7	GROSS REVENUE CONVERSION FACTOR	<u>1.63241</u>	<u>1.63245</u>
8	GROSS REVENUE INCREASE	<u>\$ 1,305,661</u>	<u>\$ (632,849)</u>
9	CURRENT REVENUES T/Y ADJUSTED	8,943,927	9,612,009
10	PROPOSED ANNUAL REVENUE (L8 + L9)	10,249,588	8,979,160
11	PERCENTAGE AVERAGE INCREASE	14.60%	-6.58%

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE A-1
 COLUMN (B): SCHEDULE WAR-1, PG. 2, WAR-2, AND WAR-8

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 GROSS REVENUE CONVERSION FACTOR

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-1
 PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	UNCOLLECTIBLES	<u>0.002316</u>	COMPANY SCH. C-3
3	SUB-TOTAL	0.9977	LINE 1 - LINE 2
4	LESS: TAX RATE	<u>38.51%</u>	NOTE (a)
5	TOTAL	0.6126	LINE 3 - LINE 4
6	REVENUE CONVERSION FACTOR	1.63245	LINE 1/LINE 5

NOTE (a):
 CALCULATION OF EFFECTIVE TAX RATE

OPERATING INCOME BEFORE TAXES	100.00%
ARIZONA STATE TAX	<u>6.97%</u>
TAXABLE INCOME FEDERAL	93.03%
FEDERAL INCOME TAX RATE	<u>34.00%</u>
SUBTOTAL	31.63%
ADD STATE TAX RATE	38.60%
LINE 3 ABOVE	<u>99.77%</u>
EFFECTIVE TAX RATE	38.51%

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 RATE BASE - ORIGINAL COST

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-2

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 54,521,888	\$ (733,301)	\$ 53,788,587
2	PHOENIX OFFICE & METER SHOP ALLOCATION	870,209	214,642	1,084,851
3	DEFERRED CAP CHARGES	704,903	(59,696)	645,207
4	ACCUMULATED DEPRECIATION	<u>(8,791,705)</u>	<u>(1,102,379)</u>	<u>(9,894,085)</u>
5	NET PLANT IN SERVICE	\$ 47,305,294	\$ (1,680,734)	\$ 45,624,560
6	CONSTRUCTION WORK IN PROGRESS (CWIP)	<u>-</u>	<u>-</u>	<u>-</u>
7	TOTAL NET PLANT	\$ 47,305,294	\$ (1,680,734)	\$ 45,624,560
8	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(15,443,377)	(1,264,007)	(16,707,384)
9	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(6,228,486)	(668,894)	(6,897,380)
10	ACCUMULATED AMORTIZATION OF CIAC	713,806	169,980	883,786
11	DEFERRED INCOME TAXES	(2,699,309)	(409,446)	(3,108,755)
14	WORKING CAPITAL	<u>559,087</u>	<u>(561,523)</u>	<u>(2,436)</u>
15	TOTAL RATE BASE	<u>\$ 24,207,015</u>	<u>\$ (4,414,624)</u>	<u>\$ 19,792,391</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE B-1
 COLUMN (B): SCHEDULE WAR-3
 COLUMN (C): COLUMN (A) + COLUMN (B)

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCO ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$54,521,888	(\$733,301)	\$130,939		113,863	(30,160)							\$ 53,788,587
2	PHOENIX OFFICE & METER SHOP ALLOCATION	870,209	(a)											1,084,851
3	DEFERRED CAP CHARGES	704,803										(59,696)		645,207
4	ACCUMULATED DEPRECIATION	(8,791,705)			(\$988,516)	(c)								(9,694,085)
5	NET PLANT IN SERVICE	\$47,305,294	\$ (733,301)	\$ 130,939	\$ (988,516)	\$ -	\$ (30,160)	\$ -	\$ -	\$ -	\$ -	\$ (59,696)	\$ -	\$ 45,624,560
6	CONSTRUCTION WORK IN PROGRESS (CWIP)	-												-
7	TOTAL NET PLANT	\$47,305,294	\$ (733,301)	\$ 130,939	\$ (988,516)	\$ -	\$ (30,160)	\$ -	\$ -	\$ -	\$ -	\$ (59,696)	\$ -	\$ 45,624,560
8	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(15,443,377)						(1,264,007)						(16,707,384)
9	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(6,228,486)							(688,894)					(6,917,380)
10	ACCUMULATED AMORTIZATION OF CIAC	713,806							169,980					883,786
11	DEFERRED INCOME TAXES	(2,699,309)								(409,446)				(3,108,755)
12	WORKING CAPITAL	559,067									(561,523)			(2,436)
13	TOTAL RATE BASE	\$24,207,015	\$ (733,301)	\$ 130,939	\$ (988,516)	\$ -	\$ (30,160)	\$ (1,264,007)	\$ (488,914)	\$ (409,446)	\$ (561,523)	\$ (59,696)	\$ -	\$ 19,792,391

ADJUSTMENT #:
 1. PLANT IN SERVICE/POST-TEST YEAR ADDITIONS
 2. PHOENIX OFFICE & METER SHOP ALLOCATION
 3. ACCUMULATED DEPRECIATION
 4. RECONCILE PHX. OFFICE & METER SHOP AND ACCUM. DEPR.
 5. REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION
 6. AIAC - 2002 BALANCE

ADJUSTMENT #:
 7. CIAC - 2002 BAL. & AMORTIZATION
 8. ACCUMULATED DEFERRED INCOME TAXES
 9. WORKING CAPITAL
 10. DEFERRED CAP CHARGES
 11. NOT USED

REFERENCE:
 SCHEDULE WAR 4, PAGE 7
 SCHEDULE WAR-4, PAGE 7
 SCHEDULE WAR 4, PAGE 7
 SCHEDULE WAR-5
 SCHEDULE WAR-6
 RUCO D.R. NO. 6.3

REFERENCE:
 RUCO D.R. NO 6.3, TESTIMONY - WAR
 RUCO D.R. NO. 6.3
 SCHEDULE WAR-7, PAGE 3
 TESTIMONY - WAR
 N/A

NOTES:
 (a) NET OF ACCUMULATED DEPRECIATION
 (b) GROSS PHOENIX OFFICE AND METER SHOP ADDITIONS ALLOCATED DURING 2002
 (c) INCLUDES ACCUMULATED DEPRECIATION ON 2002 PHOENIX OFFICE AND METER SHOP ADDITIONS

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1990 PLANT VALUE PER COMPANY	1990 ACCUM. DEPR. PER COMPANY	1990 NET PLANT PER COMPANY	1991 ADDITIONS PER COMPANY	1991 (RETIREMENTS) PER COMPANY	1991 YEAR END PLANT VALUE PER RUCO	1991 DEPRECIATION EXPENSE PER RUCO	1991 ACCUMULATED DEPRECIATION PER RUCO	1991 YEAR END NET PLANT PER RUCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	6,545	0	6,545	0	0	6,545	0	0	6,545
7	314.0	SOURCE OF SUPPLY: WELLS	260,702	39,338	221,364	14,195	0	274,887	6,481	45,818	229,079
8	320.0	PUMPING PLANT: LAND*	3,901	0	3,901	0	0	3,901	0	0	3,901
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	12,328	1,860	10,468	0	0	12,328	298	2,159	10,169
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	958,523	144,633	813,890	59,691	0	1,018,214	23,919	168,551	849,663
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	0	0	0	0	0	0	0
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	4,211	635	3,576	0	0	4,211	102	737	3,474
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	55,552	0	55,552	0	0	55,552	0	0	55,552
16	340.1	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	1,663,153	250,955	1,412,198	7,347	0	1,670,500	40,337	291,292	1,379,208
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	9,502,472	1,433,839	8,068,633	278,270	(8,806)	9,771,936	233,220	1,658,254	8,113,682
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	91,874	13,863	78,011	6,640	0	98,514	2,304	16,167	82,347
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	1,999,217	301,664	1,697,553	118,842	(10,476)	2,107,583	49,692	340,881	1,766,702
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	464,083	70,026	394,057	4,962	(3,428)	465,617	11,248	77,847	387,770
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	562,609	84,893	477,716	3,216	0	569,825	13,654	98,547	467,278
24	389.1	GENERAL PLANT: LAND - OFFICE*	6,307	0	6,307	0	0	6,307	0	0	6,307
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	63	0	63	0	0	63	0	0	63
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	124,389	18,769	105,620	0	0	124,389	3,010	21,779	102,610
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	22,681	3,422	19,259	121	0	22,802	550	3,973	18,829
29	390.3	GENERAL PLANT: MISC. BUILDINGS	478	72	406	0	0	478	12	84	394
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	22,903	3,456	19,447	0	(139)	22,764	553	3,869	18,895
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	18,824	2,840	15,984	1,213	0	20,037	470	3,311	16,726
32	391.2	GENERAL PLANT: OFFICE FURNITURE	16,241	2,451	13,790	339	0	16,580	397	2,848	13,732
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	259	39	220	0	0	259	6	45	214
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	56,177	8,477	47,700	1,526	(37)	57,666	1,378	9,817	47,849
35	395.0	GENERAL PLANT: LAB EQUIPMENT	1,148	173	975	48	0	1,197	28	202	995
36	396.0	GENERAL PLANT: POWER EQUIPMENT	30,101	4,542	25,559	1,916	(514)	31,503	745	4,773	26,730
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	126,784	19,131	107,653	0	0	126,784	3,068	22,199	104,585
38	397.1	GENERAL PLANT: MOBILE RADIOS	1,781	269	1,512	464	0	2,245	49	317	1,928
39	397.2	GENERAL PLANT: AUTO CONTROLS	59	9	50	1,460	0	1,519	19	28	1,491
40	398.0	GENERAL PLANT: MISC.	232	35	197	0	0	232	6	41	191
41		TOTALS	\$16,013,597	\$2,405,391	\$13,608,206	\$500,251	(\$23,400)	\$16,690,448	\$391,548	\$2,773,539	\$13,716,909

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 *NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1992 ADDITIONS PER COMPANY	1992 (RETIREMENTS) PER COMPANY	1992 YEAR END PLANT VALUE PER RUCCO	1992 DEPRECIATION EXPENSE PER RUCCO	1992 ACCUMULATED DEPRECIATION PER RUCCO	1992 YEAR END NET PLANT PER RUCCO	1993 ADDITIONS PER COMPANY	1993 (RETIREMENTS) PER COMPANY	1993 YEAR END PLANT VALUE PER RUCCO	1993 DEPRECIATION EXPENSE PER RUCCO	1993 ACCUMULATED DEPRECIATION PER RUCCO	1993 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES; ORGANIZATION*	0	0	0	0	0	0	0	0	0	0	0	0
2	302.0	INTANGIBLES; FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES; MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY; LAND - WATER RIGHTS*	0	0	0	0	0	0	4,648	0	4,648	0	0	4,648
5	310.2	SOURCE OF SUPPLY; LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY; LAND - WELLS*	0	0	6,545	0	0	6,545	333	0	6,878	0	0	6,878
7	314.0	SOURCE OF SUPPLY; LAND - WELLS*	541	0	275,438	6,659	52,477	222,961	278	0	275,716	7,137	59,615	216,101
8	320.0	PUMPING PLANT; LAND*	0	0	3,901	0	0	3,901	0	0	3,901	0	0	3,901
9	321.0	PUMPING PLANT; STRUCTURES & IMPROVEMENTS	298	0	12,328	298	2,487	9,871	0	0	12,328	319	2,776	9,552
10	325.0	PUMPING PLANT; ELECTRICAL EQUIPMENT	93,159	(32,177)	1,079,196	25,379	161,753	917,443	41,295	(9,246)	1,111,245	28,366	180,873	930,372
11	328.0	PUMPING PLANT; GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT; LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT; STRUCTURES & IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
14	332.0	WATER TREATMENT PLANT; EQUIPMENT	41,065	0	45,276	1,336	1,336	43,940	4,024	0	49,964	1,225	2,361	46,739
15	340.1	TRANSMISSION & DISTRIBUTION; LAND RIGHTS - FEES*	0	0	55,552	0	0	55,552	0	0	55,552	0	0	55,552
16	340.1	TRANSMISSION & DISTRIBUTION; LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION; STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION; MANS*	0	0	0	0	0	0	0	0	0	0	0	0
19	343.0	TRANSMISSION & DISTRIBUTION; MANS*	0	0	0	0	0	0	0	0	0	0	0	0
20	345.0	TRANSMISSION & DISTRIBUTION; FIRE SPRINKLERS	495,132	(20,215)	1,870,500	40,426	331,718	1,338,782	14,915	0	1,684,815	43,451	375,170	1,309,645
21	346.0	TRANSMISSION & DISTRIBUTION; MANS*	4,594	0	10,186,853	241,501	1,879,540	8,307,313	687,728	(60,523)	10,814,058	271,962	2,050,979	8,723,079
22	346.0	TRANSMISSION & DISTRIBUTION; SERVICES	163,716	(11,002)	2,250,297	52,730	18,606	84,502	6,946	(7,729)	2,420,447	2,759	21,365	88,589
23	346.0	TRANSMISSION & DISTRIBUTION; METERS	21,869	(11,634)	475,652	11,392	77,605	398,247	44,958	(12,212)	508,598	12,749	435,366	1,985,081
24	346.0	TRANSMISSION & DISTRIBUTION; HYDRANTS	27,954	(2,241)	591,538	14,004	110,310	481,228	71,822	(8,801)	654,759	16,140	117,848	536,911
25	389.1	GENERAL PLANT; LAND - WAREHOUSE*	0	0	6,307	0	0	6,307	0	0	6,307	0	0	6,307
26	389.2	GENERAL PLANT; LAND - WAREHOUSE*	0	0	63	0	0	63	0	0	63	0	0	63
27	390.1	GENERAL PLANT; OFFICE BUILDINGS	0	0	124,389	0	0	89,599	274,962	(16,882)	382,669	6,666	14,674	367,995
28	390.2	GENERAL PLANT; WAREHOUSE BUILDINGS	0	0	22,802	562	4,525	18,277	143,308	0	166,110	2,446	6,871	159,139
29	390.3	GENERAL PLANT; MISC. BUILDINGS	0	0	478	12	95	383	0	0	478	12	108	370
30	391.0	GENERAL PLANT; OFFICE EQUIPMENT	0	0	22,784	551	4,420	18,344	0	0	22,784	590	5,010	17,754
31	391.1	GENERAL PLANT; ELECTRICAL EQUIPMENT	1,211	0	21,248	500	3,610	17,438	3,131	0	24,379	591	4,401	19,978
32	391.2	GENERAL PLANT; OFFICE FURNITURE	835	0	17,415	411	3,259	14,156	800	0	18,215	461	3,721	14,494
33	393.0	GENERAL PLANT; WAREHOUSE EQUIPMENT	163	0	422	8	54	368	0	0	422	11	65	357
34	394.0	GENERAL PLANT; GARAGE EQUIPMENT	1,481	(9,065)	50,092	1,304	2,096	48,026	334	(874)	48,552	1,290	2,462	47,070
35	395.0	GENERAL PLANT; LAB EQUIPMENT	0	0	1,897	62	4,231	3,729	0	0	4,231	1,102	5,626	36,635
36	396.0	GENERAL PLANT; POWER EQUIPMENT	11,504	(846)	43,581	858	4,821	37,729	0	0	42,156	1,004	5,626	36,635
37	397.0	GENERAL PLANT; COMMUNICATIONS EQUIPMENT	0	0	126,784	3,058	25,267	101,517	0	0	126,784	3,284	28,551	98,233
38	397.1	GENERAL PLANT; TELEVISION EQUIPMENT	0	0	0	54	372	1,873	3,567	0	5,812	104	476	5,336
39	397.2	GENERAL PLANT; AUTO CONTROLS	1,596	0	3,115	84	84	3,031	2,423	0	5,598	112	196	5,342
40	398.0	GENERAL PLANT; MISC.	0	0	232	6	46	186	0	(40)	192	5	12	180
41		TOTALS	\$795,220	(\$87,170)	\$17,198,496	\$405,895	\$3,032,254	\$14,106,244	\$1,432,651	(\$115,207)	\$18,565,242	\$461,202	\$3,437,648	\$15,127,634

REFERENCE:
 ACC STAFF D.R. NO. REL. 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1994 ADDITIONS PER COMPANY	1994 (RETIREMENTS) PER COMPANY	1994 YEAR END PLANT VALUE PER RUCCO	1994 DEPRECIATION EXPENSE PER RUCCO	1994 ACCUMULATED DEPRECIATION PER RUCCO	1994 YEAR END NET PLANT PER RUCCO	1995 ADDITIONS PER COMPANY	1995 (RETIREMENTS) PER COMPANY	1995 YEAR END PLANT VALUE PER RUCCO	1995 DEPRECIATION EXPENSE PER RUCCO	1995 ACCUMULATED DEPRECIATION PER RUCCO	1995 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES MISC.	1,290	0	5,838	0	0	5,838	0	0	10,982	0	0	10,982
4	310.1	SOURCE OF SUPPLY - LAND - WATER RIGHTS*	0	0	0	0	0	0	5,044	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY - LAND - WATERS*	480	0	0	0	0	0	0	0	0	0	0	0
6	311.0	SOURCE OF SUPPLY - LAND - WELLS*	2,244	0	7,368	0	0	7,368	0	0	0	0	0	7,368
7	314.0	SOURCE OF SUPPLY - WELLS	0	0	277,960	7,170	66,785	246,969	555	(29,526)	246,969	6,824	44,083	204,906
8	320.0	PUMPING PLANT - LAND*	0	0	3,901	0	0	3,901	0	0	0	0	0	3,901
9	321.0	PUMPING PLANT - STRUCTURES & IMPROVEMENTS	584	0	12,912	327	3,103	9,809	10,854	(1,238)	22,528	459	2,324	20,204
10	325.0	PUMPING PLANT - ELECTRICAL EQUIPMENT	15,548	0	1,126,793	28,983	209,658	916,937	80,629	(1,718)	1,205,706	30,206	238,346	967,873
11	328.0	PUMPING PLANT - GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT - LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT - STRUCTURES & IMPROVEMENTS	361	0	361	5	5	356	0	0	356	9	14	347
14	332.0	WATER TREATMENT PLANT - EQUIPMENT	3,357	0	52,657	1,320	3,891	48,766	0	0	52,657	1,364	5,246	47,412
15	340.0	TRANSMISSION & DISTRIBUTION - LAND - TANKS & MAINS*	0	0	55,552	0	0	55,552	0	0	0	0	0	55,552
16	341.0	TRANSMISSION & DISTRIBUTION - STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
17	341.1	TRANSMISSION & DISTRIBUTION - STRUCTURES - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION - STORAGE TANKS	0	0	0	0	0	0	0	0	0	0	0	0
19	343.0	TRANSMISSION & DISTRIBUTION - MAINS	899,586	(39,829)	11,672,815	43,637	418,808	1,266,069	333	0	1,685,148	43,641	462,447	1,222,701
20	344.0	TRANSMISSION & DISTRIBUTION - FIRE SPRINKLERS	3,161	0	113,115	281,205	2,342,365	9,330,460	796,502	(38,876)	12,430,441	312,137	2,615,616	9,814,825
21	345.0	TRANSMISSION & DISTRIBUTION - SERVICES	245,332	(6,049)	2,659,730	65,788	24,254	86,861	4,482	0	117,597	2,968	27,242	90,355
22	346.0	TRANSMISSION & DISTRIBUTION - METERS	40,332	(8,548)	540,362	13,964	83,178	2,164,625	383,197	(13,428)	3,039,489	73,805	555,482	2,484,017
23	348.0	TRANSMISSION & DISTRIBUTION - HYDRANTS	18,329	(1,884)	669,224	17,146	133,190	457,204	31,421	(8,502)	583,301	14,283	86,969	474,332
24	389.1	GENERAL PLANT - LAND - OFFICE*	0	0	6,307	0	0	6,307	0	0	0	0	0	6,307
25	389.2	GENERAL PLANT - LAND - WAREHOUSE*	0	0	63	0	0	63	0	0	0	0	0	63
26	389.3	GENERAL PLANT - LAND - MISC.*	6,911	0	389,716	0	0	389,716	0	0	0	0	0	389,716
27	390.1	GENERAL PLANT - OFFICE BUILDINGS	5,724	(84)	171,634	4,378	23,789	364,917	3,720	0	392,440	10,116	33,915	359,525
28	390.2	GENERAL PLANT - MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	390.3	GENERAL PLANT - MISC. BUILDINGS	0	0	478	12	11,247	169,487	0	0	171,834	4,451	15,798	156,036
30	391.0	GENERAL PLANT - OFFICE EQUIPMENT	0	(630)	22,134	581	4,961	17,173	23,837	0	45,971	882	1,332	44,639
31	391.1	GENERAL PLANT - ELECTRICAL EQUIPMENT	867	0	25,246	643	5,044	20,202	0	0	25,246	654	5,843	40,128
32	391.2	GENERAL PLANT - OFFICE FURNITURE	1,128	0	19,343	486	4,207	15,136	0	0	19,343	501	4,708	14,635
33	393.0	GENERAL PLANT - WAREHOUSE EQUIPMENT	2,034	(820)	1,836	29	(526)	2,362	11,095	(553)	12,378	184	(695)	13,273
34	394.0	GENERAL PLANT - GARAGE EQUIPMENT	11,768	(295)	61,025	3,619	3,619	57,406	0	0	61,025	1,581	5,200	55,825
35	395.0	GENERAL PLANT - LAB EQUIPMENT	0	0	1,197	31	293	904	0	0	1,197	31	324	873
36	396.0	GENERAL PLANT - POWER EQUIPMENT	0	(352)	42,209	1,098	5,672	35,537	0	0	42,209	1,093	3,344	34,444
37	397.0	GENERAL PLANT - COMMUNICATIONS EQUIPMENT	0	0	126,184	3,258	31,983	94,196	4,653	0	131,839	3,344	3,344	128,495
38	397.1	GENERAL PLANT - MOBILE RADIOS	4,329	0	1,184	145	383	6,012	2,914	0	13,148	237	1,683	11,465
39	397.2	GENERAL PLANT - VIDEO CONTROLS	827	0	5,675	145	341	6,016	8,394	0	12,600	237	1,683	14,283
40	398.0	GENERAL PLANT - MISC.	824	0	1,115	17	29	1,115	(1,469)	0	12,600	237	1,683	13,489
41		TOTALS	\$1,261,427	(\$59,051)	\$19,767,618	\$494,384	\$3,872,381	\$15,895,638	\$1,424,333	(\$95,308)	\$21,096,643	\$527,077	\$4,304,651	\$16,791,992

REFERENCE:
 ACC STAFF D.R. NO. REL.1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1995 ADDITIONS PER COMPANY	1996 (RETIREMENTS) PER COMPANY	1996 YEAR END PLANT VALUE PER RUCCO	1996 DEPRECIATION EXPENSE PER RUCCO	1996 ACCUMULATED DEPRECIATION PER RUCCO	1996 YEAR END NET PLANT PER RUCCO	1997 ADDITIONS PER COMPANY	1997 (RETIREMENTS) PER COMPANY	1997 YEAR END PLANT VALUE PER RUCCO	1997 DEPRECIATION EXPENSE PER RUCCO	1997 ACCUMULATED DEPRECIATION PER RUCCO	1997 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES MISC.*	3,439	0	14,421	0	0	14,421	596	0	14,957	0	0	14,957
4	310.1	SOURCE OF SUPPLY - LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY - LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY - LAND - WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY - LAND - WELLS*	75,062	(4,029)	319,982	7,368	47,022	272,940	61,984	(2,590)	381,946	9,090	(2,590)	379,356
8	320.0	PUMPING PLANT - LAND*	0	0	3,901	0	0	3,901	0	0	3,901	0	0	3,901
9	321.0	PUMPING PLANT - STRUCTURES & IMPROVEMENTS	2,022	0	24,550	610	2,584	21,616	0	0	24,550	636	3,569	20,981
10	325.0	PUMPING PLANT - ELECTRICAL EQUIPMENT	118,624	(6,303)	1,318,227	32,685	264,727	1,053,500	83,154	(10,606)	1,390,775	35,082	298,203	1,101,572
11	328.0	PUMPING PLANT - GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT - LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT - STRUCTURES & IMPROVEMENTS	26,024	0	361	9	23	338	0	0	78,932	2,041	8,987	89,945
14	332.0	WATER TREATMENT PLANT - EQUIPMENT	0	0	79,691	1,701	6,946	71,795	251	0	78,932	0	0	78,932
15	340.0	TRANSMISSION & DISTRIBUTION - LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	55,552	0	0	55,552
16	340.1	TRANSMISSION & DISTRIBUTION - LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION - STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	343.0	TRANSMISSION & DISTRIBUTION - STRUCTURE TANKS	18,094	0	1,703,242	43,890	506,327	1,196,915	837	0	1,704,179	44,126	550,453	1,153,726
19	343.0	TRANSMISSION & DISTRIBUTION - STRUCTURE TANKS	577,596	(38,124)	12,969,913	328,922	2,905,414	10,063,499	1,682,766	(40,575)	14,617,104	367,161	3,222,000	11,389,104
20	344.0	TRANSMISSION & DISTRIBUTION - MAINS	5,044	0	122,641	3,111	30,353	92,288	16,956	0	139,597	3,396	33,749	105,848
21	345.0	TRANSMISSION & DISTRIBUTION - FIRE SPRINKLERS	442,234	(32,539)	3,449,230	84,029	606,918	2,842,312	517,254	(16,555)	3,949,929	85,819	686,182	3,263,747
22	346.0	TRANSMISSION & DISTRIBUTION - SERVICES	49,268	(12,374)	600,395	15,070	91,665	508,730	118,551	(16,401)	705,545	16,873	92,137	610,408
23	348.0	TRANSMISSION & DISTRIBUTION - METERS	63,244	0	779,185	19,862	170,430	608,755	158,949	(13,228)	824,906	22,068	179,270	745,636
24	389.1	GENERAL PLANT - LAND - OFFICE*	0	0	6,307	0	0	6,307	0	0	6,307	0	0	6,307
25	389.2	GENERAL PLANT - LAND - WAREHOUSE*	0	0	63	0	0	63	0	0	63	0	0	63
26	389.3	GENERAL PLANT - LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT - OFFICE BUILDINGS	0	0	382,440	10,164	44,090	348,350	0	0	392,440	10,164	54,244	338,196
28	390.2	GENERAL PLANT - WAREHOUSE BUILDINGS	0	0	171,824	4,124	20,643	151,181	0	0	175,948	4,491	24,985	147,963
29	390.3	GENERAL PLANT - OFFICE EQUIPMENT	0	0	476	12	7,034	6,558	0	0	7,180	12	4,457	2,723
30	391.0	GENERAL PLANT - OFFICE EQUIPMENT	0	0	45,971	1,191	7,034	38,937	0	0	45,971	1,191	8,225	37,746
31	391.1	GENERAL PLANT - ELECTRICAL EQUIPMENT	5,675	0	30,921	1,727	6,435	24,486	0	0	30,921	801	7,226	23,695
32	391.2	GENERAL PLANT - OFFICE FURNITURE	1,508	0	20,851	521	5,228	15,623	1,940	0	22,771	565	5,794	16,977
33	393.0	GENERAL PLANT - WAREHOUSE EQUIPMENT	15,169	(1,369)	12,378	321	(575)	12,953	7,567	0	82,392	2,036	7,626	74,766
34	394.0	GENERAL PLANT - GARAGE EQUIPMENT	0	0	74,825	1,759	5,590	68,235	0	0	82,392	0	0	82,392
35	395.0	GENERAL PLANT - LAB EQUIPMENT	0	0	1,197	31	355	842	0	0	1,197	0	0	1,197
36	396.0	GENERAL PLANT - POWER EQUIPMENTS	0	0	41,002	1,078	7,635	33,367	0	0	41,002	1,062	8,697	32,305
37	397.0	GENERAL PLANT - COMMUNICATIONS EQUIPMENT	6,687	0	19,715	3,404	38,952	92,835	0	0	131,417	3,404	4,985	89,432
38	397.1	GENERAL PLANT - MOBILE RADIOS	0	0	19,715	424	1,407	18,308	2,162	0	21,977	539	1,946	19,931
39	397.2	GENERAL PLANT - AUTO CONTROLS	4,234	0	5,498	59	(97)	5,498	5,920	0	11,412	219	(89)	11,323
40	398.0	GENERAL PLANT - MISC.	0	0	5,498	143	0	5,355	0	0	5,355	0	0	5,355
41		TOTALS	\$1,415,110	(\$97,399)	\$22,414,354	\$561,243	\$4,768,165	\$17,646,189	\$2,660,520	(\$89,960)	\$24,974,520	\$611,449	\$5,279,983	\$19,694,537

REFERENCE:
 ACC STAFF DIR NO. REL. 1-24
 NOTE:
 * - NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 TEST YEAR ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE-POST TEST YEAR PLANT.
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-4
 PAGE 5 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1988 ADDITIONS PER COMPANY	1988 (RETIREMENTS) PER COMPANY	1988 YEAR END PLANT VALUE PER RUCO	1988 DEPRECIATION EXPENSE PER RUCO	1988 ACCUMULATED DEPRECIATION PER RUCO	1988 YEAR END NET PLANT VALUE PER RUCO	1989 ADDITIONS PER COMPANY	1989 (RETIREMENTS) PER COMPANY	1989 YEAR END PLANT VALUE PER RUCO	1989 DEPRECIATION EXPENSE PER RUCO	1989 ACCUMULATED DEPRECIATION PER RUCO	1989 YEAR END NET PLANT VALUE PER RUCO
1	301.0	INTANGIBLES: ORGANIZATION*												
2	302.0	INTANGIBLES: FRANCHISES*	1,435		1,435			1,435						
3	303.0	INTANGIBLES: MISC.*												
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	627		15,584			15,584						
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*							23,668					
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*			4,773		(2,595)	2,178	40,952		45,725		(2,595)	48,320
7	314.0	SOURCE OF SUPPLY: WELLS	61,932	(14,644)	429,234	10,505	51,972	377,282	609,823	(13,286)	1,025,771	18,842	57,529	968,242
8	320.0	PUMPING PLANT: LAND*			3,901			3,901	4,552		29,102	695		3,901
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS			24,550	636	4,205	20,345	139,562		1,966,997	49,138	379,898	1,587,099
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT			1,627,415	41,676	330,761	1,496,654						
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	436,753	(118)										
12	330.0	WATER TREATMENT PLANT: LAND*												
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS			361		42	319						
14	332.0	WATER TREATMENT PLANT: EQUIPMENT			79,932	2,044	11,031	67,901	1,004		79,936	2,057	13,089	66,847
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	52,142		107,694			107,694	75,765		183,459			183,459
16	340.1	TRANSMISSION & DISTRIBUTION: STRUCTURES												
17	341.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	1,957,381		3,051,560	61,716	612,170	2,439,390	411,600		3,473,153	84,620	695,794	2,776,959
18	342.0	TRANSMISSION & DISTRIBUTION: MISC. EQUIPMENT	3,604,700		18,189,306	424,780	3,519,822	14,569,084	3,410,550	(30,806)	21,569,650	514,860	4,103,876	17,464,774
19	343.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	34,583		174,160	4,083	37,812	136,348	62,860		237,020	5,325	43,137	193,883
20	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	789,137	(9,711)	4,729,355	112,397	768,668	3,940,487	1,036,559	(15,515)	5,750,399	135,713	909,066	4,841,333
21	346.0	TRANSMISSION & DISTRIBUTION: METERS	127,183	(5,308)	824,420	19,774	106,603	717,817	107,199	(6,213)	925,406	22,660	123,050	802,356
22	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	346,777	(2,503)	1,269,180	28,413	205,180	1,064,000	488,648	(7,611)	1,750,217	39,101	236,670	1,513,547
23	389.1	GENERAL PLANT: LAND - OFFICE*			6,307			6,307						6,307
24	389.2	GENERAL PLANT: LAND - WAREHOUSE*			63			63						63
25	389.3	GENERAL PLANT: LAND - MISC.*							40,646		40,646			40,646
26	390.1	GENERAL PLANT: OFFICE BUILDINGS			392,440	10,164	64,408	328,032	1,317		392,440	10,164	74,572	317,868
27	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS			171,834	4,451	29,149	142,685	1,317		173,151	4,468	33,617	139,534
28	390.3	GENERAL PLANT: MISC. BUILDINGS			478	12	170	308			478	12	182	296
29	391.0	GENERAL PLANT: OFFICE EQUIPMENT			45,971	1,191	9,415	36,556			45,971	1,191	10,606	35,365
30	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	17,624		48,545	1,029	8,285	40,260	33,438		81,963	1,690	9,845	72,038
31	391.2	GENERAL PLANT: OFFICE FURNITURE	608		23,399	588	6,352	17,007	3,712		27,111	654	7,046	20,065
32	391.3	GENERAL PLANT: WAREHOUSE EQUIPMENT	105		96,190	322	68	95,412	17,762		113,372	2,714	12,653	100,719
33	393.0	GENERAL PLANT: LAB EQUIPMENT	13,788		1,197	31	9,959	86,251			7,195	109	525	6,670
34	394.0	GENERAL PLANT: POWER EQUIPMENT			41,002	1,062	417	31,243	5,998		41,002	1,062	10,821	30,181
35	395.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT			3,404	3,404	9,789	31,243			13,417	3,404	48,795	52,624
36	397.0	GENERAL PLANT: MOBILE RADIOS	3,395		24,272	4,571	2,569	21,701	11,100		32,801	3,404	13,935	53,020
37	397.1	GENERAL PLANT: AUTO CONTROLS	977,076		891,508	5,257	5,048	886,461	24,225		920,686	10,188	13,217	907,469
38	397.2	GENERAL PLANT: MISC. AUTO CONTROLS			16,139	357	719	15,420	6,197		22,336	498	1,927	21,116
39	398.0	GENERAL PLANT: MISC.												
40	398.1	GENERAL PLANT: MISC.												
41		TOTALS	\$7,230,038	(\$59,222)	\$32,145,705	\$736,794	\$5,957,555	\$26,172,368	\$6,565,583	(\$73,431)	\$38,638,658	\$910,695	\$8,794,621	\$31,844,037

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24
 NOTE:
 * - NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 RATE BASE ADJUSTMENTS - #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT,
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-4
 PAGE 6 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2000 ADDITIONS PER COMPANY	2000 (RETIREMENTS) PER COMPANY	2000 YEAR END NET PLANT VALUE PER RUCCO	2000 DEPRECIATION EXPENSE PER RUCCO	2000 ACCUMULATED DEPRECIATION PER RUCCO	2000 YEAR END NET PLANT PER RUCCO	2001 ADDITIONS PER COMPANY	2001 (RETIREMENTS) PER COMPANY	2001 YEAR END NET PLANT VALUE PER RUCCO	2001 DEPRECIATION EXPENSE PER RUCCO	2001 ACCUMULATED DEPRECIATION PER RUCCO	2001 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	1,435	0	0	1,435	0	0	1,435	0	0	1,435
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY - LAND - WATER RIGHTS*	71,284	0	110,536	0	0	110,536	3,420	0	113,956	0	0	113,956
5	310.2	SOURCE OF SUPPLY - LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY - LAND - WELLS*	0	(6,774)	38,951	0	(9,369)	48,320	10,488	0	48,320	0	(9,369)	58,808
7	314.0	SOURCE OF SUPPLY - LAND - WELLS*	114,403	0	1,140,174	28,049	85,578	1,054,596	1,365,263	0	2,606,437	47,211	132,788	2,372,649
8	320.0	PUMPING PLANT - LAND*	91	0	3,901	0	0	3,901	10,286	0	14,187	0	0	14,187
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	81	0	29,193	755	5,655	23,538	14,429	0	43,622	943	6,598	37,024
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	45,014	(8,875)	2,003,136	51,413	422,436	1,580,700	530,580	(72,125)	2,461,551	57,818	408,130	2,053,461
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	361	9	61	300	9,999	0	9,790	131	192	9,568
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	44,574	(44,266)	80,244	2,074	(29,103)	109,347	42,500	0	122,744	2,629	(26,474)	149,218
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	183,459	0	0	183,459	339	0	183,798	0	0	183,798
16	340.1	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	3,473,163	0	0	2,686,414	283,173	0	3,755,336	0	0	2,874,978
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	2,164,775	(26,041)	23,705,384	89,955	768,749	19,043,250	4,712,004	(87,919)	28,329,469	63,609	880,358	23,081,403
19	343.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	54,029	0	231,049	6,838	4,662,134	5,991,108	61,382	0	8,333	179,865	58,308	294,123
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	707,721	(11,899)	6,446,221	157,946	49,975	5,991,108	1,013,319	(16,604)	7,442,936	1,218,374	1,218,374	6,224,562
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	205,811	(15,747)	1,115,470	29,429	133,733	861,737	166,809	(19,007)	1,263,272	30,805	145,530	1,117,742
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	233,228	(1,270)	1,982,175	48,334	283,735	1,698,440	446,189	(5,877)	2,422,457	57,040	334,898	2,087,589
23	348.0	GENERAL PLANT: LAND - OFFICE*	0	0	6,307	0	0	6,307	0	0	6,307	0	0	6,307
24	389.1	GENERAL PLANT: LAND - WAREHOUSE*	0	0	63	0	0	63	0	0	63	0	0	63
25	389.2	GENERAL PLANT: LAND - MISC.*	0	0	40,646	0	0	40,646	0	0	40,646	0	0	40,646
26	389.3	GENERAL PLANT: OFFICE BUILDINGS	10,872	0	403,312	10,305	84,877	318,435	0	0	403,312	10,446	95,323	307,989
27	390.1	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	173,151	4,485	36,101	135,050	0	0	173,151	4,485	42,596	130,555
28	390.2	GENERAL PLANT: MISC BUILDINGS	0	0	478	12	194	284	0	0	478	12	207	271
29	390.3	GENERAL PLANT: OFFICE EQUIPMENT	0	0	45,871	1,191	11,797	34,174	0	0	45,871	1,191	12,987	32,984
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	2,673	0	84,656	2,156	12,103	72,553	7,820	0	95,476	2,284	14,397	78,079
31	391.1	GENERAL PLANT: OFFICE FURNITURE	2,968	0	30,079	741	7,785	22,293	9,985	0	38,444	900	8,667	30,757
32	391.2	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	12,483	323	715	11,768	1,528	0	14,011	343	1,058	12,953
33	393.0	GENERAL PLANT: GARAGE EQUIPMENT	16,446	0	129,818	3,149	15,802	114,016	10,734	(3,500)	137,052	3,456	15,758	121,294
34	394.0	GENERAL PLANT: LAB EQUIPMENT	1,511	0	8,706	206	731	7,975	0	0	8,706	225	957	7,749
35	395.0	GENERAL PLANT: POWER EQUIPMENTS	0	(10,555)	30,417	363	1,197	29,265	0	0	30,417	709	1,880	28,537
36	396.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	43,167	9,424	52,197	33,743	0	0	43,167	3,769	55,430	52,417
37	397.0	GENERAL PLANT: MOBILE RADIOS	6,092	0	42,168	1,021	4,376	38,092	451	0	43,919	1,106	5,484	37,438
38	397.1	GENERAL PLANT: MOBILE RADIOS	34,715	0	460,449	11,476	27,108	433,341	43,800	0	504,249	12,493	39,601	464,648
39	397.2	GENERAL PLANT: MISC. CONTROLS	3,663	0	25,989	626	1,843	(1,217)	0	0	25,989	673	2,516	23,483
40	398.0	GENERAL PLANT: MISC.	\$3,719,871	(512,427)	\$42,231,302	\$1,038,125	\$7,705,518	\$34,500,411	\$8,742,278	(\$205,032)	\$50,768,548	\$1,194,051	\$8,694,537	\$42,074,011
41		TOTALS												

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2002 ADDITIONS PER COMPANY	2002 (RETIREMENTS) PER COMPANY	2002 YEAR END PLANT VALUE PER RUCO	2002 DEPRECIATION EXPENSE PER RUCO	2002 ACCUMULATED DEPRECIATION PER RUCO	2002 YEAR END NET PLANT PER RUCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	1,435	0	0	1,435
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	16,998	0	130,954	0	0	130,954
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	594,081	(24,552)	49,439	72,266	(9,369)	58,808
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	3,074,966	0	180,503	2,894,463
8	320.0	PUMPING PLANT: LAND*	0	0	14,187	0	0	14,187
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	1,790	0	45,412	1,153	7,751	37,661
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	399,104	(69,656)	2,791,039	68,022	406,495	2,384,544
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	9,760	253	445	9,315
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	8,861	(26,754)	104,851	2,947	(60,281)	155,132
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	183,798	0	0	183,798
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	45,648	0	3,800,984	97,854	978,213	2,822,771
19	343.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	1,161,156	(65,546)	29,425,079	747,921	5,930,442	23,494,637
20	344.0	TRANSMISSION & DISTRIBUTION: MAINS	14,968	0	357,399	9,322	67,630	299,769
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	720,050	(9,951)	8,153,035	201,968	1,410,391	6,742,644
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	112,121	(8,645)	1,365,748	34,059	170,944	1,195,804
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	146,918	(12,421)	2,556,984	64,484	386,961	2,170,023
24	389.1	GENERAL PLANT: LAND - OFFICE*	1,802	0	8,109	0	0	8,109
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	63	0	0	63
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	40,646	0	0	40,646
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	26,162	0	429,474	10,785	106,108	323,367
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	173,151	4,485	47,071	126,080
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	478	12	219	259
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	137,836	(38,337)	145,469	2,479	(22,871)	168,340
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	92,476	2,395	16,792	75,684
32	391.2	GENERAL PLANT: OFFICE FURNITURE	846	0	39,444	1,022	9,708	29,736
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	12,348	(2,265)	14,857	374	1,432	13,425
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	1,845	0	147,135	3,660	17,173	129,961
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	10,551	249	1,206	9,344
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	30,447	789	2,769	27,678
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	7,307	0	138,724	3,498	59,099	79,626
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	42,919	1,112	6,593	36,326
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	504,249	13,060	52,661	451,588
40	398.0	GENERAL PLANT: MISC.	306	(1,041)	25,264	664	2,139	(1,475)
41		TOTALS	\$3,410,146	(\$259,166)	\$53,919,526	\$1,344,852	\$9,780,222	\$44,114,704
42		BALANCES PER COMPANY			\$ 54,521,888		\$ 8,791,705	
43		BALANCES PER RUCO			\$ 53,919,526		\$ 9,780,222	
44		LESS: POST-TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP ADDITIONS**						
45		TOTAL ADJUSTMENTS			\$ (733,301)		\$ 988,516	

