ORIGINAL

NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT AND TUBAC WATER DISTRICT	DOCKET NO. W-01303A-08- **W-01303A-08-0227** **SW-01303A-08-0227**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WASTEWATER DISTRICT, ANTHEM WASTEWATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT	DOCKET NO. SW-01303A-08-

Arizona Corporation Commission
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APPLICATION
OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

1. **Application**. Arizona-American Water Company ("Arizona-American" or the "Company") is a wholly-owned subsidiary of American Water. Arizona-American hereby

applies in accordance with A.R.S. § 40-250 and the Commission's Rule R 14-2-103 for rate increases for its following districts:

- Agua Fria Water District;
- Anthem Water District;
- Havasu Water District;
- Mohave Water District;
- Paradise Valley Water District;
- Sun City West Water District;
- Tubac Water District;
- Agua Fria Wastewater District;
- Anthem Wastewater District; and
- Mohave Wastewater District.

2. **Filing Deadlines.** This new rate case filing complies with deadlines for filing new rate cases established by the Commission in Decisions 68825, 69173, 69181, and 69396.

3. **Arizona-American's Financial Condition**. Arizona-American's financial condition continues to decline. Most of Arizona-American's operating districts have under-earned for several years and Arizona-American, as a whole, has lost nearly $30 million since American Water purchased the assets of Citizens Water Resources in 2002. This unfortunate trend continues. Arizona-American again had a net income loss of $4.6 million in 2007 and expects to continue to operate at a loss in 2008 and 2009 until new rates are implemented.

4. **Times Interest Ratio**. A company's Times Interest Earned Ratio ("TIER") represents the number of times earnings will cover interest expense on short-term and long-term debt. A TIER of less than 1.0 is not sustainable in the long-term. At the end of 2006, the Commission concluded that Arizona-American's TIER was only 0.44, meaning that Arizona-American cannot be a viable long term water utility unless it can improve its TIER. So far, despite an equity infusion of $15 million in 2007, TIER has not improved. As of December 31, 2007, Arizona-American's TIER had plummeted to 0.072.

5. **Reasons for Poor Financial Condition**. Arizona-American's current financial condition can be attributed to at least three factors. First, in Decision No. 65453 the Commission imposed a moratorium on filing rate case application from January 2003, until January 2006. This largely prevented Arizona-American's from transferring capital investments into rate-base and from recovering increased operating expenses. Second, Decision No. 63584 included a provision that assets purchased from Citizens would be not be immediately included in rate base, but would instead be amortized into rate-base over a period ranging from six-and-one-half years to ten years. Despite the resulting delay in recognizing these assets, Arizona-American had agreed to this condition with Staff, but was assuming only a one-year rate moratorium. The Commission's three-year moratorium meant that Arizona-American could only begin to recover these assets after the moratorium expired, new rate cases were filed, and the Commission approved recovery. The first case to approve recovery of any portion of the amortizations was Decision No. 69440, dated May 1, 2007, for our Mohave Water District. As of April 30, 2008, Arizona-American has been authorized rate recovery for only $25 million of the total $125 million of deferred AIAC and CIAC. Third, the nature of historic test years in Arizona automatically causes a lag between the date a company expends capital and the date that the company starts to earn a return on and of that capital. This is a particular issue for companies like Arizona-American that must invest to meet the needs of its customers in fast-growing areas like Maricopa and Mohave Counties.

6. **Steps Already Taken by Arizona-American to Improve Its Financial Health**. First, Arizona-American has not paid a dividend since 2003 to its parent, American Water. This has helped slow the erosion of Arizona-America's equity balance. Second, despite Arizona-American's failure to pay dividends, or even to generate positive earnings, American Water has still been willing to infuse new equity to offset the equity ratio erosions caused by these continuing losses and the need to issue new debt to fund capital projects. American Water infused $35 million of equity in 2006, $15 million more in 2007, and plans to infuse another $30 million in 2008. The goal of these equity infusions is to maintain Arizona-American's equity

ratio near the Commission's 40% target. Third, Arizona-American will also continue to provide quality water and wastewater services to our customers, but must minimize operating losses by carefully managing operating expenses and eliminating discretionary projects that do not have Commission-approved funding mechanism.

7. **General Reasons For Rate Increases**. In order to be a financially viable and stable water and wastewater utility to our customers and investors, Arizona-American must make a return on and return of the investment made by our shareholder, American Water. Currently, only $160 million of Arizona-American's investment is in rate base. In other words, although our customers in Arizona enjoy the benefit of $364.8 million worth of Arizona-American's capital investment, they are only paying for approximately 44% of the assets. In this case, we are seeking to put additional $204.8 million of our capital investment in rate base.

8. **Need For Timely Rate Relief**. It is also important that the Commission timely approve the requested rate relief. The last two Arizona-American rate cases (Docket Nos. W-01303A-06-0403 and WS-01303A-06-0491) experienced prolonged delays during the Commission-approval process, resulting in approximately $3.7 million lost in revenue. The revenue lost from these two cases can never be recovered by Arizona-American. Given the magnitude of the rate relief sought in this case, and the expected operating loss in 2008 and 2009, Arizona-American cannot bear any delays in obtaining timely Commission approval of the rate increases requested in this application.

9. **Required Revenue Increase**. The total requested revenue increase is $32,412,620 and the test year is calendar-year 2007. Test-year adjusted revenues and expenses include annualized actual ACRM revenues and expenses.

10. **Rate Increase By District**. Arizona-American seeks the following rate increases for the ten districts:

Table 1 – Water Districts

District	Agua Fria Water	Anthem Water	Havasu Water	Mohave Water	Paradise Valley Water	Sun City West Water	Tubac Water
Revenue Increase	$9,192,203	$6,174,183	$ 815,803	$1,655,410	$3,101,550	$4,276,305	$278,214
Percentage Increase	48.8%	66.0%	79.5%	32.4%	39.5%	75.0%	65.2%

Table 2. Wastewater Districts

District	Agua Fria Wastewater	Anthem Wastewater	Mohave Wastewater
Revenue Increase	$4,590,485	$1,686,320	$ 642,148
Percentage Increase	169.3%	26.4%	80.7%

11. **Other Requested Approvals**. As more specifically requested by its witnesses, Arizona-American's requests also include the following additional approvals.

Witness	Approvals
Broderick	• New Low-Income Program • Post-test-year amortization of Imputed AIAC • White Tanks Plant CWIP in Rate Base • White Tanks Plant O&M Deferral • White Tanks Plant accounting authorizations • Tubac Water ACRM • Discontinue existing ACRM surcharges for Agua Fria, Havasu, Paradise Valley and Sun City West • Modify the Paradise Valley Public Safety Surcharge to apply to all customers, with proceeds accounted for as revenue, and with up to four additional step increases • System Benefit Charge to fund landscape conversion programs. • Deconsolidation of Anthem/Agua Fria Wastewater District
Cole	• Increase service and meter-installation fees • Increase meter-test charge • Standardize after-hours reconnect charge in each district • End annual fire-hydrant inspections for Sun City Water
Hubbard	• Power-supply adjustment clause • Tank maintenance reserve • Formal adoption of filed terms and conditions of

	service
Lenderking	• Modify Paradise Valley Water CAP Surcharge
Townsley	• Extend Agua Fria Water Hook-up Fee expiration

12. **Witnesses**. This Application is supported by the testimony and exhibits of nine witnesses:

a. **Thomas M. Broderick**. Mr. Broderick is the Director, Rates & Regulation for operations in Arizona, New Mexico, and Texas, and has overall responsibility for interactions with the Arizona Corporation Commission.

Mr. Broderick first summarizes the total requested revenue increase of $32,412,620, based on a test year ending December 31, 2007.

Mr. Broderick testifies that Arizona-American's cost of capital is not less than 8.40%. The average cost of long-term debt is 5.463% and the cost of equity is 11.75%. The forecasted equity ratio is 46.75% and the debt ratio is 53.25%. Short-term debt has again been excluded from the calculation of the capital structure.

Mr. Broderick discusses a $20.2 million refund of advances to Pulte, paid in March 2008, which correspondingly increases Anthem Water's rate base.

Mr. Broderick next discusses Arizona-American proposed new low-income program for up to 4,000 additional residential customers of the Agua Fria, Anthem, Havasu, Mohave, Paradise Valley, Sun City West, and Tubac water districts.

Mr. Broderick testifies that Arizona-American's rate case expense is $612,000.

Mr. Broderick supports and explains Arizona-American's request that amortizations of imputed regulatory AIAC should be recognized through July 14, 2008.

Mr. Broderick supports and explains Arizona-American's request that $25 million of White Tanks Plant CWIP should be included in rate base.

Mr. Broderick supports and explains Arizona-American's request for a White Tanks Plant O&M deferral mechanism equivalent to an ACRM step increase.

Mr. Broderick supports and explains several specific White Tanks Plant accounting requests.

Mr. Broderick supports and explains Arizona-American's requests for an ACRM for Tubac district and to discontinue existing ACRM surcharges for Agua Fria, Havasu, Paradise Valley and Sun City West.

Mr. Broderick explains why Arizona-American proposes to de-consolidate its Anthem/Agua Fria Wastewater District.

Mr. Broderick sponsors rate base adjustments TMB-7; TMB-8; and TMB-9.

b. **Paul G. Townsley**. Mr. Townsley is the Arizona-American's President.

Mr. Townsley discusses Arizona-American's current poor financial condition and emphasizes that timely and adequate rate relief from the Commission is critically important.

Mr. Townsley discusses the benefits of the Fourth Amendment to the Agreement for Anthem Water/Wastewater Infrastructure for Anthem Water and Wastewater customers. Accordingly, Arizona-American's request to include the March 31, 2008, refund of Advance in Aid of Construction ("AIAC") to Del Webb/Pulte as a post-test year adjustment to the rate base for our Anthem Water District and our Anthem Wastewater District is appropriate.

Mr. Townsley discusses Arizona-American's agreement with the Maricopa County Municipal Water Conservation District Number One ("MWD"), which provides MWD an option to participate in the White Tanks Plant.

Mr. Townsley supports Arizona-American's requests to extend the expiration date of the Agua Fria Hook-up Fees and to include construction work in progress in rate base are appropriate.

Mr. Townsley demonstrates that Arizona-American's Achievement Incentive Pay benefits our customers.

c. **Joseph E. Gross**. Mr. Gross is Arizona-American's Director of Engineering for Arizona, New Mexico, Hawaii, and Texas.

Mr. Gross discusses three major capital projects under way for which it seeks to recover associated post-test-year investment: the White Tanks Regional Water Treatment Plant; the Mohave Wastewater Treatment Plant Expansion; and the Paradise Valley Fire Flow Project, Phase 3.

Mr. Gross discusses five smaller projects underway, which should be completed in time for the Commission Staff's engineering report: the Well 12 Replacement (Paradise Valley Water); the Big Bend Acres Tank (Mohave Water); the Sierra Montana Tank (Agua Fria Water); Distribution System Improvements, Phase 2 (Agua Fria Water); and Headworks Improvements (Anthem Water).

Mr. Gross discusses the planned Tubac Arsenic Treatment Facility.

Mr. Gross discusses the Mohave County Comprehensive Planning Study and the status of projects recommended in the Study.

Mr. Gross discusses how construction of the White Tanks Plant will allow a developer to supply only water to satisfy average-day demand for the development, rather than maximum-day demand

Mr. Gross finally discusses how the recent real-estate slowdown has reduced the number of customers subject to the Agua Fria Water Hook-up Fee. He includes a forecast of new customers that will actually be subject to the increased hook-up fees.

d. **Bradley J. Cole**. Mr. Cole is Arizona-American's Director of Operations for Central Arizona, which includes the Sun City Water and Wastewater District, Sun City West Water and Wastewater Districts and Agua Fria Water and Wastewater Districts.

Mr. Cole first describes the service areas and facilities for each of Arizona-American's seven water districts that are included in this case: Agua Fria Water; Anthem Water; Havasu Water; Mohave Water; Paradise Valley Water; Sun City West Water and Tubac Water.

Mr. Cole supports Mr. Broderick's request for a mechanism to recover deferred first-year O&M costs for the White Tanks Regional Treatment Facility.

Mr. Cole discusses the need for an arsenic-treatment facility for the Tubac Water District.

Mr. Cole discusses Arizona-American's new storage-tank maintenance program and supports Ms. Hubbard's request to fund this program.

Mr. Cole explains why chemical and water-quality-testing expenses have increased in recent years

Mr. Cole explains why Arizona-American proposes to increase various service charges

Mr. Cole describes the service areas and facilities for each of Arizona-American's three wastewater districts that are included in this case: Agua Fria Wastewater; Anthem Wastewater; Havasu Water; and Mohave Wastewater.

Mr. Cole describes the Northwest Valley Regional Wastewater Treatment Facility, which is shared between the Agua Fria Wastewater District and the Sun City West Wastewater District (not a part of this case).

Mr. Cole supports Arizona-American's request to terminate the annual fire-hydrant inspection compliance report requirement for the Sun City Water District.

e. **Sheryl L. Hubbard**. Ms. Hubbard is Arizona-American's Manager, Rates & Regulation.

Ms. Hubbard sponsors the following schedules for each district in the case:

- Schedule A-2 – Arizona-American Summary of Operations
- Schedule A-4 – Arizona-American Construction Expenditures and Gross Utility Plant in Service
- Schedule A-5 – Arizona-American Summary of Cash Flows
- Schedule B-6 – Arizona-American Computation of Cash Working Capital
- Schedule C-1 – Arizona-American Adjusted Test Year Income Statement
- Schedule C-2 – Arizona-American Income Statement Pro Forma Adjustments

- Schedule C-3 – Arizona-American Computation of Gross Revenue Conversion Factor
- Schedule E-2 – Comparative Income Statements
- Schedule E-3 – Comparative Statement of Changes in Financial Position
- Schedule E-6 – Comparative Operating Income Statements
- Schedule E-7 – Operating Statistics
- Schedule E-8 – Taxes Charged to Operations
- Schedule F-1 – Projected Income Statements
- Schedule F-2 – Statement of Cash Flows-Present and Proposed Rates
- Schedule F-3 – Projected Construction Requirements
- Schedule F-4 – Assumptions Used in Developing Projections

Ms. Hubbard supports the revenue-requirement calculation for each district.

Ms. Hubbard sponsors and explains the lead-lag study that supports Arizona-American's request for cash-working capital.

Ms. Hubbard sponsors and explains the following adjustments to operating income:

- Adjustment SLH-1 – Annualize Payroll Expense
- Adjustment SLH-2 – Annualize Power Expense
- Adjustment SLH-3 – Normalize Purchased Water
- Adjustment SLH-4 – Annualize Chemicals Expense
- Adjustment SLH-6 - Annualize Management Fees
- Adjustment SLH-7 - Annualize Pensions Expense
- Adjustment SLH-8 – Amortize Rate Case Expense
- Adjustment SLH-9 – Annualize Insurance Expense
- Adjustment SLH-10 – Tank Maintenance Accrual
- Adjustment SLH-11 – Annualize Depreciation/CIAC
- Adjustment SLH-12 – Annualize Property Taxes
- Adjustment SLH-15 – Annualize 401K Expense
- Adjustment SLH-16 – Line 21 Clean-up
- Adjustment SLH-17 – Remove CAP Revenue and Expense
- Adjustment SLH-18 – Interest Synchronization
- Adjustment SLH-19 – Federal and State Income Taxes
- Adjustment SLH-20 – Annualize Postage Increase
- Adjustment SLH-21 – One-Time Service Company Charges
- Adjustment SLH-22 – Adjust Conservation Expenses
- Adjustment SLH-23 – Adjustment to Remove Prior Period Labor Adjustment

Ms. Hubbard also supports and explains the following requests by Arizona-American:

- For a power supply adjustment mechanism that will enable Arizona-American to adjust its rates in the future for changes in rates paid for electric and gas costs;
- For a tank maintenance reserve to fund tank maintenance expenditures; and
- For formal adoption by the Commission of the terms and conditions of service on file at the Commission.

f. **Linda J. Gutowski**. Ms. Gutowski is a Senior Rate Analyst for Arizona-American, where she prepares regulatory filings.

Ms. Gutowski sponsors rate base Exhibits B-1 through B-5 for each district.

Ms. Gutowski sponsors and explains the following rate-base adjustments for each district (as applicable): LJG-1; LJG-2; LJG-3; LJG-4; LJG-5; LJG-6; LJG-10; LJG-11;and LJG-12.

Ms. Gutowski sponsors and explains the following income-statements for each district (as applicable): LJG-1; LJG-2; LJG-3; LJG-4; and LJG-5.

Ms. Gutowski sponsors and explains Schedule E-1, the Comparative Balance Sheet schedule for each district, and Schedule E-5, the Detail of Plant in Service schedule for each district.

Ms. Gutowski sponsors and explains the present-rate portion of the H Schedules.

g. **John C. (Jake) Lenderking**. Mr. Lenderking is Arizona-American's Water Resources Manager.

Mr. Lenderking discusses Arizona-American's present water-conservation programs and then discusses what changes, if any, will be required under the new requirements of the Arizona Department of Water Resources.

Mr. Lenderking discusses how Arizona-American will meet its water-supply requirements for the Paradise Valley Water District, now that it will no longer be using water supplied from the PCX-1 well owned by the Salt River Project. He explains that Arizona-American has added storage for the Paradise Valley Water District, presently has enough capacity to run the system without the PCX-1 well, and among other things, will

be replacing its Well 12 with a new well, which will return its production to its original level of 2200 gallons per minute.

Mr. Lenderking explains that Arizona-American will store and recover the district's 3,231 acre-feet allocation of CAP water at the Tonopah Desert Recharge Project, owned by the Central Arizona Water Conservation District. The stored CAP water will then be "recovered" from wells in the Paradise Valley Water District.

h. **Bente Villadsen**. Dr. Villadsen is a Principal of The Brattle Group, an economic, environmental and management consulting firm with offices in Cambridge, Washington, San Francisco, London and Brussels.

Dr. Villadsen selects two benchmark samples, water utilities and gas local distribution companies ("LDC"). She estimates the sample companies' cost of equity, associated after-tax weighted-average cost of capital, and the corresponding cost of equity at 46.9 and 41.6 percent equity. She also reviews recent Arizona water and wastewater decisions. In undertaking her analysis, Dr. Villadsen notes that the overall cost of capital is constant within a broad middle range of capital structures although the distribution of costs and risks among debt and equity holders is not. Because Arizona-American's requested target of 46.9 percent equity is lower than the percentage equity among many utilities, its financial risk is higher and the return required by investors increases with the level of risk they carry. Should short-term debt be included for an equity percentage of 41.6 percent, Arizona-American's capitalization is further below that of the average water utility.

Based on the evidence from the samples, Dr. Villadsen estimates a cost of equity for the benchmark samples at Arizona-American's capital structure to be in the range of 11.0 to 12.5 percent, so that Arizona-American's request for 11.75 percent is equal to the midpoint. Dr. Villadsen also reviewed recent Arizona decisions and found that the decisions correspond to a cost of equity of approximately 11.0 and 12.25 percent when applied to an entity with 46.9 and 41.6 percent equity, respectively. She therefore finds

that Arizona-American's request for 11.75 percent return on equity is reasonable and fully supported by her analysis.

i. **Paul R. Herbert**. Mr. Herbert is employed by Gannett Fleming, Inc., where he is the President of the Valuation and Rate Division.

Mr. Herbert discusses the cost-of-service and rate-design studies prepared for each of the operating districts submitted in this case. He explains that cost-allocation studies are used to determine and allocate the total district cost of service to the several service classifications in each district. The studies provide a basis for determining the extent to which the revenues to be derived from each classification are commensurate with the cost of serving that classification, within each district.

Mr. Herbert sponsors Schedules G-1 through G-9, and the proposed-rates portion of the H schedules.

13. **Organization of Filing**. This filing is organized as follows:

a. **Application;**

b. **Testimony;**

c. **Other Required Information; and**

d. **Required Schedules (By District – 10 Binders)**

14. **Requested Relief**. Arizona-American Water Company asks that the Commission issue an order consistent with the requests set forth in this Application, as more fully set forth in the accompanying testimony, exhibits, and schedules.

Respectfully submitted on April 30, 2008, by:

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
JEFF HATCH-MILLER
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DIRECT TESTIMONY
OF
THOMAS M. BRODERICK
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

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THOMAS M. BRODERICK
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TABLE OF CONTENTS

EXECUTIVE SUMMARY ..... **iii**
I INTRODUCTION AND QUALIFICATIONS **1**
II PURPOSE OF TESTIMONY **2**
III SUMMARY OF RATE CASE **2**
IV COST OF CAPITAL (ALL DISTRICTS) **5**
V RATE CASE EXPENSE (ALL DISTRICTS) **7**
VI LOW-INCOME PROGRAM (ALL DISTRICTS) **8**
VII ACQUISITION PREMIUM (ALL DISTRICTS) **10**
VIII IMPUTED REGULATORY ADVANCES AND CONTRIBUTIONS (ALL DISTRICTS EXCEPT PARADISE VALLEY) **10**
IX WHITE TANKS PLANT (AGUA FRIA WATER) **13**
A CWIP IN RATE BASE 13
B WHITE TANKS PLANT O&M DEFERRAL 18
C WHITE TANKS PLANT ACCOUNTING REQUESTS 21
X ARSENIC REMEDIATION ISSUES **27**
A TUBAC 27
B ELIMINATE ACRMS (AGUA FRIA, HAVASU, PARADISE VALLEY AND SUN CITY WEST WATER DISTRICTS) 29
C RECOVERY OF ARSENIC MEDIA DEFERRAL (HAVASU) 29
XI RATE DESIGN INCLUDING SURCHARGES (PARADISE VALLEY) **30**
XII HOOK-UP FEES (ANTHEM WATER, HAVASU WATER) **34**
XIII EXISTING HOME SALES (ANTHEM) **35**
XIV WASTEWATER EFFLUENT TARIFF (MOHAVE WASTEWATER) **35**
XV RATE DECONSOLIDATION (AGUA FRIA AND ANTHEM WASTEWATER) **36**

EXHIBIT TMB-1 – Summary of Schedule A-1s, B-1s and C-1s

EXHIBIT TMB-2 - Cost of Capital

EXHIBIT TMB-3 - Rate Case Expense

EXHIBIT TMB-4 – White Tanks' AFUDC Reduction

EXHIBIT TMB-5 - Tubac ACRM Step 1 Forecast

EXHIBIT TMB-6 - Paradise Valley Average Residential Usage

EXHIBIT TMB-7 - Anthem Existing Home Sales

EXECUTIVE SUMMARY

Thomas M. Broderick testifies that:

This new rate case filing complies with deadlines for filing new rate cases established by the Commission in Decisions 68825, 69173, 69181, and 69396.

The total requested revenue increase is $32,689,603 and the test year is 2007. Test year adjusted revenues and expenses include annualized actual ACRM revenues and expenses.

This case includes **all** Arizona districts, **except** the districts of Sun City Water, Sun City Wastewater, and Sun City West Wastewater which had rate cases recently.

Arizona-American's cost of capital is not less than 8.40%. The average cost of long-term debt is 5.463% and the cost of equity is 11.75%. The forecasted equity ratio is 46.75% and the debt ratio is 53.25%. Short-term debt has again been excluded from the calculation of the capital structure.

A scheduled $20.2 million refund of advances to Pulte was paid in March 2008 which correspondingly increases Anthem's rate base.

Arizona-American proposes to allow a maximum of 4,000 additional residential customers of the Agua Fria, Anthem, Havasu, Mohave, Paradise Valley, Sun City West and Tubac water districts to participate in a new low income program (providing a $4.00 per month discount in the basic service charge on a first come first served basis).

Arizona-American's proposed rate case expense is $612,000.

Amortizations of imputed regulatory AIAC should extend through July 14, 2008, rather than cease at December 31, 2007, because the full six and one-half year amortization period will expire July 14, 2008 and new rates in this case will not be established until late 2009 – long after the end of the amortization period.

White Tanks Plant CWIP should be included in rate base in the amount of $25 million because the real estate slowdown has caused actual hook-up fees to be far below the forecast and it is fair for existing Agua Fria customers to pay for a portion of the White Tanks Plant in order to stay the course on funding the balance of the Plant via hook-up fees.

Arizona-American proposes a White Tanks Plant O&M deferral mechanism equivalent to an ACRM step increase which authorizes a deferral of twelve months of O&M expenses and recovery in the subsequent twelve months. Such a mechanism also provides the Commission an additional opportunity to include White Tanks Plant in service in rate base in the event that actual hook-up fees further disappoint.

Arizona-American proposes to amortize incremental White Tanks Plant hook-up fees in an accelerated amount, but not to exceed the total post in-service AFUDC accrued in that month to keep the deferred accumulated balance of post-in-service AFUDC at zero. Second, each month Arizona-American will also amortize any remaining available incremental WHU-1 fees in an amount not to exceed the monthly depreciation expense for the White Tanks Plant. Third, each month any remaining incremental WHU-1 funds will be applied as a contribution to the White Tanks Plant. All such contributions shall reduce the White Tanks Plant in the next month for

purposes of calculating post-in-service AFUDC, depreciation expense, and the White Tanks Plant balance.

Arizona-American requests an ACRM for Tubac district as a result of the US EPA's denial of a 3-year extension in the arsenic compliance deadline and because Arizona-American plans to construct a facility in Tubac to be in-service in 2010. The estimated Step 1 increase is a $25.98 per month increase in the basic service charge and a $3.14 per 1000 gallons increase for a 5/8 inch meter residential customer.

The existing ACRM surcharges for Agua Fria, Havasu, Paradise Valley and Sun City West should cease upon implementation of permanent rates at the conclusion of this case as the revenues and expenses would thereafter be in permanent rates.

The existing rates for Anthem/ Agua Fria wastewater should be de-consolidated for a variety of reasons.

Other Arizona-American's witnesses present important requests in this case.

I INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE NUMBER.

A. My name is Thomas M. Broderick. My business address is 19820 N. 7th Street, Suite 201, Phoenix, Arizona 85024, and my business phone is 623-445-2420.

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

A. I am employed by American Water as Director, Rates & Regulation for operations in Arizona, New Mexico and Texas. Arizona-American Water Company ("Arizona-American" or the "Company") is a wholly-owned subsidiary of American Water.

Q. PLEASE DESCRIBE YOUR PRIMARY RESPONSIBILITIES FOR THE COMPANY.

A. I am responsible for water and wastewater rate cases and public utility regulation in Arizona, New Mexico and Texas.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATION.

A. For more than 20 years before joining the Company in 2004, I held various management positions in the electric-utility industry with responsibilities for regulatory and government affairs, corporate economics, planning, load forecasting, finance and budgeting with Arizona Public Service Company, PG&E National Energy Group and Energy Services, and the United States Agency for International Development. I was employed at APS for nearly 14 years as Supervisor, Regulatory Affairs, then Supervisor, Forecasting, and then Manager, Planning. I was designated APS' Chief Economist in the early 1990s. For PG&E National Energy Group, I was Director, Western Region-External Relations. For USAID, I was Senior Energy Advisor to Ukraine.

I have a Masters Degree in Economics from the University of Wisconsin – Madison and a Bachelors Degree in Economics from Arizona State University.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes, on many occasions.

II PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. Please see the executive summary of my direct testimony.

III SUMMARY OF RATE CASE

Q. WHAT ARE ARIZONA-AMERICAN'S REQUESTED REVENUE INCREASES IN THIS CASE?

A. Arizona-American's requested revenue increases, rate base and operating expenses are summarized on Exhibit TMB-1. The total requested revenue increase is $32,412,620. This requested rate base for these districts is $204,762,485 above the amount presently approved in rates.

Q. WHAT ARE ARIZONA-AMERICAN'S OTHER REQUESTS IN THIS RATE CASE?

A. Other requests by Arizona-American include approval of various accounting treatments especially as regards the White Tanks Plant, various surcharges such as a Tubac ACRM and a Paradise Valley Public Safety surcharge, and a rate de-consolidation of the Anthem/Agua Fria Wastewater districts.

Q. WHAT WITNESSES SUPPORT ARIZONA-AMERICAN'S REQUEST?

A. In addition to my testimony, the following witnesses are providing testimony to support Arizona-American's direct case: Mr. Paul Townsley, Mr. Joseph Gross, Mr. Bradley J.

Cole, Ms. Sheryl Hubbard, Ms. Linda Gutowski, Mr. John C. (Jake) Lenderking, and external expert witnesses Ms. Bente Villadsen and Mr. Paul Herbert.

Q. DOES THIS CASE INCLUDE EVERY ARIZONA-AMERICAN DISTRICT?

A. No. This case complies with Commission orders that Arizona-American file new rate cases for its Agua Fria, Havasu, and Sun City West water districts by May 31, 2008, and for its Paradise Valley water district by September 30, 2008, as a requirement of the authorization of arsenic surcharges for those districts. This case includes **all** Arizona districts, **except** the districts of Sun City Water, Sun City Wastewater, and Sun City West Wastewater which had rate cases very recently.

Q. DOES ARIZONA-AMERICAN HAVE OTHER RATE CASES PENDING FOR DISTRICTS INCLUDED IN THIS CASE?

A. Yes. As of the date of filing, a rate case is still pending for the Anthem Water and Anthem/Agua Fria Wastewater districts (Docket No. WS-01303A-06-0403). The adjusted test-year revenues for these districts in this new case reflect the base revenue levels proposed by Arizona-American in its final schedules for the pending rate case. Once the pending rate case is concluded, the adjusted test-year revenues in this case can be updated for these districts in a supplemental filing by Arizona-American. We anticipate this update can occur before the required public notice is issued in this case. If for any reason the update is not issued before the public notice, a second public notice can be sent to affected customers. These districts are included in this case because Arizona-American's return on equity in the actual adjusted 2007 test year for these districts ranges from negative (8.45%) to 0.32%. Even at Arizona-American's final proposed rates in the pending rate case (based on a 2005 test year), these districts' financial performance was very poor in the actual adjusted 2007 test year.

Q. WHAT SCHEDULES ARE YOU SPONSORING?

A. I sponsor Schedules A-1, A-3, D-1, D-2, D-3, D-4, E-4, and E-9.

Q. WHAT IS SCHEDULE A-1?

A. Schedule A-1 titled "Computation of Increase in Gross Revenue Requirements" for each district shows the calculation of the increase in gross revenue requested by Arizona-American in this proceeding. This increase in gross revenue represents the amount necessary for Arizona-American to continue providing safe and reliable service to its customers within the district, while providing an opportunity for Arizona-American to earn a reasonable rate of return on its investment in plant, equipment, and working capital. The increase in gross revenue requirement for each district based on a 2007 test is shown in the following tables.

Table 1 – Water Districts

District	Agua Fria Water	Anthem Water	Havasu Water	Mohave Water	Paradise Valley Water	Sun City West Water	Tubac Water
Revenue Increase	$9,192,203	$6,174,183	$ 815,803	$1,655,410	$3,101,550	$4,276,305	$278,214

Table 2. Wastewater Districts

District	Agua Fria Wastewater	Anthem Wastewater	Mohave Wastewater
Revenue Increase	$4,590,485	$1,686,320	$ 642,148

Q. WHAT IS SCHEDULE A-3?

A. Schedule A-3 titled "Summary of Capital Structure" summarizes the debt and equity of the Company allocated to the operating districts for the years 2007, 2006, and 2005 as well as projected year 2008. The test-year 2007 figures for each water and wastewater district are unadjusted from Arizona-American's accounting records.

Q. WHAT ARE SCHEDULES D-1 THROUGH D-4?

A. These schedules provide the cost of capital and the component details – equity, debt and capital structure for Arizona-American and each district.

Q. WHAT IS SCHEDULE E-4?

A. Schedule E-4 titled "Statement of Changes in Stockholder's Equity-Test Year Ended December 31, 2007" details the changes in components comprising stockholder's equity since the beginning of 2005 to the end of the test year.

Q. WHAT IS SCHEDULE E-9?

A. Schedule E-9 has the self-explanatory title of "Notes to Financial Statements."

Q. IS ARIZONA-AMERICAN WILLING TO USE ITS ORIGINAL COST RATE BASE AS ITS FAIR VALUE RATE BASE IN THIS PROCEEDING?

A. Yes.

IV <u>COST OF CAPITAL (ALL DISTRICTS)</u>

Q. WHAT IS THE REQUESTED COST OF CAPITAL?

A. Arizona-American's cost of capital is not less than 8.40%. This amount is calculated in the D Schedules, which I sponsor.

Q. WHAT IS THE AMOUNT AND COST OF DEBT?

A. Exhibit TMB-2 displays long-term debt in the amount of $189.2 million, with an average cost of debt of 5.463%. The amount of long-term debt excludes an upcoming August 2008 maturity of $4.5 million in long-term debt.

Q. WHAT IS THE REQUESTED CAPITAL STRUCTURE?

A. Arizona-American's forecasted equity ratio is 46.75% and its debt ratio is 53.25%. Short-term debt has again been excluded from the calculation of the capital structure. Exhibit TMB-2 does display short-term debt, including an amount for the $20.2 million Anthem refund which occurred in March 2008.

Q. WHAT ARE THE AMOUNT AND ESTIMATED COST OF EQUITY?

A. The amount of equity is forecasted at $166.1 million with an associated estimated cost of 11.75%. The forecast includes another post-test-year equity infusion of $20 million occurring in April 2008 and an additional $10 million equity infusion planned for August 2008. Additional infusions, if any, in 2009 can later be reflected in the requested capital structure as the case progresses. It should be apparent that American Water, our parent, remains committed to Arizona-American.

Q. WHAT ARE ARIZONA-AMERICAN'S RETAINED EARNINGS?

A. Because Arizona-American has been unprofitable for many years, retained earnings are a negative $28.9 million at the end of the 2007 test year. Arizona-American's negative retained earnings are the cumulative result of net income being negative nearly every year since 2002. Unfortunately, this sorry state of affairs worsened in 2007 and net income is forecasted to be negative again in 2008 and into 2009, until new permanent rates can be implemented after a decision in this rate case. Without the rates requested herein, Arizona-American cannot achieve positive net income. Retained earnings can also be updated for actual results throughout the course of this case until the hearing.

Q. WHY IS MS. VILLADSEN'S ESTIMATED COST OF EQUITY OF 11.75% NEAR HER UPPER RANGE FOR A COMPANY WITH A 46.75% EQUITY RATIO?

A. I informed Ms. Villadsen that Commission Staff was certain to recommend that short-term debt be included in the capital structure and that the Commission would probably accept that recommendation. Ms. Villadsen informed me that if Staff's recommendation is accepted by the Commission, then her estimated cost of equity of 11.75% would be in the lower, not upper, range for an equity ratio of 41.62% (which is the ratio resulting after inclusion in the capital structure of the short-term debt displayed in Exhibit TMB-2).

Q. WILL ADDITIONAL SHORT-TERM DEBT BE DRAWN DURING THE TERM OF THIS CASE?

A. Yes. Significant additional short-term debt will be drawn in 2008 to finance construction of the White Tanks Regional Water Treatment Plant ("White Tanks Plant"). The short-term debt balance can also be updated for actual results throughout the course of this case.

Q. IS IT ARIZONA-AMERICAN'S POSITION THAT SHORT-TERM DEBT LARGELY FINANCES CONSTRUCTION WORK IN PROGRESS ("CWIP")?

A. Yes, that has been and continues to be our position. Therefore, it is logical, consistent, and a partially consequential position for Arizona-American to request that $25 million of CWIP for the White Tanks Plant be included in rate base in response to Commission Staff's inclusion of short-term debt in the capital structure. I discuss this proposal further in Section IX.A, below.

Q. IF THE COMMISSION ACCEPTS ARIZONA-AMERICAN'S REQUEST TO INCLUDE $25 MILLION OF CWIP IN RATE BASE FOR THE WHITE TANKS PLANT, WOULD YOU ACCEPT INCLUDING SHORT-TERM DEBT IN THE CAPITAL STRUCTURE?

A. Yes, that would be an appropriate matching of rate base and invested capital.

V <u>RATE CASE EXPENSE (ALL DISTRICTS)</u>

Q. WHAT IS ARIZONA-AMERICAN'S PROPOSED RATE CASE EXPENSE FOR THIS PROCEEDING?

A. Exhibit TMB-3 displays by cost component proposed rate case expense of $612,000. Included in this estimate are substantial postage costs to issue the initial and post case notices required by the Commission to each customer. The rate case expense cost per customer is $0.18 per month. This is less than expenses approved for recent Arizona-American rate cases, because many more districts are involved and there are economies

of scale (e.g., roughly the same expense for the cost-of-equity witness regardless of size of case).

Ms. Hubbard sponsors Schedule C-2 income statement adjustment SLH-8, which relies on a four-factor allocation of this proposed rate case expense to each district amortized over three years. For example, as a result of these economies of scale, the annual amortization of proposed rate case expense is only $1,480 for the Tubac Water District.

VI LOW-INCOME PROGRAM (ALL DISTRICTS)

Q. IS ARIZONA-AMERICAN PROPOSING A LOW-INCOME PROGRAM FOR THE DISTRICTS IN THIS CASE?

A. Yes. This program is very similar to the program we proposed in the pending Sun City Water District rate case (Docket No. W-01303A-07-0209), except that we propose to include all eligible low-income customers in the program, not just those over 65 years of age. Funding and distribution of the low-income rate discounts would be statewide, except the Sun City Water District (which is **not** part of this case) would not be part of the state-wide program. Sun City Water would have its own program, because some residents in that community are concerned about subsidizing other water districts via a low-income program.

Q. HOW MANY CUSTOMERS WOULD BE ELIGIBLE TO PARTICIPATE?

A. We propose to allow a maximum of 4,000 additional residential customers of the Agua Fria, Anthem, Havasu, Mohave, Paradise Valley, Sun City West and Tubac water districts to participate.

Q. WHAT IS THE AVAILABLE DISCOUNT FOR CUSTOMERS ENROLLED IN THE LOW-INCOME PROGRAM?

A. The low-income discount would be $4.00 per month off the monthly basic service charge on the water bills of enrolled customers.

Q. WHAT IS THE COST TO ADMINISTER THE LOW INCOME PROGRAM?

A. The total cost to administer the 4,000 additional customers from these districts plus the 1,000 eligible customers from Sun City would be $66,000 per year, payable to our low income vendor, Dollar Energy. Arizona-American is not requesting cost recovery for the low-income program's administrative expense in this rate case. We are hopeful that this program will reduce uncollectible expense and partially offset the costs of administration. If the program is successful, we plan to include the test-year costs of administration in the next rate case.

Q. HOW WOULD THE DISCOUNT BE FUNDED?

A. The $4.00 monthly discount provided to enrolled low income customers would be funded by a slight increase in the last block charge to residential and commercial customers (for Paradise Valley it spans the last 3 residential blocks). This is a uniform increase across the seven participating water districts. Assuming full enrollment, the annual transfer from consumption in the last block to low-income program enrollees would be $192,000 ($4.00 discount per month x 12 months x 4,000 customers).

Q. WHAT ARE THE OTHER KEY PROGRAM DETAILS?

A. A residential customer who contacts Arizona-American and expresses an interest in the program, or that is having difficulty paying water bills, will be referred to Dollar Energy by our national call center and provided an opportunity to apply for enrollment in the low-income program. Dollar Energy will verify the customer's low-income status and, if the customer qualifies, ask Arizona-American to place that customer on the low-income tariff. And because Arizona-American knows the exact number of customers on that tariff at any time, as well as the duration and last block volumes of non-participants, we can calculate the total discount and the amount paid by non-participants. Given that this is a new program and we are uncertain of how popular it will be, we propose a true-up

mechanism so that if we over or under-collect from non-participants, the difference will be collected or refunded following the next rate case.

Q. HOW WILL YOU ALLOCATE THE 4,000 ELIGIBLE CUSTOMERS AMONG THE SEVEN DISTRICTS?

A. The maximum 4,000 additional enrollees will be handled on a first-come, first-served, basis. Because we have proportionally more low-income residential customers in our Mohave, Havasu, and Tubac water districts, those districts may have a greater share of the available enrollment. We intend to advertise the program uniformly across our service territory.

VII <u>ACQUISITION PREMIUM (ALL DISTRICTS)</u>

Q. HAS THE COMPANY REMOVED THE PREMIUM IT PAID TO ACQUIRE ASSETS FROM CITIZENS?

A. Yes. Schedule B-2 rate base adjustment TMB-9 removes the remaining unamortized amount of this acquisition premium. Please note two things. First, the acquisition-premium amortization has been a below-the-line expense, so that it has not affected rates in these districts. Second, the premium and the associated amortization expense have been reflected in the books for Paradise Valley Water, although this was not one of the districts acquired from Citizens Utilities ("Citizens"). Removal of the unamortized acquisition premium corrects this accounting treatment.

VIII <u>IMPUTED REGULATORY ADVANCES AND CONTRIBUTIONS (ALL DISTRICTS EXCEPT PARADISE VALLEY)</u>

Q. WHAT ARE THE TEST-YEAR ADJUSTMENTS TO REFLECT IMPUTED REGULATORY ADVANCES AND CONTRIBUTIONS ON THE RATE BASE B SCHEDULES AND INCOME C SCHEDULES?

A. Schedule B-2 rate base adjustments TMB-7 and TMB-8 and Schedule C-2 income statement adjustment SLH-11 result from Commission Decision No. 63584 (dated April 24, 2001), which approved a settlement agreement requiring the imputation of advances in aid of construction ("AIAC") and contributions in aid of construction ("CIAC") for ratemaking purposes in future rate proceedings in the former Citizens' Districts. The Decision also required re-building the imputed CIAC through reductions to actual depreciation expense. These imputations reduce rate base and depreciation expense until they have been fully amortized on a timetable also established in Decision No. 63584. With one exception, the method we use to calculate recovery in this case is identical to methods used by Staff and RUCO and accepted by the Commission in recent rate cases.

Q. WHAT IS THAT EXCEPTION?

A. I propose to amortize regulatory AIAC through July 14, 2008, rather than ceasing regulatory AIAC amortization at the end of the test year December 31, 2007. This means that rate base adjustment TMB-7 will not reduce test-year rate base. I do not propose to alter the end date for the CIAC amortization.

Q. WHY SHOULD THE COMMISSION AUTHORIZE AMORTIZING IMPUTED REGULATORY AIAC ALMOST SEVEN MONTHS BEYOND THE END OF THE TEST YEAR?

A. On July 14, 2008, the six-and-one-half year period established for amortizing imputed regulatory AIAC in Decision No. 63584 will be over; whereas, the ten-year period established for amortizing imputed regulatory CIAC continues until January 14, 2012. The measurement period for both imputed regulatory AIAC and CIAC began January 15, 2002. Since new rates in this case are not likely to be implemented until September 2009, the entire established amortization period for imputed regulatory AIAC will have already been over for more than one year by then. Stated alternatively, if the Commission does not accept my proposal to fully amortize imputed regulatory AIAC in

this case, then the remaining amortization from January 1, 2008 through July 14, 2008, will not be recognized in rates until completion of the rate case *after this case,* or several years later. That seems unfair and not in keeping with the intention of this Settlement, especially in light of Arizona-American's dismal financial performance and the fact that no rate increases associated with this Settlement occurred in any district until the completion of the Mohave rate case in 2007. Further, recognizing the final seven months of amortization in this case could postpone the need to file future rate cases to recognize the rate-base increase, thereby allowing the Commission and the parties to conserve personnel and financial resources that could be better deployed elsewhere.

Q. WASN'T THERE AN ISSUE IN RECENT CASES OVER THE EXACT ENDING DATE FOR IMPUTED AIAC AND CIAC?

A. Yes, but that was a measurement issue, as opposed to a policy issue. In the recent Sun Cities' Wastewater rate case there was a measurement issue concerning the exact ending of the test year – December 9 versus December 31. That issue did not arise in the recent Sun City Water rate case; all parties agreed that the test year ended December 31, just as it does in this rate case. Our request to extend amortization of imputed regulatory AIAC through July 14, 2008, is strictly based on policy and equity grounds.

Q. HASN'T ARIZONA-AMERICAN AGREED IN PREVIOUS CASES NOT TO INCLUDE POST-TEST-YEAR AMORTIZATIONS OF REGULATORY AIAC AND CIAC?

A. Yes. In order to minimize contested issues, Arizona-American has previously withdrawn previous requests to include these post-test-year amortizations, despite the resulting financial impact. And Arizona-American still agrees not to include post-test-year amortizations of imputed regulatory CIAC. As I stated before, the issue is the imputed regulatory AIAC amortization. Total rate base for all districts increases by $7,722,222 amount as a result of the additional amortization of imputed regulatory AIAC from

January 1, 2008 through July 14, 2008. Commission Staff and RUCO may argue this reduces the value bargained for in this Settlement. However, a rigid adherence to the test-year amortization in this case is misplaced given that many of the districts have seen no amortization at all to date. The rates established in this case in September 2009 will be the first opportunity to include any amortization for the Agua Fria, Havasu, Sun City West and Tubac water districts. Nearly a decade of sustained losses in net income is not a good bargain for customers of the state's largest private water utility. I do not believe it was the intention of the Commission to impose such losses, or the intention of Arizona-American to accept them at the time the Settlement was entered into.

IX WHITE TANKS PLANT (AGUA FRIA WATER)

A CWIP IN RATE BASE

Q. IS ARIZONA-AMERICAN REQUESTING COMMISSION APPROVAL TO INCLUDE $25 MILLION OF THE WHITE TANKS PLANT CONSTRUCTION WORK IN PROGRESS ("CWIP") IN RATE BASE?

A. Yes. Agua Fria Water district's Schedule B-2 rate base Adjustment LJG-10 includes this amount. If the Commission approves Arizona-American's request, AFUDC would cease on the amount of CWIP included in rate base starting on the date that new permanent rates are implemented in this case. While I support the specific request to include CWIP in rate base, Mr. Townsley and Mr. Gross provide important additional supporting project and schedule details about the White Tanks Plant. In particular, Mr. Gross discusses how existing customers will utilize the entire initial capacity of the White Tanks Plant starting in 2010. Hence, this request is revenue neutral. Permanent rates are anticipated to be established by September 2009 and the White Tanks Plant is forecasted to be in-service April 2010 – or only seven months later.

Q. WHAT WAS THE WHITE TANKS PLANT'S CWIP BALANCE AT THE END OF THE TEST YEAR?

A. While the balance was only $8.4 million at the end of the 2007 test year, it will climb to $43.2 million by the end of 2008. Arizona-American will provide updates and supporting information throughout the conduct of this case. The current estimate of the total cost of the White Tanks Plant including AFUDC is $61.9 million for 13.5 mgd capacity.

Q. IS ARIZONA-AMERICAN PROPOSING TO CHANGE THE AGUA FRIA WATER DISTRICT HOOK-UP FEE ("WHU-1")?

A. No. To the contrary, Mr. Townsley requests that the recently-approved increase be extended from 2015 until December 31, 2020 in order to allow more time to fund the White Tanks Plant. The WHU-1 was increased substantially in 2007 for the purpose of providing additional contributions to offset the White Tanks Plant's costs. As Mr. Townsley testifies, the anticipated additional proceeds of the WHU-1 are falling far short of expectations, due largely to the emerging real estate slowdown. In 2007, only $73,485 in incremental hook-up fees were available to the White Tanks Plant versus $1,064,988 forecasted for 2007 during the White Tanks Plant hearing. However, if we were to request an increase in the WHU-1 fee in response to the real estate slowdown, we expect this would be received negatively by the residential home-builder community.

Q. WHY SHOULD EXISTING AGUA FRIA WATER CUSTOMERS PAY ALMOST HALF THE COST OF THE WHITE TANKS PLANT?

A. First, as I discussed above, the plant will enter service in April 2010 and will immediately begin providing renewable surface water to customers, nearly all of whom will never pay a hook-up fee. Thus, it is certainly fair that these customers shoulder a reasonable share of the plant's cost. Second, if CWIP were not included in rate base, the accumulated balance of the hook-up fee is forecasted to be exhausted by the end of 2010, given the revised customer forecast. Arizona-American needs to avoid this situation as our auditors may not allow us to recognize the associated deferrals and even a portion of the

plant balance may be in jeopardy under possible interpretations of FASB 92. Setting this very important concern aside, the accumulated hook-up fee would eventually recover when growth resumes and the White Tanks Plant would be paid off in 2027 without any CWIP in rate base, again given the revised customer forecast. This forecast is part of the reason for seeking an extension in the deadline from 2015 to 2020 in the return of the WHU-1 hook-up fee to the pre-White Tanks level. Clearly, the date of 2027 is not an acceptable pay off date.

Q. ISN'T THIS A CHANGE FROM ARIZONA-AMERICAN'S PREVIOUS PROPOSAL FOR NEW CUSTOMERS TO PAY FOR THE ENTIRE COST OF THE WHITE TANKS PLANT VIA THE WHU-1 HOOK-UP FEE?

A. Yes, this is an update to our original funding plan for this project. As I testified in the White Tanks case:

> If the Agua Fria Water Facilities Hook-up Fee is set at the level proposed by Staff and the Commission provides the necessary accounting approvals, then Arizona-American does not presently intend to ask for a rate increase for capital costs associated with building the White Tanks Plant. <u>This intention will be re-examined based on information known at the time of the next rate cases for the Agua Fria Water District</u>.[1]

Q. WHAT WILL ARIZONA-AMERICAN DO IF THE COMMISSION DOES NOT AUTHORIZE INCLUDING CWIP IN RATE BASE?

A. If hook-up fees remain low through 2009 and the Commission does not authorize including CWIP in rate base, Arizona-American will face an even more difficult financial situation by 2010. The primary issue is cash-flow. By 2010, Arizona-American will have funded (provided cash for) the White Tanks Plant and it will then go in service with additional cash requirements for O&M expenses. Although the Commission has

[1] Docket No W-01303A-05-0718, Exhibit A-7 – Surrebuttal Testimony of Thomas M. Broderick at 6.

authorized the deferral of White Tanks Plant depreciation, post in-service AFUDC and will also consider a deferral of White Tanks Plant O&M expenses in this case, Arizona-American will still be providing cash until White Tanks Plant is either paid for by hook-up fees or placed in rates. Given this difficult scenario, Arizona-American may be forced in the next rate case to request approval to include the entire White Tanks Plant investment in rate base. Arizona-American's request for CWIP in rate base is designed, in large part, to reduce the likelihood that such a rate-base request will be necessary. Including a portion of the White Tank Plant's CWIP in rate base will help stay the course for having the balance funded via hook-up fees.

If the Commission approves Arizona-American's request for CWIP in rate base in this case, Arizona-American will endeavor to do its best to have the balance of the White Tanks Plant funded via hook-up fees. Put differently, the Commission can help preserve the intention of having as much of White Tanks Plant funded by hook-up fees by placing $25 million of CWIP in rate base in this case.

Q. WHY DOES CASH-FLOW MATTER?

A. Cash pays the bills, and Arizona-American is already unable to generate enough cash to pay all bills, which forces additional borrowing. For the adjusted test year 2007, Arizona-American's operating income was $7,053,794 (Exhibit TMB-1, Summary of Schedule A-1's), yet interest expense alone was $9,813,345 (Exhibit TMB-1, Summary of Schedule C-1's). This situation is not sustainable, especially as debt and interest expense will increase further during the construction of the White Tanks Plant. For several years now, American Water has been infusing equity into Arizona-American in order to pay interest expense and maintain a balanced capital structure.

Q. HOW MUCH WOULD AFUDC BE REDUCED IF THE COMMISSION APPROVED CWIP IN RATE BASE?

A. I do have an exhibit, but first one must bear in mind that AFUDC is greater than previously forecasted simply because hook-up fees (which begin reducing AFUDC in the month received) are so much lower during the construction period than earlier forecasted. But, setting that aside, Exhibit TMB-4 re-forecasts the White Tanks Plant cost including AFUDC and offsets the cost with revised forecasted hook-up fees using current forecast information. It also offsets the White Tanks Plant cost with $25 million of CWIP in rate base starting September 2009. It also incorporates the impacts of several proposed accounting entries resulting from the recent Commission-authorized deferral. By performing the calculation both with and without CWIP in rate base, accumulated AFUDC is reduced by $6.0 million when CWIP is included in rate base for the period September 2009 through September 2011 (the forecasted date of new rates in the next rate case for the Agua Fria water district). Exhibit TMB-4 assumed the $25 million CWIP in rate base remains in rate base through the next rate case.

Mr. Gross sponsors the revised customer forecast and associated adjustments to arrive at the effective customer growth in Agua Fria district that pays the WHU-1 fee.

Q. HAS RUCO PREVIOUSLY EXPRESSED SUPPORT FOR REDUCING WHITE TANKS PLANT AFUDC?

A. Yes. During the proceeding to increase the WHU-1 fee, RUCO supported a much larger hook-up fee increase and stated "RUCO still believes that the Company's Option 2 will result in less AFUDC accruals than will Option 1, and is therefore still preferable."[2]

Q. WHAT IS THE FORECASTED UNRECOVERED WHITE TANKS PLANT BALANCE AT SEPTEMBER 2009 ASSUMING $25 MILLION OF CWIP GOES INTO RATE BASE?

[2] Docket No. W-01303A-05-0718, Exhibit R-2 – Rebuttal Testimony of William Rigsby at 2. (Option 2 was a significantly larger hook-up fee.)

A. Exhibit TMB-4 displays a remaining net investment of $29.3 million at September 30, 2009. This balance is forecasted to grow to a maximum of $33.1 million at December 2010. This remaining balance would be recovered by hook-up fees.

Q. EXHIBIT TMB-4 ALSO SHOWS AN UNRECOVERED WHITE TANKS PLANT BALANCE AT FEBRUARY 2017 TO BE $0. IS THAT WHEN WHITE TANKS PLANT AND DEFERRALS ARE FORECASTED TO BE FULLY RECOVERED?

A. Yes, based on current forecast information and assuming the Commission authorizes the inclusion of $25 million of CWIP in rate base in this proceeding. That data is already several years later than initially desired and planned for.

Q. IF THE MARICOPA WATER DISTRICT ("MWD") EXERCISES ITS OPTION TO EXPAND THE WHITE TANKS PLANT, WOULD ARIZONA-AMERICAN AGREE TO REVISIT THE AMOUNT OF WHITE TANKS PLANT TO BE PERMANENTLY INCLUDED IN RATE BASE IN THE NEXT RATE CASE?

A. Yes. This is an evolving and dynamic situation and if the Commission approves the White Tanks Plant's CWIP in rate base, then Arizona-American can certainly agree—once we know whether MWD will be involved in the White Tanks Plant—to revisit how much of White Tanks Plant should remain in rate base permanently versus how much should be collected via hook-up fees. Also, by then we may know more about the recovery of the real estate market in the Agua Fria district.

B <u>WHITE TANKS PLANT O&M DEFERRAL</u>

Q. ARIZONA-AMERICAN WAS AUTHORIZED TO FILE, AS PART OF ITS 2008 AGUA FRIA WATER RATE CASE, A PROPOSED MECHANISM TO DEFER AND SUBSEQUENTLY RECOVER O&M EXPENSES FOR WHITE TANKS PLANT (DECISION NO. 69914, PAGE 29, LINES 25-28). WHAT IS THE PROPOSED MECHANISM?

A. Arizona-American proposes an O&M deferral mechanism that is essentially the same as an ACRM mechanism. The ACRM mechanism authorizes a deferral of 12 months of initial actual O&M expenses. At the conclusion of the initial 12-month period, Arizona-American submits evidence of ***actual*** O&M expense along with the other required schedules and approximately ninety days later a surcharge rate increase is authorized which recovers two times the actual O&M expense (i.e., the deferred expenses plus an equal amount to recover the on-going expenses). And at the end of 12 months following implementation of the surcharge, the surcharge is reduced down to an amount equal to the actual on-going expenses (which are equal to the actual expenses from the deferral period) until the completion of the next rate case which places on-going expenses in permanent rates.

Q. WHAT IS THE ESTIMATE OF WHITE TANKS PLANT O&M FOR 2010?

A. Exhibit BJC-1 to Mr. Cole's direct testimony shows $1.927 million as an annualized amount of O&M for 2010. Mr. Cole sponsors the details of the White Tanks Plant O&M forecast which is merely an early estimate subject to significant revision in the future. I am sponsoring Arizona-American's request for a deferral of the first year's O&M expense for the White Tanks Plant.

Q. WOULD THE DEFINITION OF ELIGIBLE O&M EXPENSES DIFFER FROM AN ACRM?

A. Yes. The ACRM recovers only arsenic media related O&M expense; whereas, the White Tanks Plant O&M expense would obviously contain a more broad definition, including labor expense for personnel located at the White Tanks Plant. I propose to include all the O&M categories displayed in Exhibit BJC-1. Now, rather than later, would be the time to examine the O&M cost categories proposed for recovery via an ACRM-like surcharge.

Q. WOULD THE WHITE TANKS PLANT SURCHARGE MECHANISM ALSO ALLOW RECOVERY OF WHITE TANKS PLANT?

A. Yes, it would be useful if the Commission created this additional opportunity given how dynamic and evolving the situation is with the White Tanks Plant. Therefore, I also request authorization to include an additional portion of the unrecovered White Tanks Plant as a type of ACRM step 1 increase with the understanding that the Commission may or may not allow any additional White Tanks Plant investment in rates via this mechanism.

Q. HOW DOES THAT REQUEST DOVETAIL WITH THE EXISTING HOOK-UP FEE, WHITE TANKS PLANT DEFERRALS AND THE NEW REQUEST FOR CWIP IN RATE BASE?

A. Each of these mechanisms would be coordinated and integrated. An ACRM-like Step 1 increase (in addition to a Step 2 increase for O&M expense) for the White Tanks Plant would permit the recovery of, for example, White Tanks Plant depreciation expense (as there is no need to wait for twelve months of actual data for depreciation expense). This would reduce the amount of deferred depreciation recovered via the hook-up fee, thereby allowing the hook-up fee to pay down more actual plant investment. The mechanism could also include additional plant in rate base.

Q. WHAT CRITERIA SHOULD THE COMMISSION APPLY TO DETERMINE HOW MUCH DEPRECIATION OR ADDITIONAL WHITE TANKS PLANT SHOULD BE RECOVERED THROUGH AN ACRM-LIKE MECHANISM?

A. I propose that the target date of not later than May 2015 be established as the date to payoff all amounts via the hook-up fee. In other words, the CWIP-in-rate-base and ACRM-like mechanism should be utilized so that hook-up fees will fully fund the remaining White Tanks Plant within the first five years of its in-service date or by May

2015. Since the current forecast projects payoff by February 2017, the mechanism proposed herein can help accelerate that date.

Q. WOULD THIS ACRM-LIKE SURCHARGE CONTAIN AN EARNINGS TEST?

A. Yes. The earnings test of the ACRM limits the amount of the ACRM surcharge to an amount consistent with the authorized return on equity. If the Commission authorizes both Step 1 and 2 ACRM-like surcharges for the White Tanks Plant, an earnings test would be acceptable.

C WHITE TANKS PLANT ACCOUNTING REQUESTS

Q. ARE YOU FAMILIAR WITH THE CURRENT WATER FACILITIES HOOK-UP FEE ("WHU-1") FOR ARIZONA-AMERICAN'S AGUA FRIA WATER DISTRICT?

A. Yes. In Decision No. 69914, dated September 27, 2007, the Commission approved Arizona-American's request to increase its existing WHU-1 tariff to fund construction of its planned White Tanks Plant. The Commission-approved hook-up fees as follows:

Meter Size	
5/8 x 3/4-inch	$ 3,280
3/4-inch	4,920
1-inch	8,200
1 1/2-inch	16,400
2-inch	26,240
3-inch	52,480
4-inch	82,000
6-inch or larger	164,000

Q. DECISION NO. 69914 STATES "ADDITIONALLY, THE COMPANY REQUESTS THAT IT BE ALLOWED TO PROPOSE, IN ITS NEXT RATE CASE FILING FOR THE AGUA FRIA WATER DISTRICT, SPECIFIC ACCOUNTING ENTRIES TO MEET THIS OBJECTIVE." (PAGE 24, LINES 23-25) WHAT OBJECTIVE IS THIS REFERING TO?

A. This statement refers to Arizona-American's expressed objective of not depressing earnings as a result of constructing the White Tanks Plant. Accordingly, the Commission approved the Company's request to record post-in-service AFUDC and to defer post in-service depreciation expense. The Decision was otherwise silent concerning the exact accounting entries needed to recover these deferrals.

Q. WHAT SPECIFIC ACCOUNTING ENTRIES IS ARIZONA-AMERICAN NOW PROPOSING TO AUGMENT THE EXISTING ACCOUNTING ORDER?

A. I will first discuss how Arizona-American intends to account for WHU-1 proceeds during the period until the White Tanks Plant goes into service.

Q. WHAT IS ARIZONA-AMERICAN PROPOSAL TO ACCOUNT FOR HOOK-UP FEES FOR THE PERIOD UNTIL THE WHITE TANKS PLANT GOES INTO SERVICE IN APRIL 2010?

A. As I testified in the White Tanks case, all proceeds generated from the **increase** in the WHU-1 tariff should be applied to the White Tanks Plant. This ensures that additional funds generated by the Commission-approved increase in the WHU-1 are applied as intended – to finance the White Tanks Plant.

Q. HOW MUCH HAS BEEN GENERATED TO-DATE BY THE INCREASED HOOK-UP FEES TO OFFSET THE COST OF THE WHITE TANKS PLANT?

A. As of December 31, 2007, only $73,485 has been generated to offset the White Tank Plant costs. This is attributable to Arizona's real estate slowdown and developer properties that were grandfathered and permitted to pay the previous (lower) amount of WHU-1.

In accordance with Decision No. 69914, Agua Fria Water Schedule B-2 rate base adjustment LJG-5 removes $73,485 in Contributions as an increase to rate base. This

contributed amount is already reducing White Tanks Plant AFUDC under Arizona-American's proposal.

Q. DESCRIBE HOW THE PROPOSED ALLOCATION OF WHU-1 FUNDS WOULD BE APPLIED TO THE WHITE TANKS PLANT AND OTHER ELIGIBLE PROJECTS?

A. For a new water customer with a 5/8 x 3/4-inch meter, the previous WHU-1 Fee was $1,150, while the current WHU-1 Fee is $3,280. Arizona-American proposes to continue to apply $1,150 of the current $3,280 Hook-Up Fee towards water-supply projects ***other*** than the White Tanks Plant, and apply the $2,130 balance toward the White Tanks Plant and so forth for all the other meter sizes.

Q. WILL ARIZONA-AMERICAN ACCOUNT EACH MONTH FOR THE WHU-1 FUNDS AVAILABLE FOR THE WHITE TANKS PLANT?

A. Yes. The $73,485 was initially booked to account 271160. However, that amount was reclassified to account 271161 to isolate the funds from other contributions/hook-up fees. This account will be used for all future incremental WHU-1 fees. Also, when we book AFUDC on the White Tanks Plant, we will first subtract the amount of hook-up fees accumulated in account 271161 from the asset value so that we are only recording AFUDC on the net amount of funds that the Company is financing. When the White Tanks Plant is placed in service, the balance in account 271161 will be applied as described below (for the post-in-service period).

Q. WHAT ACCOUNTING TREATMENT ARE YOU PROPOSING ONCE THE WHITE TANKS PLANT IS IN SERVICE?

A. The remaining completed cost of the White Tanks Plant, including accumulated AFUDC, will continue to be offset by available incremental WHU-1 fees during the post in service period. At the in-service date, we propose to change the accounting for WHU-1 available

to White Tanks Plant, because post-in-service AFUDC and deferred depreciation expense will begin, as authorized in Decision No. 69914.

Q. WHAT POST-IN SERVICE ACCOUNTING HAS ALREADY BEEN AUTHORIZED?

A. The Commission authorized Arizona-American to book post-in-service AFUDC and to defer depreciation expense in order to keep it whole on its investment until such time that the accumulated hook-up fees are sufficient to fund the entire plant balance. Post-in-service AFUDC is calculated only on the balance of the White Tanks Plant remaining after applying all the WHU-1 proceeds dedicated to the White Tanks Plant.

Q. HOW DOES ARIZONA-AMERICAN PROPOSE TO ACCOUNT FOR WHU-1 FEES AFTER THE WHITE TANKS PLANT ENTERS SERVICE?

A. Arizona-American asks the Commission to approve the following accounting treatments as a package for use after the White Tanks Plant enters service:

1. First, each month Arizona-American will amortize incremental (amount above the original hook-up fee) WHU-1 fees in an accelerated amount, but not to exceed the total post in-service AFUDC accrued in that month. This will result in the recovery of an amount equivalent to post-in-service AFUDC each month and keep the deferred accumulated balance of post-in-service AFUDC at zero.

2. Second, each month Arizona-American will also amortize in an accelerated amount remaining available incremental WHU-1 fees in an amount not to exceed the monthly depreciation expense for the White Tanks Plant.

3. Third, each month the remaining incremental WHU-1 funds, if any, will be applied as a contribution to the White Tanks Plant. All such contributions shall reduce the

White Tanks Plant in the next month for purposes of calculating post-in-service AFUDC, depreciation expense, and the White Tanks Plant balance.

4. However, if the accumulated incremental WHU-1 funds in any month are insufficient to cover the post-in-service AFUDC or to allow its amortization to fully offset White Tanks Plant's depreciation expense, Arizona-American will defer the unrecovered post-in-service AFUDC and depreciation expense for recovery at a time when hook-up fees are sufficient or until it is included in rate base. This will be accomplished by using the accumulated amounts in account 271161 as a balancing account. Please note that in the forecast in Exhibit TMB-4, the additional WHU-1 fees are inadequate to fund post-in-service AFUDC and depreciation from April 2010 through December 2012. Therefore, the accumulated balance in account 271161 (as opposed to just the new amount collected each month) is amortized over that period.

Q. HOW DOES THE PROCESS YOU HAVE JUST DESCRIBED SATISFY ARIZONA-AMERICAN'S EARLIER STATED OBJECTIVE OF NOT DEPRESSING EARNINGS?

A. By recovering post-in-service AFUDC as it is incurred, Arizona-American will recover its White Tanks Plant cost of capital on an on-going basis. If this were not the case, we would incur a reduction in earnings, because, for financial reporting purposes generally accepted accounting principles ("GAAP") would not allow deferring the equity portion of post-in-service AFUDC. Instead, earnings would be reduced. So, even with the Commission-authorized deferral and subsequent recovery of this amount, our earnings in the present time frame would be reduced if we are not granted the accounting explained above. We believe that would not be in keeping with the Commission's intention.

Q. IS COMMISSION AUTHORIZATION NECESSARY IN ORDER FOR ARIZONA-AMERICAN TO IMPLEMENT THE ACCOUNTING PROCESS YOU ARE PROPOSING?

A. Yes. Approval is needed in order to account for a portion of the accumulated WHU-1 fees as an accelerated amortization of a contribution in an amount equal to post-in-service AFUDC. Commission approval is also needed for the accelerated amortization of the accumulated WHU-1 contributions in an amount equal to the deferred depreciation on the White Tanks Plant.

Q. HOW DO AGUA FRIA CUSTOMERS BENEFIT FROM THE PRE- AND POST-IN-SERVICE ACCOUNTING OF THE WHITE TANKS PROJECT?

A. Of all the WHU-1 fee eligible projects, only the White Tanks Plant was authorized an accounting deferral order. Arizona-American's proposal clearly identifies the amount of WHU-1 available to the White Tanks Plant and minimizes the post-in-service AFUDC and deferred depreciation expense which is ultimately paid for by customers.

Q. HOW DOES THE REQUEST FOR THE WHITE TANKS PLANT CWIP IN RATE BASE IMPACT THE PROPOSED ACCOUNTING PROCESS?

A. It does not impact the accounting process. To the extent that the remaining plant amount subject to recovery by the WHU-1 fees is reduced by the amount of CWIP in rate base (including the assumption that the CWIP in rate base remains in rate base permanently), the accounting deferrals will be calculated only on the amount of White Tanks Plant not in rate base. The forecast in Exhibit TMB-4 assumes the inclusion of the requested $25 million CWIP in rate base as of an estimated date of September 1, 2009.

X ARSENIC REMEDIATION ISSUES

A TUBAC

Q. WHAT ARE ARIZONA-AMERICAN'S CURRENT PLANS FOR ARSENIC REMEDIATION IN TUBAC?

A. Mr. Gross discusses a planned arsenic-remediation project for our Tubac Water District. He indicates that Arizona-American must begin constructing an arsenic-remediation facility for the district because on January 18, 2008, the Environmental Protection Agency denied our request for a three-year exemption from the requirement to meet the new arsenic maximum contaminant level. Construction of Tubac's arsenic-treatment facility will commence in summer 2008, with the facility placed in service two summers later. Mr. Gross explains, however, that the current estimated net plant cost of $2.3 million is substantially lower than the previous estimate, because a developer will contribute approximately $1 million toward the facility.

Q. IS ARIZONA-AMERICAN REQUESTING APPROVAL OF AN ARSENIC COST RECOVERY MECHANISM ("ACRM") FOR TUBAC IN THIS RATE CASE?

A. Yes. An ACRM provides the opportunity for rate recovery on this facility to commence roughly ninety days following the placement of Tubac's arsenic-remediation facility in service for customers – much quicker than possible in a rate case. Even with the recent substantial reduction in the estimated net plant cost of Tubac's arsenic facility, the cost of the facility will more than double Tubac's adjusted 2007 rate base. Without an ACRM, Arizona-American's financial situation would further decline.

Q. ARE YOU REQUESTING AN ACRM IDENTICAL TO THOSE PREVIOUSLY APPROVED BY THE COMMISSION FOR ARIZONA-AMERICAN?

A. Yes, with the minor exception that we would like to include the associated engineering overheads.[3]

Q. WHY HASN'T ARIZONA-AMERICAN PREVIOUSLY REQUESTED AN ACRM FOR ITS TUBAC WATER DISTRICT?

A. Arizona-American originally included the Tubac Water District in its application that resulted in Decision No. 68310, which approved an ACRM two-step rate increase process for our Agua Fria, Havasu and Sun City West water districts. However, on May 4, 2005, Arizona-American moved to delete Tubac from that case because there was strong community interest in pursuing alternative technologies and community interest in seeking an extension in the arsenic compliance deadline. That motion (which was granted) stated, "Arizona-American reserves the right to make an ACRM filing for its Tubac Water District in a new docket at a later date." All of Arizona-American's eight other arsenic-remediation facilities went into service in 2006, so Tubac customers have benefited from a four-year delay before they will have to fund an arsenic-remediation facility.

Q. WHAT IS THE ESTIMATED ACRM STEP-1 RATE INCREASE IN TUBAC?

A. For an estimated net arsenic plant investment of $2.3 million, with an estimated four-percent depreciation rate (Account 320.1-water treatment), the estimated annual increase in the revenue requirement for ACRM Step 1 is $416,332. This is in addition to the $278,214 base revenue increase requested in this case. Tubac's adjusted test year revenues were $423,061. For the ACRM, $416,332 translates to an estimated $25.98 per month increase in the monthly minimum charge for residential 5/8-inch meter customers and a $3.14 increase in the charge per 1,000 gallons. These amounts are derived in Exhibit TMB-5.

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[3] This is consistent with more recent precedent concerning Arizona Water Company ACRMs. See Docket No. W-01445A-00-0962.

Please recall that the actual Step 1 increase is based on actual, not estimated, plant costs. The current plan is that the Step 1 ACRM in Tubac would be effective in the third quarter of 2010, following completion of construction in summer 2010. The local Tubac community already knows we are proceeding with this project.

B <u>ELIMINATE ACRMS (AGUA FRIA, HAVASU, PARADISE VALLEY AND SUN CITY WEST WATER DISTRICTS)</u>

Q. HOW ARE ACRM REVENUES AND ARSENIC-REMEDIATION-RELATED EXPENSES REFLECTED IN THE REQUIRED SCHEDULES?

A. They are included in adjusted test year revenues and expenses. The annualized ACRM revenues are reflected in Schedule C-2 income statement adjustment LJG-4. The annualized arsenic media expenses are in Schedule C-2 income statement adjustment SLH-4. Therefore, the adjusted test year results contain annualized actual Step 1 ACRM revenues and all arsenic related expenses.

Q. CAN THE ACRM SURCHARGES FOR AGUA FRIA, HAVASU, PARADISE VALLEY AND SUN CITY WEST WATER DISTRICTS TERMINATE UPON IMPLEMENTATION OF NEW PERMANENT RATES IN THIS CASE?

A. Yes, with one caveat. If any deferred arsenic O&M expense remains unrecovered at the time new permanent rates are established, that portion of the ACRM surcharge should be allowed to continue until it is fully recovered and then automatically terminate. Arizona-American has yet to file its ACRM Step 2 increases for Sun City West and Agua Fria water districts, so those are the only districts that might face this issue.

C <u>RECOVERY OF ARSENIC MEDIA DEFERRAL (HAVASU)</u>

Q. HAS ARIZONA-AMERICAN INCLUDED THE HAVASU WATER DISTRICT'S DEFERRED ARSENIC MEDIA REPLACEMENT COSTS IN THE COST OF SERVICE?

A. Yes. Decision No. 69162, dated December 5, 2006, authorizes a deferral of twelve months of these costs until our next rate case for the district. The actual invoiced amount of $88,300 plus authorized (estimated) AFUDC is included in Schedule B-2 rate base adjustment LJG-10 and a twelve-year amortization rate is proposed. An equal amount, $88,300, has been included in both the Havasu ACRM Step 2 increase (filed April 14, 2008) and in Schedule C-2 income adjustment SLH-4 for on-going arsenic media replacement costs. Mr. Cole can provide the operational details regarding arsenic-media replacement in Havasu (and elsewhere for that matter).

XI RATE DESIGN INCLUDING SURCHARGES (PARADISE VALLEY)

Q. IS ARIZONA-AMERICAN PROPOSING TO REVISE THE EXISTING RATE DESIGN FOR ITS PARADISE VALLEY WATER DISTRICT?

A. Yes. Arizona-American's rate design witness Mr. Paul Herbert sponsors the rate design for all districts in this case. I only discuss select issues herein.

First, Mr. Herbert proposes enhancements to the existing rate design for residential customers in Paradise Valley. The new residential tiers are as follows:

Tier 1:	0 to 4,000 gallons
Tier 2:	4,001 to 20,000 gallons
Tier 3:	20,001 to 65,000 gallons
Tier 4:	65,001 to 125,000 gallons
Tier 5:	Over 125,001 gallons

This updates the existing three tiers, which presently break at 25,000 gallons, and 80,000 gallons.

The new rate design creates a low usage tier, as is typical in our other water districts and it creates higher priced tiers 4 and 5, respectively, in order to further encourage conservation.

Q. DID THE RATE DESIGN ORDERED IN DECISION NO. 68858 WHICH WAS EFFECTIVE AUGUST 2006 CAUSE RESIDENTIAL CUSTOMERS TO CONSERVE?

A. Apparently not, at least that we can see based on residential-average-consumption data before and after the last rate increase. Recall that the now controversial High Block surcharge began August 1, 2006, for residential consumption in excess of 80,000 gallons. Then, in March 2007, a large ACRM Step 1 increase occurred, which was followed in October 2007 by the implementation of the Public Safety surcharge. However, an examination of Exhibit TMB-6, which displays Paradise Valley district's actual (not weather normalized) average daily water usage by residential customers since 2004, indicates that the established slight upward trend in usage continued unabated after August 2006. No doubt many individual customers conserved after the rate increase, but that is not the overall result. This means that either other existing residential customers increased consumption or that new residential customers consumed more than existing customers or both. Clearly, if conservation in Paradise Valley remains important to the Commission, then something else must be attempted.

Q. ARE YOU PROPOSING TO CEASE THE HIGH-BLOCK SURCHARGE?

A. Yes. If our proposal for five residential rate tiers is approved, the high-block surcharge is unnecessary and can be terminated upon completion of this rate case.

Q. WOULD THE PUBLIC-SAFETY SURCHARGE REMAIN IN EFFECT?

A. Yes, the public-safety surcharge would be the sole remaining surcharge used to fund fire-flow improvements in the district.

Q. DO YOU PROPOSE TO MODIFY THE PUBLIC SAFETY SURCHARGE?

A. Yes. The public-safety surcharge should apply to all residential and commercial consumption, not just that over 25,000 gallons per month. All customers of Paradise Valley Water district benefit from improved fire flows. We also propose to account for the proceeds from this surcharge as revenue and not as a contribution in aid of construction. This topic is presently under re-consideration in a matter which re-opened the previous Paradise Valley rate case for the limited purpose of considering a proposed Rate Design Agreement. No doubt the outcome in that case will inform this case regarding the future direction of the Public Safety surcharge.

Q. HOW MANY FUTURE STEP INCREASES IN THE PUBLIC-SAFETY SURCHARGE ARE NEEDED TO FUND ALL REMAINING FIRE-FLOW PROJECTS FOR PARADISE VALLEY?

A. Up to an additional four step increases in the Public-Safety Surcharge are necessary to fund the remaining projects. Construction phases 4 through 7 are scheduled for completion in the 2009 to 2012 timeframe. Phase 3 is already underway and is scheduled to be completed in late 2008 and, therefore, a step rate increase is necessary during this case depending on how the re-opened matter is resolved.

It is up to the Commission whether to include the phase 3 plant in rate base at the conclusion of this rate case (and again re-set the Public-Safety Surcharge at zero), or whether to continue its recovery via the then existing surcharge (followed by four more step increases).

If the Commission again wishes to order the filing of another Paradise Valley rate case by a date certain as a requirement of the Public-Safety Surcharge, then Arizona-American would not oppose a deadline of no later than May 31, 2013.

Q. COMMISSION DECISION NO. 68303 APPROVED AN ACCOUNTING DEFERRAL ORDER FOR PARADISE VALLEY FIRE FLOW AND COMMISSION DECISION NO. 68858 MODIFIED THAT ORDER. DO YOU HAVE A PROPOSAL FOR RECOVERING THE AUTHORIZED DEFERRAL IN THIS CASE?

A. Yes. I propose that recovery of any remaining amounts of this deferral occur via the Public-Safety Surcharge. The deferral may be already recovered in the Public-Safety Surcharge before this case is completed, depending, in part, on how the re-opened case is resolved.

Q. ARE THERE ANY OTHER SURCHARGE PROPOSALS FOR PARADISE VALLEY?

A. Yes. Arizona-American proposes a new system-benefit surcharge applicable to consumption in residential rate tier 5 (consumption exceeding 125,001 gallons per month). The system-benefit surcharge would fund programs such as the new residential-landscape conversion program the Town of Paradise Valley intends to propose later in this case. It can also fund other programs from time to time as Arizona-American may request and the Commission may approve. The system-benefit surcharge would be accounted for as revenue and trued-up in the next rate case for accumulated under- or over-spending.

Q. HOW WOULD THE NEW PARADISE VALLEY LANDSCAPE-CONVERSION PROGRAM WORK?

A. The Town told me they would create and administer a landscape-conversion program and inform Arizona-American which customers qualify for a rate discount. The Town will propose specific program details later in this case. Arizona-American's role in this program would be to provide a water-rate discount for, say, up to five years to Paradise Valley district customers determined by the Town to have met the program's criteria.

The rate discount would be funded by revenues collected from the system-benefit surcharge described above. As soon as we have the key program details, the initial amount of the system-benefit charge can be proposed based on an amount necessary to help provide residential customers an incentive to convert landscape and based on an estimate of the size of the target population the Town would like to incent to convert landscape to reduce water usage. An on-going rate discount is preferable to a one-time rebate, because rebate programs may tend to benefit free riders (people or developers that were going to do a landscape conversion without any incentive).

Arizona-American looks forward to learning more about this program from the Town of Paradise Valley and will respond further in its rebuttal testimony.

XII <u>HOOK-UP FEES (ANTHEM WATER, HAVASU WATER)</u>

Q. HAVE PROCEEDS OBTAINED FROM HAVASU WATER DISTRICT'S ARSENIC IMPACT FEE ("AIF") BEEN APPLIED AS CONTRIBUTIONS TO REDUCE HAVASU'S ARSENIC RATE BASE?

A. Yes. Through the end of the test year, $61,805 in AIF proceeds had been collected and reflected as contributions which reduced test year rate base in Schedule B rate base for Havasu. This is well short of expectations.

Q. IS THE SAME TRUE FOR ANTHEM'S HOOK-UP FEE ("RBR-1")?

A. Yes. Through the end of the test year, $1,769,260 in RBR-1 proceeds had been collected as a contribution towards Anthem water's rate base in this case – also well short of expectations.

XIII EXISTING HOME SALES (ANTHEM)

Q. IN THE RECENT ANTHEM RATE CASE, SOME ANTHEM RESIDENTS COMPLAINED THAT ANTHEM'S DEVELOPER, PULTE HOMES, DID NOT ADEQUATELY DISCLOSE FUTURE WATER AND WASTEWATER RATE INCREASES WHEN SELLING NEW HOMES IN ANTHEM. DID THE MAJORITY OF ANTHEM'S CURRENT OWNERS PURCHASE THEIR HOMES FROM PULTE?

A. No. Exhibit TMB-7 displays data from ASU on the number of existing homes sales (as well as number of new home sales and median prices for existing and new home sales) since 2004 when ASU began reporting this data for Anthem. There have been 4,795 sales of existing homes in Anthem through the end of 2007. In other words, at least 4,795 homes originally purchased from Pulte (or from other builders in Anthem) have been re-sold. In the test year, there was an average 8,421 Anthem residential customers. Hence, 57% of Anthem's homeowners today did **not** purchase their home from Pulte. When one factors in home sales prior to 2004 and current rental homes, this percentage increases further. This means that a majority of Anthem's customers today either rent or purchased their homes from previous Anthem homeowners that decided what to disclose or not disclose to the second home buyer. Pulte has no disclosure obligation for home **re-**sales by third parties. As time passes, the percentage of current Anthem customers that originally purchased from Pulte will only decline further.

XIV WASTEWATER EFFLUENT TARIFF (MOHAVE WASTEWATER)

Q. WHY IS ARIZONA-AMERICAN ASKING TO INCREASE THE RATE FOR TREATED EFFLUENT IN THE MOHAVE WASTEWATER DISTRICT?

A. We are asking to increase the rate for treated effluent from $200 to $250 per acre-foot. Only one customer—a golf course known as Desert Lakes—is on this tariff. Arizona-American has agreed to provide Desert Lakes all effluent available from wastewater

operations. Desert Lakes, in turn, has an agreement with the Mohave Valley Irrigation and Drainage District to furnish all remaining water needed for golf course irrigation, but this water must be replaced with reclaimed wastewater by the year 2017. Currently, we estimate that the effluent being produced and provided is about half of the golf course's irrigation requirements. We also believe that the cost of treated effluent at the increased rate will remain below the cost of water from the District. Thus, as the Mohave Wastewater District's sewage flows grow the golf course should continue to purchase all of the effluent produced. A rate increase for treated effluent reduces the rate increase required from other Mohave Wastewater customers at test-year effluent volumes (see Schedule C-2 income statement adjustment LJG-4).

Q. ARE EFFLUENT RATES ELSEWHERE COMPARABLE?

A. Yes. Woodruff's rate is $300 per acre foot. Gold Canyon is presently $256 per acre foot. The nearby City of Bullhead is presently $256 per acre foot.

XV <u>RATE DECONSOLIDATION (AGUA FRIA AND ANTHEM WASTEWATER)</u>

Q. IS ARIZONA-AMERICAN PROPOSING TO CONSOLIDATE ANY ADDITIONAL DISTRICTS IN THIS RATE CASE FOR RATEMAKING PURPOSES?

A. No. To the contrary we are proposing to **de**consolidate the rates for Agua Fria and Anthem wastewater – the only presently consolidated districts in this case. Hence, the revenue requirement for Agua Fria wastewater and Anthem wastewater has been calculated separately in this case and rates have been designed for them on a stand alone basis. Arizona-American employees examined every asset work order comprising the Agua Fria and Anthem wastewater district and determined precisely the proper new district in which to assign plant, accumulated depreciation, advances and contributions. Ms. Gutowski can best describe the details of this classification process.

Q. WHY IS THE COMPANY NOT PROPOSING ANY RATE CONSOLIDATIONS IN THIS CASE?

A. While we strongly support consolidating rates within each state, in practice, we are not able to make it work for Arizona-American at this time. So, in spite of our best efforts to the contrary, we are not proposing any consolidations.

Q. HOW DID RATE CONSOLIDATION OF THE ANTHEM AND AGUA FRIA WASTEWATER DISTRICTS COME ABOUT?

A. It appears that the existing rate consolidation for Agua Fria and Anthem wastewater customers was first proposed in Docket No. WS-01303A-02-0870, one of several rate filings made in 2002. We now propose to discontinue this consolidation in this case forward for a variety of practical reasons which include an apparent lack of acceptability by some customers and possible perceived unfairness by other customers. While we would ideally like to have a single statewide set of tariffs like APS enjoys, we do not see how we can successfully get from where we are today to where APS has been for decades. If another party to this case brings forward a rate consolidation proposal, we will respond constructively.

Q HAS ARIZONA-AMERICAN'S OPINION BEEN INFLUENCED BY THE RECENT COMMISSION CONSIDERATION OF COST ALLOCATIONS FOR THE NORTHWEST VALLEY REGIONAL WASTEWATER TREATMENT FACILITY ("NWVRTF")?

A. Yes. Perhaps we were all fortunate to have this issue play out before we got to the much larger issue of Agua Fria Water district's White Tanks Plant. Like the NWVRTF, the White Tanks Plant will **not** provide water to Anthem, yet like the NWVRTF it will have a number of future expansions. Hence, consolidating the Agua Fria Water and Anthem Water districts might be contentious over the White Tanks Plant, even though Anthem

Water customers would benefit in the short-run and probably in the long-run from being consolidated with a growing district, particularly now that Anthem Water is built-out.

Arizona-American's opinion on rate consolidation has also been influenced by recent experiences in its Sun City district which lies between the Anthem and Agua Fria districts. Experiences involving the Sun City fire-flow and the low-income programs served to re-confirm the go-it-alone preferences of Sun City residents, at least with respect to utility rates.

Q. WHAT COMPRISES THE NEW STAND-ALONE AGUA FRIA WASTEWATER DISTRICT?

A. It is comprised of the Northeast Agua Fria, Russell Ranch and Verrado CC&N service areas. Mr. Cole further describes the Agua Fria wastewater district. These three areas – although also geographically separate – should remain consolidated for ratemaking purposes.

Q. DID THE COMPANY ERR WHEN IT STATED AT THE COMMISSION'S MARCH 12, 2008, OPEN MEETING (AND ELSEWHERE) THAT AGUA FRIA WASTEWATER CUSTOMERS WERE SUBSIDIZING ANTHEM WASTEWATER CUSTOMERS AT THE RATES PROPOSED IN THE PENDING ANTHEM / AGUA FRIA RATE CASE?

A. Unfortunately, yes. We now know a subsidy (at the rates proposed in the pending rate case) flows the other way. The data available at the open meeting was original cost plant data – not rate base. And because the Anthem and Agua Fria wastewater districts were consolidated for ratemaking purposes, my rates group had not – until this rate case – required an internal audit of whether each asset was properly recorded to the correct district. Through this recent informal audit, we learned that there were mis-classifications which needed to be corrected. We also had not broken out all the other

components of rate base at the new district level until recently. In this case, however, Arizona-American employees undertook such an audit and component breakout. Exhibit TMB-1 displays on the Summary of the B-1s a rate base of $23,329,984 for Agua Fria Wastewater and $23,299,355 for Anthem Wastewater. The total adjusted customers are 4,839 for Agua Fria Wastewater and 8,010 for Anthem Wastewater. Therefore, rate base per Agua Fria Wastewater customer is $4,839 and for Anthem Wastewater customer is $2,908. Therefore, if the Commission denies Arizona-American's request to separate these districts, Anthem Wastewater customers would continue to subsidize Agua Fria Wastewater customers.

Q. ARE ANY NWVRTF COSTS ASSIGNED TO THE ANTHEM WASTEWATER DISTRICT IN THIS RATE CASE?

A. No. A portion (32%) of NWVRTF costs are assigned to the new stand alone Agua Fria wastewater district in this case and, of course, a portion (68%) is already assigned to the Sun City West Wastewater district, per Decision No. 70209. Arizona-American's 2007 Annual Report to the Commission shows the most recent annual and peak day flows from Sun City West and Agua Fria wastewater districts to the NWVRTF.

Q. WHAT IS THE ADJUSTED 2007 TEST YEAR NET PLANT AMOUNT FOR THE NWVRTF?

A. The total amount is $11,110,456, which is substantially higher than $3,901,714 which was the amount Arizona-American proposed for allocation between Sun City West and Anthem/Agua Fria in the recently completed (Sun City West Wastewater) and pending (Anthem/Agua Fria Wastewater) rate cases. In January 2007, following an analysis there was a reclassification of plant, such that plant was identified as NWVRTF plant and then transferred from Sun City West wastewater to the NWVRTF business unit. My rates team only learned of this reclassification while preparing this rate case and I acknowledge here the error in the evidence of the other recent cases.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CASE?