REFERENCES:
 ACC STAFF D.R. NO. REL 1-24
 ACC STAFF D.R. NO. REL 18-1
 RUCO D.R. NO. 6.2

NOTE:
 * - NON-DEPRECIABLE PLANT
 ** - BASED ON AN ALLOCATION FACTOR OF 0.2498 PER RUCO D.R. NO. 4.2

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 RATE BASE ADJ. #4 - RECONCILE TEST YEAR ALLOCATED PHOENIX OFFICE
 & METER SHOP AND ACCUMULATED DEPRECIATION BALANCES

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-5

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>TEST YEAR COMPANY</u>
1	GROSS PHOENIX OFFICE PLANT & METER SHOP	\$ 4,002,988
2	ADD: PHOENIX OFFICE CONSTRUCTION WORK IN PROGRESS (CWIP)	126,565
3	GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 4,129,553
4	TIMES: ALLOCATION FACTOR	0.2383
5	ALLOCATED GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 984,072
6	NET ALLOCATED PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	870,209
7	RUCO ADJUSTMENT TO PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION	\$ 113,863

REFERENCES:

- LINE 1: COMPANY SCHEDULE B-2 PAGES 10 AND 11
- LINE 2: COMPANY SCHEDULE B-2 PAGE 10
- LINE 3: LINE 1 + LINE 2
- LINE 4: COMPANY SCHEDULE B-1 PAGE 1
- LINE 5: LINE 3 x LINE 4
- LINE 6: COMPANY SCHEDULE B-1 PAGE 1 (SUM OF LINES 6 AND 7)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 RATE BASE ADJ. #5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-6

LINE NO.	DESCRIPTION	(A) TEST YEAR COMPANY	(B) TEST YEAR RUCO	
1	GROSS PHOENIX OFFICE PLANT	\$ 3,903,884	\$ 3,903,884	COMPANY SCHEDULE B-2 PAGE 10
2	LESS: ACCUMULATED DEPRECIATION	<u>453,222</u>	<u>453,222</u>	COMPANY SCHEDULE B-2 PAGE 10
3	NET PHOENIX OFFICE PLANT	\$ 3,450,662	\$ 3,450,662	LINE 1 + LINE 2
4	ADD: CWIP	<u>126,565</u>	<u>-</u>	COMPANY SCHEDULE B-2 PAGE 10
5	TOTALS	\$ 3,577,227	\$ 3,450,662	LINE 3 + LINE 4
4	TIMES: ALLOCATION FACTOR	<u>0.2383</u>	<u>0.2383</u>	COMPANY SCHEDULE B-1 PAGE 2
5	ALLOCATED PHOENIX OFFICE PLANT	\$ 852,453	\$ 822,293	COMPANY SCHEDULE B-1 PAGE 2
6	RUCO ADJUSTMENT		<u>\$ (30,160)</u>	LINE 5 COLUMN (B) - LINE 5 COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 1999
 APACHE JUNCTION SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL

DOCKET NO. W-1445A-00-0962
 SCHEDULE WAR-7
 PAGE 1 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	CASH WORKING CAPITAL PER COMPANY	\$ 328,417	COMPANY SCH. B-5, PG. 1
2	CASH WORKING CAPITAL PER RUCO	(217,595)	SCH. WAR-7, PG. 3
3	DECREASE IN CASH WORKING CAPITAL	(546,012)	LINE 2 - LINE 1
4	MATERIALS & SUPPLIES PER COMPANY	43,863	COMPANY SCH. B-5, PG. 1
5	MATERIALS & SUPPLIES PER RUCO	42,142	DATA REQUEST RUCO 6.4 a)
6	MATERIALS & SUPPLIES ADJUSTMENT	(1,721)	LINE 5 - LINE 4
7	PREPAYMENTS PER COMPANY AND SPECIAL DEPOSITS	68,040	COMPANY SCH. B-5, PG. 1
8	PREPAYMENTS PER RUCO	63,414	DATA REQUEST RUCO 6.4 b)
9	PREPAYMENTS ADJUSTMENT	(4,626)	LINE 8 - LINE 7
10	REQUIRED BANK BALANCES PER COMPANY	118,768	COMPANY SCH. B-5, PG. 1
11	REQUIRED BANK BALANCES PER RUCO	109,604	DATA REQUEST RUCO 6.4 c)
12	REQUIRED BANK BALANCE ADJUSTMENT	(9,164)	LINE 11 - LINE 10
13	TOTAL WORKING CAPITAL ADJUSTMENT	(561,523)	LINES 3, 6, 9 & 12

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 LEAD/LAG CALCULATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 2 OF 4

LINE NO.	DESCRIPTION	EXPENSES PER COMPANY	RUCO ADJUSTMENTS	ADJUSTED EXPENSES	(LEAD)/LAG DAYS	\$ DAYS
1	PURCHASED POWER	\$ 645,378	\$ 24,205	\$ 669,583	27.97	\$ 18,728,237
2	PAYROLL	1,170,887	47,955	1,218,842	14.00	17,063,793
3	PURCHASED WATER	971,436	(170,229)	801,207	(17.45)	(13,981,062)
4	CHEMICALS	52,405	10,667	63,072	25.00	1,576,800
5	PROPERTY & LIABILITY INSURANCE	20,666	(179)	20,487	(45.27)	(927,461)
6	WORKER'S COMPENSATION	15,713	2,532	18,245	(46.50)	(848,386)
7	HEALTH INSURANCE	228,778	(15,701)	213,077	(8.92)	(1,900,646)
8	OTHER O&M EXPENSES	873,925	(541,953)	331,972	(9.27)	(3,077,384)
9	DEPRECIATION & AMORTIZATION	1,425,604	(129,165)	1,296,439	N/A	N/A
10	FEDERAL & STATE INCOME TAXES	922,496	(168,251)	754,245	61.95	46,728,706
11	DEFERRED INCOME TAXES	165,955	N/A	N/A	N/A	N/A
12	FICA TAXES	87,552	4,770	92,322	14.00	1,292,508
13	FUTA & SUTA TAXES	1,919	260	2,179	83.10	181,075
14	PROPERTY TAXES	758,542	(16,482)	742,060	212.00	157,316,800
15	REG., CONTRACT, & MISCELLANEOUS FEES	145,480	10,837	156,317	(98.83)	(15,448,804)
16	SALES & OCCUPATION TAXES	715,798	56,022	771,820	37.53	28,966,405
17	PENSION EXPENSE	100,078	8,671	108,749	34.72	3,775,765
18	TOTAL	\$ 8,302,612	\$ (876,040)	\$ 7,260,617 *	32.98	\$ 239,446,345

NOTE

N/A = NON CASH CHARGES EXCLUDED FROM WORKING CAPITAL CALCULATION

* RUCO RECOMMENDED LEVEL OF OPERATING EXPENSE - SCHEDULE WAR-8, COLUMN (E), LINE 16

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF CASH WORKING CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 3 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	AVERAGE EXPENSE LAG	32.98	SCH. WAR-7, PG. 2
2	AVERAGE REVENUE COLLECTION LAG	<u>22.04</u>	CO. SCH. B-5, PG. 2
3	EXCESS EXPENSE OVER REVENUE LAG	(10.94)	LINE 2 - LINE 1
4	TOTAL EXPENSES	\$ 7,260,617	SCH. WAR-7, PG. 2
5	CASH WORKING CAPITAL REQUIREMENT	(217,595)	(LINE 3 X LINE 4)/365 DAYS
6	PER COMPANY	<u>\$ 328,417</u>	CO. SCH. B-5, PG. 2
7	INCREASE (DECREASE) IN WORKING CAPITAL	<u><u>\$ (546,012)</u></u>	LINE 5 - LINE 6

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF INCOME TAX LAG

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 4 OF 4

<u>LINE NO.</u>	<u>(A) PAYMENT DATE</u>	<u>(B) SERVICE PERIOD MIDPOINT</u>	<u>(C) (LEAD)/LAG DAYS</u>	<u>(D) PAYMENT AMOUNT</u>	<u>(E) DOLLAR DAYS</u>
1	04/12/99	07/01/99	(80.00)	\$ 397,000	(31,760,000)
2	06/11/99	07/01/99	(20.00)	50,000	(1,000,000)
3	09/14/99	07/01/99	75.00	486,000	36,450,000
4	12/14/99	07/01/99	166.00	970,000	161,020,000
5	03/14/00	07/01/99	257.00	<u>(240,000)</u>	<u>(61,680,000)</u>
6	TOTALS			\$ 1,663,000	103,030,000
7	INCOME TAX LAG		61.95		

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 OPERATING INCOME - TEST YEAR AND RUCO PROPOSED

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-8

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO RECOMMENDED
<u>REVENUES - WATER:</u>						
1	REVENUE FROM WATER SALES	\$ 8,943,927	\$ 668,082	\$ 9,612,009	\$ (632,849)	\$ 8,979,160
2	OTHER REVENUES	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 8,943,927	\$ 668,082	\$ 9,612,009	\$ (632,849)	\$ 8,979,160
<u>OPERATING EXPENSES:</u>						
2	PURCHASED WATER	\$ 1,003,040	\$ (71,608)	\$ 931,432	\$ -	\$ 931,432
3	OTHER	23,251	136	23,387		23,387
4	PURCHASED POWER	618,711	65,047	683,758		683,758
5	PURCHASED GAS	-	-	-		-
6	OTHER	117,465	49,419	166,884		166,884
7	WATER TREATMENT	191,642	1,958	193,600		193,600
8	TRANSMISSION & DISTRIBUTION	758,594	13,231	771,825		771,825
9	CUSTOMER ACCOUNTS	636,246	28,603	664,849		664,849
10	SALES	2,059	(406)	1,653		1,653
11	ADMINISTRATIVE & GENERAL	896,828	39,156	935,984		935,984
12	DEPRECIATION & AMORTIZATION	1,425,605	(129,166)	1,296,439		1,296,439
13	PROPERTY TAXES	751,447	(9,387)	742,060		742,060
14	OTHER TAXES	70,454	24,048	94,501		94,501
15	INCOME TAXES	585,651	413,775	999,426	(245,181)	754,245
16	TOTAL OPERATING EXPENSES	\$ 7,080,992	\$ 424,806	7,505,798	\$ (245,181)	\$ 7,260,617
17	NET INCOME	\$ 1,862,935	\$ 243,276	\$ 2,106,211	\$ (387,668)	\$ 1,718,542

REFERENCES:

- COLUMN (A): CO. SCH. C-1, PG. 1
- COLUMN (B): SCH. WAR-9
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): SCH. WAR-1
- COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-9

LINE NO.	DESCRIPTION	COMPANY PROPOSED	ADJ.#1	ADJ.#2	ADJ.#3	ADJ.#4	ADJ.#5	ADJ.#6	ADJ.#7	ADJ.#8	ADJ.#9	ADJ.#10	ADJ.#11	RUCO ADJUSTED
REVENUES - WATER:														
1	REVENUE FROM WATER SALES	\$ 8,943,927	\$ 1,187,356	\$ (771,820)	\$ 49,226	\$ (13,615)	\$ 216,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,612,009
2	OTHER REVENUES	-	-	-	-	-	-	-	-	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 8,943,927	\$ 1,187,356	\$ (771,820)	\$ 49,226	\$ (13,615)	\$ 216,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,612,009
OPERATING EXPENSES:														
2	PURCHASED WATER	\$ 1,003,040	\$ (201,839)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 931,432
3	OTHER	23,251	136	-	-	-	-	-	-	-	-	-	-	23,387
4	PURCHASED POWER	618,711	50,872	-	-	(3,791)	17,966	-	-	-	-	-	-	683,758
5	PURCHASED GAS	-	-	-	-	-	-	-	-	-	-	-	-	-
6	OTHER	117,465	49,419	-	-	-	-	-	-	-	-	-	-	166,884
7	WATER TREATMENT	191,642	(2,868)	-	-	-	4,826	-	-	-	-	-	-	193,600
8	TRANSMISSION & DISTRIBUTION	758,594	21,371	-	-	(8,140)	-	-	-	-	-	-	-	771,825
9	CUSTOMER ACCOUNTS	636,246	28,603	-	-	-	-	-	-	-	-	-	-	664,849
10	SALES	2,059	(406)	-	-	-	-	-	-	-	-	-	-	1,653
11	ADMINISTRATIVE & GENERAL	896,828	(43,101)	(19,504)	-	-	15,911	85,850	-	-	-	-	-	935,984
12	DEPRECIATION & AMORTIZATION	1,425,605	-	-	-	-	-	-	(129,166)	-	-	-	-	1,296,439
13	PROPERTY TAXES	751,447	-	-	-	-	-	-	-	(9,387)	-	-	-	742,060
14	OTHER TAXES	70,454	776,364	(752,316)	-	-	-	-	-	-	-	-	-	94,501
15	INCOME TAXES	585,651	-	-	-	-	-	-	-	-	-	413,775	-	999,426
16	TOTAL OPERATING EXPENSES	\$ 7,080,992	\$ 678,557	\$ (771,820)	\$ -	\$ (11,931)	\$ 38,703	\$ 85,850	\$ -	\$ (129,166)	\$ (9,387)	\$ 413,775	\$ 130,225	\$ 7,505,798
17	NET INCOME	\$ 1,862,935	\$ 508,800	\$ -	\$ 49,226	\$ (1,684)	\$ 178,232	\$ (85,850)	\$ -	\$ 129,166	\$ 9,387	\$ (413,775)	\$ (130,225)	\$ 2,106,211

ADJUSTMENT #:
 1. RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL
 2. REMOVE 2002 REGULATORY ASSESSMENT & SALES TAXES
 3. ELIMINATE PPAM AND PWAM REVENUES
 4. ELIMINATE UNBILLED REVENUES & EXPENSES
 5. ANNUALIZE ADDITIONAL REVENUES & EXPENSES
 6. AMORTIZATION OF RATE CASE EXPENSE

ADJUSTMENT #:
 7. REMOVE MAP SURCHARGE REVENUES
 8. DEPRECIATION & AMORTIZATION EXPENSE
 9. PROPERTY TAX EXPENSE
 10. INCOME TAX EXPENSE
 11. PURCHASED CAP WATER EXPENSE

REFERENCE:
 TESTIMONY WAR
 SCHEDULE WAR-12
 SCHEDULE WAR-13
 SCHEDULE WAR-14
 SCHEDULE WAR-15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-10
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) 2002 ACTUAL	(C) DIFFERENCE	(D) RUCO ADJUSTMENT
<u>REVENUES - WATER:</u>					
1	REVENUE FROM WATER SALES	\$ 8,943,927	\$ 10,131,283	\$ 8,943,927	\$ 1,187,356
2	OTHER REVENUES	0.00	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 8,943,927	\$ 10,131,283	\$ 8,943,927	\$ 1,187,356
<u>OPERATING EXPENSES:</u>					
4	PURCHASED WATER	\$ 1,003,040	\$ 801,207	\$ 1,003,040	\$ (201,833)
5	OTHER	23,251	23,387	23,251	136
6	PURCHASED POWER	618,711	669,583	618,711	50,872
7	PURCHASED GAS	-	-	-	-
8	OTHER	117,465	166,884	117,465	49,419
9	WATER TREATMENT	191,642	188,774	191,642	(2,868)
10	TRANSMISSION & DISTRIBUTION	758,594	779,965	758,594	21,371
11	CUSTOMER ACCOUNTS	636,246	664,849	636,246	28,603
12	SALES	2,059	1,653	2,059	(406)
13	ADMINISTRATIVE & GENERAL	896,828	853,727	896,828	(43,101)
14	DEPRECIATION & AMORTIZATION	1,425,605	1,224,438	1,425,605	- (a)
15	PROPERTY TAXES	751,447	639,367	751,447	- (a)
16	OTHER TAXES	70,454	846,817	70,454	776,364
17	INCOME TAXES	585,651	868,112	585,651	- (a)
	TOTAL OPERATING EXPENSES	\$ 7,080,992	\$ 7,728,763	\$ 7,080,992	\$ 678,557
19	NET INCOME	\$ 1,862,935	\$ 2,402,520	\$ 1,862,935	\$ 508,800

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 1 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)
 COLUMN (D): COLUMN (C) LINES 1 THRU 13, LINES 16, 18 & 19

NOTE:

(a) SEPARATE PRO FORMA ADJUSTMENTS NOT INCLUDED IN RECONCILIATION

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-10
 PAGE 2 OF 2

LINE NO.	DESCRIPTION	(A) TEST YEAR ACTUAL	(B) 2002 ACTUAL	(C) DIFFERENCE
<u>REVENUES - WATER:</u>				
1	REVENUE FROM WATER SALES	\$ 9,314,017	\$10,131,283	\$ 817,266
2	OTHER REVENUES	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 9,314,017	\$10,131,283	\$ 817,266
<u>OPERATING EXPENSES:</u>				
4	PURCHASED WATER	805,211	801,207	(4,004)
5	OTHER	23,251	23,387	136
6	PURCHASED POWER	588,864	669,583	80,719
7	PURCHASED GAS	-	-	-
8	OTHER	117,465	166,884	49,419
9	WATER TREATMENT	189,843	188,774	(1,069)
10	TRANSMISSION & DISTRIBUTION	682,301	779,965	97,664
11	CUSTOMER ACCOUNTS	606,014	664,849	58,835
12	SALES	2,059	1,653	(406)
13	ADMINISTRATIVE & GENERAL	774,394	853,727	79,333
14	DEPRECIATION & AMORTIZATION	1,082,006	1,224,438	142,432
15	PROPERTY TAXES	647,720	639,367	(8,353)
16	OTHER TAXES	784,012	846,817	62,805
17	INCOME TAXES	889,813	868,112	(21,701)
	TOTAL OPERATING EXPENSES	7,192,953	7,728,763	535,810
19	NET INCOME	<u>\$ 2,121,064</u>	<u>\$ 2,402,520</u>	<u>\$ 281,456</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 1 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
APACHE JUNCTION SYSTEM
OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1	YEAR END CUSTOMERS - 2002	17,027	17,027	17,027	17,027	17,027	17,027	17,027	17,027	17,027	17,027	17,027	17,027
2	2002 CUSTOMERS	16,198	16,244	16,329	16,403	16,512	16,597	16,680	16,765	16,847	16,877	16,961	17,027
3	INCREASE IN CUSTOMERS - 2002	829	783	698	624	515	430	347	262	180	150	66	-
4	AVERAGE REVENUE FOR THE MONTH	\$ 39.24	\$ 40.89	\$ 40.95	\$ 42.61	\$ 46.87	\$ 53.32	\$ 52.31	\$ 50.92	\$ 50.74	\$ 43.94	\$ 44.39	\$ 42.88
5	INCREASE IN REVENUES	\$ 32,534	\$ 32,017	\$ 28,583	\$ 26,590	\$ 24,138	\$ 22,927	\$ 18,150	\$ 13,342	\$ 9,133	\$ 6,591	\$ 2,930	\$ -
6	TOTAL INCREASE IN REVENUE	\$ 216,935											
7	INCREASE IN REVENUE PER COMPANY												
8	REVENUE ADJUSTMENT	216,935											
9	GALLONS SOLD PER AVERAGE CUSTOMER	9,608	10,288	10,860	11,079	13,100	15,665	14,882	14,899	14,345	11,549	11,593	10,723
10	INCREASE IN CUSTOMERS	829	783	698	624	515	430	347	262	180	150	66	0
11	INCREASE IN GALLONS	7,964,884	8,055,563	7,580,244	6,913,234	6,746,344	6,735,820	5,163,905	3,903,598	2,562,046	1,732,348	765,144	0
12	TOTAL INCREASE IN GALLONS	58,143,131											
13	PUMPING COST PER GALLON	0.000309											
14	INCREASE IN PUMPING COST	17,966											
15	WATER TREATMENT COSTS PER GALLON	0.000083											
16	INCREASE IN WATER TREATMENT COSTS	4,826											
17	TOTAL INCREASE IN BILLS	4,884											
18	MONTHLY ACCOUNTING COST PER BILL	3.26											
19	INCREASE IN ACCOUNTING COST	15,911											

REFERENCES:
 LINE #1 - RUCO DATA REQUEST #6.6
 LINE #2 - RUCO DATA REQUEST #6.6
 LINE #3 = LINE #1 MINUS LINE #2
 LINE #4 - RUCO DR #1.10 = TOTAL MONTH REV. MINUS OTHER REV. / TOTAL MONTHLY CUSTOMERS FOR POST-TEST-YEAR
 LINE #5 = LINE #3 MULTIPLIED BY LINE #4
 LINE #6 = SUMMATION OF LINE #5
 LINE #7 - NO REFERENCE
 LINE #8 - LINE #6 MINUS LINE #7
 LINE #9 - GALLONS SOLD, AWC'S ANNUAL REPORT & MONTHLY CUSTOMERS, RUCO DR #6.6
 LINE #10 = LINE #3
 LINE #11 = LINE #9 MULTIPLIED BY LINE #10
 LINE #12 = SUMMATION OF LINE #11
 LINE #13 - CO. W/P C2-5, PAGE 3
 LINE #14 = LINE #12 X LINE #13
 LINE #15 - CO. W/P C2-5, PAGE 3
 LINE #16 = LINE #12 MULTIPLIED BY LINE #15
 LINE #17 = SUMMATION OF LINE #3
 LINE #18 - CO. W/P C2-5, PAGE 4
 LINE #19 = LINE #17 X LINE #18

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 OPERATING ADJ. #8 - DEPRECIATION & AMORTIZATION EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-12

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	(A) ACTUAL TEST YEAR BALANCE PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED BALANCE	(D) COMPOSITE DEPRECIATION RATE	(E) RUCO RECOMMENDED DEPRECIATION EXPENSE
1	301.0	INTANGIBLES: ORGANIZATION*	\$ -	\$ -	\$ -	0.00%	\$ -
2	302.0	INTANGIBLES: FRANCHISES*	1,435	-	1,435	0.00%	-
3	303.0	INTANGIBLES: MISC.*	-	-	-	0.00%	-
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	113,958	(2)	113,956	0.00%	-
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	-	-	-	0.00%	-
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	49,438	2	49,439	0.00%	-
7	314.0	SOURCE OF SUPPLY: WELLS	2,505,438	(1)	2,505,437	2.59%	64,891
8	320.0	PUMPING PLANT: LAND*	14,187	-	14,187	0.00%	-
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	43,621	2	43,622	2.59%	1,130
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	2,461,590	1	2,461,591	2.59%	63,755
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	-	-	-	2.59%	-
12	330.0	WATER TREATMENT PLANT: LAND*	-	-	-	0.00%	-
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	9,760	-	9,760	2.59%	253
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	122,743	2	122,744	2.59%	3,179
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	183,798	-	183,798	0.00%	-
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	-	-	-	0.00%	-
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	-	-	-	2.59%	-
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	3,755,335	1	3,755,336	2.59%	97,263
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	28,329,468	1	28,329,469	2.59%	733,733
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	352,430	2	352,431	2.59%	9,128
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	7,442,934	2	7,442,936	2.59%	192,772
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	1,263,272	-	1,263,272	2.59%	32,719
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	2,422,487	-	2,422,487	2.59%	62,742
24	389.1	GENERAL PLANT: LAND - OFFICE*	6,307	-	6,307	0.00%	-
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	63	-	63	0.00%	-
26	389.3	GENERAL PLANT: LAND - MISC.*	40,646	-	40,646	0.00%	-
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	403,312	-	403,312	2.59%	10,446
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	173,152	(1)	173,151	2.59%	4,485
29	390.3	GENERAL PLANT: MISC. BUILDINGS	478	-	478	2.59%	12
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	22,133	23,838	45,971	2.59%	1,191
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	116,312	(23,836)	92,476	2.59%	2,395
32	391.2	GENERAL PLANT: OFFICE FURNITURE	39,445	(1)	39,444	2.59%	1,022
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	3,469	10,542	14,011	2.59%	363
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	147,593	(10,541)	137,052	2.59%	3,550
35	395.0	GENERAL PLANT: LAB EQUIPMENT	8,707	(1)	8,706	2.59%	225
36	396.0	GENERAL PLANT: POWER EQUIPMENT	30,448	(1)	30,447	2.59%	789
	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	126,784	4,633	131,417	2.59%	3,404
1	397.1	GENERAL PLANT: MOBILE RADIOS	44,636	(1,717)	42,919	2.59%	1,112
2	397.2	GENERAL PLANT: AUTO CONTROLS	500,241	4,008	504,249	2.59%	13,060
3	398.0	GENERAL PLANT: MISC.	32,926	(6,927)	25,999	2.59%	673
4							
5		TEST YEAR TOTALS	\$ 50,768,542	\$ 6	\$ 50,768,548		\$ 1,304,291
6							
7		POST TEST YEAR ADDITIONS	3,048,443	(28,404)	\$3,020,039	2.59%	78,219
8							
9		GROSS DEPRECIABLE PHOENIX OFFICE AND METER SHOP ALLOCATION	953,912	129,137	1,083,049 **	2.59%	28,051
10							
11		2002 TOTALS	\$ 54,770,897	\$ 100,739	\$ 54,871,635		\$ 1,410,561
12							
13		ADD:					
14		AMORTIZATION OF DEFERRED CAP CHARGES INCURRED THROUGH 2002 ***					64,521
15							
16		LESS:					
17		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION @ 2.59% COMPOSITE RATE ****					178,642
18							
19		TOTAL PRO FORMA DEPRECIATION & AMORTIZATION EXPENSE					\$ 1,296,439
20							
21		DEPRECIATION & AMORTIZATION EXPENSE PER COMPANY					1,425,605
22							
23		DEPRECIATION & AMORTIZATION EXPENSE ADJUSTMENT (LINE 56 - LINE 58)					\$ (129,166)

REFERENCES:

COLUMN (A): COMPANY SCHEDULE E-5 PAGE 1 OF 4 AND STAFF DATA REQUEST REL 1-24
 COLUMN (B): COLUMN (C) - COLUMN (A)
 COLUMN (C): RUCO SCHEDULE WAR-4 PAGE 7
 COLUMN (D): COMPOSITE DEPRECIATION RATE OF 2.59%
 COLUMN (E): COLUMN (C) x COLUMN (D)

NOTES:

* NON-DEPRECIABLE PLANT ASSETS
 ** NET OF \$1,802 IN NON-DEPRECIABLE LEASEHOLD IMPROVEMENTS (\$7,215 x 0.2498 ALLOCATION FACTOR FOR 2002 = \$1,802)
 *** DEFERRED CAP CHARGES AMORTIZED OVER TEN YEARS = \$645,207 ÷ 10 YEARS = \$64,521
 **** RUCO ADJUSTED CIAC BALANCE x COMPOSITE RATE = \$6,897,380 x 2.59% = \$178,642

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 OPERATING ADJ. #9 - PROPERTY TAX EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-13

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES - 2000	\$ 8,487,722	COMPANY SCH. C-2, W/P C2-19a
2	REVENUES - 2001	8,598,219	COMPANY SCH. C-2, W/P C2-19a
3	REVENUES - 2002	<u>9,359,462</u>	D. R. NO. REL 19-1
4	TOTAL	\$ 26,445,403	SUM LINES 1, 2, & 3
5	3 YEAR AVERAGE	8,815,134	LINE 4/3 YEARS
6	MULTIPLIER FOR REVENUES (2 X LAST 3 YRS. AVERAGE REVENUE)	<u>x 2</u>	ADOR VALUATION FACTOR
7	REVENUES FOR FULL CASH VALUE	<u>17,630,269</u>	LINE 5 X 2 (MULTIPLIER FOR REVENUES)
8	ADD: 10% OF CWIP BALANCE	11,268	COMPANY SCH. B-2, PG. 2; LINE 4 X 10%
9	LESS: LICENSED VEHICLES	<u>-</u>	STAFF DATA REQUEST REL 23-1
10	FULL CASH VALUE	17,641,537	LINE 7 + LINE 8 MINUS LINE 9
11	ASSESSMENT RATIO	<u>25%</u>	PER ADOR VALUATION METHOD
12	ASSESSED VALUE	4,410,384	LINE 10 X LINE 11
13	PROPERTY TAX RATE	<u>16.8253%</u>	PER TAX BILLS
14	PROPERTY TAXES PAYABLE PER RUCO	742,060	LINE 12 X LINE 13
15	PROPERTY TAXES PER COMPANY	<u>751,447</u>	COMPANY SCH. C-1, PG. 1
16	ADJUSTMENT	<u>(9,387)</u>	LINE 14 MINUS LINE 15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 OPERATING ADJ. #10 - INCOME TAXES

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-14

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
<u>FEDERAL INCOME TAXES:</u>			
1	OPERATING INCOME BEFORE INCOME TAXES	\$ 3,105,636	SCH. WAR-9
LESS:			
2	ARIZONA STATE TAX	180,420	LINE 11
3	INTEREST EXPENSE	<u>516,375</u>	NOTE (a)
4	FEDERAL TAXABLE INCOME	2,408,841	LINE 1 - LINES 2 & 3
5	FEDERAL INCOME TAX RATE	<u>34.00%</u>	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	819,006	LINE 4 X LINE 5
<u>STATE INCOME TAXES:</u>			
7	OPERATING INCOME BEFORE INCOME TAXES	3,105,636	LINE 1
LESS:			
8	INTEREST EXPENSE	<u>516,375</u>	NOTE (A)
9	STATE TAXABLE INCOME	2,589,261	LINE 7 - LINE 8
10	STATE TAX RATE	<u>6.968%</u>	TAX RATE
11	STATE INCOME TAX EXPENSE	180,420	LINE 9 X LINE 10
12	TOTAL INCOME TAXES	999,426	LINE 6 + LINE 11
13	INCOME TAXES PER COMPANY	<u>585,651</u>	COMPANY SCH. C-1, PG. 2
14	ADJUSTMENT	<u>\$ 413,775</u>	LINE 12 - LINE 13

NOTE (a):
 INTEREST SYCHRONIZATION

ADJUSTED RATE BASE	\$ 19,792,391
WEIGHTED COST OF DEBT	<u>2.61%</u>
	\$ 516,375

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 OPERATING ADJ. #11 - APACHE JUNCTION PURCHASED CAP WATER EXPENSE

DOCKET NO. W-1445A-02-061€
 SCHEDULE WAR-15

LINE NO.	DESCRIPTION	(A) PER COMPANY	(B) PER RUCO
1	CAWCD DELIVERY CHARGES (5,163 ACRE FEET)	\$ 299,454	\$ 299,454
2	M&I CHARGES (5,163 ACRE FEET)	144,061	144,061
3	MESA TREATMENT PLANT CHARGES	120,801	120,801
4	RESERVE CAPACITY & LEASE	137,769	137,769
5	TOTALS	\$ 702,085	\$ 702,085
5	TREATMENT COST NOVEMBER 2001 (120,801/11)=10,982 "CAP CANAL CLOSED NOV 2001 FOR REPAIRS.	\$ 10,982	\$ 10,982
6	ADDITIONAL M&I COST	113,939	(a) 77,939 (b)
7	ADDITIONAL CAWCD PER ACRE-FEET	41,304	41,304
8	TOTAL APACHE JUNCTION PURCHASED CAP WATER EXPENSE	\$ 166,225	\$ 130,225

REFERENCES:
 COMPANY WORKPAPER FOR SCHEDULE C-2
 CENTRAL ARIZONA WATER CONSERVATION DISTRICT WEB SITE

NOTES:
 (a) BASED ON AN M&I CHARGE OF \$43.00 PER ACRE FOOT IN EFFECT UNTIL JUNE 30, 2003
 (b) BASED ON THE CURRENT M&I CHARGE OF \$37.00 PER ACRE FOOT APPROVED BY THE CAWCD BOARD IN MARCH 2003

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 COST OF CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-16

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) ADJUSTMENT	(C) ADJUSTED BALANCE	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	\$ 2,850,000	\$ 1,650,000	\$ 4,500,000	5.62%	4.00%	0.22%
2	LONG-TERM DEBT:	23,000,677	(400,677)	22,600,000	28.24%	8.44%	2.38%
3	COMMON EQUITY	49,442,738	3,473,716	52,916,454	66.13%	9.18%	6.07%
4	TOTAL	<u>\$ 75,293,415</u>	<u>4,723,039</u>	<u>\$ 80,016,454</u>	<u>100.00%</u>		<u>8.68%</u>

REFERENCES:

- COLUMN (A): COMPANY SCH. D - 1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 PROPOSED RATES

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-17

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>PRESENT RATES</u>	<u>COMPANY PROPOSED</u>	<u>RUCO PROPOSED</u>
1	MONTHLY MINIMUM USAGE CHARGE:			
2				
3	<u>(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)</u>			
4	5/8 X 3/4 - INCH	\$ 12.43	\$ 18.13	\$ 8.05
5	1 - INCH	24.86	40.79	20.98
6	2 - INCH	62.15	117.85	61.17
7	3 - INCH	103.58	211.58	115.35
8	4 - INCH	207.16	377.65	257.70
9	6 - INCH	362.53	717.59	500.60
10	8 - INCH	362.53	989.54	547.06
11	10 - INCH	673.27	1,624.09	1,104.33
12				
13	GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:			
14				
15	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS	1,000	0	0
16				
17	COMMODITY RATE (PER 100 GAL. OVER MINIMUM):	\$0.25690	\$ 0.25250	\$ 0.25690
18				
19	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM):	\$2.56900	\$ 2.52500	\$ 2.56900

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-18

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO PROPOSED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 12.43	\$ 18.13	\$ 5.70	45.86%	\$ 8.05	\$ (4.38)	-35.24%
2	1 - INCH	24.86	40.79	15.93	64.08%	20.98	(3.88)	-15.61%
3	2 - INCH	62.15	117.85	55.70	89.62%	61.17	(0.98)	-1.58%
4	3 - INCH COMMERCIAL	103.58	211.58	108.00	104.27%	115.35	11.77	11.36%
5	4 - INCH COMMERCIAL	207.16	377.65	170.49	82.30%	257.70	50.54	24.40%
6	6 - INCH	362.53	717.59	355.06	97.94%	500.60	138.07	38.08%
7	8 - INCH	362.53	989.54	627.01	172.95%	547.06	184.53	50.90%
8	10 - INCH	673.27	1,624.09	950.82	141.22%	1,104.33	431.06	64.02%
9	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	1,000	0			0		

REFERENCES
 COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 4
 COLUMN (E): TESTIMONY WAR
 COLUMN (F): COLUMN (E) - COLUMN (A)
 COLUMN (G): COLUMN (F) ÷ COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-19
 PAGE 1 OF 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 12.43	\$ 24.86	\$ 62.15	\$ 103.58	\$ 207.16	\$ 362.53	\$ 362.53	\$ 673.27
2	1,000	12.43	24.86	62.15	103.58	207.16	362.53	362.53	673.27
3	2,000	15.00	27.43	64.72	106.15	209.73	365.10	365.10	675.84
4	3,000	17.57	30.00	67.29	108.72	212.30	367.67	367.67	678.41
5	4,000	20.14	32.57	69.86	111.29	214.87	370.24	370.24	680.98
6	5,000	22.71	35.14	72.43	113.86	217.44	372.81	372.81	683.55
7	6,000	25.28	37.71	75.00	116.43	220.01	375.38	375.38	686.12
8	7,000	27.84	40.27	77.56	118.99	222.57	377.94	377.94	688.68
9	8,000	30.41	42.84	80.13	121.56	225.14	380.51	380.51	691.25
10	9,000	32.98	45.41	82.70	124.13	227.71	383.08	383.08	693.82
11	10,000	35.55	47.98	85.27	126.70	230.28	385.65	385.65	696.39
12	15,000	48.40	60.83	98.12	139.55	243.13	398.50	398.50	709.24
13	20,000	61.24	73.67	110.96	152.39	255.97	411.34	411.34	722.08
14	25,000	74.09	86.52	123.81	165.24	268.82	424.19	424.19	734.93
15	50,000	138.31	150.74	188.03	229.46	333.04	488.41	488.41	799.15
16	75,000	202.54	214.97	252.26	293.69	397.27	552.64	552.64	863.38
17	100,000	266.76	279.19	316.48	357.91	461.49	616.86	616.86	927.60
18	125,000	330.99	343.42	380.71	422.14	525.72	681.09	681.09	991.83
19	150,000	395.21	407.64	444.93	486.36	589.94	745.31	745.31	1,056.05
20	175,000	459.44	471.87	509.16	550.59	654.17	809.54	809.54	1,120.28
21	200,000	523.66	536.09	573.38	614.81	718.39	873.76	873.76	1,184.50
22									
23	AVG. NO. OF CUST:	16,102	692	175	21	17	21	0	0
24									
25	AVG. USE (GAL.):	7,268	21,013	133,651	416,966	782,385	702,178	N/A	N/A
26	MONTHLY BILL:	\$ 28.53	\$ 76.27	\$ 402.93	\$ 1,172.20	\$ 2,214.54	\$ 2,163.86	N/A	N/A
27									
28	MEDIAN USE (GAL.):	5,530	6,761	80,968	100,777	99,167	96,920	N/A	N/A
29	MONTHLY BILL:	\$ 24.07	\$ 39.66	\$ 267.59	\$ 359.91	\$ 459.35	\$ 608.95	N/A	N/A