A. Yes.

Arizona American Water Company
Test Year Ended December 31, 2007
Computation of Increase in Gross Revenue Requirement

Summary of Schedule A-1's

Line No.		Total Water Districts	Agua Fria Water	Anthem Water	Havasu Water	Mohave Water	Paradise Valley	Sun City West	Tubac Water
1	Original Cost Rate Base	$263,068,174	$96,976,395	$69,535,470	$4,221,474	$12,041,310	$40,864,986	$37,901,085	$1,527,454
2									
3	Adjusted Operating Income	$6,750,674	$2,601,288	$2,142,295	($131,419)	$37,140	$1,552,498	$587,425	($38,553)
4									
5	Current Rate of Return	2.57%	2.68%	3.08%	-3.11%	0.31%	3.80%	1.55%	-2.52%
6									
7	Required Operating Income	$22,097,727	$8,146,017	$5,840,979	$354,604	$1,011,470	$3,432,659	$3,183,691	$128,306
8									
9	Required Rate of Return	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%
10									
11	Operating Income Deficiency	$15,347,052	$5,544,729	$3,698,685	$486,022	$974,330	$1,880,161	$2,596,266	$166,859
12									
13	Gross Revenue Conversion Factor	1.6611	1.6578	1.6693	1.6785	1.6990	1.6496	1.6471	1.6674
14									
15	**Increase in Gross Revenue**								
16	**Requirement**	**$25,493,668**	**$9,192,203**	**$6,174,183**	**$815,803**	**$1,655,410**	**$3,101,550**	**$4,276,305**	**$278,214**
17									
18	Test Year Adjusted Present Rate Revenue	$48,293,241	$18,818,613	$9,357,346	$1,026,587	$5,113,631	$7,848,732	$5,701,431	$426,900
19									
20	Percent Rate Increase	52.8%	48.8%	66.0%	79.5%	32.4%	39.5%	75.0%	65.2%
21									
22	**Test Year Adjusted Current ROE**		0.03%	0.32%	-5.66%	-1.89%	-1.45%	-1.12%	-4.91%
23									
24	Year End Number of Annualized Customers	80,458	33,948	8,687	1,427	15,783	4,617	15,446	550
25									
26									
27									

28		Total Water & Wastewater Districts	Total Wastewater Districts	Agua Fria Wastewater	Anthem Wastewater	Mohave Wastewater
29						
30						
31	Original Cost Rate Base	$314,437,662	$51,369,488	$23,329,983	$23,299,355	$4,740,149
32						
33	Adjusted Operating Income	$6,960,469	$209,795	($762,790)	$956,966	$15,619
34						
35	Current Rate of Return	2.21%	0.41%	-3.27%	4.11%	0.33%
36						
37	Required Operating Income	$26,412,764	$4,315,037	$1,959,719	$1,957,146	$398,173
38						
39	Required Rate of Return	8.40%	8.40%	8.40%	8.40%	8.40%
40						
41	Operating Income Deficiency	$19,452,295	$4,105,242	$2,722,509	$1,000,180	$382,553
42						
43	Gross Revenue Conversion Factor	1.6663	1.6854	1.6861	1.6860	1.6786
44						
45	**Increase in Gross Revenue**					
46	**Requirement**	$32,412,620	$6,918,952	$4,590,485	$1,686,320	$642,148
47						
48	Test Year Adjusted Present Rate Revenue	$58,195,946	$9,902,705	$2,711,361	$6,395,183	$796,161
49						
50	Percent Rate Increase	55.7%	69.9%	169.3%	26.4%	80.7%
51						
52	**Test Year Adjusted Current ROE**			-8.45%	1.55%	-2.34%
53						
54	Year End Number of Annualized Customers	94,548	14,090	4,839	8,010	1,241

Arizona American Water Company
Test Year Ended December 31, 2007
Summary of Fair Value Rate Base

Summary of Schedule B-1's

Line No.		Total Water Districts	Agua Fria Water	Anthem Water	Havasu Water	Mohave Water	Paradise Valley	Sun City West	Tubac Water
1									
2	Gross Utility Plant in Service	$448,783,953	$211,145,154	$85,096,054	$9,837,304	$28,800,225	$61,588,447	$48,893,385	$3,423,384
3	Phoenix Interconnection	3,000,000		3,000,000					
4	CWIP in Rate Base	25,000,000	25,000,000						
5	Less: Amortization of Phx Interconnect	500,000		500,000					
6	Less: Accumulated Depreciation	65,669,643	20,033,433	7,670,488	1,327,687	13,084,198	12,099,985	10,514,488	939,364
7									
8	Net Utility Plant in Service	$410,614,310	$216,111,721	$79,925,566	$8,509,617	$15,716,027	$49,488,461	$38,378,897	$2,484,020
9									
10	Less:								
11	Advances in Aid of								
12	Construction	$126,197,034	$98,233,813	$14,877,111	$3,217,334	$5,947,009	$1,704,269	$1,175,373	$1,042,125
13	Contributions in Aid of								
14	Construction - Net of amortization	39,338,242	28,271,263	2,334,558	1,355,090	107,545	7,250,116	19,491	178
15	Imputed Regulatory Advances	0	0	0	0	0	0	0	0
16	Imputed Regulatory Contributions	2,952,133	796,965	434,306	113,427	1,157,044	0	392,368	58,023
17	Customer Meter Deposits	44,597	19,040	2,880	512	7,800	12,600	1,225	540
18	Deferred Income Taxes & Credits	(4,843,713)	(2,839,311)	(740,503)	(131,385)	(1,360,455)	1,600,604	(1,326,577)	(46,088)
19	Investment tax Credits	0	0	0	0	0	0	0	0
20	Plus:								
21	Unamortized Finance								
22	Charges	0	0	0	0	0	0	0	0
23	Deferred Debits	11,834,264	3,529,517	5,884,153	155,374	1,749,805	1,238,398	(777,486)	54,503
24	Allowance for Working Capital	4,307,894	1,816,928	634,103	111,462	434,422	705,715	561,556	43,709
25	Utility Plant Acquisition Adjustment	0	0	0	0	0	0	0	0
26									
27	**Total Rate Base**	$263,068,174	$96,976,395	$69,535,470	$4,221,474	$12,041,310	$40,864,986	$37,901,085	$1,527,454
28									
29									
30									

31		Total Water & Wastewater Districts	Total Wastewater Districts	Agua Fria Wastewater	Anthem Wastewater	Mohave Wastewater
32						
33						
34	Gross Utility Plant in Service	$581,216,320	$132,432,367	$70,798,119	$54,479,948	$7,154,300
35	Phoenix Interconnection	3,000,000				
36	CWIP in Rate Base	25,000,000				
37	Less: Amortization of Phx Interconnect	500,000				
38	Less: Accumulated Depreciation	84,785,293	19,115,650	7,348,003	11,400,434	367,213
39						
40	Net Utility Plant in Service	$523,931,027	$113,316,717	$63,450,116	$43,079,514	$6,787,087
41						
42	Less:					
43	Advances in Aid of					
44	Construction	$178,893,322	$52,696,288	$32,448,577	$18,833,006	$1,414,706
45	Contributions in Aid of					
46	Construction - Net of amortization	50,288,653	10,950,411	8,497,952	1,783,514	668,945
47	Imputed Regulatory Advances	0	0	0	0	0
48	Imputed Regulatory Contributions	3,274,064	321,931	0	190,695	131,237
49	Customer Meter Deposits	44,597	0	0	0	0
50	Deferred Income Taxes & Credits	(6,030,994)	(1,187,281)	(387,276)	(694,415)	(105,590)
51	Investment tax Credits	0	0	0	0	0
52	Plus:					
53	Unamortized Finance					
54	Charges	0	0	0	0	0
55	Deferred Debits	11,834,264	0	0	0	0
56	Allowance for Working Capital	5,142,014	834,120	439,119	332,641	62,360
57	Utility Plant Acquisition Adjustment	0	0	0	0	0
58						
59	**Total Rate Base**	$314,437,662	$51,369,488	$23,329,983	$23,299,355	$4,740,149

Arizona American Water Company
Test Year Ended December 31, 2007
Adjusted Test Year Income Statement

Summary of Schedule C-1s

Line No.		Total Water Districts	Agua Fria Water	Anthem Water	Havasu Water	Mohave Water	Paradise Valley	Sun City West	Tubac Water
1	**Revenues**								
2	Water Revenues	$ 46,654,149	17,913,497	8,888,363	1,003,476	4,932,608	7,832,113	5,661,030	423,061
3	Other Revenues	1,639,092	905,117	468,983	23,110	181,023	16,619	40,401	3,839
4									
5	**Total Revenue**	$ 48,293,241	$ 18,818,613	$ 9,357,346	$ 1,026,587	$ 5,113,631	$ 7,848,732	$ 5,701,431	$ 426,900
6	**Operating Expenses**								
7	Labor	$ 4,898,004	1,440,677	801,914	204,741	899,973	715,859	703,217	131,623
8	Purchased Water	1,387,498	901,467	444,337	-	44,384	-	(2,690)	-
9	Fuel & Power	5,082,015	1,954,815	965,412	111,139	501,877	693,068	830,074	25,631
10	Chemicals	1,775,349	1,121,555	90,637	88,249	7,846	236,982	227,889	2,190
11	Waste Disposal	3,019	(870)	162	(52)	(295)	(290)	4,391	(27)
12	Management Fees	7,026,524	2,775,604	1,132,699	166,461	940,899	923,778	999,903	87,180
13	Group Insurance	1,310,775	396,645	240,221	63,729	209,312	184,827	191,120	24,921
14	Pensions	795,157	240,413	94,122	35,586	127,879	130,911	137,699	28,546
15	Regulatory Expense	319,512	64,012	75,792	3,840	119,303	21,283	33,802	1,480
16	Insurance Other Than Group	389,455	158,153	61,231	8,974	51,991	45,435	58,622	5,049
17	Customer Accounting	947,817	370,806	154,085	22,062	132,002	123,742	133,476	11,644
18	Rents	138,518	63,217	14,739	5,059	15,559	21,467	14,331	4,146
19	General Office Expense	497,388	161,107	64,824	13,616	103,944	87,860	57,226	8,811
20	Miscellaneous	2,089,543	787,967	270,744	42,644	354,017	351,828	232,408	49,935
21	Maintenance Expense	2,482,373	591,329	265,445	198,697	583,888	578,292	247,328	17,394
22	Depreciation & Amortization	10,572,402	4,397,190	1,979,583	291,351	883,235	1,615,824	1,323,541	81,679
23	General Taxes-Property Taxes	1,958,724	803,071	414,503	44,112	221,795	268,996	179,896	26,350
24	General Taxes-Other	437,162	128,923	69,910	17,638	75,809	67,972	65,832	11,078
25	Income Taxes	(568,669)	(138,756)	74,690	(159,839)	(196,927)	228,400	(324,059)	(52,178)
26									
27	**Total Operating Expenses**	$ 41,542,566	$ 16,217,325	$ 7,215,051	$ 1,158,005	$ 5,076,491	$ 6,296,235	$ 5,114,006	$ 465,453
28	**Utility Operating Income**	$ 6,750,674	$ 2,601,288	$ 2,142,295	$ (131,419)	$ 37,140	$ 1,552,498	$ 587,425	$ (38,553)
29	**Other Income & Deductions**								
30	Other Income & Deductions	-	-	-	-	-	-	-	-
31	Interest Expense	7,655,284	2,822,013	2,023,482	122,845	350,402	1,189,171	1,102,922	44,449
32	Other Expense	(2,618)	(1,034)	(422)	(62)	(351)	(344)	(372)	(33)
33	Gain/Loss Sale of Fixed Assets	(400,164)	251,993	102,836	15,113	85,423	(954,224)	90,780	7,915
34	**Total Other Income & Deductions**	$ (8,052,830)	$ (2,568,986)	$ (1,920,224)	$ (107,670)	$ (264,628)	$ (2,143,051)	$ (1,011,770)	$ (36,501)
35	**Net Profit (Loss)**	$ (1,302,156)	$ 32,302	$ 222,071	$ (239,088)	$ (227,488)	$ (590,553)	$ (424,344)	$ (75,054)
36									
37									
38									

Line No.		Total Water & Wastewater Districts	Total Wastewater Districts	Agua Fria Wastewater	Anthem Wastewater	Mohave Wastewater
39						
40						
41						
42	**Revenues**					
43	Sewer Revenues	$ 56,408,966	$ 9,754,817	$ 2,710,521	$ 6,253,017	$ 791,279
44	Other Revenues	1,786,980	147,888	840	142,166	4,882
45						
46	**Total Revenue**	$ 58,195,946	$ 9,902,705	$ 2,711,361	$ 6,395,183	$ 796,161
47	**Operating Expenses**					
48	Labor	$ 6,111,013	$ 1,213,009	$ 664,346	$ 439,668	$ 108,996
49	Purchased Water	1,397,725	10,227	10,227	-	-
50	Fuel & Power	5,796,665	714,650	288,663	352,338	73,650
51	Chemicals	2,046,093	270,744	160,074	101,456	9,214
52	Waste Disposal	330,129	327,110	62,467	138,415	126,228
53	Management Fees	8,774,081	1,747,557	733,887	890,005	123,665
54	Group Insurance	1,699,747	388,972	274,056	90,870	24,046
55	Pensions	982,052	186,896	113,199	55,249	18,447
56	Regulatory Expense	411,771	92,259	41,775	28,344	22,140
57	Insurance Other Than Group	489,485	100,030	43,283	49,453	7,294
58	Customer Accounting	1,182,324	234,507	98,453	119,557	16,497
59	Rents	201,042	62,524	42,558	18,353	1,613
60	General Office Expense	602,024	104,636	47,055	49,707	7,874
61	Miscellaneous	2,601,469	511,927	235,816	259,385	16,726
62	Maintenance Expense	2,753,782	271,409	133,996	132,465	4,948
63	Depreciation & Amortization	14,314,787	3,742,386	1,505,526	1,988,462	248,398
64	General Taxes-Property Taxes	2,732,369	773,645	223,486	512,237	37,922
65	General Taxes-Other	554,205	117,042	70,372	36,892	9,778
66	Income Taxes	(1,745,288)	(1,176,619)	(1,275,085)	175,361	(76,894)
67						
68	**Total Operating Expenses**	$ 51,235,477	$ 9,692,910	$ 3,474,151	$ 5,438,217	$ 780,542
69	**Utility Operating Income**	$ 6,960,469	$ 209,795	$ (762,790)	$ 956,966	$ 15,619
70	**Other Income & Deductions**					
71	Other Income & Deductions	-	-	-	-	-
72	Interest Expense	9,747,010	2,091,726	1,275,777	678,011	137,938
73	Other Expense	(3,269)	(651)	(274)	(331)	(46)
74	Gain/Loss Sale of Fixed Assets	(241,506)	158,658	66,629	80,802	11,227
75	**Net Other Income & Deductions**	$ (9,985,247)	$ (1,932,417)	$ (1,208,874)	$ (596,878)	$ (126,665)
76	**Net Profit (Loss)**	$ (3,024,778)	$ (1,722,622)	$ (1,971,664)	$ 360,088	$ (111,046)

Arizona-American's Cost of Debt					
	Adjusted TY	Annual Interest	Interest Rate		
Long-Term Debt					
Sept '13 PILR - Monterey	32,726	2,049	6.260%	Actual	
Aug '13 PILR - Montex/Lincoln	19,220	1,107	5.761%	Actual	
Aug '15 PILR - Rosalee	38,347	2,753	7.180%	Actual	
Aug '15 PILR - T.O. Development	32,847	2,358	7.179%	Actual	
Sept '28 L-T Note - Maricopa	10,635,000	386,051	3.630%	Actual	
Dec '13 L-T Promissory Note	24,700,000	1,331,330	5.390%	Actual	
Dec '16 L-T Promissory Note	11,200,000	618,240	5.520%	Actual	
Dec '18 L-T Promissory Note	123,100,000	6,918,220	5.620%	Actual	
Oct '37 L-T Promissory Note (1)	10,000,000	650,000	6.500%	ACC Max.	
Oct '37 L-T Promissory Note	6,450,000	425,249	6.593%	Actual	
Phoenix Agreement (2)	3,000,000	-	0.000%	Forecast	
Long-Term Debt (3)	189,208,140	10,337,356	5.463%		
Total Debt	**$ 189,208,140**	$ 10,337,356	**5.463%**		**53.2%**

Arizona-American's Cost of Equity				
Common Equity	Adjusted TY		Cost of Equity	
Common Stock	522,880			Actual
Paid in Capital	164,468,228			Actual
Retained Earnings	(28,867,782)			Actual
Equity Infusion (4)	30,000,000			Forecast
Total Common Equity	**$ 166,123,326**		**11.75%**	**46.8%**
Total Capitalization	**$ 355,331,466**			**100%**

FYI: Short Term Debt:

Commercial Paper	$ 19,065,498	$ 984,733	5.165%	Actual 02/08
Aug '08 L-T Senior Notes	$ 4,519,474	321,877	7.122%	Actual
2008 Anthem Refund Payment (5)	$ 20,226,122	1,044,679	5.165%	Actual 02/08

Footnotes:

(1) The actual rate for this note is 6.593%, but the ACC authorized ceiling is 6.5%.

(2) A $1 M payment is due September 12, 2009 (the 3rd anniversary of the 2nd payment).

(3) Excluded Tolleson obligation for ratemaking purposes as per ACC precedent.

(4) Additional equity infusions are planned for April 2008 ($20 m) and August 2008 ($10 m)

(5) The 2008 Anthem refund payment was paid as per the 4th Amendment to the Anthem Agreement.

Arizona-American 2008 Rate Case

EXHIBIT TMB-3
Page 1 of 1

Rate Case Expense:		**Estimated Expense**
External Counsel	$	200,000
Cost of Equity External Witness	$	75,000
Rate Design & Cost of Service External Witness	$	125,000
Shared Services Center - Rates Staff:	$	75,000
ACC Required Customer Notices:		
-Required Initial Customer Notice - Letter	$	50,000
-Required Post Case New Rates Notice - Letter	$	50,000
-Required Newspaper Publish Initial Customer Notice	$	4,000
-Required Newspaper Publish ACC Public Comment Meetings	$	2,000
Company Sponsored Public Participation Meetings:		
-Notice	$	4,000
-Community Meetings (room reservation costs)	$	7,000
-Travel	$	5,000
Case Production:		
-External duplicating costs, binders, tabs	$	5,000
Witness Training	$	10,000
TOTAL	**$**	**612,000**

Arizona American Water
White Tank Water Treatment Plant
Monthly Amortization/Accounting Table

PRE-IN-SERVICE PERIOD

Total Plant cost without AFUDC $55,458,234

Date	Beginning asset cost including AFUDC	Beginning of month accumulated hook-up fees (liability balance)	Beginning of month investment, net of accumulated hook up fees (Asset - Liability)	AFUDC for current month (assumes 6.6% cost of capital thru Aug. 09, then 8.4%)	Additional costs incurred during the month	Hook-up fees collected during the current month (amount will vary each month)	Ending accumulated hook-up fees	Ending asset balance, including AFUDC	No. of customers who paid incremental hook up fee	Company's ending net investment in White Tanks Plant	
Jan-08	8,449,488	73,485	8,375,983	45,370	1,192,719		73,485	9,687,557		9,614,072	
Feb-08	9,687,557	73,485	9,614,072	52,076	4,055,053		73,485	13,794,686		13,721,201	
Mar-08	13,794,686	73,485	13,721,201	74,323	2,416,674	63,004	136,489	16,285,683	14	16,149,194	
Apr-08	16,285,683	136,489	16,149,194	87,475	2,602,259	46,447	182,936	18,975,417	10	18,792,481	
May-08	18,975,417	182,936	18,792,481	101,793	2,525,352	27,839	210,775	21,602,562	6	21,391,787	
Jun-08	21,602,562	210,775	21,391,787	115,872	3,910,334	82,931	293,706	25,628,768	18	25,335,062	
Jul-08	25,628,768	293,706	25,335,062	137,232	3,996,987	108,279	401,985	29,762,986	24	29,361,001	
Aug-08	29,762,986	401,985	29,361,001	159,039	3,099,960	67,546	469,531	33,021,985	15	32,552,454	
Sep-08	33,021,985	469,531	32,552,454	176,326	3,782,033	88,646	558,177	36,980,344	20	36,422,167	
Oct-08	36,980,344	558,177	36,422,167	197,287	3,064,572	43,370	601,547	40,242,203	10	39,640,656	
Nov-08	40,242,203	601,547	39,640,656	214,720	2,761,748	73,847	675,394	43,218,671	16	42,543,277	
Dec-08	43,218,671	675,394	42,543,277	230,443	1,730,837	879	676,273	45,179,751	0	44,503,478	
Jan-09	45,179,751	676,273	44,503,478	241,061	1,538,882	268,593	944,866	46,959,693	60	46,014,827	
Feb-09	46,959,693	944,866	46,014,827	249,247	1,515,891	320,495	1,265,361	48,724,831	72	47,459,470	
Mar-09	48,724,831	1,265,361	47,459,470	257,072	1,342,583	325,037	1,590,398	50,324,486	73	48,734,088	
Apr-09	50,324,486	1,590,398	48,734,088	263,976	1,303,351	153,760	1,744,158	51,891,814	34	50,147,656	
May-09	51,891,814	1,744,158	50,147,656	271,633	1,019,101	415,216	2,159,374	53,182,548	93	51,023,174	
Jun-09	53,182,548	2,159,374	51,023,174	276,376	805,628	221,233	2,380,607	54,264,551	50	51,883,944	
Jul-09	54,264,551	2,380,607	51,883,944	281,038	784,599	202,418	2,583,025	55,330,188	45	52,747,163	
Aug-09	55,330,188	2,583,025	52,747,163	285,714	776,591	193,335	2,776,360	56,392,493	43	53,616,133	
Sep-09	31,392,493	2,776,360	28,616,133	200,313	713,397	195,930	2,972,290	32,306,203	44	29,333,913	$25 M CWIP in rate base and new AFUDC rate starts
Oct-09	32,306,203	2,972,290	29,333,913	205,337	703,801	100,560	3,072,850	33,215,341	23	30,142,491	
Nov-09	33,215,341	3,072,850	30,142,491	210,997	582,167	241,345	3,314,195	34,008,506	54	30,694,311	
Dec-09	34,008,506	3,314,195	30,694,311	214,860	739,862	104,453	3,418,648	34,963,228	23	31,544,580	
Jan-10	34,963,228	3,418,648	31,544,580	220,812	647,741	435,953	3,854,601	35,831,781	98	31,977,180	
Feb-10	35,831,781	3,854,601	31,977,180	223,840	431,098	243,153	4,097,754	36,486,719	55	32,388,965	
Mar-10	36,486,719	4,097,754	32,388,965	226,723	311,507	284,893	4,382,647	37,024,949	64	32,642,302	

POST IN-SERVICE PERIOD

Date	Beginning of month asset balance, net of accumulated depreciation	Beginning of month accumulated hook-up fees (liability balance)	Beginning of month investment, net of accumulated hook up fees (Asset - Liability)	Post in-service AFUDC for current month (assumes 8.4% cost of capital / 11.86% grossed up for taxes)	Monthly depreciation of asset (assumes 40 year life)	Hook-up fees collected during the current month (amount will vary each month)	Preliminary total accumulated hook-up fees collected	Hook-up fees to be amortized for post in-service AFUDC and depreciation offset	Ending net accumulated hook-up fees (after amortization)	Ending asset balance, net of accumulated depreciation	Current month net hook-up fee after allocating to post in service AFUDC	No. of customers who paid incremental hook up fee	Company's ending net investment in White Tanks Plant
Apr-10	37,024,949	4,382,647	32,642,302	322,493	77,135	210,026	4,592,673	399,628	4,193,045	36,947,814	-189,602	47	32,754,769
May-10	36,947,814	4,193,045	32,754,769	323,604	77,135	125,883	4,318,928	400,739	3,918,189	36,870,679	-274,856	28	32,952,490
Jun-10	36,870,679	3,918,189	32,952,490	325,557	77,135	374,999	4,293,188	402,692	3,890,496	36,793,543	-27,693	84	32,903,048
Jul-10	36,793,543	3,890,496	32,903,048	325,069	77,135	489,619	4,380,115	402,204	3,977,911	36,716,408	87,415	110	32,738,497
Aug-10	36,716,408	3,977,911	32,738,497	323,443	77,135	305,432	4,283,343	400,578	3,882,764	36,639,273	-95,146	69	32,756,508
Sep-10	36,639,273	3,882,764	32,756,508	323,621	77,135	400,838	4,283,602	400,756	3,882,846	36,562,137	82	90	32,679,291
Oct-10	36,562,137	3,882,846	32,679,291	322,858	77,135	196,113	4,078,959	399,993	3,678,966	36,485,002	-203,880	44	32,806,036
Nov-10	36,485,002	3,678,966	32,806,036	324,110	77,135	333,921	4,012,887	401,246	3,611,641	36,407,867	-67,325	75	32,796,226
Dec-10	36,407,867	3,611,641	32,796,226	324,013	77,135	3,975	3,615,616	401,149	3,214,468	36,330,731	-397,174	1	33,116,264
Jan-11	36,330,731	3,214,468	33,116,264	327,175	77,135	381,980	3,596,448	404,310	3,192,137	36,253,596	-22,330	86	33,061,459
Feb-11	36,253,596	3,192,137	33,061,459	326,634	77,135	381,980	3,574,117	403,769	3,170,348	36,176,461	-21,789	86	33,006,113
Mar-11	36,176,461	3,170,348	33,006,113	326,087	77,135	381,980	3,552,328	403,222	3,149,106	36,099,325	-21,242	86	32,950,220
Apr-11	36,099,325	3,149,106	32,950,220	325,535	77,135	381,980	3,531,086	402,670	3,128,416	36,022,190	-20,690	86	32,893,774
May-11	36,022,190	3,128,416	32,893,774	324,977	77,135	381,980	3,510,396	402,112	3,108,283	35,945,055	-20,132	86	32,836,771
Jun-11	35,945,055	3,108,283	32,836,771	324,414	77,135	381,980	3,490,263	401,549	3,088,714	35,867,920	-19,569	86	32,779,205
Jul-11	35,867,920	3,088,714	32,779,205	323,845	77,135	381,980	3,470,694	400,980	3,069,714	35,790,784	-19,000	86	32,721,071
Aug-11	35,790,784	3,069,714	32,721,071	323,271	77,135	381,980	3,451,694	400,406	3,051,288	35,713,649	-18,426	86	32,662,361
Sep-11	35,713,649	3,051,288	32,662,361	322,691	77,135	381,980	3,433,268	399,826	3,033,441	35,636,514	-17,846	86	32,603,072
Oct-11	35,636,514	3,033,441	32,603,072	322,105	77,135	381,980	3,415,421	399,240	3,016,181	35,559,378	-17,260	86	32,543,197
Nov-11	35,559,378	3,016,181	32,543,197	321,513	77,135	381,980	3,398,161	398,649	2,999,512	35,482,243	-16,669	86	32,482,731
Dec-11	35,482,243	2,999,512	32,482,731	320,916	77,135	381,980	3,381,492	398,051	2,983,441	35,405,108	-16,071	86	32,421,667
Jan-12	35,405,108	2,983,441	32,421,667	320,313	77,135	382,246	3,365,687	397,448	2,968,239	35,327,972	-15,202	86	32,359,733
Feb-12	35,327,972	2,968,239	32,359,733	319,701	77,135	382,246	3,350,485	396,836	2,953,649	35,250,837	-14,590	86	32,297,188

Mar-12	35,250,837	2,953,649	32,297,188	319,083	77,135	382,246	3,335,895	396,218	2,939,677	35,173,702	-13,972	86	32,234,025	**EXHIBIT TMB-4**
Apr-12	35,173,702	2,939,677	32,234,025	318,459	77,135	382,246	3,321,923	395,594	2,926,329	35,096,566	-13,348	86	32,170,238	**Page 2 of 3**
May-12	35,096,566	2,926,329	32,170,238	317,829	77,135	382,246	3,308,575	394,964	2,913,611	35,019,431	-12,718	86	32,105,820	
Jun-12	35,019,431	2,913,611	32,105,820	317,192	77,135	382,246	3,295,857	394,328	2,901,530	34,942,296	-12,081	86	32,040,766	
Jul-12	34,942,296	2,901,530	32,040,766	316,550	77,135	382,246	3,283,776	393,685	2,890,091	34,865,160	-11,439	86	31,975,070	
Aug-12	34,865,160	2,890,091	31,975,070	315,901	77,135	382,246	3,272,337	393,036	2,879,301	34,788,025	-10,790	86	31,908,724	
Sep-12	34,788,025	2,879,301	31,908,724	315,245	77,135	382,246	3,261,547	392,380	2,869,167	34,710,890	-10,134	86	31,841,723	
Oct-12	34,710,890	2,869,167	31,841,723	314,583	77,135	382,246	3,251,413	391,719	2,859,695	34,633,755	-9,472	86	31,774,060	
Nov-12	34,633,755	2,859,695	31,774,060	313,915	77,135	382,246	3,241,941	391,050	2,850,891	34,556,619	-8,804	86	31,705,728	
Dec-12	34,556,619	2,850,891	31,705,728	313,240	77,135	382,246	3,233,137	390,375	2,842,762	34,479,484	-8,129	86	31,636,722	
Jan-13	34,479,484	2,842,762	31,636,722	312,558	77,135	809,311	3,652,073	389,693	3,262,380	34,402,349	419,618	182	31,139,969	
Feb-13	34,402,349	3,262,380	31,139,969	307,650	77,135	809,311	4,071,691	384,785	3,686,905	34,325,213	424,526	182	30,638,308	
Mar-13	34,325,213	3,686,905	30,638,308	302,694	77,135	809,311	4,496,216	379,829	4,116,387	34,248,078	429,482	182	30,131,691	
Apr-13	34,248,078	4,116,387	30,131,691	297,689	77,135	809,311	4,925,698	374,824	4,550,874	34,170,943	434,487	182	29,620,069	
May-13	34,170,943	4,550,874	29,620,069	292,634	77,135	809,311	5,360,185	369,769	4,990,415	34,093,807	439,542	182	29,103,392	
Jun-13	34,093,807	4,990,415	29,103,392	287,530	77,135	809,311	5,799,726	364,665	5,435,062	34,016,672	444,646	182	28,581,611	
Jul-13	34,016,672	5,435,062	28,581,611	282,375	77,135	809,311	6,244,373	359,510	5,884,863	33,939,537	449,801	182	28,054,674	
Aug-13	33,939,537	5,884,863	28,054,674	277,169	77,135	809,311	6,694,174	354,304	6,339,870	33,862,401	455,007	182	27,522,532	
Sep-13	33,862,401	6,339,870	27,522,532	271,911	77,135	809,311	7,149,181	349,047	6,800,134	33,785,266	460,264	182	26,985,132	
Oct-13	33,785,266	6,800,134	26,985,132	266,602	77,135	809,311	7,609,445	343,737	7,265,707	33,708,131	465,574	182	26,442,423	
Nov-13	33,708,131	7,265,707	26,442,423	261,240	77,135	809,311	8,075,018	338,376	7,736,643	33,630,996	470,935	182	25,894,353	
Dec-13	33,630,996	7,736,643	25,894,353	255,826	77,135	809,311	8,545,954	332,961	8,212,993	33,553,860	476,350	182	25,340,867	
Jan-14	33,553,860	8,212,993	25,340,867	250,357	77,135	809,311	9,022,304	327,493	8,694,811	33,476,725	481,818	182	24,781,914	
Feb-14	33,476,725	8,694,811	24,781,914	244,835	77,135	809,311	9,504,122	321,970	9,182,152	33,399,590	487,341	182	24,217,438	
Mar-14	33,399,590	9,182,152	24,217,438	239,258	77,135	809,311	9,991,463	316,394	9,675,069	33,322,454	492,917	182	23,647,385	
Apr-14	33,322,454	9,675,069	23,647,385	233,627	77,135	809,311	10,484,380	310,762	10,173,618	33,245,319	498,549	182	23,071,701	
May-14	33,245,319	10,173,618	23,071,701	227,939	77,135	809,311	10,982,929	305,074	10,677,855	33,168,184	504,237	182	22,490,329	
Jun-14	33,168,184	10,677,855	22,490,329	222,195	77,135	809,311	11,487,166	299,331	11,187,835	33,091,048	509,980	182	21,903,213	
Jul-14	33,091,048	11,187,835	21,903,213	216,395	77,135	809,311	11,997,146	293,530	11,703,616	33,013,913	515,781	182	21,310,297	
Aug-14	33,013,913	11,703,616	21,310,297	210,537	77,135	809,311	12,512,927	287,672	12,225,255	32,936,778	521,639	182	20,711,523	
Sep-14	32,936,778	12,225,255	20,711,523	204,621	77,135	809,311	13,034,566	281,757	12,752,809	32,859,642	527,554	182	20,106,833	
Oct-14	32,859,642	12,752,809	20,106,833	198,647	77,135	809,311	13,562,120	275,783	13,286,337	32,782,507	533,528	182	19,496,170	
Nov-14	32,782,507	13,286,337	19,496,170	192,614	77,135	809,311	14,095,648	269,750	13,825,899	32,705,372	539,561	182	18,879,473	
Dec-14	32,705,372	13,825,899	18,879,473	186,521	77,135	809,311	14,635,210	263,657	14,371,553	32,628,236	545,654	182	18,256,683	
Jan-15	32,628,236	14,371,553	18,256,683	180,369	77,135	809,311	15,180,864	257,504	14,923,360	32,551,101	551,807	182	17,627,741	
Feb-15	32,551,101	14,923,360	17,627,741	174,155	77,135	809,311	15,732,671	251,290	15,481,381	32,473,966	558,021	182	16,992,585	
Mar-15	32,473,966	15,481,381	16,992,585	167,880	77,135	809,311	16,290,692	245,015	16,045,677	32,396,831	564,296	182	16,351,154	
Apr-15	32,396,831	16,045,677	16,351,154	161,543	77,135	809,311	16,854,988	238,678	16,616,310	32,319,695	570,633	182	15,703,385	
May-15	32,319,695	16,616,310	15,703,385	155,143	77,135	809,311	17,425,621	232,278	17,193,343	32,242,560	577,033	182	15,049,217	
Jun-15	32,242,560	17,193,343	15,049,217	148,680	77,135	809,311	18,002,654	225,815	17,776,838	32,165,425	583,496	182	14,388,586	
Jul-15	32,165,425	17,776,838	14,388,586	142,153	77,135	809,311	18,586,149	219,289	18,366,860	32,088,289	590,022	182	13,721,429	
Aug-15	32,088,289	18,366,860	13,721,429	135,562	77,135	809,311	19,176,171	212,697	18,963,474	32,011,154	596,614	182	13,047,680	
Sep-15	32,011,154	18,963,474	13,047,680	128,906	77,135	809,311	19,772,785	206,041	19,566,744	31,934,019	603,270	182	12,367,275	
Oct-15	31,934,019	19,566,744	12,367,275	122,184	77,135	809,311	20,376,055	199,319	20,176,736	31,856,883	609,992	182	11,680,147	
Nov-15	31,856,883	20,176,736	11,680,147	115,395	77,135	809,311	20,986,047	192,530	20,793,517	31,779,748	616,781	182	10,986,231	
Dec-15	31,779,748	20,793,517	10,986,231	108,539	77,135	809,311	21,602,828	185,675	21,417,153	31,702,613	623,636	182	10,285,460	
Jan-16	31,702,613	21,417,153	10,285,460	101,616	77,135	809,311	22,226,464	178,751	22,047,712	31,625,477	630,560	182	9,577,765	
Feb-16	31,625,477	22,047,712	9,577,765	94,624	77,135	809,311	22,857,023	171,760	22,685,264	31,548,342	637,551	182	8,863,078	
Mar-16	31,548,342	22,685,264	8,863,078	87,564	77,135	809,311	23,494,575	164,699	23,329,876	31,471,207	644,612	182	8,141,331	
Apr-16	31,471,207	23,329,876	8,141,331	80,433	77,135	809,311	24,139,187	157,568	23,981,618	31,394,071	651,743	182	7,412,453	
May-16	31,394,071	23,981,618	7,412,453	73,232	77,135	809,311	24,790,929	150,367	24,640,562	31,316,936	658,944	182	6,676,374	
Jun-16	31,316,936	24,640,562	6,676,374	65,960	77,135	809,311	25,449,873	143,095	25,306,778	31,239,801	666,216	182	5,933,023	
Jul-16	31,239,801	25,306,778	5,933,023	58,616	77,135	809,311	26,116,089	135,751	25,980,338	31,162,666	673,560	182	5,182,328	
Aug-16	31,162,666	25,980,338	5,182,328	51,199	77,135	809,311	26,789,649	128,335	26,661,314	31,085,530	680,976	182	4,424,216	
Sep-16	31,085,530	26,661,314	4,424,216	43,709	77,135	809,311	27,470,625	120,845	27,349,780	31,008,395	688,466	182	3,658,614	
Oct-16	31,008,395	27,349,780	3,658,614	36,146	77,135	809,311	28,159,091	113,281	28,045,811	30,931,260	696,030	182	2,885,449	
Nov-16	30,931,260	28,045,811	2,885,449	28,507	77,135	809,311	28,855,122	105,642	28,749,479	30,854,124	703,669	182	2,104,645	
Dec-16	30,854,124	28,749,479	2,104,645	20,793	77,135	809,311	29,558,790	97,928	29,460,862	30,776,989	711,383	182	1,316,127	
Jan-17	30,776,989	29,460,862	1,316,127	13,003	77,135	809,311	30,270,173	90,138	30,180,035	30,699,854	719,173	182	519,819	
Feb-17	30,699,854	30,180,035	519,819	5,136	77,135	524,955	30,704,990	82,271	30,622,719	30,622,718	442,664	118	0	
Mar-17	30,622,718	30,622,719	0	0	77,135		30,622,719	77,135	30,545,583	30,545,583				
Apr-17	30,545,583	30,545,583	0	0	77,135		30,545,583	77,135	30,468,448	30,468,448				
May-17	30,468,448	30,468,448	0	0	77,135		30,468,448	77,135	30,391,313	30,391,312				
Jun-17	30,391,312	30,391,313	0	0	77,135		30,391,313	77,135	30,314,177	30,314,177				
Jul-17	30,314,177	30,314,177	0	0	77,135		30,314,177	77,135	30,237,042	30,237,042				
Aug-17	30,237,042	30,237,042	0	0	77,135		30,237,042	77,135	30,159,907	30,159,907				
Sep-17	30,159,907	30,159,907	0	0	77,135		30,159,907	77,135	30,082,771	30,082,771				
Oct-17	30,082,771	30,082,771	0	0	77,135		30,082,771	77,135	30,005,636	30,005,636				
Nov-17	30,005,636	30,005,636	0	0	77,135		30,005,636	77,135	29,928,501	29,928,501				
Dec-17	29,928,501	29,928,501	0	0	77,135		29,928,501	77,135	29,851,366	29,851,365				
Jan-18	29,851,365	29,851,366	0	0	77,135		29,851,366	77,135	29,774,230	29,774,230				
Feb-18	29,774,230	29,774,230	0	0	77,135		29,774,230	77,135	29,697,095	29,697,095				
Mar-18	29,697,095	29,697,095	0	0	77,135		29,697,095	77,135	29,619,960	29,619,959				
Apr-18	29,619,959	29,619,960	0	0	77,135		29,619,960	77,135	29,542,824	29,542,824				

May-18	29,542,824	29,542,824	0	0	77,135	29,542,824	77,135	29,465,689	29,465,689
Jun-18	29,465,689	29,465,689	0	0	77,135	29,465,689	77,135	29,388,554	29,388,553
Jul-18	29,388,553	29,388,554	0	0	77,135	29,388,554	77,135	29,311,418	29,311,418
Aug-18	29,311,418	29,311,418	0	0	77,135	29,311,418	77,135	29,234,283	29,234,283
Sep-18	29,234,283	29,234,283	0	0	77,135	29,234,283	77,135	29,157,148	29,157,147
Oct-18	29,157,147	29,157,148	0	0	77,135	29,157,148	77,135	29,080,012	29,080,012
Nov-18	29,080,012	29,080,012	0	0	77,135	29,080,012	77,135	29,002,877	29,002,877
Dec-18	29,002,877	29,002,877	0	0	77,135	29,002,877	77,135	28,925,742	28,925,742
Jan-19	28,925,742	28,925,742	0	0	77,135	28,925,742	77,135	28,848,607	28,848,606
Feb-19	28,848,606	28,848,607	0	0	77,135	28,848,607	77,135	28,771,471	28,771,471
Mar-19	28,771,471	28,771,471	0	0	77,135	28,771,471	77,135	28,694,336	28,694,336
Apr-19	28,694,336	28,694,336	0	0	77,135	28,694,336	77,135	28,617,201	28,617,200
May-19	28,617,200	28,617,201	0	0	77,135	28,617,201	77,135	28,540,065	28,540,065
Jun-19	28,540,065	28,540,065	0	0	77,135	28,540,065	77,135	28,462,930	28,462,930
Jul-19	28,462,930	28,462,930	0	0	77,135	28,462,930	77,135	28,385,795	28,385,794
Aug-19	28,385,794	28,385,795	0	0	77,135	28,385,795	77,135	28,308,659	28,308,659
Sep-19	28,308,659	28,308,659	0	0	77,135	28,308,659	77,135	28,231,524	28,231,524
Oct-19	28,231,524	28,231,524	0	0	77,135	28,231,524	77,135	28,154,389	28,154,388
Nov-19	28,154,388	28,154,389	0	0	77,135	28,154,389	77,135	28,077,254	28,077,253
Dec-19	28,077,253	28,077,254	0	0	77,135	28,077,254	77,135	28,000,118	28,000,118
Jan-20	28,000,118	28,000,118	0	0	77,135	28,000,118	77,135	27,922,983	27,922,983
Feb-20	27,922,983	27,922,983	0	0	77,135	27,922,983	77,135	27,845,848	27,845,847
Mar-20	27,845,847	27,845,848	0	0	77,135	27,845,848	77,135	27,768,712	27,768,712
Apr-20	27,768,712	27,768,712	0	0	77,135	27,768,712	77,135	27,691,577	27,691,577
May-20	27,691,577	27,691,577	0	0	77,135	27,691,577	77,135	27,614,442	27,614,441
Jun-20	27,614,441	27,614,442	0	0	77,135	27,614,442	77,135	27,537,306	27,537,306
Jul-20	27,537,306	27,537,306	0	0	77,135	27,537,306	77,135	27,460,171	27,460,171
Aug-20	27,460,171	27,460,171	0	0	77,135	27,460,171	77,135	27,383,036	27,383,035
Sep-20	27,383,035	27,383,036	0	0	77,135	27,383,036	77,135	27,305,900	27,305,900
Oct-20	27,305,900	27,305,900	0	0	77,135	27,305,900	77,135	27,228,765	27,228,765
Nov-20	27,228,765	27,228,765	0	0	77,135	27,228,765	77,135	27,151,630	27,151,629
Dec-20	27,151,629	27,151,630	0	0	77,135	27,151,630	77,135	27,074,495	27,074,494

Tubac Water District
Arsenic Revenue Requirement Forecast

EXHIBIT TMB-5

Line No.		[A]
1	Arsenic Plant Revenue Requirement	
2	Arsenic Plant in Service/Rate Base	$ 2,300,000
3	Depreciation rate	4.00%
4	Depreciation expense	92,000
5	Depreciation expense net of tax savings	56,489
6	Recoverable O&M costs	-
7	Recoverable O&M costs net of tax savings	-
8	Arsenic Operating Income	(56,489)
9	Rate of return	-2.46%
10	Required Rate of Return	8.40%
11	Required Operating Income	193,200
12	Operating Income deficiency	249,689
13	Gross revenue conversion factor	1.6674
14	Revenue deficiency	416,332
15		
16		
17		
18		
19		
20		Proposed
21		ACRM
22	Rates	Surcharge
23	Minimum 5/8" Meter	$ 25.98
24	Commodity Rate, per 1,000 gallons	3.1370
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		

Schedule ACRM-6

Surcharge Calculation

Line No.	Growth	[A] Customers	[B] Total Gallons Sold	[C] Gallons Sold Per Cust.
1	March 2007 (Year 1)	534	64,588	120.95
2	March 2008 (Year 2)	536	68,128	127.10
3	Year 2 minus Year 1	2	3,540	6.15
4	Percentage Change	0.37%	5.48%	5.09%
5	Avg Gallons (Col B Ln 1 + Col B Ln 2 ÷ 2)		66,358	
6				
7				

Line No.	Meter Size	[A] Average Customers at 3/1/2008	[B] Estimated Customers at 3/1/2009	[C] Estimated Average Customers	[D] Monthly Minimum	[E] Minimum Multiples	[F] Equivalent Meters	[G] Fixed Increment Monthly	[H] Fixed Increment Annual Total
8									
9									
10									
11	Resid. 5/8 & 3/4-inch	461	463	462	19.68	1.00	462		
12	Commer. 5/8 & 3/4-inch	47	47	47	19.68	1.00	47		
13	Res. 1-inch	23	23	23	29.63	1.51	35		
14	Res. 1.5-inch	2	2	2	59.26	3.01	6		
15	Res. 2-inch	3	3	3	97.49	4.95	15		
16	Res. 3-inch	1	1	1	115.65	5.88	6		
17	Commer. 1-inch	16	16	16	29.63	1.51	24		
18	Commer. 1.5-inch	-	-	-	59.26	3.01	0		
19	Commer. 2-inch	10	10	10	97.49	4.95	50		
20	Commer. 3-inch	4	4	4	115.65	5.88	24		
21	Total						668		
22									

Line No.	Calculation of Surcharge		Minimum Surcharge	Commodity Surcharge
23				
24				
25	Total costs to be recovered (Sch. 5 Col A Ln 13)	$ 416,332		
26	Minimum Revenue (Col B Ln 33 ÷ 2)		$ 208,166	
27	Commodity Revenue (Col B Ln 33 ÷ 2)			$ 208,166
28	Monthly Increment Per Equivalent Meter			
29				
30	Equivalent Meters (Col F Ln 29 × 12 Months)		8,013	
31				
32	Minimum Surcharge (Ln 34 ÷ Ln 38)		**$ 25.98**	
33				
34	Average Gallons (Col B Ln 5)			66,358
35				
36	Commodity Surcharge (Ln 35 ÷ Ln 42)			**$ 3.1370**
37				
38				
39				
40				
41				
42				
43				
44				

EXHIBIT TMB-6

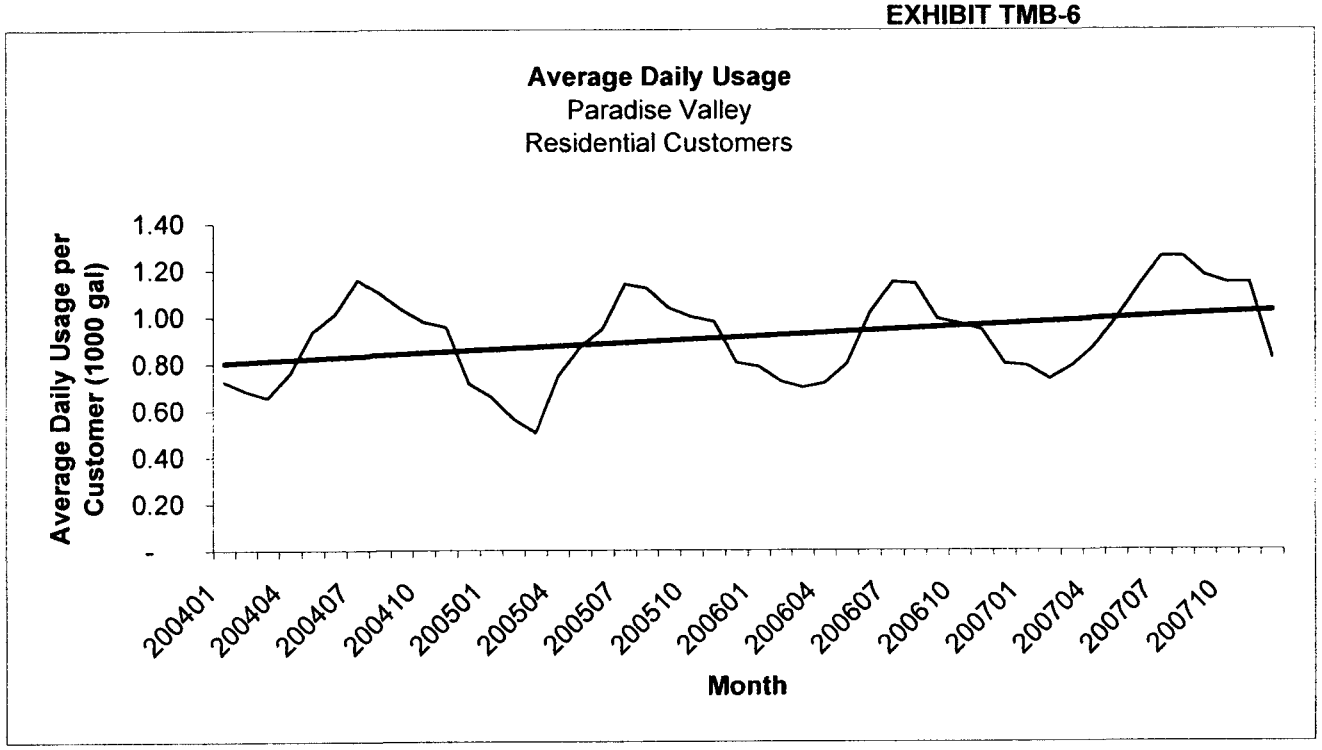
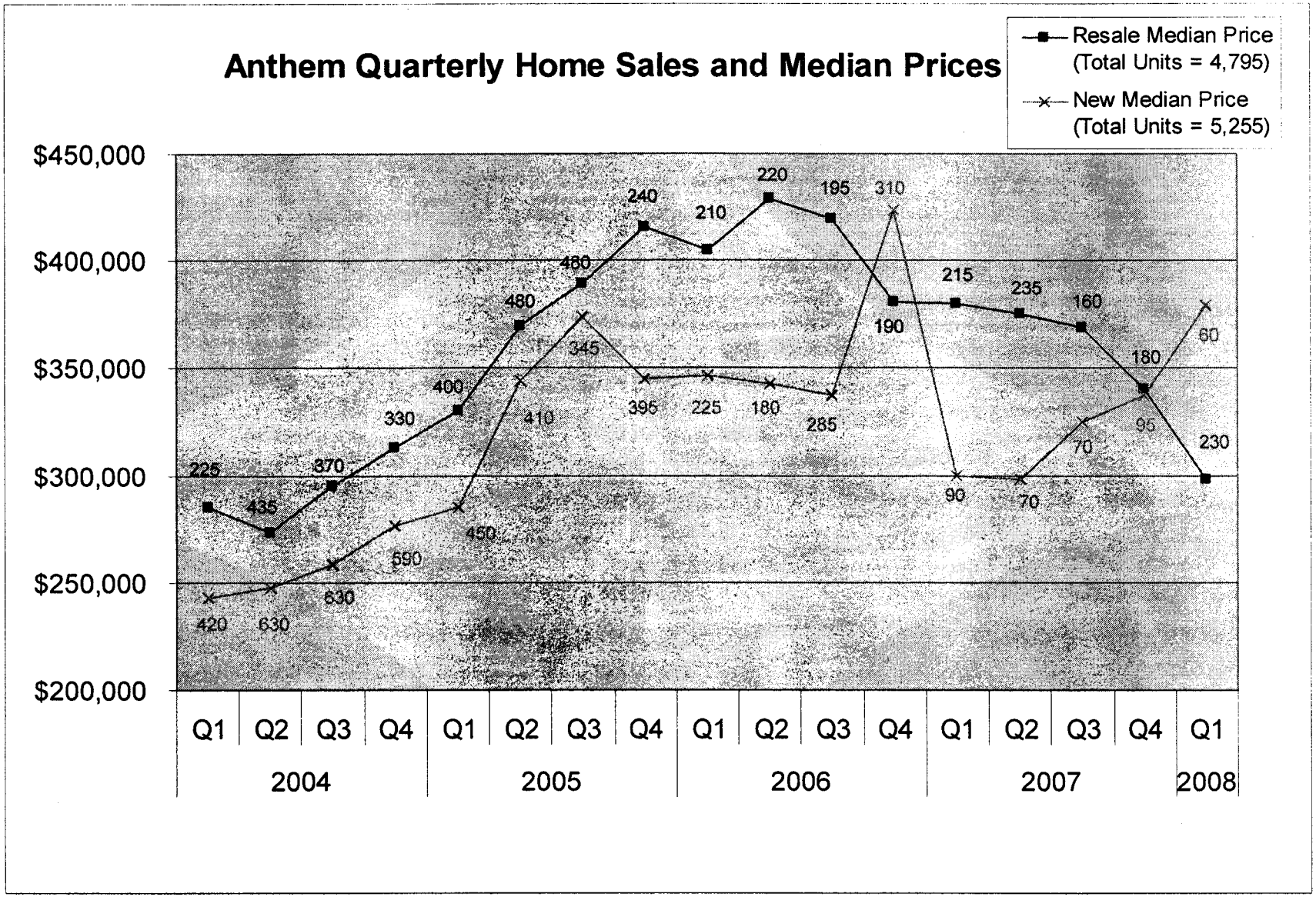


EXHIBIT TMB-7

Anthem Existing Home Sales

data source:
http://www.poly.asu.edu/realty/market_update.html#sales


Anthem Quarterly Home Sales and Median Prices
Resale Median Price (Total Units = 4,795)
New Median Price (Total Units = 5,255)
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
225
435
370
330
400
480
480
240
210
220
195
190
215
235
160
180
230
420
630
630
690
450
410
345
395
225
180
285
310
90
70
70
95
60
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Q1
2004
2005
2006
2007
2008

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
JEFF HATCH-MILLER
WILLIAM A. MUNDELL
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA -AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER DISTRICT, AGUA FRIA WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT, AND TUBAC WATER DISTRICT	DOCKET NO. W-01303A-08-____
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WASTEWATER DISTRICT, AGUA FRIA WASTEWATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT	DOCKET NO. SW-01303A-08-____.

DIRECT TESTIMONY
OF
PAUL G. TOWNSLEY
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

DIRECT TESTIMONY
OF
PAUL G. TOWNSLEY
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

TABLE OF CONTENTS

EXECUTIVE SUMMARY ..... **iii**
I INTRODUCTION AND QUALIFICATIONS **1**
II PURPOSE OF TESTIMONY **2**
III ARIZONA-AMERICAN'S FINANCIAL CONDITION **3**
IV PULTE POST TEST YEAR TRUE-UP PAYMENT **7**
V WHITE TANKS PLANT UPDATE **8**
A NEED FOR WHITE TANKS PLANT 8
B PARTNERSHIP WITH MARICOPA WATER DISTRICT 11
C FUNDING THE WHITE TANKS PLANT 14
VI ACHIVEMENT INCENTIVE PAY ("AIP") **16**

EXHIBIT PGT – 1 Fourth Amendment to Agreement for Anthem Water/Wastewater Infrastructure

EXECUTIVE SUMMARY

Paul G. Townsley testifies that:

Arizona-American's current financial condition is poor; timely and adequate rate relief from the Commission is critically important.

There are benefits of the Fourth Amendment to the Agreement for Anthem Water/Wastewater Infrastructure to our Anthem customers. Accordingly, for this and other reasons, it is appropriate to include the March 31, 2008, refund of Advance in Aid of Construction ("AIAC") to Del Webb/Pulte as a post-test year adjustment to the rate base for our Anthem Water District and our Anthem Wastewater District.

Arizona-American has reached agreement with the Maricopa County Municipal Water Conservation District Number One ("MWD") which provides MWD an option to participate in the White Tanks Plan. Arizona-American's requests to extend the expiration date of the Agua Fria Hook-up Fees and to include construction work in progress in rate base are appropriate.

Arizona-American's Achievement Incentive Pay benefits our customers.

American Water is now a publicly-traded company.

I INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Paul G. Townsley. My business address is 19820 N. 7th St. Suite 201, Phoenix, AZ 85024.

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

A. I am the President of Arizona-American Water, New Mexico-American Water and Hawaii-American Water, subsidiaries of American Water Works Company, Inc. ("American Water").

Q. PLEASE DESCRIBE ARIZONA-AMERICAN WATER ("ARIZONA-AMERICAN") AND ITS BUSINESS.

A. Arizona-American is a wholly-owned subsidiary of American Water. Arizona-American is a public service corporation engaged in providing water and wastewater utility service in portions of Maricopa, Mohave, and Santa Cruz Counties. Arizona-American is Arizona's largest investor-owned water and wastewater utility, serving approximately 100,000 water customers and 50,000 sewer customers in the state. To serve its water customers, Arizona-American owns, operates and maintains potable water production, treatment, storage, transmission, and distribution facilities. To serve its wastewater customers, Arizona-American owns, operates, and maintains collection and treatment facilities. Arizona-American also provides treated effluent to customers for irrigation and other uses.

Q. WHAT ARE YOUR RESPONSIBILITIES AS THE PRESIDENT OF ARIZONA-AMERICAN?

A. As President, I am responsible for maintaining Arizona-American's financial health; enhancing the operating efficiency and reliability of the business; and for assuring that all functions (e.g. planning, engineering, construction, production, distribution, customer

service, accounting, regulatory and human resources) are carried out in compliance with all local, state, and federal laws and regulations, and standards of good business practice. I am also ultimately responsible for assuring that we meet our customers' needs.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I received a Bachelor of Science degree in Mechanical Engineering from the United States Merchant Marine Academy in 1980.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

A. I have been employed by American Water since 2002 as President of its Western Region and of various state regulated affiliates. Prior to that, I was employed by Citizens Utilities Company in a variety of positions spanning twenty years, including Vice President, Citizens Water Resources; Vice President, Arizona Energy; Vice President, Arizona Electric; and Vice President, Mohave Sector.

Q. ARE YOU A REGISTERED PROFESSIONAL ENGINEER?

A. I am a registered Professional Engineer in the states of Arizona and Hawaii.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE REGULATORY COMMISSIONS?

A. Yes. I have testified before the Arizona Corporation Commission ("Commission") on numerous occasions. I have also testified before the California Public Utilities Commission, the New Mexico Public Regulatory Commission, the Hawaii Public Utilities Commission, and the Illinois Commerce Commission.

II <u>PURPOSE OF TESTIMONY</u>

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. Please see the executive summary of my direct testimony.

III ARIZONA-AMERICAN'S FINANCIAL CONDITION

Q. WHAT IS ARIZONA-AMERICAN'S CURRENT FINANCIAL CONDITION?

A. Unfortunately, there is no way to sugarcoat Arizona-American's poor financial condition. Most of Arizona-American's operating districts have under-earned for several years and Arizona-American, as a whole, has lost nearly $30 million since American Water purchased the assets of Citizens Water Resources in 2002. This unfortunate trend continues. Arizona-American again had a net income loss of $4.6 million in 2007 and expects to continue to operate at a loss in 2008 and 2009 until new rates are implemented.

The Commission is already aware of Arizona-American's poor financial condition. For example, in Decision No. 69730, the Commission evaluated Arizona-American's "Times Interest Earned Ratio", or "TIER" and stated that "TIER represents the number of times earning will cover interest expense on short-term and long-term debt.... [A] TIER of less than 1.0 is not sustainable in the long-term ...."[1] The Commission further concluded that Arizona-American's TIER was only 0.44 at the end of 2006, meaning that Arizona-American cannot be a viable long term water utility unless it can improve its TIER. So far, despite an equity infusion of $15 million in 2007, TIER has not improved. As of December 31, 2007, Arizona-American's TIER had plummeted to 0.072.

Q. WHAT FACTORS CONTRIBUTED TO ARIZONA-AMERICAN'S CURRENT FINANCIAL CONDITION?

A. Arizona-American's current financial condition can be attributed to at least three factors. First, in Decision No. 65453, dated December 12, 2002, the Commission imposed a moratorium on filing rate case application from January 2003, until January 2006. This largely prevented Arizona-American's from transferring capital investments into rate-base and from recovering increased operating expenses.

[1] P. 3, ln. 18-21.

Second, Decision No. 63584 included a provision that assets purchased from Citizens would be not be immediately included in rate base, but would instead be amortized into rate-base over a period ranging from six and one-half years to ten years. Despite the resulting delay in recognizing these assets, Arizona-American had agreed to this condition with Staff, but was assuming only a one-year rate moratorium. The Commission imposed three-year moratorium meant that Arizona-American could only begin to recover these assets after the moratorium expired, new rate cases were filed, and the Commission approved recovery. The first case to approve recovery of any portion of the amortizations was Decision No. 69440, dated May 1, 2007, for our Mohave Water District. As of April 30, 2008, Arizona-American has been authorized rate recovery for only $25 million of the total $125 million of deferred AIAC and CIAC.

Third, the nature of historic test years in Arizona automatically causes a lag between the date a company expends capital and the date that the company starts to earn a return on and of that capital. This is a particular issue for companies like Arizona-American that must invest to meet the needs of its customers in a fast growing area like Maricopa and Mohave Counties.

Q. HAS THE COMMISSION AUTHORIZED SOME MECHANISMS TO PROVIDE ARIZONA-AMERICAN RATE RELIEF?

A. Yes and I would be remiss if I didn't acknowledge how the Commission has helped Arizona water utilities, including Arizona-American. The most significant assistance has been the availability of the Commission's Arsenic Cost Recovery Mechanism ("ACRM") and the lifting of the three-year moratorium as it applied to the Paradise Valley Water District. In Decision No. 68310, dated November 14, 2005, the Commission authorized Arizona-American to use ACRMs for its Havasu Water, Agua Fria Water, and Sun City West water districts. Then, in Decision No. 68858, dated July 28, 2006, the Commission

authorized Arizona-American to use an ACRM for its Paradise Valley Water District. The ACRMs have allowed Arizona-American to begin recovering $42.7 million in arsenic-remediation investments, without the usual regulatory lag and the need to file rate cases. Without these ACRMs, Arizona-American's financial condition would be that much worse. The Commission has also helped Arizona-American by approving innovative financing proposals for fire-flow projects in its Paradise Valley Water District and for a regional surface water treatment facility in its Agua Fria Water District.[2]

Q. WHAT ARE THE CONSEQUENCES OF ARIZONA-AMERICAN'S POOR FINANCIAL CONDITION?

A. Arizona-American could not have made all the necessary capital investment in Arizona without American Water's willingness to infuse new equity and make long-term borrowing at a very attractive rate to Arizona-American. I don't know how much longer Arizona-American's access of capital from or through its parent will continue if Arizona-American continues to suffer net income losses. Without American Water's financial commitment to Arizona-American, Arizona-American could face the threat of financial restructuring or capital restrictions if its financial condition does not improve soon.

Q. WHAT STEPS HAS ARIZONA-AMERICAN TAKEN TO PREVENT FURTHER DETERIORATION OF ITS FINANCIAL CONDITION?

A. First, Arizona-American has not paid a dividend since 2003 to its parent, American Water. This has helped slow the erosion of Arizona-America's equity balance.

Second, despite Arizona-American's failure to pay dividends, or even to generate positive earnings, American Water has still been willing to infuse new equity to offset the equity ratio erosions caused by these continuing losses and the need to issue new debt to fund capital projects. American Water infused $35 million of equity in 2006, $15 million

[2] Decision No. 68858, dated July 28, 2006; Decision No. 69914, dated September 27, 2007.

more in 2007, and plans to infuse another $30 million in 2008. The goal of these equity infusions is to maintain Arizona-American's equity ratio near the Commission's 40% target.[3]

Third, Arizona-American will also continue to provide quality water and wastewater services to our customers, but we must minimize operating losses by carefully managing operating expenses and eliminating discretionary projects that do not have Commission-approved funding mechanism.

Fourth and finally, this rate application seeks timely and adequate rates relief. It is a critical part of our strategy to restore Arizona-American's long-term financial health.

Q. WHY IS TIMELY AND ADEQUATE RELIEF FROM THE COMMISSION IN THIS CASE CRITICAL TO ARIZONA-AMERICAN'S LONG TERM FINANCIAL HEALTH?

A. In order to be a financially viable and stable water and wastewater utility to our customers and investors, Arizona-American must make a return on and return of the investment made by our shareholder. Currently, only $160 million of Arizona-American's investment is in rate base. In other words, although our customers in Arizona are enjoying the benefit of $364.8 million worth of Arizona-American's capital investment, they are only paying for approximately 44% of the assets. In this case, we are seeking to put additional $204.8 million of our capital investment in rate base.

It is also important that the Commission timely approve the requested rate relief. The last two Arizona-American's rate cases (Docket Nos. W-01303A-06-0403 and WS-01303A-06-0491) experienced prolonged delays during the Commission-approval process, resulting in approximately $3.7 million lost in revenue. The revenue lost from these two

[3] Decision No. 68858, dated July 28, 2006

delays can never be recovered by Arizona-American. Given the magnitude of the rate relief sought in this case, while operating losses are expected to continue in 2008 and 2009, Arizona-American cannot bear any delays in obtaining timely Commission approval of the rate increases requested in this application.

IV PULTE POST TEST YEAR TRUE-UP PAYMENT

Q. PLEASE DESCRIBE THE FOURTH AMENDMENT TO THE AGREEMENT FOR ANTHEM WATER/WASTEWATER INFRASTRUCUTRE?

A. The Fourth Amendment, entered into by Arizona-American and Pulte Homes, Inc. ("Pulte"), provides rate relief for Arizona-American's Anthem customers in this rate case and future rate cases. Under the Agreement for Anthem Water/Wastewater Infrastructure ("Anthem Agreement"), Arizona-American is contractually obliged to refund $30,813,221 of the Advance in Aid of Construction ("Anthem Refund") to Pulte at build-out of the Anthem community, which occurred in September of 2007. After extensive negotiations requested by the Commission in the last Anthem rate case (Docket No W-01303A-06-0403), Arizona-American and Pulte agreed to enter into the Fourth Amendment, which permanently reduces the amount of the Anthem Refund by $1.5 million and defers the remaining amount of the Anthem Refund into two interest-free, installment payments - 75% of the refund due on March 31, 2008, and the remaining 25% due on March 31, 2010.

Q. HOW DOES THE FOURTH AMENDMENT BENEFIT THE ANTHEM WATER AND WASTEWATER CUSTOMERS?

A. The Fourth Amendment reduces revenue requirements for Anthem Water and Wastewater in this case by approximately $1.1 million. Part of this saving to Anthem customers is a result of Pulte's willingness to reduce the amount of Anthem Refund owed by $1.5 million. This permanent reduction is being treated as additional Contributions in

Aid of Construction from Pulte to pay down the cost of the Anthem infrastructure, and has the effect of reducing Anthem's rate base by $1.5 million in this rate case. Pulte also agrees to defer until March 31, 2010, without interest, $6,742,041 of the Anthem Refund that would otherwise be due on late 2007. Arizona-American, therefore, will not seek recovery of $6,742,041 in this rate case as a direct result of the Fourth Amendment.

Q. DOES ARIZONA-AMERICAN SEEK RECOVERY OF THE MARCH 31, 2008, REFUND IN THIS CASE?

A. Yes, in rate base adjustment LJG-10. It is appropriate to include the March 31, 2008, Anthem Refund to Pulte in rate base because the amount of the refund is known and measurable and the capital investment associated with the refund have been providing service to the Anthem residents since 1998.

V WHITE TANKS PLANT UPDATE

A NEED FOR WHITE TANKS PLANT

Q. WHAT IS THE WHITE TANKS SURFACE WATER TREATMENT PLANT?

A. The White Tanks Surface Water Treatment Plant ("White Tanks Plant") is a regional water treatment facility, designed to treat Colorado River Water delivered through facilities owned by the Central Arizona Project ("CAP water"). As discussed in Mr. Gross' testimony, the White Tanks Plant is presently under construction and is scheduled to be in service in 2010.

Q. WHY IS ARIZONA-AMERICAN CONSTRUCTING THE WHITE TANKS PLANT?

A. Over the last 50 years, the West Valley has developed largely based on groundwater resources. As a result, groundwater overdraft and depletion in the area has been severe. Arizona-American and other entities serving the West Valley have access to CAP water;

however, treatment is required before CAP water can meet current drinking-water standards.

In 1997, a number of western Maricopa County municipalities and private water companies holding CAP water contracts formed WESTCAPS to develop cooperative regional solutions for use of the region's CAP water allocations and other renewable water supplies. This effort was driven by the concerns of the Arizona Department of Water Resources ("ADWR") and West Valley water providers about the long-term consequences of continuing to use only groundwater to support population growth. Continuing to rely solely on groundwater would be imprudent because of accelerated groundwater level declines, land subsidence, declining well-production rates, and the increasing number of wells that could not meet Safe Drinking Water Act water quality standards.

In April 2001, WESTCAPS released its Regional Water Supply Plan. Groundwater modeling studies, conducted by ADWR and by the Bureau of Reclamation as part of the WESTCAPS study, warned that continued reliance on groundwater to support new development will result in long-term groundwater declines that approach or exceed the ADWR Assured Water Supply limit of 1000 feet below land surface. This would also accelerate land-subsidence problems. The Regional Water Supply Plan concluded that the area's water suppliers should maximize their uses of CAP water and other surface water resources. To treat that water, WESTCAPS recommended the construction of two regional treatment facilities.

One of those recommended treatment facilities has become the White Tanks Plant. The WESTCAPS study selected the site of the proposed White Tanks Plant (Cactus and Perryville Road, on the Beardsley canal) because of its location on the canal and its

proximity to multiple water provider service areas. The 45-acre plant site is large enough to support a facility that could ultimately treat up to 80 million gallons per day ("MGD").

Q. DOES ARIZONA-AMERICAN AGREE THAT THE WHITE TANKS PLANT IS NEEDED?

A. Yes. Arizona-American's recent experience underscores the need for the White Tanks Plant. Most recently constructed wells within the Agua Fria Water District have exhibited poor water quality and low rates of water production. Over the last few years, levels of arsenic, fluoride, nitrate, chromium, or other constituents in excess of Federal and State drinking water standards have become all-too common in new wells constructed within the Agua Fria Water District south of Greenway Road. These wells will require expensive wellhead treatment systems to remove the contaminants at a considerably higher total capital and operation and maintenance cost than needed for wells only a few years ago. To locate water, deeper drilling has been necessary, which raises capital costs and increases pumping costs (electricity). In addition, well yields below Greenway have been lower than for new wells north of Greenway. Overall, Arizona-American's recent experience with new well construction—whether drilled by the Company or by a developer—highlights the need for surface water treatment plant capacity to minimize long-term water costs for Arizona-American's customers in its Agua Fria District.

Q. HOW WILL ARIZONA-AMERICAN USE THE WHITE TANKS PLANT?

A. Arizona-American holds a CAP-water subcontract for 11,093 acre-feet per year, or nearly one-half billion gallons. When the White Tanks Plant is completed, Arizona-American will be able to treat its full allotment of CAP water and deliver it to its Agua Fria customers. This will preclude the need to pump almost one-half billion gallons of ground water each year.

In addition, Arizona-American expects that, through future expansions, the White Tanks Plant will be available to treat up to 21,000 acre-feet per year of Agua Fria River Water for delivery to Agua Fria customers within the MWD service territory.

B PARTNERSHIP WITH MARICOPA WATER DISTRICT

Q. DOES ARIZONA-AMERICAN HAVE ANY POTENTIAL PARTNERS TO SHARE THE COST OF THE WHITE TANKS PLANT?

A. Yes. As discussed above, the White Tanks Plant has long been planned to be a regional water treatment plant, serving not only customers of Arizona-American but also residents from other West Valley communities. To facilitate regional use of the White Tanks Plant, Arizona-American entered into a Joint Development Agreement ("JDA") with the Maricopa Water District ("MWD") in November 2007. The JDA creates a partnership between Arizona-American and MWD for possible future expansion of the White Tanks Plant for regional uses.

Q. WHAT ARE THE KEY TERMS OF THE JOINT DEVELOPMENT AGREEMENT BETWEEN ARIZONA-AMERICAN AND MWD?

A. Under the JDA, Arizona-American will proceed with the construction of its 13.5 MGD treatment capacity ("Phase 1A"). MWD has the option until November 15, 2008, to demand and fund the construction of 6.5 MGD of additional capacity ("Phase 1B"). If MWD declines or fails to exercise the option by November 15, 2008, Arizona-American retains the right to build Phase 1B of the White Tanks Plant.

If MWD elects to partner with Arizona-American to expand the White Tanks Plant, Arizona-American and MWD will enter into a series of agreements outlining the ownership, construction, management, and operation arrangement for the expanded facility. The terms of these agreements have already been negotiated between Arizona-American and MWD, and are ready to be executed once MWD exercise its option.

As stated, if MWD exercises its option, it will fund and construct the Phase 1B expansion. Once both Phase 1A and 1B are completed, MWD will own 32.5% of the White Tanks Plant, with Arizona-American owning the remaining 67.5%. To pay for its share, MWD will pay Arizona-American 32.5% of the total project cost, with a credit to MWD for its costs associated with constructing Phase 1B.

MWD and Arizona-American will jointly coordinate with other entities desiring treatment services through future expansions of the White Tanks Plant. Both parties have the right, but not the obligation, to take a 50% interest in providing services to such entities. The parties will cooperate with future plant expansions, but each party can proceed unilaterally with plant expansion if agreement cannot be reached.

Q. HOW WOULD THE JDA BENEFIT CUSTOMERS?

A. Because it will share common infrastructure already completed for Phase 1A, the cost per MGD of constructing Phase 1B will be substantially less than the cost per MGD of constructing Phase 1A. When MWD purchases its 32.5% share of the entire plant, this will reduce Arizona-American's rate base associated with the White Tanks Plant. Therefore, hook-up fees will more quickly recover the cost of the White Tanks Plant.

Another JDA provision would further reduce plant costs. Arizona-American will swap the land under the plant for another MWD parcel of equal value, and MWD will lease an undivided portion of the plant site to Arizona-American for 99 years at no cost. This would reduce rate base by the cost of the land.

The JDA would also reduce operating costs. First, MWD already provides low-cost power to several Arizona-American facilities. Under the JDA, MWD commits to also provide electricity to the White Tanks Plant. This could be a significant benefit if it is able to obtain preference power from federal hydropower projects. Second, with its

32.5% ownership interest, MWD would also be required to pay 32.5% of O&M costs that do not vary with usage.

Q. YOU HAVE DISCUSSED RATE BENEFITS OF THE JDA; ARE THERE OTHER BENEFITS?

A. Certainly. First, once MWD exercises its option to participate in the White Tanks Plant, it makes it much less likely that MWD would construct its own competing treatment facility. Second, as a quasi-municipal water provider, MWD's participation should make other municipal water providers more willing to serve as customers being served by future expansions. These two benefits will make possible greater economies of scale for the White Tanks Plant.

MWD participation also provides water-supply benefits. First, owning the underlying land and a share of the White Tanks Plant will let MWD use a future phase of the plant to treat up to 21,000 acre-feet per year of Agua Fria River Water for delivery to Agua Fria customers within the MWD service territory. This water will become available to Agua Fria Water District customers as the district builds out and residential and commercial uses replace irrigation uses. Because MWD's service territory is largely contained within Arizona-American's Agua Fria Water CC&N, Agua Fria Water customers would ultimately be able to annually receive over 800 million gallons of treated, renewable surface water instead of groundwater. Second, the JDA commits the parties to develop a regional solution, including the use of existing MWD irrigation wells, to meet potable groundwater demands. This would reduce the need to drill additional wells.

Q. WHAT IS THE STATUS OF MWD'S PARTICIPATION UNDER THE JDA?

A. MWD has not yet exercised its option to participate in the White Tanks Plant, but I remain optimistic. Arizona-American will update the Commission when it has new information.

C FUNDING THE WHITE TANKS PLANT

1 HOOK-UP FEE SUNSET DATE

Q. HOW DOES ARIZONA-AMERICAN PLAN TO FUND THE CONSTRUCTION OF THE WHITE TANKS PLANT?

A. The construction of the White Tanks Plant is currently being funded by the Hook-Up Fee increase approved by the Commission in Decision No. 69914. The increase was approved last September and is scheduled to sunset on December 15, 2015.

Q. WILL THE INCREASED HOOK-UP FEES GENERATE SUFFICIENT PROCEEDS TO PAY FOR THE WHITE TANKS PLANT CONSTRUCTION?

A. No. Based on our current projection, it now appears that Arizona-American will not collect enough Hook-Up Fee proceeds to fund the White Tanks Plant. At the time Arizona-American filed its application with the Commission, the real estate market in Arizona was robust. Since that time, the overall real estate market has cooled dramatically. As a result, Arizona-American now projects that new Agua Fria Water District connections will be only 1,400 in 2008. Mr. Gross sponsors the revised customer forecast.

Q. WHAT DOES ARIZONA-AMERICAN PROPOSE TO DO TO ADDRESS THE SHORTFALL?

A. Arizona-American first proposes to extend the Hook-Up Fee sunset date to December 31, 2020. Arizona-American initially requested a sunset date for the increased Hook-Up Fees, based on the customer projection made in 2005, when the real estate market was robust. In 2007, as the market began to slow, Arizona-American revised its sunset-date request to 2015, which was reflected in Decision No. 69914. Based on its most recent projection, Arizona-American now forecasts that it could be late 2027 before the White Tanks Plant is fully paid for using Hook-Up Fee proceeds. Such a late date is

unacceptable and Mr. Broderick proposes to include $25 million of White Tanks Plant CWIP in rate base as well as request an O&M recovery mechanism similar to an ACRM.

2 WHITE TANKS PLANT – CWIP IN RATE BASE

Q. HOW ELSE CAN THE COMMISSION HELP ARIZONA-AMERICAN DEAL WITH THE DECLINE IN HOOK-UP FEE REVENUES?

A. As noted earlier in my testimony, Arizona-American is a company in serious financial difficulty. The current construction slowdown, with the associated decline in Hook-Up Fees, will result in substantial negative cash flows for years to come. As a result we are asking the Commission to authorize including some post-test year Construction Work in Progress ("CWIP") in rate base. While we appreciate the Commission's allowing us to defer depreciation expense and to record post-in-service AFUDC, these approvals do not help the negative cash flows we will be experiencing. Including CWIP in rate base will reduce negative cash flows associated with this project and ultimately, the project's costs (due to the deferred financing costs) to customers.

Q. HOW MUCH CWIP DOES ARIZONA-AMERICAN PROPOSE TO INCLUDE IN RATE BASE?

A. We propose that $25 million, approximately the forecasted CWIP balance at June 2008, be placed in rate base.

Q. WHAT WILL ARIZONA-AMERICAN NEED TO DO IF IT CANNOT RECOVER A PORTION OF POST-TEST-YEAR CWIP IN RATE BASE?

A. Arizona-American will have no choice but to file another rate case a few months before the White Tanks Plant enters service and request the entire amount be included in rate base.

3 WATER FACILITIES HOOK-UP FEE INCREASE

Q. DID ARIZONA-AMERICAN CONSIDER INCREASING THE EXISTING HOOK-UP FEE TO GENERATE MORE WHITE-TANKS FUNDS?

A. Yes. However, although Arizona-American would consider a proposal to increase Hook-Up Fees, the current real estate market may make it difficult for developers to support such a proposal. Further, any significant Hook-Up Fee increase could have the unintended consequence of reducing number of new connections in our Agua Fria Water District, which would further reduce Hook-Up Fee proceeds.

VI <u>ACHIVEMENT INCENTIVE PAY ("AIP")</u>

Q. PLEASE DESCRIBE THE REASONS WHY ARIZONA-AMERICAN IS PROVIDING AN AIP?

A. To attract and retain high quality personnel, Arizona-American needs to insure that the "total compensation" offered to its employees is competitive with other companies. Total compensation is a combination of key items including base salary, incentive pay, pension, 401K, group insurance and some other lesser benefit items. The total value of all of these items makes up the total compensation. Adjusting any one of these components will require an offsetting adjustment in another component to maintain the value of the total compensation offered to our employees. When used properly, incentive pay helps to align the employee's work activities with the goals of the company and its customers in a way that straight salary dollars, no matter how large, cannot achieve as effectively. A well-designed incentive-pay plan can pull people together, direct them in to achieve the goal you want them to achieve, and helps us better compete in today's competitive environment.

Q. DO ARIZONA-AMERICAN CUSTOMERS BENEFIT FROM A WELL-DESIGNED INCENTIVE PAY PLAN?

A. Yes, for the following reasons. First, being able to attract and retain qualified employees to manage and operate Arizona-American operations is certainly in the best interest of the Arizona-American customers. However, even more importantly, the AIP is designed to encourage and reward exactly the corporate results and employee behaviors that matter to these customers. I will have more to say about this concept below.

Q. PLEASE DESCRIBE ARIZONA-AMERICAN'S AIP.

A. All full-time management, professional and technical employees of Arizona-American who are employees as of December 31st, 2007 or retired during the AIP plan year are eligible to participate in the AIP. The AIP is designed to award participants for the performance results they attain during the plan year. There are three performance components: financial, operational, and individual.

Q. WHAT ARE THE FINANCIAL COMPONENT MEASURES?

A. Arizona-American's operating income is the key financial measure. We believe that this measure is the most critical gauge of our business success and is consistent with other affiliated business units. Operating income is essentially the profit generated before any interest income or expense, AFUDC and income taxes.

Q. HOW DOES THE FINANCIAL COMPONENT BENEFIT CUSTOMERS?

A. Operating income relates to the portion of the financial statements which are most closely linked to the majority of the employees and is a critical precursor to key external items such as Net Income and Cash Flow. These external measures are used to evaluate the financial health of not only Arizona-American, but its parent American Water. Consistently meeting these projections is a critical part of Arizona-American's ability to encourage more investment from American Water to fund discretionary projects that benefit our customers.

Q. WHAT ARE THE OPERATIONAL COMPONENTS INCLUDED IN THE AIP?

A. The Operational component includes three parts: (1) Customer Service, (2) Environmental and (3) Health and Safety.

Q. PLEASE DESCRIBE EACH PART OF THE OPERATIONAL COMPONENT.

A. Under the Customer Service measure, we are striving on an annual basis for:

1. Favorable results in the regular customer satisfaction study; and
2. Favorable results in the customer service quality study;

For the Environmental measures, our annual goal is no public notification or customer advisories in violation of drinking water or wastewater regulations. Again, customers are the obvious beneficiaries. For the Health and Safety measure, our annual goal is meeting specified targets for Lost Workday Case Rate. In this case, customers benefit from well-trained, careful employees operating in a safe, well-maintained workplace.

Q. WHAT IS THE INDIVIDUAL COMPONENT?

A. The individual component is based on the overall performance rating for the employee as provided by the employee's supervisor in the employee's annual review.

Q. HOW DO THE PERFORMANCE RATINGS SUPPORT ARIZONA-AMERICAN'S PERFORMANCE

A. Each employee works with the employee's supervisor at the beginning of the plan year to determine their annual performance objectives. These performance objectives reward employee for activities that align with Arizona-American's performance objectives

Q. HOW DO PERFORMANCE RATING BENEFIT CUSTOMERS

A. Many of the objectives are directly related to improved customer service. Other relate to improving employee skills such as team-working and problem solving. Overall, the

objectives support Arizona-American's overall performance, which circles back to the customer benefit that I just discussed.

Q. HOW ARE THE THREE AIP COMPONENTS (FINANCIAL, OPERATIONAL, AND INDIVIDUAL) WEIGHTED IN DETERMINTING AN EMPLOYEE'S AWARD?

A. One of our key incentive principles is that participants should be measured on performance they can directly influence. Therefore, different employee classes have different component weightings. For example, senior employees can more directly influence financial goals, so the financial category is more heavily weighted for these employees.

Q. WHAT ARE THE AIP EXPENSES FOR THE TEST YEAR?

A. In 2007, Arizona-American employees earned $ 349,612 in AIP as part of our employees' compensation package.

Q. HAS AMERICAN WATER COMPLETED ITS INITIAL PUBLIC OFFERING ("IPO")?

A. Yes. The IPO was held on April 23, 2008. American Water is now traded on the New York Stock Exchange under the symbol "AWK."

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CASE?

A. Yes.

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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DOCKET CONTROL

COMMISSIONERS

MIKE GLEASON, Chairman
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KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR APPROVALS ASSOCIATED WITH A PROPOSED TRANSACTION WITH MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE TO ALLOW THE CONSTRUCTION OF A SURFACE WATER TREATMENT FACILITY KNOWN AS THE WHITE TANKS PROJECT	DOCKET NO. W-01303A-05-0718

Arizona Corporation Commission
DOCKETED

FEB 14 2008

DOCKETED BY

Arizona-American Water Company ("Arizona-American") hereby files the attached executed **Joint Development Agreement Between Maricopa County Municipal Water Conservation District Number One and Arizona-American Water Company ("Agreement")** and letter explaining of the Agreement from Paul G. Townsley, President of Arizona-American.

RESPECTFULLY SUBMITTED on February 14, 2008.

Paul M. Li
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(623) 445-2442
Paul.Li@amwater.com
Attorney for Arizona-American Water Company

Original and 13 copies **filed**
on February 14, 2008, with:

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Arizona Corporation Commission
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Phoenix, Arizona 85007

Copies of the foregoing **delivered**
on February 14, 2008, to:

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By: _____
Courtney Appelhans

Arizona American Water®

February, 14 2008

Commissioner Mike Gleason
Commissioner William Mundell
Commissioner Jeff Hatch-Miller
Commissioner Kristin Mayes
Commissioner Gary Pierce

Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Subject: Joint Development Agreement between Maricopa County Water Conservation District Number One and Arizona-American Water Company; White Tanks Regional Water Treatment Plant

Dear Chairman and Commissioners,

Arizona-American Water Company ("Arizona-American") is pleased to docket a copy of the "Joint Development Agreement between Maricopa County Water Conservation District Number One and Arizona-American Water Company", dated as of November 15, 2007 ("Agreement"). This landmark public-private partnership agreement to sustain Arizona's water supply in the West Valley of Maricopa County could not have happened without the support of the Arizona Corporation Commission.

The Agreement involves a $60 million investment by Arizona-American and Maricopa County Water Conservation District Number One ("MWD") in building the White Tanks Regional Water Treatment Plant ("WTRWTP" or "Plant"). The WTRWTP, once completed, will reduce the reliance on groundwater by treating renewable Central Arizona Project water into high quality drinking water for the residents and businesses in the West Valley. The construction of the Plant is underway and will be in operation by early 2010.

Under the Agreement, Arizona-American will construct and own phase 1A of the WTRWTP until MWD elects to construct Phase 1B of the Plant. Upon election by the MWD, Arizona-American and the MWD will enter into various ownership, cost sharing and operating agreements for both Phase 1A and 1B of the Plant.

RWE Group

In conclusion, I would like to express my appreciation of the Commission's unwavering support of the WTRWTP.

Sincerely,

Paul Townsley, President
Arizona-American Water Company

Cc: Docket Control Office, ACC (hard copy)
Ernest Johnson, ACC (via email)
Steve Olea, ACC (via email)
Tom Broderick, Arizona-American (via email)
Carrie Gleeson, Arizona-American (via email)
Martin Stanek, Arizona-American (via email)
Paul Li, Arizona-American (via email)
Craig Marks, Craig A. Marks PLC (via email)

JOINT DEVELOPMENT AGREEMENT

between

MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE

and

ARIZONA-AMERICAN WATER COMPANY

Dated as of November 15, 2007

Table of Contents

ARTICLE 1 - DEFINITIONS 3

1.1 Definitions 3

ARTICLE 2 - SITE 4

2.1 Acknowledgments 4
2.2 Construction Easement 4
2.3 Property Exchange 4
2.3.1 Appraisals 4
2.3.2 Exchange and Lease 5
2.3.2.1 Designation of Exchanged Land 5
2.3.2.2 Opening of Escrow, Title Report and Related Matters 5
2.3.2.3 Property Exchange Agreement 5
2.3.2.4 Ground Lease 5

ARTICLE 3 - PLANT 7

3.1 Acknowledgments 7
3.2 Development of Phase I Plant Facilities 7
3.2.1 Acknowledgment as to Planning and Design 7
3.2.2 Phase I Development Costs 8
3.3 Construction of Phase IA Plant Facilities 8
3.3.1 Construction by AAW 8
3.3.2 Role of MWD 9
3.3.3 Arizona Water Company 9
3.3.4 Ownership of Plant IA Plant Facilities 9
3.4 Construction of Phase IB Plant Facilities 9
3.4.1 Election of MWD to Construct 9
3.4.1.1 MWD Election 9
3.4.1.2 Acknowledgments 9
3.4.1.3 AAW Deferral; MWD Deferral 10
3.4.1.4 Effect of Non-Election 10
3.4.2 Effect of MWD Election 10
3.4.2.1 Election Documents 10
3.4.2.2 Construction of Phase IB Plant Facilities 10
3.4.2.3 Role of AAW 11
3.4.2.4 Goodyear 11
3.4.2.5 Ownership of Phase IB Plant Facilities 11
3.5 Completion of Phase I Plant Facilities 11
3.5.1 Property Exchange and Ground Lease 11
3.5.2 Joint Conveyance 11
3.6 Power Supply 12
3.7 Future Plant Expansions 12
3.7.1 Coordination of Future Expansions 12

3.7.2 Reservation of Rights 12
3.7.3 Reallocation of Phase I Common Facilities Costs 12
3.7.4 Public Bidding 13

ARTICLE 4 - CANAL WHEELING AGREEMENT 14

4.1 Canal Wheeling Agreement 14

ARTICLE 5 - BULK WHOLESALE TREATMENT SERVICES 15

5.1 Bulk Wholesale Treatment Services for Third Parties 15
5.2 Wheeling through the Beardsley Canal 15

ARTICLE 6 - INTERIM TREAT-WATER WHEELING SERVICES 16

6.1 Acknowledgments 16
6.2 Interim Treated-Water Wheeling Services Agreement 16

ARTICLE 7 - CORPORATION COMMISSION; DISTRICT LANDOWNER CREDIT . 17

7.1 Cooperation Before the Commission 17
7.2 District Landowner Credit 17

ARTICLE 8 - AGUA FRIA RIVER WATER 18

8.1 Equitable Allocation of Agua Fria River Water 18
8.2 Delivery of Treated Agua Fria River Water 18

ARTICLE 9 - GROUNDWATER DELIVERY SERVICES 19

9.1 Use of MWD Wells 19
9.2 Regional Solutions 19
9.3 Reduction of Well-Drilling 19

ARTICLE 10 - DEFAULTS; INDEMNIFICATION 20

10.1 Acknowledgments 20
10.2 Events of Default 20
10.2.1 Nonpayment 20
10.2.2 Nonperformance of Covenant 20
10.2.3 Invalidity 21
10.3 Remedies on Event of Default. 21
10.4 Waiver; Indemnification. 21
10.4.1 Waiver 21
10.4.2 Indemnification 21
10.4.2.1 General 21
10.4.2.2 Procedures for Indemnification 22

ARTICLE 11 - GENERAL PROVISIONS 24

11.1 Representatives 24
11.1.1 Authorized Representatives 24
11.1.2 No Release 24
11.2 Dispute Resolution 24
11.3 Force Majeure 28
11.4 Assignment 29
11.5 Notices 29
11.6 Entire Agreement; Exhibits 31
11.6.1 Entire Agreement 31
11.6.2 Exhibits 31
11.6.3 Further Assurances 32
11.7 No Waiver 32
11.8 Amendment, Modification or Waiver 32
11.9 Governing Law and Interpretation 32
11.9.1 Governing Law 32
11.9.2 Descriptive Headings 32
11.10 Counterparts 32
11.11 No Third Party Beneficiaries 33
11.12 Relationship of Parties 33
11.13 Computation of Time 33
11.14 No Party the Drafter 33
11.15 Interest on Late Payments 34
11.16 Time Is of the Essence 34
11.17 No Business Opportunities 34
11.18 Separability 34
11.19 Signatory Warranty 35

EXHIBITS

Exhibit A - Definitions
Exhibit B - White Tank Regional Water Treatment Plant-Concept Plan
Exhibit C - Site
Exhibit D - Land Exchange Area
Exhibit E - Construction Easement
Exhibit F - Plant Construction Coordination Agreement
Exhibit G - Tenancy-in-Common Agreement
Exhibit H - Plant Management and Operations Agreement
Exhibit I - Property Exchange Agreement
Exhibit J - Ground Lease
Exhibit K - Insurance
Exhibit L - Form of MWD Bulk Water Treatment Services Agreement

JOINT DEVELOPMENT AGREEMENT

JOINT DEVELOPMENT AGREEMENT (the "Agreement") dated as of November 15, 2007, between the MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE, an Arizona municipal corporation and a political subdivision of the State of Arizona ("MWD"), and ARIZONA-AMERICAN WATER COMPANY, an Arizona corporation ("AAW") (collectively, the "Parties").

RECITALS:

A. The Parties desire to provide for various transactions relating to the development, ownership and operation of a regional water treatment plant in Maricopa County, Arizona (the "Plant"), in the event MWD elects to participate in such development, ownership and operation, including the following transactions:

1. An exchange of certain real property so that MWD will become the owner of all right, title and interest in and to that certain real property more particularly described on Exhibit C (the "Site").

2. A ground lease by MWD to AAW of an undivided interest in the Site.

3. Coordination of construction of the Plant on the Site.

4. Related agreements between the Parties as to (i) their respective interests in the Site and the Plant, (ii) development and operation of the Plant, and (iii) related matters regarding water.

AGREEMENT:

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. Capitalized terms and other terms used in this Agreement have the meanings set forth in Exhibit A, unless the term is defined elsewhere in this Agreement (other than in the caption or the Recitals) and unless the context otherwise requires. Those terms include the singular and the plural forms and all genders of the defined terms.

ARTICLE II

SITE

2.1 Acknowledgments. The Parties acknowledge that AAW currently owns the Site and will continue to own the Site unless and until the property exchange described in Section 2.3 occurs. The Parties further acknowledge that, if the MWD Election is made, they desire MWD to be the owner of the Site, with MWD making a contribution (as described in Section 118 of the Internal Revenue Code) to AAW in the form of a lease to AAW of an interest in the Site. The Parties further acknowledge that, accordingly, the Parties desire that, if the MWD Election is made, (a) MWD transfer certain real property within the Land Exchange Area to AAW in exchange for the Site, and (b) MWD lease to AAW an undivided interest in the Site.

2.2 Construction Easement. If the MWD Election is made, then, concurrently with the execution of the other Election Documents, AAW and MWD will enter into the Construction Easement, substantially in the form attached as Exhibit E, with respect to MWD's access to the Site for purposes of constructing the Phase IB Plant Facilities.

2.3 Property Exchange. If the MWD Election has been made, then, on Substantial Completion:

2.3.1. Appraisals. The Parties will complete the appraisals of the Site and the Land Exchange Area. Each Party will select an appraiser to conduct an appraisal of the Site and an appraisal of the Land Exchange Area. Each appraisal will be based on the value of the land on a date "as of" Substantial Completion, on the then existing zoning for the land, on the assumption that the land is then vacant, and with reference to the highest and best use of the land. As to the appraisals for the Site, (a) if the higher appraisal is not more than one hundred twenty percent (120%) of the other appraisal, the land will be valued by the Parties as being equal to the

average of the two appraisals, and (b) otherwise, the Parties will promptly meet with and re-instruct the appraisers. Similarly, as to the appraisals for the Land Exchange Area, (a) if the higher appraisal is not more than 120% of the other appraisal, the land will be valued by the Parties as being equal to the average of the two appraisals, and (b) otherwise, the Parties will promptly meet with and re-instruct the appraisers.

2.3.2. Exchange and Lease. Within sixty (60) days after the later to occur of (a) agreement of the Parties on the appraised values as described in Section 2.3.1, and (b) Operational Acceptance (or such later date as to which the Parties may agree in writing):

2.3.2.1 Designation of Exchanged Land. The Parties will mutually agree on the portion of the Land Exchange Area with access to either Cactus Road or Perryville Road that (a) has a value equivalent to the value of the Site and (b) is to be exchanged for the Site as described in Section 2.3.2.3 (such portion being the "Exchanged Land").

2.3.2.2 Opening of Escrow, Title Report and Related Matters. The Parties will complete all actions preparatory to the property exchange described in Section 2.3.2.3, including opening an escrow account for purposes of facilitating the exchange and obtaining title reports as to the Site and the Exchanged Land.

2.3.2.3 Property Exchange Agreement. The Parties will simultaneously (a) enter into the Property Exchange Agreement, substantially in the form attached as Exhibit I, with respect to the transfer of the Site by AAW to MWD in exchange for the Exchanged Land, and (b) consummate the exchange.

2.3.2.4 Ground Lease. Concurrently with consummation of the property exchange contemplated by the Property Exchange Agreement, the Parties will enter into the Ground Lease, substantially in the form attached as Exhibit J, with respect to the ground lease by

MWD to AAW of an undivided interest in and to the Site. The Parties intend that the Ground Lease be characterized as a contribution by MWD to AAW described in Section 118 of the Internal Revenue Code.

ARTICLE III

PLANT

3.1 Acknowledgments. The Parties acknowledge their intent that, under the circumstances described in more detail in this Article and assuming the MWD Election is made:

a. The Plant will be constructed on the Site, such that the Phase I Plant Capacity will be 20.0 MGD, with 6.5 MGD being allocated to MWD and 13.5 MGD being allocated to AAW.

b. The Parties will jointly own the Phase I Plant Facilities as tenants in common.

c. AAW will construct the Phase IA Plant Facilities, and MWD will construct the Phase IB Plant Facilities.

d. MWD will be the provider of electrical power to the Plant.

e. AAW will serve as the initial manager and operator of the Plant.

f. It is anticipated that the Plant will need to be expanded in the future, and thus it is desirable to address certain general aspects of future expansions.

3.2 Development of Phase I Plant Facilities.

3.2.1. Acknowledgment as to Planning and Design. The Parties acknowledge that, prior to negotiation and execution of this Agreement:

a. Over the course of several years AAW developed and designed the Plant, including specifically identifying and procuring a detailed design of the required Phase I Plant Facilities. AAW undertook such development and design as part of its long-term business planning, with the intention of being the sole owner and operator of the Plant. In connection with such development and design, AAW also acquired the Site, entered into the Canal Wheeling

Agreement, caused the requisite permits for the Plant to be obtained, retained a contractor to construct the Phase IA Plant Facilities, and instructed the contractor to proceed with such construction.

b. Subsequent to the foregoing, the Parties have entered into the Joint Development Agreement to provide for various transactions relating to the Plant. An inducement to AAW to enter into the Joint Development Agreement (and to allow a third party such as MWD to participate in the ownership and operation of the Plant) was MWD's willingness, under certain circumstances, to construct (in accordance with Arizona Revised Statutes, Title 34) an addition to the Plant known as the Phase IB Plant Facilities.

3.2.2. Phase I Development Costs. The Parties acknowledge and agree that:

a. The Phase I Development Costs (excluding capitalized interest on such costs) previously paid or incurred by AAW as of the date of this Agreement equal $3,869,333.00.

b. As of October 31, 2007, the accrued capitalized interest on the Phase I Development Costs (calculated in the manner set forth in clause (e) of the definition of such costs) equaled $446,729.00.

c. Capitalized interest (calculated in the manner set forth in clause (e) of the definition of Phase I Development Costs) will continue to accrue on the Phase I Development Costs until such costs are paid in full.