RUCO PROPOSED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 8.05	\$ 20.98	\$ 61.17	\$ 115.35	\$ 257.70	\$ 500.60	\$ 362.80	\$ 1,359.75
2	1,000	10.62	23.55	63.74	117.92	260.27	503.16	365.44	1,362.33
3	2,000	13.19	26.12	66.31	120.49	262.84	505.73	368.08	1,364.91
4	3,000	15.76	28.69	68.88	123.06	265.41	508.30	370.72	1,367.50
5	4,000	18.33	31.26	71.45	125.63	267.98	510.87	373.36	1,370.08
6	5,000	20.90	33.83	74.02	128.20	270.55	513.44	376.00	1,372.66
7	6,000	23.46	36.39	76.58	130.76	273.11	516.01	378.64	1,375.24
8	7,000	26.03	38.96	79.15	133.33	275.68	518.58	381.28	1,377.82
9	8,000	28.60	41.53	81.72	135.90	278.25	521.15	383.92	1,380.41
10	9,000	31.17	44.10	84.29	138.47	280.82	523.72	386.56	1,382.99
11	10,000	33.74	46.67	86.86	141.04	283.39	526.29	389.21	1,385.57
12	15,000	46.59	59.52	99.71	153.89	296.24	539.13	402.41	1,398.48
13	20,000	59.43	72.36	112.55	166.73	309.08	551.98	415.62	1,411.39
14	25,000	72.28	85.21	125.40	179.58	321.93	564.82	428.82	1,424.30
15	50,000	136.50	149.43	189.62	243.80	386.15	629.05	494.85	1,488.85
16	75,000	200.73	213.66	253.85	308.03	450.38	693.27	560.87	1,553.40
17	100,000	264.95	277.88	318.07	372.25	514.60	757.50	626.90	1,617.95
18	125,000	329.18	342.11	382.30	436.48	578.83	821.72	692.92	1,682.50
19	150,000	393.40	406.33	446.52	500.70	643.05	885.95	758.95	1,747.05
20	175,000	457.63	470.56	510.75	564.93	707.28	950.17	824.97	1,811.60
21	200,000	521.85	534.78	574.97	629.15	771.50	1,014.40	891.00	1,876.15
22									
23	AVG. NO. OF CUST:	16,102	692	175	21	17	21	0	0
24									
25	AVG. USE (GAL.):	7,268	21,013	133,651	416,966	782,385	702,178	N/A	N/A
26	MONTHLY BILL: \$	26.72	\$ 74.96	\$ 404.52	\$ 1,186.54	\$ 2,267.65	\$ 2,304.49	N/A	N/A
27									
28	MEDIAN USE (GAL.):	5,530	6,761	80,968	100,777	99,167	96,920	N/A	N/A
29	MONTHLY BILL: \$	22.26	\$ 38.35	\$ 269.18	\$ 374.25	\$ 512.46	\$ 749.58	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ (4.38)	\$ (3.88)	\$ (0.98)	\$ 11.77	\$ 50.54	\$ 138.07	\$ 0.26	\$ 686.48
2	1,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	2.91	689.06
3	2,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	2.98	689.08
4	3,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	3.05	689.09
5	4,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	3.12	689.10
6	5,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	3.19	689.11
7	6,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	3.27	689.13
8	7,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	3.34	689.14
9	8,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	3.41	689.15
10	9,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	3.48	689.17
11	10,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	3.55	689.18
12	15,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	3.91	689.24
13	20,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	4.27	689.31
14	25,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	4.63	689.37
15	50,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	6.43	689.70
16	75,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	8.23	690.02
17	100,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	10.03	690.35
18	125,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	11.83	690.67
19	150,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	13.63	691.00
20	175,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	15.43	691.32
21	200,000	(1.81)	(1.31)	1.59	14.34	53.11	140.63	17.23	691.65
22									
23	AVG. NO. OF CUST:	16,102	692	175	21	17	21	0	0
24									
25	AVG. USE (GAL.):	7,268	21,013	133,651	416,966	782,385	702,178	N/A	N/A
26	MONTHLY BILL:	\$ (1.81)	\$ (1.31)	\$ 1.59	\$ 14.34	\$ 53.11	\$ 140.63	N/A	N/A
27									
28	MEDIAN USE (GAL.):	5,530	6,761	80,968	100,777	99,167	96,920	N/A	N/A
29	MONTHLY BILL:	\$ (1.81)	\$ (1.31)	\$ 1.59	\$ 14.34	\$ 53.11	\$ 140.63	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	-35.2%	-15.6%	-1.6%	11.4%	24.4%	38.1%	0.1%	102.0%
2	1,000	-14.6%	-5.3%	2.6%	13.8%	25.6%	38.8%	0.8%	102.3%
3	2,000	-12.1%	-4.8%	2.5%	13.5%	25.3%	38.5%	0.8%	102.0%
4	3,000	-10.3%	-4.4%	2.4%	13.2%	25.0%	38.3%	0.8%	101.6%
5	4,000	-9.0%	-4.0%	2.3%	12.9%	24.7%	38.0%	0.8%	101.2%
6	5,000	-8.0%	-3.7%	2.2%	12.6%	24.4%	37.7%	0.9%	100.8%
7	6,000	-7.2%	-3.5%	2.1%	12.3%	24.1%	37.5%	0.9%	100.4%
8	7,000	-6.5%	-3.3%	2.0%	12.1%	23.9%	37.2%	0.9%	100.1%
9	8,000	-6.0%	-3.1%	2.0%	11.8%	23.6%	37.0%	0.9%	99.7%
10	9,000	-5.5%	-2.9%	1.9%	11.6%	23.3%	36.7%	0.9%	99.3%
11	10,000	-5.1%	-2.7%	1.9%	11.3%	23.1%	36.5%	0.9%	99.0%
12	15,000	-3.7%	-2.2%	1.6%	10.3%	21.8%	35.3%	1.0%	97.2%
13	20,000	-3.0%	-1.8%	1.4%	9.4%	20.7%	34.2%	1.0%	95.5%
14	25,000	-2.4%	-1.5%	1.3%	8.7%	19.8%	33.2%	1.1%	93.8%
15	50,000	-1.3%	-0.9%	0.8%	6.2%	15.9%	28.8%	1.3%	86.3%
16	75,000	-0.9%	-0.6%	0.6%	4.9%	13.4%	25.4%	1.5%	79.9%
17	100,000	-0.7%	-0.5%	0.5%	4.0%	11.5%	22.8%	1.6%	74.4%
18	125,000	-0.5%	-0.4%	0.4%	3.4%	10.1%	20.6%	1.7%	69.6%
19	150,000	-0.5%	-0.3%	0.4%	2.9%	9.0%	18.9%	1.8%	65.4%
20	175,000	-0.4%	-0.3%	0.3%	2.6%	8.1%	17.4%	1.9%	61.7%
21	200,000	-0.3%	-0.2%	0.3%	2.3%	7.4%	16.1%	2.0%	58.4%
22									
23	AVG. NO. OF CUST:	16,102	692	175	21	17	21	0	0
24									
25	AVG. USE (GAL.):	7,268	21,013	133,651	416,966	782,385	702,178	N/A	N/A
26	MONTHLY BILL:	-6.3%	-1.7%	0.4%	1.2%	2.4%	6.5%	N/A	N/A
27									
28	MEDIAN USE (GAL.):	5,530	6,761	80,968	100,777	99,167	96,920	N/A	N/A
29	MONTHLY BILL:	-7.5%	-3.3%	0.6%	4.0%	11.6%	23.1%	N/A	N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 APACHE JUNCTION SYSTEM
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01445A-02-061
 SCHEDULE WAR-20

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$ 1,555,429	\$ 3,607,907	\$ 5,163,336
2	1 - INCH	174,134	448,054	622,188
3	2 - INCH	128,396	720,688	849,084
4	3 - INCH	29,068	269,939	299,007
5	4 - INCH	52,571	410,029	462,600
6	6 - INCH	127,151	458,189	585,341
7	8 - INCH	0	0	0
13	10 - INCH	0	0	0
14				
15	TOTALS	<u>\$ 2,066,749</u>	<u>\$ 5,914,806</u>	<u>\$ 7,981,555 (a)</u>
16				
17	PERCENTAGE OF TOTAL REVENUE	26.00%	74.00%	100.00%

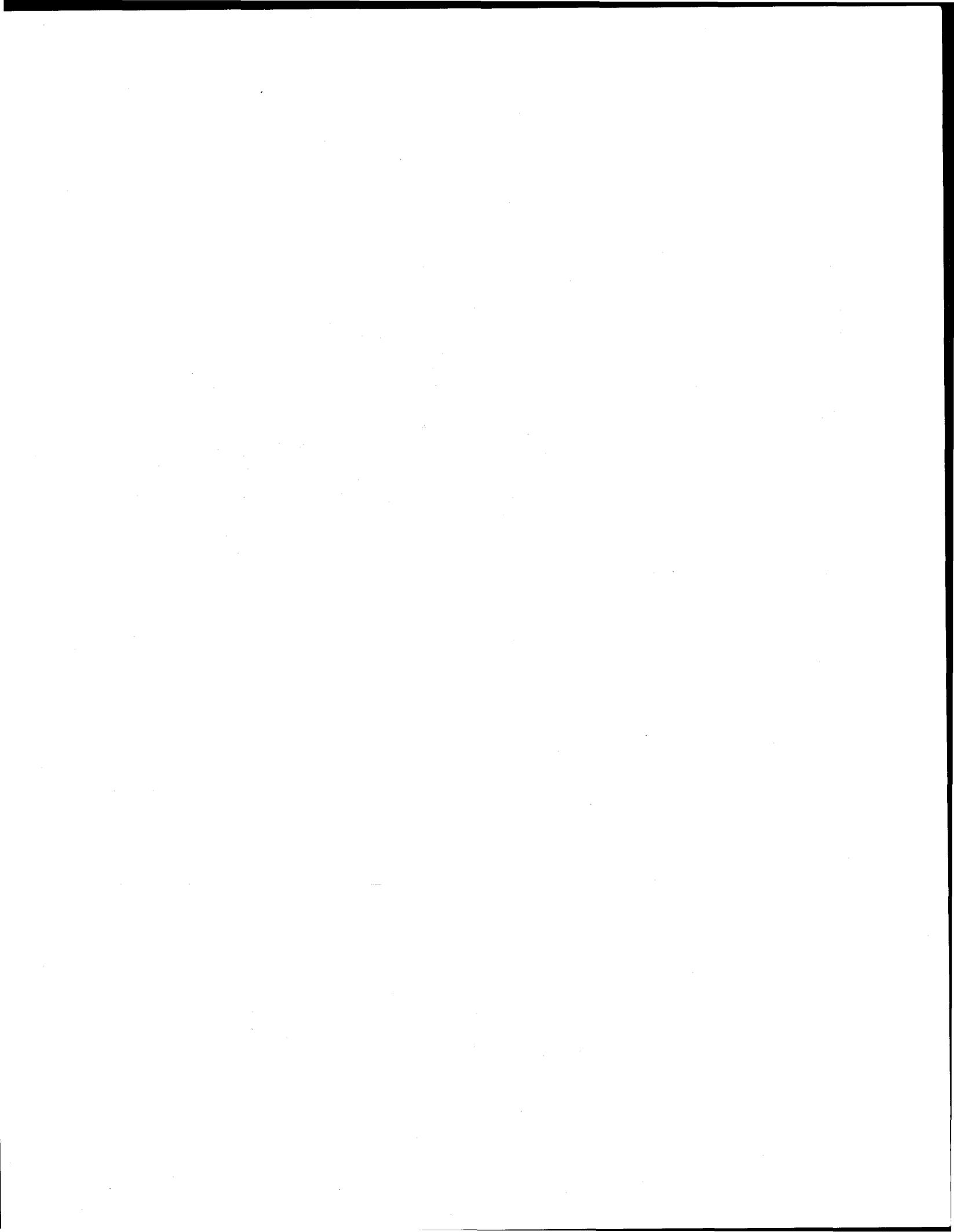
NOTE (a):

RUCO REQUIRED REVENUE	\$ 8,979,160
LESS:	
FIRE SPRINKLER REVENUE	\$ 6,530
FIRE HYDRANT REVENUE	-
MISCELLANEOUS REVENUE	835,820
RENT - WATER PROPERTY REVENUE	-
OTHER WATER REVENUE	<u>155,255</u>
TOTAL	<u>\$ 997,605</u>

REVENUE TO BE GENERATED FROM WATER SALES \$ 7,981,555

REFERENCE:

NOTE (a) 2002 REVENUE INFORMATION OBTAINED FROM RUCO D.R. NO. 1.10



**ARIZONA WATER COMPANY
BISBEE SYSTEM
DOCKET NO. W-1445A-02-0619
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WAR - 3	SUMMARY OF RATE BASE ADJUSTMENTS
WAR - 4	RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT, PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION
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ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 REVENUE REQUIREMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-1
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY REQUESTED	(B) RUCO RECOMMENDED
1	ADJUSTED RATE BASE	\$ 3,700,113	\$ 3,603,099
2	ADJUSTED OPERATING INCOME	31,709	120,328
3	CURRENT RATE OF RETURN (L2 / L1)	0.86%	3.34%
4	REQUIRED RATE OF RETURN	11.00%	8.68%
5	REQUIRED OPERATING INCOME (L4 * L1)	407,012	312,851
6	OPERATING INCOME DEFICIENCY (L5 - L2)	375,303	192,524
7	GROSS REVENUE CONVERSION FACTOR	1.63241	1.63135
8	GROSS REVENUE INCREASE	\$ 612,649	\$ 314,074
9	CURRENT REVENUES T/Y ADJUSTED	1,256,950	1,324,992
10	PROPOSED ANNUAL REVENUE (L8 + L9)	1,869,599	1,639,067
11	PERCENTAGE AVERAGE INCREASE	48.74%	23.70%

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE A-1
 COLUMN (B): SCHEDULE WAR-1, PG. 2, WAR-2, AND WAR-8

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 GROSS REVENUE CONVERSION FACTOR

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-1
 PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	UNCOLLECTIBLES	<u>0.002316</u>	COMPANY SCH. C-3
3	SUB-TOTAL	0.9977	LINE 1 - LINE 2
4	LESS: TAX RATE	<u>38.47%</u>	NOTE (a)
5	TOTAL	0.6130	LINE 3 - LINE 4
6	REVENUE CONVERSION FACTOR	1.63135	LINE 1/LINE 5

NOTE (a):
 CALCULATION OF EFFECTIVE TAX RATE

OPERATING INCOME BEFORE TAXES	100.00%
ARIZONA STATE TAX	<u>6.97%</u>
TAXABLE INCOME FEDERAL	93.03%
FEDERAL INCOME TAX RATE	<u>33.96%</u>
SUBTOTAL	31.59%
ADD STATE TAX RATE	38.56%
LINE 3 ABOVE	<u>99.77%</u>
EFFECTIVE TAX RATE	38.47%

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 RATE BASE - ORIGINAL COST

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-2

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 7,433,939	\$ 187,076	\$ 7,621,015
2	PHOENIX OFFICE & METER SHOP ALLOCATION	193,907	47,638	241,545
3	ACCUMULATED DEPRECIATION	<u>(3,099,049)</u>	<u>(121,468)</u>	<u>(3,220,517)</u>
4	NET PLANT IN SERVICE	\$ 4,528,797	\$ 113,246	\$ 4,642,043
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	<u>-</u>	<u>-</u>	<u>-</u>
6	TOTAL NET PLANT	\$ 4,528,797	\$ 113,246	\$ 4,642,043
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(190,083)	(11,491)	(201,574)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(372,133)	(2,425)	(374,558)
9	ACCUMULATED AMORTIZATION OF CIAC	55,613	9,670	65,283
10	DEFERRED INCOME TAXES	(423,066)	(146,467)	(569,533)
11	WORKING CAPITAL	<u>100,985</u>	<u>(59,546)</u>	<u>41,439</u>
12	TOTAL RATE BASE	<u>\$ 3,700,113</u>	<u>\$ (97,014)</u>	<u>\$ 3,603,099</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE B-1

COLUMN (B): SCHEDULE WAR-3

COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 SUMMARY OF RATE BASE ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-3

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCO ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS:	\$ 7,433,939	\$ 187,076											\$ 7,621,015
2	PHOENIX OFFICE & METER SHOP ALLOCATION	183,907		\$ 28,987		25,372	(6,721)							241,545
3	ACCUMULATED DEPRECIATION	(3,089,049)			(\$ 96,096)	(25,372)								(3,220,517)
4	NET PLANT IN SERVICE	\$ 4,528,797	\$ 187,076	\$ 28,987	\$ (96,096)	\$ -	\$ (6,721)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,642,043
5	CONSTRUCTION WORK IN PROGRESS (CWIP)													
6	TOTAL NET PLANT	\$ 4,528,797	\$ 187,076	\$ 28,987	\$ (96,096)	\$ -	\$ (6,721)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,642,043
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(180,083)						(11,491)	(2,425)					(201,574)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(372,133)							9,670					(374,558)
9	ACCUMULATED AMORTIZATION OF CIAC	55,613												65,283
10	DEFERRED INCOME TAXES	(423,066)							(146,487)					(569,533)
11	WORKING CAPITAL	100,985												41,439
12	TOTAL RATE BASE	\$ 3,700,113	\$ 187,076	\$ 28,987	\$ (96,096)	\$ -	\$ (6,721)	\$ (11,491)	\$ 7,245	\$ (146,487)	\$ (59,546)	\$ -	\$ -	\$ 3,603,099

REFERENCE:
 1. PLANT IN SERVICE/POST-TEST YEAR ADDITIONS
 2. PHOENIX OFFICE & METER SHOP ALLOCATION
 3. ACCUMULATED DEPRECIATION
 4. RECONCILE PHX. OFFICE & METER SHOP AND ACCLUM. DEPR.
 5. REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION
 6. AIAC - 2002 BALANCE

ADJUSTMENT #:
 7. CIAC - 2002 BAL. & AMORTIZATION
 8. ACCUMULATED DEFERRED INCOME TAXES
 9. WORKING CAPITAL
 10. NOT USED
 11. NOT USED

REFERENCE:
 RUCO D.R. NO. 6.3, TESTIMONY - WAR
 RUCO D.R. NO. 6.3
 SCHEDULE WAR.7, PAGE 3
 N/A
 N/A

NOTES:
 (a) NET OF ACCUMULATED DEPRECIATION
 (b) GROSS PHOENIX OFFICE AND METER SHOP ADDITIONS ALLOCATED DURING 2002
 (c) INCLUDES ACCUMULATED DEPRECIATION ON 2002 PHOENIX OFFICE AND METER SHOP ADDITIONS

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT,
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-4
 PAGE 1 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1990 PLANT VALUE PER COMPANY	1990 ACCUM. DEPR. PER COMPANY	1990 NET PLANT PER COMPANY	1991 ADDITIONS PER COMPANY	1991 (RETIREMENTS) PER COMPANY	1991 PLANT VALUE PER RUO	1991 DEPRECIATION EXPENSE PER RUO	1991 ACCUMULATED DEPRECIATION PER RUO	1991 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY; LAND - WATER RIGHTS*	36	0	36	0	0	36	0	0	36
5	310.2	SOURCE OF SUPPLY; LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY; LAND - WELLS*	2,415	0	2,415	0	0	2,415	0	0	2,415
7	314.0	SOURCE OF SUPPLY; WELLS	33,511	12,642	20,869	0	0	33,511	811	13,453	20,058
8	320.0	PUMPING PLANT: LAND*	6,371	0	6,371	0	0	6,371	0	0	6,371
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	25,821	9,741	16,080	0	0	25,821	625	10,366	15,455
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	375,837	141,787	234,050	7,617	(724)	382,730	9,179	150,241	232,489
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	187,548	70,754	116,794	0	0	187,548	4,539	75,292	112,256
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	1,476	557	919	0	0	1,476	36	593	883
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	21,084	7,954	13,130	0	0	21,084	510	8,464	12,620
15	340.0	TRANSMISSION & DISTRIBUTION: LAND, TANKS & MAINS*	5,044	0	5,044	0	0	5,044	0	0	5,044
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	238,057	89,808	148,249	0	0	238,057	5,761	95,569	142,488
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	2,518,894	950,267	1,568,627	365,471	(5,804)	2,878,561	65,309	1,009,772	1,868,789
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	7,151	2,698	4,453	6,487	(2,041)	13,638	252	2,949	10,689
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	400,625	151,138	249,487	51,234	(2,041)	449,818	10,290	159,387	290,431
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	210,774	79,516	131,258	560	(392)	210,942	5,103	84,226	126,716
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	125,708	47,424	78,284	12,908	0	138,616	3,198	50,622	87,994
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	0	0	0	0	0	0	0
24	388.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0
25	388.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0
26	388.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	21,513	8,116	13,397	1,519	0	23,032	539	8,655	14,377
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	11,938	4,504	7,434	0	0	11,938	289	4,793	7,145
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	12,605	4,755	7,850	0	(127)	12,478	304	4,932	7,546
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	14,919	5,628	9,291	576	0	15,495	368	5,996	9,499
32	391.2	GENERAL PLANT: OFFICE FURNITURE	10,811	4,079	6,732	146	0	10,957	263	4,342	6,615
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	24,993	9,429	15,564	1,131	0	26,124	619	10,047	16,077
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	13,884	5,238	8,646	0	0	13,884	336	5,574	8,310
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	48,810	18,414	30,396	0	0	48,810	1,181	19,595	29,215
38	397.1	GENERAL PLANT: MOBILE RADIOS	300	113	187	614	0	914	15	128	786
39	397.2	GENERAL PLANT: AUTO CONTROLS	95,233	35,927	59,306	11,373	0	106,606	2,442	38,369	68,237
40	398.0	GENERAL PLANT: MISC.	8,251	3,113	5,138	0	0	8,251	200	3,312	4,939
41		TOTALS	\$4,423,608	\$1,663,600	\$2,760,008	\$459,636	(\$9,086)	\$4,874,157	\$112,167	\$1,766,679	\$3,107,478

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 * - NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE POST TEST YEAR PLANT;
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-4
 PAGE 2 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1992 ADDITIONS PER COMPANY	1992 (RETIREMENTS) PER COMPANY	1992 YEAR END PLANT VALUE PER RUCCO	1992 DEPRECIATION EXPENSE PER RUCCO	1992 ACCUMULATED DEPRECIATION PER RUCCO	1992 YEAR END NET PLANT PER RUCCO	1993 ADDITIONS PER COMPANY	1993 (RETIREMENTS) PER COMPANY	1993 YEAR END PLANT VALUE PER RUCCO	1993 DEPRECIATION EXPENSE PER RUCCO	1993 ACCUMULATED DEPRECIATION PER RUCCO	1993 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	36	0	0	36	0	0	1,288	0	0	1,288
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	1,252	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	2,415	811	14,284	19,247	178	0	2,415	870	15,134	24,15
8	321.0	PUMPING PLANT: LAND*	0	0	33,511	0	0	33,511	0	0	33,669	0	0	33,669
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	96	0	25,917	628	10,992	14,925	800	0	26,517	679	11,671	14,846
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	1,866	0	384,596	9,285	159,526	225,070	67,498	(7,617)	444,472	10,736	162,845	281,827
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	187,548	4,539	79,831	107,717	0	(24,000)	163,548	4,547	60,378	103,170
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	1,476	36	628	848	0	0	1,476	38	666	810
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	425	0	21,509	515	8,960	12,529	0	0	21,509	557	9,537	11,972
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	5,044	0	0	5,044	0	0	5,044	0	0	5,044
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	11,472	0	249,529	5,900	101,469	148,080	0	0	249,529	6,463	107,820	141,592
18	342.0	TRANSMISSION & DISTRIBUTION: TOWER TANKS	73,410	0	2,953,617	70,545	1,079,963	1,871,654	78,340	(794)	3,023,163	77,451	1,156,620	1,872,543
19	343.0	TRANSMISSION & DISTRIBUTION: MANS	2,290	(354)	15,906	325	3,285	12,621	2,599	0	18,505	446	3,790	14,775
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	20,475	(1,503)	468,900	11,115	169,000	299,790	43,707	(2,761)	509,736	12,672	178,910	330,826
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	968	(4,535)	207,375	5,062	84,753	122,622	1,222	(1,065)	207,532	5,373	89,061	118,471
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	0	0	138,616	3,355	53,977	84,639	5,595	0	144,211	3,663	57,639	86,572
23	348.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
24	389.1	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
26	390.3	GENERAL PLANT: OFFICE BUILDINGS	0	0	23,032	557	9,212	13,820	0	0	23,032	597	9,809	13,223
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	5,085	(1,000)	16,023	338	4,131	11,892	0	0	16,023	415	4,546	11,477
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	360	0	12,478	302	5,234	7,244	3,392	0	12,478	323	5,557	6,921
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	31	0	15,955	379	6,376	9,479	0	0	19,247	455	6,830	12,417
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	10,988	286	4,607	6,381	0	0	10,988	285	4,892	6,096
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	2,208	0	28,330	669	10,706	17,624	365	0	28,695	738	11,445	17,250
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	18,814	38	5,810	7,874	0	0	18,814	380	6,269	7,915
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	48,910	1,181	20,716	28,030	0	(632)	48,910	1,956	21,930	26,188
38	397.1	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	625	0	1,539	30	158	1,381	10,728	0	12,265	171	1,389	1,529
39	397.2	GENERAL PLANT: AUTO CONTROLS	1,798	0	108,404	2,602	40,971	67,433	1,151	0	109,555	2,823	43,794	65,761
40	398.0	GENERAL PLANT: MISC.	484	0	8,735	206	3,518	5,217	0	0	8,735	226	3,744	4,991
41		TOTALS	\$121,591	(\$7,414)	\$4,968,934	\$119,001	\$1,878,295	\$3,110,068	\$216,620	(\$36,869)	\$5,165,665	\$131,150	\$1,972,547	\$3,195,538

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1994 ADDITIONS PER COMPANY	1994 (RETIREMENTS) PER COMPANY	1994 YEAR END NET PLANT VALUE PER RUO	1994 DEPRECIATION EXPENSE PER RUO	1994 ACCUMULATED DEPRECIATION PER RUO	1994 YEAR END NET PLANT VALUE PER RUO	1995 ADDITIONS PER COMPANY	1995 (RETIREMENTS) PER COMPANY	1995 YEAR END NET PLANT VALUE PER RUO	1995 DEPRECIATION EXPENSE PER RUO	1995 ACCUMULATED DEPRECIATION PER RUO	1995 YEAR END NET PLANT VALUE PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	384	0	1,622	0	0	2,879	0	0	0	0	0	2,879
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	2,415	0	0	2,415	0	0	0	0	0	2,415
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	34,656	0	0	34,656	0	0	0	0	0	34,656
7	320.0	PUMPING PLANT: LAND*	887	0	16,019	885	16,019	16,019	11,967	0	46,523	1,081	17,071	29,492
8	320.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	6,371	637	6,371	6,371	0	0	6,371	0	6,371	6,371
9	321.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	26,517	687	12,358	14,159	0	0	26,517	687	13,045	13,472
10	325.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	60,982	(7,802)	497,252	12,195	187,039	330,213	14,746	(3,815)	508,183	13,020	175,244	331,639
11	330.0	WATER TREATMENT PLANT: LAND*	0	0	183,548	4,236	84,613	98,935	0	0	183,548	4,236	68,849	94,699
12	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	1,478	38	705	771	0	0	30,877	418	(157)	30,834
13	332.0	WATER TREATMENT PLANT: EQUIPMENT	2,897	0	24,506	596	10,133	14,373	0	0	24,506	635	10,767	13,739
14	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	5,044	0	0	5,044	0	0	0	0	0	5,044
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: STRUCTURES - TOWERS*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES - TOWER TANKS	0	0	249,529	6,463	114,395	135,134	6,217	0	255,746	6,543	120,938	134,808
18	343.0	TRANSMISSION & DISTRIBUTION: MISC. BUILDINGS	0	0	3,154,305	80,076	1,234,268	1,920,037	121,707	(3,577)	3,272,435	83,226	1,313,917	1,956,518
19	343.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	127,570	(2,428)	18,505	479	4,210	14,295	0	0	18,505	479	4,689	13,816
20	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	49,457	(764)	558,429	13,633	191,979	366,450	30,090	(1,094)	587,425	14,839	205,724	381,701
21	345.0	TRANSMISSION & DISTRIBUTION: METERS	0	(1,306)	206,224	5,358	89,111	113,113	0	0	202,446	5,289	95,132	107,814
22	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	144,211	3,735	61,375	82,836	0	0	144,211	3,735	65,110	79,101
23	385.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
24	385.1	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
25	385.2	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
26	385.3	GENERAL PLANT: OFFICE BUILDINGS	0	0	23,032	567	10,405	12,627	262	(22,617)	677	307	(11,965)	12,582
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	16,023	415	4,961	11,062	0	0	16,023	415	5,376	10,647
28	390.2	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	9,498	235	2,952	6,536	0	0	9,498	246	3,108	6,390
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	918	(60)	20,105	510	7,280	12,825	17,641	0	37,746	749	8,023	29,717
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	10,988	285	5,177	5,811	39	0	11,027	285	5,482	5,585
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	474	0	29,169	749	12,194	16,975	1,541	0	30,710	775	12,989	17,741
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	13,884	360	6,629	7,255	0	0	13,884	360	6,989	6,885
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	46,178	1,246	22,648	23,530	0	0	46,178	1,246	23,896	24,282
38	397.1	GENERAL PLANT: MOBILE RADIOS	123	0	1,746	284	1,464	1,746	1,762	0	48,178	2,867	23,896	48,178
39	397.2	GENERAL PLANT: AUTO CONTROLS	54	0	110,039	2,845	46,836	63,461	1,195	0	111,234	2,867	49,595	61,739
40	398.0	GENERAL PLANT: MISC.*	0	0	8,735	226	3,970	63,444	0	0	8,735	226	4,137	4,138
41		TOTALS	\$243,966	(\$15,342)	\$5,396,711	\$1,396,418	\$2,033,624	\$2,294,579	\$238,808	(\$56,639)	\$5,559,880	\$141,969	\$2,199,954	\$3,399,905

REFERENCE:
 ACC STAFF D R. NO. REL 124

NOTE:
 * NON-DEPRECIABLE PLANT
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1996 ADDITIONS PER COMPANY	1996 (RETIREMENTS) PER COMPANY	1996 YEAR END NET PLANT VALUE PER RUCCO	1996 DEPRECIATION EXPENSE PER RUCCO	1996 ACCUMULATED DEPRECIATION PER RUCCO	1996 YEAR END NET PLANT VALUE PER RUCCO	1997 (RETIREMENTS) PER COMPANY	1997 YEAR END NET PLANT VALUE PER RUCCO	1997 DEPRECIATION EXPENSE PER RUCCO	1997 ACCUMULATED DEPRECIATION PER RUCCO	1997 YEAR END NET PLANT VALUE PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	395	0	3,284	0	0	3,284	0	2,501	0	(783)	3,284
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	0	0	0	0	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	2,416	0	0	2,416	0	4,906	0	0	4,906
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	46,887	0	0	46,887	0	48,887	0	0	48,887
7	314.0	SOURCE OF SUPPLY: LAND - WELLS*	384	0	18,280	1,210	18,280	26,637	0	48,887	1,214	18,495	27,392
8	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	6,371	0	0	6,371	0	0	0	0	6,371
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	26,517	887	13,731	12,786	0	26,517	687	14,418	12,099
10	329.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	5,778	(729)	13,227	13,227	188,742	324,158	0	513,158	13,292	201,960	311,188
11	329.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	163,548	4,236	73,085	90,463	(5,335)	164,085	4,243	71,953	92,092
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	789	0	31,466	805	648	30,818	0	31,466	815	1,463	30,003
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	13,004	(1,761)	35,749	780	9,787	25,962	0	35,749	928	10,713	25,038
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	5,044	0	0	5,044	0	5,715	0	0	5,715
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	285,746	0	0	285,746	0	255,746	0	0	255,746
18	342.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	3,357,767	85,961	1,369,110	1,958,657	114,887	3,487,314	88,395	1,482,155	1,865,159
19	343.0	TRANSMISSION & DISTRIBUTION: TANKS	86,000	(668)	22,019	5,214	16,805	0	0	22,019	570	5,784	16,235
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	3,514	0	644,920	15,959	220,140	424,780	32,176	676,612	17,114	236,770	439,842
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	59,039	(1,543)	198,243	5,208	96,637	102,606	6,169	202,742	5,208	96,173	103,569
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	0	(3,703)	144,268	3,736	88,845	75,423	17,077	161,345	3,958	72,803	88,542
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	57	0	0	0	0	0	0	0	0	0	0
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	877	18	(11,887)	12,564	7,796	6,473	118	(11,789)	20,242
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	16,023	415	5,791	10,232	0	16,023	415	6,266	9,817
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	9,498	246	3,354	6,144	0	9,019	240	3,114	5,905
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	1,025	0	38,771	991	9,020	29,751	992	38,763	1,017	10,037	29,728
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	11,027	296	5,747	5,280	3,472	14,499	331	6,078	8,421
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	969	0	31,679	808	13,777	17,902	265	31,944	824	14,601	17,343
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	13,884	390	7,348	6,536	0	13,984	390	7,708	6,176
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	22,176	1,210	22,176	23,072	0	45,248	1,172	23,348	21,900
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	6,718	0	20,975	484	5,453	19,422	1,490	22,365	380	2,013	20,352
38	397.1	GENERAL PLANT: MOBILE RADIOS	4,932	0	1,188	282	5,479	1,188	56,101	1,188	3,338	58,817	1,188
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	13,058	282	4,479	14,197	0	13,058	282	3,817	10,381
40	398.0	GENERAL PLANT: MISC.	\$181,974	(\$11,330)	\$5,770,500	\$148,808	\$2,335,423	\$3,422,285	\$249,461	\$5,989,264	\$151,801	\$2,455,472	\$3,533,732
41		TOTALS											

REFERENCE:
 ACC STAFF D R. NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT
 * NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001

WATER SYSTEM
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE W-4
 PAGE 9 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1988 ADDITIONS PER COMPANY	1988 (RETIREMENTS) PER COMPANY	1988 YEAR END PLANT VALUE PER RUO	1988 DEPRECIATION EXPENSE PER RUO	1988 ACCUMULATED DEPRECIATION PER RUO	1988 YEAR END NET PLANT PER RUO	1989 ADDITIONS PER COMPANY	1989 (RETIREMENTS) PER COMPANY	1989 YEAR END PLANT VALUE PER RUO	1989 DEPRECIATION EXPENSE PER RUO	1989 ACCUMULATED DEPRECIATION PER RUO	1989 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	0	0	0	0	0	0	0	0	0	0	0	0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	2,603	0	(763)	3,366	911	0	3,514	0	(763)	4,277
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	663	0	4,905	1,214	20,709	26,178	953	0	4,905	1,227	21,936	4,905
8	320.0	PUMPING PLANT: LAND*	0	0	7,054	0	0	7,054	0	0	7,054	0	0	7,054
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	86	0	26,563	688	15,106	42,312	0	0	42,312	688	15,794	10,789
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	3,016	0	516,174	13,580	219,230	524,184	8,649	(873)	524,180	13,472	227,989	286,261
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	164,085	4,250	76,240	164,085	0	0	164,085	4,250	80,493	83,592
12	330.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	31,466	815	2,278	29,188	0	0	31,466	815	3,093	29,373
13	331.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	37,572	950	11,682	25,910	0	0	37,572	973	12,633	24,937
14	332.0	WATER TREATMENT PLANT: TANKS & MAINS*	1,823	0	5,715	0	0	5,715	0	0	5,715	0	0	5,715
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	4,390	0	257,690	6,652	138,591	119,299	0	0	257,690	6,679	145,271	112,619
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	102,628	(2,246)	3,568,159	91,109	1,571,482	1,996,677	114,804	(1,058)	3,681,905	93,888	1,664,312	2,017,593
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	0	0	22,019	570	6,354	15,665	7,527	0	29,546	668	7,022	22,524
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	24,161	(166)	700,607	17,835	254,439	446,168	40,182	(1,629)	739,160	18,645	271,455	467,705
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	4,841	(3,254)	204,329	5,272	101,191	103,138	7,579	(4,943)	207,565	5,334	102,182	105,383
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	6,973	(49)	168,269	4,269	77,023	91,246	2,635	0	170,904	4,392	81,415	89,489
23	348.0	GENERAL PLANT: LAND - HYDRANTS	0	0	0	0	0	0	0	0	0	0	0	0
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	8,473	219	(11,549)	20,022	0	0	8,473	219	(11,330)	19,803
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	16,023	415	6,651	9,402	0	0	16,023	415	7,036	8,987
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	588	0	9,019	234	3,348	5,671	0	0	9,019	234	3,582	5,437
31	391.1	GENERAL PLANT: OFFICE FURNITURE	1,165	0	40,361	1,038	11,074	29,287	10,862	0	51,253	1,186	12,261	38,992
32	391.2	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	19,964	391	6,468	15,596	0	0	17,552	430	6,999	10,653
33	393.0	GENERAL PLANT: RECREATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: CAR EQUIPMENT	302	0	32,246	831	15,433	16,813	3,959	0	35,602	876	16,311	19,291
35	394.1	GENERAL PLANT: CAR EQUIPMENT	0	0	0	0	0	0	1,141	0	1,141	15	15	1,126
36	397.0	GENERAL PLANT: POWER EQUIPMENT	0	0	13,884	360	8,067	5,817	0	0	13,884	360	8,427	5,457
37	397.1	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	(197)	45,051	1,169	24,320	20,731	0	0	45,051	1,167	25,487	19,564
38	397.2	GENERAL PLANT: MOBILE RADIOS	1,345	0	23,710	597	2,610	21,100	11	0	23,721	614	3,224	20,497
39	397.2	GENERAL PLANT: AUTO CONTROLS	3,614	0	154,400	3,952	43,122	111,278	2,691	0	157,091	4,034	47,156	109,935
40	398.0	GENERAL PLANT: MISC.	0	0	13,068	338	5,156	(4,817)	6,994	0	20,062	429	5,585	14,477
41		TOTALS	\$155,707	(\$7,695)	\$6,138,216	\$156,436	\$2,604,274	\$3,519,213	\$210,413	(\$7,903)	\$6,338,726	\$181,014	\$2,757,384	\$3,581,342

REFERENCE:
 ACC STAFF DR. NO. REL. 1-24

NOTE:
 * - NON-DEPRECIABLE PLANT
 * - NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
BISEBEE SYSTEM
RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT.
PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

LINE NO.	ACCT NO.	PLANT ACCOUNT NAME	2000 ADDITIONS PER COMPANY	2000 (RETIREMENTS) PER COMPANY	2000 YEAR END NET PLANT PER RUO	2000 DEPRECIATION EXPENSE PER RUO	2000 ACCUMULATED DEPRECIATION PER RUO	2000 YEAR END NET PLANT PER RUO	2001 ADDITIONS PER COMPANY	2001 (RETIREMENTS) PER COMPANY	2001 YEAR END NET PLANT PER RUO	2001 DEPRECIATION EXPENSE PER RUO	2001 ACCUMULATED DEPRECIATION PER RUO	2001 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	3,514	0	4,277	0	(763)	4,277	181	0	3,695	0	(763)	4,458
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	726	0	726	0	0	726	0	0	4,905	0	0	726
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	4,905	0	0	4,905	0	0	48,767	1,251	24,426	24,341
8	320.0	PUMPING PLANT: LAND*	0	0	7,054	0	0	7,054	0	0	26,583	688	17,171	9,412
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	16,483	688	16,483	10,100	10,556	(23,918)	512,793	13,454	230,977	281,816
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	2,055	(90)	241,441	13,601	241,441	284,714	672	0	164,757	4,259	89,001	75,756
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	164,085	4,250	164,085	79,343	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	31,466	815	3,908	27,558	485	0	31,981	821	4,729	27,202
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	37,572	973	13,608	23,964	0	0	37,572	973	14,581	22,991
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	5,715	0	0	5,715	0	0	5,715	0	0	5,715
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	102,475	(7,322)	353,043	7,912	145,860	207,189	0	0	353,043	9,144	155,004	198,009
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	127,183	(2,026)	3,807,662	56,382	1,759,288	2,047,794	159,335	(804)	3,955,593	100,656	1,859,124	2,105,473
20	345.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	34,846	(4,309)	769,897	765	7,787	21,759	52,700	(5,329)	20,549	765	8,553	20,883
21	346.0	TRANSMISSION & DISTRIBUTION: SERVICES	2,275	(2,112)	207,728	5,378	105,448	102,280	4,670	(328)	211,877	5,434	110,361	101,516
22	348.0	TRANSMISSION & DISTRIBUTION: METERS	12,735	0	183,639	4,591	86,006	97,633	10,245	(328)	193,555	4,895	90,563	102,693
23	349.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
24	389.1	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: OFFICE BUILDINGS	0	0	8,473	219	(11,110)	19,583	0	0	8,473	219	(10,891)	19,964
27	390.1	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	16,023	415	7,451	8,572	0	0	16,023	415	7,866	8,157
28	390.2	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0	0	0	0	0	0	0
29	390.3	GENERAL PLANT: OFFICE EQUIPMENT	0	0	9,019	234	3,815	5,204	0	0	9,019	234	4,049	4,970
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	1,089	0	52,352	1,342	13,603	38,749	990	0	53,262	1,368	14,971	38,311
31	391.1	GENERAL PLANT: OFFICE FURNITURE	0	0	17,552	455	7,353	10,199	0	0	17,552	455	7,808	9,744
32	391.2	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
33	393.0	GENERAL PLANT: GARAGE EQUIPMENT	1,117	(285)	36,424	933	16,949	19,475	1,258	0	37,662	960	17,909	19,773
34	394.0	GENERAL PLANT: LAB EQUIPMENT	0	0	1,141	30	44	1,097	543	0	1,644	37	81	1,603
35	395.0	GENERAL PLANT: POWER EQUIPMENT	558	0	4,455	1,367	8,754	5,648	0	0	14,442	374	9,168	5,274
36	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	655	0	24,378	1,623	26,574	27,809	0	0	27,809	845	10,456	17,453
37	397.1	GENERAL PLANT: AUTO. CONTROLS	0	0	170,984	4,245	51,400	119,584	4,169	(17,142)	166,546	4,629	65,582	154,962
38	397.2	GENERAL PLANT: MISC. CONTROLS	13,583	0	170,984	4,245	51,400	119,584	15,862	0	20,062	520	6,824	13,438
39	398.0	GENERAL PLANT: MISC.	0	0	20,962	520	6,105	(5,585)	0	0	20,962	520	6,824	13,438
40	398.0	GENERAL PLANT: MISC.	0	0	20,962	520	6,105	(5,585)	0	0	20,962	520	6,824	13,438
41		TOTALS	\$299,317	(\$18,114)	\$6,621,939	\$167,282	\$2,908,533	\$3,693,834	\$262,512	(\$48,042)	\$6,636,399	\$173,715	\$3,034,226	\$3,802,173

REFERENCE:
ACC STAFF D.R. NO. REL 1-24

NOTE:
* NON-DEPRECIABLE PLANT
* NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2002 ADDITIONS PER COMPANY	2002 (RETIREMENTS) PER COMPANY	2002 YEAR END PLANT VALUE PER RUCCO	2002 DEPRECIATION EXPENSE PER RUCCO	2002 ACCUMULATED DEPRECIATION PER RUCCO	2002 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	3,564	0	7,259	0	(763)	8,022
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	726	0	0	726
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	4,905	0	0	4,905
7	314.0	SOURCE OF SUPPLY: WELLS	466,276	0	535,043	7,560	31,986	503,057
8	320.0	PUMPING PLANT: LAND*	7,028	0	33,611	780	17,951	15,660
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	131,452	(10,501)	633,744	14,848	235,324	398,420
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	164,757	4,267	93,268	71,489
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	31,931	827	5,556	26,375
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	2,328	0	39,900	1,003	15,585	24,315
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	5,715	0	0	5,715
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES**	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES**	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	1,716	0	364,759	9,166	164,170	190,589
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	124,382	(239)	4,089,736	104,317	1,963,198	2,126,538
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	0	0	29,546	765	9,318	20,228
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	30,667	(3,106)	844,629	21,519	320,318	524,311
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	1,871	(758)	212,990	5,502	115,105	97,885
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	6,640	0	200,196	5,089	95,662	104,534
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	399	0	399	0	0	399
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	382	0	8,855	224	(10,666)	19,621
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	16,023	415	8,281	7,742
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	0	0	0	0
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	33,843	(8,487)	34,375	562	(3,876)	38,251
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	53,282	1,380	16,351	36,931
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	17,552	455	8,262	9,290
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	5,936	0	43,618	1,053	18,961	24,657
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	0	0	1,684	44	125	1,559
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	14,442	374	9,542	4,900
36	396.0	GENERAL PLANT: POWER EQUIPMENT	2,387	(2,965)	27,331	715	8,207	19,124
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	28,544	739	5,271	23,273
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	186,546	4,832	60,858	125,688
39	397.2	GENERAL PLANT: AUTO CONTROLS	788	0	20,850	530	7,154	(6,624)
40	398.0	GENERAL PLANT: MISC.	0	0	0	0	0	0
41		TOTALS	\$839,659	(\$26,056)	\$7,650,001	\$186,975	\$3,195,145	\$4,434,536
42		BALANCES PER COMPANY			\$ 7,433,939		\$3,099,049	
43		BALANCES PER RUCCO			\$7,650,001		\$3,195,145	
44		LESS: POST-TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP ADDITIONS**			\$28,987			
45		TOTAL ADJUSTMENTS			\$187,076		\$95,095	