3.3 Construction of Phase IA Plant Facilities.

3.3.1. Construction by AAW. The Parties acknowledge that AAW will be entitled to proceed with construction of the Phase IA Plant Facilities.

3.3.2. Role of MWD. For purposes of facilitating coordination of construction of the Phase IA Plant Facilities with construction of the Phase IB Plant Facilities if the MWD Election is made, AAW will permit MWD to do the following:

a. MWD will be able to enter the Site, inspect construction, attend meetings, and review change orders.

b. MWD will provide a part-time construction representative (either an employee or a third party) to serve as its representative during construction of the Phase IA Plant Facilities.

3.3.3. Arizona Water Company. As provided in Article V and in the Tenancy-in-Common Agreement, AAW will be entitled to enter into a bulk water treatment services agreement with AWC with respect to treatment of non-potable water on behalf of AWC. Such agreement will be consistent with Article V.

3.3.4. Ownership of Plant IA Plant Facilities. The Parties acknowledge that AAW will be the owner of the Phase IA Plant Facilities until the Joint Conveyance occurs.

3.4 Construction of Phase IB Plant Facilities.

3.4.1. Election of MWD to Construct.

3.4.1.1 MWD Election. On or before the expiration of twelve (12) months from the date of this Agreement (or such later date as to which the Parties may agree in writing), MWD may notify AAW that MWD elects to construct the Phase IB Plant Facilities (the "MWD Election").

3.4.1.2 Acknowledgments. The Parties acknowledge that MWD is not obligated to make the MWD Election and that MWD's decision to make the MWD Election might depend on various factors, including MWD's entering into a bulk water treatment services

agreement with Goodyear as described in Section 3.4.2.4. The Parties further acknowledge and agree that, in light of the possibility of the MWD Election, they have mutually reviewed and discussed the design and the plans and specifications pertaining to the Phase IA Plant Facilities.

3.4.1.3 AAW Deferral; MWD Deferral. In light of the basic purpose of this Agreement and to facilitate the opportunity for joint development of the Plant by both Parties, prior to the date specified in Section 3.4.1.1 (a) AAW will not itself undertake construction of the Phase IB Plant Facilities, and (b) MWD will not undertake design and development of a water treatment plant that would compete with the Plant.

3.4.1.4 Effect of Non-Election. If (i) MWD does not make the MWD Election on or before the date set forth in Section 3.4.1.1, (ii) MWD notifies AAW that MWD will not make the MWD Election, or (iii) MWD does not award a construction contract for construction of the Phase IB Plant Facilities within one hundred eighty (180) days after making the MWD Election (or such later date as to which the Parties may agree in writing), (a) this Agreement will terminate, with the Parties' having no further rights or obligations under this Agreement or in connection with the transactions contemplated hereby, (b) AAW will be entitled to proceed with construction of the Phase IB Plant Facilities, and (c) if it so desires, MWD can proceed with undertaking design and development of a water treatment plant that would compete with the Plant.

3.4.2. Effect of MWD Election. If the MWD Election is made:

3.4.2.1 Election Documents. The Parties will promptly enter into the Election Documents.

3.4.2.2 Construction of Phase IB Plant Facilities. MWD will be entitled to proceed with construction of the Phase IB Plant Facilities in a manner consistent with the Plant

Construction Coordination Agreement, including publicly bidding the construction work as and to the extent required by applicable law.

3.4.2.3 Role of AAW. AAW will have input and involvement in MWD's decisionmaking as to the design and construction of the Phase IB Plant Facilities as provided in Section 2.2.2 of the Plant Construction Coordination Agreement:

3.4.2.4 Goodyear. As provided in Article V and in the Tenancy-in-Common Agreement, MWD will be entitled to enter into a bulk water treatment services agreement with Goodyear with respect to treatment of non-potable water on behalf of Goodyear.

3.4.2.5 Ownership of Phase IB Plant Facilities. MWD will be the owner of the Phase IB Plant Facilities until the Joint Conveyance occurs.

3.5 Completion of Phase I Plant Facilities. Within sixty (60) days after the later to occur of (a) agreement of the Parties on the appraised values as described in Section 2.3.1 and (b) Operational Acceptance (or such later date as to which the Parties agree otherwise in writing), the Parties will cause the following transactions to occur (all of which will be deemed to have occurred simultaneously unless otherwise specified).

3.5.1. Property Exchange and Ground Lease. The Parties will consummate the property exchange and enter into the Ground Lease as described in Section 2.3.

3.5.2. Joint Conveyance.

a. AAW and MWD will convey by deed and/or bill of sale the Phase IA Plant Facilities and the Phase IB Plant Facilities, respectively, to the Joint-Conveyance Facilitator.

b. Immediately after the conveyances described in clause (a), the Joint-Conveyance Facilitator will convey by deed and/or bill of sale the Phase I Plant Facilities to

AAW and MWD as tenants-in-common, each having an undivided interest in such facilities of 67.5% and 32.5%, respectively.

3.6 Power Supply. The Parties acknowledge that MWD will be the provider of electrical power to the Plant as provided in Section 3.4 of the Tenancy-in-Common Agreement.

3.7 Future Plant Expansions.

3.7.1. Coordination of Future Expansions. The Parties agree to coordinate planning for future Plant expansions and to evaluate joint ownership and other cooperative arrangements for future Plant expansions.

3.7.2. Reservation of Rights. Each Party retains the right to unilaterally construct future Plant expansions if a cooperative arrangement cannot be consummated.

3.7.3. Reallocation of Phase I Common Facilities Costs. The Parties acknowledge that it is contemplated that a mutually-agreeable future Plant expansion would also entail (a) agreement between the Parties on reallocation of construction and other capitalized costs of Phase I Common Facilities and (b) payment by one Party to the other Party of an amount associated with that reallocation. In the event of a unilateral future Plant expansion as described in Section 3.7.2 (and in the absence of agreement on reallocation in the case of an otherwise mutually-agreeable future expansion), construction and other capitalized costs for Phase I Common Facilities will be reallocated as follows:

a. The undepreciated costs for Phase I Common Facilities will be reallocated at completion of the future Plant expansion, based on capacity commitments of the expanded Plant.

b. Reallocation of undepreciated costs for Phase I Common Facilities in connection with future Plant expansions will be made only with respect to the first 40.0 MGD of Plant capacity.

In connection with the reallocation attributable to such a unilateral expansion, there will be a payment by one Party to the other Party of an amount associated with that reallocation, such payment to be made within sixty (60) days after Operational Acceptance of the expansion. To the extent that a future Plant expansion increases Plant capacity beyond 40.0 MGD, there will be no reallocation of the costs of Phase I Common Facilities with respect to such excess capacity.

3.7.4. Public Bidding. The Parties acknowledge that, depending on then applicable law, the design and construction of a future Plant expansion may require compliance with laws governing procurement by governmental bodies.

ARTICLE IV

CANAL WHEELING AGREEMENT

4.1 Canal Wheeling Agreement. MWD will provide CAP water wheeling services to AAW in accordance with the Canal Wheeling Agreement.

ARTICLE V

BULK WHOLESALE TREATMENT SERVICES

5.1 Bulk Wholesale Treatment Services for Third Parties. The Parties acknowledge that, if the MWD Election is made, the provision of bulk wholesale treatment services to Goodyear, AWC and other third parties by means of the Plant will be governed by Section 3.5 the Tenancy-in-Common Agreement.

5.2 Wheeling through the Beardsley Canal. The Parties acknowledge that, to the extent Goodyear, AWC or any other third-party entity desires to obtain bulk wholesale water treatment services by means of the Plant, such third party will be responsible for entering into a separate wheeling agreement with MWD for the wheeling of water through the Canal so as to be available at the Plant. The Parties acknowledge that such a wheeling agreement might be (but is not obligated to be) similar to the Canal Wheeling Agreement. MWD will negotiate in good faith with any such a third party with respect to such a wheeling agreement.

ARTICLE VI

INTERIM TREATED-WATER WHEELING SERVICES

6.1 Acknowledgments. The Parties desire that (a) AAW provide interim treated-water wheeling services to Goodyear, so as to facilitate MWD's delivery of water from the Plant to Goodyear, as capacity in AAW's distribution system permits, if MWD and Goodyear enter into a bulk water treatment services agreement as described in Section 3.4.2.4, and (b) it is anticipated that such wheeling services will be on an interim basis.

6.2 Interim Treated-Water Wheeling Services Agreement. If the MWD Election is made and if MWD and Goodyear enter into a bulk water treatment services agreement as described in Section 3.4.2.4, AAW will enter into a interim treated-water wheeling agreement with respect to the provision of interim treated-water wheeling services by AAW to Goodyear. AAW will negotiate in good faith with Goodyear with respect to such a wheeling agreement.

ARTICLE VII

CORPORATION COMMISSION; DISTRICT LANDOWNER CREDIT

7.1 Cooperation Before the Commission. If and to the extent that this Agreement or the other Transaction Documents are pertinent to rate or other proceedings involving AAW at the Commission, MWD will cooperate with AAW to support this Agreement and the other Transaction Documents before the Commission.

7.2 District Landowner Credit. If MWD desires to establish a District Landowner Credit, AAW will cooperate with MWD to develop a District Landowner Credit procedure and, if necessary or appropriate, seek Commission approval of such District Landowner Credit or procedure.

ARTICLE VIII

AGUA FRIA RIVER WATER

8.1 Equitable Allocation of Agua Fria River Water. The Parties acknowledge that the equitable allocation and delivery of treated Agua Fria River water to lands within the boundaries of MWD that do not receive direct service from MWD and that receive potable water service from AAW is desired in the future.

8.2 Delivery of Treated Agua Fria River Water. The Parties agree to negotiate in good faith to establish the terms, conditions and agreements under which MWD will deliver treated Agua Fria River water to AAW.

ARTICLE IX

GROUNDWATER DELIVERY SERVICES

9.1 Use of MWD Wells. The Parties acknowledge that the use of MWD groundwater wells to supply potable water will become increasingly beneficial to MWD lands and AAW customers as lands within the boundaries of MWD urbanize and as agricultural use of groundwater declines.

9.2 Regional Solutions. The Parties agree to cooperate to develop the agreements, policies and procedures required to develop cost-effective regional solutions to meet potable groundwater demands in the future.

9.3 Reduction of Well-Drilling. The Parties agree to cooperate in an effort to eliminate or reduce duplication of requirements with respect to the drilling of wells for new development.

ARTICLE X

DEFAULTS; INDEMNIFICATION

10.1 Acknowledgments.

a. The Parties acknowledge that the Transaction Documents establish varied relationships between the Parties (such as lessor and lessee, tenants-in-common, and service provider and customer) and that the transactions contemplated by the Transaction Documents are interdependent.

b. The Parties further acknowledge that an instance might arise in which a Party is alleged not to have properly performed its obligations under a Transaction Document in some material respect.

c. The Parties desire to (i) designate certain events that, if adjudged to have occurred and if uncured or otherwise unresolved, should be deemed material and to (ii) specify certain consequences associated with such events.

10.2 Events of Default. An "Event of Default" will exist if any of the following occurs and is continuing:

10.2.1. Nonpayment. A Party fails to pay within fifteen (15) days after receipt of notice that the amount payable under any Transaction Document has become due and payable and has not been paid.

10.2.2. Nonperformance of Covenant. A Party fails to perform or observe in all material respects any term contained in any Transaction Document on its part to be performed or observed and the failure continues unremedied for a period of thirty (30) days after the Party receives from the other Party written notice of the failure (provided, however, the cure period will be extended if the failure cannot reasonably be remedied by the Party within that period and

the Party at all times diligently and continuously pursues a remedy, such extension not to exceed thirty (30) days).

10.2.3. Invalidity. Any of the Transaction Documents is determined to be invalid or unenforceable or is otherwise terminated or becomes or is declared ineffective or inoperative (other than by expiration of its initial term), so as to substantially deny a Party the benefits contemplated by the Transaction Document.

10.3 Remedies on Event of Default. If an Event of Default occurs and is continuing, the nondefaulting Party may (but is not obligated to) exercise the remedy or remedies, if any, specified in the pertinent Transaction Document. In addition, unless excluded by such Transaction Document, the nondefaulting Party will (as and to the extent provided in Section 11.2(d)) have all rights and remedies available at law or in equity. The Parties acknowledge and agree that it is their intention that, in the enforcement of the Transaction Documents, their primary objectives are to assure continued operation of the Plant and the payment by each Party of its allocable portions of Maintenance and Operations Costs and Replacement and Improvement Capital Costs.

10.4 Waiver; Indemnification.

10.4.1. Waiver. Each Party waives any claim it may have against the other Party with respect to any loss or liability covered by insurance proceeds.

10.4.2. Indemnification.

10.4.2.1 General. Each Party ("Indemnitor") will indemnify, defend, protect, save and hold harmless the other Party and its officers, directors, employees and agents (collectively, "Indemnitee") for, from and against any and all losses and liabilities that may arise from or be based upon any injury, alleged injury or death to any person or damage to

property that may occur, or that may be alleged to have occurred, in the course of the performance of any Transaction Document by Indemnitor or by any of its contractors or affiliates, whether such loss or liability arises in connection with a claim made by any employee of Indemnitor or by a third person. Notwithstanding the foregoing sentences, this indemnity does not apply to the extent the loss and liability is (a) attributable to negligent, reckless or intentional acts of Indemnitee, or (b) covered by insurance.

10.4.2.2 Procedures for Indemnification.

a. Notice of Claim. Indemnitee will promptly notify Indemnitor in writing of any claim, proceeding or other loss or liability that might give rise to any indemnity obligation hereunder, specifying in reasonable detail the nature thereof and indicating the amount (estimated, if necessary) of the damages that have been or may be sustained by Indemnitee. Together with or following such notice, Indemnitee will deliver to Indemnitor copies of all notices and documents received by Indemnitee relating to the claim, proceeding or other loss or liability.

b. Right to Defend. Indemnitor will have the right (without prejudice to the right of Indemnitee to participate at its own expense through counsel of its own choosing) to defend against any claim, proceeding or other loss or liability at its expense and through counsel of its own choosing and to control such defense, if it gives written notice of its intention to do so within ten (10) Business Days of its receipt of the notice from Indemnitee. Indemnitee will cooperate fully in the defense of any claim, proceeding or other loss or liability and will make available to Indemnitor or its counsel all pertinent information under Indemnitee's control relating thereto. As long as Indemnitor is diligently and competently defending the

claim, proceeding or other loss or liability, Indemnitee will not settle the claim, proceeding or other loss or liability without the prior written consent of Indemnitor.

c. No Advances. Indemnitor will not be required to advance to Indemnitee any costs, expenses or other amounts prior to the final resolution of the claim, proceeding or other loss or liability.

ARTICLE XI

GENERAL PROVISIONS

11.1 Representatives.

11.1.1. Authorized Representatives. Each Party will designate at least one individual officer or employee who will be its representative and will be authorized to act on behalf of the Party for all purposes in performing the provisions of this Agreement ("Representative"). Each Party will also designate an alternate Representative who will serve in the place of (and with the same authority as) the Representative if the latter is unavailable. A Party may also designate more than one Representative. The designation may be changed from time to time. The designation must be made in a writing delivered to the other Party.

11.1.2. No Release. Each Party is responsible for the acts or omissions of its Representative(s). The designation of a Representative by a Party does not release the Party from responsibility for performance of its obligations under this Agreement.

11.2 Dispute Resolution.

a. Scope of Section. This Section governs the resolution of all disputes that arise under this Agreement.

b. Good Faith Negotiations. A Party that believes a dispute exists under this Agreement will first refer the dispute to the Representatives for resolution. The Representatives of each Party will personally meet and attempt in good faith to resolve the dispute. If the Representatives cannot resolve the dispute within fifteen (15) days, the matter will be referred to senior management of the Parties for resolution. If these persons are unable to resolve the dispute within fifteen (15) days thereafter, a Party that still believes a dispute requires resolution may avail itself of the provisions of paragraph (c).

c. Mediation, Arbitration and Litigation.

i. If a Party still believes a dispute requires resolution after following the procedures of paragraph (b), that Party will first give a detailed written notice of dispute to the other Party setting forth the nature of the dispute. The Parties will then, before resorting to arbitration or litigation, first try in good faith to settle the dispute by mediation administered by the Parties or, absent agreement, a mediator appointed by the presiding judge or the Arizona Superior Court for Maricopa County at the request of a Party. The mediation will occur in Phoenix, Arizona. The mediator must have substantial experience with the water utility industry.

ii. Any dispute not resolved by mediation within the earlier of thirty (30) days after appointment of the mediator or sixty (60) days after the initial meeting of the Representatives may, on mutual written consent of the Parties, be submitted for and settled by binding arbitration administered pursuant to the Arizona Uniform Arbitration Act before a single arbitrator agreed to by the Parties or, absent agreement, a mediator appointed by the presiding judge of the Arizona Superior Court for Maricopa County at the request of a Party. The arbitration will occur in Phoenix, Arizona. If the controversy or claim relates to construction, the arbitration will (to the extent not inconsistent with the terms of this Section) be conducted in accordance with the AAA's Construction Industry Arbitration Rules; otherwise, the AAA's Commercial Arbitration Rules will apply. In any case the arbitrator must have substantial experience with the water utility industry. The arbitrator has no power to amend or modify this Agreement. Judgment on the award rendered by the arbitrator may be entered in any court with jurisdiction. Within thirty (30) days after the date of the arbitration award, a Party may seek to confirm the award or may seek to vacate and remand, modify or correct the award (but only on one or more grounds specified in the Federal Arbitration Act or the Arizona Uniform Arbitration

Act) in the U.S. District Court for the District of Arizona if such court has jurisdiction, and otherwise to any state court of record in Maricopa County, Arizona, having jurisdiction.

iii. If the Parties do not mutually consent to arbitrate the dispute as provided in subparagraph (ii), a Party that still believes a dispute requires resolution may institute an action or proceeding in the Arizona state or federal court sitting in Phoenix, Arizona. In furtherance of the foregoing sentence:

A. Each Party irrevocably and unconditionally submits, for itself and its property, to the jurisdiction of the Arizona state and federal courts sitting in Phoenix, Arizona, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Transaction Documents, or for recognition or enforcement of any judgment. All claims in respect of any such action or proceeding may be heard and determined in such state or, to the extent permitted by law, in such federal court. A final judgment in any such action or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

B. Each Party irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection it may now or hereafter have regarding venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Transaction Documents in any state or federal court sitting in Phoenix, Arizona. Each Party irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action nor proceeding in any such court.

d. Remedies.

i. The preceding paragraphs of this Section are intended to set forth the primary procedure to resolve all disputes under this Agreement. It is expected that all

disputes that would traditionally be resolvable by a court of law would be resolvable under this procedure. However, the Parties recognize that certain business relationships could give rise to the need for one or more of the Parties to seek (and, if the dispute cannot be resolved after exhaustion of the process set forth in paragraph (b), a Party will have the right to seek) equitable remedies from a court that were traditionally available from an equity court, such as emergency, provisional or summary relief, and injunctive relief. Immediately following the issuance of any such equitable relief, the Parties will stay any further judicial proceeding pending mediation or (if the Parties have mutually consented to submit the dispute to arbitration as provided in paragraph (c)(ii)) arbitration of all underlying claims between the Parties.

ii. Certain rights and remedies otherwise available at law or in equity may be limited or prohibited as specifically provided in this Agreement or the other Transaction Documents (including as provided in Section 11.3). To the extent of any such limitation or prohibition, each Party hereby specifically waives any such limited or prohibited right or remedy. Except for any limitations or prohibitions referred to in the two preceding sentences, nothing contained in this paragraph is intended to, nor will it, limit or affect any rights or remedies (at law, in equity, by statute, or otherwise) of any Party aggrieved as against the other for a breach or threatened breach of any provision of this Agreement.

iii. Except as otherwise expressly provided in this Agreement, (A) each right and remedy of a Party available under this Agreement will be cumulative and concurrent, will not be exclusive, and will be in addition to every other right and remedy, and (B) the exercise, the commencement of the exercise, or the forbearance of the exercise by any Party of any one or more of such rights or remedies will not preclude the simultaneous or later exercise by such Party of any or all of such other rights or remedies.

iv. If either Party fails to perform any of its obligations under this Agreement (or if any dispute arises between the Parties concerning the meaning or interpretation of any provision of this Agreement) and the matter results in arbitration or in a judicial proceeding, then the defaulting Party or the Party not prevailing in such dispute, as the case may be, will pay any and all costs and expenses incurred by the other Party on account of such default and/or in enforcing or establishing its rights under this Agreement, including court costs and reasonable attorneys' fees and disbursements. Any such attorneys' fees and other expenses incurred by either Party in enforcing an award or judgment in its favor under this Agreement will be recoverable separately from and in addition to any other amount included in such award or judgment. Such attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such award or judgment.

11.3 Force Majeure. No Party will be liable to another Party for failure, default or delay in performing any of its obligations under this Agreement, if such failure, default or delay is the result of any cause or event not within the control of the Party having the obligation and which, by the exercise of reasonable diligence, such Party is unable to prevent or mitigate (such a cause or event being "Force Majeure"). Force Majeure does not include changes in local, state, national or international general economic conditions. A Party's failure, default or delay in performance will be excused only for as long as such cause or event is present. If a Force Majeure occurs, the Parties will proceed with diligence to do what is reasonable and necessary so that each Party may perform its obligations under this Agreement. The Parties will not in any event incur any liability to one another or to any other person for consequential or any other damages that may result from delays in initiating service, or from interruptions in or other malfunctions of service, based on the foregoing circumstances.

11.4 Assignment. This Agreement may not be assigned by a Party without the consent of the other Party, which consent will not be unreasonably withheld. Any attempted assignment, transfer, conveyance, encumbrance, mortgage, lien, pledge or other disposition in contravention of this Section will be null and void and of no further force or effect. Notwithstanding the foregoing, (a) a Party may make a collateral assignment of its rights under this Agreement to any lender of such Party, and such rights may be subsequently assigned in connection with the enforcement of any rights in and to such collateral, and (b) a Party may assign and delegate its rights and obligations under this Agreement to a person who acquires substantially all of the assets of a Party.

11.5 Notices. Except as otherwise specified in this Agreement, any notice, demand, request or other communication required or authorized by this Agreement to be given in writing to a Party must be either (a) personally delivered, (b) mailed by registered or certified mail (return receipt requested), postage prepaid, (c) sent by overnight express carrier, or (d) sent by telecopy or electronic mail, in each case at the following address:

To MWD addressed as follows:

For personal delivery:

Maricopa County Municipal Water Conservation District Number One
14825 West Grand Avenue
Surprise, Arizona 85374

For mail delivery:

Maricopa County Municipal Water Conservation District Number One
Attn: James Sweeney, General Manager
P.O. Box 900
Waddell, Arizona 85355-0900
email: jims@mwdaz.com

With a copy to:

Ryley, Carlock & Applewhite, P.A.
Attention: Sheryl A. Sweeney, Esq.
One North Central Avenue, Suite 1200
Phoenix, Arizona 85004-4417
email: ssweeney@rcalaw.com

or to such other address as MWD may advise AAW in writing, and to AAW at:

Arizona-American Water Company
Attn: Paul Townsley, President
19820 North 7th Street, Suite 201
Phoenix, Arizona 85024
email: Paul.Townsley@amwater.com

With a copy to:
Arizona-American Water Company
Attn: Carrie Gleeson, Esq., General Counsel
303 H Street, Suite 250
Chula Vista, California 91910
email: Carrie.Gleeson@amwater.com

With a copy to:

Gallagher & Kennedy, P.A.
Attn: Terence W. Thompson, Esq.
2575 East Camelback Road
Phoenix, Arizona 85016
email: twt@gknet.com

or to such other address as AAW may advise MWD in writing. The designation of such person and/or address may be changed at any time by either Party upon written notice given under this Section. All notices, demands, requests or other communications sent pursuant to this Section will be deemed received (i) if personally delivered, on the Business Day of delivery, (ii) if sent by telecopy or electronic mail before noon (12:00 p.m.) Phoenix time, on the day sent if a Business Day or, if such day is not a Business Day or if sent after noon (12:00 p.m.) Phoenix time, on the next Business Day, (iii) if sent by overnight express carrier, on the next Business Day

immediately following the day sent, or (iv) if sent by registered or certified mail, on the earlier of the third Business Day after the day sent or when actually received. Any notice by telecopy or electronic mail will be followed by delivery on the next Business Day by overnight express carrier or by hand.

11.6 Entire Agreement; Exhibits.

11.6.1. Entire Agreement. Subject to the following sentence, this Agreement (including all exhibits and any other attachments) constitutes the entire understanding between the Parties regarding the subject matter of this Agreement, supersedes any and all previous discussions, communications and understandings between the Parties (including any letter of intent or memorandum of understanding) regarding the subject matter of this Agreement. The Parties acknowledge, however, that this Agreement is one of the Transaction Documents, and will, to the extent necessary, be construed in such a manner as may be necessary to give meaning to the larger transaction collectively contemplated by all of the Transaction Documents. None of the Parties has entered into this Agreement in reliance upon any oral or written representation or information provided by any other Party. This Agreement is binding on and inures to the benefit of the Parties and (subject to Section 11.4 regarding assignment) their respective successors and assigns.

11.6.2. Exhibits. All exhibits and other attachments referred to and attached to this Agreement are incorporated into this Agreement by reference and are made a part hereof. Attachments (if any) not complete at the effective date of this Agreement will be added as they are completed by written amendment, signed by each Party. Each attachment that is completed or modified by a subsequent amendment will note on its face the date and number of that amendment.

11.6.3. Further Assurances. If a Party determines in its reasonable discretion that any further instruments, assurances or other things are necessary or desirable to carry out the terms of this Agreement, the other Party will execute and deliver all instruments and assurances and do all things reasonably necessary or desirable to carry out the terms of this Agreement, including using its best efforts to negotiate and enter into any agreements that may become necessary and appropriate.

11.7 No Waiver. The failure of a Party to enforce at any time any of the provisions of this Agreement (or to require at any time performance by the other Party of any of its provisions) is not to be construed as a waiver of such provisions and does not in any way affect the validity of this Agreement or the right of such Party to enforce any provision.

11.8 Amendment, Modification or Waiver. An amendment, modification or waiver of all or any part of this Agreement is not valid unless it is reduced to a written agreement executed by both Parties.

11.9 Governing Law and Interpretation.

11.9.1. Governing Law. The laws of the State of Arizona govern the interpretation and performance of this Agreement.

11.9.2. Descriptive Headings. The descriptive captions and headings of the paragraphs of this Agreement are for convenience only and will not control or affect the meaning or construction of any provisions of this Agreement.

11.10 Counterparts. This Agreement may be signed in counterparts, each of which will be deemed to be an original, and all such counterparts will be deemed one and the same instrument. The page on which any Party has executed any counterpart hereof may be removed

and attached to any other counterpart hereof. Any counterpart hereof to which is attached the signatures of all the Parties will constitute an original of this Agreement.

11.11 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third person to any Party. This Agreement does not create any duty, liability or standard of care to any person who is not a Party.

11.12 Relationship of Parties. Each Party is an independent entity. This Agreement will not constitute either Party as the agent of the other Party, except as otherwise expressly provided in this Agreement. This Agreement will not constitute the Parties as partners or joint venturers (or as co-owners of a business entity) for common law purposes, federal, state or local income tax purposes, or otherwise. The Parties will not conduct business under a common name, execute an agreement identifying any or all of them as partners, shareholders or members of a business entity, or otherwise hold out their co-ownership of the Plant as a partnership or other form of business entity (nor will the Parties hold themselves out as partners, shareholders, or members of a business entity).

11.13 Computation of Time. If the time for performance of any obligation under this Agreement expires on a day that is not a Business Day, the time for performance will be extended to the next succeeding Business Day. In computing any period of time prescribed or allowed under this Agreement, the day of the act, event or default from which the designated period of time begins to run is included. Weekend and holidays are also included.

11.14 No Party the Drafter. This Agreement is the product of negotiation between the Parties. No Party is deemed the drafter of this Agreement.

11.15 Interest on Late Payments. Except as otherwise provided herein, all payments under this Agreement that are not paid within thirty (30) days of the due date of the payment will accrue interest thereon at the Prime Rate plus two percent (2%) per annum, compounded monthly from the due date of the payment until the amount is paid.

11.16 Time Is of the Essence. Time is of the essence of this Agreement.

11.17 No Business Opportunities. Each Party understands that the other Party and its affiliates may be interested, directly or indirectly, in various other businesses and undertakings. Except as provided in this Agreement and the other Transaction Documents, any Party and its affiliates may conduct any business or activity whatsoever without any accountability to any other Party, even if such business or activity competes with the Plant. This Agreement does not prejudice the respective rights of any Party (or any affiliate thereof) to enter to and maintain any such other interests and activities and to receive and enjoy profits or compensation therefor. Each Party hereby acknowledges and agrees that it does not and will not have any right of any nature whatsoever to share or participate in such other interests or activities of any other Party (or affiliate thereof). If at any time due to bankruptcy or for any reason whatsoever, any interest in the Plant that is a superior or subordinate interest to that of the Parties (including any leasehold interest) is available by auction, public or private sale or otherwise, any Party, without the other Party, may pursue the acquisition of, or any such other matter as to, any such superior or subordinate interest without any duty or obligation of any nature whatsoever to the other Party.

11.18 Separability. If any provision of this Agreement or the application thereof will be invalid or unenforceable to any extent for any reason whatsoever, the remainder of this Agreement and the application thereof will not be affected thereby and will be reformed and enforced to the greatest extent permitted by law or equity.

11.19 Signatory Warranty. Each individual executing this Agreement on behalf of a Party warrants that such individual is duly authorized to execute this Agreement on behalf of such Party in accordance with authority granted under the governing documents of such Party, that all conditions to the exercise of that authority have been satisfied, and that this Agreement is binding on such Party in accordance with its terms.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE, an Arizona municipal corporation and political subdivision of the State of Arizona

By: _____
Its: General Mgr.

ARIZONA-AMERICAN WATER COMPANY, an Arizona corporation

By: _____
Its: _____

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE, an Arizona municipal corporation and political subdivision of the State of Arizona

By:_____
Its: _____

ARIZONA-AMERICAN WATER COMPANY, an Arizona corporation

By:_____
Its: PRESIDENT

EXHIBIT A

DEFINITIONS

"AAA" means the American Arbitration Association.

"AAW" means Arizona-American Water Company, an Arizona corporation.

"AAW Capitalized Interest Cost" means the sum of the AAW Monthly Capitalized Interest Charge amounts.

"AAW Construction Management Fee" means three percent (3%) of the Phase IA Construction Costs.

"AAW Monthly Capitalized Interest Charge" means the Monthly Capitalized Interest Rate multiplied by the sum of:

a. The Phase IA Construction Costs incurred through the end of the calendar month preceding the calendar month for which the AAW Monthly Capitalized Interest Charge is being calculated.

b. The AAW Construction Management Fee applicable to the Phase IA Construction Costs incurred through the end of the calendar month preceding the calendar month for which the AAW Monthly Capitalized Interest Charge is being calculated.

c. The sum of all AAW Monthly Capitalized Interest Charge amounts calculated for all calendar months preceding the calendar month for which the AAW Monthly Capitalized Interest Charge is being calculated.

"ADEQ" means the Arizona Department of Environmental Quality.

"AFUDC Rate" means the annual rate for allowance for funds used during construction as approved for use by AAW by order of the Commission, or, in the absence of an approved

annual allowance for funds used during construction rate, the AAW weighted annual cost of capital approved for rate-making purposes by order of the Commission.

"AWC" means the Arizona Water Company, an Arizona corporation.

"Administrative and Overhead Charges" means an amount intended to serve as a reimbursement for costs and expenses associated with management, operation, replacement and improvement of the Plant that are not readily susceptible to quantification or allocation. The Administrative and Overhead Charges will be calculated as follows: Fifteen percent (15%) of all of the following:

a. Fixed Maintenance and Operations Costs.

b. Variable Maintenance and Operations Costs.

"affiliate" means any person (other than an individual) that directly or indirectly controls, is controlled by, or is under common control with, another person. For purposes of this definition, "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether by contract or otherwise.

"Agreement," as used in the phrase "this Agreement," refers to the Transaction Document in which the phrase appears. For example, when used in the Joint Development Agreement, "this Agreement" means the Joint Development Agreement.

"assigned" includes any collateral assignment or other encumbrance of an interest in this Agreement, but excludes any change in control of a Party and also excludes any assignment by operation of law in connection with the merger or consolidation of a Party.

"Business Day" means a day other than a Saturday, Sunday or legal holiday in the State of Arizona.

"CAP" means Central Arizona Project.

"Canal" means the Beardsley Canal operated by MWD.

"Canal Wheeling Agreement" means the Second Priority and Third Priority Nondistrict Water Wheeling and Exchange Agreement dated as of June 27, 2005, between MWD and AAW, including all exhibits and other attachments, as amended from time to time.

"claim" includes claim, demand, action, lawsuit, arbitration, regulatory matter, investigation, subpoena, hearing, proceeding, action, cause of action, cross-action, remedy or allegation (including a request for provisional or equitable remedies or other interim relief, a request for declaration of rights or obligations, assertion of issues as to the arbitrability of any matter, and any appeal, review or writ), whether pending or threatened, whether based on contract, quasi-contract, promissory estoppel, tort, common law, equitable or other principles or law, whether at law, in equity or otherwise, whether civil, criminal, administrative, investigative or otherwise, whether or arising from active or passive negligence, strict liability or otherwise, and whether or not currently recognized by law. The term "claim" includes all elements of any of the foregoing matters.

"Commission" means the Arizona Corporation Commission.

"Construction Easement" means the Construction Easement to be entered into between AAW and MWD, including all exhibits and other attachments, substantially in the form attached as Exhibit E, as amended from time to time.

"dispute" includes any claim, controversy, disagreement or other dispute, including any claim, controversy, disagreement or other dispute (including a request for provisional remedies or other interim relief, a request for declaration of rights or obligations, and assertion of issues as to the arbitrability of any matter) relating to any breach, enforcement, interpretation or other aspect

of this Agreement (including alleged misrepresentation regarding this Agreement), whether arising under contract, statute, tort or otherwise.

"District Landowner Credit" means a financial or other benefit (whether in the form of a negative rate surcharge, water-bill credit, or otherwise) provided by MWD directly or indirectly to its landowners, individually or collectively.

"Election Documents" means all of the following documents:

a. Construction Easement.

b. Tenancy-in-Common Agreement.

c. Plant Construction Coordination Agreement.

d. Plant Management and Operations Agreement.

"Environmental Law" means laws, regulations, standards, requirements, ordinances, policies, guidelines, orders, approvals, notices, permits or directives, or parts thereof, pertaining to environmental or occupational health and safety matters, in effect as of the date of this Agreement, including laws and regulations relating to releases or threatened releases of Hazardous Substances, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances pertaining to the Site and the ownership and operation of the Plant and the conduct of its business.

"Event of Default" has the meaning set forth in Section 10.2.

"Exchanged Land" means the real property transferred by MWD to AAW in exchange for the Site transferred by AAW to MWD, all pursuant to the Property Exchange Agreement, as described in Section 2.3.2.1.

"Final Acceptance" exists with respect to each portion of the Phase IA Plant Facilities and the Phase IB Plant Facilities when (a) the punch-list items that were not completed at the

time of Operational Acceptance have been completed, (b) testing of such portion has been completed, (c) final grading and adjustments have been completed, (d) as-built plans for such portion in full-size Mylar format have been submitted to MWD, AAW and the Manager/Operator (unless MWD, AAW and the Manager/Operator agree to electronic data format, half-size bond copies and/or other media), which plans (i) have been certified as to correctness by an engineer registered in the State of Arizona, (ii) show the location, sizes and construction details of all of such portion, and (iii) provide all other information required by the Commission and all other regulatory authorities, (e) releases of mechanics' and materialman's lien claims with respect to all aspects of construction of such portion (or evidence that AAW or MWD, as applicable, is diligently contesting any such lien and has obtained bonds and taken such other action as may be required pursuant to applicable law to remove such lien as an encumbrance against the affected property) has been provided to MWD, AAW and the Manager/Operator; and (f) all contracts with contractors have been fully performed or otherwise satisfied and discharged, including final payment of any amounts owed or owing under such contracts and resolution of any pending disputes arising under such contracts. Final Acceptance is subsequent to (and thus is not synonymous with) Operational Acceptance.

"Fixed Maintenance and Operations Costs" means Maintenance and Operations Costs that are not Variable Management Operations Costs. Examples of Fixed Maintenance and Operations Costs include Plant labor and overhead costs of the Manager/Operator (including pension and other benefit costs associated with such labor costs), Plant vehicle expenses, Plant office and laboratory expenses, maintenance expenses, leases, insurance and taxes.

"Force Majeure" has the meaning set forth in Section 11.3.

"Goodyear" means the City of Goodyear, an Arizona municipal corporation.

"Ground Lease" means the Lease to be entered into between MWD and AAW, including all exhibits and other attachments, substantially in the form attached as Exhibit J as amended from time to time.

"herein," "hereinafter," "hereof" and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear, unless the context otherwise requires. The singular will include the plural, and the masculine gender will include the feminine and neuter, and vice versa, unless the context otherwise requires.

"includes" and "including" denote a partial definition, by way of illustration and not by way of limitation.

"Indemnitee" has the meaning set forth in Section 10.4.2.

"Indemnitor" has the meaning set forth in Section 10.4.2.

"Insurance" has the meaning set forth in Exhibit K.

"Joint Conveyance" means the conveyance of the Phase I Plant Facilities to MWD and AAW as described in Section 3.5.2(b).

"Joint-Conveyance Facilitator" means an escrow agent, title company or other person who is mutually acceptable to the Parties and who is to serve as the grantee and grantor in connection with the transactions described in Section 3.5.2.

"Joint Development Agreement" means the Joint Development Agreement dated as of November 15, 2007, between MWD and AAW, including all exhibits and other attachments, as amended from time to time.

"knowledge" means a Party's actual knowledge without further inquiry.

"Land Exchange Area" means the real property sometimes referred to as "Parcel 8 of Zanjero Trails," comprising approximately 74.8 acres and located at the northeast corner of

Cactus Road and the Perryville Road alignment in Maricopa County, Arizona as depicted in Exhibit D.

"law" includes statute, rule, regulation, common law, equitable principle, and administrative, arbitral or judicial decree, order, judgment, award or other decision.

"losses and liabilities" includes liabilities, losses, claims, harm, casualties, damages, fines, penalties, fees (including attorneys' and consultants' fees and costs), costs (including court costs), expenses (including investigation expenses), judgments, awards, decrees, amounts paid in settlement or compromise (to the extent paid in accordance with Section 10.4.2.2, if applicable), encumbrances, liens, taxes, interest, and other detriments.

"MGD" means million gallons per day.

"MWD" means the Maricopa County Municipal Water Conservation District Number One, a political subdivision of the State of Arizona.

"MWD Bulk Water Treatment Services Agreement" means a Bulk Water Treatment Services Agreement between MWD and any other person (including Goodyear) in the form attached as Exhibit L. It is acknowledged that the completion of blanks and variable placeholders in the form, the attachment of exhibits contemplated by the form, and the modification of recitals to reflect future expansions will not cause an agreement to be other than in the form attached as Exhibit L.

"MWD Capitalized Interest Cost" means the sum of the MWD Monthly Capitalized Interest Charge amounts.

"MWD Construction Management Fee" means three percent (3%) of the Phase IB Project Costs.

"MWD Election" means the election of MWD to construct the Phase IB Plant Facilities as described in Section 3.4.1.1.

"MWD Monthly Capitalized Interest Charge" means the Monthly Capitalized Interest Rate multiplied by the sum of:

a. The Phase IB Project Costs incurred through the end of the calendar month preceding the calendar month for which the MWD Monthly Capitalized Interest Charge is being calculated.

b. The MWD Construction Management Fee applicable to the Phase IB Project Costs incurred through the end of the calendar month preceding the calendar month for which the MWD Monthly Capitalized Interest Charge is being calculated.

c. The sum of all MWD Monthly Capitalized Interest Charge amounts calculated for all calendar months preceding the calendar month for which the MWD Monthly Capitalized Interest Charge is being calculated.

"MWD User" means a person (including Goodyear) who has entered into an MWD Bulk Treatment Services Agreement with MWD.

"Maintenance and Operations Costs" means all of the following:

a. Fixed Maintenance and Operations Costs.

b. Variable Maintenance and Operations Costs.

c. Administrative and Overhead Charges.

"Manager/Operator" means the manager and operator of Plant, whether pursuant to the Plant Management and Operations Agreement or other agreement or arrangement. Pursuant to the Plant Management and Operations Agreement, the initial Manager/Operator is AAW.

"Material Adverse Event" has the meaning set forth in Section 4.2.1 of the Tenancy-in-Common Agreement.

"Monthly Capitalized Interest Rate" means one-twelfth (1/12) of the AFUDC Rate in effect on the last day of the calendar month for which a calculation of the AAW Monthly Capitalized Interest Charge or MWD Capitalized Interest Charge is being made.

"NARUC Uniform System of Accounts" means the uniform system of accounts for Class A water utilities approved by the National Association of Regulatory Utility Commissioners (NARUC) in 1996, as amended from time to time.

"Operational Acceptance" exists with respect to each portion of the Phase IA Plant Facilities and the Phase IB Plant Facilities when (a) all engineering and construction plans and specifications pertaining to that portion have been received by the Manager/Operator, and (b) construction of that portion has been substantially completed in accordance with the construction plans and specifications. For purposes of clause (b) of the preceding sentence, "substantially completed" means construction and successful testing of that portion (except for the existence of minor punch-list items that remain to be completed by contractors and subcontractors), provided that the portion is sufficiently complete in accordance with the construction plans and specifications so that the portion can be utilized for its intended purpose. Operational Acceptance is prior in time to (and thus is not synonymous with) Final Acceptance.

"Ownership Interest" means a Party's respective tenant-in-common ownership interest in the Plant. The Ownership Interest is expressed as a percentage and, as such, also serves as a basis for allocating various costs and other amounts as provided in the Transaction Documents. The Ownership Interest initially is calculated by reference to Phase I Plant Capacity and the portion thereof deemed allocated between the Parties. On execution of the Tenancy-in-Common

Agreement, based on the Phase I Plant Capacity of 20.0 MGD, the initial Ownership Interests are:

Party	Allocated MGD	Ownership Interest
MWD	6.5	32.5%
AAW	13.5	67.5%
Total	20.0	100.0%

The Parties acknowledge that a future restoration or expansion of the Plant may result in an adjustment of the Ownership Interests and that it is not possible to predict at this time whether (or to what extent) such an adjustment would be necessary.

"Parties" means MWD and AAW.

"person" means an individual or an entity. For purposes of this definition, "entity" means a corporation, association, company, business trust, trust, estate, partnership, joint venture, two or more persons having a joint or common economic interest, any person other than an individual, and any governmental body.

"Phase I Common Facilities" means facilities intended to support Plant capacity in excess of the initial Phase I Plant Capacity of 20 MGD, including:

a. Administration building, which has been sized to facilitate 80.0 MGD of capacity.

b. Site work, which has been sized to facilitate capacity of 80.0 MGD.

c. Raw water handling and storage facilities, which have been sized to facilitate capacity of 40.0 MGD.

d. Wastewater clarifiers, which have been sized to facilitate capacity of 40.0 MGD.

e. Drying beds, which have been sized to facilitate capacity of 30.0 MGD.

f. Finished water reservoir and pump station, which have been sized to facilitate capacity of 40.0 MGD.

"Phase I Construction Costs" means the sum of the Phase IA Construction Costs, the AAW Construction Management Fee, the AAW Capitalized Interest Cost, the Phase IB Project Costs, the MWD Construction Management Fee, and the MWD Capitalized Interest Cost.

"Phase I Development Costs" means the following costs paid or incurred by AAW pertaining to design, engineering, permitting and development of the Phase I Plant Facilities:

a. Engineering costs.

b. Permitting costs.

c. Labor and reasonable overhead of AAW for preliminary design, engineering and project management.

d. Legal costs related to permitting and contracting.

e. Capitalized interest on the foregoing costs, which will be compounded monthly at one-twelfth (1/12) of the AFUDC Rate.

Phase I Development Costs excludes Phase IA Construction Costs and legal, consulting and other professional advisory costs (as well as labor and overhead of AAW) pertaining to preparation, negotiation and execution of the Transaction Documents.

"Phase I Plant Capacity" means the average daily flow of potable water for which the Phase I Plant Facilities are designed to produce. It is planned that, on completion of the Phase I Plant Facilities, the Phase I Plant Capacity will be 20.0 MGD.

"Phase I Plant Facilities" means the Phase IA Plant Facilities and the Phase IB Plant Facilities.

"Phase IA Construction Costs" means out-of-pocket costs paid by AAW to contractors, engineers, inspectors, laboratories and other third parties for construction of the Phase IA Plant Facilities. Phase IA Construction Costs excludes Phase I Development Costs and excludes all labor, overhead and employee expenses of AAW pertaining to construction of the Phase IA Plant Facilities.

"Phase IA Plant Capacity" means the average daily flow of potable water which the Phase IA Plant Facilities is designed to produce. It is planned that, on completion of the Phase IA Plant Facilities, the Phase IA Plant Capacity (and hence the initial Phase I Plant Capacity) will be 13.5 MGD.

"Phase IA Plant Facilities" means the first sub-phase of construction of the Plant that generally includes all of the backbone infrastructure and equipment required, in the judgment of AAW, to provide the Phase I Plant Capacity of 20.0 MGD and that backbone infrastructure and equipment required, in the judgment of AAW, to facilitate an orderly and cost-effective expansion of the Plant to its ultimate planned capacity of 80.0 MGD, excepting the Phase IB Plant Facilities. The planned Phase IA Plant Facilities are depicted on Exhibit B.

"Phase IB Plant Capacity" means the average daily flow of potable water for which the Phase IB Plant Facilities are designed to produce. It is planned that, on completion of the Phase IB Plant Facilities, the Phase IB Plant Capacity will be a 6.5 MGD addition to the Phase I Plant Capacity, bringing the Phase I Plant Capacity to 20.0 MGD.

"Phase IB Plant Facilities" means the second sub-phase of construction of the Plant that generally consists of treatment equipment and facilities that are necessary to expand the Plant from 13.5 MGD capacity to 20.0 MGD capacity. The planned Phase IB Plant Facilities are depicted on Exhibit B.

"Phase IB Project Costs" means out-of-pocket costs paid by MWD to contractors, engineers, inspectors, laboratories and other third parties for planning, design, engineering, permitting, development and construction of the Phase IB Plant Facilities. Phase IB Project Costs excludes Phase I Development Costs and excludes all labor, overhead and employee expenses of MWD pertaining to construction of the Phase IB Plant Facilities.

"Plant" means the regional water treatment plant, as expanded from time to time, currently known as the White Tanks Regional Water Treatment Plant located at the northwest corner of Perryville Road and Cactus Road in Maricopa County, Arizona, including the turnout at the Canal, raw water storage, buildings, treatment equipment and ancillary facilities, finished water storage, pumping facilities, piping, and administrative facilities. It is contemplated that, on completion of the Phase I Facilities, the initial Plant will be as depicted in the Concept Plan attached as Exhibit B.