REFERENCES:
 ACC STAFF D.R. NO. REL 1-24
 ACC STAFF D.R. NO. REL 18-1
 RUCCO D.R. NO. 6.2

NOTE:
 * NON-DEPRECIABLE PLANT
 ** BASED ON AN ALLOCATION FACTOR OF 0.0653 PER RUCCO D.R. NO. 4.2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>TEST YEAR COMPANY</u>
1	GROSS PHOENIX OFFICE PLANT & METER SHOP	\$ 4,002,988
2	ADD: PHOENIX OFFICE CONSTRUCTION WORK IN PROGRESS (CWIP)	126,565
3	GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 4,129,553
4	TIMES: ALLOCATION FACTOR	0.0531
5	ALLOCATED GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 219,279
6	NET ALLOCATED PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	193,907
7	RUCO ADJUSTMENT TO PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION	\$ 25,372

REFERENCES:

- LINE 1: COMPANY SCHEDULE B-2 PAGES 10 AND 11
- LINE 2: COMPANY SCHEDULE B-2 PAGE 10
- LINE 3: LINE 1 + LINE 2
- LINE 4: COMPANY SCHEDULE B-1 PAGE 1
- LINE 5: LINE 3 x LINE 4
- LINE 6: COMPANY SCHEDULE B-1 PAGE 1 (SUM OF LINES 6 AND 7)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 RATE BASE ADJ. #5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-6

LINE NO.	DESCRIPTION	(A) TEST YEAR COMPANY	(B) TEST YEAR RUCO	
1	GROSS PHOENIX OFFICE PLANT	\$ 3,903,884	\$ 3,903,884	COMPANY SCHEDULE B-2 PAGE 10
2	LESS: ACCUMULATED DEPRECIATION	<u>453,222</u>	<u>453,222</u>	COMPANY SCHEDULE B-2 PAGE 10
3	NET PHOENIX OFFICE PLANT	\$ 3,450,662	\$ 3,450,662	LINE 1 + LINE 2
4	ADD: CWIP	<u>126,565</u>	-	COMPANY SCHEDULE B-2 PAGE 10
5	TOTALS	\$ 3,577,227	\$ 3,450,662	LINE 3 + LINE 4
4	TIMES: ALLOCATION FACTOR	<u>0.0531</u>	<u>0.0531</u>	COMPANY SCHEDULE B-1 PAGE 2
5	ALLOCATED PHOENIX OFFICE PLANT	\$ 189,951	\$ 183,230	COMPANY SCHEDULE B-1 PAGE 2
6	RUCO ADJUSTMENT		<u>\$ (6,721)</u>	LINE 5 COLUMN (B) - LINE 5 COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 1999
 BISBEE SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL

DOCKET NO. W-1445A-00-0962
 SCHEDULE WAR-7
 PAGE 1 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	CASH WORKING CAPITAL PER COMPANY	\$ 28,193	COMPANY SCH. B-5, PG. 1
2	CASH WORKING CAPITAL PER RUCO	(29,701)	SCH. WAR-7, PG. 3
3	DECREASE IN CASH WORKING CAPITAL	<u>(57,894)</u>	LINE 2 - LINE 1
4	MATERIALS & SUPPLIES PER COMPANY	31,166	COMPANY SCH. B-5, PG. 1
5	MATERIALS & SUPPLIES PER RUCO	<u>32,838</u>	DATA REQUEST RUCO 6.4 a)
6	MATERIALS & SUPPLIES ADJUSTMENT	1,672	LINE 5 - LINE 4
7	PREPAYMENTS PER COMPANY AND SPECIAL DEPOSITS	15,161	COMPANY SCH. B-5, PG. 1
8	PREPAYMENTS PER RUCO	<u>14,038</u>	DATA REQUEST RUCO 6.4 b)
9	PREPAYMENTS ADJUSTMENT	(1,123)	LINE 8 - LINE 7
10	REQUIRED BANK BALANCES PER COMPANY	26,465	COMPANY SCH. B-5, PG. 1
11	REQUIRED BANK BALANCES PER RUCO	<u>24,264</u>	DATA REQUEST RUCO 6.4 c)
12	REQUIRED BANK BALANCE ADJUSTMENT	(2,201)	LINE 11 - LINE 10
13	TOTAL WORKING CAPITAL ADJUSTMENT	<u>(59,546)</u>	LINES 3, 6, 9 & 12

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 LEAD/LAG CALCULATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 2 OF 4

LINE NO.	DESCRIPTION	EXPENSES PER COMPANY	RUCO ADJUSTMENTS	ADJUSTED EXPENSES	(LEAD)/LAG DAYS	\$ DAYS
1	PURCHASED POWER	\$ 186,397	\$ 2,110	\$ 188,507	34.13	\$ 6,433,744
2	PAYROLL	344,997	3,389	348,386	14.00	4,877,407
3	PURCHASED WATER	-	-	-	N/A	N/A
4	CHEMICALS	37,321	(24,908)	12,413	27.94	346,819
5	PROPERTY & LIABILITY INSURANCE	5,386	(150)	5,236	(45.27)	(237,024)
6	WORKER'S COMPENSATION	4,761	605	5,366	(46.50)	(249,525)
7	HEALTH INSURANCE	69,198	(6,734)	62,464	(8.92)	(557,182)
8	OTHER O&M EXPENSES	183,157	(121,144)	62,013	(9.27)	(574,864)
9	DEPRECIATION & AMORTIZATION	200,874	(7,517)	193,357	N/A	N/A
10	FEDERAL & STATE INCOME TAXES	187,043	(48,973)	138,070	61.95	8,554,015
11	DEFERRED INCOME TAXES	7,138	N/A	N/A	N/A	N/A
12	FICA TAXES	26,530	6,180	32,710	14.00	457,940
13	FUTA & SUTA TAXES	582	186	768	83.10	63,821
14	PROPERTY TAXES	105,773	(18,688)	87,085	212.00	18,462,083
15	REG., CONTRACT, & MISCELLANEOUS FEES	31,809	1,361	33,170	(98.83)	(3,278,157)
16	SALES & OCCUPATION TAXES	104,739	13,398	118,137	37.53	4,433,682
17	PENSION EXPENSE	<u>30,327</u>	<u>8,206</u>	<u>38,533</u>	<u>34.72</u>	<u>1,337,866</u>
18	TOTAL	\$ 1,526,032	\$ (192,679)	\$ 1,326,215 *	30.21	\$ 40,070,624

NOTE

N/A = NON CASH CHARGES EXCLUDED FROM WORKING CAPITAL CALCULATION

* RUCO RECOMMENDED LEVEL OF OPERATING EXPENSE - SCHEDULE WAR-8, COLUMN (E), LINE 16

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF CASH WORKING CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 3 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	AVERAGE EXPENSE LAG	30.21	SCH. WAR-7, PG. 2
2	AVERAGE REVENUE COLLECTION LAG	<u>22.04</u>	CO. SCH. B-5, PG. 2
3	EXCESS EXPENSE OVER REVENUE LAG	(8.17)	LINE 2 - LINE 1
4	TOTAL EXPENSES	\$ 1,326,215	SCH. WAR-7, PG. 2
5	CASH WORKING CAPITAL REQUIREMENT	(29,701)	(LINE 3 X LINE 4)/365 DAYS
6	PER COMPANY	<u>\$ 28,193</u>	CO. SCH. B-5, PG. 2
7	INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (57,894)</u>	LINE 5 - LINE 6

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF INCOME TAX LAG

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 4 OF 4

<u>LINE NO.</u>	<u>(A) PAYMENT DATE</u>	<u>(B) SERVICE PERIOD MIDPOINT</u>	<u>(C) (LEAD)/LAG DAYS</u>	<u>(D) PAYMENT AMOUNT</u>	<u>(E) DOLLAR DAYS</u>
1	04/12/99	07/01/99	(80.00)	\$ 397,000	(31,760,000)
2	06/11/99	07/01/99	(20.00)	50,000	(1,000,000)
3	09/14/99	07/01/99	75.00	486,000	36,450,000
4	12/14/99	07/01/99	166.00	970,000	161,020,000
5	03/14/00	07/01/99	257.00	<u>(240,000)</u>	<u>(61,680,000)</u>
6	TOTALS			\$ 1,663,000	103,030,000
7	INCOME TAX LAG		61.95		

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 OPERATING INCOME - TEST YEAR AND RUCO PROPOSED

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-8

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO RECOMMENDED
<u>REVENUES - WATER:</u>						
1	REVENUE FROM WATER SALES	\$ 1,256,950	\$ 68,042	\$ 1,324,992	\$ 314,074	\$ 1,639,067
2	OTHER REVENUES	0.00	-	0.00		0.00
3	TOTAL OPERATING REVENUES	\$ 1,256,950	\$ 68,042	\$ 1,324,992	\$ 314,074	\$ 1,639,067
<u>OPERATING EXPENSES:</u>						
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	2,275	(141)	2,134		2,134
4	PURCHASED POWER	181,448	3,540	184,988		184,988
5	PURCHASED GAS	401	802	1,203		1,203
6	OTHER	43,218	(5,664)	37,554		37,554
7	WATER TREATMENT	47,494	(5,739)	41,755		41,755
8	TRANSMISSION & DISTRIBUTION	213,823	(17,959)	195,864		195,864
9	CUSTOMER ACCOUNTS	168,474	1,619	170,093		170,093
10	SALES	987	(751)	236		236
11	ADMINISTRATIVE & GENERAL	235,785	4,613	240,398		240,398
12	DEPRECIATION & AMORTIZATION	200,874	(7,517)	193,357		193,357
13	PROPERTY TAXES	106,595	(19,510)	87,085		87,085
14	OTHER TAXES	24,319	9,159	33,478		33,478
15	INCOME TAXES	(452)	16,971	16,519	121,550	138,070
16	TOTAL OPERATING EXPENSES	\$ 1,225,241	\$ (20,576)	\$ 1,204,665	\$ 121,550	\$ 1,326,215
17	NET INCOME	\$ 31,709	\$ 88,619	\$ 120,328	\$ 192,524	\$ 312,851

REFERENCES:

COLUMN (A): CO. SCH. C-1, PG. 2
 COLUMN (B): SCH. WAR-9
 COLUMN (C): COLUMN (A) + COLUMN (B)
 COLUMN (D): SCH. WAR-1
 COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-9

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCO ADJUSTED
REVENUES - WATER:														
1	REVENUE FROM WATER SALES	\$ 1,256,950	\$ 165,828	\$ (118,137)	\$ 16,096	\$ 3,212	\$ 2,124		\$ (1,081)					\$ 1,324,992
2	OTHER REVENUES	-												-
3	TOTAL OPERATING REVENUES	\$ 1,256,950	\$ 165,828	\$ (118,137)	\$ 16,096	\$ 3,212	\$ 2,124	\$ -	\$ (1,081)	\$ -	\$ -	\$ -	\$ -	\$ 1,324,992
OPERATING EXPENSES:														
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	2,275	(141)											2,134
4	PURCHASED POWER	181,448	5,856			(2,651)	335							184,988
5	PURCHASED GAS	401	802											1,203
6	OTHER	43,218	(5,664)											37,554
7	WATER TREATMENT	47,494	(5,790)		51									41,755
8	TRANSMISSION & DISTRIBUTION	213,823	(16,174)		(1,785)									195,864
9	CUSTOMER ACCOUNTS	168,474	1,619											170,093
10	SALES	987	(751)											236
11	ADMINISTRATIVE & GENERAL	235,785	(2,842)	(2,777)			283	9,949						240,398
12	DEPRECIATION & AMORTIZATION	200,874								(7,517)				193,357
13	PROPERTY TAXES	106,595									(19,510)			87,085
14	OTHER TAXES	24,319	124,519	(115,360)										33,478
15	INCOME TAXES	(452)										16,971		16,519.46
16	TOTAL OPERATING EXPENSES	\$ 1,225,241	\$ 101,434	\$ (118,137)	\$ -	\$ (4,436)	\$ 670	\$ 9,949	\$ -	\$ (7,517)	\$ (19,510)	\$ 16,971	\$ -	1,204,665
17	NET INCOME	\$ 31,709	\$ 64,394	\$ -	\$ 16,096	\$ 7,648	\$ 1,455	\$ (9,949)	\$ (1,081)	\$ 7,517	\$ 19,510	\$ (16,971)	\$ -	\$ 120,328

ADJUSTMENT #:	ADJUSTMENT #:	ADJUSTMENT #:
1. RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL	7. REMOVE MAP SURCHARGE REVENUES	7. REMOVE MAP SURCHARGE REVENUES
2. REMOVE 2002 REGULATORY ASSESSMENT & SALES TAXES	8. DEPRECIATION & AMORTIZATION EXPENSE	8. DEPRECIATION & AMORTIZATION EXPENSE
3. ELIMINATE PFAM AND PWAM REVENUES	9. PROPERTY TAX EXPENSE	9. PROPERTY TAX EXPENSE
4. ELIMINATE UNBILLED REVENUES & EXPENSES	10. INCOME TAX EXPENSE	10. INCOME TAX EXPENSE
5. ANNUALIZE ADDITIONAL REVENUES & EXPENSES	11. NOT USED	11. NOT USED
6. AMORTIZATION OF RATE CASE EXPENSE		

REFERENCE:
 TESTIMONY WAR
 SCHEDULE WAR-12
 SCHEDULE WAR-13
 SCHEDULE WAR-14
 N/A

REFERENCE:
 RUCO D.R. NO. 1.10
 RUCO D.R. NO. 1.10 & ACC STAFF D.R. NO. REL 19-1
 RUCO D.R. NO. 7.1 & RUCO D.R. NO. 7.2
 RUCO D.R. NO. 7.3
 RUCO D.R. NO. 6.6
 COMPANY SCHEDULE C-2, PAGE 7, TESTIMONY WAR

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-10
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) 2002 ACTUAL	(C) DIFFERENCE	(D) RUCO ADJUSTMENT
<u>REVENUES - WATER:</u>					
1	REVENUE FROM WATER SALES	\$ 1,256,950	\$ 1,422,778	\$ 1,256,950	\$ 165,828
2	OTHER REVENUES	0.00	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 1,256,950	\$ 1,422,778	\$ 1,256,950	\$ 165,828
<u>OPERATING EXPENSES:</u>					
4	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -
5	OTHER	2,275	2,134	2,275	(141)
6	PURCHASED POWER	181,448	187,304	181,448	5,856
7	PURCHASED GAS	401	1,203	401	802
8	OTHER	43,218	37,554	43,218	(5,664)
9	WATER TREATMENT	47,494	41,704	47,494	(5,790)
10	TRANSMISSION & DISTRIBUTION	213,823	197,649	213,823	(16,174)
11	CUSTOMER ACCOUNTS	168,474	170,093	168,474	1,619
12	SALES	987	236	987	(751)
13	ADMINISTRATIVE & GENERAL	235,785	232,943	235,785	(2,842)
14	DEPRECIATION & AMORTIZATION	200,874	185,093	200,874	- (a)
15	PROPERTY TAXES	106,595	87,465	106,595	- (a)
16	OTHER TAXES	24,319	148,838	24,319	124,519
17	INCOME TAXES	(452)	34,513	(452)	- (a)
18	TOTAL OPERATING EXPENSES	\$ 1,225,241	\$ 1,326,729	\$ 1,225,241	\$ 101,434
19	NET INCOME	<u>\$ 31,709</u>	<u>\$ 96,049</u>	<u>\$ 31,709</u>	<u>\$ 64,394</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 2 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)
 COLUMN (D): COLUMN (C) LINES 1 THRU 13, LINES 16, 18 & 19

NOTE:

(a) SEPARATE PRO FORMA ADJUSTMENTS NOT INCLUDED IN RECONCILIATION

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-10
 PAGE 2 OF 2

LINE NO.	DESCRIPTION	(A) TEST YEAR ACTUAL	(B) 2002 ACTUAL	(C) DIFFERENCE
<u>REVENUES - WATER:</u>				
1	REVENUE FROM WATER SALES	\$ 1,363,532	\$ 1,422,778	\$ 59,246
2	OTHER REVENUES	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 1,363,532	\$ 1,422,778	\$ 59,246
<u>OPERATING EXPENSES:</u>				
4	PURCHASED WATER	\$ -	\$ -	\$ -
5	OTHER	2,279	2,134	(145)
6	PURCHASED POWER	180,807	187,304	6,497
7	PURCHASED GAS	401	1,203	802
8	OTHER	43,218	37,554	(5,664)
9	WATER TREATMENT	34,435	41,704	7,269
10	TRANSMISSION & DISTRIBUTION	203,387	197,649	(5,738)
11	CUSTOMER ACCOUNTS	167,213	170,093	2,880
12	SALES	987	236	(751)
13	ADMINISTRATIVE & GENERAL	204,408	232,943	28,535
14	DEPRECIATION & AMORTIZATION	173,245	185,093	11,848
15	PROPERTY TAXES	95,358	87,465	(7,893)
16	OTHER TAXES	128,331	148,838	20,507
17	INCOME TAXES	38,236	34,513	(3,723)
18	TOTAL OPERATING EXPENSES	1,272,305	1,326,729	54,424
19	NET INCOME	\$ 91,227	\$ 96,049	\$ 4,822

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 2 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
BISBEE SYSTEM
OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1	YEAR END CUSTOMERS - 2002	3,406	3,406	3,406	3,406	3,406	3,406	3,406	3,406	3,406	3,406	3,406	3,406
2	2002 CUSTOMERS	3,388	3,387	3,397	3,394	3,408	3,405	3,406	3,404	3,403	3,406	3,399	3,406
3	INCREASE IN CUSTOMERS - 2002	18	19	9	12	(2)	1	-	2	3	-	7	0
4	AVERAGE REVENUE FOR THE MONTH	\$ 29.03	\$ 29.75	\$ 30.60	\$ 33.67	\$ 38.10	\$ 44.03	\$ 45.67	\$ 32.32	\$ 35.27	\$ 33.25	\$ 31.30	\$ 28.12
5	INCREASE IN REVENUES	\$ 523	\$ 565	\$ 275	\$ 404	\$ (76)	\$ 44	\$ -	\$ 65	\$ 106	\$ -	\$ 219	\$ 0
6	TOTAL INCREASE IN REVENUE	2,124											
7	INCREASE IN REVENUE PER COMPANY												
8	REVENUE ADJUSTMENT	2,124											
9	GALLONS SOLD PER AVERAGE CUSTOMER	5,803	6,079	6,391	7,572	9,267	11,501	12,206	7,151	8,189	7,392	6,685	5,848
10	INCREASE IN CUSTOMERS	18	19	9	12	(2)	1	-	2	3	-	7	0
11	INCREASE IN GALLONS	104,446	115,507	57,515	90,869	(18,534)	11,501	-	14,303	24,567	-	46,798	0
12	TOTAL INCREASE IN GALLONS	446,971											
13	PUMPING COST PER GALLON	0.00075											
14	INCREASE IN PUMPING COST	335											
15	WATER TREATMENT COSTS PER GALLON	0.000115											
16	INCREASE IN WATER TREATMENT COSTS	51											
17	TOTAL INCREASE IN BILLS	69											
18	MONTHLY ACCOUNTING COST PER BILL	4.10											
19	INCREASE IN ACCOUNTING COST	283											

REFERENCES:

- LINE #1 - RUCO DATA REQUEST #6 6
- LINE #2 - RUCO DATA REQUEST #6 6
- LINE #3 - LINE #1 MINUS LINE #2
- LINE #4 - RUCO DR #1.10 = TOTAL MONTH REV. MINUS OTHER REV. / TOTAL MONTHLY CUSTOMERS FOR POST-TEST-YEAR
- LINE #5 = LINE #3 MULTIPLIED BY LINE #4
- LINE #6 = SUMMATION OF LINE #5
- LINE #7 - NO REFERENCE
- LINE #8 - LINE #6 MINUS LINE #7
- LINE #9 - GALLONS SOLD, AWC's ANNUAL REPORT & MONTHLY CUSTOMERS, RUCO DR #6.6
- LINE #10 = LINE #3
- LINE #11 = LINE #9 MULTIPLIED BY LINE #10
- LINE #12 = SUMMATION OF LINE #11
- LINE #13 - CO. WIP C2-5, PAGE 3
- LINE #14 = LINE #12 X LINE #13
- LINE #15 - CO. WIP C2-5, PAGE 3
- LINE #16 = LINE #12 MULTIPLIED BY LINE #15
- LINE #17 = SUMMATION OF LINE #3
- LINE #18 - CO. WIP C2-5, PAGE 4
- LINE #19 = LINE #17 X LINE #18

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 OPERATING ADJ. #8 - DEPRECIATION & AMORTIZATION EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-12

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	(A) ACTUAL TEST YEAR BALANCE PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED BALANCE	(D) COMPOSITE DEPRECIATION RATE	(E) RUCO RECOMMENDED DEPRECIATION EXPENSE
1	301.0	INTANGIBLES: ORGANIZATION*	\$ -	\$ -	\$0	0.00%	\$ -
2	302.0	INTANGIBLES: FRANCHISES*	-	-	-	0.00%	-
3	303.0	INTANGIBLES: MISC.*	-	-	-	0.00%	-
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	4,422	(727)	3,695	0.00%	-
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	-	726	726	0.00%	-
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	4,905	-	4,905	0.00%	-
7	314.0	SOURCE OF SUPPLY: WELLS	48,766	1	48,767	2.59%	1,263
8	320.0	PUMPING PLANT: LAND*	7,054	-	7,054	0.00%	-
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	26,509	74	26,583	2.59%	688
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	513,405	(612)	512,793	2.59%	13,281
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	164,220	537	164,757	2.59%	4,267
12	330.0	WATER TREATMENT PLANT: LAND*	-	-	-	0.00%	-
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	31,930	1	31,931	2.59%	827
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	38,243	(671)	37,572	2.59%	973
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	5,044	671	5,715	0.00%	-
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	-	-	-	0.00%	-
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	-	-	-	2.59%	-
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	353,044	(1)	353,043	2.59%	9,144
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	3,965,590	3	3,965,593	2.59%	102,709
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	29,546	-	29,546	2.59%	765
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	817,067	1	817,068	2.59%	21,162
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	211,876	1	211,877	2.59%	5,488
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	193,556	-	193,556	2.59%	5,013
24	389.1	GENERAL PLANT: LAND - OFFICE*	-	-	-	0.00%	-
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	-	-	-	0.00%	-
26	389.3	GENERAL PLANT: LAND - MISC.*	-	-	-	0.00%	-
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	8,474	(1)	8,473	2.59%	219
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	16,023	-	16,023	2.59%	415
29	390.3	GENERAL PLANT: MISC. BUILDINGS	-	-	-	2.59%	-
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	9,020	(1)	9,019	2.59%	234
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	53,283	(1)	53,282	2.59%	1,380
32	391.2	GENERAL PLANT: OFFICE FURNITURE	17,552	-	17,552	2.59%	455
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	-	-	-	2.59%	-
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	37,681	1	37,682	2.59%	976
35	395.0	GENERAL PLANT: LAB EQUIPMENT	1,684	-	1,684	2.59%	44
36	396.0	GENERAL PLANT: POWER EQUIPMENT	14,442	-	14,442	2.59%	374
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	27,910	(1)	27,909	2.59%	723
38	397.1	GENERAL PLANT: MOBILE RADIOS	28,544	1	28,544	2.59%	739
39	397.2	GENERAL PLANT: AUTO CONTROLS	186,546	1	186,546	2.59%	4,832
40	398.0	GENERAL PLANT: MISC.	20,062	1	20,062	2.59%	520
41							
42		TEST YEAR TOTALS	\$ 6,836,396	\$ 3	\$ 6,836,399		\$ 176,490
43							
44		POST TEST YEAR ADDITIONS	597,543	187,073	\$784,616	2.59%	20,322
45							
46		GROSS DEPRECIABLE PHOENIX OFFICE AND METER SHOP ALLOCATION	212,559	28,588	241,146 **	2.59%	6,246
47							
48		2002 TOTALS	\$ 7,646,498	\$ 215,663	\$ 7,862,161		\$ 203,058
49							
50		LESS:					
51		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION @ 2.59% COMPOSITE RATE ***					9,701
52							
53		TOTAL PRO FORMA DEPRECIATION & AMORTIZATION EXPENSE					\$ 193,357
54							
55		DEPRECIATION & AMORTIZATION EXPENSE PER COMPANY					200,874
56							
57		DEPRECIATION & AMORTIZATION EXPENSE ADJUSTMENT (LINE 53 - LINE 55)					\$ (7,517)

REFERENCES:

COLUMN (A): COMPANY SCHEDULE E-5 PAGE 1 OF 4 AND STAFF DATA REQUEST REL 1-24
 COLUMN (B): COLUMN (C) - COLUMN (A)
 COLUMN (C): RUCO SCHEDULE WAR-4 PAGE 7
 COLUMN (D): COMPOSITE DEPRECIATION RATE OF 2.59%
 COLUMN (E): COLUMN (C) x COLUMN (D)

NOTES:

* NON-DEPRECIABLE PLANT ASSETS
 ** NET OF \$399 IN NON-DEPRECIABLE LEASEHOLD IMPROVEMENTS (\$7,215 x 0.0553 ALLOCATION FACTOR FOR 2002 = \$399)
 *** RUCO ADJUSTED CIAC BALANCE x COMPOSITE RATE = \$374,558 x 2.59% = \$9,701

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 OPERATING ADJ. #9 - PROPERTY TAX EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-13

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES - 2000	\$ 1,322,741	COMPANY SCH. C-2, W/P C2-19a
2	REVENUES - 2001	1,258,793	COMPANY SCH. C-2, W/P C2-19a
3	REVENUES - 2002	<u>1,304,641</u>	D. R. NO. REL 19-1
4	TOTAL	\$ 3,886,175	SUM LINES 1, 2, & 3
5	3 YEAR AVERAGE	1,295,392	LINE 4/3 YEARS
6	MULTIPLIER FOR REVENUES (2 X LAST 3 YRS. AVERAGE REVENUE)	<u>x 2</u>	ADOR VALUATION FACTOR
7	REVENUES FOR FULL CASH VALUE	<u>2,590,783</u>	LINE 5 X 2 (MULTIPLIER FOR REVENUES)
8	ADD: 10% OF CWIP BALANCE	-	COMPANY SCH. B-2, PG. 3; LINE 4 X 10%
9	LESS: LICENSED VEHICLES	<u>-</u>	STAFF DATA REQUEST REL 23-1
10	FULL CASH VALUE	2,590,783	LINE 7 + LINE 8 MINUS LINE 9
11	ASSESSMENT RATIO	<u>25%</u>	PER ADOR VALUATION METHOD
12	ASSESSED VALUE	647,696	LINE 10 X LINE 11
13	PROPERTY TAX RATE	<u>13.4454%</u>	PER TAX BILLS
14	PROPERTY TAXES PAYABLE PER RUCO	87,085	LINE 12 X LINE 13
15	PROPERTY TAXES PER COMPANY	<u>106,595</u>	COMPANY SCH. C-1, PG. 2
16	ADJUSTMENT	<u>(19,510)</u>	LINE 14 MINUS LINE 15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 OPERATING ADJ. #10 - INCOME TAXES

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-14

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
	<u>FEDERAL INCOME TAXES:</u>		
1	OPERATING INCOME BEFORE INCOME TAXES	\$ 136,847	SCH. WAR-9
	LESS:		
2	ARIZONA STATE TAX	2,985	LINE 11
3	INTEREST EXPENSE	<u>94,003</u>	NOTE (a)
4	FEDERAL TAXABLE INCOME	39,858	LINE 1 - LINES 2 & 3
5	FEDERAL INCOME TAX RATE	<u>33.96%</u>	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	13,534	LINE 4 X LINE 5
	<u>STATE INCOME TAXES:</u>		
7	OPERATING INCOME BEFORE INCOME TAXES	136,847	LINE 1
	LESS:		
8	INTEREST EXPENSE	<u>94,003</u>	NOTE (A)
9	STATE TAXABLE INCOME	42,844	LINE 7 - LINE 8
10	STATE TAX RATE	<u>6.968%</u>	TAX RATE
11	STATE INCOME TAX EXPENSE	2,985	LINE 9 X LINE 10
12	TOTAL INCOME TAXES	16,519	LINE 6 + LINE 11
13	INCOME TAXES PER COMPANY	<u>(452)</u>	COMPANY SCH. C-1, PG. 2
14	ADJUSTMENT	<u>\$ 16,971</u>	LINE 12 - LINE 13

NOTE (a):
 INTEREST SYNCHRONIZATION

ADJUSTED RATE BASE	\$ 3,603,099
WEIGHTED COST OF DEBT	2.61%
INTEREST EXPENSE	<u>\$ 94,003</u>

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
BISBEE SYSTEM
OPERATING ADJ. #11 - NOT USED FOR THIS SYSTEM

DOCKET NO. W-1445A-02-0619
SCHEDULE WAR-15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 COST OF CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-16

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) ADJUSTMENT	(C) ADJUSTED BALANCE	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	\$ 2,850,000	\$ 1,650,000	\$ 4,500,000	5.62%	4.00%	0.22%
2	LONG-TERM DEBT:	23,000,677	(400,677)	22,600,000	28.24%	8.44%	2.38%
3	COMMON EQUITY	49,442,738	3,473,716	52,916,454	66.13%	9.18%	6.07%
4	TOTAL	\$ 75,293,415	4,723,039	\$ 80,016,454	100.00%		8.68%

REFERENCES:

- COLUMN (A): COMPANY SCH. D - 1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 PROPOSED RATES

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-17

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>PRESENT RATES</u>	<u>COMPANY PROPOSED</u>	<u>RUCO PROPOSED</u>
1	MONTHLY MINIMUM USAGE CHARGE:			
2				
3	<u>(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)</u>			
4	5/8 X 3/4 - INCH	\$13.47	\$20.11	\$14.82
5	1 - INCH	24.86	43.64	32.32
6	2 - INCH	62.15	126.89	93.23
7	3 - INCH	155.37	266.86	264.13
8	4 - INCH	207.16	406.02	390.92
9	6 - INCH	362.53	773.43	761.31
10	8 - INCH	362.53	1,075.08	833.82
11	10 - INCH	673.27	1,759.42	1,683.18
12				
13	GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:			
14				
15	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS	1,000	0	0
16				
17	COMMODITY RATE (PER 100 GAL. OVER MINIMUM):	\$0.24860	\$0.31600	\$0.31020
18				
19	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM):	\$2.48600	\$3.16000	\$3.10200

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-18

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO PROPOSED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$13.47	\$20.11	\$6.64	49.29%	\$14.82	\$1.35	10.02%
2	1 - INCH	24.86	43.64	18.78	75.54%	32.32	7.46	30.01%
3	2 - INCH	62.15	126.89	64.74	104.17%	93.23	31.08	50.01%
4	3 - INCH COMMERCIAL	155.37	266.86	111.49	71.76%	264.13	108.76	70.00%
5	4 - INCH COMMERCIAL	207.16	406.02	198.86	95.99%	390.92	183.76	88.70%
6	6 - INCH	362.53	773.43	410.90	113.34%	761.31	398.78	110.00%
7	8 - INCH	362.53	1,075.08	712.55	196.55%	833.82	471.29	130.00%
8	10 - INCH	673.27	1,759.42	1,086.15	161.32%	1,683.18	1,009.91	150.00%
9	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	1,000	0			0		

REFERENCES

COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 4
 COLUMN (E): TESTIMONY WAR
 COLUMN (F): COLUMN (E) - COLUMN (A)
 COLUMN (G): COLUMN (F) ÷ COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-19
 PAGE 1 OF 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$13.47	\$24.86	\$62.15	\$155.37	\$207.16	\$362.53	\$362.53	\$673.27
2	1,000	13.47	24.86	62.15	155.37	207.16	362.53	362.53	673.27
3	2,000	15.96	27.35	64.64	157.86	209.65	365.02	365.02	675.76
4	3,000	18.44	29.83	67.12	160.34	212.13	367.50	367.50	678.24
5	4,000	20.93	32.32	69.61	162.83	214.62	369.99	369.99	680.73
6	5,000	23.41	34.80	72.09	165.31	217.10	372.47	372.47	683.21
7	6,000	25.90	37.29	74.58	167.80	219.59	374.96	374.96	685.70
8	7,000	28.39	39.78	77.07	170.29	222.08	377.45	377.45	688.19
9	8,000	30.87	42.26	79.55	172.77	224.56	379.93	379.93	690.67
10	9,000	33.36	44.75	82.04	175.26	227.05	382.42	382.42	693.16
11	10,000	35.84	47.23	84.52	177.74	229.53	384.90	384.90	695.64
12	15,000	48.27	59.66	96.95	190.17	241.96	397.33	397.33	708.07
13	20,000	60.70	72.09	109.38	202.60	254.39	409.76	409.76	720.50
14	25,000	73.13	84.52	121.81	215.03	266.82	422.19	422.19	732.93
15	50,000	135.28	146.67	183.96	277.18	328.97	484.34	484.34	795.08
16	75,000	197.43	208.82	246.11	339.33	391.12	546.49	546.49	857.23
17	100,000	259.58	270.97	308.26	401.48	453.27	608.64	608.64	919.38
18	125,000	321.73	333.12	370.41	463.63	515.42	670.79	670.79	981.53
19	150,000	383.88	395.27	432.56	525.78	577.57	732.94	732.94	1,043.68
20	175,000	446.03	457.42	494.71	587.93	639.72	795.09	795.09	1,105.83
21	200,000	508.18	519.57	556.86	650.08	701.87	857.24	857.24	1,167.98
22									
23	AVG. NO. OF CUST:	3,273	83	47	0	3	0	0	0
24									
25	AVG. USE (GAL.):	5,904	19,466	71,039	N/A	279,472	N/A	N/A	N/A
26	MONTHLY BILL:	\$25.66	\$70.77	\$236.27	N/A	\$899.44	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.) :	4,191	9,154	40,433	N/A	100,714	N/A	N/A	N/A
29	MONTHLY BILL:	\$21.40	\$45.13	\$160.18	N/A	\$455.05	N/A	N/A	N/A

RUCO PROPOSED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$14.82	\$32.32	\$93.23	\$0.00	\$390.92	\$0.00	\$1,005.50	\$1,508.25
2	1,000	17.92	35.42	96.33	5.36	394.02	5.36	1,008.70	1,511.45
3	2,000	21.02	38.52	99.43	10.72	397.12	10.72	1,011.90	1,514.65
4	3,000	24.13	41.63	102.54	16.09	400.23	16.09	1,015.10	1,517.85
5	4,000	27.23	44.73	105.64	21.45	403.33	21.45	1,018.30	1,521.05
6	5,000	30.33	47.83	108.74	26.81	406.43	26.81	1,021.50	1,524.25
7	6,000	33.43	50.93	111.84	32.17	409.53	32.17	1,024.69	1,527.44
8	7,000	36.53	54.03	114.94	37.53	412.63	37.53	1,027.89	1,530.64
9	8,000	39.64	57.14	118.05	42.90	415.74	42.90	1,031.09	1,533.84
10	9,000	42.74	60.24	121.15	48.26	418.84	48.26	1,034.29	1,537.04
11	10,000	45.84	63.34	124.25	53.62	421.94	53.62	1,037.49	1,540.24
12	15,000	61.35	78.85	139.76	80.43	437.45	80.43	1,053.49	1,556.24
13	20,000	76.86	94.36	155.27	107.24	452.96	107.24	1,069.48	1,572.23
14	25,000	92.37	109.87	170.78	134.05	468.47	134.05	1,085.48	1,588.23
15	50,000	169.92	187.42	248.33	268.10	546.02	268.10	1,165.45	1,668.20
16	75,000	247.47	264.97	325.88	402.15	623.57	402.15	1,245.43	1,748.18
17	100,000	325.02	342.52	403.43	536.20	701.12	536.20	1,325.40	1,828.15
18	125,000	402.57	420.07	480.98	670.25	778.67	670.25	1,405.38	1,908.13
19	150,000	480.12	497.62	558.53	804.30	856.22	804.30	1,485.35	1,988.10
20	175,000	557.67	575.17	636.08	938.35	933.77	938.35	1,565.33	2,068.08
21	200,000	635.22	652.72	713.63	1,072.40	1,011.32	1,072.40	1,645.30	2,148.05
22									
23	AVG. NO. OF CUST:	3,273	83	47	0	3	0	0	0
24									
25	AVG. USE (GAL.):	5,904	19,466	71,039	N/A	279,472	N/A	N/A	N/A
26	MONTHLY BILL:	\$33.14	\$92.70	\$313.59	N/A	\$1,257.84	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	4,191	9,154	40,433	N/A	100,714	N/A	N/A	N/A
29	MONTHLY BILL:	\$27.82	\$60.72	\$218.65	N/A	\$703.34	N/A	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 1 - INCH	(C) 2 - INCH	(D) 3 - INCH	(E) 4 - INCH	(F) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	\$1.35	\$7.46	\$31.08	(\$155.37)	\$183.76	(\$362.53)	\$642.97	\$834.98
2	1,000	4.45	10.56	34.18	(150.01)	186.86	(357.17)	646.17	838.18
3	2,000	5.07	11.18	34.80	(147.13)	187.48	(354.29)	646.88	838.89
4	3,000	5.68	11.79	35.41	(144.26)	188.09	(351.42)	647.60	839.61
5	4,000	6.30	12.41	36.03	(141.38)	188.71	(348.54)	648.31	840.32
6	5,000	6.92	13.03	36.65	(138.50)	189.33	(345.66)	649.02	841.03
7	6,000	7.53	13.64	37.26	(135.63)	189.94	(342.79)	649.73	841.74
8	7,000	8.15	14.26	37.88	(132.75)	190.56	(339.91)	650.45	842.46
9	8,000	8.76	14.87	38.49	(129.88)	191.17	(337.04)	651.16	843.17
10	9,000	9.38	15.49	39.11	(127.00)	191.79	(334.16)	651.87	843.88
11	10,000	10.00	16.11	39.73	(124.12)	192.41	(331.28)	652.59	844.60
12	15,000	13.08	19.19	42.81	(109.74)	195.49	(316.90)	656.15	848.16
13	20,000	16.16	22.27	45.89	(95.36)	198.57	(302.52)	659.72	851.73
14	25,000	19.24	25.35	48.97	(80.98)	201.65	(288.14)	663.28	855.29
15	50,000	34.64	40.75	64.37	(9.08)	217.05	(216.24)	681.11	873.12
16	75,000	50.04	56.15	79.77	62.82	232.45	(144.34)	698.93	890.94
17	100,000	65.44	71.55	95.17	134.72	247.85	(72.44)	716.76	908.77
18	125,000	80.84	86.95	110.57	206.62	263.25	(0.54)	734.58	926.59
19	150,000	96.24	102.35	125.97	278.52	278.65	71.36	752.41	944.42
20	175,000	111.64	117.75	141.37	350.42	294.05	143.26	770.23	962.24
21	200,000	127.04	133.15	156.77	422.32	309.45	215.16	788.06	980.07
22									
23	AVG. NO. OF CUST:	3,273	83	47	0	3	0	0	0
24									
25	AVG. USE (GAL.):	5,904	19,466	71,039	N/A	279,472	N/A	N/A	N/A
26	MONTHLY BILL:	\$7.47	\$21.94	\$77.33	N/A	\$358.40	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	4,191	9,154	40,433	N/A	100,714	N/A	N/A	N/A
29	MONTHLY BILL:	\$6.42	\$15.58	\$58.47	N/A	\$248.29	N/A	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	10.0%	30.0%	50.0%	-100.0%	88.7%	-100.0%	177.4%	124.0%
2	1,000	33.1%	42.5%	55.0%	-96.5%	90.2%	-98.5%	178.2%	124.5%
3	2,000	31.8%	40.9%	53.8%	-93.2%	89.4%	-97.1%	177.2%	124.1%
4	3,000	30.8%	39.5%	52.8%	-90.0%	88.7%	-95.6%	176.2%	123.8%
5	4,000	30.1%	38.4%	51.8%	-86.8%	87.9%	-94.2%	175.2%	123.4%
6	5,000	29.5%	37.4%	50.8%	-83.8%	87.2%	-92.8%	174.2%	123.1%
7	6,000	29.1%	36.6%	50.0%	-80.8%	86.5%	-91.4%	173.3%	122.8%
8	7,000	28.7%	35.8%	49.2%	-78.0%	85.8%	-90.1%	172.3%	122.4%
9	8,000	28.4%	35.2%	48.4%	-75.2%	85.1%	-88.7%	171.4%	122.1%
10	9,000	28.1%	34.6%	47.7%	-72.5%	84.5%	-87.4%	170.5%	121.7%
11	10,000	27.9%	34.1%	47.0%	-69.8%	83.8%	-86.1%	169.5%	121.4%
12	15,000	27.1%	32.2%	44.2%	-57.7%	80.8%	-79.8%	165.1%	119.8%
13	20,000	26.6%	30.9%	41.9%	-47.1%	78.1%	-73.8%	161.0%	118.2%
14	25,000	26.3%	30.0%	40.2%	-37.7%	75.6%	-68.2%	157.1%	116.7%
15	50,000	25.6%	27.8%	35.0%	-3.3%	66.0%	-44.6%	140.6%	109.8%
16	75,000	25.3%	26.9%	32.4%	18.5%	59.4%	-26.4%	127.9%	103.9%
17	100,000	25.2%	26.4%	30.9%	33.6%	54.7%	-11.9%	117.8%	98.8%
18	125,000	25.1%	26.1%	29.8%	44.6%	51.1%	-0.1%	109.5%	94.4%
19	150,000	25.1%	25.9%	29.1%	53.0%	48.2%	9.7%	102.7%	90.5%
20	175,000	25.0%	25.7%	28.6%	59.6%	46.0%	18.0%	96.9%	87.0%
21	200,000	25.0%	25.6%	28.2%	65.0%	44.1%	25.1%	91.9%	83.9%
22									
23	AVG. NO. OF CUST:	3,273	83	47	0	3	0	0	0
24									
25	AVG. USE (GAL.):	5,904	19,466	71,039	N/A	279,472	N/A	N/A	N/A
26	MONTHLY BILL:	29.1%	31.0%	32.7%	N/A	39.8%	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	4,191	9,154	40,433	N/A	100,714	N/A	N/A	N/A
29	MONTHLY BILL:	30.0%	34.5%	36.5%	N/A	54.6%	N/A	N/A	N/A

REFERENCE

LINES 1 THRU 21 - COMPANY SCHEDULE H-4, PAGE 1 OF 4

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 BISBEE SYSTEM
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01445A-02-061
 SCHEDULE WAR-20

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$582,070	\$719,360	\$1,301,430
2	1 - INCH	32,320	60,382	92,702
3	2 - INCH	52,022	122,962	174,985
4	3 - INCH	0	0	0
5	4 - INCH	14,073	31,209	45,282
6	6 - INCH	0	0	0
7	8 - INCH	0	0	0
13	10 - INCH	0	0	0
14				
15	TOTALS	<u>\$680,486</u>	<u>\$933,914</u>	<u>\$1,614,399</u> (a)
16				
17	PERCENTAGE OF TOTAL REVENUE	42.00%	58.00%	100.00%

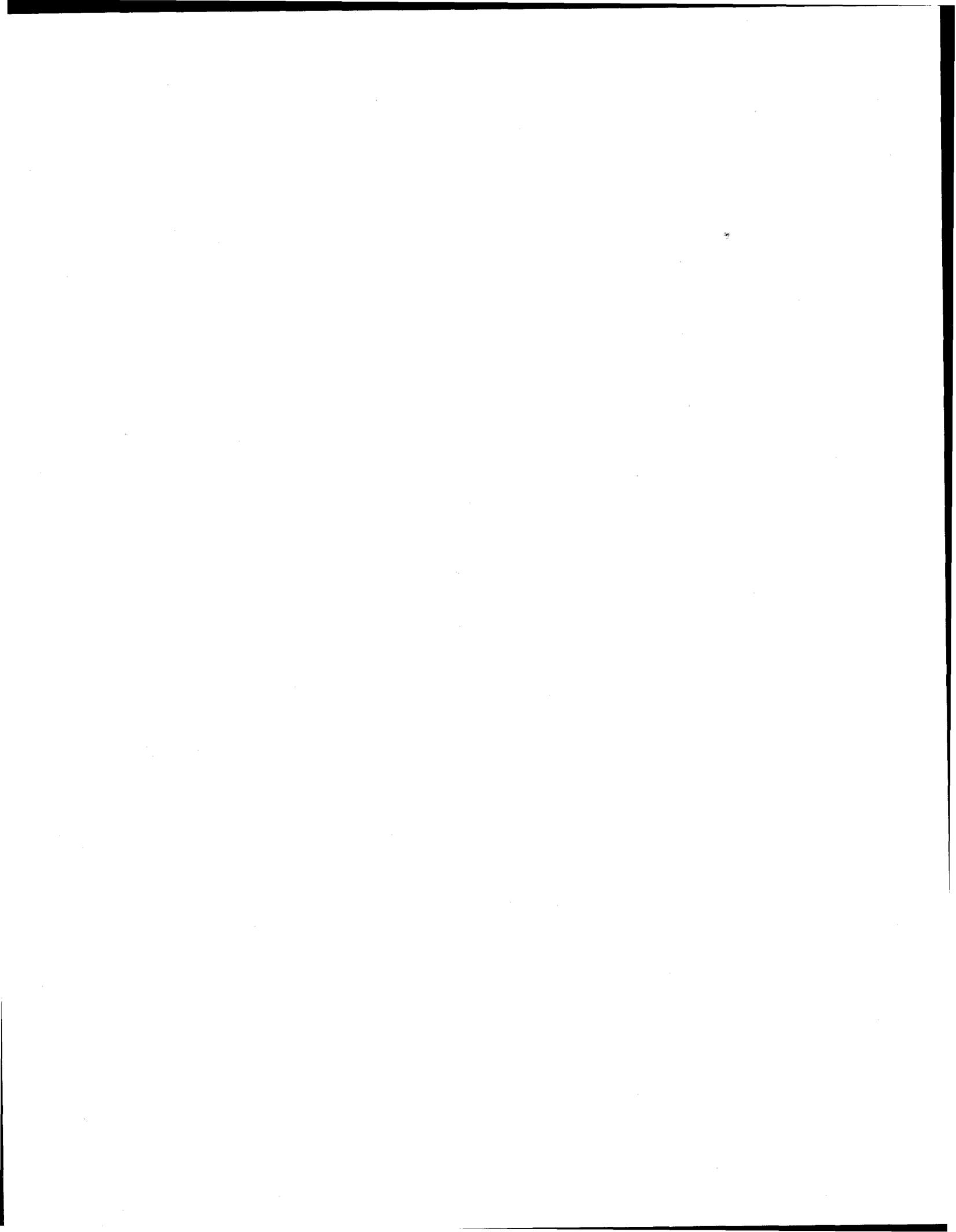
NOTE (a):

RUCO REQUIRED REVENUE		\$ 1,639,067
LESS:		
FIRE SPRINKLER REVENUE	\$ 840	
FIRE HYDRANT REVENUE	-	
MISCELLANEOUS REVENUE	12,110	
RENT - WATER PROPERTY REVENUE	-	
OTHER WATER REVENUE	<u>11,717</u>	
TOTAL		<u>\$ 24,667</u>

REVENUE TO BE GENERATED FROM WATER SALES \$ 1,614,400

REFERENCE:

NOTE (a) 2002 REVENUE INFORMATION OBTAINED FROM RUCO D.R. NO. 1.10



**ARIZONA WATER COMPANY
MIAMI SYSTEM
DOCKET NO. W-1445A-02-0619
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ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 REVENUE REQUIREMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-1
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY REQUESTED	(B) RUCO RECOMMENDED
1	ADJUSTED RATE BASE	\$ 4,570,196	\$ 3,600,871
2	ADJUSTED OPERATING INCOME	59,991	167,256
3	CURRENT RATE OF RETURN (L2 / L1)	1.31%	4.64%
4	REQUIRED RATE OF RETURN	11.00%	8.68%
5	REQUIRED OPERATING INCOME (L4 * L1)	502,722	312,658
6	OPERATING INCOME DEFICIENCY (L5 - L2)	442,731	145,402
7	GROSS REVENUE CONVERSION FACTOR	<u>1.63241</u>	<u>1.63120</u>
8	GROSS REVENUE INCREASE	\$ 722,718	\$ 237,179
9	CURRENT REVENUES T/Y ADJUSTED	1,456,939	1,513,578
10	PROPOSED ANNUAL REVENUE (L8 + L9)	2,179,657	1,750,757
11	PERCENTAGE AVERAGE INCREASE	49.61%	15.67%

REFERENCES:

COLUMN (A): COMPANY SCHEDULE A-1
 COLUMN (B): SCHEDULE WAR-1, PG. 2, WAR-2, AND WAR-8

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 GROSS REVENUE CONVERSION FACTOR

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-1
 PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	UNCOLLECTIBLES	<u>0.002316</u>	COMPANY SCH. C-3
3	SUB-TOTAL	0.9977	LINE 1 - LINE 2
4	LESS: TAX RATE	<u>38.46%</u>	NOTE (A)
5	TOTAL	0.6130	LINE 3 - LINE 4
6	REVENUE CONVERSION FACTOR	1.63120	LINE 1/LINE 5

NOTE (a):
 CALCULATION OF EFFECTIVE TAX RATE

OPERATING INCOME BEFORE TAXES	100.00%
ARIZONA STATE TAX	<u>6.97%</u>
TAXABLE INCOME FEDERAL	93.03%
FEDERAL INCOME TAX RATE	<u>33.95%</u>
SUBTOTAL	31.58%
ADD STATE TAX RATE	38.55%
LINE 3 ABOVE	<u>99.77%</u>
EFFECTIVE TAX RATE	38.46%

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 RATE BASE - ORIGINAL COST

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-2

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 6,837,666	\$ (103,965)	\$ 6,733,700
2	PHOENIX OFFICE & METER SHOP ALLOCATION	197,194	45,963	243,157
3	ACCUMULATED DEPRECIATION	<u>(1,713,976)</u>	<u>(13,420)</u>	<u>(1,727,396)</u>
4	NET PLANT IN SERVICE	\$ 5,320,883	\$ (71,423)	\$ 5,249,460
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	<u>-</u>	<u>-</u>	<u>-</u>
6	TOTAL NET PLANT	\$ 5,320,883	\$ (71,423)	\$ 5,249,460
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(109,428)	6,180	(103,248)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(188,394)	(13,660)	(202,054)
9	ACCUMULATED AMORTIZATION OF CIAC	32,086	5,056	37,142
10	DEFERRED INCOME TAXES	(566,719)	(122,314)	(689,033)
12				
13	AMORTIZATION OF 50/50 SHARING OF PCG SETTLEMENT	-	-	-
14	WORKING CAPITAL	<u>81,768</u>	<u>(73,165)</u>	<u>8,603</u>
15	TOTAL RATE BASE	<u>\$ 4,570,196</u>	<u>\$ (969,325)</u>	<u>\$ 3,600,871</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE B-1
 COLUMN (B): SCHEDULE WAR-3
 COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
MIAMI SYSTEM
SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCC ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 6,837,666	(\$103,965)	26,995 (b)	12,382 (c)	25,802	(6,835)							\$ 6,733,700
2	PHOENIX OFFICE & METER SHOP ALLOCATION	197,194 (e)												243,157
3	ACCUMULATED DEPRECIATION	(1,713,976)			12,382 (c)	(25,802)								(1,727,395)
4	NET PLANT IN SERVICE	\$ 5,320,883	\$ (103,965)	\$ 26,995	\$ 12,382	\$ -	\$ (6,835)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,249,480
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	-	-	-	-	-	-	-	-	-	-	-	-	-
6	TOTAL NET PLANT	\$ 5,320,883	\$ (103,965)	\$ 26,995	\$ 12,382	\$ -	\$ (6,835)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,249,480
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(109,428)						6,180						(103,248)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(188,394)						(13,680)						(202,054)
9	ACCUMULATED AMORTIZATION OF CIAC	32,086						5,056						37,142
10	DEFERRED INCOME TAXES	(666,719)								(122,314)				(668,033)
12														
13	AMORTIZATION OF 50/50 SHARING OF PCG SETTLEMENT	-												-
14	WORKING CAPITAL	81,768									(73,165)			8,603
15	TOTAL RATE BASE	\$ 4,570,196	\$ (103,965)	\$ 26,995	\$ 12,382	\$ -	\$ (6,835)	\$ 6,180	\$ (8,604)	\$ (122,314)	\$ (73,165)	\$ -	\$ (700,000)	\$ 3,800,871

ADJUSTMENT #:
 1. PLANT IN SERVICE/POST-TEST YEAR ADDITIONS
 2. PHOENIX OFFICE & METER SHOP ALLOCATION
 3. ACCUMULATED DEPRECIATION
 4. RECONCILE PHX OFFICE & METER SHOP AND ACCLM. DEPR
 5. REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION
 6. AIAC - 2002 BALANCE

ADJUSTMENT #:
 7. CIAC - 2002 BAL. & AMORTIZATION
 8. ACUMULATED DEFERRED INCOME TAXES
 9. WORKING CAPITAL
 10. NOT USED

REFERENCE:
 SCHEDULE WAR-4, PAGE 7
 SCHEDULE WAR-4, PAGE 7
 SCHEDULE WAR-4, PAGE 7
 SCHEDULE WAR-5
 SCHEDULE WAR-6
 RUCC D.R. NO. 6.3

REFERENCE:
 RUCC D.R. NO. 6.3 TESTIMONY - WAR
 RUCC D.R. NO. 6.3
 SCHEDULE WAR-7, PAGE 3
 N/A

NOTES:
 (a) NET OF ACCUMULATED DEPRECIATION
 (b) GROSS PHOENIX OFFICE AND METER SHOP ADDITIONS ALLOCATED DURING 2002
 (c) INCLUDES ACCUMULATED DEPRECIATION ON 2002 PHOENIX OFFICE AND METER SHOP ADDITIONS

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT,
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1990 PLANT VALUE PER COMPANY	1990 ACCUM. DEPR. PER COMPANY	1990 NET PLANT ACC. PER COMPANY	1991 ADDITIONS PER COMPANY	1991 (RETIREMENTS) PER COMPANY	1991 YEAR END PLANT VALUE PER RUO	1991 DEPRECIATION EXPENSE PER RUO	1991 ACCUMULATED DEPRECIATION PER RUO	1991 YEAR END NET PLANT PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	1,225	0	1,225	0	0	1,225	0	0	1,225
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	15,023	0	15,023	0	0	15,023	0	0	15,023
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	34,237	0	34,237	0	0	34,237	0	0	34,237
7	314.0	SOURCE OF SUPPLY: WELLS	682,912	135,630	547,282	2,573	0	685,485	16,558	152,188	533,297
8	320.0	PUMPING PLANT: LAND*	3,885	0	3,885	0	0	3,885	0	0	3,885
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	19,835	3,939	15,896	0	0	19,835	480	4,419	15,416
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	444,659	88,312	356,347	73,931	(20,522)	498,068	11,407	79,197	418,871
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	550	0	550	0	0	550	0	0	550
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	3,932	781	3,151	0	0	3,932	95	876	3,056
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	14,953	2,970	11,983	0	0	14,953	362	3,332	11,621
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	4,353	0	4,353	0	0	4,353	0	0	4,353
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	208,114	41,333	166,781	5,499	0	213,613	5,103	46,435	167,178
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	1,401,122	278,270	1,122,852	68,364	(8,068)	1,461,418	34,637	304,839	1,156,579
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	17,360	3,448	13,912	2,902	0	20,262	455	3,903	16,359
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	410,100	81,448	328,652	16,158	(4,643)	421,615	10,064	86,869	334,746
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	182,513	36,248	146,265	4,326	(2,495)	184,344	4,439	38,192	146,152
22	348.0	TRANSMISSION & DISTRIBUTION: METERS	85,554	16,991	68,563	2,381	(17)	87,918	2,089	19,074	68,844
23	348.1	GENERAL PLANT: LAND - OFFICE*	424	0	424	0	0	424	0	0	424
24	389.1	GENERAL PLANT: LAND - WAREHOUSE*	2,471	0	2,471	0	0	2,471	0	0	2,471
25	389.2	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: OFFICE BUILDINGS	17,344	3,445	13,899	0	0	17,344	420	3,864	13,480
27	390.1	GENERAL PLANT: WAREHOUSE BUILDINGS	7,361	1,462	5,899	0	0	7,361	178	1,640	5,721
28	390.2	GENERAL PLANT: MISC. BUILDINGS	6,201	1,232	4,969	0	0	6,201	150	1,382	4,819
29	390.3	GENERAL PLANT: OFFICE EQUIPMENT	11,768	2,917	8,851	0	0	14,685	355	3,272	11,413
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	15,022	2,963	12,059	459	0	15,481	369	3,353	12,128
31	391.1	GENERAL PLANT: OFFICE FURNITURE	9,603	1,907	7,696	0	0	9,603	232	2,140	7,463
32	391.2	GENERAL PLANT: WAREHOUSE EQUIPMENT	713	142	571	0	0	713	17	159	554
33	393.0	GENERAL PLANT: GARAGE EQUIPMENT	39,974	7,939	32,035	212	0	40,186	970	8,909	31,277
34	394.0	GENERAL PLANT: LAB EQUIPMENT	1,014	201	813	54	0	1,068	25	227	841
35	395.0	GENERAL PLANT: POWER EQUIPMENT	5,338	1,060	4,278	0	0	5,338	129	1,189	4,149
36	396.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	96,434	19,152	77,282	0	0	96,434	2,334	21,486	74,948
37	397.0	GENERAL PLANT: MOBILE RADIOS	424	84	340	191	0	615	13	97	518
38	397.1	GENERAL PLANT: AUTO CONTROLS	0	0	0	449	0	449	5	5	444
39	397.2	GENERAL PLANT: MISC.	3,564	708	2,856	0	0	3,564	86	794	2,770
40	398.0	TOTALS	\$3,750,899	\$732,502	\$3,018,397	\$177,499	(\$35,745)	\$3,892,653	\$90,983	\$787,840	\$3,104,813

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24
 NOTE:
 *NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM

RATE BASE ADJUSTMENTS - #1, #2 & #3 - PLANT IN SERVICE POST TEST YEAR PLANT.
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-145A-02-0619
 SCHEDULE WAH-4
 PAGE 2 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1982 ADDITIONS PER COMPANY	1982 (RETIREMENTS) PER COMPANY	1982 YEAR END NET PLANT VALUE PER RUCCO	1982 DEPRECIATION EXPENSE PER RUCCO	1982 ACCUMULATED DEPRECIATION PER RUCCO	1982 YEAR END NET PLANT VALUE PER RUCCO	1983 ADDITIONS PER COMPANY	1983 (RETIREMENTS) PER COMPANY	1983 YEAR END NET PLANT VALUE PER RUCCO	1983 DEPRECIATION EXPENSE PER RUCCO	1983 ACCUMULATED DEPRECIATION PER RUCCO	1983 YEAR END NET PLANT VALUE PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	1,225	0	0	1,225	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	15,023	0	0	15,023	1,404	0	0	0	0	16,427
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	34,237	0	0	34,237	0	0	0	0	0	34,237
7	314.0	SOURCE OF SUPPLY: WELLS	45,975	0	731,460	17,145	169,333	562,127	16,100	0	747,560	19,153	188,486	559,074
8	320.0	PUMPING PLANT: LAND*	0	0	3,885	0	0	3,885	0	0	0	0	0	3,885
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	19,935	489	4,889	14,936	0	0	19,904	511	5,179	14,425
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	73,082	(66,642)	504,488	12,131	24,686	479,802	96,315	(29,281)	571,522	13,934	9,339	562,163
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	550	0	0	550	0	0	0	0	0	550
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	95	95	971	2,952	0	0	3,022	102	1,073	2,859
14	332.0	WATER TREATMENT PLANT: EQUIPMENT - TANKS & MAINS*	0	0	14,563	362	3,693	11,260	10	0	14,872	386	4,081	10,889
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	4,353	0	0	4,353	0	0	0	0	0	4,353
16	341.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	202,858	0	416,471	7,624	54,059	362,412	0	0	416,471	10,787	64,846	351,625
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	62,963	(3,194)	1,521,207	36,090	337,735	1,183,472	19,283	(1,654)	1,538,836	39,628	375,708	1,163,128
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	3,184	0	23,446	529	4,432	19,014	72	0	23,518	608	5,040	18,478
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	23,980	(823)	444,772	10,483	96,529	348,243	12,851	(614)	457,009	11,678	107,593	349,416
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	4,021	(3,599)	184,766	4,466	39,059	145,707	11,128	(6,175)	189,719	4,850	37,734	151,985
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	87,918	2,128	21,201	66,717	3,077	(287)	90,708	2,313	23,227	67,481
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	424	0	0	424	0	0	0	0	0	424
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	2,471	0	0	2,471	0	0	0	0	0	2,471
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	17,344	420	4,284	13,060	0	0	17,344	449	4,733	12,611
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	7,361	178	1,818	5,543	0	0	7,361	191	2,009	5,352
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	5,201	150	1,552	4,669	0	0	5,201	161	1,692	4,509
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	14,865	355	3,627	11,088	0	(120)	14,565	379	3,886	10,679
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	55	0	15,536	375	3,728	11,808	2,599	0	16,135	436	4,164	13,971
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	9,093	232	2,372	7,251	285	0	9,668	282	2,624	7,244
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	7,733	1,070	9,809	32,507	0	0	43,105	1,106	11,375	32,730
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	2,276	0	42,169	0	0	39,893	646	0	43,105	0	0	39,893
35	395.0	GENERAL PLANT: LUMBER EQUIPMENT	0	0	1,263	28	255	1,008	0	0	1,263	33	287	926
36	396.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	682	(1,500)	4,490	119	(192)	4,490	0	0	4,490	0	0	4,490
37	397.0	GENERAL PLANT: MOBILE EQUIPMENT	0	0	96,658	2,329	23,439	72,619	0	0	96,058	2,488	25,927	70,131
38	397.1	GENERAL PLANT: MOBILE RADIOS	4,784	(376)	5,398	74	170	5,229	721	0	6,120	149	319	5,801
39	397.2	GENERAL PLANT: AUTO CONTROLS	2,816	0	5,684	80	80	5,604	4,393	0	10,077	204	284	9,793
40	398.0	GENERAL PLANT: MISC.	\$432,073	(\$76,134)	\$4,248,592	\$97,005	\$608,710	\$3,439,882	\$169,494	(\$36,362)	\$4,379,724	\$110,108	\$850,456	\$3,439,268
41		TOTALS												

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 * - NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1984 ADDITIONS PER COMPANY	1984 (RETIREMENTS) PER COMPANY	1984 YEAR END PLANT VALUE PER RUO	1984 DEPRECIATION EXPENSE PER RUO	1984 ACCUMULATED DEPRECIATION PER RUO	1984 YEAR END NET PLANT VALUE PER RUO	1985 ADDITIONS PER COMPANY	1985 (RETIREMENTS) PER COMPANY	1985 YEAR END PLANT VALUE PER RUO	1985 DEPRECIATION EXPENSE PER RUO	1985 ACCUMULATED DEPRECIATION PER RUO	1985 YEAR END NET PLANT VALUE PER RUO
1	301.0	INTANGIBLES ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES FRANCHISES*	0	0	1,225	0	0	1,225	0	0	1,225	0	0	1,225
3	303.0	INTANGIBLES MISC.	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY - LAND - WATER RIGHTS*	378	0	16,806	0	0	16,806	1,451	0	18,256	0	0	18,256
5	310.2	SOURCE OF SUPPLY - LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY - LAND - WELLS*	318	0	34,553	0	0	34,553	0	0	34,553	0	0	34,553
7	310.4	SOURCE OF SUPPLY - LAND - WELLS*	638	0	748,136	19,370	207,858	540,278	79,177	0	622,373	20,404	228,260	599,113
8	320.0	PUMPING PLANT - LAND*	0	0	3,885	0	0	3,885	0	0	3,885	0	0	3,885
9	321.0	PUMPING PLANT - STRUCTURES & IMPROVEMENTS	0	0	19,604	508	5,687	13,917	0	0	19,604	508	6,195	13,409
10	323.0	PUMPING PLANT - ELECTRICAL EQUIPMENT	112,832	(65,103)	619,251	15,421	(40,344)	659,595	96,147	(40,279)	675,119	16,782	(63,860)	738,979
11	328.0	PUMPING PLANT - GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT - LAND*	0	0	550	0	0	550	0	0	550	0	0	550
13	331.0	WATER TREATMENT PLANT - STRUCTURES & IMPROVEMENTS	0	0	3,932	102	1,175	2,757	0	0	3,932	102	1,277	2,655
14	332.0	WATER TREATMENT PLANT - EQUIPMENT	0	0	14,972	386	4,469	10,503	0	0	14,972	388	4,857	10,115
15	340.0	TRANSMISSION & DISTRIBUTION - LAND - TANKS & MAINS*	0	0	4,353	0	0	4,353	0	0	4,353	0	0	4,353
16	340.1	TRANSMISSION & DISTRIBUTION - LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION - STRUCTURES	0	0	418,916	10,818	75,664	343,252	0	0	418,916	10,850	86,514	332,402
18	341.1	TRANSMISSION & DISTRIBUTION - STRUCTURES	2,445	0	1,547,954	39,974	412,235	1,135,719	0	0	1,547,954	40,670	448,548	1,144,005
19	343.0	TRANSMISSION & DISTRIBUTION - TANKS	12,695	(3,148)	23,518	609	5,649	17,869	48,917	(4,357)	23,518	609	6,258	17,260
20	344.0	TRANSMISSION & DISTRIBUTION - MAINS	17,732	(253)	474,488	12,063	119,403	355,085	15,578	(1,451)	488,615	12,472	130,424	359,191
21	345.0	TRANSMISSION & DISTRIBUTION - FIRE SPRINKLERS	7,014	(3,891)	182,842	4,854	38,737	154,045	1	(1,821)	191,022	4,971	41,947	149,075
22	346.0	TRANSMISSION & DISTRIBUTION - METERS	0	0	90,708	2,349	25,377	65,331	14,446	(979)	104,175	2,524	27,121	77,054
23	348.0	TRANSMISSION & DISTRIBUTION - HYDRANTS	0	0	424	0	0	424	0	0	424	0	0	424
24	389.1	GENERAL PLANT - LAND - OFFICE*	0	0	2,471	0	0	2,471	0	0	2,471	0	0	2,471
25	389.2	GENERAL PLANT - LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT - LAND - MISC.	0	0	17,601	463	5,168	12,433	0	0	17,601	465	5,642	11,959
27	390.1	GENERAL PLANT - OFFICE BUILDINGS	257	0	7,391	191	2,300	5,091	0	0	7,391	191	2,492	4,899
28	390.2	GENERAL PLANT - WAREHOUSE BUILDINGS	0	0	6,201	161	1,853	4,348	0	0	6,201	161	2,013	4,188
29	390.3	GENERAL PLANT - OFFICE BUILDING	0	0	14,565	377	4,283	10,282	0	0	14,565	377	4,641	9,924
30	391.0	GENERAL PLANT - OFFICE EQUIPMENT	534	0	18,669	477	4,540	14,029	19,790	0	38,459	740	5,360	33,079
31	391.1	GENERAL PLANT - ELECTRICAL EQUIPMENT	110	0	9,978	257	2,881	7,097	0	0	9,978	253	3,140	6,838
32	391.2	GENERAL PLANT - OFFICE FURNITURE	3,471	0	4,184	63	258	3,926	0	0	4,184	108	366	3,818
33	393.0	GENERAL PLANT - WAREHOUSE EQUIPMENT	548	0	43,853	1,124	12,141	31,712	2,667	(266)	46,054	1,162	13,036	33,018
34	394.0	GENERAL PLANT - GARAGE EQUIPMENT	0	0	1,283	33	320	943	0	0	1,283	33	353	910
35	395.0	GENERAL PLANT - LAB EQUIPMENT	0	0	3,898	109	(559)	4,457	0	0	3,898	101	(458)	4,356
36	396.0	GENERAL PLANT - POWER EQUIPMENTS	0	(592)	96,058	2,488	28,415	67,643	0	(1,114)	94,944	2,473	28,774	65,170
37	397.0	GENERAL PLANT - COMMUNICATIONS EQUIPMENT	0	0	6,169	48	478	5,691	0	0	6,169	479	657	7,014
38	397.1	GENERAL PLANT - MOBILE RADIOS	3,088	0	1,715	159	1,556	1,559	1,502	0	15,514	179	1,426	13,881
39	397.2	GENERAL PLANT - AUTO CONTROLS	0	0	1,915	128	1,281	734	6,719	(122)	11,424	208	1,426	13,881
40	398.0	GENERAL PLANT - MISC.	0	0	1,281	193	1,088	1,188	0	0	1,281	193	1,474	1,474
41		TOTALS	\$162,840	(\$73,287)	\$4,663,377	\$112,840	\$820,110	\$3,541,545	\$288,565	(\$50,369)	\$4,701,533	\$117,158	\$965,679	\$3,735,854

REFERENCE:
 ACC STAFF D R NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT NO.	PLANT ACCOUNT NAME	1996 ADDITIONS PER COMPANY	1996 (RETIREMENTS) PER COMPANY	1996 YEAR END PLANT VALUE PER RUO	1996 DEPRECIATION EXPENSE PER RUO	1996 ACCUMULATED DEPRECIATION PER RUO	1996 YEAR END NET PLANT VALUE PER RUO	1997 ADDITIONS PER COMPANY	1997 (RETIREMENTS) PER COMPANY	1997 YEAR END PLANT VALUE PER RUO	1997 DEPRECIATION EXPENSE PER RUO	1997 ACCUMULATED DEPRECIATION PER RUO	1997 YEAR END NET PLANT VALUE PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	1,225	0	0	1,225	0	0	0	0	0	1,225
3	303.0	INTANGIBLES: MISCC*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	445	0	18,701	0	0	18,701	127	0	0	0	0	18,828
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	34,553	0	0	34,553	0	0	0	0	0	34,553
7	310.3	SOURCE OF SUPPLY: WELLS	1,338	0	628,709	21,446	249,706	579,003	3,985	0	832,704	21,515	271,221	561,483
8	320.0	PUMPING PLANT: LAND*	0	0	3,885	0	0	3,885	0	0	0	0	0	3,885
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	19,604	508	6,702	12,902	11,903	(1,875)	29,532	638	5,485	24,167
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	(13,312)	741,570	18,346	(58,826)	800,396	43,736	(32,443)	752,683	18,353	(71,916)	824,779
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	550	0	0	550	0	0	0	0	0	550
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	3,932	102	1,379	2,553	655	0	3,832	102	1,480	2,452
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	14,972	388	5,244	9,728	0	0	15,627	396	5,641	9,986
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	581	0	4,934	0	0	4,934	0	0	0	0	0	4,934
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: TANKS	0	0	0	0	0	0	0	0	0	0	0	0
18	341.1	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	0	0	0	0	0	0	0	0	0	0
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	10,001	0	418,916	10,850	97,354	321,562	0	0	418,916	10,850	108,214	310,702
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	(5,276)	1,597,279	41,308	484,580	1,112,699	76,819	(212)	1,673,898	42,382	526,730	1,147,168
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	1,975	0	25,484	6,893	6,893	18,601	4,086	0	29,390	713	7,606	21,784
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	41,937	(587)	529,965	13,191	143,028	386,937	25,570	(173)	555,362	14,055	156,910	398,452
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	8,558	(5,344)	194,236	4,989	41,592	152,644	5,422	(1,926)	197,732	5,076	44,742	152,990
24	388.1	GENERAL PLANT: LAND - OFFICE*	4,516	(2,378)	106,312	2,726	27,468	78,844	15,281	(192)	121,401	2,949	30,225	91,176
25	388.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	424	0	0	424	0	0	0	0	0	424
26	388.3	GENERAL PLANT: LAND - MISCC*	0	0	2,471	0	0	2,471	0	0	2,471	0	0	2,471
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	57	0	17,659	457	6,096	11,563	16,750	0	24,313	241	(10,841)	11,318
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	7,659	2,584	2,584	5,075	0	0	7,659	2,584	2,584	5,075
29	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	6,201	181	2,174	4,027	0	0	6,201	181	2,335	3,866
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	14,585	377	5,018	9,567	0	0	14,585	377	5,395	9,190
31	391.2	GENERAL PLANT: OFFICE FURNITURE	928	(4,096)	35,289	955	2,239	33,050	64	0	35,563	915	3,154	32,409
32	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	5,553	0	15,531	330	3,470	12,061	378	0	15,509	407	3,877	12,032
33	394.0	GENERAL PLANT: GARAGE EQUIPMENT	1,775	0	4,184	108	475	3,709	0	0	4,184	108	583	3,601
34	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	47,829	1,216	14,252	33,577	6,562	0	54,391	1,324	15,576	38,815
35	396.0	GENERAL PLANT: POWER EQUIPMENTS	0	0	1,263	33	386	877	0	0	1,263	33	418	845
36	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	3,898	101	(957)	4,255	0	0	3,898	101	(296)	4,154
37	397.0	GENERAL PLANT: MOBILE RADIOS	573	(2,331)	92,613	2,429	29,872	62,741	1,132	0	92,613	2,359	32,271	60,342
38	397.2	GENERAL PLANT: AUTO CONTROLS	9,510	0	21,244	1,475	6,248	14,996	1,752	0	19,748	228	1,091	18,657
39	398.0	GENERAL PLANT: MISCC*	1,051	0	25,565	595	1,473	24,092	0	(45)	25,565	416	2,285	23,280
40	398.0	GENERAL PLANT: MISCC*	0	0	15,583	389	1,839	13,744	1,003	0	16,866	416	2,285	14,311
41		TOTALS	\$168,863	(\$33,325)	\$4,843,036	\$121,966	\$1,075,519	\$3,767,517	\$214,275	(\$53,547)	\$5,003,924	\$123,787	\$1,147,780	\$3,856,144

REFERENCE:
 ACC-STAFF D.R. NO. REL 1:24
 NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1998 ADDITIONS PER COMPANY	1998 (RETIREMENTS) PER COMPANY	1998 YEAR END PLANT VALUE PER RUCCO	1998 DEPRECIATION EXPENSE PER RUCCO	1998 ACCUMULATED DEPRECIATION PER RUCCO	1998 YEAR END NET PLANT PER RUCCO	1999 ADDITIONS PER COMPANY	1999 (RETIREMENTS) PER COMPANY	1999 YEAR END PLANT VALUE PER RUCCO	1999 DEPRECIATION EXPENSE PER RUCCO	1999 ACCUMULATED DEPRECIATION PER RUCCO	1999 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	1,225	0	0	1,225	\$0	\$0	1,225	0	0	1,225
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	307,164	0	325,992	0	0	325,992	1,331	0	327,323	0	0	327,323
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	26,165	0	60,718	0	0	60,718	0	0	60,718	0	0	60,718
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	275,810	0	1,108,514	0	0	1,111,242	2,728	0	1,114,970	0	0	1,116,698
7	314.0	SOURCE OF SUPPLY: WELLS	838	0	4,723	0	0	4,723	0	0	4,723	0	0	4,723
8	320.0	PUMPING PLANT: LAND*	30,377	777	6,242	0	0	32,428	2,051	0	34,479	0	0	36,529
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	86,177	745	890,745	0	0	977,667	48,849	(12,552)	1,014,964	21,407	(936)	1,023,428
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	1,104	(942)	162	2	0	162	0	0	162	4	0	166
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	550	0	0	550	0	0	550	0	0	550
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	2,360	0	0	2,360	14,095	0	18,027	284	0	18,311
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	1,116	(231)	16,512	416	0	17,797	18,317	(1,324)	35,505	648	1,150	37,263
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	0	0	4,937	0	0	4,937	0	0	4,937	0	0	4,937
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	10,850	0	0	10,850	345	0	11,195	0	0	11,540
18	342.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	42,147	(2,171)	1,719,862	43,871	0	1,763,733	71,759	(2,259)	1,835,233	45,289	611,450	2,446,683
19	343.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	29,980	0	0	29,980	0	0	29,980	786	0	30,766
20	344.0	TRANSMISSION & DISTRIBUTION: FIBER OPTICS	0	0	571,065	0	0	571,065	28,121	(1,276)	597,910	15,138	184,598	783,533
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	16,484	(761)	14,587	0	0	15,308	0	0	15,308	0	0	15,308
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	4,387	(2,481)	199,638	5,146	0	203,100	398	(930)	199,168	5,164	51,641	254,909
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	9,012	0	130,413	3,261	0	133,674	7,468	0	141,142	3,474	36,960	178,106
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	424	0	0	424	0	0	424	0	0	424
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	2,471	0	0	2,471	0	0	2,471	0	0	2,471
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	1,626	0	1,626	0	0	1,626
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	30,562	0	31,539	421	0	31,960	0	0	31,960	817	(9,103)	31,147
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	1,665	0	25,780	646	0	27,445	0	0	27,445	668	4,302	32,147
29	390.3	GENERAL PLANT: MISC. BUILDINGS	2,239	0	8,440	190	0	8,630	12,186	0	20,816	378	2,901	23,717
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	14,585	377	0	14,962	0	0	14,962	377	6,149	21,111
31	391.1	GENERAL PLANT: OFFICE EQUIPMENT	331	(1,570)	34,114	900	0	33,644	6,519	0	40,163	968	3,452	44,616
32	391.2	GENERAL PLANT: FURNITURE	584	0	16,659	425	0	17,243	451	0	17,694	443	4,745	22,439
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	325	0	4,509	113	0	4,622	0	0	4,622	117	812	5,434
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	4,272	0	58,663	1,464	0	64,139	801	0	64,940	1,530	18,570	83,510
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	1,263	33	0	1,296	0	0	1,296	33	484	1,780
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	3,698	01	0	3,709	0	0	3,709	33	(94)	3,615
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	4,197	0	92,673	239	0	93,612	0	0	93,612	101	37,748	131,360
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	15,573	0	0	15,573	0	0	15,573	385	1,744	17,317
39	397.2	GENERAL PLANT: AUTO CONTROLS	637	0	26,566	679	0	27,206	2,344	0	29,550	718	3,493	32,743
40	398.0	GENERAL PLANT: MISC.	4,198	0	20,674	482	0	21,156	0	0	21,156	535	3,273	24,429
41		TOTALS	\$820,463	(\$39,332)	\$5,764,955	\$1,331,655	\$1,242,063	\$4,522,892	\$220,397	(\$18,351)	\$5,986,991	\$1,421,021	\$1,365,753	\$4,621,238

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE POST TEST YEAR PLANT,
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-4
 PAGE 6 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2000 ADDITIONS PER COMPANY	2000 DEPRECIATION EXPENSE PER RUCCO	2000 YEAR END NET PLANT PER RUCCO	2000 (RETIREMENTS) PER COMPANY	2000 YEAR END PLANT VALUE PER RUCCO	2001 ADDITIONS PER COMPANY	2001 (RETIREMENTS) PER COMPANY	2001 YEAR END PLANT VALUE PER RUCCO	2001 DEPRECIATION EXPENSE PER RUCCO	2001 ACCUMULATED DEPRECIATION PER RUCCO	2001 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES ORGANIZATION*	0	0	0	0	0	0	0	0	0	0	0
2	302.0	INTANGIBLES FRANCHISES*	0	0	1,225	0	1,225	0	0	1,225	0	0	1,225
3	303.0	INTANGIBLES MISC*	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY - LAND - WATER RIGHTS*	965	0	328,288	0	328,288	243	0	328,531	0	0	328,531
5	310.2	SOURCE OF SUPPLY - LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY - LAND - WELLS*	1,707	0	62,425	0	62,425	1,099	0	62,425	0	0	62,425
7	314.0	SOURCE OF SUPPLY - WELLS	20,837	28,051	1,132,079	0	777,972	1,099	0	1,133,178	29,335	383,492	749,686
8	320.0	PUMPING PLANT - LAND*	0	0	4,723	0	4,723	0	0	4,723	0	0	4,723
9	321.0	PUMPING PLANT - STRUCTURES & IMPROVEMENTS	147	836	32,125	(450)	24,664	285	835	32,390	835	8,277	24,113
10	325.0	PUMPING PLANT - ELECTRICAL EQUIPMENT	25,658	22,082	859,985	(10,834)	922,764	4,038	(6,449)	965,474	22,319	(41,009)	904,483
11	328.0	PUMPING PLANT - GAS ENGINE EQUIPMENT	0	4	182	0	182	0	0	182	4	(927)	1,089
12	330.0	WATER TREATMENT PLANT - LAND*	0	0	550	0	550	0	0	550	0	0	550
13	331.0	WATER TREATMENT PLANT - STRUCTURES & IMPROVEMENTS	0	487	18,027	0	15,953	1,613	0	19,640	488	2,821	16,819
14	332.0	WATER TREATMENT PLANT - EQUIPMENT	30,632	1,264	64,137	0	57,723	8,610	(11,123)	61,654	1,529	(3,086)	64,704
15	340.0	TRANSMISSION & DISTRIBUTION - TANKS & MAINS*	0	0	4,957	0	4,957	886	0	5,865	0	0	5,865
16	340.1	TRANSMISSION & DISTRIBUTION - LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION - STRUCTURES	1,819	10,882	421,078	0	280,277	3,098	0	424,176	10,946	15,147	272,429
18	342.0	TRANSMISSION & DISTRIBUTION - STORAGE TANKS	78,912	47,158	1,858,179	(4,085)	1,203,656	99,647	(656)	1,957,170	49,409	703,276	1,253,894
19	343.0	TRANSMISSION & DISTRIBUTION - MANS*	0	0	29,380	0	29,380	0	0	29,580	766	10,671	18,909
20	344.0	TRANSMISSION & DISTRIBUTION - FIRE SPRINKLERS	0	0	0	0	0	0	0	0	0	0	0
21	345.0	TRANSMISSION & DISTRIBUTION - SERVICES	30,994	15,858	626,880	(2,294)	428,447	38,934	(1,119)	664,495	16,721	213,834	450,661
22	346.0	TRANSMISSION & DISTRIBUTION - METERS	4,252	5,192	201,814	(1,544)	146,525	1,839	(1,208)	202,445	5,235	59,316	143,129
23	348.0	TRANSMISSION & DISTRIBUTION - HYDRANTS	5,576	3,643	143,457	0	102,853	1,839	(51)	143,406	3,715	44,268	89,138
24	389.1	GENERAL PLANT - LAND - OFFICE*	0	0	424	0	424	0	0	424	0	0	424
25	389.2	GENERAL PLANT - LAND - WAREHOUSE*	0	0	2,471	0	2,471	0	0	2,471	0	0	2,471
26	389.3	GENERAL PLANT - LAND - MISC*	0	0	(81)	(1,707)	1,626	0	0	(81)	0	(1,707)	1,626
27	390.1	GENERAL PLANT - OFFICE BUILDINGS	405	817	37,539	0	39,826	0	0	31,539	817	(7,470)	39,009
28	390.2	GENERAL PLANT - WAREHOUSE BUILDINGS	1,109	673	26,185	0	21,210	0	0	26,185	678	5,653	20,532
29	390.3	GENERAL PLANT - MISC. BUILDINGS	0	549	21,735	0	18,286	189	0	21,924	565	4,015	17,909
30	391.0	GENERAL PLANT - OFFICE EQUIPMENT	0	377	14,565	0	6,527	0	0	14,565	377	6,904	7,661
31	391.1	GENERAL PLANT - ELECTRICAL EQUIPMENT	1,157	1,067	41,790	0	37,271	932	0	42,722	1,094	5,614	37,108
32	391.2	GENERAL PLANT - OFFICE FURNITURE	971	462	18,315	0	13,108	0	0	18,315	474	5,681	12,634
33	393.0	GENERAL PLANT - WAREHOUSE EQUIPMENT	7,099	117	4,509	0	3,980	0	0	4,509	117	1,046	3,463
34	394.0	GENERAL PLANT - GARAGE EQUIPMENT	0	1532	66,583	0	46,361	8,029	0	74,582	1,828	22,030	52,562
35	395.0	GENERAL PLANT - LAB EQUIPMENT	803	43	2,068	0	1,539	0	0	2,068	54	580	1,486
36	396.0	GENERAL PLANT - POWER EQUIPMENT	0	01	3,888	0	3,851	0	0	3,888	101	41,186	3,750
37	397.0	GENERAL PLANT - COMMUNICATIONS EQUIPMENT	0	232	12,618	0	11,416	0	0	12,618	232	1,186	50,167
38	397.1	GENERAL PLANT - MOBILE RADIOS	465	387	15,178	0	14,195	141	0	14,195	387	2,165	15,667
39	397.2	GENERAL PLANT - AUTO CONTROLS	854	759	29,734	0	25,482	0	0	29,734	759	5,022	24,712
40	398.0	GENERAL PLANT - MISC.	0	535	20,674	0	19,824	1,398	0	22,062	553	4,361	17,701
41		TOTALS	\$214,282	\$147,032	\$6,180,423	(\$20,844)	\$4,656,269	\$170,969	(\$14,706)	\$6,356,632	\$151,593	\$1,628,889	\$4,707,803