"Plant Construction Coordination Agreement" means the Plant Construction Coordination Agreement to be entered into between MWD and AAW, including all exhibits and other attachments, substantially in the form attached as Exhibit F, as amended from time to time.

"Plant Management and Operations Agreement" means the Plant Management and Operations Agreement to be entered into between MWD and AAW, including all exhibits and other attachments, substantially in the form attached as Exhibit H, as amended from time to time.

"Prime Rate" means the interest rate per annum designated by Bank of America, N.A. (the "Bank"), or its successors as its "Prime Rate," as publicly announced by the Bank or its successors from time to time as a means of pricing credit extensions to some customers. The Parties acknowledge that the Prime Rate is neither tied to any external or internal rate or index nor necessarily the lowest rate of interest charged by the Bank or its successors at any given time for any particular class of customer or credit extension.

"Property Exchange Agreement" means the Property Exchange Agreement to be entered into between MWD and AAW, including all exhibits and other attachments, substantially in the form attached as Exhibit I, as amended from time to time.

"Prudent Industry Practices" means any of the practices, methods and acts that both (i) at the time that such practice, method or action is employed, and in the exercise of reasonable judgment in light of the facts known at such time, would be expected to accomplish the desired result consistent with applicable law, good business practices, safety, reliability, efficiency and expedition, and (ii) when engaged in, are commonly used or approved by prudent water and wastewater treatment industries, regardless of whether subject to public service corporation regulation, operating in the State of Arizona. Prudent Industry Practices are not to be interpreted, construed as or limited to the optimum industry practices, methods or acts, but rather are to be construed as a range of acceptable practices, methods or acts consistent with the duties and obligations of a Party under any water treatment agreements pertaining to the Plant and by which it is bound.

"Replacement and Improvement Capital Costs" means (a) out-of-pocket costs paid by AAW to contractors, engineers, inspectors, laboratories and other third parties for development, acquisition, installation and construction of Replacement and Improvement Capital Projects, (b) labor, overhead and employee expenses of a Party pertaining to development, acquisition, installation and construction of Replacement and Improvement Capital Projects, and (c) capitalized interest on the foregoing costs.

"Replacement and Improvement Capital Projects" means projects which (1) either replace existing assets, improve existing assets, and/or are new assets that do not materially increase the Plant capacity, and (2) meet all of the following conditions:

a. The project will provide greater future benefits through improved efficiency, increased production, and/or materially extending the useful life of the asset.

b. The new asset(s) will have a life greater than one (1) year and cost more than $1,000.

c. The asset(s) are recognized as capital assets in the NARUC Uniform System of Accounts.

"Representative" has the meaning set forth in Section 11.1.

"Site" means the real property consisting of approximately 46.36 acres located at the northwest corner of Perryville Road and Cactus Road in Maricopa County, Arizona, and more particularly described in Exhibit C.

"Start-Up" means the date on which (1) all authorizations required to provide water treatment and delivery services from, and to operate, the Phase I Plant Facilities as contemplated by the Transaction Documents have been received; and (2) Substantial Completion has occurred.

"Substantial Completion" means the date on which both (a) the construction of the Phase I Plant Facilities has been completed, and (b) the Phase I Plant Facilities have been operated by the Manager/Operator to ensure, to the satisfaction of the Manager/Operator, proper function and operation. Substantial Completion is not necessarily synonymous with Operational Acceptance and may in fact precede Operational Acceptance.

"Tenancy-in-Common Agreement" means the Tenancy-in-Common Agreement to be entered into between MWD and AAW, including all exhibits and other attachments, substantially in the form attached as Exhibit G, as amended from time to time.

"Transaction Documents" means the following agreements between MWD and AAW:

a. Joint Development Agreement.

b. Construction Easement.

c. Plant Construction Coordination Agreement.

d. Tenancy-in-Common Agreement.

e. Plant Management and Operations Agreement.

f. Property Exchange Agreement.

g. Ground Lease.

"Variable Maintenance and Operations Costs" means Maintenance and Operations Costs that vary in proportion to the production of the Plant to a significant and considerable degree. Examples of Variable Maintenance and Operations Costs include chemical expenses, utility expenses, sludge disposal expenses, and filter media replacement costs.

"wheel" means to transport or convey water.

EXHIBIT B

WHITE TANK REGIONAL WATER TREATMENT PLANT – CONCEPT PLAN

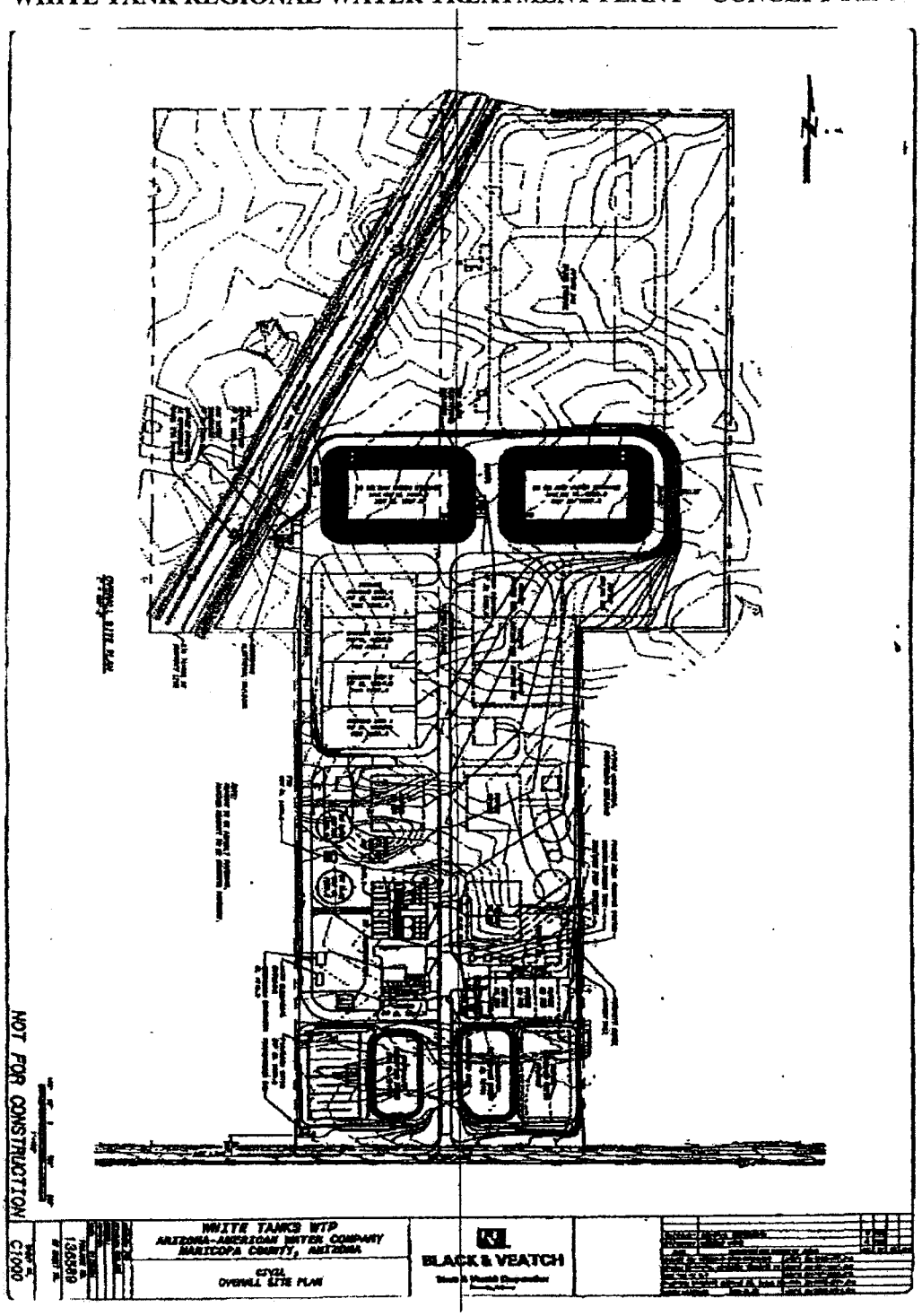
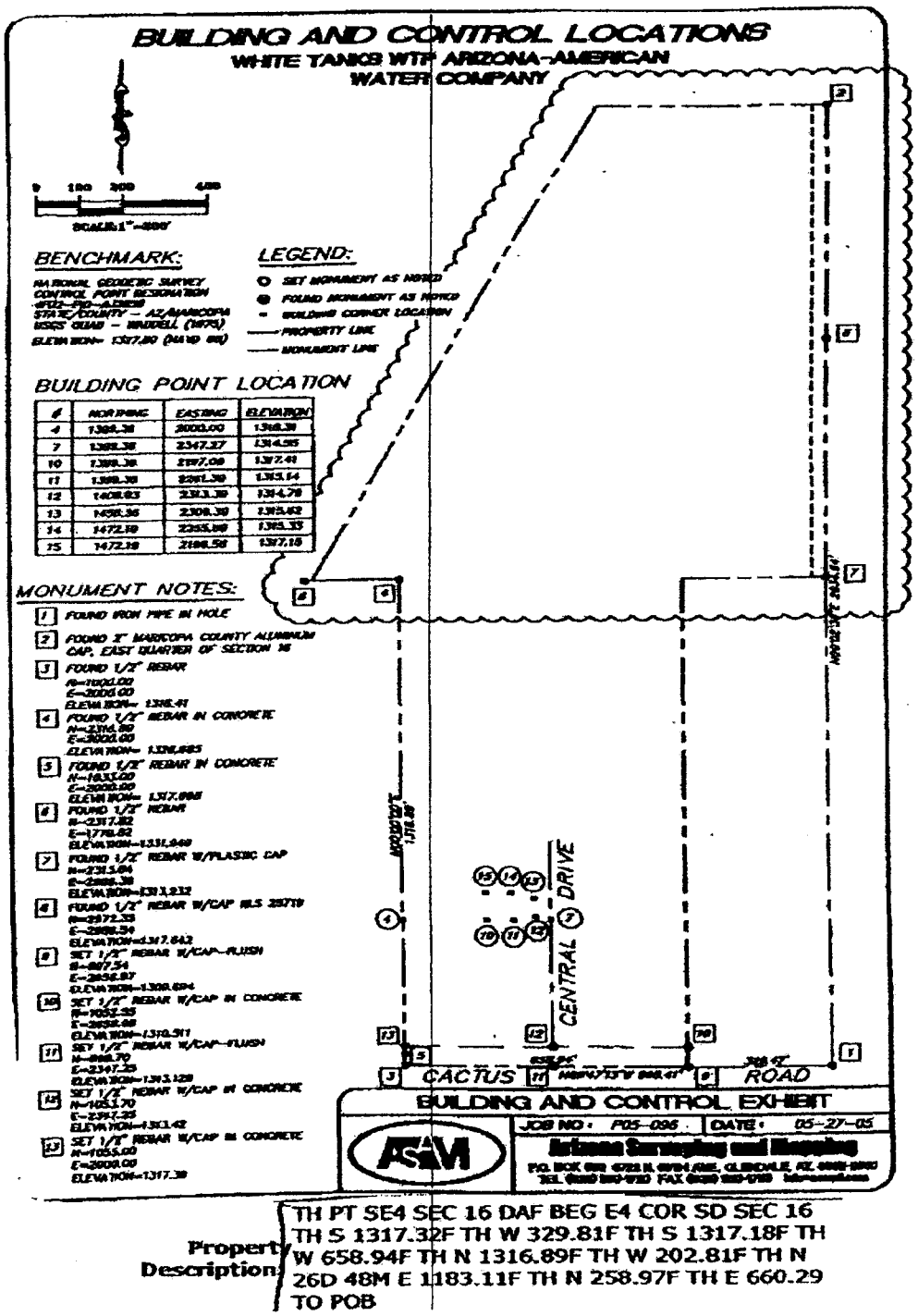


EXHIBIT C

SITE



Property Description: TH PT SE4 SEC 16 DAF BEG E4 COR SD SEC 16 TH S 1317.32F TH W 329.81F TH S 1317.18F TH W 658.94F TH N 1316.89F TH W 202.81F TH N 26D 48M E 1183.11F TH N 258.97F TH E 660.29 TO POB

EXHIBIT D

LAND EXCHANGE AREA

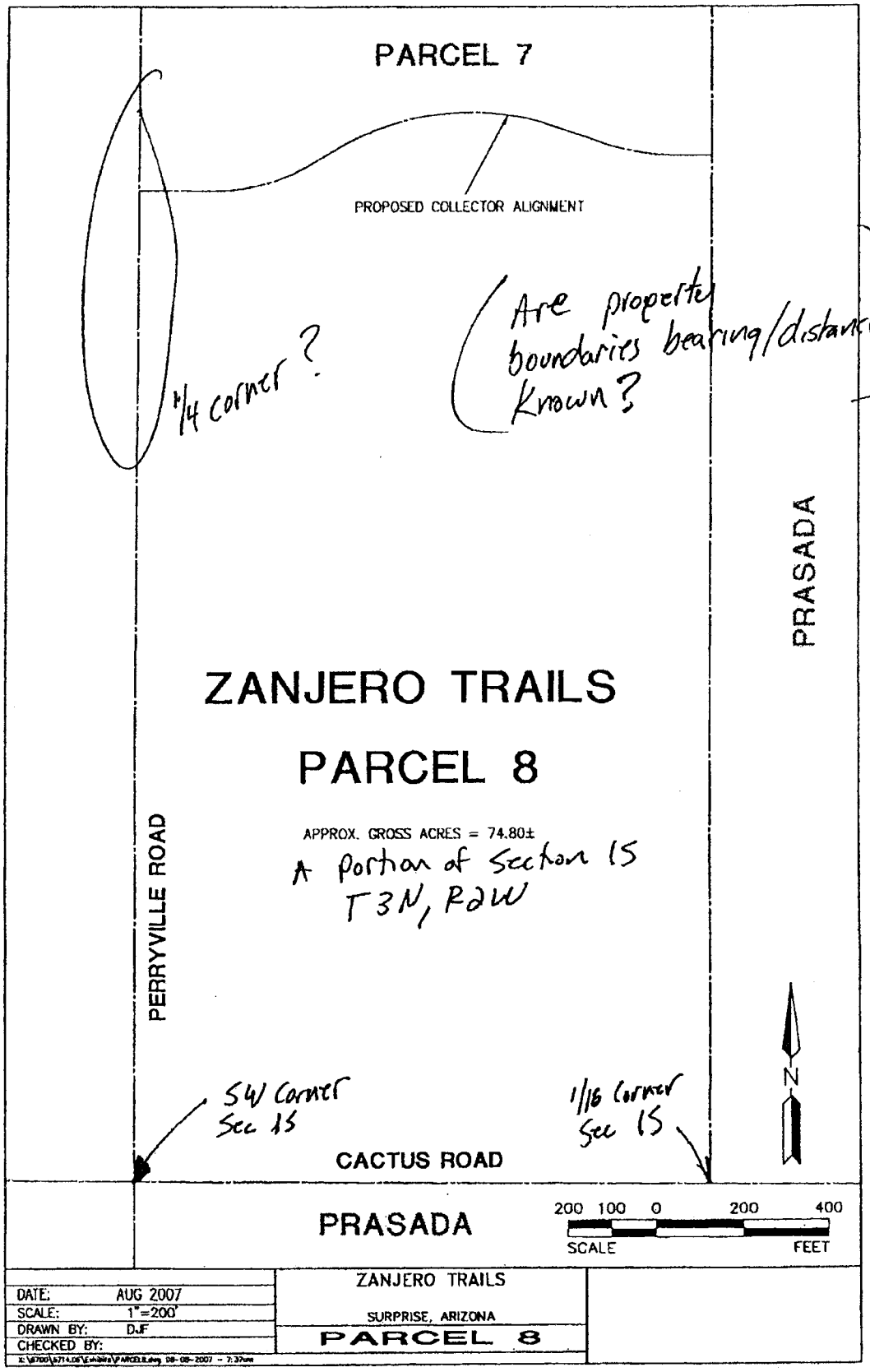

PARCEL 7
PROPOSED COLLECTOR ALIGNMENT
1/4 corner ?
Are property boundaries bearing/distance Known?
PRASADA
ZANJERO TRAILS
PARCEL 8
APPROX. GROSS ACRES = 74.80±
A portion of Section 15 T3N, R2W
PERRYVILLE ROAD
SW Corner Sec 15
1/16 Corner Sec 15
N
CACTUS ROAD
PRASADA
200 100 0 200 400
SCALE
FEET
DATE: AUG 2007
SCALE: 1"=200'
DRAWN BY: DJF
CHECKED BY:
ZANJERO TRAILS
SURPRISE, ARIZONA
PARCEL 8

EXHIBIT E

CONSTRUCTION EASEMENT

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA -AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT, AND TUBAC WATER DISTRICT	DOCKET NO. W-01303A-08-____
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WASTEWATER DISTRICT, ANTHEM WASTEWATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT	DOCKET NO. SW-01303A-08-____.

DIRECT TESTIMONY
OF
JOSEPH E. GROSS, P. E.
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

DIRECT TESTIMONY
OF
JOSEPH E. GROSS, P. E.
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

TABLE OF CONTENTS

	EXECUTIVE SUMMARY	**iii**
I	**INTRODUCTION AND QUALIFICATIONS**	**1**
II	**PURPOSE OF TESTIMONY**	**2**
III	**MAJOR CONTINUING CAPITAL PROJECTS**	**2**
A	WHITE TANKS REGIONAL WATER TREATMENT PLANT	3
B	MOHAVE WASTEWATER TREATMENT PLANT EXPANSION	4
C	PARADISE VALLEY FIRE FLOW PROGRAM (PHASE 3)	5
IV	**OTHER POST-TEST YEAR CAPITAL PROJECTS**	**6**
V	**TUBAC ARSENIC-TREATMENT FACILITY**	**8**
VI	**MOHAVE COUNTY COMPREHENSIVE PLANNING STUDY**	**9**
VII	**AGUA FRIA WATER SUPPLIES**	**10**
VIII	**AGUA FRIA DISTRICT PROJECTED GROWTH**	**11**

EXECUTIVE SUMMARY

Mr. Gross testifies as follows:

Arizona-American has three major capital projects under way for which it seeks to recover associated post-test-year investment:

1. White Tanks Regional Water Treatment Plant. The White Tanks Regional Water Treatment Plant ("White Tanks Plant"), currently under construction, is a 13.5 MGD surface water treatment facility to treat CAP water for distribution to customers in the Agua Fria Water District. Construction of the White Tanks Plant began in November 2007. As of March 31, 2008, total White Tanks Plant investment, including pre-construction costs, was $13 million. By September 30, 2008, the total investment should total $31 million. The overall project budget is estimated at $61.5 million.

2. Mohave Wastewater Treatment Plant Expansion. In September 2007, Arizona-American began expanding the capacity of the Wishing Well Wastewater Treatment Plant ("Mohave Treatment Plant") that treats wastewater for Mohave Wastewater District customers. Based on growth projections, demands will approach the 250,000 gpd design capacity of the Mohave Treatment Plant in 2008. The expansion of the Mohave Treatment Plant will add 250,000-gallons-per-day in new treatment capacity, allowing service for up to 1,500 additional service connections. Arizona-American expects to place the Mohave Treatment Plant Expansion in service in May 2008. As of the end of the test year, Arizona-American had invested $1.5 million in the Mohave Treatment Plant Expansion. The total investment is expected to be $4.0 million.

3. Paradise Valley Fire Flow Project, Phase 3. In its Paradise Valley Water District, Arizona-American is in the midst of a multi-year, phased, program to upgrade main capacity, add fire hydrants, increase water storage and pumping capacity. Arizona-American expects to complete Phase 3 of its fire-flow projects by September 30, 2008, at a cost of $3.6 million. In 2007, we began constructing one-half mile of 24" water main in McDonald Drive. Phase 3 construction will continue in 2008, with one-half mile of 16" water main in Lincoln Drive, and one-third mile of 8" water main in Tatum Boulevard.

Arizona-American also has five smaller projects underway, which should be completed in time for the Commission Staff's engineering report.

1. Well 12 Replacement (Paradise Valley Water). The existing Well 12 is being replaced due to a failure in its casing, which restricted its production to approximately 50% of the original 2200 gallons per minute. The replacement well will allow the facility to regain its original production capacity, and should be completed by December 2008, at a cost of $1.93 million.

2. Big Bend Acres Tank (Mohave Water). This storage tank is being built to replace an old existing tank which has experienced severe structural problems and has inadequate capacity. The new 250,000 gallon tank should be completed by August 31, 2008, at a cost of $611,000.

3. Sierra Montana Tank (Agua Fria Water). This 2.2 million gallon storage tank is being built to increase storage capacity at Arizona-American's Water Plant 8. The tank should be completed in August 2008, at a cost of $2.05 million.

4. Distribution System Improvements, Phase 2 (Agua Fria Water). This consists of essential projects needed for groundwater distribution and storage improvements before the 2010 completion of the White Tanks Plant. The components of this project involve connecting an MWD well to the reservoir at Water Plant 8, adding a water line to serve the Cool Well subdivision, and eliminating a pipeline bottleneck at Bell and Reems Roads. The three components of this project should be completed in October 2008, at a total cost of $1.19 million.

5. Headworks Improvements (Anthem Water). This project is being undertaken to improve the effectiveness of the influent screening process at the Anthem Wastewater Treatment Plant, thus significantly reducing future operating costs. The new headwork's screening should extend membrane life by 50%. This project should be completed in October 2008 at a cost of $1.8 million.

Tubac Arsenic Treatment Facility. Arizona-American is also planning to build an arsenic-treatment facility for its Tubac Water District to comply with the new arsenic mcl. The EPA denied our request for a three-year exemption. The current plan is to partner with the developer of Tubac Marketplace, a commercial project in the downtown area. The partnership reduces the expected cost of the facilities by approximately $1 million. The developer will provide the required site, storage, and pumping capacity; and Arizona-American will provide the water-supply and arsenic-treatment facilities. The present cost estimate is $2.3 million. Design will begin this summer (2008), with construction to begin in spring 2009 and be completed approximately one year later.

Mohave County Comprehensive Planning Study. This study lays out a five-year plan for prioritized improvements required to provide adequate water supply, storage, and pumping capacity within the Bullhead City and Havasu service areas. In Bullhead City, site procurement is underway this year for one well, which should be operational in 2009. Also, the Big Bend Acres 250,000-gallon storage tank will be completed in August 2008. Future projects include additional wells, storage, and an interconnection with Bermuda Water. In the Havasu Water District, an interconnection with the City of Lake Havasu will be completed this year. Future projects include upgrades to Well No. 9, additional storage facilities, and SCADA improvements.

Agua Fria Water Supplies. Because of the construction of the White Tanks Plant, developer are now only being required to supply water to satisfy average-day demand for the development, rather than maximum-day demand. New groundwater supplies will still be required to meet customer demands during the annual scheduled outage of the Beardsley Canal, scheduled outages of the White Tanks Plant, and any unscheduled outages of the Canal, Plant, or associated facilities. There is no longer any need for the 3.5-mile contingency pipeline.

Agua Fria District Projected Growth. Arizona-American previously forecast 4200 new hook-ups in 2008. Because of the recent real-estate slowdown, the Company now expects many fewer hook-ups in 2008, with the downward trend expected to continue. Further, many existing projects are grandfathered, so these customers will not be responsible for the increased hook-up fee. A forecast of new customers that will actually be subject to the increased hook-up fees follows:

Year	2008	2009	2010	2011	2012	2013
Customers	134	615	764	1030	1031	2180

Therefore the proceeds generated by hook-up fees to fund the White Tanks Plant will also be much less.

I INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE NUMBER.

A. My name is Joseph E. Gross. My business address is 19820 N. 7th Street, Suite 201, Phoenix, Arizona 85024, and my telephone number is 623-445-2401.

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

A. I am employed by Arizona-American Water Company ("Arizona-American") as Director of Engineering for Arizona, New Mexico, Hawaii, and Texas.

Q. PLEASE BRIEFLY OUTLINE YOUR RESPONSIBILITIES IN ARIZONA AS THE DIRECTOR OF ENGINEERING.

A. I am responsible for the planning, programming, and project delivery of Arizona-American's capital program; first providing input to the budgeting process, then providing oversight of the design and construction contracts to ensure compliance with assigned budget and schedule.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I received a Bachelor of Science degree from the United States Military Academy in civil engineering and a Master of Science degree from the Ohio State University in Geodetic Science.

Q. HAVE YOU HAD ANY OTHER FORMAL TRAINING?

A. I attended two-week senior executive management training programs at Carnegie Mellon University in 1986 and at Arizona State University in 1994.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

A. I joined Arizona-American in October 2004. I was previously employed by the City of Scottsdale for fourteen years in the positions of Capital Project Management Director,

Water Campus Project Director, and Water Resources Director. Before that, I had extensive field-level and executive-level experience in the US Army Corps of Engineers, including large projects located in the United States, Iran, and Saudi Arabia. Among other responsibilities, I supervised the Corps' extensive flood-control projects in the Phoenix metropolitan area from 1979 to 1982.

Q. ARE YOU A REGISTERED PROFESSIONAL ENGINEER?

A. Yes, I am a registered Professional Engineer in the states of Arizona and Pennsylvania.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. I submitted testimony in Arizona-American's White Tanks hook-up fee case (Docket No. W-1303A-05-0718), its arsenic-cost-recovery mechanism ("ACRM") case for its Agua Fria, Sun City West, and Havasu Water Districts (Docket No. W-01303A-05-0280, *et. al*), its Paradise Valley Water District rate case (Docket No. W-01303A-05-0405), and in its Sun City Water District rate case (Docket No. W-01303A-07-0209).

II <u>PURPOSE OF TESTIMONY</u>

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. Please refer to the Executive Summary, which precedes my testimony.

III <u>MAJOR CONTINUING CAPITAL PROJECTS</u>

Q. PLEASE DESCRIBE ARIZONA-AMERICAN'S MAJOR CONTINUING CAPITAL PROJECTS.

A. The following major capital projects were begun during the test year (2007) and are still under construction:

- White Tanks Regional Water Treatment Plant;
- Mohave Wastewater Treatment Plant Expansion; and
- Paradise Valley Fire Flow Project, Phase 3.

I will next discuss each project in greater detail.

A WHITE TANKS REGIONAL WATER TREATMENT PLANT

Q. WHAT IS THE WHITE TANKS REGIONAL WATER TREATMENT PLANT?

A. The White Tanks Regional Water Treatment Plant ("White Tanks Plant"), currently under construction, is a surface-water treatment facility. Arizona-American holds a Central Arizona Project ("CAP") water subcontract for 11,093 acre-feet per year, and has designed the White Tanks Plant to treat CAP water for distribution to customers in the Agua Fria Water District. The White Tanks Plant is designed to treat 13.5 million gallons per day ("MGD") in Phase I(a). It is expandable to 20 MGD in Phase I(b) with the addition of one more treatment-unit train. Eventually the White Tanks Plant can accommodate the addition of three additional 20 MGD phases, for a total treatment capacity of 80 MGD at the 45-acre plant site. With expansion, the White Tanks Plant will be able to treat additional CAP water or other surface-water supplies.

Q. WHAT IS THE STATUS OF THE WHITE TANKS PLANT?

A. The White Tanks Plant is located on an Arizona-American-owned parcel near the intersection of Cactus Road and Perryville Road, adjacent to the Beardsley Canal. Facilities will include a new raw water intake, a water treatment plant, and a high-service pumping station.

Construction of the White Tanks Plant began in November 2007, with Garney Construction as the prime contractor. Before construction actually began, $6 million had already been invested in pre-construction costs, primarily project design, site acquisition, legal, and internal costs.

As of March 31, 2008, total White Tanks Plant investment, including pre-construction costs, was $13 million. By September 30, 2008, the total investment should reach $31 million.

Q. WHEN WILL THE WHITE TANKS PLANT BEGIN SERVING AGUA FRIA WATER CUSTOMERS?

A. Arizona-American expects to place the White Tanks Plant in service in the second quarter of 2010. Arizona-American will then be able to use the full Phase IA capacity (13.5 MGD) to serve Agua Fria Water District customers with treated CAP Water.

Q. WHAT IS THE EXPECTED TOTAL COST OF THE WHITE TANKS PLANT?

A. The overall project budget is estimated at $61.5 million. Mr. Townsley and Mr. Broderick request various Commission authorizations pertaining to cost recovery of the White Tanks Plant in their direct testimonies.

B <u>MOHAVE WASTEWATER TREATMENT PLANT EXPANSION</u>

Q. WHY IS ARIZONA-AMERICAN EXPANDING ITS MOHAVE WASTEWATER TREATMENT PLANT?

A. Mohave Wastewater District customers are served by the Wishing Well Wastewater Treatment Plant ("Mohave Treatment Plant").[1] The Mohave Treatment Plant experienced peak demands of over 200,000 gallons per day in 2007, and has an existing design capacity of 250,000 gallons per day. Based on growth projections, demands will approach the design capacity of the Mohave Treatment Plant in 2008.

In September 2007, Arizona-American began expanding the capacity of the Mohave Treatment Plant, based on a final design and low bid submitted by Technology Construction, Inc. An Aquifer Protection Permit has already been issued and the Arizona

[1] There is another small wastewater treatment system that treats wastewater produced by three commercial customers.

Department of Environmental Quality has approved adding 250,000-gallons-per-day in new treatment capacity. The expansion of the Mohave Treatment Plant will allow service for up to 1,500 additional service connections.

Q. WHEN WILL THE MOHAVE TREATMENT PLANT EXPANSION BEGIN SERVING MOHAVE WASTEWATER CUSTOMERS?

A. Arizona-American expects to place the Mohave Treatment Plant Expansion in service in May 2008.

Q. WHAT IS THE EXPECTED TOTAL COST OF THE MOHAVE TREATMENT PLANT EXPANSION?

A. As of the end of the test year, Arizona-American had invested $1.5 million in the Mohave Treatment Plant Expansion. The total investment is expected to be $4.0 million. This project is included in Schedule B-2 rate base adjustment LJG-8.

C <u>PARADISE VALLEY FIRE FLOW PROGRAM (PHASE 3)</u>

Q. WHAT IS THE PARADISE VALLEY FIRE-FLOW PROGRAM?

A. In its Paradise Valley Water District, Arizona-American is in the midst of a multi-year, phased, program to upgrade main capacity, add fire hydrants, increase water storage and pumping capacity. Arizona-American expects to invest approximately $3.5 million per year over the next four years.

Q. WHAT INVESTMENTS ARE SCHEDULED FOR 2008?

A. Arizona-American expects to complete Phase 3 of its fire-flow projects by September 30, 2008, at a cost of $3.6 million. In 2007, we began constructing one-half mile of 24" water main in McDonald Drive. Phase 3 construction will continue in 2008, with one-half mile of 16" water main in Lincoln Drive, and one-third mile of 8" water main in Tatum Boulevard.

Q. WHAT PROJECTS ARE SCHEDULED AFTER 2008?

A. Design is basically complete for the projects scheduled for 2009 and 2010. Arizona-American is working closely with the Town concerning scheduling and traffic impact of the construction projects.

Q. HOW DOES ARIZONA-AMERICAN PROPOSE TO RECOVER ITS PHASE 3 FIRE-FLOW INVESTMENTS?

Mr. Broderick proposes to recover investments for Phase 3 and subsequent phases through a re-design of the existing Public Safety surcharge. Please see his testimony for more details.

IV <u>OTHER POST-TEST YEAR CAPITAL PROJECTS</u>

Q. ARE THERE ANY OTHER CAPITAL PROJECTS THAT ARIZONA-AMERICAN EXPECTS TO COMPLETE BEFORE COMMISSION STAFF COMPLETES ITS ENGINEERING AUDIT?

A. Yes. The five projects below should be completed in time for the Commission Staff engineering report in this case.

1. Well 12 Replacement (Paradise Valley Water)
2. Big Bend Acres Tank (Mohave Water)
3. Sierra Montana Tank (Agua Fria Water)
4. Distribution System Improvements, Phase 2 (Agua Fria Water)
5. Headworks Improvements (Anthem Water)

Arizona-American requests that these projects be included in rates established in this case and each project is displayed within the B Schedules for each respective district.

Q. PLEASE BRIEFLY DISCUSS EACH PROJECT, ITS COST, AND ITS EXPECTED COMPLETION DATE.

A. Certainly. I will briefly discuss each project in turn.

Well 12 Replacement (Paradise Valley Water). The existing Well 12 is being replaced due to a failure in its casing, which restricted its production to approximately 50% of the original 2200 gallons per minute. The replacement well, on the site of the arsenic-treatment plant and 140 feet from the existing well, will allow the facility to regain its original production capacity needed to serve our customers. This replacement well should be completed by December 2008 at a cost of $1.93 million.

Big Bend Acres Tank (Mohave Water). This storage tank is being built to replace an old existing tank which has experienced severe structural problems and has inadequate capacity. The new 250,000 gallon tank, to be constructed on the same site, should be completed by August 31, 2008, at a cost of $611,000.

Sierra Montana Tank (Agua Fria Water). This 2.2 million gallon storage tank is being built to increase storage capacity at Arizona-American's Water Plant 8. The added capacity is needed to accommodate future growth and fire-flow requirements. The tank should be completed in August 2008, at a cost of $2.05 million.

Distribution System Improvements, Phase 2 (Agua Fria Water). This project began in 2007 as a result of Arizona-American's 2004 Source-of-Supply Study, which determined essential projects needed for groundwater distribution and storage improvements before the 2010 completion of the White Tanks Plant. The components of this project involve connecting an MWD well to the reservoir at Water Plant 8, adding a water line to serve the Cool Well subdivision, and eliminating a pipeline bottleneck at Bell and Reems Roads. This bottleneck consisted of a 12" pipe connecting two 16" pipes, which severely restricted distribution of water from north to south. The project is being constructed in partnership with a City of Surprise roadway project, thus reducing costs to our customers. The three components of this project should be completed in October 2008 at a total cost of $1.19 million.

Headworks Improvements (Anthem Water). This project is being undertaken to improve the effectiveness of the influent screening process at the Anthem Wastewater Treatment Plant, thus significantly reducing future operating costs. Currently, the screens are passing hair and other fibrous materials, which damage and reduce the life of the costly membrane filters utilized in the treatment process. The annual costs for incremental membrane replacement are approximately $120,000 per year. The new headwork's screening should extend membrane life by 50%. This project should be completed in October 2008 at a cost of $1.8 million.

V TUBAC ARSENIC-TREATMENT FACILITY

Q. IS ARSENIC TREATMENT REQUIRED IN THE TUBAC WATER DISTRICT?

A. Yes. As discussed by Mr. Cole, the U. S. Environmental Protection Agency has denied our request for a three-year exemption and now Arizona-American must construct an arsenic-treatment facility for its Tubac Water customers in order to comply with the new federal arsenic standards.

Q. HOW WILL ARIZONA-AMERICAN TREAT ARSENIC IN TUBAC?

A. In 2004, Arizona-American designed a treatment project to comply with the new EPA Arsenic Rule. This project was opposed by citizens, primarily due to the impact on water rates and the project location. Since that time, the Company has investigated a number of options, including point-of-use treatment in homes, and partnering with developers needing additional storage and pumping capacity. The current plan is to partner with the developer of Tubac Marketplace, a commercial project in the downtown area.

Q. HOW DOES PARTNERING WITH THE TUBAC MARKETPLACE DEVELOPER BENEFIT TUBAC WATER CUSTOMERS?

A. The partnership reduces the expected cost of the facilities by approximately $1 million. The developer will provide the required site, storage, and pumping capacity; and Arizona-American will provide the water-supply and arsenic-treatment facilities.

Q. WHAT IS ARIZONA-AMERICAN'S REVISED ESTIMATE FOR ITS SHARE OF THE TUBAC ARSENIC TREATMENT FACILITY?

A. The present estimate is $2.3 million.

Q. HOW DOES ARIZONA-AMERICAN PROPOSE TO RECOVER THE COST OF THE TUBAC ARSENIC TREATMENT FACILITY?

A. Mr. Broderick discusses Arizona-American's proposal to recover the facility's cost through an ACRM mechanism similar to that currently in effect in other districts.

Q. WHAT IS THE SCHEDULE FOR CONSTRUCTING THE TUBAC ARSENIC TREATMENT FACILITY?

A. Design will begin this summer (2008), with construction to begin in spring 2009 and completed approximately one year later.

VI MOHAVE COUNTY COMPREHENSIVE PLANNING STUDY

Q. WHAT IS THE MOHAVE COUNTY COMPREHENSIVE PLANNING STUDY?

A. This study was completed in 2007 and lays out a five-year plan for prioritized improvements required to provide adequate water supply, storage, and pumping capacity within the Bullhead City and Havasu service areas.

Q. WHAT IS ARIZONA-AMERICAN DOING TO IMPLEMENT THE STUDY'S RECOMMENDATIONS?

A. In Bullhead City, site procurement is underway this year for one well, which should be operational in 2009. Also, the Big Bend Acres 250,000-gallon storage tank will be completed in August 2008. Future projects include additional wells, storage, and an

interconnection with Bermuda Water. In the Havasu Water District, an interconnection with the City of Lake Havasu will be completed this year. Future projects include upgrades to Well No. 9, additional storage facilities, and SCADA improvements.

VII AGUA FRIA WATER SUPPLIES

Q. IN DECISION NO. 69914, DATED SEPTEMBER 27, 2007, THE COMMISSION ORDERED THAT ARIZONA-AMERICAN TAKE SEVERAL ACTIONS CONCERNING WATER SUPPLIES IN THE COMPANY'S AGUA FRIA WATER DISTRICT. ARE YOU FAMILIAR WITH THAT DECISION?

A. Yes. The Commission ordered (page 30):

> IT IS FURTHER ORDERED that Arizona-American Water Company shall review its existing line extension agreements in the Agua Fria Water District that require developers to drill new wells, in order to determine whether it is feasible to amend those line extension agreements to reduce the number of required wells, in cooperation with the parties to those line extension agreements.
>
> IT IS FURTHER ORDERED that, in conjunction with the review of line extension agreements required by the previous Ordering Paragraph, Arizona-American Water Company shall consider whether there exist less costly alternatives for the utility and the developers to supply water for new developments in order to minimize and otherwise supplant the number of new wells that will need to be drilled in the Agua Fria District. In the course of this review, Arizona-American Water Company shall consider a proposed 3.5 mile contingency pipeline alternative in relation to the requirement for new wells to be drilled in the southern portion of the Agua Fria District.

Q. HAS ARIZONA-AMERICAN EVALUATED WHETHER IT CAN REDUCE THE "NUMBER OF NEW WELLS THAT WILL NEED TO BE DRILLED IN THE AGUA FRIA DISTRICT"?

A. Yes. Completion of the White Tanks Plant will allow Arizona-American to treat its 11,093 acre-feet per year CAP water allotment and to supply this renewable water supply

to our Agua Fria customers. This will benefit existing and future customers by substantially reducing the need for new wells in the district. As a result, developers will now be required to only supply water to satisfy average-day demand for the development, rather than maximum-day demand. Changing from a maximum-day to average-day demand requirement for RED Development's Prasada Mixed Use Gateway, located at Cactus Road and the 303 Freeway, reduced the number of required wells from six to two. Similarly, at Fulton Homes' Prasada Lakes Development, located on Cactus Road from Perryville to Citrus, the changed demand requirement dropped the number of needed wells from four to two.

Q. WHY ARE ANY NEW WELLS STILL REQUIRED?

A. Groundwater supplies will still be required to meet customer demands during the annual scheduled outage of the Beardsley Canal, scheduled outages of the White Tanks Plant, and any unscheduled outages of the Canal, Plant, or associated facilities.

Q. HAS ARIZONA-AMERICAN CONSIDERED THE 3.5-MILE CONTINGENCY PIPELINE ALTERNATIVE DISCUSSED BY THE COMMISSION?

A. Yes. The 3.5-mile pipeline was considered as a possible contingency if the White Tanks Plant could not be constructed in a timely manner. Now that Plant construction is underway, there is no need for that contingency pipeline.

VIII AGUA FRIA DISTRICT PROJECTED GROWTH

Q. TO SUPPORT ITS EARLIER REQUEST TO INCREASE WATER HOOK-UP FEES IN ITS AGUA FRIA WATER DISTRICT, ARIZONA-AMERICAN INCLUDED A FORECAST OF CUSTOMER GROWTH, NEW WATER-SUPPLY PROJECT COSTS, AND HOOK-UP FEE REVENUES. ARE YOU FAMILIAR WITH THAT FORECAST?

A. Yes. This projection was provided to the Commission in Docket No. W-01303A-05-0718, the docket that culminated in Decision No. 69914, dated September 27, 2007. Arizona-American used this projection to support its request for an increased hook-up fee.

Q. IS THIS CUSTOMER GROWTH PROJECTION STILL ACCURATE?

A. No. Because of the current real-estate slow-down, Arizona-American evaluated the impact of the current housing-market decline on projected proceeds from hook-up fees required to finance the White Tanks Plant and other improvements in the district.

Q. WHAT IS THE UPDATED (LOWER) CUSTOMER-GROWTH FORECAST FOR THE AGUA FRIA WATER DISTRICT AS A RESULT OF THE REAL ESTATE SLOW-DOWN?

A. The new customer-growth forecast follows:

Year	2008	2009	2010	2011	2012	2013
Customers	792	1164	1244	1286	1471	2428

However, it is important to note that not all these customers will be subject to the increased water-facilities hook-up fee. Many of the customers that will be added to the system will be grandfathered, primarily because the associated on-site facilities were completed before the effective date of the new tariff.

Q. WHAT IS THE UPDATED FORECAST OF CUSTOMERS THAT WILL ACTUALLY BE SUBJECT TO THE INCREASED HOOK-UP FEE?

A. The forecast of new customers that will actually be subject to the increased hook-up fee follows:

Year	2008	2009	2010	2011	2012	2013
Customers	134	615	764	1030	1031	2180

Mr. Broderick's Exhibit TMB-4 uses this lower forecast to project the proceeds that will be available to fund the White Tanks Plant and for other purposes.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes and I look forward to working with Commission Staff engineers as they prepare for and conduct their field audit of the projects I discussed herein.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
JEFF HATCH-MILLER
WILLIAM A. MUNDELL
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT AND TUBAC WATER DISTRICT	DOCKET NO. W-01303A-08-
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WASTEWATER DISTRICT, ANTHEM WASTEWATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT	DOCKET NO. SW-01303A-08-

DIRECT TESTIMONY
OF
BRADLEY J. COLE
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

DIRECT TESTIMONY
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BRADLEY J. COLE
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

TABLE OF CONTENTS

EXECUTIVE SUMMARY ..... **iv**
I INTRODUCTION **1**
II PURPOSE OF TESTIMONY **3**
III WATER DISTRICTS **3**
A AGUA FRIA WATER DISTRICT 3
B ANTHEM WATER DISTRICT 5
1 WATER PRODUCTION, TREATMENT AND DISTRIBUTION SYSTEM 6
a Raw Water Supply 7
b Pretreatment 8
c Membrane Filtration 8
d Initial Storage 8
e Disinfection 9
f Storage and Distribution 9
2 OTHER ANTHEM WATER SUPPLIES 10
3 SCADA 12
4 ANTHEM WATER EMPLOYEES 13
C HAVASU WATER DISTRICT 13
D MOHAVE WATER DISTRICT 14
E PARADISE VALLEY WATER DISTRICT 16
F SUN CITY WEST WATER DISTRICT 18
G TUBAC WATER DISTRICT 20
H COMMON WATER ISSUES 22
1 Tank Maintenance 22
2 Chemicals 23
3 Service Line, Meter Installation, Meter Test Charges and After-hour Connection Charges 23
IV WASTEWATER DISTRICTS **26**
A ANTHEM WASTEWATER DISTRICT 26
1 Anthem Wastewater Treatment Plant and Collection System 26
a Collection and Initial Screening 27
b Vortex Grit-Removal Tank 27
c Equalization Tank 27
d Bioreactor – Anoxic Zone 28
e Bioreactor – Oxic Zone 28
f Membrane Filtration 28
g Sludge Storage and Dewatering 29
h Disinfection 29
i Reclaimed Water Storage 30
j Reclaimed Water Distribution 30
B AGUA FRIA WASTEWATER DISTRICT 30
1 Northeast Agua Fria Wastewater Treatment (Northwest Valley Regional Wastewater Treatment Facility) 31
2 Russell Ranch Wastewater Treatment 31
3 Verrado Wastewater Treatment 32

4 SCADA 32
5 Agua Fria Wastewater Employees 32
C MOHAVE WASTEWATER DISTRICT 33
V SUN CITY WATER DISTRICT ANNUAL FIRE HYDRANT INSPECTION COMPLIANCE REPORT 34

EXHIBIT BJC-1 – Estimated White Tanks Deferred O&M Costs.

EXHIBIT BJC-2 – Letter Denying Request for an Arsenic Compliance Exemption.

EXHIBIT BJC-3 – Tank Maintenance Schedule

EXHIBIT BJC-4 – Estimated Service Line and Meter Installation Charges

EXHIBIT BJC-5 – NWVRTF Total and Peak Test-Year Flows

EXECUTIVE SUMMARY

Bradley J. Cole testifies as follows:

Water Districts

Mr. Cole first describes the service areas and facilities for each of Arizona-American's seven water districts that are included in this case: Agua Fria Water; Anthem Water; Havasu Water; Mohave Water; Paradise Valley Water; Sun City West Water and Tubac Water.

White Tanks Deferred O&M Recovery

Mr. Cole supports Mr. Broderick's request for a mechanism to recover deferred first-year O&M costs for the White Tanks Regional Treatment Facility. Exhibit BJC-1 estimates these costs.

Tubac Arsenic-Treatment Facility

Mr. Cole discusses the need for an arsenic-treatment facility for the Tubac Water District. Exhibit BJC-2 is a copy of a January 18, 2008 letter from the U.S. Environmental Protection Agency that denied Arizona-American's request for an exemption from the new federal arsenic standard.

Storage-Tank Maintenance Program

Mr. Cole discusses Arizona-American's new storage-tank maintenance program and supports Ms. Hubbard's request to fund this program. Exhibit BJC-3 provides the cost and schedule of all tanks scheduled for maintenance in the districts.

Chemicals

Mr. Cole explains why chemical expenses have increased in recent years. The first reason is the chemical cost has risen from year-to-year, typically tracking the Consumer Price Index. Second, we are now operating arsenic-treatment facilities located in the Agua Fria, Havasu, Sun City West and Paradise Valley water districts. New chemicals used in these facilities include Ferric Chloride, Polymer, Sodium Chloride, Sodium Hydroxide, Sodium Hypochlorite, and Sulfuric Acid. The third and final reason is the growth, particularly in the Agua Fria, Anthem, and Mohave Water districts.

Service Charges

Mr. Cole explains why Arizona-American proposes to increase various service charges:

1. Increase its service and meter-installation fees from $660 to the actual cost of installing the service lines and meters (Exhibit BJC-4 details the cost estimates for installing service lines and meter);
2. Increase its meter-test charge to $81 per meter; and
3. Standardize its after-hours reconnect charge in each district at the level set in the Anthem water tariff - $90.00.

Wastewater Districts

Mr. Cole describes the service areas and facilities for each of Arizona-American's three wastewater districts that are included in this case: Agua Fria Wastewater; Anthem Wastewater; Havasu Water; and Mohave Wastewater.