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2002 ADDITIONS PER COMPANY	2002 (RETIREMENTS) PER COMPANY	2002 YEAR END PLANT VALUE PER RUCCO	2002 DEPRECIATION EXPENSE PER RUCCO	2002 ACCUMULATED DEPRECIATION PER RUCCO	2002 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	1,225	0	0	1,225
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	3,238	0	331,769	0	0	331,769
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	62,425	0	0	62,425
7	314.0	SOURCE OF SUPPLY: WELLS	3,329	0	1,136,507	29,392	412,884	723,623
8	320.0	PUMPING PLANT: LAND*	0	0	4,723	0	0	4,723
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	3,588	0	35,978	885	9,162	26,816
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	54,890	(43,728)	874,636	22,509	(62,228)	936,864
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	162	4	(923)	1,085
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	550	0	0	550
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	19,640	509	3,330	16,310
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	918	0	62,542	1,608	(1,472)	64,014
15	340.1	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	5,835	0	0	5,835
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	660	0	424,836	10,995	162,742	262,094
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	263,826	(13,449)	2,207,547	53,933	743,760	1,463,787
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	4,732	0	34,312	827	11,498	22,814
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	92,132	(3,787)	752,840	18,354	228,402	524,438
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	11,414	(562)	213,297	5,364	64,138	149,159
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	2,551	0	145,957	3,747	48,015	97,942
24	389.1	GENERAL PLANT: LAND - OFFICE*	453	0	877	0	0	877
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	2,471	0	0	2,471
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	(61)	0	(1,707)	1,626
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	355	0	31,894	821	(6,648)	38,543
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	26,185	678	6,332	19,853
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	21,924	568	4,583	17,341
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	29,334	(7,904)	35,995	655	(345)	36,340
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	42,722	1,106	6,720	36,002
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	18,315	474	6,156	12,159
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	4,508	117	1,163	3,345
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	4,771	0	79,363	1,994	24,023	55,340
35	395.0	GENERAL PLANT: LAB EQUIPMENT	519	0	2,585	60	641	1,944
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	3,898	101	249	3,649
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	32,851	(16,910)	108,554	2,605	27,561	80,993
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	14,125	366	2,827	11,298
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	29,734	770	5,792	23,942
40	398.0	GENERAL PLANT: MISC.	783	0	22,845	582	4,943	(4,361)
41		TOTALS	\$510,343	(886,340)	\$6,760,695	\$159,045	\$1,701,594	\$5,036,838
42		BALANCES PER COMPANY			\$ 6,837,666		1,713,976	
43		BALANCES PER RUCCO			\$6,760,695		\$1,701,594	
44		LESS: POST-TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP ADDITIONS**						
45		TOTAL ADJUSTMENTS						
46								
47								
48								
49								

REFERENCES:
 ACC STAFF D.R. NO. REL 1-24
 ACC STAFF D.R. NO. REL 18-1
 RUCCO D.R. NO. 6.2

NOTE:
 * NON-DEPRECIABLE PLANT
 ** BASED ON AN ALLOCATION FACTOR OF 0.0515 PER RUCCO D.R. NO. 4.2

(\$12,382)

(\$103,965)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 RATE BASE ADJ. #4 - RECONCILE TEST YEAR ALLOCATED PHOENIX OFFICE
 & METER SHOP AND ACCUMULATED DEPRECIATION BALANCES

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-5

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>TEST YEAR COMPANY</u>
1	GROSS PHOENIX OFFICE PLANT & METER SHOP	\$ 4,002,988
2	ADD: PHOENIX OFFICE CONSTRUCTION WORK IN PROGRESS (CWIP)	126,565
3	GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 4,129,553
4	TIMES: ALLOCATION FACTOR	0.0540
5	ALLOCATED GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 222,996
6	NET ALLOCATED PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	197,194
7	RUCO ADJUSTMENT TO PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION	\$ 25,802

REFERENCES:

- LINE 1: COMPANY SCHEDULE B-2 PAGES 10 AND 11
- LINE 2: COMPANY SCHEDULE B-2 PAGE 10
- LINE 3: LINE 1 + LINE 2
- LINE 4: COMPANY SCHEDULE B-1 PAGE 1
- LINE 5: LINE 3 x LINE 4
- LINE 6: COMPANY SCHEDULE B-1 PAGE 1 (SUM OF LINES 6 AND 7)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 RATE BASE ADJ. #5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-6

LINE NO.	DESCRIPTION	(A) TEST YEAR COMPANY	(B) TEST YEAR RUCO	
1	GROSS PHOENIX OFFICE PLANT	\$ 3,903,884	\$ 3,903,884	COMPANY SCHEDULE B-2 PAGE 10
2	LESS: ACCUMULATED DEPRECIATION	453,222	453,222	COMPANY SCHEDULE B-2 PAGE 10
3	NET PHOENIX OFFICE PLANT	\$ 3,450,662	\$ 3,450,662	LINE 1 + LINE 2
4	ADD: CWIP	126,565	-	COMPANY SCHEDULE B-2 PAGE 10
5	TOTALS	\$ 3,577,227	\$ 3,450,662	LINE 3 + LINE 4
4	TIMES: ALLOCATION FACTOR	0.0540	0.0540	COMPANY SCHEDULE B-1 PAGE 2
5	ALLOCATED PHOENIX OFFICE PLANT	\$ 193,170	\$ 186,336	COMPANY SCHEDULE B-1 PAGE 2
6	RUCO ADJUSTMENT		\$ (6,835)	LINE 5 COLUMN (B) - LINE 5 COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 1999
 MIAMI SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL

DOCKET NO. W-1445A-00-0962
 SCHEDULE WAR-7
 PAGE 1 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	CASH WORKING CAPITAL PER COMPANY	\$ 30,159	COMPANY SCH. B-5, PG. 1
2	CASH WORKING CAPITAL PER RUCO	(37,212)	SCH. WAR-7, PG. 3
3	DECREASE IN CASH WORKING CAPITAL	<u>(67,371)</u>	LINE 2 - LINE 1
4	MATERIALS & SUPPLIES PER COMPANY	9,277	COMPANY SCH. B-5, PG. 1
5	MATERIALS & SUPPLIES PER RUCO	<u>10,143</u>	DATA REQUEST RUCO 6.4 a)
6	MATERIALS & SUPPLIES ADJUSTMENT	866	LINE 5 - LINE 4
7	PREPAYMENTS PER COMPANY AND SPECIAL DEPOSITS	15,418	COMPANY SCH. B-5, PG. 1
8	PREPAYMENTS PER RUCO	<u>13,074</u>	DATA REQUEST RUCO 6.4 b)
9	PREPAYMENTS ADJUSTMENT	(2,344)	LINE 8 - LINE 7
10	REQUIRED BANK BALANCES PER COMPANY	26,913	COMPANY SCH. B-5, PG. 1
11	REQUIRED BANK BALANCES PER RUCO	<u>22,597</u>	DATA REQUEST RUCO 6.4 c)
12	REQUIRED BANK BALANCE ADJUSTMENT	(4,316)	LINE 11 - LINE 10
13	TOTAL WORKING CAPITAL ADJUSTMENT	<u>(73,165)</u>	LINES 3, 6, 9 & 12

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 LEAD/LAG CALCULATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 2 OF 4

LINE NO.	DESCRIPTION	EXPENSES PER COMPANY	RUCO ADJUSTMENTS	ADJUSTED EXPENSES	(LEAD)/LAG DAYS	\$ DAYS
1	PURCHASED POWER	\$ 155,214	\$ (8,426)	\$ 146,788	44.35	\$ 6,510,048
2	PAYROLL	394,635	10,553	405,188	14.00	5,672,638
3	PURCHASED WATER	-	-	-	N/A	N/A
4	CHEMICALS	77,706	(64,504)	13,202	169.13	2,232,854
5	PROPERTY & LIABILITY INSURANCE	6,439	(78)	6,361	(45.27)	(287,942)
6	WORKER'S COMPENSATION	5,645	823	6,468	(46.50)	(300,745)
7	HEALTH INSURANCE	81,989	(6,840)	75,149	(8.92)	(670,325)
8	OTHER O&M EXPENSES	261,716	(84,943)	176,773	(9.27)	(1,638,681)
9	DEPRECIATION & AMORTIZATION	204,884	(67,944)	136,940	N/A	N/A
10	FEDERAL & STATE INCOME TAXES	206,404	(68,632)	137,772	61.95	8,535,571
11	DEFERRED INCOME TAXES	13,171	N/A	N/A	N/A	N/A
12	FICA TAXES	31,452	(107)	31,345	14.00	438,830
13	FUTA & SUTA TAXES	690	47	737	83.10	61,245
14	PROPERTY TAXES	122,648	(20,784)	101,864	212.00	21,595,062
15	REG., CONTRACT, & MISCELLANEOUS FEES	32,761	1,974	34,735	(98.83)	(3,432,900)
16	SALES & OCCUPATION TAXES	120,724	7,131	127,855	41.30	5,280,412
17	PENSION EXPENSE	35,951	973	36,924	34.72	1,282,001
18	TOTAL	\$ 1,752,029	\$ (300,759)	\$ 1,438,099 *	31.48	\$ 45,278,068

NOTE

N/A = NON CASH CHARGES EXCLUDED FROM WORKING CAPITAL CALCULATION

* RUCO RECOMMENDED LEVEL OF OPERATING EXPENSE - SCHEDULE WAR-8, COLUMN (E), LINE 16

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF CASH WORKING CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 3 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	AVERAGE EXPENSE LAG	31.48	SCH. WAR-7, PG. 2
2	AVERAGE REVENUE COLLECTION LAG	<u>22.04</u>	CO. SCH. B-5, PG. 2
3	EXCESS EXPENSE OVER REVENUE LAG	(9.44)	LINE 2 - LINE 1
4	TOTAL EXPENSES	\$ 1,438,099	SCH. WAR-7, PG. 2
5	CASH WORKING CAPITAL REQUIREMENT	(37,212)	(LINE 3 X LINE 4)/365 DAYS
6	PER COMPANY	<u>\$ 30,159</u>	CO. SCH. B-5, PG. 2
7	INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (67,371)</u>	LINE 5 - LINE 6

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF INCOME TAX LAG

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 4 OF 4

<u>LINE NO.</u>	<u>(A) PAYMENT DATE</u>	<u>(B) SERVICE PERIOD MIDPOINT</u>	<u>(C) (LEAD)/LAG DAYS</u>	<u>(D) PAYMENT AMOUNT</u>	<u>(E) DOLLAR DAYS</u>
1	04/12/99	07/01/99	(80.00)	\$ 397,000	(31,760,000)
2	06/11/99	07/01/99	(20.00)	50,000	(1,000,000)
3	09/14/99	07/01/99	75.00	486,000	36,450,000
4	12/14/99	07/01/99	166.00	970,000	161,020,000
5	03/14/00	07/01/99	257.00	<u>(240,000)</u>	<u>(61,680,000)</u>
6	TOTALS			\$ 1,663,000	103,030,000
7	INCOME TAX LAG		61.95		

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 OPERATING INCOME - TEST YEAR AND RUCO PROPOSED

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-8

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO RECOMMENDED
<u>REVENUES - WATER:</u>						
1	REVENUE FROM WATER SALES	\$ 1,456,939	\$ 56,639	\$ 1,513,578	\$ 237,179	\$ 1,750,757
2	OTHER REVENUES	0.00	-	0.00		0.00
3	TOTAL OPERATING REVENUES	\$ 1,456,939	\$ 56,639	\$ 1,513,578	\$ 237,179	\$ 1,750,757
<u>OPERATING EXPENSES:</u>						
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	8,832	388	9,220		9,220
4	PURCHASED POWER	151,322	(6,363)	144,959		144,959
5	PURCHASED GAS	-	22	22		22
6	OTHER	97,770	29,558	127,328		127,328
7	WATER TREATMENT	95,544	(52,550)	42,994		42,994
8	TRANSMISSION & DISTRIBUTION	263,028	21,449	284,477		284,477
9	CUSTOMER ACCOUNTS	190,636	268	190,904		190,904
10	SALES	1,311	53	1,364		1,364
11	ADMINISTRATIVE & GENERAL	246,728	(18,554)	228,174		228,174
12	DEPRECIATION & AMORTIZATION	204,884	(67,944)	136,940		136,940
13	PROPERTY TAXES	121,044	(19,180)	101,864		101,864
14	OTHER TAXES	28,957	3,125	32,082		32,082
15	INCOME TAXES	(13,108)	59,102	45,994	91,778	137,772
16	TOTAL OPERATING EXPENSES	\$ 1,396,948	\$ (50,626)	\$ 1,346,322	\$ 91,778	\$ 1,438,099
17	NET INCOME	\$ 59,991	\$ 107,265	\$ 167,256	\$ 145,402	\$ 312,658

REFERENCES:

COLUMN (A): CO. SCH. C-1, PG. 3
 COLUMN (B): SCH. WAR-9
 COLUMN (C): COLUMN (A) + COLUMN (B)
 COLUMN (D): SCH. WAR-1
 COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
MIAMI SYSTEM
SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
SCHEDULE WAR-9

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCO ADJUSTED
REVENUES - WATER:														
1	REVENUE FROM WATER SALES	\$ 1,456,939	\$ 154,976	\$ (127,855)	\$ 14,067	\$ 24,919	\$ (8,571)		\$ (897)					\$ 1,513,578
2	OTHER REVENUES	-	-	-	-	-	-	-	-	-	-	-	-	-
3	TOTAL OPERATING REVENUES	\$ 1,456,939	\$ 154,976	\$ (127,855)	\$ 14,067	\$ 24,919	\$ (8,571)		\$ (897)					\$ 1,513,578
OPERATING EXPENSES:														
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	8,832	388											9,220
4	PURCHASED POWER	151,322	(4,556)			(387)	(1,420)							144,959
5	PURCHASED GAS	-	22											22
6	OTHER	97,770	29,558											127,328
7	WATER TREATMENT	95,544	(52,410)				(140)							42,994
8	TRANSMISSION & DISTRIBUTION	263,028	22,037			(588)								284,477
9	CUSTOMER ACCOUNTS	190,636	268											190,904
10	SALES	1,311	53											1,364
11	ADMINISTRATIVE & GENERAL	246,728	(24,551)	(3,157)			(964)	10,118		(67,944)				228,174
12	DEPRECIATION & AMORTIZATION	204,884												136,940
13	PROPERTY TAXES	121,044									(19,180)			101,864
14	OTHER TAXES	28,957	127,823	(124,698)										32,082
15	INCOME TAXES	(13,108)										59,102		45,994
16	TOTAL OPERATING EXPENSES	\$ 1,396,948	\$ 98,632	\$ (127,855)	\$ -	\$ (975)	\$ (2,524)	\$ 10,118	\$ -	\$ (67,944)	\$ (19,180)	\$ 59,102	\$ -	\$ 1,346,322
17	NET INCOME	\$ 59,991	\$ 56,344	\$ -	\$ 14,067	\$ 25,894	\$ (6,047)	\$ (10,118)	\$ (897)	\$ 67,944	\$ 19,180	\$ (59,102)	\$ -	\$ 167,256

ADJUSTMENT #:

1. RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL
2. REMOVE 2002 REGULATORY ASSESSMENT & SALES TAXES
3. ELIMINATE PPAM AND PWAM REVENUES
4. ELIMINATE UNBILLED REVENUES & EXPENSES
5. ANNUALIZE ADDITIONAL REVENUES & EXPENSES
6. AMORTIZATION OF RATE CASE EXPENSE

REFERENCE:

- RUCO D.R. NO. 1.10
- RUCO D.R. NO. 1.10 & ACC STAFF D.R. NO. REL.19-1
- RUCO D.R. NO. 7.1 & RUCO D.R. NO. 7.2
- RUCO D.R. NO. 7.3
- RUCO D.R. NO. 6.6
- COMPANY SCHEDULE C-2, PAGE 7, TESTIMONY WAR

ADJUSTMENT #:

7. REMOVE MAP SURCHARGE REVENUES
8. DEPRECIATION & AMORTIZATION EXPENSE
9. PROPERTY TAX EXPENSE
10. INCOME TAX EXPENSE
11. NOT USED

REFERENCE:

- TESTIMONY WAR
- SCHEDULE WAR-12
- SCHEDULE WAR-13
- SCHEDULE WAR-14
- N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-10
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) 2002 ACTUAL	(C) DIFFERENCE	(D) RUCO ADJUSTMENT
<u>REVENUES - WATER:</u>					
1	REVENUE FROM WATER SALES	\$ 1,456,939	\$ 1,611,915	\$ 1,456,939	\$ 154,976
2	OTHER REVENUES	0.00	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 1,456,939	\$ 1,611,915	\$ 1,456,939	\$ 154,976
<u>OPERATING EXPENSES:</u>					
4	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -
5	OTHER	8,832	9,220	8,832	388
6	PURCHASED POWER	151,322	146,766	151,322	(4,556)
7	PURCHASED GAS	-	22	-	22
8	OTHER	97,770	127,328	97,770	29,558
9	WATER TREATMENT	95,544	43,134	95,544	(52,410)
10	TRANSMISSION & DISTRIBUTION	263,028	285,065	263,028	22,037
11	CUSTOMER ACCOUNTS	190,636	190,904	190,636	268
12	SALES	1,311	1,364	1,311	53
13	ADMINISTRATIVE & GENERAL	246,728	222,177	246,728	(24,551)
14	DEPRECIATION & AMORTIZATION	204,884	166,150	204,884	- (a)
15	PROPERTY TAXES	121,044	102,755	121,044	- (a)
16	OTHER TAXES	28,957	156,780	28,957	127,823
17	INCOME TAXES	(13,108)	42,585	(13,108)	- (a)
18	TOTAL OPERATING EXPENSES	\$ 1,396,948	\$ 1,494,250	\$ 1,396,948	\$ 98,632
19	NET INCOME	\$ 59,991	\$ 117,665	\$ 59,991	\$ 56,344

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 3 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)
 COLUMN (D): COLUMN (C) LINES 1 THRU 13, LINES 16, 18 & 19

NOTE:

(a) SEPARATE PRO FORMA ADJUSTMENTS NOT INCLUDED IN RECONCILIATION

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-10
 PAGE 2 OF 2

LINE NO.	DESCRIPTION	(A) TEST YEAR ACTUAL	(B) 2002 ACTUAL	(C) DIFFERENCE
<u>REVENUES - WATER:</u>				
1	REVENUE FROM WATER SALES	\$ 1,577,658	\$ 1,611,915	\$ 34,257
2	OTHER REVENUES	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 1,577,658	\$ 1,611,915	\$ 34,257
<u>OPERATING EXPENSES:</u>				
4	PURCHASED WATER	\$ -	\$ -	\$ -
5	OTHER	8,838	9,220	382
6	PURCHASED POWER	150,420	146,766	(3,654)
7	PURCHASED GAS	-	22	22
8	OTHER	97,770	127,328	29,558
9	WATER TREATMENT	24,368	43,134	18,766
10	TRANSMISSION & DISTRIBUTION	236,363	285,065	48,702
11	CUSTOMER ACCOUNTS	189,374	190,904	1,530
12	SALES	1,311	1,364	53
13	ADMINISTRATIVE & GENERAL	211,602	222,177	10,575
14	DEPRECIATION & AMORTIZATION	158,782	166,150	7,368
15	PROPERTY TAXES	111,042	102,755	(8,287)
16	OTHER TAXES	148,797	156,780	7,983
17	INCOME TAXES	70,648	42,585	(28,063)
18	TOTAL OPERATING EXPENSES	1,409,315	1,494,250	84,935
19	NET INCOME	\$ 168,343	\$ 117,665	\$ (50,678)

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 3 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
MIAMI SYSTEM
OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1	YEAR END CUSTOMERS - 2002	3,010	3,010	3,010	3,010	3,010	3,010	3,010	3,010	3,010	3,010	3,010	3,010
2	2002 CUSTOMERS	3,031	3,018	3,013	3,018	3,021	3,028	3,037	3,025	3,031	3,043	3,030	3,010
3	INCREASE IN CUSTOMERS - 2002	(21)	(8)	(3)	(8)	(11)	(18)	(27)	(15)	(21)	(33)	(20)	-
4	AVERAGE REVENUE FOR THE MONTH	\$ 35.27	\$ 35.96	\$ 37.46	\$ 39.45	\$ 46.21	\$ 52.63	\$ 56.04	\$ 56.92	\$ 52.01	\$ 44.13	\$ 37.19	\$ 27.40
5	INCREASE IN REVENUES	\$ (741)	\$ (288)	\$ (112)	\$ (316)	\$ (508)	\$ (947)	\$ (1,513)	\$ (854)	\$ (1,092)	\$ (1,456)	\$ (744)	\$ -
6	TOTAL INCREASE IN REVENUE	\$ (8,571)											
7	INCREASE IN REVENUE PER COMPANY												
8	REVENUE ADJUSTMENT	(8,571)											
9	GALLONS SOLD PER AVERAGE CUSTOMER	6,325	6,817	7,105	7,614	9,523	11,399	12,486	12,738	11,189	8,854	7,002	6,522
10	INCREASE IN CUSTOMERS	(21)	(8)	(3)	(8)	(11)	(18)	(27)	(15)	(21)	(33)	(20)	0
11	INCREASE IN GALLONS	(132,831)	(54,535)	(21,314)	(60,914)	(104,756)	(205,188)	(337,112)	(191,063)	(234,959)	(282,181)	(140,038)	0
12	TOTAL INCREASE IN GALLONS	(1,774,891)											
13	PUMPING COST PER GALLON	0.0008											
14	INCREASE IN PUMPING COST	(1,420)											
15	WATER TREATMENT COSTS PER GALLON	0.000079											
16	INCREASE IN WATER TREATMENT COSTS	(140)											
17	TOTAL INCREASE IN BILLS	(185)											
18	MONTHLY ACCOUNTING COST PER BILL	5.21											
19	INCREASE IN ACCOUNTING COST	(664)											

REFERENCES:
 LINE #1 - RUCO DATA REQUEST #6.6
 LINE #2 - RUCO DATA REQUEST #6.6
 LINE #3 = LINE #1 MINUS LINE #2
 LINE #4 - RUCO DR #1.10 = TOTAL MONTH REV. MINUS OTHER REV. / TOTAL MONTHLY CUSTOMERS FOR POST-TEST-YEAR
 LINE #5 = LINE #3 MULTIPLIED BY LINE #4
 LINE #6 = SUMMATION OF LINE #5
 LINE #7 - NO REFERENCE
 LINE #8 - LINE #6 MINUS LINE #7
 LINE #9 - GALLONS SOLD, AWC's ANNUAL REPORT & MONTHLY CUSTOMERS, RUCO DR #6.6
 LINE #10 = LINE #3
 LINE #11 = LINE #9 MULTIPLIED BY LINE #10
 LINE #12 = SUMMATION OF LINE #11
 LINE #13 - CO. W/P C2-5, PAGE 3
 LINE #14 = LINE #12 X LINE #13
 LINE #15 - CO. W/P C2-5, PAGE 3
 LINE #16 = LINE #12 MULTIPLIED BY LINE #15
 LINE #17 = SUMMATION OF LINE #3
 LINE #18 - CO. W/P C2-5, PAGE 4
 LINE #19 = LINE #17 X LINE #18

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	(A) ACTUAL TEST YEAR BALANCE PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED BALANCE	(D) COMPOSITE DEPRECIATION RATE	(E) RUCO RECOMMENDED DEPRECIATION EXPENSE
1	301.0	INTANGIBLES: ORGANIZATION*	\$ -	\$ -	\$0	0.00%	\$ -
2	302.0	INTANGIBLES: FRANCHISES*	1,225	-	1,225	0.00%	-
3	303.0	INTANGIBLES: MISC.*	-	-	-	0.00%	-
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	328,531	-	328,531	0.00%	-
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	-	-	-	0.00%	-
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	62,425	-	62,425	0.00%	-
7	314.0	SOURCE OF SUPPLY: WELLS	1,133,176	2	1,133,178	2.59%	29,349
8	320.0	PUMPING PLANT: LAND*	4,723	-	4,723	0.00%	-
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	32,391	(1)	32,390	2.59%	839
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	863,472	2	863,474	2.59%	22,364
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	163	(1)	162	2.59%	4
12	330.0	WATER TREATMENT PLANT: LAND*	550	-	550	0.00%	-
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	19,640	-	19,640	2.59%	509
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	61,624	-	61,624	2.59%	1,596
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	5,835	-	5,835	0.00%	-
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	-	-	-	0.00%	-
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	-	-	-	2.59%	-
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	424,176	-	424,176	2.59%	10,986
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	1,957,169	1	1,957,170	2.59%	50,691
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	29,580	-	29,580	2.59%	766
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	664,496	(1)	664,495	2.59%	17,210
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	202,443	2	202,445	2.59%	5,243
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	143,406	-	143,406	2.59%	3,714
24	389.1	GENERAL PLANT: LAND - OFFICE*	424	-	424	0.00%	-
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	2,471	-	2,471	0.00%	-
26	389.3	GENERAL PLANT: LAND - MISC.*	(81)	-	(81)	0.00%	-
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	31,539	-	31,539	2.59%	817
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	26,183	2	26,185	2.59%	678
29	390.3	GENERAL PLANT: MISC. BUILDINGS	21,924	-	21,924	2.59%	568
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	14,565	-	14,565	2.59%	377
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	42,719	3	42,722	2.59%	1,106
32	391.2	GENERAL PLANT: OFFICE FURNITURE	18,315	-	18,315	2.59%	474
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	4,509	-	4,509	2.59%	117
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	74,593	(1)	74,592	2.59%	1,932
35	395.0	GENERAL PLANT: LAB EQUIPMENT	2,066	-	2,066	2.59%	54
36	396.0	GENERAL PLANT: POWER EQUIPMENT	3,898	-	3,898	2.59%	101
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	92,613	-	92,613	2.59%	2,399
38	397.1	GENERAL PLANT: MOBILE RADIOS	14,126	(1)	14,125	2.59%	366
39	397.2	GENERAL PLANT: AUTO CONTROLS	29,734	-	29,734	2.59%	770
40	398.0	GENERAL PLANT: MISC.	22,062	-	22,062	2.59%	571
41							
42		TEST YEAR TOTALS	\$ 6,336,685	\$ 7	\$ 6,336,692		\$ 153,602
43							
44		POST TEST YEAR ADDITIONS	500,981	(103,972)	\$397,008	2.59%	10,283
45							
46		GROSS DEPRECIABLE PHOENIX OFFICE AND METER SHOP ALLOCATION	216,161	26,624	242,785 **	2.59%	6,288
47							
48		2002 TOTALS	\$ 7,053,827	\$ (77,342)	\$ 6,976,485		\$ 170,173
49							
50		LESS:					
51		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION @ 2.59% COMPOSITE RATE ***					5,233
52							
53		LESS:					
54							
55							
56		TOTAL PRO FORMA DEPRECIATION & AMORTIZATION EXPENSE					\$ 136,940
57							
58		DEPRECIATION & AMORTIZATION EXPENSE PER COMPANY					204,884
59							
60		DEPRECIATION & AMORTIZATION EXPENSE ADJUSTMENT (LINE 56 - LINE 58)					\$ (67,944)

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE E-5 PAGE 2 OF 4 AND STAFF DATA REQUEST REL 1-24
 COLUMN (B): COLUMN (C) - COLUMN (A)
 COLUMN (C): RUCO SCHEDULE WAR-4 PAGE 7
 COLUMN (D): COMPOSITE DEPRECIATION RATE OF 2.59%
 COLUMN (E): COLUMN (C) x COLUMN (D)

NOTES:
 * NON-DEPRECIABLE PLANT ASSETS
 ** NET OF \$372 IN NON-DEPRECIABLE LEASEHOLD IMPROVEMENTS (\$7,215 x 0.0515 ALLOCATION FACTOR FOR 2002 = \$372)
 *** RUCO ADJUSTED CIAC BALANCE = \$202,054 x 2.59% = \$5,233
 **** \$700,000 ÷ 25 YEARS = \$28,000

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 OPERATING ADJ. #9 - PROPERTY TAX EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-13

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES - 2000	\$ 1,522,007	COMPANY SCH. C-2, W/P C2-19a
2	REVENUES - 2001	1,456,934	COMPANY SCH. C-2, W/P C2-19a
3	REVENUES - 2002	<u>1,484,061</u>	D. R. NO. REL 19-1
4	TOTAL	\$ 4,463,002	SUM LINES 1, 2, & 3
5	3 YEAR AVERAGE	1,487,667	LINE 4/3 YEARS
6	MULTIPLIER FOR REVENUES (2 X LAST 3 YRS. AVERAGE REVENUE)	<u>x 2</u>	ADOR VALUATION FACTOR
7	REVENUES FOR FULL CASH VALUE	<u>2,975,335</u>	LINE 5 X 2 (MULTIPLIER FOR REVENUES
8	ADD: 10% OF CWIP BALANCE	(2)	COMPANY SCH. B-2, PG. 5; LINE 4 X 10%
9	LESS: LICENSED VEHICLES	<u>-</u>	STAFF DATA REQUEST REL 23-1
10	FULL CASH VALUE	2,975,333	LINE 7 + LINE 8 MINUS LINE 9
11	ASSESSMENT RATIO	<u>25%</u>	PER ADOR VALUATION METHOD
12	ASSESSED VALUE	743,833	LINE 10 X LINE 11
13	PROPERTY TAX RATE	<u>13.6944%</u>	PER TAX BILLS
14	PROPERTY TAXES PAYABLE PER RUCO	101,864	LINE 12 X LINE 13
15	PROPERTY TAXES PER COMPANY	<u>121,044</u>	COMPANY SCH. C-1, PG. 3
16	ADJUSTMENT	<u>(19,180)</u>	LINE 14 MINUS LINE 15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 OPERATING ADJ. #10 - INCOME TAXES

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-14

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
	<u>FEDERAL INCOME TAXES:</u>		
1	OPERATING INCOME BEFORE INCOME TAXES	\$ 213,251	SCH. WAR-9
	LESS:		
2	ARIZONA STATE TAX	8,313	LINE 11
3	INTEREST EXPENSE	<u>93,945</u>	NOTE (a)
4	FEDERAL TAXABLE INCOME	110,992	LINE 1 - LINES 2 & 3
5	FEDERAL INCOME TAX RATE	<u>33.95%</u>	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	37,681	LINE 4 X LINE 5
	<u>STATE INCOME TAXES:</u>		
7	OPERATING INCOME BEFORE INCOME TAXES	213,251	LINE 1
	LESS:		
8	INTEREST EXPENSE	<u>93,945</u>	NOTE (A)
9	STATE TAXABLE INCOME	119,305	LINE 7 - LINE 8
10	STATE TAX RATE	<u>6.968%</u>	TAX RATE
11	STATE INCOME TAX EXPENSE	8,313	LINE 9 X LINE 10
12	TOTAL INCOME TAXES	45,994	LINE 6 + LINE 11
13	INCOME TAXES PER COMPANY	<u>(13,108)</u>	COMPANY SCH. C-1, PG. 2
14	ADJUSTMENT	<u>\$ 59,102</u>	LINE 12 - LINE 13

NOTE (a):

INTEREST SYNCHRONIZATION

ADJUSTED RATE BASE	\$ 3,600,871
WEIGHTED COST OF DEBT	<u>2.61%</u>
INTEREST EXPENSE	\$ 93,945

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
MIAMI SYSTEM
OPERATING ADJ. #11 - NOT USED FOR THIS SYSTEM

DOCKET NO. W-1445A-02-0619
SCHEDULE WAR-15

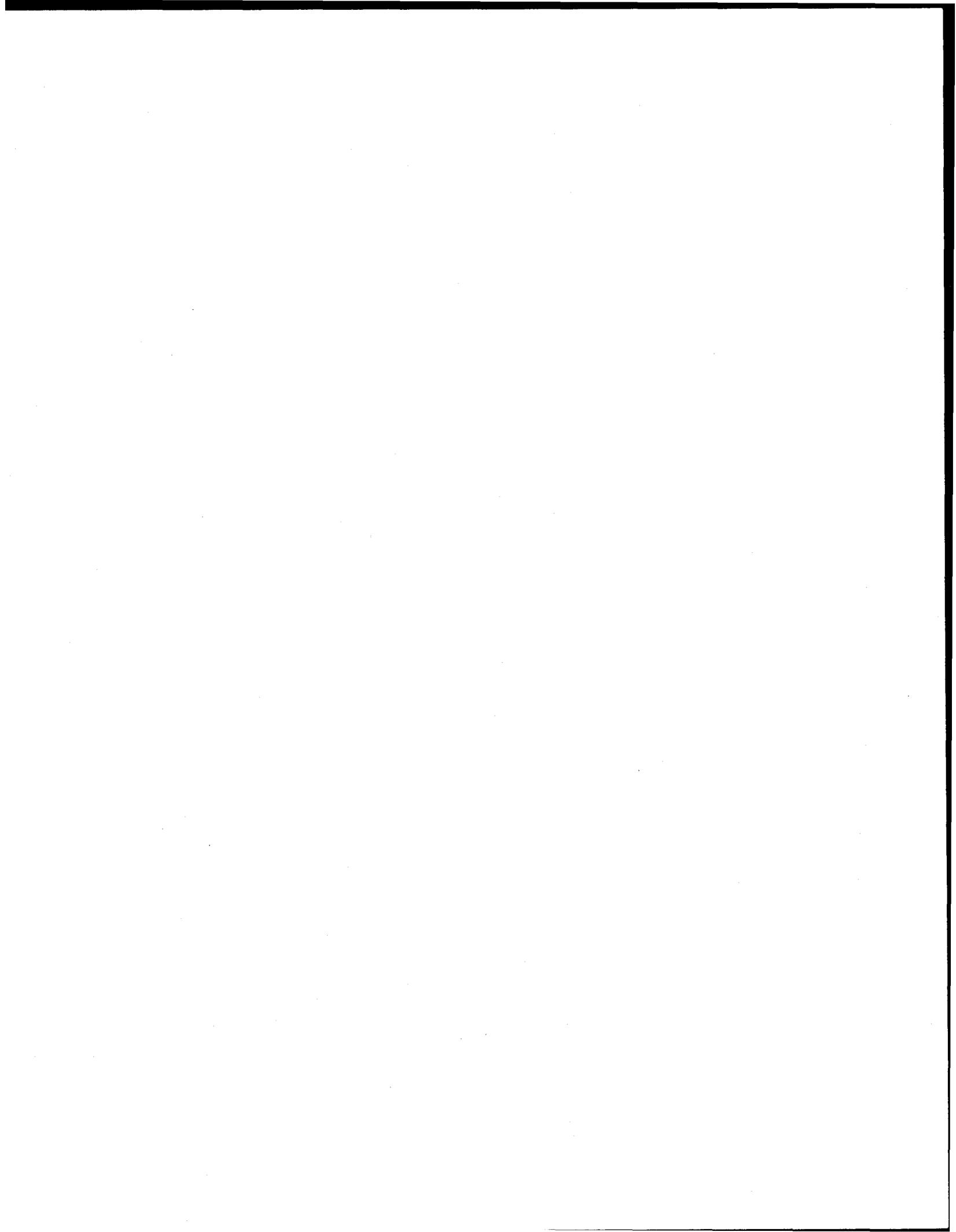
ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 MIAMI SYSTEM
 COST OF CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-16

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) ADJUSTMENT	(C) ADJUSTED BALANCE	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	\$ 2,850,000	\$ 1,650,000	\$ 4,500,000	5.62%	4.00%	0.22%
2	LONG-TERM DEBT:	23,000,677	(400,677)	22,600,000	28.24%	8.44%	2.38%
3	COMMON EQUITY	49,442,738	3,473,716	52,916,454	66.13%	9.18%	6.07%
4	TOTAL	\$ 75,293,415	4,723,039	\$ 80,016,454	100.00%		8.68%

REFERENCES:

- COLUMN (A): COMPANY SCH. D - 1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)



**ARIZONA WATER COMPANY
SUPERIOR SYSTEM
DOCKET NO. W-1445A-02-0619
TABLE OF CONTENTS TO SCHEDULES WAR**

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WAR - 1	REVENUE REQUIREMENTS
WAR - 2	RATE BASE - ORIGINAL COST
WAR - 3	SUMMARY OF RATE BASE ADJUSTMENTS
WAR - 4	RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT, PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION
WAR - 5	RATE BASE ADJ. #4 - RECONCILE TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP AND ACCUMULATED DEPRECIATION BALANCES
WAR - 6	RATE BASE ADJ. #5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION
WAR - 7	RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
WAR - 8	OPERATING INCOME - TEST YEAR AND RUCO PROPOSED
WAR - 9	SUMMARY OF OPERATING ADJUSTMENTS
WAR - 10	OPERATING ADJ. #1 - RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL
WAR - 11	OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002
WAR - 12	OPERATING ADJ. #8 - DEPRECIATION & AMORTIZATION EXPENSE
WAR - 13	OPERATING ADJ. #9 - PROPERTY TAX EXPENSE
WAR - 14	OPERATING ADJ. #10 - INCOME TAXES
WAR - 15	OPERATING ADJ. #11 - NOT USED FOR THIS SYSTEM
WAR - 16	COST OF CAPITAL
WAR - 17	PROPOSED RATES
WAR - 18	MONTHLY MINIMUM CHARGES
WAR - 19	BILLING ANALYSIS
WAR - 20	REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 REVENUE REQUIREMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-1
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY REQUESTED	(B) RUCO RECOMMENDED
1	ADJUSTED RATE BASE	\$ 2,673,576	\$ 2,471,297
2	ADJUSTED OPERATING INCOME	(6,905)	40,357
3	CURRENT RATE OF RETURN (L2 / L1)	-0.26%	1.63%
4	REQUIRED RATE OF RETURN	11.00%	8.68%
5	REQUIRED OPERATING INCOME (L4 * L1)	294,093	214,579
6	OPERATING INCOME DEFICIENCY (L5 - L2)	300,998	174,222
7	GROSS REVENUE CONVERSION FACTOR	1.63241	1.5697
8	GROSS REVENUE INCREASE	\$ 491,353	\$ 273,481
9	CURRENT REVENUES T/Y ADJUSTED	698,968	707,413
10	PROPOSED ANNUAL REVENUE (L8 + L9)	1,190,321	980,894
11	PERCENTAGE AVERAGE INCREASE	70.30%	38.66%

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE A-1
 COLUMN (B): SCHEDULE WAR-1, PG. 2, WAR-2, AND WAR-8

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 GROSS REVENUE CONVERSION FACTOR

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-1
 PAGE 2 OF 2

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	REVENUE	1.0000	
2	UNCOLLECTIBLES	<u>0.002316</u>	COMPANY SCH. C-3
3	SUB-TOTAL	0.9977	LINE 1 - LINE 2
4	LESS: TAX RATE	36.06%	NOTE (a)
5	TOTAL	0.6371	LINE 3 - LINE 4
6	REVENUE CONVERSION FACTOR	1.56973	LINE 1/LINE 5

NOTE (a):
 CALCULATION OF EFFECTIVE TAX RATE

OPERATING INCOME BEFORE TAXES	100.00%
ARIZONA STATE TAX	<u>6.97%</u>
TAXABLE INCOME FEDERAL	93.03%
FEDERAL INCOME TAX RATE	<u>31.36%</u>
SUBTOTAL	29.18%
ADD STATE TAX RATE	36.15%
LINE 3 ABOVE	<u>99.77%</u>
EFFECTIVE TAX RATE	36.06%

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 RATE BASE - ORIGINAL COST

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-2

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 4,327,525	\$ (55,250)	\$ 4,272,275
2	PHOENIX OFFICE & METER SHOP ALLOCATION	91,658	21,240	112,898
3	ACCUMULATED DEPRECIATION	<u>(986,086)</u>	<u>(63,277)</u>	<u>(1,049,363)</u>
4	NET PLANT IN SERVICE	\$ 3,433,097	\$ (97,287)	\$ 3,335,810
5	CONSTRUCTION WORK IN PROGRESS (CWIP)	<u>-</u>	<u>-</u>	<u>-</u>
6	TOTAL NET PLANT	\$ 3,433,097	\$ (97,287)	\$ 3,335,810
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(384,759)	1,718	(383,041)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(82,088)	-	(82,088)
9	ACCUMULATED AMORTIZATION OF CIAC	11,961	2,126	14,087
10	DEFERRED INCOME TAXES	(332,521)	(70,880)	(403,401)
11	WORKING CAPITAL	<u>27,886</u>	<u>(37,956)</u>	<u>(10,070)</u>
12	TOTAL RATE BASE	<u>\$ 2,673,576</u>	<u>\$ (202,279)</u>	<u>\$ 2,471,297</u>

REFERENCES:

COLUMN (A): COMPANY SCHEDULE B-1

COLUMN (B): SCHEDULE WAR-3

COLUMN (C): COLUMN (A) + COLUMN (B)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 SUMMARY OF RATE BASE ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-3

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCCO ADJUSTED
1	PLANT IN SERVICE/POST-TEST YEAR ADDITIONS	\$ 4,327,525	(\$55,250)											\$ 4,272,275
2	PHOENIX OFFICE & METER SHOP ALLOCATION	91,656	(a)	12,423	(b)	11,994	(5,177)							112,898
3	ACCUMULATED DEPRECIATION	(986,066)			(51,253)	(c)	(11,994)							(1,049,353)
4	NET PLANT IN SERVICE	\$ 3,433,097	\$ (55,250)	\$ 12,423	\$ (51,253)	\$ -	\$ (3,177)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,335,810
5	CONSTRUCTION WORK IN PROGRESS (CWIP)													
6	TOTAL NET PLANT	\$ 3,433,097	\$ (55,250)	\$ 12,423	\$ (51,253)	\$ -	\$ (3,177)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,335,810
7	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(384,759)						1,718						(383,041)
8	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(82,088)							2,128					(82,088)
9	ACCUMULATED AMORTIZATION OF CIAC	11,961												14,087
10	DEFERRED INCOME TAXES	(332,521)							(70,880)					(403,401)
11	WORKING CAPITAL	27,896												(10,070)
12	TOTAL RATE BASE	\$ 2,873,576	\$ (55,250)	\$ 12,423	\$ (51,253)	\$ -	\$ (3,177)	\$ 1,718	\$ 2,128	\$ (70,880)	\$ (37,956)	\$ -	\$ -	\$ 2,471,297

ADJUSTMENT #:
 1. PLANT IN SERVICE/POST-TEST YEAR ADDITIONS
 2. PHOENIX OFFICE & METER SHOP ALLOCATION
 3. ACCUMULATED DEPRECIATION
 4. RECONCILE PHX OFFICE & METER SHOP AND ACCUM. DEPR.
 5. REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION
 6. AIAC - 2002 BALANCE

ADJUSTMENT #:
 7. CIAC - 2002 BAL & AMORTIZATION
 8. ACCUMULATED DEFERRED INCOME TAXES
 9. WORKING CAPITAL
 10. NOT USED
 11. NOT USED

REFERENCE:
 SCHEDULE WAR 4, PAGE 7
 SCHEDULE WAR 4, PAGE 7
 SCHEDULE WAR 4, PAGE 7
 SCHEDULE WAR 5
 SCHEDULE WAR 6
 RUCCO R. NO. 6.3

REFERENCE:
 RUCCO R. NO. 6.3, TESTIMONY - WAR
 RUCCO R. NO. 6.3
 SCHEDULE WAR-7, PAGE 3
 N/A
 N/A

NOTES:
 (a) NET OF ACCUMULATED DEPRECIATION
 (b) GROSS PHOENIX OFFICE AND METER SHOP ADDITIONS ALLOCATED DURING 2002
 (c) INCLUDES ACCUMULATED DEPRECIATION ON 2002 PHOENIX OFFICE AND METER SHOP ADDITIONS

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1990 PLANT VALUE PER COMPANY	1990 ACCUM DEPR. PER COMPANY	1990 NET PLANT PER PRIOR ACC PER COMPANY	1991 ADDITIONS PER COMPANY	1991 (RETIREMENTS) PER COMPANY	1991 PLANT VALUE PER RUCO	1991 DEPRECIATION EXPENSE PER RUCO	1991 ACCUMULATED DEPRECIATION PER RUCO	1991 YEAR END NET PLANT PER RUCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	4,209	0	4,209	0	0	4,209	0	0	4,209
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	20,194	0	20,194	0	0	20,194	0	0	20,194
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	13,752	0	13,752	0	0	13,752	0	0	13,752
7	314.0	SOURCE OF SUPPLY: WELLS	74,013	12,214	61,799	0	0	74,013	1,791	14,005	60,008
8	320.0	PUMPING PLANT: LAND*	33,261	5,489	27,772	0	0	33,261	805	6,294	26,967
9	325.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	327,070	53,976	273,094	15,785	0	342,855	8,106	62,082	280,773
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	0	0	0	0	0	0	0
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	848	140	708	0	0	848	21	160	688
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	38,655	6,379	32,276	618	0	39,273	943	7,322	31,951
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	1,975	0	1,975	0	0	1,975	0	0	1,975
15	340.1	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	0	0	0	0	0	0	0
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	142,702	23,550	119,152	15,654	0	157,885	3,637	26,716	131,169
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	1,022,325	168,712	853,613	46,420	(471)	1,066,178	25,271	191,416	874,762
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	970	160	810	0	0	970	23	184	786
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	221,072	36,483	184,589	13,141	(1,785)	232,428	5,487	40,185	192,243
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	87,377	14,420	72,957	182	0	87,559	2,117	16,536	71,023
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	35,764	5,902	29,862	1,984	(1,684)	36,044	869	5,087	30,957
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	0	0	0	0	0	0	0	0	0
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	23,713	3,913	19,800	0	0	23,713	574	4,487	19,226
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	3,916	646	3,270	0	0	3,916	95	741	3,175
29	390.3	GENERAL PLANT: MISC. BUILDINGS	1,730	285	1,445	0	0	1,730	42	327	1,403
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	6,410	1,058	5,352	0	0	6,410	155	1,213	5,197
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	7,585	1,252	6,333	241	0	7,826	186	1,438	6,388
32	391.2	GENERAL PLANT: OFFICE FURNITURE	4,600	759	3,841	953	0	5,553	123	882	4,671
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	0	0	0	0	0	0	0
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	28,304	4,671	23,633	0	0	28,304	685	5,356	22,948
35	395.0	GENERAL PLANT: LAB EQUIPMENT	3,725	615	3,110	0	0	3,725	90	705	3,020
36	396.0	GENERAL PLANT: POWER EQUIPMENT	129	21	108	0	0	129	3	24	105
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	15,825	2,612	13,213	1,465	0	17,290	401	3,012	14,278
38	397.1	GENERAL PLANT: MOBILE RADIOS	7,178	1,185	5,993	0	0	7,178	174	1,358	5,820
39	397.2	GENERAL PLANT: AUTO CONTROLS	1,556	257	1,299	0	0	1,556	38	294	1,262
40	398.0	GENERAL PLANT: MISC.	2,268	374	1,894	0	0	2,268	55	429	1,839
41		TOTALS	\$2,131,126	\$345,072	\$1,786,054	\$96,423	(\$6,507)	\$2,221,042	\$51,690	\$390,255	\$1,830,787

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 *NON-DEPRECIABLE PLANT

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 RATE BASE ADJUSTMENTS #1, #2 & #3 - PLANT IN SERVICE/POST TEST YEAR PLANT.
 PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-4
 PAGE 2 OF 7

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1992 ADDITIONS PER COMPANY	1992 (RETIREMENTS) PER COMPANY	1992 YEAR END PLANT VALUE PER RUCCO	1992 DEPRECIATION EXPENSE PER RUCCO	1992 ACCUMULATED DEPRECIATION PER RUCCO	1992 YEAR END NET PLANT PER RUCCO	1993 ADDITIONS PER COMPANY	1993 (RETIREMENTS) PER COMPANY	1993 YEAR END PLANT VALUE PER RUCCO	1993 DEPRECIATION EXPENSE PER RUCCO	1993 ACCUMULATED DEPRECIATION PER RUCCO	1993 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	4,209	0	0	4,209	0	0	4,209	0	0	4,209
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	0	0	20,194	0	0	20,194	809	0	21,003	0	0	21,003
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	13,752	0	0	13,752	0	0	13,752	0	0	13,752
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	74,013	1,791	15,796	58,217	206	0	74,219	1,920	17,716	56,503
7	314.0	PUMPING PLANT: LAND*	0	0	33,261	805	7,099	26,162	0	0	33,261	861	7,960	25,301
8	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	347,930	8,958	70,440	277,490	20,444	(585)	367,789	9,289	79,124	288,665
9	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	5,075	0	0	0	0	0	0	0	0	0	0	0
10	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
11	329.0	PUMPING PLANT: LAND*	0	0	848	0	0	848	0	0	848	0	0	848
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	53,898	1,127	8,449	45,449	12,113	(5,345)	60,866	1,484	4,588	56,078
13	331.0	WATER TREATMENT PLANT: EQUIPMENT	14,625	0	1,975	0	0	1,975	0	0	1,975	0	0	1,975
14	332.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - TANKS & MAINS*	0	0	0	0	0	0	0	0	0	0	0	0
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
16	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	157,885	0	0	157,885	0	0	157,885	0	0	157,885
17	342.0	TRANSMISSION & DISTRIBUTION: STRUCTURES - FEES*	0	0	1,107,367	3,821	217,027	890,340	20,484	(234)	1,127,817	28,943	34,626	1,232,259
18	343.0	TRANSMISSION & DISTRIBUTION: TANKS	0	0	0	0	0	0	0	0	0	0	0	0
19	344.0	TRANSMISSION & DISTRIBUTION: MAINS	41,878	(689)	0	26,900	0	0	0	0	0	0	0	0
20	345.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	970	23	207	763	0	0	970	25	232	738
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	34,746	(2,855)	284,319	6,011	43,341	220,978	19,628	(1,556)	292,391	7,080	48,865	233,526
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	7,790	(2,457)	92,892	2,183	16,263	76,629	513	(1,314)	92,091	2,396	17,344	74,747
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	1,861	0	37,905	895	5,982	31,923	4,248	(389)	41,754	1,032	6,614	35,140
24	389.2	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0	0	0	0	0	0	0
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	23,713	574	5,061	18,652	0	0	23,713	614	5,675	18,038
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	3,916	95	836	3,080	187	0	4,053	103	939	3,114
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	1,730	42	369	1,361	0	0	1,730	45	414	1,316
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	6,410	155	1,368	5,042	0	0	6,410	166	1,534	4,876
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	2,601	0	10,427	221	1,659	8,768	710	0	11,137	279	1,988	9,199
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	5,553	134	1,016	4,537	470	0	6,023	150	1,166	4,857
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	59	0	59	1	1	58	0	0	59	2	2	57
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	3,908	0	32,212	732	6,068	26,144	1,118	0	33,350	849	6,937	26,393
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	2,725	786	0	1,939	0	0	2,725	96	891	2,894
36	396.0	GENERAL PLANT: POWER EQUIPMENT	5,191	0	86	66	19	8,172	0	0	8,172	136	1,028	7,144
37	397.0	GENERAL PLANT: MOBILE EQUIPMENT	100	0	17,290	415	3,431	13,859	0	0	17,290	438	3,828	13,462
38	397.2	GENERAL PLANT: MOBILE BUILDINGS	0	0	7,278	175	1,533	5,745	356	0	7,534	193	1,726	5,908
39	397.2	GENERAL PLANT: AUTO CONTROLS	16,809	0	18,065	237	533	17,533	15,323	0	33,988	663	1,198	32,190
40	398.0	GENERAL PLANT: MISC.	0	0	2,268	55	484	1,784	0	0	2,268	59	543	1,725
41		TOTALS	\$134,283	(\$6,001)	\$2,349,324	\$54,330	\$438,884	\$1,910,740	\$86,559	(\$9,433)	\$2,436,450	\$60,926	\$490,077	\$1,946,373

REFERENCE:
 ACC STAFF D R. NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1984 ADDITIONS PER COMPANY	1984 (RETIREMENTS) PER COMPANY	1984 YEAR END NET PLANT VALUE PER RUCCO	1984 DEPRECIATION EXPENSE PER RUCCO	1984 ACCUMULATED DEPRECIATION PER RUCCO	1984 YEAR END NET PLANT VALUE PER RUCCO	1985 (RETIREMENTS) PER COMPANY	1985 ADDITIONS PER COMPANY	1985 DEPRECIATION EXPENSE PER RUCCO	1985 ACCUMULATED DEPRECIATION PER RUCCO	1985 YEAR END NET PLANT VALUE PER RUCCO
1	301.0	INTANGIBLES: FRANCHISES*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	4,209	0	0	4,209	0	0	0	0	4,209
3	303.0	INTANGIBLES: MISC.	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	222	0	21,225	0	0	21,225	0	0	0	0	21,225
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	13,752	0	0	13,752	0	0	0	0	13,752
7	320.0	PUMPING PLANT: LAND*	523	0	74,742	1,929	19,845	74,742	0	0	1,936	21,581	53,161
8	320.0	PUMPING PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	33,261	861	8,822	24,439	0	0	1,035	8,741	37,958
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	13,828	(6,615)	375,000	9,619	82,128	292,872	41,153	14,554	10,228	90,990	323,797
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	848	22	225	623	0	0	0	0	601
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	1,524	0	62,130	1,391	6,179	56,011	81,866	0	2,362	(15,290)	135,915
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	1,975	0	0	1,975	0	0	0	0	1,975
16	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0	0	0
18	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	157,865	4,089	38,715	119,170	0	1,547	0	42,824	116,608
19	342.0	TRANSMISSION & DISTRIBUTION: TANKS	0	0	0	0	0	0	0	0	0	0	0
20	343.0	TRANSMISSION & DISTRIBUTION: TANKS	0	0	1,206,474	30,226	274,911	931,563	21,458	14,547	31,510	303,224	921,509
21	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	79,908	(1,051)	0	0	257	713	0	0	0	0	888
22	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	24,395	(1,434)	305,352	7,811	55,042	250,310	42,854	14,554	8,429	61,033	284,534
23	346.0	TRANSMISSION & DISTRIBUTION: METERS	0	0	92,091	2,395	19,729	72,362	4,327	4,327	2,427	21,077	74,281
24	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	(899)	(899)	40,855	1,070	6,785	34,070	3,371	3,371	1,097	7,523	36,344
25	389.1	GENERAL PLANT: LAND - OFFICE*	10,560	(974)	9,996	0	(974)	10,560	0	0	0	(974)	10,560
26	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0
27	389.3	GENERAL PLANT: LAND - MISC.*	0	0	23,715	0	6,289	17,424	0	1,860	467	(6,249)	18,568
28	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	4,053	104	1,044	3,009	0	0	105	1,149	2,904
29	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	1,730	45	469	1,271	0	0	45	504	1,226
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	0	0	6,410	169	1,700	4,710	0	0	166	1,866	4,544
31	391.1	GENERAL PLANT: OFFICE EQUIPMENT	2,341	0	13,478	319	2,257	11,221	21,381	0	626	2,883	31,976
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	6,023	156	1,322	4,701	0	0	156	1,478	4,545
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	59	2	4	55	0	0	0	5	54
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	1,212	(1,254)	33,288	863	6,546	26,742	4,733	4,733	966	2,997	30,609
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	3,725	96	988	2,737	0	0	96	1,084	2,641
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	5,260	136	382	4,878	0	0	136	498	4,762
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	17,290	146	4,325	12,965	0	0	200	1,716	12,614
38	397.1	GENERAL PLANT: MOBILE RADIOS	58	0	33,392	2,683	2,683	31,325	66	66	66	2,124	30,469
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	1,448	865	2,683	31,325	0	0	865	2,828	30,469
40	398.0	GENERAL PLANT: MISC.	0	(820)	1,448	48	(229)	277	438	0	42	(287)	2,073
41		TOTALS	\$1,344,649	(\$12,647)	\$2,558,352	\$63,190	\$540,920	\$2,019,032	\$240,031	\$2,749,476	\$67,400	\$559,414	\$2,190,062

REFERENCE:
 ACC STAFF D.R. NO. REL.1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1996 ADDITIONS PER COMPANY	1996 (RETIREMENTS) PER COMPANY	1996 YEAR END PLANT VALUE PER RUCCO	1996 DEPRECIATION EXPENSE PER RUCCO	1996 ACCUMULATED DEPRECIATION PER RUCCO	1996 YEAR END NET PLANT PER RUCCO	1997 ADDITIONS PER COMPANY	1997 (RETIREMENTS) PER COMPANY	1997 YEAR END PLANT VALUE PER RUCCO	1997 DEPRECIATION EXPENSE PER RUCCO	1997 ACCUMULATED DEPRECIATION PER RUCCO	1997 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES ORGANIZATION*	\$0		\$0			\$0	\$0		\$0		\$0	\$0
2	302.0	INTANGIBLES FRANCHISES*	0		4,209			4,209	0		4,209		0	4,209
3	303.0	INTANGIBLES MISC.	0		0			0	0		0		0	0
4	310.1	SOURCE OF SUPPLY, LAND - WATER RIGHTS*	250		22,400			22,400	85		22,485		0	22,485
5	310.2	SOURCE OF SUPPLY, LAND - RESERVOIRS*	0		0			0	0		0		0	0
6	310.3	SOURCE OF SUPPLY, LAND - WELLS*	0		13,752			13,752	0		13,752		0	13,752
7	314.0	SOURCE OF SUPPLY, WELLS	78,874	(18,591)	135,055	2,717	5,737	135,055	0		135,055	3,498	9,235	125,820
8	320.0	PUMPING PLANT - LAND*	0		0			0	0		0		0	0
9	321.0	PUMPING PLANT - STRUCTURES & IMPROVEMENTS	0		46,699	1,210	9,951	36,748	0		46,699	1,210	11,160	35,539
10	325.0	PUMPING PLANT - ELECTRICAL EQUIPMENT	96,473	(8,373)	501,987	11,871	58,488	408,399	12,638		514,523	13,183	106,650	407,873
11	328.0	PUMPING PLANT - GAS ENGINE EQUIPMENT	0		0			0	0		0		0	0
12	330.0	WATER TREATMENT PLANT - LAND*	0		0			0	0		0		0	0
13	331.0	WATER TREATMENT PLANT - STRUCTURES & IMPROVEMENTS	0		848	22	289	579	0		848	22	291	557
14	332.0	WATER TREATMENT PLANT - EQUIPMENT	458		120,893	3,120	132,653	120,893	153		120,836	3,128	(8,042)	128,878
15	340.0	TRANSMISSION & DISTRIBUTION - TANKS & MAINS*	0		1,397			1,397	0		1,397		0	1,397
16	341.0	TRANSMISSION & DISTRIBUTION - LAND RIGHTS - FEES*	0		0			0	0		0		0	0
17	341.0	TRANSMISSION & DISTRIBUTION - STRUCTURES	0		0			0	0		0		0	0
18	342.0	TRANSMISSION & DISTRIBUTION - STORAGE TANKS	15,650		175,082	4,332	47,155	127,926	0		175,082	4,535	51,681	123,391
19	343.0	TRANSMISSION & DISTRIBUTION - MAINS	160,400	(24,392)	1,362,741	33,534	314,366	1,048,375	74,860	(2,810)	1,434,991	35,231	347,966	1,087,035
20	344.0	TRANSMISSION & DISTRIBUTION - FIRE SPRINKLERS	0		970	25	308	662	0		970	25	333	637
21	345.0	TRANSMISSION & DISTRIBUTION - SERVICES	13,033	(524)	358,076	9,112	69,621	288,455	28,026	(682)	385,440	9,629	78,537	306,853
22	346.0	TRANSMISSION & DISTRIBUTION - METERS	0	(186)	95,152	2,487	23,358	71,794	1,481	(234)	96,399	2,481	25,604	70,795
23	348.0	TRANSMISSION & DISTRIBUTION - HYDRANTS	3,768	(2,345)	45,390	1,155	6,333	39,957	1,557	(411)	46,436	1,188	7,110	39,326
24	389.1	GENERAL PLANT - LAND - OFFICE*	0		9,986		(574)	10,560	0		9,986		(574)	10,560
25	389.2	GENERAL PLANT - LAND - WAREHOUSE*	0		0			0	0		0		0	0
26	389.3	GENERAL PLANT - LAND - MISC. DINGS	0		0			0	0		0		0	0
27	389.4	GENERAL PLANT - LAND - MISCELLANEOUS	0		12,318	319	(5,929)	18,240	0		12,318	319	(5,929)	17,998
28	390.1	GENERAL PLANT - WAREHOUSE BUILDINGS	412		4,465	110	1,259	3,206	0		4,465	118	1,375	3,080
29	390.2	GENERAL PLANT - WAREHOUSE BUILDINGS	0		1,730	45	548	1,182	0		1,730	45	563	1,137
30	391.0	GENERAL PLANT - MISC. BUILDINGS	0		6,410	166	2,032	4,378	0		6,410	166	2,188	4,212
31	391.1	GENERAL PLANT - OFFICE EQUIPMENT	954	(6,354)	30,659	846	(1,625)	32,084	0		30,459	789	(839)	31,295
32	391.2	GENERAL PLANT - OFFICE FURNITURE	211		6,234	159	1,637	4,597	0		6,234	161	1,798	4,436
33	393.0	GENERAL PLANT - WAREHOUSE EQUIPMENT	0		59	2	7	52	0		59	2	8	51
34	394.0	GENERAL PLANT - WAREHOUSE EQUIPMENT	5,169	(87)	36,738	937	3,897	34,841	180		36,918	1,006	4,802	34,016
35	395.0	GENERAL PLANT - LAB EQUIPMENT	0		3,725	96	1,181	2,544	0		3,725	96	1,277	2,448
36	396.0	GENERAL PLANT - POWER EQUIPMENT	0		5,269	136	4,655	4,625	0		5,269	136	4,711	4,489
37	397.0	GENERAL PLANT - COMMUNICATIONS EQUIPMENT	0	(904)	10,350	439	4,855	5,495	0		10,350	424	4,733	1,655
38	398.0	GENERAL PLANT - AUTOMATIC CONTROLS	2,859		10,937	237	2,382	8,555	217		10,937	237	2,633	8,304
39	397.2	GENERAL PLANT - AUTO CONTROLS	0		33,388	865	5,782	28,598	0		33,388	865	4,857	28,731
40	398.0	GENERAL PLANT - MISC.	620		2,406	54	(233)	2,827	0		2,406	82	(171)	2,577
41		TOTALS	\$379,190	(\$51,676)	\$2,056,980	\$73,972	\$571,710	\$2,492,919	\$119,196	(\$3,917)	\$3,182,259	\$79,571	\$647,364	\$2,534,895

REFERENCE:
 ACC STAFF D.R. NO. REL 1.24
 NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	1998 ADDITIONS PER COMPANY	1998 (RETIREMENTS) PER COMPANY	1998 YEAR END NET PLANT PER RUCCO	1998 DEPRECIATION EXPENSE PER RUCCO	1998 ACCUMULATED DEPRECIATION PER RUCCO	1998 YEAR END NET PLANT PER RUCCO	1998 DEPRECIATION EXPENSE PER RUCCO	1998 ACCUMULATED DEPRECIATION PER RUCCO	1998 YEAR END NET PLANT PER RUCCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	4,209	0	0	4,209	0	0	4,209
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	81	0	22,567	0	0	23,315	0	0	23,315
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	13,752	0	0	13,752	0	0	13,752
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	135,055	3,498	12,733	135,055	3,498	16,231	118,824
8	320.0	PUMPING PLANT: LAND*	0	0	46,699	0	0	46,699	0	0	46,699
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	0	0	12,870	1,210	12,870	46,699	1,210	13,579	83,120
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	6,090	0	520,603	13,405	120,055	400,548	13,488	133,553	388,132
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	84	0	0	84	0	0	84
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	0	313	0	0	22	335	513
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	12,542	0	133,378	3,292	(5,759)	139,328	3,457	(2,296)	136,674
15	340.0	TRANSMISSION & DISTRIBUTION: TANKS & MAINS*	0	0	1,975	0	0	1,975	0	0	1,975
16	341.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS*	0	0	0	0	0	0	0	0	0
17	341.1	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	0	0	0	0	0	0	0
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	0	0	0	0	0	0	0	0	0
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	35,479	(719)	1,469,751	4,535	56,226	1,18,856	4,535	60,760	114,322
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	0	0	970	25	359	612	0	383	597
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	26,438	(660)	411,218	10,317	88,244	322,974	10,937	99,132	334,182
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	0	(1,137)	95,262	2,482	26,949	68,313	2,486	29,398	67,496
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	2,921	0	49,357	1,241	8,350	41,007	1,492	9,842	55,997
24	359.1	GENERAL PLANT: LAND - OFFICE*	0	0	9,986	(574)	0	10,560	0	0	10,560
25	359.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0
26	359.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	12,318	319	(5,291)	17,609	319	(4,972)	17,290
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	4,465	1,116	1,491	2,974	1,116	1,606	2,859
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	1,730	45	638	1,092	45	683	1,047
30	391.0	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	6,410	166	2,364	4,046	166	2,530	3,880
31	391.1	GENERAL PLANT: OFFICE EQUIPMENT	3,603	0	34,062	836	(1)	34,063	7,197	0	40,274
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	1,960	161	1,960	4,274	161	2,121	4,113
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	59	10	10	69	10	11	48
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	313	0	39,251	1,012	5,914	39,562	1,019	6,953	32,519
35	395.0	GENERAL PLANT: POWER EQUIPMENT	0	0	1,364	136	1,364	3,725	136	1,470	2,255
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	5,255	196	5,255	13,424	196	13,424	13,424
37	397.1	GENERAL PLANT: MOBILE RADIOS	830	0	16,386	424	5,155	16,386	424	5,579	10,807
38	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	11,644	2,930	2,930	11,644	302	3,231	8,413
39	398.0	GENERAL PLANT: MISC.	0	0	33,388	865	5,522	27,866	865	6,387	27,001
40	398.0	TOTALS	\$88,287	(\$2,516)	\$3,266,030	\$82,173	\$727,021	\$2,538,665	\$85,240	\$809,246	\$2,610,701
41											

REFERENCE:
 ACC STAFF'D R. NO. REL.1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2000 ADDITIONS PER COMPANY	2000 (RETIREMENTS) PER COMPANY	2000 YEAR END PLANT VALUE PER RUO	2000 DEPRECIATION EXPENSE PER RUO	2000 ACCUMULATED DEPRECIATION PER RUO	2000 YEAR END NET PLANT VALUE PER RUO	2001 ADDITIONS PER COMPANY	2001 (RETIREMENTS) PER COMPANY	2001 YEAR END PLANT VALUE PER RUO	2001 DEPRECIATION EXPENSE PER RUO	2001 ACCUMULATED DEPRECIATION PER RUO	2001 YEAR END NET PLANT VALUE PER RUO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	4,209	0	0	4,209	0	0	4,209	0	0	4,209
3	303.0	INTANGIBLES: MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	555	0	23,870	0	0	24,010	140	0	24,010	0	0	24,010
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	0	0	0	0	0	0	0	0	0	0
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	13,752	0	0	13,752	0	0	13,752	0	0	13,752
7	314.0	SOURCE OF SUPPLY: WELLS	1,903	0	136,958	3,523	19,753	117,205	436	0	137,394	3,563	23,306	114,088
8	320.0	PUMPING PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	67,848	(7,897)	46,689	1,210	31,910	47,905	1,206	(1,068)	53,053	1,225	16,014	31,891
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	0	0	591,636	14,288	139,944	441,692	3,285	0	583,863	15,093	153,969	429,894
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	7,186	0	8,034	115	460	7,684	26	0	8,060	208	668	7,402
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	6,852	(11,007)	128,223	3,401	(9,802)	135,125	0	(1,769)	127,454	3,324	(6,347)	135,801
15	340.0	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	1,975	0	0	1,975	0	0	1,975	0	0	1,975
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	0	0	176,947	0	0	176,947	0	0	176,947	0	0	176,947
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	1,865	0	1,865	0	0	1,865	0	0	1,865	0	0	1,865
19	343.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	325,074	(12,848)	1,884,445	44,764	453,263	1,431,176	3,429	(6,209)	1,988,727	4,627	68,946	1,929,781
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	7,348	0	8,318	0	603	7,715	0	0	7,715	0	0	7,715
21	345.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	41,544	(28)	474,840	11,751	110,864	363,976	32,466	(115)	507,181	12,717	123,466	383,715
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	1,335	(381)	97,848	2,522	31,538	66,310	909	(653)	96,104	2,538	33,423	62,681
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	25,741	0	91,580	2,039	11,881	79,699	3,342	(1,075)	93,847	2,401	13,207	80,640
24	389.1	GENERAL PLANT: LAND - OFFICE*	0	0	9,986	0	(574)	10,560	0	0	9,986	0	(574)	10,560
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	0	0	12,318	319	(4,653)	16,971	0	0	12,318	319	(4,334)	16,652
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	4,465	116	1,722	2,743	407	0	4,872	121	1,843	3,029
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	1,730	45	728	1,002	0	0	1,730	45	772	958
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	75	0	6,410	166	2,696	3,714	0	0	6,410	166	2,862	3,548
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	61	0	41,324	1,069	2,044	39,280	554	0	41,878	1,077	3,121	38,757
32	391.2	GENERAL PLANT: OFFICE FURNITURE	61	0	6,285	162	2,284	4,011	1,470	0	7,765	182	2,466	5,299
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	433	0	59	2	13	46	0	0	59	2	14	45
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	0	0	39,885	1,027	7,961	31,924	0	0	39,885	1,033	8,994	30,891
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	3,725	96	1,367	2,158	0	0	3,725	96	1,663	2,062
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	5,260	136	1,179	4,081	0	0	5,260	136	1,863	3,944
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	0	0	16,386	634	8,024	16,362	0	0	16,386	634	8,426	7,960
38	397.1	GENERAL PLANT: MOBILE RADIOS	338	0	964	964	0	964	364	0	1,328	314	642	684
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	33,388	865	7,261	26,127	0	0	33,388	865	8,116	25,272
40	398.0	GENERAL PLANT: MISC.	62	0	2,406	62	16	2,454	0	0	2,406	62	79	2,327
41		TOTALS	\$488,165	(\$32,159)	\$3,875,953	\$33,096	\$870,183	\$3,003,428	\$158,585	(\$10,889)	\$4,023,648	\$100,505	\$960,199	\$3,063,450

REFERENCE:
 ACC STAFF D.R. NO. REL 1-24

NOTE:
 * NON-DEPRECIABLE PLANT

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	2002 ADDITIONS PER COMPANY	2002 (RETIREMENTS) PER COMPANY	2002 YEAR END PLANT VALUE PER RUCO	2002 DEPRECIATION EXPENSE PER RUCO	2002 ACCUMULATED DEPRECIATION PER RUCO	2002 YEAR END NET PLANT PER RUCO
1	301.0	INTANGIBLES: ORGANIZATION*	\$0	\$0	\$0	\$0	\$0	\$0
2	302.0	INTANGIBLES: FRANCHISES*	0	0	0	0	0	0
3	303.0	INTANGIBLES: MISC.*	0	0	4,209	0	0	4,209
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	1,527	0	0	0	0	0
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	0	0	25,537	0	0	25,537
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	0	0	0	0	0	0
7	314.0	SOURCE OF SUPPLY: WELLS	0	0	13,752	0	0	13,752
8	320.0	PUMPING PLANT: LAND*	0	0	137,394	3,559	26,864	110,530
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	5,276	0	0	0	0	0
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	4,197	(2,552)	53,181	1,309	17,323	35,858
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	0	0	585,508	15,143	166,560	418,948
12	330.0	WATER TREATMENT PLANT: LAND*	0	0	0	0	0	0
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	0	0	8,060	209	867	7,193
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	1,286	0	128,740	3,318	(5,029)	133,769
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	0	0	1,975	0	0	1,975
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	0	0	0	0	0	0
17	341.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	145	0	180,521	4,674	74,620	105,901
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	227,174	(22,170)	2,193,801	54,165	529,213	1,664,588
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	0	0	8,318	215	934	7,384
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	28,873	(576)	635,478	13,502	136,393	399,085
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	0	0	98,104	2,541	35,964	62,140
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	1,976	0	95,823	2,456	15,663	80,160
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	171	0	10,157	0	(574)	10,731
24	388.1	GENERAL PLANT: LAND - OFFICE*	0	0	0	0	0	0
25	388.2	GENERAL PLANT: LAND - WAREHOUSE*	0	0	0	0	0	0
26	389.3	GENERAL PLANT: LAND - MISC.*	0	0	0	0	0	0
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	2,526	(69)	14,775	351	(4,052)	18,827
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	0	0	4,872	126	1,969	2,903
29	390.3	GENERAL PLANT: MISC. BUILDINGS	0	0	1,730	45	817	913
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	13,650	(3,637)	16,422	296	(479)	16,902
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	0	0	41,878	1,085	4,206	37,672
32	391.2	GENERAL PLANT: OFFICE FURNITURE	0	0	7,765	201	2,667	5,098
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	0	0	59	2	16	43
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	3,159	0	43,044	1,074	10,068	32,976
35	395.0	GENERAL PLANT: LAB EQUIPMENT	0	0	3,725	96	1,760	1,965
36	396.0	GENERAL PLANT: POWER EQUIPMENT	0	0	5,260	136	1,452	3,808
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	65	0	16,451	425	6,853	9,598
38	397.1	GENERAL PLANT: MOBILE RADIOS	0	0	12,336	320	4,172	8,164
39	397.2	GENERAL PLANT: AUTO CONTROLS	0	0	33,388	865	8,981	24,407
40	398.0	GENERAL PLANT: MISC.	29	0	2,435	63	141	(79)
41		TOTALS	\$290,053	(\$29,004)	\$4,284,698	\$106,174	\$1,037,369	\$3,244,329
42		BALANCES PER COMPANY			\$ 4,327,525		986,086	
43		BALANCES PER RUCO			\$4,284,698		\$1,037,369	
44		LESS: POST-TEST YEAR ALLOCATED PHOENIX OFFICE & METER SHOP ADDITIONS**			\$12,423			
45		TOTAL ADJUSTMENTS			(\$55,250)			\$51,283

REFERENCES:
 ACC STAFF D.R. NO. REL 1-24
 ACC STAFF D.R. NO. REL 18-1
 RUCO D.R. NO. 6.2

NOTE:
 * NON-DEPRECIABLE PLANT
 ** BASED ON AN ALLOCATION FACTOR OF 0.0237 PER RUCO D.R. NO. 4.2

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-5

RATE BASE ADJ. #4 - RECONCILE TEST YEAR ALLOCATED PHOENIX OFFICE
 & METER SHOP AND ACCUMULATED DEPRECIATION BALANCES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>TEST YEAR COMPANY</u>
1	GROSS PHOENIX OFFICE PLANT & METER SHOP	\$ 4,002,988
2	ADD: PHOENIX OFFICE CONSTRUCTION WORK IN PROGRESS (CWIP)	126,565
3	GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 4,129,553
4	TIMES: ALLOCATION FACTOR	0.0251
5	ALLOCATED GROSS PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	\$ 103,652
6	NET ALLOCATED PHOENIX OFFICE PLANT & METER SHOP WITH CWIP	91,658
7	INCREASE/DECREASE TO PHOENIX OFFICE & METER SHOP ALLOCATION AND ACCUMULATED DEPRECIATION	\$ 11,994

REFERENCES:

- LINE 1: COMPANY SCHEDULE B-2 PAGES 10 AND 11
- LINE 2: COMPANY SCHEDULE B-2 PAGE 10
- LINE 3: LINE 1 + LINE 2
- LINE 4: COMPANY SCHEDULE B-1 PAGE 2
- LINE 5: LINE 3 x LINE 4
- LINE 6: COMPANY SCHEDULE B-1 PAGE 2 (SUM OF LINES 6 AND 7)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 RATE BASE ADJ. #5 - REMOVE CWIP FROM PHOENIX OFFICE ALLOCATION

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-6

LINE NO.	DESCRIPTION	(A) TEST YEAR COMPANY	(B) TEST YEAR RUCO	
1	GROSS PHOENIX OFFICE PLANT	\$ 3,903,884	\$ 3,903,884	COMPANY SCHEDULE B-2 PAGE 10
2	LESS: ACCUMULATED DEPRECIATION	<u>453,222</u>	<u>453,222</u>	COMPANY SCHEDULE B-2 PAGE 10
3	NET PHOENIX OFFICE PLANT	\$ 3,450,662	\$ 3,450,662	LINE 1 + LINE 2
4	ADD: CWIP	<u>126,565</u>	-	COMPANY SCHEDULE B-2 PAGE 10
5	TOTALS	\$ 3,577,227	\$ 3,450,662	LINE 3 + LINE 4
4	TIMES: ALLOCATION FACTOR	<u>0.0251</u>	<u>0.0251</u>	COMPANY SCHEDULE B-1 PAGE 2
5	ALLOCATED PHOENIX OFFICE PLANT	\$ 89,788	\$ 86,612	COMPANY SCHEDULE B-1 PAGE 2
6	RUCO ADJUSTMENT		<u>\$ (3,177)</u>	LINE 5 COLUMN (B) - LINE 5 COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 1999
 SUPERIOR SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL

DOCKET NO. W-1445A-00-0962
 SCHEDULE WAR-7
 PAGE 1 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	CASH WORKING CAPITAL PER COMPANY	\$ 7,767	COMPANY SCH. B-5, PG. 1
2	CASH WORKING CAPITAL PER RUCO	<u>(26,551)</u>	SCH. WAR-7, PG. 3
3	DECREASE IN CASH WORKING CAPITAL	(34,318)	LINE 2 - LINE 1
4	MATERIALS & SUPPLIES PER COMPANY	443	COMPANY SCH. B-5, PG. 1
5	MATERIALS & SUPPLIES PER RUCO	<u>67</u>	DATA REQUEST RUCO 6.4 a)
6	MATERIALS & SUPPLIES ADJUSTMENT	(376)	LINE 5 - LINE 4
7	PREPAYMENTS PER COMPANY AND SPECIAL DEPOSITS	7,167	COMPANY SCH. B-5, PG. 1
8	PREPAYMENTS PER RUCO	<u>6,016</u>	DATA REQUEST RUCO 6.4 b)
9	PREPAYMENTS ADJUSTMENT	(1,151)	LINE 8 - LINE 7
10	REQUIRED BANK BALANCES PER COMPANY	12,510	COMPANY SCH. B-5, PG. 1
11	REQUIRED BANK BALANCES PER RUCO	<u>10,399</u>	DATA REQUEST RUCO 6.4 c)
12	REQUIRED BANK BALANCE ADJUSTMENT	(2,111)	LINE 11 - LINE 10
13	TOTAL WORKING CAPITAL ADJUSTMENT	(37,956)	LINES 3, 6, 9 & 12

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SUPERIOR SYSTEM
RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
LEAD/LAG CALCULATION

DOCKET NO. W-1445A-02-0619
SCHEDULE WAR-7
PAGE 2 OF 4

LINE NO.	DESCRIPTION	EXPENSES PER COMPANY	RUCO ADJUSTMENTS	ADJUSTED EXPENSES	(LEAD)/LAG DAYS	\$ DAYS
1	PURCHASED POWER	\$ 79,558	\$ (15,686)	\$ 63,872	31.85	\$ 2,034,323
2	PAYROLL	189,736	250	189,986	14.00	2,659,806
3	PURCHASED WATER	-	-	-	N/A	N/A
4	CHEMICALS	17,199	(10,037)	7,162	27.61	197,743
5	PROPERTY & LIABILITY INSURANCE	2,626	(116)	2,510	(45.27)	(113,631)
6	WORKER'S COMPENSATION	2,266	263	2,529	(46.50)	(117,583)
7	HEALTH INSURANCE	32,884	(3,555)	29,329	(8.92)	(261,610)
8	OTHER O&M EXPENSES	184,740	(98,711)	86,029	(9.27)	(797,493)
9	DEPRECIATION & AMORTIZATION	118,817	(8,768)	110,049	N/A	N/A
10	FEDERAL & STATE INCOME TAXES	130,031	(44,425)	85,606	61.95	5,303,690
11	DEFERRED INCOME TAXES	2,400	N/A	N/A	N/A	N/A
12	FICA TAXES	12,623	(165)	12,458	14.00	174,412
13	FUTA & SUTA TAXES	276	18	294	83.10	24,431
14	PROPERTY TAXES	64,817	8,270	73,087	212.00	15,494,365
15	REG., CONTRACT, & MISCELLANEOUS FEES	15,142	499	15,641	(98.83)	(1,545,791)
16	SALES & OCCUPATION TAXES	74,997	(1,910)	73,087	41.30	3,018,478
17	PENSION EXPENSE	14,429	248	14,677	34.72	509,585
18	TOTAL	\$ 942,541	\$ (173,826)	\$ 766,315 *	34.69	\$ 26,580,725