Northwest Valley Regional Wastewater Treatment Facility

Mr. Cole describes the Northwest Valley Regional Wastewater Treatment Facility ("NWVRTF"). This facility is shared between the Agua Fria Wastewater District and the Sun City West Wastewater District (not a part of this case). Exhibit BJC-5 shows the total and peak test-year flows for the NWVRTF.

Sun City Water - Fire Hydrant Inspection

Mr. Cole supports Arizona-American's request to terminate the annual fire-hydrant inspection compliance report requirement for the Sun City Water District. The annual inspection requirement is no longer needed because the fire-flow related issues are being considered by the Commission as part of the Sun City Water case scheduled to be voted on by the Commission in early May 2008. Furthermore, Arizona-American commits to assist the fire department to ensure that hydrants within our service territories are operational.

I INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE NUMBER.

A. My name is Bradley J. Cole. My business address is 15626 N. Del Webb Boulevard, Sun City, Arizona, 85351, and my business phone is 623-815-3136.

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

A. I am employed by Arizona-American Water Company ("Arizona-American") and I am the Director of Operations for Central Arizona, which includes the Sun City Water and Wastewater District, Sun City West Water and Wastewater Districts and Agua Fria Water and Wastewater Districts.

Q. WHAT ARE YOUR RESPONSIBILITIES AS THE DIRECTOR OF OPERATIONS?

A. I am responsible for water treatment, wastewater treatment, customer service, water distribution, and wastewater-collection operations.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I received a Master of Science in Business Administration from California Lutheran University in 2002. I received my Bachelor of Science in Business Administration from the University of La Verne in 1998. I have also completed various water-related technical courses that include water treatment, wastewater treatment, water distribution system operations and maintenance, water quality protection and cross-connection control, and water and wastewater management.

I am also an Arizona Department of Environmental Quality ("ADEQ") Grade III Water Distribution System Operator and a Grade II Water Treatment Plant Operator (#22916).

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

A. I have been employed by Arizona-American for approximately three years and in my present capacity as the Director of Operations for Central Arizona for the past seven months. As the Director of Operations, I oversee and manage Arizona-American's water and wastewater services in the Sun City, Sun City West, and Agua Fria districts. Prior to becoming the Director of Operations, I was employed as the General Manager of Arizona-American's Eastern Operations for a period of two years, and my responsibilities included overseeing the water and wastewater operations in the communities of Tubac, Paradise Valley, Anthem, Bullhead City, and Lake Havasu. Prior to becoming the General Manager of Arizona-American's Eastern Division, I held the role of Arizona Production Manager overseeing Arizona-American's water and wastewater treatment plants in the communities of Sun City, Paradise Valley, and Anthem.

Prior to my employment with Arizona-American, I was employed for nearly 15 years by California-American Water Company ("California-American"). Like Arizona-American, California-American is a subsidiary of American Water. Before being promoted and transferred to the Arizona-American operations as the Production Manager, I held the position of Operations Manager for almost three years in California-American's Ventura County operations located in the City of Thousand Oaks. Before that, I held the position of Operations Supervisor for nearly four years and the remainder of my prior experience with California-American included the positions of Laborer, Utility Worker, and Distribution Clerk.

Q. DO YOU HAVE ANY PROFESSIONAL AFFILIATIONS?

A. Yes. I am an active member of the American Water Works Association (#424352) and a member of the Arizona Water and Pollution Control Association (#5776).

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY UTILITY COMMISSION?

A. Yes. I sponsored testimony and testified in Arizona-American's Anthem/Agua Fria water and wastewater rate case (Docket No. WS-01303A-06-0405), Arizona-American's Mohave Water and Wastewater rate case (Docket No. WS-01303A-06-0014), and Arizona-American's Sun City Water rate case (Docket No. W-01303A-07-0209).

II PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. Please refer to the Executive Summary, which precedes my direct testimony.

III WATER DISTRICTS

A AGUA FRIA WATER DISTRICT

Q. PLEASE DESCRIBE THE AGUA FRIA WATER DISTRICT

A. Arizona-American's Agua Fria Water service area ("AF Water") comprises approximately 70 square miles located in Maricopa County. It is bounded by Grand Avenue/US Route 60 on the north, McDowell Road/Interstate 10 on the south, State Route 303 and Reems Road on the east, and the Beardsley Canal/Perryville Road to the west. The system also includes the Verrado Development, which is bounded by Northern Avenue and Glendale Avenues on the north, US Route 10 on the south, Tuthill Road on the east, and 235th Avenue and 227th Avenues on the west.

The service area includes portions of unincorporated Maricopa County, the City of Surprise, the City of Goodyear, the Town of Buckeye and the City of Glendale.

A majority of the service area is still undeveloped. Within the developed area, the land use is predominantly residential. Most of the existing commercial use in the north is comprised of strip malls along Grand Avenue. The central portion of the service area consists of large, irrigated lots and agricultural land that is rapidly being replaced by residential developments. Luke Air Force Base is located in the southeast part of the

service area. The area of high noise contours surrounding the Luke Air Force Base is restricted to non-residential use.

At the end of 2007 there were approximately 33,000 service connections in the Aqua Fria Water District. In 2007, we saw an increase of approximately 2,300 new service connections, which is down from previous year's growth during the recent real-estate boom. We expect continued slow growth for the next couple of years.

At build out, the number of service connections in the Agua Fria Water District should approach 90,000 with an average annual daily production of 43 million gallons per day.

Q. PLEASE DESCRIBE THE AGUA FRIA WATER DISTRICT'S PRODUCTION AND DISTRIBUTION SYSTEM.

A. There are 38 groundwater production wells in the district. In 2007, we pumped over 5.8 billion gallons of water from Arizona-American owned wells and purchased nearly 146 million gallons from other sources. At present, there are approximately 3,888,835 linear feet of water mains (736.52 miles), 6,120 fire hydrants, and 15,342 gate valves. The district's 15 water tanks provide over 18 million gallons of storage. Other than chlorination, most wells do not require water treatment. The district provides arsenic removal at four locations: Agua Fria Water Plants 1, 2, and 5, and at Agua Fria Trunk Line Well No. 1. Each location uses an absorptive media technology that effectively removes arsenic from the water before it enters the distribution system.

Q. HOW MANY PEOPLE ARE CURRENTLY CHARGED WITH OPERATING THE WATER FACILITIES OF THE AGUA FRIA WATER SYSTEM?

A. There are four water operators dedicated to operating AF Water's 38 wells, booster stations and water storage facilities, with assistance from Sun City and Sun City West operators from time to time. In addition to the operators, AF Water also shares with Sun

City and Sun City West Water Districts a pool of 12 maintenance operators, three line locators, eleven meter readers, eight field customer-service representatives, 12 utility workers and dedicated supervisory and supportive management staff. When the pooled employees work on Agua Fria Water-related matters, they appropriately charge their time and expenses to that district. Arizona-American's ability to share employees among three districts allows Arizona-American to reduce expenses without compromising the high quality of service we provide to customers in Sun City, Sun City West and Agua Fria Water Districts.

Q. DOES ARIZONA-AMERICAN PROPOSE A MECHANISM TO DEFER AND RECOVER OPERATIONS AND MAINTENANCE EXPENSES ASSOCIATED WITH THE WHITE TANKS PLANT UNTIL SUCH EXPENSES CAN BE PLACED IN RATE BASE?

A. Yes. Mr. Gross discusses the planned White Tanks Plant and how it will serve Agua Fria customers by treating renewable surface-water resources. Mr. Broderick proposes a mechanism to recover the deferred White Tanks Plant first-year O&M costs. Exhibit BJC-1, which was done under my supervision in September of 2007, estimates these costs to be $1.927 million.

Q. HOW DID YOU ESTIMATE THE WHITE TANKS PLANT-RELATED OPERATIONS AND MAINTENANCE EXPENSE?

A. The labor-related expenses in Exhibit BJC-1 consist of the estimated salaries, benefits, and training expenses for six full-time employees dedicated to the operation of the White Tanks Plant. The estimated non-labor O&M costs, such as chemical and power costs, are based on treatment capacity of 13.5 MGD.

B <u>ANTHEM WATER DISTRICT</u>

Q. PLEASE DESCRIBE THE ANTHEM WATER DISTRICT.

A. The Anthem Water District serves approximately 8,552 customers in an unincorporated area north of Phoenix. The Anthem Water District is part of an integrated water/wastewater system comprised of a Central Arizona Project ("CAP") raw-water pumping station, a nine-mile pipeline that bring CAP water to the Anthem community, a combined water and wastewater treatment plant, booster stations and reservoirs, a wastewater lift station, a network of water and wastewater distribution and collection facilities, and an extensive reuse-water distribution system for landscape and turf-irrigation purposes throughout the Anthem community. For ratemaking purpose, Anthem Water District facilities include the facilities used to provide water to our water customers in the district.

1 WATER PRODUCTION, TREATMENT AND DISTRIBUTION SYSTEM

Q. PLEASE DESCRIBE ANTHEM WATER DISTRICT'S WATER PRODUCTION, TREATMENT AND DISTRIBUTION SYSTEM.

A. The Anthem Water Campus ("Campus") is a combined water and wastewater treatment plant. The initial infrastructure at the Campus was constructed in 1999 and uses state-of-the-art membrane-treatment technology for both water and wastewater treatment. Specifically, the Anthem Water Treatment Plant uses membrane-filtration technology to treat raw surface water from the CAP for drinking and other potable uses by our Anthem customers and an extensive reuse-water distribution system for landscape and turf-irrigation purposes throughout the Anthem community. Overall, there are several steps to the process of providing potable water to our Anthem customers:

- Raw Water Supply.
- Pretreatment.
- Membrane Filtration.
- Initial Storage.

- Disinfection.
- Storage and Distribution.

I will next describe each step in greater detail

a **Raw Water Supply**

Q. WHERE DOES ARIZONA AMERICAN OBTAIN ITS WATER SUPPLY FOR THE ANTHEM COMMUNITY?

A. In accordance with the Agreement for Anthem Water/Wastewater Infrastructure between the Del Webb Corporation and Arizona-American ("Anthem Agreement"), Arizona-American is entitled to a maximum of 7,900 acre-feet of water annually from the Ak-Chin Indian Community pursuant to a 100-year lease agreement between the Ak-Chin Indian Community and Del Webb Corporation (now Pulte Home Corporation) ("Del Webb"). The Ak-Chin Water supply is a renewable source of water provided from the Colorado River through the Central Arizona Project and is the primary source of water supply for Anthem.

Arizona American is in the process of acquiring the water lease from Del Webb. At present, draft assignments are under review by both Del Webb and Arizona-American. Once the assignment by Del Webb is completed, further approvals from both the Ak-Chin Indian Community and the U.S. Department of the Interior will be sought.

Q. HOW IS THE AK-CHIN WATER PHYSICALLY DELIVERED TO AND USED AT THE ANTHEM WATER TREATMENT CAMPUS?

A. Raw water from the Waddell (CAP) Canal flows to Arizona-American's CAP Water Pump Station, where it is pumped approximately nine miles through a thirty-inch pressurized line for use in the Anthem Community. The received CAP water is typically stored in Raw Water Reservoir No. 1 or No. 2 at the Anthem Water Campus. These reservoirs provide flow control and emergency storage for the Water Treatment Plant.

All reject flows from the membrane-treatment process are pumped into the CAP/Effluent Storage Basin, where it is reused by irrigation customers.

b **Pretreatment**

Q. HOW IS THE RAW WATER PRETREATED?

A. Raw water from the raw water reservoirs is pumped through strainers and into the membrane basins located in the process building. When needed, pre-treatment chemicals are added to the raw water supply to remove iron and manganese, control biological growth, and to mitigate organic and inorganic compounds affecting color, taste, and odor of the water.

c **Membrane Filtration**

Q. WHAT HAPPENS TO THE WATER AFTER PRETREATMENT?

A. The water flows through Zenon membrane modules, which contain bundled fiber lumens that reduce turbidity and solids, and remove Giardia and Cryptosporidium (if present in the water treatment plant raw influent). Each membrane unit operates under vacuum pressures, provided by permeate pumps, which pull water into the bundled fibers and through the associated discharge piping. There are four independent membrane treatment units at the water treatment plant, which allows a unit to be periodically taken offline for maintenance, while the other units remain in operation.

d **Initial Storage**

Q. WHERE DOES THE WATER GO AFTER IT LEAVES THE TREATMENT MEMBRANE UNITS?

A. The clean water from each unit is pulled into larger stainless-steel permeate piping where is transported by pumping to the first of two Finished Water Reservoirs. The Finished Water Reservoirs are circular, above grade, steel tanks located adjacent to each other on the Anthem Water Campus. Each Finished Water Reservoir has a diameter of 120 feet and a height of 16 feet. Total storage capacity is 2.4 million gallons (1.2 million gallons

each). The reservoirs can be operated in parallel, series, or with one reservoir out of service. The reservoirs feed the Finished Water Pump Station via a 24-inch diameter pipeline.

e **Disinfection**

Q. HOW IS THE WATER DISINFECTED?

A. Arizona-American uses an ultraviolet ("UV") disinfection system to treat Anthem Water's raw water supply. The UV disinfection system went in service on September 28, 2007, replacing chlorination (Sodium Hypochlorite) as the primary means of disinfection. The UV system operates in-line, ahead of the Finished Water Reservoirs. With the UV system operating, we no longer add sodium hypochlorite in the feed line to the Finished Water Reservoirs, except for periodic shocking of the Finished Water Reservoirs to control biological growth and to maintain chlorine residual in the distribution system. The UV disinfection system enhances water quality and reduces disinfection byproducts production by minimizing the amount of chlorine injected into the finished water.

f **Storage and Distribution**

Q. HOW IS POTABLE WATER STORED FOR ANTHEM CUSTOMERS?

A. Arizona-American operates two adjacent pump stations to move water from the finished water reservoirs for distribution to our customers: Finished Water Pump Stations Nos. 1 and 2. Pump Station No. 1 contains <u>one</u> Zone 1 pump and <u>two</u> Zone 2 pumps. Finished Water Pump Station No. 2 contains <u>two</u> Zone 1 pumps and <u>two</u> Zone 2 pumps. The pumps transfer potable water directly to Pressure Zones 1 and 2, and to the Upper Reservoir for distribution to Pressure Zones 3 and Zone 4.

The Upper Reservoir consists of two below-grade concrete basins, with a total usable volume of 3.34 million gallons (1.67 million gallons each). The Upper Reservoir is fed by Zone 2 pumps at the Finished Water Pump Stations. The Upper Reservoir is

constructed at a relatively high elevation in the northeasterly portion of Anthem allowing the Upper Reservoir to serve as elevated storage for Pressure Zone 2. In addition to providing elevated storage for Pressure Zone 2, the Upper Reservoir provides source water for Pressure Zones 3 and 4 through a booster pumping station located at the Upper Reservoir site. The Upper Reservoirs include a gas-chlorination system that is used to maintain the appropriate disinfection level at the outlet of the Upper Reservoir.

2 OTHER ANTHEM WATER SUPPLIES

Q. IS ALL OF ANTHEM'S POTABLE WATER SUPPLIED FROM THE ANTHEM WATER TREATMENT PLANT?

A. No. Since Anthem must obtain all of its water supply from the Ak-Chin Indian Community and Anthem is distant from the CAP Canal, the physical source of the Ak-Chin water, Arizona-American has adopted a water-supply plan designed to provide system reliability and water use efficiency that would not be possible with a single treatment facility.

Q. WHAT ARE THE DRIVERS OF ARIZONA-AMERICAN'S WATER-SUPPLY STRATEGY?

A. There are two drivers. First, Arizona-American's strategy recognizes that a single connection to the CAP canal with a single treatment facility presents an unacceptable risk of long-term loss of water supply and a complete water system outage. Second, Arizona-American's strategy recognizes that all water delivered to the project site should be put to initial beneficial use and that all sewage generated should be reclaimed and reused.

Q. BASED ON THESE DRIVERS, WHAT WATER-SUPPLY STRATEGY DID ARIZONA-AMERICAN ADOPT?

A. Arizona-American adopted a three-pronged strategy designed to mitigate the risk of water system outage and promote the efficient use of water. One, water is delivered to

Anthem and treated via Arizona-American's raw water pipeline and treatment plant. Two, the Anthem water system has been interconnected with the City of Phoenix water system, making potable water available through two additional points on the CAP system and from two additional water treatment plants owned by the City of Phoenix. Three, Arizona-American has permitted a recharge facility and drilled recovery wells to allow use of sewage effluent and Ak-Chin water that cannot be put to beneficial use at the time it is generated. Additionally, the recovery wells can provide supplemental supply if either the Arizona-American Treatment Plant or the Phoenix interconnection is out of service, mitigating significantly the impact on the Anthem community due to the loss of either facility.

Q. PLEASE DESCRIBE THE INTERCONNECTION WITH THE CITY OF PHOENIX.

The City of Phoenix interconnection was installed in 2005. The City of Phoenix interconnection is a pipeline connecting the City of Phoenix's water-distribution system to the Anthem distribution system. Through the interconnection, the City of Phoenix can deliver treated CAP water to Anthem from either its Union Hills Water Treatment Plant or the Lake Pleasant Water Treatment Plant. Pursuant to a contract with the City of Phoenix, an average flow of 2.5 MGD (peak flow of 5.0 MGD) of potable water is available to the Anthem community from the interconnection. The potable-water line from the City of Phoenix is connected to the Anthem WTP Zone 2 distribution line. The Zone 2 line feeds water to Pressure Zone 2 and the Upper Reservoir, where the water can be pumped to Zone 3 or Zone 4. Additionally, water can be conveyed to Pressure Zone 1 via pressure reducing valves from Zone 2, if necessary.

Q. WHAT IS THE PURPOSE OF THE RECOVERY WELLS?

The recovery wells allow the maximum beneficial use of surface water supplies by allowing water to be used at times other than when it is produced. For instance, during rainy periods, effluent production may exceed irrigation needs. With a traditional system, this valuable resource would be discharged and lost. At Anthem, the water is placed in a recharge project and the resulting effluent credits are later recovered from the recovery wells, thereby reducing the overall water demand for the community. Additionally, should either source of treated surface water be unavailable, effluent recharge credits or Ak-Chin water recharge credits can be pumped from the recovery wells, significantly reducing the impact of a treatment plant outage on the community.

Q. WOULD YOU DESCRIBE THE RECOVERY WELLS?

A. Three recovery wells have been installed on the west side of Interstate 17. Well No. 1is not used because arsenic levels exceed the regulatory standard and the costs associated with this well are not included for recovery in this case. Well Nos. 2 and 3 provide a total of 1.72 MGD of water to the Anthem community. Both wells supply water to Pressure Zone 2 and have the ability to be conveyed to Zone 1 via pressure reducing valves and to Zones 3 and 4 through pumping from the Upper Reservoir. Both wells meet all regulatory requirements and do not require treatment other than disinfection.

Q. DOES THE ANTHEM WATER SYSTEM REQUIRE COSTLY FACILITIES TO REMOVE ARSENIC?

A. No. Arsenic is typically found only in groundwater supplies. The Ak-Chin Water, the water supplied through the Phoenix interconnection, and the water from wells Nos. 2 and 3, all satisfy the new federal arsenic standard.

3 <u>SCADA</u>

Q. HOW DOES ARIZONA-AMERICAN CONTROL THE ANTHEM WATER SYSTEM?

The entire Anthem Water Campus and the distribution system are controlled by a Supervisory Control and Data Acquisition ("SCADA") system. A SCADA system includes the communications and control equipment, software, and, computer equipment that allow operators to manage and control the treatment and distribution processes.

4 ANTHEM WATER EMPLOYEES

Q. HOW MANY PEOPLE ARE CURRENTLY CHARGED WITH OPERATING THE WATER FACILITIES OF THE ANTHEM WATER SYSTEM?

A. At the Anthem Water Campus, there are a total of 13 water and wastewater operators. Five are dedicated to the water side of the plant, five are dedicated to the wastewater side of the plant, and three are dedicated to performing maintenance to the Anthem Water Campus and off-site facilities. In addition to the Anthem Water Campus personnel, there is a single meter reader and a single Field Customer Service Representative who performs duties in the water distribution and wastewater collection systems. At present, we are recruiting one additional utility worker to perform maintenance and repair activities for the water distribution and the wastewater collection systems.

C HAVASU WATER DISTRICT

Q. PLEASE DESCRIBE THE HAVASU WATER DISTRICT?

A. The Havasu Water District covers approximately 3,486 acres (5.45 square miles). Topography within the area currently serviced ranges in elevation from 475-770 feet. The pipe network consists of approximately 30.8 miles of main, ranging in size from two to 16 inches. The Havasu Water District's water production facilities include three production wells, five ground level storage tanks, five booster pump stations, and five pressure regulating valves.

Q. HOW MANY EMPLOYEES ARE CURRENTLY PROVIDING SERVICE TO THE HAVASU WATER DISTRICT?

A. There are currently three employees providing service to the 1,525 customers in the Havasu Water. One employee was brought on-board in 2007 to help operate & maintain the water distribution system, its wells, pumps, and its new arsenic removal facility. We do not plan to bring on any new other employees in the near future.

D MOHAVE WATER DISTRICT

Q. PLEASE DESCRIBE THE MOHAVE WATER DISTRICT.

A. The Mohave Water District is located within Bullhead City and unincorporated areas of Mohave County. The overall service area covers approximately 17,397 acres (27.19 square miles). There are approximately 15,800 customers in the district. The topography within the service area ranges in elevation from 590-1,260 feet. The Mohave Water District has one operating center and five separate water systems:

- The Bullhead City water system (PWS # 08-032), also known as the Main System, serves a majority of the Bullhead City area in Mohave County, with a certificated area of approximately 25 square-miles.
- The Camp Mohave water system (PWS # 08-037) serves an unincorporated portion of southern Bullhead City, Mohave County, with a 0.5 square-mile certificated area.
- Lake Mohave Highlands system (PWS # 08-062) serves an area located to the north of the main Bullhead City service area, with a service area of approximately 0.6 square miles.
- Desert Foothills system (PWS # 08-137) serves an area in the northwest corner of the main Bullhead City service area, with a service area of approximately 0.6 square miles.
- Rio Vista Ranches system (PWS # 08-333) serves a subdivision in southern Bullhead City, Mohave County, with a 0.5 square-mile certificated area.

Q. PLEASE DESCRIBE THE MOHAVE WATER DISTRICT'S WATER PRODUCTION, TREATMENT AND DISTRIBUTION SYSTEM.

A. The five systems within the Mohave water are not interconnected; each has its own water production, storage, and distribution facilities. All Mohave Water's water is provided from wells. The terrain of this service territory is varied, rocky and desert; thus, maintaining proper pressure in the many pressure zones is the primary operational challenge. The water distribution system consists of approximately 199.7 miles of main, ranging in size from 2-inches to 18-inches. The only treatment provided in the Mohave Water system is in the form of chlorination before the water enters the distribution system.

The Bullhead City system consists of six groundwater production wells, ten storage tanks, two booster station sites, and a distribution system serving 14,300 customers. The storage tanks provide a combination of both gravity and pumped storage for the system. There is currently 3.2 Million Gallons ("MG") of gravity storage and 1.48 MG of pumped storage in the Main System. There are currently no emergency interconnections with other water purveyors to supplement the supply from the wells.

The Camp Mohave system has one pumping site consisting of a well, storage tank, pumping facilities and a distribution system serving 97 customers. This system is interconnected with Bermuda Water Company.

The Lake Mohave Highlands system has two production wells and three ground storage tanks, and three booster pump stations and a distribution network serving 249 customers. The storage tanks provide pumped storage for the system with total volume of 0.49 MG. This system has an emergency tie-in having a 4-inch meter with North Mohave Valley Water Company.

The Desert Foothills system is supplied by one production well, two storage tanks, two booster pump stations and a distribution network serving 1,028 customers. The storage tanks provide a combination of both gravity and pumped storage for the system with a total volume of 0.5 MG.

The Rio Vista Ranches receives its water from the Bermuda Water Company. This system only has a distribution system serving approximately 97 customers.

Q. HOW MANY EMPLOYEES ARE CURRENTLY CHARGED WITH OPERATING THE MOHAVE WATER SYSTEM?

There are 15 employees who operate and maintain, read meters, and provide customer service to more than 15,800 customers in the Mohave Water.

E <u>PARADISE VALLEY WATER DISTRICT</u>

Q. PLEASE DESCRIBE THE PARADISE VALLEY WATER DISTRICT.

A. The Paradise Valley District is located in Maricopa County. It serves approximately half of the Town of Paradise Valley and portions of the City of Scottsdale. There are approximately 4,750 customers in the district.

Q. PLEASE DESCRIBE PARADISE VALLEY'S WATER PRODUCTION AND DISTRIBUTION SYSTEM.

A. Our Paradise Valley customers current receive treated water from six wells located on the eastern edge of the service area. The wells range in depth from 1,000 to 1,740 feet and have flow rates from 1,300 to 2,500 gallons per minute. The distribution system, which covers about 8.5 square miles, consists of approximately 121 miles of mains ranging in size from two to thirty inches in diameter. The system has nine pressure zones due to the varying elevations in the service area. The combined capacity of the thirteen ground storage tanks is 4.529 million gallons.

All the water from our Paradise Valley wells is pumped to the Paradise Valley Arsenic Removal Facility ("PVARF") for chlorination, storage, and arsenic-removal treatment.

Q. HOW DOES THE PVARF REMOVE ARSENIC FROM PARADISE VALLEY'S WATER SUPPLY?

A. The PVARF entered service in September 2006 and treats water to the new federal drinking-water standard of 10 micrograms per liter. The PVARF utilizes a coagulation/filtration process to reduce the arsenic concentration in the drinking water supply. Ferric chloride is used to adsorb the arsenic in the raw water. The arsenic is then captured in the granular media, where it is settled out as sludge, dewatered with a plate filter press, and hauled off to a landfill.

Q. WILL ARIZONA-AMERICAN USE THE PCX-1 WELL TO SUPPLY WATER IN THE PARADISE VALLEY WATER DISTRICT?

A. No. As discussed by Mr Lenderking, Arizona-American Water permanently disconnected the PCX-1 well in January, so water from that well will no longer be used serve our customers

Q. HOW MANY EMPLOYEES CURRENTLY OPERATE THE PARADISE VALLEY WATER SYSTEM?

A. There are 14 employees who operate and maintain the water distribution system, PVARF, wells, booster stations, and MRTF. In addition, these employees also read meters and provide customer service.

Q. DOES ARIZONA-AMERICAN INCLUDE ANY POST TEST YEAR PLANT IN SERVICE IN THIS APPLICATION?

A. Yes, Arizona-American proposes to include in its rate base the replacement well for the existing Well No. 12 and a new turbine for Well No. 17. The Well No. 12 replacement

will be in service by December 2008 and Well No.17 will be online by summer 2008. Please see page 12 of Paradise Valley's Schedule B for the post-test rate base adjustment relating to Well Nos. 12 and 17.

Q. WHY IS ARIZONA-AMERICAN REPLACING WELL NO. 12?

A. As stated by Mr. Gross, Well No. 12 is being replaced due to a failure in its casing, which restricted its production to approximately 50% of the original 2200 gallons per minute. Well No. 12 has been in service since 1962 and was scheduled for replacement in 2009 - 2010, however, due to the need to meet customer demands in summer 2009 and regain its original production capacity, we are moving up the planned replacement. The permitting process began in April 2008 and the well replacement should be completed by December 2008. The approximate replacement cost is $1,930,000.

Q. WHY IS ARIZONA-AMERICAN REPLACING THE PUMP FOR WELL NO. 17?

A. This is a capital project to replace the aging submersible pump with a new turbine. The replacement is necessary because submersible pump parts are difficult to find and it takes twice as long to repair as a turbine. It also takes 7 to 10 weeks to find a replacement if the submersible pump needs to be replaced entirely.

Q. ARE THE REPLACEMENT WELLS INTENDED TO SERVE ANY NEW GROWTH?

A. No. The Paradise Valley Water District experiences very minimal growth. The replacement wells are needed to meet the current customers' demands.

F <u>SUN CITY WEST WATER DISTRICT</u>

Q. PLEASE DESCRIBE THE SUN CITY WEST WATER DISTRICT.

A. The Sun City West Water District is located in the northwest portion of the Phoenix metropolitan area, Maricopa County, and provides water service to approximately 15,400

customers in the unincorporated community of Sun City West. The certificated area is substantially built-out, with only minor in-fill growth occurring.

Q. PLEASE DESCRIBE THE SUN CITY WEST WATER DISTRICT'S PRODUCTION AND DISTRIBUTION SYSTEM.

A. The water distribution system consists of 1,003,254 linear feet (195 miles) of water distribution mains, with 1,142 fire hydrants, and over 2,600 gate vales. Ten wells feed two water plants (combination booster stations and water tanks). Located at each of the two water plants are two water tanks with a total combined storage capacity of 4.0 million gallons.

The Sun City West Water District is located in the Phoenix Active Management Area. The primary source of supply is groundwater withdrawn from wells within its certificated service territory and recovered CAP water. Arizona-American acquired, as part of the Citizen's acquisition, contracts for the delivery of 2,372 acre-feet CAP water. The CAP water is delivered to the Maricopa County Municipal Water Conservation District Number One ("MWD") Groundwater Saving Facility and legally recovered from Arizona-American's wells in the district.

Q. HOW MANY EMPLOYEES ARE CURRENTLY CHARGED WITH OPERATING THE SUN CITY WEST WATER SYSTEM?

A. There are five dedicated Water Operators operating the district's production facilities, with additional assistance from Sun City Water and Agua Fria Water operators from time to time. Sun City West also shares with the Agua Fria Water and Sun City Water districts a pool of 12 maintenance operators, three line locators, eleven meter readers, eight field customer service representatives, 12 utility workers, and dedicated supervisory and supportive management staff. When these employees work on Sun City West-related matters, they appropriately charge their time and expenses to that district. Arizona-

American's ability to share employees among three districts reduces expenses without compromising our high quality of service.

G TUBAC WATER DISTRICT

Q. PLEASE DESCRIBE THE TUBAC WATER DISTRICT.

A. The Tubac Water District is located in Santa Cruz County in the southern Arizona.

Q. PLEASE DESCRIBE THE TUBAC WATER DISTRICT'S PRODUCTION AND DISTRIBUTION SYSTEM.

A. Tubac Water provides water to 535 customers in three difference pressure zones. The water is pumped from four groundwater wells and disinfected with sodium hypochlorite. The treated water is then delivered to our customers.

Q. DOES TUBAC WATER'S WATER SUPPLY MEET THE FEDERAL ARSENIC STANDARD?

A. No. As the Commission knows, the new federal standard for arsenic is 10 μg/L. Unfortunately, Tubac Water's running annual average for the fourth quarter of 2007 was 31 μg/L.

Q. DID ARIZONA-AMERICAN SEEK AN EXEMPTION FROM THE ARSENIC STANDARD?

A. Yes. At the urging of our Tubac customers, Arizona-American sought to delay enforcement and gain an exemption from the arsenic standard. Exhibit BJC-2 is a copy of a January 18, 2008, letter from the U.S. Environmental Protection Agency that denied our request for an exemption. We are now required to provide drinking water that meets the 10 μg/L arsenic standard.

Q. WHAT DOES ARIZONA-AMERICAN PLAN TO DO TO MEET THE FEDERAL ARSENIC STANDARD?

A. As discussed by Mr. Gross, Arizona-American plans to build an arsenic-removal facility, which was originally designed in 2004. To reduce the capital investment in the facility, Arizona-American now plans to partner with the developer of the Tubac Marketplace, a commercial project in the downtown area.

Q. HAS ARIZONA-AMERICAN SOUGHT OTHER SOLUTIONS TO RESOLVE THE ARSENIC ISSUE IN TUBAC?

A. Yes. In 2004, we designed an arsenic-removal facility after considering seven different treatment technologies and selecting the absorptive media technology. At that time, there was significant opposition by the citizens of Tubac due to the potential rate impact and site location. We decided to halt the construction of the arsenic-removal facility while exploring other possible alternatives. First and foremost, we worked with ADEQ on getting an exemption from the rule. Unfortunately, ADEQ failed to grant the exemption.

Second, we investigated Point-of-Use ("POU") devices, which would be located at the customer's premises. We determined that this alternative was not cost effective. There are too many customers, such as a school and various restaurants, that would require specially fabricated devices. With over 500 other customers, a POU solution would not be affordable and manageable. Furthermore, while a POU solution has a lower capital costs, the operation and maintenance costs are significantly higher. Over time the option with the higher O&M costs will eventually eclipse the option with the higher capital cost.

Third, we also looked at the possibility of blending the water with other nearby sources of water with low arsenic level. This option would not work because there was not enough low arsenic water source within or near the Tubac area to blend with.

Q. HOW MANY EMPLOYEES ARE CURRENTLY OPERATING THE TUBAC WATER SYSTEM?

There are currently two full-time employees who work for in the district, performing system operations and maintenance, meter reading, and customer service. There are no immediate plans to increase staffing levels.

H COMMON WATER ISSUES

1 Tank Maintenance

Q. WHAT IS ARIZONA-AMERICAN'S TANK MAINTENACE STRATEGY?

A. Arizona-American's strategy for tank maintenance is to provide the right maintenance for the right tank at the right time. The program's objective is to extend the life of the asset and avoid costly repairs or replacements. To achieve this strategy, Arizona-American established a ten-year tank maintenance program beginning 2009. Maintenance needs, which can include repainting the interior or exterior surfaces, structural repairs, and cathodic protection, are typically identified through routine inspection schedules. We typically plan on repainting the tanks every ten years, but inspection results can either accelerate or push back planned maintenance. For example, if a tank was last painted ten years ago and the inspection results provided that repainting can be delayed another three years, we will do so. That goes toward providing the right maintenance on the right tank at the right time.

We try to program the maintenance activities over a ten-year period to avoid expense shock to any single particular district. In doing this, we might only program these expensive maintenance activities on two or three tanks a year so that the total cost of the program for all tanks is spread out over a ten-year period. It would be very costly to any single district if all of is tanks were maintained in one year.

Q. WHAT ARE THE TEN-YEAR TANK MAINTENANCE SCHEDULES FOR THE ANTHEM, AGUA FRIA, HAVASU, MOHAVE, PARADISE VALLEY, SUN CITY WEST AND TUBAC WATER DISTRICTS?

A. Exhibit BJC-3 provides the cost and schedule of all tanks scheduled for maintenance in the districts.

Q. HOW DOES ARIZONA-AMERICAN PROPOSE TO FUND THE SCHEDULED TANK MAINTENACE?

A. It is very difficult to annualize the cost of the ten-year maintenance schedule because we often adjust the schedule based on the condition the tanks. As I stated earlier, our regular inspections of our tanks may reveal certain tank conditions requiring acceleration or delay of planned maintenance. The tank maintenance reserve account proposed by Ms. Hubbard is an appropriate way to fund the ten-year maintenance plan.

2 <u>Chemicals</u>

Q. WHAT HAS HAPPENED TO CHEMICAL EXPENSE IN RECENT YEARS?

A. Chemical expenses have increased, for three primary reasons. The first reason is the cost of chemicals has risen from year-to-year, typically tracking the Consumer Price Index. Second, we are now operating arsenic-treatment facilities located in the Agua Fria, Havasu, Sun City West and Paradise Valley water districts. New chemicals used in these facilities include Ferric Chloride, Polymer, Sodium Chloride, Sodium Hydroxide, Sodium Hypochlorite, and Sulfuric Acid. The third and final reason is growth, particularly in the Agua Fria, Anthem, and Mohave Water districts. As our customer base has increased, we have had to treat more water and there use more chemicals

3 <u>Service Line, Meter Installation, Meter Test Charges and After-hour Connection Charges</u>

Q. IS ARIZONA-AMERICAN ASKING TO INCREASE SERVICE AND METER-INSTALLATION FEES?

A. Yes. For the Anthem, Agua Fria, Havasu, Mohave, Paradise Valley, Sun City water districts, Arizona-American proposes to increase the service and meter-installation fees from $660 to the actual cost of installing the service lines and meters.

Q. WHAT IS THE ESTIMATED COST OF INSTALLING SERVICE LINES AND METERS?

A. The cost of installing a 20-foot service line in an established area with paved streets is approximately $4,130 to $5,700, depending on factors such as whether outside contractors or in-house labor, and whether re-paving is required.

Q. WHAT ARE THE PROPOSED SERVICE AND METER INSTALLATION, METER TESTING, AND ESTABLISHMENT CHARGES?

A. Please see Exhibit BJC-4, which details the cost estimates for installing service lines and meter. We are asking to modify the existing Service Line and Meter Installation Charge to obtain full-cost payment from the customer as an advance in aid of construction. The tariff should be changed to read "An applicant for water service shall pay to the Company, as a refundable advance in aid of construction, the full cost to provide the new service line and meter." The Company would provide an up-front cost estimate for each project and then provide a true-up against actual costs once the project is completed.

Q. IS ARIZONA-AMERICAN ASKING TO INCREASE THE SERVICE LINE AND METER CHARGES FOR ITS SUN CITY WATER DISTRICT?

A. No. The Sun City Water District is not part of this case. Further, it is a built-out district with very few new connections. If necessary, we can revise the Sun City Water District's Service Line, Meter, and Service Charges in a future rate case.

Q. IS ARIZONA-AMERICAN ASKING FOR NEW METER-TEST CHARGES?

A. Yes. Arizona-American asks to raise the meter test charge to $81 per meter. The current meter-test charge is $10 for our Agua Fria, Sun City, and Sun City West water districts, $15 for our Paradise Valley Water District, and $30 for our Anthem Water District.

Q. WHY IS ARIZONA-AMERICAN ASKING TO INCREASE ITS METER-TEST CHARGES?

A. The current meter test charge only recovers a fraction of the true cost. It takes Arizona-American an average of four-and-one half man-hours to perform this activity and each employee involved in the testing earns approximately $18.00/hour in wages and benefits. Therefore, the cost of doing a meter testing is approximately $81.

Q. IS ARIZONA-AMERICAN ASKING FOR NEW AFTER-HOUR RECONNECTION CHARGES?

A. Yes. Commission Rule 14-2-403-D authorizes a water utility to charge an after-hour charge for a service connection/reconnection. Currently, the approved after-hours reconnection charges range from $35.00 in our Havasu Water District to $90.00 in our Anthem Water District, although the costs to provide this service should not vary significantly.

We typically turn off service for nonpayment of utility bills typically during normal business hours. Therefore, the reconnection requests typically arrive after 5:00 pm when the customer has returned home for the day. If the customer wants to reconnect service that evening, we have to call someone in to return back to work, on overtime pay, to make the service reconnection. Because an employee is paid at 1.5 times his regular pay and the process takes as much as two hours to complete, it makes sense to raise the after-hours reconnect charge in each district to the level set in the Anthem water tariff - $90.00. This would provide consistency among our eight water districts, discourage late

payments of bills, discourage after-hours reconnects, and provide for a full-cost recovery of direct labor expenses incurred plus overhead.

IV WASTEWATER DISTRICTS

A ANTHEM WASTEWATER DISTRICT

Q. PLEASE DESCRIBE THE ANTHEM WASTEWATER DISTRICT.

A. The Anthem Wastewater District provides wastewater collection and treatment service for approximately 8,073 customers in the Anthem community. As stated earlier, the Anthem system is an integrated water/wastewater system with a combined water and wastewater treatment plant.

1 Anthem Wastewater Treatment Plant and Collection System

Q. PLEASE DESCRIBE THE ANTHEM WASTEWATER TREATMENT PLANT AND COLLECTION SYSTEM.

A. The Anthem Wastewater Treatment Plant is an activated sludge, tertiary-treatment plant (membrane bioreactor) that treats the wastewater from the Anthem community. The Plant removes organic and suspended material from the waste stream to meet ADEQ requirements for unrestricted use. The recycled water is disinfected before being used for irrigation or recharged into the groundwater aquifer. There are several stages in the treatment process:

- Collection and Initial Screening.
- Vortex Grit-Removal Tank.
- Equalization Tank.
- Bio-Reactor – Anoxic Zone.
- Bio-Reactor – Oxic Zone.
- Membrane Filtration.
- Sludge Storage and Dewatering.

- Disinfection.
- Reclaimed Water Storage.
- Reclaimed Water Distribution.

I will describe each stage in detail.

a **Collection and Initial Screening**

Q. HOW IS ANTHEM WASTEWATER COLLECTED AND SCREENED?

A. Raw wastewater flows from the collection system to the influent pump station, where it is pumped into the plant. Pumped wastewater is then sent to the headworks, where it is screened through a mechanically-cleaned auger screen to remove rags and other inorganic debris greater than 2 mm in diameter.

b **Vortex Grit-Removal Tank**

Q. WHAT HAPPENS IN THE VORTEX GRIT-REMOVAL TANK?

A. The screened influent flows by gravity into the vortex grit-removal tank (Pista Grit™). The wastewater enters the circular tank on a tangent and is mixed with a motor-driven paddle to induce a whirlpool (vortex) action where the heavy grit materials are thrown to the outside of the whirlpool by centrifugal force. This promotes efficient separation of grit, while allowing lighter, organic materials to pass into the primary sedimentation system. The function of grit removal is to separate inorganic materials from the wastewater, thus avoiding excess mechanical wear and solids deposition in downstream treatment processes.

c **Equalization Tank**

Q. WHAT HAPPENS NEXT?

A. The settled grit is pumped from the bottom of the vortex grit separator into a grit washer/classifier to remove organics from the grit, which could lead to odors. Washed and dewatered grit is deposited on the conveyor belt with the screenings, and both are dumped into a roll-off bin for disposal. Effluent from the grit-removal tank flows by

gravity to the equalization tank, for short-term storage prior to treatment in the membrane bioreactor.

The equalization tanks are used to dampen out variations in wastewater flow at the plant, to allow the membrane filters to operate at a constant rate. Two concrete basins are used to store the screened, de-gritted wastewater, and each basin is provided with equalization pumps, which feed the wastewater to the bioreactors for treatment.

d **Bioreactor – Anoxic Zone**

Q. WHAT HAPPENS IN THE ANOXIC ZONE OF THE BIOREACTOR?

A. Equalized wastewater is pumped to the anoxic zone of the bioreactor, where it is mixed with mixed liquor returned from the membrane filtration tank. The nitrate in this return stream serves as an oxidant in the anoxic zone, thus allowing some of the organic carbon to be oxidized as well as removing nitrogen from the wastewater.

e **Bioreactor – Oxic Zone**

Q. AFTER THE ANOXIC ZONE OF THE BIOREACTOR, WHAT HAPPENS NEXT?

A. The wastewater flows into the oxic zone, where it is mixed and provided with dissolved oxygen by air supplied through the submerged air diffusers. These conditions allow the microorganisms in the wastewater to consume the dissolved organic compounds (carbonaceous oxidation) and ammonia (nitrification) to produce an oxidized effluent with low soluble BOD.

f **Membrane Filtration**

Q. WHAT HAPPENS IN THE MEMBRANE-FILTRATION TANKS?

A. The wastewater next flows by gravity into the membrane-filtration tanks, into which tubular ultra-filtration membrane modules are immersed. Water is drawn through the openings in the membrane fibers to become filtered effluent, while the solids in the

mixed liquor remain in the membrane tank. Coarse-bubble air diffusers at the base of the membrane fibers scour the surface of the membranes to remove the solids left behind by the filtered water. The thickened mixed liquor slurry is pumped back to the head of the bioreactor by the mixed-liquor return ("MLR") pumps; a portion of that MLR flow is then pumped to the sludge-storage tanks.

g **Sludge Storage and Dewatering**

Q. WHAT HAPPENS TO THE SLUDGE?

A. In the two sludge-storage tanks, air is mixed in to keep the organic solids from going septic, as well as to provide for some solids stabilization. A Belt Filter Press is used to dewater the waste activated sludge prior to transfer of the dewatered sludge cake ("biosolids") to roll-off bins. Water removed from the dewatered sludge drains to the Influent Pump Station, for treatment and ultimate disposal. After dewatering, the biosolids are disposed in a landfill.

h **Disinfection**

Q. WHERE DOES THE RECLAIMED WATER GO AFTER THE FILTER MEMBRANES?

A. The reclaimed water heads next to our reclaimed water storage system. But first it requires disinfection. To protect public health, three in-vessel UV Disinfection Units are used to inactivate pathogenic microorganisms in the wastewater effluent before it is discharged to the CAP/Reclaimed Water reservoir.

As a backup, Sodium hypochlorite could be added to filtered secondary effluent to disinfect pathogenic organisms in the effluent. The plant has a single chlorine contact basin. Sodium hypochlorite can be mixed with the filtered secondary effluent as the effluent flows into the contact tank. The chlorine dose would be controlled based on a target residual at the end of the first pass. The chlorine residual is measured at the end of

the basin to ensure adequate residual has been achieved. Disinfected effluent flows over the weir at the contact tank to the CAP/Effluent Storage Basin.

i **Reclaimed Water Storage**

Q. HOW IS THE RECLAIMED WATER STORED?

We operate separate storage for the reclaimed water. This consists of an open storage reservoir (1.0 MGD) and three vertical turbine pumps. The storage reservoir receives disinfected, filtered, secondary effluent from the filter membranes that meets Class A+ reuse standards. That water may be supplemented with raw Ak-Chin water, if reclaimed water flows are insufficient to meet the demands for reclaimed water.

j **Reclaimed Water Distribution**

Q. HOW IS THE RECLAIMED WATER DISTRIBUTED?

A. Three pumps draw water from the storage reservoir and supply two different reclaimed-water distribution systems. One distributions system provides water to the two community golf courses and the Community Park Lake and the other meets all other community reclaimed water needs through a looped reclaimed-water distribution system

Q. HOW DOES ARIZONA-AMERICAN CONTROL THE ANTHEM WASTEWATER SYSTEM?

We control the entire Anthem wastewater system by a SCADA system, integrated with our water-system SCADA.

Q. HOW MANY EMPLOYEES CURRENTLY OPERATE THE ANTHEM WASTEWATER FACILITIES?

A As stated earlier, there are five operators dedicated to the wastewater side of the Anthem Water Campus, with three shared maintenance personnel.

B AGUA FRIA WASTEWATER DISTRICT

Q. PLEASE DESCRIBE THE AGUA FRIA WASTEWATER DISTRICT

A. The Agua Fria Wastewater District) provides wastewater collection and treatment service for our customers living in the Northeast Agua Fria, Russell Ranch, and Verrado service area located in the West Valley of the Maricopa County.

1 <u>Northeast Agua Fria Wastewater Treatment (Northwest Valley Regional Wastewater Treatment Facility)</u>

Q. HOW IS WASTEWATER FROM THE NORTHEAST AGUA FRIA AREA TREATED?

A. A master-planned wastewater collection system sends waste streams by gravity to the Northeast Agua Fria Lift Station No. 1, where it is pumped for treatment to Arizona-American's Northwest Valley Regional Wastewater Treatment Facility ("NWVRTF"). The NWVRTF is a 5.0 MGD wastewater treatment plant, located in unincorporated Maricopa County, which also treats wastewater flows for our SC West Wastewater customers. Exhibit BJC-5 shows the total and peak test-year flows for the NWVRTF.

Arizona-American operates an aquifer recharge and recovery system to allow for beneficial reuse of reclaimed water from the NWVRTF.