NOTE

N/A = NON CASH CHARGES EXCLUDED FROM WORKING CAPITAL CALCULATION

* RUCO RECOMMENDED LEVEL OF OPERATING EXPENSE - SCHEDULE WAR-8, COLUMN (E), LINE 16

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF CASH WORKING CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 3 OF 4

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
1	AVERAGE EXPENSE LAG	34.69	SCH. WAR-7, PG. 2
2	AVERAGE REVENUE COLLECTION LAG	<u>22.04</u>	CO. SCH. B-5, PG. 2
3	EXCESS EXPENSE OVER REVENUE LAG	(12.65)	LINE 2 - LINE 1
4	TOTAL EXPENSES	\$ 766,315	SCH. WAR-7, PG. 2
5	CASH WORKING CAPITAL REQUIREMENT	(26,551)	(LINE 3 X LINE 4)/365 DAYS
6	PER COMPANY	<u>\$ 7,767</u>	CO. SCH. B-5, PG. 2
7	INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (34,318)</u>	LINE 5 - LINE 6

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 RATE BASE ADJUSTMENT #9 - WORKING CAPITAL
 CALCULATION OF INCOME TAX LAG

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-7
 PAGE 4 OF 4

<u>LINE NO.</u>	<u>(A) PAYMENT DATE</u>	<u>(B) SERVICE PERIOD MIDPOINT</u>	<u>(C) (LEAD)/LAG DAYS</u>	<u>(D) PAYMENT AMOUNT</u>	<u>(E) DOLLAR DAYS</u>
1	04/12/99	07/01/99	(80.00)	\$ 397,000	(31,760,000)
2	06/11/99	07/01/99	(20.00)	50,000	(1,000,000)
3	09/14/99	07/01/99	75.00	486,000	36,450,000
4	12/14/99	07/01/99	166.00	970,000	161,020,000
5	03/14/00	07/01/99	257.00	<u>(240,000)</u>	<u>(61,680,000)</u>
6	TOTALS			\$ 1,663,000	103,030,000
7	INCOME TAX LAG		61.95		

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SUPERIOR SYSTEM
OPERATING INCOME - TEST YEAR AND RUCO PROPOSED

DOCKET NO. W-1445A-02-0619
SCHEDULE WAR-8

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO RECOMMENDED
<u>REVENUES - WATER:</u>						
1	REVENUE FROM WATER SALES	\$ 698,968	\$ 8,445	\$ 707,413	\$ 273,481	\$ 980,894
2	OTHER REVENUES	-	35	35		35
3	TOTAL OPERATING REVENUES	\$ 698,968	\$ 8,480	\$ 707,448	\$ 273,481	\$ 980,929
<u>OPERATING EXPENSES:</u>						
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	4,729	23	4,752		4,752
4	PURCHASED POWER	76,290	(13,099)	63,191		63,191
5	PURCHASED GAS	-	22	22		22
6	OTHER	54,189	24,376	78,565		78,565
7	WATER TREATMENT	30,792	(7,127)	23,665		23,665
8	TRANSMISSION & DISTRIBUTION	159,574	(51,756)	107,818		107,818
9	CUSTOMER ACCOUNTS	114,326	(5,494)	108,832		108,832
10	SALES	872	(615)	257		257
11	ADMINISTRATIVE & GENERAL	98,965	(1,246)	97,719		97,719
12	DEPRECIATION & AMORTIZATION	118,817	(8,768)	110,049		110,049
13	PROPERTY TAXES	64,071	9,016	73,087		73,087
14	OTHER TAXES	11,348	1,404	12,752		12,752
15	INCOME TAXES	(28,101)	14,449	(13,652)	99,259	85,606
16	TOTAL OPERATING EXPENSES	\$ 705,873	\$ (38,817)	\$ 667,056	\$ 99,259	\$ 766,315
17	NET INCOME	\$ (6,905)	\$ 47,262	\$ 40,357	\$ 174,222	\$ 214,579

REFERENCES:

COLUMN (A): CO. SCH. C-1, PG. 5
COLUMN (B): SCH. WAR-9
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): SCH. WAR-1
COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-9

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ.#1	(C) ADJ.#2	(D) ADJ.#3	(E) ADJ.#4	(F) ADJ.#5	(G) ADJ.#6	(H) ADJ.#7	(I) ADJ.#8	(J) ADJ.#9	(K) ADJ.#10	(L) ADJ.#11	(M) RUCO ADJUSTED
REVENUES--WATER:														
1	REVENUE FROM WATER SALES	\$ 698,968	\$ 110,851	\$ (76,119)	\$ 2,193	\$ (27,262)	\$ (838)		\$ (380)					\$ 707,413
2	OTHER REVENUES	-			35									35
3	TOTAL OPERATING REVENUES	\$ 698,968	\$ 110,851	\$ (76,119)	\$ 2,228	\$ (27,262)	\$ (838)		\$ (380)					\$ 707,448
OPERATING EXPENSES:														
2	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	OTHER	4,729	23											4,752
4	PURCHASED POWER	76,290	(12,440)			(506)	(153)							63,191
5	PURCHASED GAS	-	22											22
6	OTHER	54,189	24,376											78,565
7	WATER TREATMENT	30,792	(7,104)				(23)							23,665
8	TRANSMISSION & DISTRIBUTION	159,574	(50,843)		(913)									107,818
9	CUSTOMER ACCOUNTS	114,326	(5,494)											108,832
10	SALES	872	(615)											257
11	ADMINISTRATIVE & GENERAL	98,965	(4,347)	(1,484)			(118)	4,703						97,719
12	DEPRECIATION & AMORTIZATION	118,817							(8,768)					110,049
13	PROPERTY TAXES	64,071									9,016			73,087
14	OTHER TAXES	11,348	76,039	(74,635)										12,752
15	INCOME TAXES	(28,101)										14,449		(13,652)
16	TOTAL OPERATING EXPENSES	\$ 705,873	\$ 19,616	\$ (76,119)	\$ -	\$ (1,419)	\$ (294)	\$ 4,703	\$ (8,768)	\$ -	\$ 9,016	\$ 14,449	\$ -	\$ 667,056
17	NET INCOME	\$ (6,905)	\$ 91,235	\$ -	\$ 2,228	\$ (25,843)	\$ (544)	\$ (4,703)	\$ (380)	\$ 8,768	\$ (9,016)	\$ (14,449)	\$ -	\$ 40,392

ADJUSTMENT #:
 1. RECONCILE COMPANY PROPOSED OPERATING INCOME TO 2002 ACTUAL
 2. REMOVE 2002 REGULATORY ASSESSMENT & SALES TAXES
 3. ELIMINATE PPAM AND PWAM REVENUES
 4. ELIMINATE UNBILLED REVENUES & EXPENSES
 5. ANNUALIZE ADDITIONAL REVENUES & EXPENSES
 6. AMORTIZATION OF RATE CASE EXPENSE

REFERENCE:
 RUCO D.R. NO. 1.10
 RUCO D.R. NO. 1.10 & ACC STAFF D.R. NO. REL 19-1
 RUCO D.R. NO. 7.1 & RUCO D.R. NO. 7.2
 RUCO D.R. NO. 7.3
 RUCO D.R. NO. 6.6
 COMPANY SCHEDULE C-2, PAGE 7, TESTIMONY WAR

ADJUSTMENT #:
 7. REMOVE MAP SURCHARGE REVENUES
 8. DEPRECIATION & AMORTIZATION EXPENSE
 9. PROPERTY TAX EXPENSE
 10. INCOME TAX EXPENSE
 11. NOT USED

REFERENCE:
 TESTIMONY WAR
 SCHEDULE WAR-12
 SCHEDULE WAR-13
 SCHEDULE WAR-14
 N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-10
 PAGE 1 OF 2

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) 2002 ACTUAL	(C) DIFFERENCE	(D) RUCO ADJUSTMENT
<u>REVENUES - WATER:</u>					
1	REVENUE FROM WATER SALES	\$ 698,968	\$ 809,819	\$ 698,968	\$ 110,851
2	OTHER REVENUES	0.00	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 698,968	\$ 809,819	\$ 698,968	\$ 110,851
<u>OPERATING EXPENSES:</u>					
4	PURCHASED WATER	\$ -	\$ -	\$ -	\$ -
5	OTHER	4,729	4,752	4,729	23
6	PURCHASED POWER	76,290	63,850	76,290	(12,440)
7	PURCHASED GAS	-	22	-	22
8	OTHER	54,189	78,565	54,189	24,376
9	WATER TREATMENT	30,792	23,688	30,792	(7,104)
10	TRANSMISSION & DISTRIBUTION	159,574	108,731	159,574	(50,843)
11	CUSTOMER ACCOUNTS	114,326	108,832	114,326	(5,494)
12	SALES	872	257	872	(615)
13	ADMINISTRATIVE & GENERAL	98,965	94,618	98,965	(4,347)
14	DEPRECIATION & AMORTIZATION	118,817	108,088	118,817	- (a)
15	PROPERTY TAXES	64,071	73,380	64,071	- (a)
16	OTHER TAXES	11,348	87,387	11,348	76,039
17	INCOME TAXES	(28,101)	15,030	(28,101)	- (a)
18	TOTAL OPERATING EXPENSES	\$ 705,873	\$ 767,200	\$ 705,873	\$ 19,616
19	NET INCOME	\$ (6,905)	\$ 42,619	\$ (6,905)	\$ 91,235

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 5 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)
 COLUMN (D): COLUMN (C) LINES 1 THRU 13, LINES 16, 18 & 19

NOTE:

(a) SEPARATE PRO FORMA ADJUSTMENTS NOT INCLUDED IN RECONCILIATION

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 OPERATING ADJ. #1 - RECONCILE COMPANY
 PROPOSED OPERATING INCOME TO 2002 ACTUAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-10
 PAGE 2 OF 2

LINE NO.	DESCRIPTION	(A) TEST YEAR ACTUAL	(B) 2002 ACTUAL	(C) DIFFERENCE
<u>REVENUES - WATER:</u>				
1	REVENUE FROM WATER SALES	\$ 773,405	\$ 809,819	\$ 36,414
2	OTHER REVENUES	0.00	0.00	0.00
3	TOTAL OPERATING REVENUES	\$ 773,405	\$ 809,819	\$ 36,414
<u>OPERATING EXPENSES:</u>				
4	PURCHASED WATER	\$ -	\$ -	\$ -
5	OTHER	4,755	4,752	(3)
6	PURCHASED POWER	76,492	63,850	(12,642)
7	PURCHASED GAS	-	22	22
8	OTHER	54,189	78,565	24,376
9	WATER TREATMENT	19,636	23,688	4,052
10	TRANSMISSION & DISTRIBUTION	122,942	108,731	(14,211)
11	CUSTOMER ACCOUNTS	114,349	108,832	(5,517)
12	SALES	872	257	(615)
13	ADMINISTRATIVE & GENERAL	83,004	94,618	11,614
14	DEPRECIATION & AMORTIZATION	102,778	108,088	5,310
15	PROPERTY TAXES	65,046	73,380	8,334
16	OTHER TAXES	86,003	87,387	1,384
17	INCOME TAXES	12,662	15,030	2,368
18	TOTAL OPERATING EXPENSES	742,728	767,200	24,472
19	NET INCOME	\$ 30,677	\$ 42,619	\$ 11,942

REFERENCES:

COLUMN (A): COMPANY SCHEDULE C-1 PAGE 5 OF 5
 COLUMN (B): DATA REQUEST RUCO 1.10
 COLUMN (C): COLUMN (B) - COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 OPERATING ADJ. #5 - REVENUE ANNUALIZATION FOR 2002

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-11

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1	YEAR END CUSTOMERS - 2002	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282
2	2002 CUSTOMERS	1,278	1,284	1,284	1,284	1,281	1,287	1,286	1,278	1,280	1,288	1,288	1,282
3	INCREASE IN CUSTOMERS - 2002	4	(2)	(2)	(2)	1	(5)	(4)	4	2	(6)	(6)	0
4	AVERAGE REVENUE FOR THE MONTH	\$ 44.40	\$ 40.97	\$ 43.75	\$ 47.60	\$ 51.04	\$ 57.60	\$ 63.28	\$ 51.46	\$ 53.32	\$ 48.79	\$ 46.71	\$ 65.72
5	INCREASE IN REVENUES	\$ 178	\$ (82)	\$ (88)	\$ (95)	\$ 51	\$ (288)	\$ (253)	\$ 206	\$ 107	\$ (293)	\$ (280)	0
6	TOTAL INCREASE IN REVENUE	(838)											
7	INCREASE IN REVENUE PER COMPANY												
8	REVENUE ADJUSTMENT	(838)											
9	GALLONS SOLD PER AVERAGE CUSTOMER	5,968	5,213	5,848	6,729	7,599	9,130	10,319	7,646	7,956	7,035	7,081	6,269
10	INCREASE IN CUSTOMERS	4	(2)	(2)	(2)	1	(5)	(4)	4	2	(6)	(6)	0
11	INCREASE IN GALLONS	23,873	(10,425)	(11,697)	(13,458)	7,599	(45,650)	(41,276)	30,584	15,911	(42,207)	(42,489)	0
12	TOTAL INCREASE IN GALLONS	(129,234)											
13	PUMPING COST PER GALLON	0.001183											
14	INCREASE IN PUMPING COST	(153)											
15	WATER TREATMENT COSTS PER GALLON	0.000178											
16	INCREASE IN WATER TREATMENT COSTS	(23)											
17	TOTAL INCREASE IN BILLS	(16)											
18	MONTHLY ACCOUNTING COST PER BILL	7.96											
19	INCREASE IN ACCOUNTING COST	(118)											

REFERENCES:

- LINE #1 - RUCO DATA REQUEST #6.6
- LINE #2 - RUCO DATA REQUEST #6.6
- LINE #3 = LINE #1 MINUS LINE #2
- LINE #4 - RUCO DR #1.10 = TOTAL MONTH REV. MINUS OTHER REV. / TOTAL MONTHLY CUSTOMERS FOR POST-TEST-YEAR
- LINE #5 = LINE #3 MULTIPLIED BY LINE #4
- LINE #6 = SUMMATION OF LINE #5
- LINE #7 - NO REFERENCE
- LINE #8 - LINE #6 MINUS LINE #7
- LINE #9 - GALLONS SOLD, AWC's ANNUAL REPORT & MONTHLY CUSTOMERS, RUCO DR #6.6
- LINE #10 = LINE #3
- LINE #11 = LINE #9 MULTIPLIED BY LINE #10
- LINE #12 = SUMMATION OF LINE #11
- LINE #13 - CO. W/P C2-5, PAGE 3
- LINE #14 = LINE #12 X LINE #13
- LINE #15 - CO. W/P C2-5, PAGE 3
- LINE #16 = LINE #12 MULTIPLIED BY LINE #15
- LINE #17 = SUMMATION OF LINE #3
- LINE #18 - CO. W/P C2-5, PAGE 4
- LINE #19 = LINE #17 X LINE #18

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 OPERATING ADJ. #8 - DEPRECIATION & AMORTIZATION EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-12

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	(A) ACTUAL TEST YEAR BALANCE PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED BALANCE	(D) COMPOSITE DEPRECIATION RATE	(E) RUCO RECOMMENDED DEPRECIATION EXPENSE
1	301.0	INTANGIBLES: ORGANIZATION*	\$ -	\$ -	\$0	0.00%	\$ -
2	302.0	INTANGIBLES: FRANCHISES*	4,209	-	4,209	0.00%	-
3	303.0	INTANGIBLES: MISC.*	-	-	-	0.00%	-
4	310.1	SOURCE OF SUPPLY: LAND - WATER RIGHTS*	24,009	1	24,010	0.00%	-
5	310.2	SOURCE OF SUPPLY: LAND - RESERVOIRS*	-	-	-	0.00%	-
6	310.3	SOURCE OF SUPPLY: LAND - WELLS*	13,752	-	13,752	0.00%	-
7	314.0	SOURCE OF SUPPLY: WELLS	137,392	2	137,394	2.59%	3,559
8	320.0	PUMPING PLANT: LAND*	-	-	-	0.00%	-
9	321.0	PUMPING PLANT: STRUCTURES & IMPROVEMENTS	47,905	-	47,905	2.59%	1,241
10	325.0	PUMPING PLANT: ELECTRICAL EQUIPMENT	583,864	(1)	583,863	2.59%	15,122
11	328.0	PUMPING PLANT: GAS ENGINE EQUIPMENT	-	-	-	2.59%	-
12	330.0	WATER TREATMENT PLANT: LAND*	-	-	-	0.00%	-
13	331.0	WATER TREATMENT PLANT: STRUCTURES & IMPROVEMENTS	8,061	(1)	8,060	2.59%	209
14	332.0	WATER TREATMENT PLANT: EQUIPMENT	127,455	(1)	127,454	2.59%	3,301
15	340.0	TRANSMISSION & DISTRIBUTION: LAND - TANKS & MAINS*	1,975	-	1,975	0.00%	-
16	340.1	TRANSMISSION & DISTRIBUTION: LAND RIGHTS - FEES*	-	-	-	0.00%	-
17	341.0	TRANSMISSION & DISTRIBUTION: STRUCTURES	-	-	-	2.59%	-
18	342.0	TRANSMISSION & DISTRIBUTION: STORAGE TANKS	180,377	(1)	180,376	2.59%	4,672
19	343.0	TRANSMISSION & DISTRIBUTION: MAINS	1,988,797	-	1,988,797	2.59%	51,510
20	344.0	TRANSMISSION & DISTRIBUTION: FIRE SPRINKLERS	8,318	-	8,318	2.59%	215
21	345.0	TRANSMISSION & DISTRIBUTION: SERVICES	507,180	1	507,181	2.59%	13,136
22	346.0	TRANSMISSION & DISTRIBUTION: METERS	97,206	898	98,104	2.59%	2,541
23	348.0	TRANSMISSION & DISTRIBUTION: HYDRANTS	104,732	(10,885)	93,847	2.59%	2,431
24	389.1	GENERAL PLANT: LAND - OFFICE*	-	9,986	9,986	0.00%	-
25	389.2	GENERAL PLANT: LAND - WAREHOUSE*	-	-	-	0.00%	-
26	389.3	GENERAL PLANT: LAND - MISC.*	-	-	-	0.00%	-
27	390.1	GENERAL PLANT: OFFICE BUILDINGS	12,318	-	12,318	2.59%	319
28	390.2	GENERAL PLANT: WAREHOUSE BUILDINGS	4,872	-	4,872	2.59%	126
29	390.3	GENERAL PLANT: MISC. BUILDINGS	1,730	-	1,730	2.59%	45
30	391.0	GENERAL PLANT: OFFICE EQUIPMENT	6,410	-	6,410	2.59%	166
31	391.1	GENERAL PLANT: ELECTRICAL EQUIPMENT	41,876	2	41,878	2.59%	1,085
32	391.2	GENERAL PLANT: OFFICE FURNITURE	7,765	-	7,765	2.59%	201
33	393.0	GENERAL PLANT: WAREHOUSE EQUIPMENT	59	-	59	2.59%	2
34	394.0	GENERAL PLANT: GARAGE EQUIPMENT	39,885	-	39,885	2.59%	1,033
35	395.0	GENERAL PLANT: LAB EQUIPMENT	3,725	-	3,725	2.59%	96
36	396.0	GENERAL PLANT: POWER EQUIPMENT	5,261	(1)	5,260	2.59%	136
37	397.0	GENERAL PLANT: COMMUNICATIONS EQUIPMENT	14,921	1,465	16,386	2.59%	424
38	397.1	GENERAL PLANT: MOBILE RADIOS	12,336	-	12,336	2.59%	320
39	397.2	GENERAL PLANT: AUTO CONTROLS	34,852	(1,464)	33,388	2.59%	865
40	398.0	GENERAL PLANT: MISC.	2,406	-	2,406	2.59%	62
41							
42		TEST YEAR TOTALS	\$ 4,023,648	\$ 1	\$ 4,023,649		\$ 102,816
43							
44		POST TEST YEAR ADDITIONS	303,877	(55,251)	\$248,626	2.59%	6,439
45							
46		GROSS DEPRECIABLE PHOENIX OFFICE AND METER SHOP ALLOCATION	100,475	12,252	112,727 **	2.59%	2,920
47							
48		2002 TOTALS	\$ 4,428,000	\$ (42,998)	\$ 4,385,002		\$ 112,175
49							
50		LESS:					
51		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION @ 2.59% COMPOSITE RATE ***					2,126
52							
53		TOTAL PRO FORMA DEPRECIATION & AMORTIZATION EXPENSE					\$ 110,049
54							
55		DEPRECIATION & AMORTIZATION EXPENSE PER COMPANY					118,817
56							
57		DEPRECIATION & AMORTIZATION EXPENSE ADJUSTMENT (LINE 53 - LINE 55)					\$ (8,768)

REFERENCES:
 COLUMN (A): COMPANY SCHEDULE E-5 PAGE 3 OF 4 AND STAFF DATA REQUEST REL 1-24
 COLUMN (B): COLUMN (C) - COLUMN (A)
 COLUMN (C): RUCO SCHEDULE WAR-4 PAGE 7
 COLUMN (D): COMPOSITE DEPRECIATION RATE OF 2.59%
 COLUMN (E): COLUMN (C) x COLUMN (D)

NOTES:

- * NON-DEPRECIABLE PLANT ASSETS
- ** NET OF \$171 IN NON-DEPRECIABLE LEASEHOLD IMPROVEMENTS (\$7,215 x 0.2498 ALLOCATION FACTOR FOR 2002 = \$171)
- *** RUCO ADJUSTED CIAC BALANCE x COMPOSITE RATE = \$82,088 x 2.59% = \$2,126

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 OPERATING ADJ. #9 - PROPERTY TAX EXPENSE

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-13

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES - 2000	\$ 744,641	COMPANY SCH. C-2, W/P C2-19a
2	REVENUES - 2001	698,408	COMPANY SCH. C-2, W/P C2-19a
3	REVENUES - 2002	<u>733,703</u>	D. R. NO. REL 19-1
4	TOTAL	\$ 2,176,752	SUM LINES 1, 2, & 3
5	3 YEAR AVERAGE	725,584	LINE 4/3 YEARS
6	MULTIPLIER FOR REVENUES (2 X LAST 3 YRS. AVERAGE REVENUE)	<u>x 2</u>	ADOR VALUATION FACTOR
7	REVENUES FOR FULL CASH VALUE	<u>1,451,168</u>	LINE 5 X 2 (MULTIPLIER FOR REVENUES)
8	ADD: 10% OF CWIP BALANCE	-	COMPANY SCH. B-2, PG. 9; LINE 4 X 10%
9	LESS: LICENSED VEHICLES	<u>-</u>	STAFF DATA REQUEST REL 23-1
10	FULL CASH VALUE	1,451,168	LINE 7 + LINE 8 MINUS LINE 9
11	ASSESSMENT RATIO	<u>25%</u>	PER ADOR VALUATION METHOD
12	ASSESSED VALUE	362,792	LINE 10 X LINE 11
13	PROPERTY TAX RATE	<u>20.1456%</u>	PER TAX BILLS
14	PROPERTY TAXES PAYABLE PER RUCO	73,087	LINE 12 X LINE 13
15	PROPERTY TAXES PER COMPANY	<u>64,071</u>	COMPANY SCH. C-1, PG. 5
16	ADJUSTMENT	<u>9,016</u>	LINE 14 MINUS LINE 15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 OPERATING ADJ. #10 - INCOME TAXES

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-14

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
<u>FEDERAL INCOME TAXES:</u>			
1	OPERATING INCOME BEFORE INCOME TAXES	\$ 26,705	SCH. WAR-9
LESS:			
2	ARIZONA STATE TAX	(2,632)	LINE 11
3	INTEREST EXPENSE	<u>64,475</u>	NOTE (a)
4	FEDERAL TAXABLE INCOME	(35,139)	LINE 1 - LINES 2 & 3
5	FEDERAL INCOME TAX RATE	<u>31.36%</u>	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	(11,020)	LINE 4 X LINE 5
<u>STATE INCOME TAXES:</u>			
7	OPERATING INCOME BEFORE INCOME TAXES	26,705	LINE 1
LESS:			
8	INTEREST EXPENSE	<u>64,475</u>	NOTE (A)
9	STATE TAXABLE INCOME	(37,770)	LINE 7 - LINE 8
10	STATE TAX RATE	<u>6.968%</u>	TAX RATE
11	STATE INCOME TAX EXPENSE	(2,632)	LINE 9 X LINE 10
12	TOTAL INCOME TAXES	(13,652)	LINE 6 + LINE 11
13	INCOME TAXES PER COMPANY	<u>(28,101)</u>	COMPANY SCH. C-1, PG. 2
14	ADJUSTMENT	<u>\$ 14,449</u>	LINE 12 - LINE 13

NOTE (a):
 INTEREST SYNCHRONIZATION

ADJUSTED RATE BASE	\$ 2,471,297
WEIGHTED COST OF DEBT	2.61%
INTEREST EXPENSE	<u>\$ 64,475</u>

ARIZONA WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2001
SUPERIOR SYSTEM
OPERATING ADJ. #11 - NOT USED FOR THIS SYSTEM

DOCKET NO. W-1445A-02-0619
SCHEDULE WAR-15

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 COST OF CAPITAL

DOCKET NO. W-1445A-02-0619
 SCHEDULE WAR-16

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) ADJUSTMENT	(C) ADJUSTED BALANCE	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	\$ 2,850,000	\$ 1,650,000	\$ 4,500,000	5.62%	4.00%	0.22%
2	LONG-TERM DEBT:	23,000,677	(400,677)	22,600,000	28.24%	8.44%	2.38%
3	COMMON EQUITY	49,442,738	3,473,716	52,916,454	66.13%	9.18%	6.07%
4	TOTAL	\$ 75,293,415	4,723,039	\$ 80,016,454	100.00%		8.68%

REFERENCES:

- COLUMN (A): COMPANY SCH. D - 1
- COLUMN (B): TESTIMONY, WAR
- COLUMN (C): COLUMN (A) + COLUMN (B)
- COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
- COLUMN (E): TESTIMONY, WAR
- COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 PROPOSED RATES

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-17

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>PRESENT RATES</u>	<u>COMPANY PROPOSED</u>	<u>RUCO PROPOSED</u>
1	MONTHLY MINIMUM USAGE CHARGE:			
2				
3	<u>(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)</u>			
4	5/8 X 3/4 - INCH	\$ 18.13	\$ 18.13	\$ 18.13
5	1 - INCH	38.84	40.79	38.84
6	2 - INCH	103.58	117.85	103.58
7	3 - INCH	155.37	211.58	157.14
8	4 - INCH	207.16	377.65	207.16
9	6 - INCH	362.53	717.59	362.53
10	8 - INCH	362.53	989.54	362.53
11	10 - INCH	673.27	1,624.09	673.27
12				
13	GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:			
14				
15	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS	1,000	0	0
16				
17	COMMODITY RATE (PER 100 GAL. OVER MINIMUM):	\$0.40600	\$ 0.40600	\$ 0.60130
18				
19	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM):	\$4.06000	\$ 4.06000	\$ 6.01300

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 MONTHLY MINIMUM CHARGES

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-18

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO PROPOSED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	\$ 18.13	\$ 18.13	\$ -	0.00%	\$ 18.13	\$ -	0.00%
2	1 - INCH	38.84	40.79	1.95	5.02%	38.84	0.00	0.00%
3	2 - INCH	103.58	117.85	14.27	13.78%	103.58	0.00	0.00%
4	3 - INCH COMMERCIAL	155.37	211.58	56.21	36.18%	157.14	1.77	1.14%
5	4 - INCH COMMERCIAL	207.16	377.65	170.49	82.30%	207.16	0.00	0.00%
6	6 - INCH	362.53	717.59	355.06	97.94%	362.53	0.00	0.00%
7	8 - INCH	362.53	989.54	627.01	172.95%	362.53	0.00	0.00%
8	10 - INCH	673.27	1,624.09	950.82	141.22%	673.27	0.00	0.00%
9	GALLONS INCLUDED IN MONTHLY MINIMUM CHARGE	1,000	0			0		

REFERENCES
 COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 4 OF 4
 COLUMN (E): TESTIMONY WAR
 COLUMN (F): COLUMN (E) - COLUMN (A)
 COLUMN (G): COLUMN (F) ÷ COLUMN (A)

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-19
 PAGE 1 OF 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 18.13	\$ 38.84	\$ 103.58	\$ 155.37	\$ 207.16	\$ 362.53	\$ 362.53	\$ 673.27
2	1,000	18.13	38.84	103.58	155.37	207.16	362.53	362.53	673.27
3	2,000	22.19	42.90	107.64	159.43	211.22	366.59	366.59	677.33
4	3,000	26.25	46.96	111.70	163.49	215.28	370.65	370.65	681.39
5	4,000	30.31	51.02	115.76	167.55	219.34	374.71	374.71	685.45
6	5,000	34.37	55.08	119.82	171.61	223.40	378.77	378.77	689.51
7	6,000	38.43	59.14	123.88	175.67	227.46	382.83	382.83	693.57
8	7,000	42.49	63.20	127.94	179.73	231.52	386.89	386.89	697.63
9	8,000	46.55	67.26	132.00	183.79	235.58	390.95	390.95	701.69
10	9,000	50.61	71.32	136.06	187.85	239.64	395.01	395.01	705.75
11	10,000	54.67	75.38	140.12	191.91	243.70	399.07	399.07	709.81
12	15,000	74.97	95.68	160.42	212.21	264.00	419.37	419.37	730.11
13	20,000	95.27	115.98	180.72	232.51	284.30	439.67	439.67	750.41
14	25,000	115.57	136.28	201.02	252.81	304.60	459.97	459.97	770.71
15	50,000	217.07	237.78	302.52	354.31	406.10	561.47	561.47	872.21
16	75,000	318.57	339.28	404.02	455.81	507.60	662.97	662.97	973.71
17	100,000	420.07	440.78	505.52	557.31	609.10	764.47	764.47	1,075.21
18	125,000	521.57	542.28	607.02	658.81	710.60	865.97	865.97	1,176.71
19	150,000	623.07	643.78	708.52	760.31	812.10	967.47	967.47	1,278.21
20	175,000	724.57	745.28	810.02	861.81	913.60	1,068.97	1,068.97	1,379.71
21	200,000	826.07	846.78	911.52	963.31	1,015.10	1,170.47	1,170.47	1,481.21
22									
23	AVG. NO. OF CUST:	1,258	9	13	2	0	0	0	0
24									
25	AVG. USE (GAL.):	6,350	19,096	40,640	233,858	N/A	N/A	N/A	N/A
26	MONTHLY BILL:	\$ 39.85	\$ 112.31	\$ 264.52	\$ 1,100.77	N/A	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	5,009	2,607	9,500	98,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	\$ 34.41	\$ 45.37	\$ 138.09	\$ 549.19	N/A	N/A	N/A	N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 BILLING ANALYSIS

DOCKET NO. W-01445A-02-0619
 SCHEDULE WAR-19
 PAGE 2 OF 4

RUCO PROPOSED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ 18.13	\$ 38.84	\$ 103.58	\$ 157.14	\$ 271.95	\$ 453.25	\$ 906.50	\$ 1,359.75
2	1,000	24.14	44.85	109.59	163.15	276.05	457.35	910.60	1,363.85
3	2,000	30.16	50.87	115.61	169.17	280.15	461.45	914.70	1,367.95
4	3,000	36.17	56.88	121.62	175.18	284.25	465.55	918.80	1,372.05
5	4,000	42.18	62.89	127.63	181.19	288.35	469.65	922.90	1,376.15
6	5,000	48.20	68.91	133.65	187.21	292.45	473.75	927.00	1,380.25
7	6,000	54.21	74.92	139.66	193.22	296.55	477.85	931.10	1,384.35
8	7,000	60.22	80.93	145.67	199.23	300.65	481.95	935.20	1,388.45
9	8,000	66.23	86.94	151.68	205.24	304.75	486.05	939.30	1,392.55
10	9,000	72.25	92.96	157.70	211.26	308.85	490.15	943.40	1,396.65
11	10,000	78.26	98.97	163.71	217.27	312.95	494.25	947.50	1,400.75
12	15,000	108.33	129.04	193.78	247.34	333.45	514.75	968.00	1,421.25
13	20,000	138.39	159.10	223.84	277.40	353.95	535.25	988.50	1,441.75
14	25,000	168.46	189.17	253.91	307.47	374.45	555.75	1,009.00	1,462.25
15	50,000	318.78	339.49	404.23	457.79	476.95	658.25	1,111.50	1,564.75
16	75,000	469.11	489.82	554.56	608.12	579.45	760.75	1,214.00	1,667.25
17	100,000	619.43	640.14	704.88	758.44	681.95	863.25	1,316.50	1,769.75
18	125,000	769.76	790.47	855.21	908.77	784.45	965.75	1,419.00	1,872.25
19	150,000	920.08	940.79	1,005.53	1,059.09	886.95	1,068.25	1,521.50	1,974.75
20	175,000	1,070.41	1,091.12	1,155.86	1,209.42	989.45	1,170.75	1,624.00	2,077.25
21	200,000	1,220.73	1,241.44	1,306.18	1,359.74	1,091.95	1,273.25	1,726.50	2,179.75
22									
23	AVG. NO. OF CUST:	1,258	9	13	2	0	0	0	0
24									
25	AVG. USE (GAL.):	6,350	19,096	40,640	233,858	N/A	N/A	N/A	N/A
26	MONTHLY BILL:	\$ 56.31	\$ 153.67	\$ 347.95	\$ 1,563.33	N/A	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	5,009	2,607	9,500	98,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	\$ 48.25	\$ 54.52	\$ 160.70	\$ 746.41	N/A	N/A	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	\$ -	\$ -	\$ -	\$ 1.77	\$ 64.79	\$ 90.72	\$ 543.97	\$ 686.48
2	1,000	6.01	6.01	6.01	7.78	68.89	94.82	548.07	690.58
3	2,000	7.97	7.97	7.97	9.74	68.93	94.86	548.11	690.62
4	3,000	9.92	9.92	9.92	11.69	68.97	94.90	548.15	690.66
5	4,000	11.87	11.87	11.87	13.64	69.01	94.94	548.19	690.70
6	5,000	13.83	13.83	13.83	15.60	69.05	94.98	548.23	690.74
7	6,000	15.78	15.78	15.78	17.55	69.09	95.02	548.27	690.78
8	7,000	17.73	17.73	17.73	19.50	69.13	95.06	548.31	690.82
9	8,000	19.68	19.68	19.68	21.45	69.17	95.10	548.35	690.86
10	9,000	21.64	21.64	21.64	23.41	69.21	95.14	548.39	690.90
11	10,000	23.59	23.59	23.59	25.36	69.25	95.18	548.43	690.94
12	15,000	33.36	33.36	33.36	35.13	69.45	95.38	548.63	691.14
13	20,000	43.12	43.12	43.12	44.89	69.65	95.58	548.83	691.34
14	25,000	52.89	52.89	52.89	54.66	69.85	95.78	549.03	691.54
15	50,000	101.71	101.71	101.71	103.48	70.85	96.78	550.03	692.54
16	75,000	150.54	150.54	150.54	152.31	71.85	97.78	551.03	693.54
17	100,000	199.36	199.36	199.36	201.13	72.85	98.78	552.03	694.54
18	125,000	248.19	248.19	248.19	249.96	73.85	99.78	553.03	695.54
19	150,000	297.01	297.01	297.01	298.78	74.85	100.78	554.03	696.54
20	175,000	345.84	345.84	345.84	347.61	75.85	101.78	555.03	697.54
21	200,000	394.66	394.66	394.66	396.43	76.85	102.78	556.03	698.54
22									
23	AVG. NO. OF CUST:	1,258	9	13	2	0	0	0	0
24									
25	AVG. USE (GAL.):	6,350	19,096	40,640	233,858	N/A	N/A	N/A	N/A
26	MONTHLY BILL:	\$ 16.46	\$ 41.36	\$ 83.43	\$ 462.56	N/A	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.) :	5,009	2,607	9,500	98,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	\$ 13.84	\$ 9.15	\$ 22.61	\$ 197.22	N/A	N/A	N/A	N/A

RUCO PROPOSED CHANGES EXPRESSED AS A PERCENTAGE

LINE NO.	CONSUMPTION IN GALLONS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		5/8 - INCH	1 - INCH	2 - INCH	3 - INCH	4 - INCH	6 - INCH	8 - INCH	10 - INCH
1	0	0.0%	0.0%	0.0%	1.1%	31.3%	25.0%	150.0%	102.0%
2	1,000	33.2%	15.5%	5.8%	5.0%	33.3%	26.2%	151.2%	102.6%
3	2,000	35.9%	18.6%	7.4%	6.1%	32.6%	25.9%	149.5%	102.0%
4	3,000	37.8%	21.1%	8.9%	7.1%	32.0%	25.6%	147.9%	101.4%
5	4,000	39.2%	23.3%	10.3%	8.1%	31.5%	25.3%	146.3%	100.8%
6	5,000	40.2%	25.1%	11.5%	9.1%	30.9%	25.1%	144.7%	100.2%
7	6,000	41.1%	26.7%	12.7%	10.0%	30.4%	24.8%	143.2%	99.6%
8	7,000	41.7%	28.1%	13.9%	10.9%	29.9%	24.6%	141.7%	99.0%
9	8,000	42.3%	29.3%	14.9%	11.7%	29.4%	24.3%	140.3%	98.5%
10	9,000	42.8%	30.3%	15.9%	12.5%	28.9%	24.1%	138.8%	97.9%
11	10,000	43.1%	31.3%	16.8%	13.2%	28.4%	23.9%	137.4%	97.3%
12	15,000	44.5%	34.9%	20.8%	16.6%	26.3%	22.7%	130.8%	94.7%
13	20,000	45.3%	37.2%	23.9%	19.3%	24.5%	21.7%	124.8%	92.1%
14	25,000	45.8%	38.8%	26.3%	21.6%	22.9%	20.8%	119.4%	89.7%
15	50,000	46.9%	42.8%	33.6%	29.2%	17.4%	17.2%	98.0%	79.4%
16	75,000	47.3%	44.4%	37.3%	33.4%	14.2%	14.7%	83.1%	71.2%
17	100,000	47.5%	45.2%	39.4%	36.1%	12.0%	12.9%	72.2%	64.6%
18	125,000	47.6%	45.8%	40.9%	37.9%	10.4%	11.5%	63.9%	59.1%
19	150,000	47.7%	46.1%	41.9%	39.3%	9.2%	10.4%	57.3%	54.5%
20	175,000	47.7%	46.4%	42.7%	40.3%	8.3%	9.5%	51.9%	50.6%
21	200,000	47.8%	46.6%	43.3%	41.2%	7.6%	8.8%	47.5%	47.2%
22									
23	AVG. NO. OF CUST:	1,258	9	13	2	0	0	0	0
24									
25	AVG. USE (GAL.):	6,350	19,096	40,640	233,858	N/A	N/A	N/A	N/A
26	MONTHLY BILL:	41.3%	36.8%	31.5%	42.0%	N/A	N/A	N/A	N/A
27									
28	MEDIAN USE (GAL.):	5,009	2,607	9,500	98,000	N/A	N/A	N/A	N/A
29	MONTHLY BILL:	40.2%	20.2%	16.4%	35.9%	N/A	N/A	N/A	N/A

ARIZONA WATER COMPANY
 TEST YEAR ENDED DECEMBER 31, 2001
 SUPERIOR SYSTEM
 REVENUE SUMMARY BY METER SIZE AND CUSTOMER CLASS

DOCKET NO. W-01445A-02-061
 SCHEDULE WAR-20

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	\$ 273,654	\$ 576,327	\$ 849,982
2	1 - INCH	4,311	12,746	17,057
3	2 - INCH	16,469	38,855	55,324
4	3 - INCH	3,771	33,749	37,520
5	4 - INCH	0	0	0
6	6 - INCH	0	0	0
7	8 - INCH	0	0	0
13	10 - INCH	0	0	0
14				
15	TOTALS	<u>\$ 298,206</u>	<u>\$ 661,677</u>	<u>\$ 959,883</u> (a)
16				
17	PERCENTAGE OF TOTAL REVENUE	31.00%	69.00%	100.00%

NOTE (a):

RUCO REQUIRED REVENUE		\$ 980,894
LESS:		
FIRE SPRINKLER REVENUE	\$ 336	
FIRE HYDRANT REVENUE	-	
MISCELLANEOUS REVENUE	16,073	
RENT - WATER PROPERTY REVENUE	-	
OTHER WATER REVENUE	<u>4,602</u>	
TOTAL		<u>\$ 21,011</u>
REVENUE TO BE GENERATED FROM WATER SALES		<u>\$ 959,883</u>

REFERENCE:

NOTE (a) 2002 REVENUE INFORMATION OBTAINED FROM RUCO D.R. NO. 1.10