2 <u>Russell Ranch Wastewater Treatment</u>

Q. HOW IS WASTEWATER FROM RUSSELL RANCH TREATED?

A. Wastewater flows through a collection system by gravity to a Company-owned wastewater treatment plant. The Russell Ranch Water Reclamation Facility is a wastewater treatment plant with a design capacity of 60,000 gallons per day. The treatment process includes influent pumping, coarse screening, equalization, and biological nutrient removal (nitrification/de-nitrification) using an activated sludge system with clarification, and hypochlorite disinfection, followed by de-chlorination for removal of any chlorine residual. Effluent is recharged to the subsurface via two

recharge basins adjacent to the treatment plant. Biosolids are transported to the Company's Verrado treatment plant for solids handling.

3 Verrado Wastewater Treatment

Q. HOW IS WASTEWATER TREATED IN THE VERRADO COMMUNITY?

A. Wastewater collected from Verrado customers flows by gravity through a collection system to the Verrado Water Reclamation Facility. This is a 450,000 gallon-per-day wastewater treatment plant using two parallel sequencing batch reactor ("SBR") trains. The treatment process consists of screening, grit removal, an influent equalization tank, nitrification and de-nitrification, a post-equalization tank, filtration, and chlorine disinfection. An extensive reuse irrigation system is installed throughout the Verrado community to provide for golf course irrigation and other reclaimed water needs. As a result of this reuse water system, we are able to avoid using groundwater to irrigate the community's golf courses. The sludge from the SBR tanks is pumped to an aerated holding tank, from where it is pumped to the belt press for dewatering. The dewatered sludge is disposed of off-site at an approved landfill.

4 SCADA

Q. HOW DOES ARIZONA AMERICAN WATER CONTROL THE AGUA FRIA WASTEWATER SYSTEM?

A. The Northeast Agua Fria wastewater system is controlled by a SCADA system, integrated with the NWVRTF. The Verrado wastewater system is also controlled by a SCADA system, integrated with the Verrado water system SCADA. The Russell Ranch development is not controlled by a SCADA system.

5 Agua Fria Wastewater Employees

Q. HOW MANY EMPLOYEES ARE CURRENTLY OPERATING THE AGUA FRIA WASTEWATER DISTRICT'S FACILITIES?

A. The NWVRTF which also treats water from the Sun City West wastewater system is staffed by ten employees. Four water treatment plant operators provide staffing for the Verrado Water Reclamation Facility and the Russell Ranch Wastewater Treatment Plant. Additional wastewater collection system support is provided from a pool of 15 Utility Workers that share responsibility with the Agua Fria Water, Sun City water and wastewater, and Sun City West water and wastewater districts. Each employee accurately records time to the appropriate district.

C MOHAVE WASTEWATER DISTRICT

Q. PLEASE BRIEFLY DESCRIBE THE MOHAVE WASTEWATER DISTRICT?

A. The Mohave Wastewater System is comprised of two distinct service areas located in Mohave Valley and at the Arizona Gateway development. The Mohave Valley area is served by our Wishing Wells Treatment Plant, located south of Bullhead City. This is a 250,000 gpd extended aeration plant that serves a collection system. As discussed by Mr. Gross, the plant is being expanded to 500,000 gpd. The treatment process consists of influent entering into the headworks, aeration basin and clarifier tanks, aerobic digester, trickling filters, and a chlorine contact tank. The effluent is then disposed into evaporation ponds on a golf course and is used primarily for turf irrigation. The Mohave Valley service area is approximately 3.5 square-miles.

Arizona Gateway Treatment Plant ("Gateway Plant") is located at the intersection of Highway 95 and Interstate 40 and is approximately 12 miles north of Lake Havasu City. The Gateway Plant is an underground 112,000 gpd extended aeration plant that serves a collection system for a commercial development block that includes a truck stop, fast-food chains, a gas station, storage buildings, and other structures. Influent enters into a flow-equalization basin, and is treated in two separate train aeration reactors with a sludge holding tank. The effluent is then disinfected using chlorination/de-chlorination

and disposed into an evaporation pond located within the compound of the treatment plant site. This service area is approximately 0.25 square-miles.

Q. HOW MANY EMPLOYEES ARE CURRENTLY OPERATING THE MOHAVE WASTEWATER DISTRICT?

A. At present, there is only one employee that operates and maintains the Wishing Well Wastewater Treatment Plant and associated sewer collection system. If needed, additional support is provided by Water Operators from the Mohave Water system. Periodic sewer main cleaning and inspection services are provided from the Sun City staff on an as-needed basis.

V <u>SUN CITY WATER DISTRICT ANNUAL FIRE HYDRANT INSPECTION COMPLIANCE REPORT</u>

Q. ARE YOU PROPOSING TO TERMINATE THE ANNUAL FIRE HYDRANT INSPECTION COMPLIANCE REPORT REQUIREMENT FOR THE SUN CITY WATER DISTRICT?

A. Yes. In Decision 67093, Commission ordered Arizona-American, in conjunction with the fire department serving Youngtown and Sun City, to test the fire hydrants in the Sun City Water District, and file annual reports detailing whether the hydrants are operational. Arizona-American submitted inspection schedules for all the fire hydrants in the Sun City Water District in the past three years and all are operational. The annual inspection requirement is no longer needed because the fire-flow related issues are being considered by the Commission as part of the Sun City Water case scheduled to be voted on by the Commission in early May 2008. Furthermore, Arizona-American commits to assist the fire department to ensure that hydrants within our service territories are operational.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Arizona American Water Company
Test Year Ended December 31, 2007
Estimated White Tanks Deferred O&M Costs

WHITE TANKS REGIONAL WATER TREATMENT PLANT
ESTIMATED O&M COSTS

	Operating Period													
LABOR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	BUDGET
500101 Direct Salaries	$372,963	$380,422	$388,030	$395,791	$403,707	$411,781	$420,016	$428,417	$436,985	$445,725	$454,639	$463,732	$473,007	$6,199,344
500136 Project Manager (CAPITAL)														$0
500111 Overtime	$27,927	$28,486	$29,056	$29,637	$30,230	$30,834	$31,451	$32,080	$32,721	$33,376	$34,043	$34,724	$35,419	$464,207
500107 Bonuses														$0
Benefits	$132,212	$134,856	$137,553	$140,304	$143,110	$145,973	$148,892	$151,870	$154,907	$158,005	$161,166	$164,389	$167,677	$2,197,612
Labor Subtotal	$533,102	$543,764	$554,639	$565,732	$577,047	$588,588	$600,359	$612,367	$624,614	$637,106	$649,848	$662,845	$676,102	$8,861,163
Task 001 Other														
500304 Auto Rentals	$718	$732	$747	$762	$777	$793	$808	$825	$841	$858	$875	$893	$910	$11,932
500352 Rewards and Recognition	$187	$191	$195	$199	$203	$207	$211	$215	$219	$224	$228	$233	$238	$3,113
500305 Meals	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Start-up and Relocation	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500310 Air Travel	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500306 Auto Mileage	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500303 Lodging	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500307 Special Functions	$208	$212	$216	$221	$225	$230	$234	$239	$244	$249	$254	$259	$264	$3,459
500446 Advertising	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500501 Vehicle Expense	$2,847	$2,903	$2,962	$3,021	$3,081	$3,143	$3,206	$3,270	$3,335	$3,402	$3,470	$3,539	$3,610	$47,315
500502 Leased Auto	$15,606	$15,918	$16,236	$16,561	$16,892	$17,230	$17,575	$17,926	$18,285	$18,651	$19,024	$19,404	$19,792	$259,401
500506 Computer Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500441 Telephone and Telemetry	$5,618	$5,731	$5,845	$5,962	$6,081	$6,203	$6,327	$6,453	$6,583	$6,714	$6,849	$6,985	$7,125	$93,384
500442 Postage and Freight	$4,054	$4,135	$4,218	$4,302	$4,388	$4,476	$4,566	$4,657	$4,750	$4,845	$4,942	$5,041	$5,142	$67,388
500443 Office Rent	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500308 Other Travel	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500444 Operating Supplies	$4,054	$4,135	$4,218	$4,302	$4,388	$4,476	$4,566	$4,657	$4,750	$4,845	$4,942	$5,041	$5,142	$67,388
500651 Other Utilities	$44,196	$45,080	$45,982	$46,901	$47,839	$48,796	$49,772	$50,768	$51,783	$52,819	$53,875	$54,952	$56,051	$734,624
500576 Equipment Rental Out	$4,370	$4,457	$4,546	$4,637	$4,730	$4,824	$4,921	$5,019	$5,120	$5,222	$5,327	$5,433	$5,542	$72,632
500741 Client Plant & Equipment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500571 Tools	$1,040	$1,061	$1,082	$1,104	$1,126	$1,149	$1,172	$1,195	$1,219	$1,243	$1,268	$1,294	$1,319	$17,293
500572 Chemicals	$704,288	$718,373	$732,741	$747,396	$762,343	$777,590	$793,142	$809,005	$825,185	$841,689	$858,523	$875,693	$893,207	$11,706,592
500701 Taxes and Licenses	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500573 Uniforms Expense	$2,497	$2,547	$2,598	$2,650	$2,703	$2,757	$2,812	$2,868	$2,926	$2,984	$3,044	$3,105	$3,167	$41,504
500574 Maintenance Supplies	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500575 Laboratory Supplies	$5,202	$5,306	$5,412	$5,520	$5,631	$5,743	$5,858	$5,975	$6,095	$6,217	$6,341	$6,468	$6,597	$86,467
500577 Fuel Oil	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500578 Safety Supplies	$1,821	$1,857	$1,894	$1,932	$1,971	$2,010	$2,050	$2,091	$2,133	$2,176	$2,219	$2,264	$2,309	$30,263
500621 Outside Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500623 Consultants	$1,644	$1,677	$1,710	$1,744	$1,779	$1,815	$1,851	$1,888	$1,926	$1,965	$2,004	$2,044	$2,085	$27,324
500624 Contract Hauling	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500629 Contract Lab	$26,010	$26,530	$27,061	$27,602	$28,154	$28,717	$29,291	$29,877	$30,475	$31,084	$31,706	$32,340	$32,987	$432,335
500542 Dues and Membership	$1,248	$1,273	$1,299	$1,325	$1,351	$1,378	$1,406	$1,434	$1,463	$1,492	$1,522	$1,552	$1,583	$20,752
500544 Books and Publications	$520	$531	$541	$552	$563	$574	$586	$598	$609	$622	$634	$647	$660	$8,647
500545 Training and Tuition	$1,561	$1,592	$1,624	$1,656	$1,689	$1,723	$1,757	$1,793	$1,828	$1,865	$1,902	$1,940	$1,979	$25,940
500731 Community Involvement	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500541 Meetings and Conventions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500445 Insurance Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500652 Natural gas	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500653 Electricity	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500654 UV Royalty	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Task 001 Subtotal	$827,689	$844,243	$861,128	$878,350	$895,917	$913,835	$932,112	$950,754	$969,769	$989,165	$1,008,948	$1,029,127	$1,049,710	$13,757,756
Task 008 Solids Disposal														
500501 Vehicle Expense														$0
500444 Operating Supplies														$0
500576 Equipment Rental Out														$0
500574 Maintenance Supplies														$0
500572 Chemicals	$9,677	$9,871	$10,068	$10,269	$10,475	$10,684	$10,898	$11,116	$11,338	$11,565	$11,796	$12,032	$12,273	$180,853
500577 Fuel Oil														$0
500628 Outside Services (tipping fee)														$0
500624 Contract Hauling	$56,100	$57,222	$58,366	$59,533	$60,724	$61,938	$63,177	$64,441	$65,730	$67,044	$68,385	$69,753	$71,148	$932,481
Task 008 Subtotal	$65,777	$67,092	$68,434	$69,803	$71,199	$72,623	$74,075	$75,557	$77,068	$78,609	$80,181	$81,785	$83,421	$1,093,334
Tasks Subtotal	$1,426,568	$1,455,099	$1,484,201	$1,513,885	$1,544,163	$1,575,046	$1,606,547	$1,638,678	$1,671,451	$1,704,880	$1,738,978	$1,773,757	$1,809,233	$23,712,253
Repairs Budget														
500576 Equipment Rental	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
500579 R&R	$11,262	$11,487	$186,645	$98,595	$68,264	$211,374	$620,170	$587,039	$65,974	$262,444	$211,409	$529,991	$1,547,048	$4,433,587
500574 Annual Maintenance	$114,522	$116,813	$119,149	$133,574	$136,245	$138,970	$141,750	$144,585	$154,547	$157,638	$160,791	$164,007	$167,287	$2,014,403
500621 Outside Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Repairs Subtotal	$125,784	$128,300	$305,794	$232,169	$204,509	$350,344	$761,920	$731,623	$220,521	$420,083	$372,200	$693,998	$1,714,335	$6,447,969
Insurance & Bonding														
LOI for D/B L/C														$0
D/B L/C														$0
Op's L/C	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Primary (AWS)Construction Bond														$0
Subcontractor Bond														
Property Insurance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal - Insurance & bonding	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Capital Purchases														$0
CMMS														$0
Start-up Tools														$0
Start-up Lab Equipment														$0
REGIONAL OVERHEAD														$0
Subtotal - Capital Purchases	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Energy	$337,325	$344,071	$350,953	$357,972	$365,131	$372,434	$379,883	$387,480	$395,230	$403,134	$411,197	$419,421	$427,809	$5,606,977
Budget Subtotal	$1,889,676	$1,927,470	$2,140,948	$2,104,026	$2,113,803	$2,297,824	$2,748,349	$2,757,781	$2,287,202	$2,528,097	$2,522,375	$2,887,177	$3,951,377	$35,767,200

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105-3901

JAN 1 8 2008

Nina Miller
Environmental Compliance Manager
Arizona American Water Company
19820 N. 7th Street – Suite 201
Phoenix, AZ 85024

Dear Ms. Milleri:

We are in receipt of the arsenic exemption request forwarded by the Arizona Department of Environmental Quality (ADEQ) on your behalf for the following public water system:

- Arizona American Water Company, Tubac Public Water System (PWS ID AZ 0412001)

As provided under Section 1416 of the Safe Drinking Water Act, EPA will evaluate the request in accordance with 40 Code of Federal Regulations (CFR) 142.50, Subpart F, Exemptions Issued by the Administrator. We will also coordinate our review with ADEQ to ensure that they are kept informed of the status of your exemption request.

Exemptions are administrative tools that allow eligible water systems additional time to develop long-term strategies to achieve and maintain regulatory compliance while continuing to provide acceptable levels of public health protection. In order for the EPA to consider issuing an exemption, all the following criteria are to be met:

- demonstration of compelling factors;
- demonstration of PWS operational data;
- demonstration of no unreasonable risk to public health;
- demonstration of management or restructuring changes;
- demonstration of taking practicable steps to meet the MCL; and
- demonstration of no existing variance for arsenic.

Our preliminary review indicates that the information provided in the exemption request for the Tubac Public Water System does not support the issuance of a federal exemption for arsenic. Our decision is based on the arsenic analytical result for Well No. 4, reported as 39 parts per billion (ppb), which is above the threshold level of 35 ppb, the level which EPA considers does not pose an unreasonable risk to public health. **Your request for an exemption for the Tubac Public Water System is hereby denied at this time.**

Under the Safe Drinking Water Act, Congress established a timeframe that allows water systems up to five years to comply with new or revised drinking water standards. Under the revised arsenic MCL of 10 ppb, water systems were allowed to operate at levels between 10 ppb and 50 ppb for up to five years after the date of federal promulgation or by January 23, 2006. As

a matter of congressional policy, exposure at 50 ppb for the five years from January 22, 2001 to January 23, 2006 is not believed to pose an unreasonable risk to health.

In granting exemptions, which would extend the period of time for systems to meet a drinking water standard during which the system would continue to provide water above the MCL, EPA looked at the duration of exposure that should not generally pose an unreasonable risk to health based on arsenic concentrations over time. Under this approach, EPA has made a determination that exemptions would not be available for systems with arsenic concentrations above 35 ppb. A more detailed explanation can be found in Appendix G-3: Exemptions & the Arsenic Rule at the following EPA website: http://www.epa.gov/safewater/arsenic/pdfs/ars final_app_g.pdf. You are encouraged to work with ADEQ on a plan to reduce the levels of arsenic being delivered to your customers.

Should you have any questions or would like to provide additional information to demonstrate how the Tubac Public Water System would operate without posing an unreasonable risk to health, please contact Kevin Ryan, at (415) 972-3806 or alternatively, at ryan.kevin@epa.gov.

Sincerely,

Corine Li, P.E.
Manager
Drinking Water Office

cc: John Calkins ADEQ

Arizona-American Water Company
Tank Maintenance Schedule (Eastern Division)
Test Year Ending December 31,2007

State	Region	TANK NAME	TANK LOCATION	ERECTION DATE	2009 EST FUNDING	2010 EST FUNDING	2011 EST FUNDING	2012 EST FUNDING	2013 EST FUNDING	2014 EST FUNDING	2015 EST FUNDING	2016 EST FUNDING	2017 EST FUNDING	2018 EST FUNDING
AZ	Eastern	Plant Reservoir #1	Anthem	1999	125,000	0	0	0	0					
AZ	Eastern	Plant Reservoir #2	Anthem	2002	0	0	0	4,000	125,000					
AZ	Eastern	Upper Reservoir #1	Anthem	1998	0	0	0	0	75,000					
AZ	Eastern	Upper Reservoir #2	Anthem	2005	0	0	4,600	0	0			75,000		
AZ	Eastern	Vista Arroyo Norte	Anthem	2007	0	0	0	0	5,000					350,000
AZ	Eastern	16-1 (No. 1)	Bullhead City	1993	4,600	0	0	0	0			275,000		
AZ	Eastern	16-1 (No. 2)	Bullhead City	?	4,600	0	0	0	0			275,000		
AZ	Eastern	16-2 (No. 1)	Bullhead City	1975	0	0	0	0	0					
AZ	Eastern	16-2 (No. 2)	Bullhead City	1994	4,600	0	0	0	300,000					
AZ	Eastern	24-1	Bullhead City	1999	4,600	0	0	0	0		300,000			
AZ	Eastern	Arizona Gateway	Bullhead City	1995	4,600	0	250,000	0	0					
AZ	Eastern	Big Bend Acres	Bullhead City	1987										
AZ	Eastern	Bullhead #4	Bullhead City	?	4,600	0	0	0	0	150,000				
AZ	Eastern	Camp Mohave	Bullhead City	1996	4,600	0	0	0	0		275,000			
AZ	Eastern	Desert Foothills (No. 1)	Bullhead City	1997	4,600	0	0	0	0	300,000				
AZ	Eastern	Desert Foothills (No. 2)	Bullhead City	2006	0	0	0	4,600	0				300,000	
AZ	Eastern	Desert Glen	Bullhead City		4,600	0	0	250,000	0					
AZ	Eastern	Lake Mohave Highlands	Bullhead City	1972	4,600	200,000	0	0	0					
AZ	Eastern	Laredo Village	Bullhead City	1990	4,600	0		250,000	0					
AZ	Eastern	Pegasus Ranch	Bullhead City	1971	4,600	200,000	0	0	0					
AZ	Eastern	Rancho Colorado	Bullhead City	2006	0	0	0	4,600	0				250,000	
AZ	Eastern	River Bend (No. 2)	Bullhead City	?	0	0	0	0	0					
AZ	Eastern	Riverview Mall	Bullhead City	1983	4,600	0	0	0	0	50,000				
AZ	Eastern	Silver Creek	Bullhead City	1984	4,600	0	250,000	0	0					
AZ	Eastern	Havasu Booster #1	Lake Havasu City	?	4,600	200,000	0	0	0					
AZ	Eastern	Havasu Booster #2	Lake Havasu City	1990	4,600	200,000	0	0	0					
AZ	Eastern	Havasu Booster #3	Lake Havasu City	1991	4,600	0	200,000	0	0					
AZ	Eastern	Havasu Booster #4 (No. 1)	Lake Havasu City	1994	4,600	0	250,000	0	0					
AZ	Eastern	Havasu Booster #4 (No. 2)	Lake Havasu City	2003	4,600	0	0	0	0	275,000				
AZ	Eastern	60th Street Tank	Paradise Valley	1960	4,600	0	0	0	250,000					
AZ	Eastern	Clearwater Hills #1	Paradise Valley	1956	4,600	275,000	0	0	0					
AZ	Eastern	Clearwater Hills #2	Paradise Valley	1965	200,000	0	0	0	0					
AZ	Eastern	Clearwater Hills #3	Paradise Valley	1968	4,600	275,000	0	0	0					
AZ	Eastern	Club Estates Tank	Paradise Valley	1961	200,000	0	0	0	0					
AZ	Eastern	Country Club #1	Paradise Valley		4,600	0	287,500	0	0					
AZ	Eastern	Country Club #2	Paradise Valley	1960/61	4,600	0	287,500	0	0					
AZ	Eastern	PVARF #1	Paradise Valley	2006	0	0	0	5,250	0				125,000	
AZ	Eastern	PVARF #2	Paradise Valley	2006	0	0	0	5,250	0				125,000	
AZ	Eastern	Racquet Club Tank	Paradise Valley	1955	4,600	0	0	125,000	0					
AZ	Eastern	Stone Canyon Tank	Paradise Valley	1955	4,600	0	0	100,000	0					
AZ	Eastern	Pallo parado booster	Tubac		0	0	0	0						

rizona-American Water Company
'est Year Ending December 31, 2007
'ank Maintenance Schedule (Central Division)

STATE	DIVISION	TANK NAME	DISTRICT	ERECTION DATE	2009 EST. FUNDING	2010 EST. FUNDING	2011 EST. FUNDING	2012 EST. FUNDING	2013 EST. FUNDING	2014 EST. FUNDING	2015 EST. FUNDING	2016 EST. FUNDING	2017 EST. FUNDING	2018 EST. FUNDING
AZ	Central	A.F. WP 1 TANK 1	Agua Fria	2000	4,200	-	-	-	125,000					
AZ	Central	A.F. WP 1 TANK 2	Agua Fria	2000	4,200	-	-	-	125,000					
AZ	Central	A.F. WP 2 TANK 1	Agua Fria	2000	4,200	-	-	200,000	-					
AZ	Central	A.F. WP 2 TANK 2	Agua Fria	1996	4,200		-	200,000						
AZ	Central	A.F. WP 3 TANK 1	Agua Fria	1996	4,200	200,000	-	-						
AZ	Central	A.F. WP 3 TANK 2	Agua Fria	2000	4,200	200,000	-	-						
AZ	Central	A.F. WP 4 TANK 1	Agua Fria	2000	4,200	-	200,000	-						
AZ	Central	A.F. WP 4 TANK 2	Agua Fria	1998	4,200		200,000	-						
AZ	Central	A.F. WP 5	Agua Fria	2004	4,200	-	-	-	-			125,000		
AZ	Central	A.F. WP 6	Agua Fria	Out of Service	-	-	-	-	-					
AZ	Central	A.F. WP 100	Agua Fria		4,725	-	-	-	-			200,000		
AZ	Central	A.F. WP 8	Agua Fria	2004	4,725	-	-	-	-		200,000			
AZ	Central	A.F. WP 9	Agua Fria	2004	4,725	-	-	-	-		125,000			
AZ	Central	A.F. WP 10 TANK 1	Agua Fria	2005	4,725	-	-	-	-					125,000
AZ	Central	A.F. WP 10 TANK 2	Agua Fria	2007	4,725	-	-	-	-					125,000
AZ	Central	S.C. WP 1 TANK 1	Sun City			-	143,750		-					
AZ	Central	S.C. WP 1 TANK 2	Sun City		5,250	-	143,750		-					
AZ	Central	S.C. WP 2 TANK 1	Sun City	1969	5,250	-	143,750		-					
AZ	Central	S.C. WP 2 TANK 2	Sun City	1969		-	143,750		-					
AZ	Central	S.C. WP 2 TANK 3	Sun City	1969		-	143,750		-					
AZ	Central	S.C. WP 3 TANK 1	Sun City		4,725	-	-	143,750	-					
AZ	Central	S.C. WP 3 TANK 2	Sun City		4,725	-	-	143,750	-					
AZ	Central	S.C. WP 5 TANK 1	Sun City	1971	200,000	-	-	-	-					
AZ	Central	S.C. WP 5 TANK 2	Sun City	1970	200,000	-	-	-	-					
AZ	Central	S.C. WP 6 TANK 1	Sun City		5,750	-	-	-	200,000					
AZ	Central	S.C. WP 6 TANK 2	Sun City		5,750	-	-	-	200,000					
AZ	Central	S.C. WP 8 TANK 1	Sun City	1978	4,725	143,750	-	-	-					
AZ	Central	S.C. WP 8 TANK 2	Sun City	1978	4,725	143,750	-	-	-					
AZ	Central	S.C.W. WP 1 TANK 1	Sun City West			-	200,000	-	-					
AZ	Central	S.C.W. WP 1 TANK 2	Sun City West	1992		-	200,000	-	-					
AZ	Central	S.C.W. WP 2 TANK 1	Sun City West	1986	4,725	183,750	-	-	-					
AZ	Central	S.C.W. WP 2 TANK 2	Sun City West	1986	4,725	183,750	-	-	-					
AZ	Central	COOL WELL	Sun City West		0	-	-	-	-					

rizona American Water Company
est Year Ending December 31, 2007
stimated Service Line and Meter Installation Charges

Paved Areas

rizona Water Works Material Costs

Material/Labor	1" Service	2" Service
addle 6"	$ 66.55	$ 76.14
orporation Stop	$ 25.47	$ 111.12
opper Tubing (60'/40')	$ 298.80	$ 518.80
ngle Meter Stop	$ 41.26	$ 111.12
eter Box	$ 100.00	$ 213.45
MR Water Meter (Neptune)	$ 157.85	$ 305.19
Sub-total	$ 689.93	$ 1,335.82

Wheeler Construction Labor Costs

Material/Labor	Short Run Service 20 LF (1" & 2" with Asphalt) Quantity	Unit	Unit Price	Total	Long Run Service 60 LF (1" & 2" with Asphalt) Quantity	Unit	Unit Price	Total
oreman and Pickup	6	HR	80	$ 480.00	8	HR	$ 80.00	$ 640.00
ackhoe and Operator	6	HR	145	$ 870.00	8	HR	$ 145.00	$ 1,160.00
aborers (2)	12	HR	40	$ 480.00	16	HR	$ 40.00	$ 640.00
/2 Sack Slurry	2	CY	80	$ 160.00	5	CY	$ 80.00	$ 400.00
sphalt Crew	4	HR	500	$ 2,000.00	4	HR	$ 500.00	$ 2,000.00
sphalt Buy	2	TN	60	$ 120.00	2	TN	$ 60.00	$ 120.00
ot Tap	1	EA	300	$ 300.00	1	EA	$ 300.00	$ 300.00
oad Plates	1	EA	300	$ 300.00	1	EA	$ 300.00	$ 300.00
raffic Control	1	EA	300	$ 300.00	1	EA	$ 300.00	$ 300.00
Sub-total				$ 5,010.00				$ 5,860.00

ange

ize	Short	Long
-inch Service	$ 5,699.93	$ 6,549.93
-inch Service	$ 6,345.82	$ 7,195.82

rizona American Water Labor Costs

Material/Labor	Short Run Service 20 LF (1" & 2" with Asphalt) Quantity	Unit	Unit Price	Total	Long Run Service 60 LF (1" & 2" with Asphalt) Quantity	Unit	Unit Price	Total
tility Worker IV	6	HR	25	$ 150.00	8	HR	$ 25.00	$ 200.00
ump Truck	6	HR	21	$ 126.00	8	HR	$ 21.00	$ 168.00
ackhoe	2	HR	99	$ 198.00	4	HR	$ 99.00	$ 396.00
aborers (2)	12	HR	16	$ 192.00	16	HR	$ 16.00	$ 256.00
ervice Truck	6	HR	15.80	$ 94.80	8	HR	$ 15.80	$ 126.40
/2 Sack Slurry	2	CY	80	$ 160.00	5	CY	$ 80.00	$ 400.00
sphalt Crew	4	HR	500	$ 2,000.00	4	HR	$ 500.00	$ 2,000.00
sphalt Buy	2	TN	60	$ 120.00	2	TN	$ 60.00	$ 120.00
ot Tap	1	EA	30	$ 30.00	1	EA	$ 30.00	$ 30.00
oad Plates	1	EA	68	$ 68.00	1	EA	$ 68.00	$ 68.00
raffic Control	1	EA	300	$ 300.00	1	EA	$ 300.00	$ 300.00
Sub-total				$ 3,438.80				$ 4,064.40

Range

ize	Short	Long
-inch Service	$ 4,128.73	$ 4,754.33
-inch Service	$ 4,774.62	$ 5,400.22

ot Tap = $25+20%
oad Plates = $$25+$16+20%

Non Paved Areas

Arizona Water Works Material Costs

Material/Labor	1" Service	2" Service
Saddle 6"	$ 66.55	$ 76.14
Corporation Stop	$ 25.47	$ 111.12
Copper Tubing (60'/40')	$ 298.80	$ 518.80
Angle Meter Stop	$ 41.26	$ 111.12
Meter Box	$ 100.00	$ 213.45
AMR Water Meter (Neptune)	$ 157.85	$ 305.19
Sub-total	$ 689.93	$ 1,335.82

Wheeler Construction Labor Costs

Material/Labor	Short Run Service 20 LF (1" & 2" without Asphalt) Quantity	Unit	Unit Price	Total	Long Run Service 60 LF (1" & 2" without Asphalt) Quantity	Unit	Unit Price	Total
Foreman and Pickup	6	HR	80	$ 480.00	8	HR	$ 80.00	$ 640.00
Backhoe and Operator	6	HR	145	$ 870.00	8	HR	$ 145.00	$ 1,160.00
Laborers (2)	12	HR	40	$ 480.00	16	HR	$ 40.00	$ 640.00
Hot Tap	1	EA	300	$ 300.00	1	EA	$ 300.00	$ 300.00
Road Plates	1	EA	300	$ 300.00	1	EA	$ 300.00	$ 300.00
Traffic Control	1	EA	300	$ 300.00	1	EA	$ 300.00	$ 300.00
Sub-total				$ 2,730.00				$ 3,340.00

Range

Size	Short	Long
1-inch Service	$ 3,419.93	$ 4,029.93
2-inch Service	$ 4,065.82	$ 4,675.82

Arizona American Water Labor Costs

Material/Labor	Short Run Service 20 LF (1" & 2" without Asphalt) Quantity	Unit	Unit Price	Total	Long Run Service 60 LF (1" & 2" without Asphalt) Quantity	Unit	Unit Price	Total
Utility Worker IV	6	HR	25	$ 150.00	8	HR	$ 25.00	$ 200.00
Dump Truck	6	HR	21	$ 126.00	8	HR	$ 21.00	$ 168.00
Backhoe	2	HR	99	$ 198.00	4	HR	$ 99.00	$ 396.00
Laborers (2)	12	HR	16	$ 192.00	16	HR	$ 16.00	$ 256.00
Service Truck	6	HR	15.80	$ 94.80	8	HR	$ 15.80	$ 126.40
Hot Tap	1	EA	30	$ 30.00	1	EA	$ 30.00	$ 30.00
Road Plates	1	EA	68	$ 68.00	1	EA	$ 68.00	$ 68.00
Traffic Control	1	EA	300	$ 300.00	1	EA	$ 300.00	$ 300.00
Sub-total				$ 1,158.80				$ 1,544.40

Range

Size	Short	Long
1-inch Service	$ 1,848.73	$ 2,234.33
2-inch Service	$ 2,494.62	$ 2,880.22

Hot Tap = $25+20%
Road Plates = $$25+$16+20%

Arizona American Water Company
Test Year Ending December 31, 2007
NWVRTF Total and Peak Test-Year Flows

Exhibit BJC-5
Page 1 - 1

COMPANY NAME	Arizona American Water (Northwest Valley Regional Water Reclamation Facility)

WASTEWATER FLOWS

MONTH/YEAR	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW (MG)	SEWAGE FLOW ON PEAK DAY (MG)
JANUARY	17,524	85.895	3.144
FEBRUARY	17,565	79.281	3.162
MARCH	17,588	88.035	3.185
APRIL	17,603	79.937	3.113
MAY	17,644	74.217	2.805
JUNE	17,704	67.741	2.546
JULY	17,710	68.744	2.476
AUGUST	17,734	69.492	2.547
SEPTEMBER	17,796	70.500	2.665
OCTOBER	17,839	76.446	2.797
NOVEMBER	17,854	78.764	2.967
DECEMBER	17,860	81.826	3.340
	TOTALS ->	920.878	

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	**Ground Water Recharge**
Wastewater Inventory Number (all wasterwater systems are assigned an inventory number)	**102667**
Groundwater Permit Numbers	**N/A**
ADEQ Aquifer Protection Permit Number	**P-102667**
ADEQ Reuse Permit Number	**N/A**
EPA NPDES Permit Number	**N/A**

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
JEFF HATCH-MILLER
WILLIAM A. MUNDELL
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT AND TUBAC WATER DISTRICT	DOCKET NO. W-01303A-08-
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DIRECT TESTIMONY
OF
SHERYL L. HUBBARD
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

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TABLE OF CONTENTS

EXECUTIVE SUMMARY ..... **iii**
I. INTRODUCTION AND QUALIFICATIONS **5**
II. PURPOSE OF TESTIMONY **6**
III. SPONSORED SCHEDULES **7**
IV. REVENUE REQUIREMENT **8**
V. WORKING CAPITAL **9**
VI. ADJUSTED OPERATING INCOME **10**
A OPERATING REVENUES 11
B OPERATING EXPENSES 15
C PRO FORMA ADJUSTMENTS 15
VII. COMPANY'S FINANCIAL STATEMENTS **25**

EXECUTIVE SUMMARY

Sheryl L. Hubbard testifies as follows:

Sponsored Schedules

Ms. Hubbard sponsors the following schedules for each district in the case:

- Schedule A-2 – Arizona-American Summary of Operations
- Schedule A-4 – Arizona-American Construction Expenditures and Gross Utility Plant in Service
- Schedule A-5 – Arizona-American Summary of Cash Flows
- Schedule B-6 – Arizona-American Computation of Cash Working Capital
- Schedule C-1 – Arizona-American Adjusted Test Year Income Statement
- Schedule C-2 – Arizona-American Income Statement Pro Forma Adjustments
- Schedule C-3 – Arizona-American Computation of Gross Revenue Conversion Factor
- Schedule E-2 – Comparative Income Statements
- Schedule E-3 – Comparative Statement of Changes in Financial Position
- Schedule E-6 – Comparative Operating Income Statements
- Schedule E-7 – Operating Statistics
- Schedule E-8 – Taxes Charged to Operations
- Schedule F-1 – Projected Income Statements
- Schedule F-2 – Statement of Cash Flows-Present and Proposed Rates
- Schedule F-3 – Projected Construction Requirements
- Schedule F-4 – Assumptions Used in Developing Projections

Revenue Requirement

Ms. Hubbard supports the revenue-requirement calculation for each district. Mr. Broderick shows these amounts in his testimony.

Cash Working Capital

Ms. Hubbard sponsors the lead-lag study that supports Arizona-American's request for cash-working capital.

Operating Income Adjustments

Ms. Hubbard sponsors the following adjustments to operating income:

- Adjustment SLH-1 – Annualize Payroll Expense
- Adjustment SLH-2 – Annualize Power Expense
- Adjustment SLH-3 – Normalize Purchased Water
- Adjustment SLH-4 – Annualize Chemicals Expense
- Adjustment SLH-6 - Annualize Management Fees
- Adjustment SLH-7 - Annualize Pensions Expense

- Adjustment SLH-8 – Amortize Rate Case Expense
- Adjustment SLH-9 – Annualize Insurance Expense
- Adjustment SLH-10 – Tank Maintenance Accrual
- Adjustment SLH-11 – Annualize Depreciation/CIAC
- Adjustment SLH-12 – Annualize Property Taxes
- Adjustment SLH-15 – Annualize 401K Expense
- Adjustment SLH-16 – Line 21 Clean-up
- Adjustment SLH-17 – Remove CAP Revenue and Expense
- Adjustment SLH-18 – Interest Synchronization
- Adjustment SLH-19 – Federal and State Income Taxes
- Adjustment SLH-20 – Annualize Postage Increase
- Adjustment SLH-21 – One-Time Service Company Charges
- Adjustment SLH-22 – Adjust Conservation Expenses
- Adjustment SLH-23 – Adjustment to Remove Prior Period Labor Adjustment

Additional Requests

Ms. Hubbard also supports the following requests by Arizona-American:

- For a power supply adjustment mechanism that will enable Arizona-American to adjust its rates in the future for changes in rates paid for electric and gas costs;
- For a tank maintenance reserve to fund tank maintenance expenditures; and
- For formal adoption by the Commission of the terms and conditions of service on file at the Commission.

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE NUMBER.

A. My name is Sheryl L. Hubbard. My business address is 19820 N. 7th Street, Suite 201, Phoenix, Arizona 85024, and my business phone is 623-445-2419.

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

A. I am employed by Arizona-American Water Company ("Arizona-American") as a Manager, Rates & Regulation.

Q. PLEASE DESCRIBE YOUR PRIMARY RESPONSIBILITIES FOR ARIZONA-AMERICAN.

A. My primary responsibilities are to prepare, coordinate and manage rate applications and other regulatory filings consistent with the applicable regulatory agency's filing requirements. I also administer tariffs and support rate case-related public outreach.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATION.

A. I have 29 years of experience in public utility accounting and regulation; 18 years employed with the Michigan Public Service Commission ("Michigan Commission") as an auditor/audit manager as well as a Commissioner's Assistant. During my employment with the Michigan Commission, my responsibilities included preparing revenue requirement calculations for water, steam and electric utilities. After my employment with the Michigan Commission, I was employed by the Arizona Corporation Commission ("Commission") as the Chief of the Accounting and Rates section. Following my employment with the Commission, I joined Citizens Communications Company ("Citizens") as a Regulatory Accounting Manager in its Arizona Gas division. My responsibilities with Citizens included ensuring compliance with applicable state

statutes and regulatory rules and decisions, as well as preparation of rate cases and other regulatory filings with state regulatory agencies in Arizona and Colorado.

After my employment with Citizens, I joined Arizona Water Company as Manager of Rates and Regulatory Accounting. As the Manager of Rates and Regulatory Accounting, my responsibilities included monitoring regulatory actions taken by the Commission, ensuring compliance with decisions of the Commission, filing necessary tariffs, preparing rate cases and other regulatory filings for submission to the Commission, and appearing as a witness before the Commission.

I have been employed with Arizona-American since March 2007.

I have a Masters in Business Administration from the University of Phoenix and my undergraduate degree, a Bachelor of Arts degree with a major in Accounting was obtained from Michigan State University. I am a licensed, certified public accountant in the states of Arizona and Michigan.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes, I have testified before this Commission on numerous occasions.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. The scope and purpose of my testimony are set forth in my Executive Summary.

Q. HOW IS YOUR TESTIMONY ORGANIZED FOR PURPOSES OF THIS PROCEEDING?

A. Each water and wastewater district has been assembled as a stand-alone filing complete with all standard filing requirement schedules. Whenever possible, schedules will be discussed as applicable to all of the water and wastewater districts. I include a table

detailing Arizona-American's proposed values by district for each schedule's results when discussing schedules that support the calculation of Schedule A-1 – Computation of Increase in Gross Revenue Requirements (Schedules B-1, C-1, D-1, if applicable). Similarly, since most of the pro forma adjustments that I am proposing are premised upon the same underlying principles regardless of the district, I will discuss the *pro forma* adjustments by category of adjustment. For any *pro forma* adjustments that do not apply to all 10 of the water and wastewater districts, I discuss the specific district or districts affected by the proposed adjustment.

Q. DOES YOUR TESTIMONY IN THIS PROCEEDING INCORPORATE RECOMMENDATIONS OF OTHER COMPANY WITNESSES?

A. Yes, it does. I have incorporated recommendations sponsored by Mr. Broderick, Mr. Cole, Mr. Lenderking, Mr. Gross, and Ms. Gutowski as *pro forma* adjustments to test-year expenses when applicable.

III. SPONSORED SCHEDULES

Q. PLEASE IDENTIFY THE SCHEDULES YOU ARE SPONSORING.

A. I am sponsoring the following schedules for each of the 10 water and wastewater districts:

- Schedule A-2 – Arizona-American Summary of Operations
- Schedule A-4 – Arizona-American Construction Expenditures and Gross Utility Plant in Service
- Schedule A-5 – Arizona-American Summary of Cash Flows
- Schedule B-6 – Arizona-American Computation of Cash Working Capital
- Schedule C-1 – Arizona-American Adjusted Test Year Income Statement
- Schedule C-2 – Arizona-American Income Statement Pro Forma Adjustments
- Schedule C-3 – Arizona-American Computation of Gross Revenue Conversion Factor

- Schedule E-2 – Comparative Income Statements
- Schedule E-3 – Comparative Statement of Changes in Financial Position
- Schedule E-6 – Comparative Operating Income Statements
- Schedule E-7 – Operating Statistics
- Schedule E-8 – Taxes Charged to Operations
- Schedule F-1 – Projected Income Statements
- Schedule F-2 – Statement of Cash Flows-Present and Proposed Rates
- Schedule F-3 – Projected Construction Requirements
- Schedule F-4 – Assumptions Used in Developing Projections

IV. REVENUE REQUIREMENT

Q. WHAT IS SCHEDULE A-2?

A. Schedule A-2 for each of Arizona-American's districts is titled "Summary Results of Operations". This schedule contains operating history for the years 2007, 2006, and 2005 as well as projected year 2008. The figures summarized for the test year 2007 are shown both unadjusted, as reflected in Arizona-American's accounting records, and adjusted for known and measureable *pro forma* changes identified in Arizona-American's application for each water and wastewater district.

Q. WHAT IS SCHEDULE A-4?

A. Schedule A-4 titled "Construction Expenditures and Gross Utility Plant in Service" presents the historical construction expenditures for the years 2007, 2006, and 2005, as well as three years of projected expenditures. This schedule also contains annual cost data for net plant placed in service and balances of gross utility plant in service for the same periods shown for construction expenditures. Mr. Gross provides direct testimony on test year and projected construction activities for this proceeding.

Q. WHAT IS SCHEDULE A-5?

A. Schedule A-5 titled "Summary of Cash Flows" is a statement of cash flows detailing the changes in the cash accounts for years 2007, 2006, and 2005.

V. WORKING CAPITAL

Q. WHAT IS THE CASH WORKING CAPITAL COMPONENT OF THE WORKING CAPITAL REQUIREMENT?

A. The cash working capital component of the working capital allowance measures the investor-supplied capital used to meet day-to-day working cash needs. Cash working capital represents the average amount of capital provided by investors, over and above the investment in plant and other rate base items to finance cost of service from the time that service is rendered and the associated revenues are collected. Although there are several methods for computing cash working capital, the Commission Staff has consistently recommended the use of the lead/lag methodology to determine cash working capital for large water utilities in this jurisdiction.

Q. WHAT IS SCHEDULE B-6?

A. Schedule B-6 titled "Lead/Lag Summary-Working Capital Requirement" details Arizona-American's working-cash component of the working capital allowance for each of the water and wastewater districts in this proceeding. Revenue lag days are determined by measuring the amount of time between the provision of services and the receipt of payment for those services. Revenue lag days indicate a provision of working capital by investors and are shown in Column [b] of Schedule B-6. The revenue lag days calculation is the sum of the service lag, the billing lag and the collection lag.

The measurement of the time between the incurrence of expenses and the payment of those obligations, referred to as the expense lag days, offsets the revenue lag. Expense lag days represent a use of working capital by investors and are presented on Line 2 of Schedule B-6. The net of the revenue lag days and the expense lag days is computed to

quantify the provision or use of working capital by investors. The following tables summarize the cash-working-capital component for each water and wastewater district:

Table 3 – Cash Working Capital Component of Working Capital-Water Districts

District	Agua Fria Water	Anthem Water	Havasu Water	Mohave Water	Paradise Valley Water	Sun City West Water	Tubac Water
Cash Working Capital	$1,409,860	$ 552,083	$102,420	$ 367,562	$ 549,034	$ 480,140	$ 40,665

Table 4 – Cash Working Capital Component of Working Capital - Wastewater Districts

District	Agua Fria Wastewater	Anthem Wastewater	Mohave Wastewater
Cash Working Capital	$ 416,137	$ 292,042	$ 58,358

VI. ADJUSTED OPERATING INCOME

Q. WHAT IS SCHEDULE C-1?

A. Schedule C-1 titled "Adjusted Test Year Income Statement" details the revenues and expenses and the resulting net income on an unadjusted test year and an adjusted test year basis that includes proposed pro forma adjustments.

Q. WHAT IS ARIZONA-AMERICAN'S ADJUSTED OPERATING INCOME BY DISTRICT IN THIS PROCEEDING?

A. The following tables summarize Adjusted Operating Income for each water and wastewater district seeking rate increases in this proceeding:

Table 5 – Adjusted Operating Income -Water Districts

District	Agua Fria Water	Anthem Water	Havasu Water	Mohave Water	Paradise Valley Water	Sun City West Water	Tubac Water
Adjusted Operating Income	$ 2,601,288	$ 2,142,295	($ 131,419)	$ 37,140	$ 1,552,498	$ 587,425	($ 38,553)

Table 6 – Adjusted Operating Income - Wastewater Districts

District	Agua Fria Wastewater	Anthem Wastewater	Mohave Wastewater
Adjusted Operating Income	($762,790)	$ 956,966	$ 15,619

A OPERATING REVENUES

Q. ARE YOU SPONSORING THE OPERATING REVENUE IN THIS PROCEEDING?

A. Only in part. I am responsible for removing revenues from surcharges authorized by the Commission for recovery of Central Arizona Project ("CAP") water costs for Paradise Valley Water, Agua Fria Water, and Sun City West Water districts.

Q. WHY ARE YOU REMOVING CAP-SURCHARGE REVENUE?

A. The Commission has authorized mechanisms to recover deferred and ongoing CAP municipal and industrial charges incurred by Arizona-American for Agua Fria Water, Paradise Valley Water, and Sun City West Water. These mechanisms enable Arizona-American to retain its CAP allocations by providing cost recovery of the expenses associated with purchasing this renewable source of water that is a vital part of the long-term water supply for these districts.

Q. WHAT IS THE MECHANISM AUTHORIZED BY THE COMMISSION FOR THE AGUA FRIA WATER DISTRICT?

A. Arizona-American's Agua Fria water district has an allocation of 11,093 acre feet of water, of which 10,900 acre feet were delivered to the Maricopa Water District Recharge Facility ("MWD") during the test year. In Decision No. 63334 (issued February 2, 2001) the Commission approved a request for a hook-up fee for Arizona-American's Agua Fria water district to recover the deferred and on-going CAP capital charges not used or delivered to MWD. At that time, it was projected that the deferred charges would be fully amortized in approximately 10 years.

Q. WHAT IS THE BALANCE IN THE DEFERRED CAP CAPITAL CHARGES ACCOUNT AS OF THE END OF THE TEST YEAR?

A. In May 2006, Arizona-American filed a compliance report pertaining to the deferred CAP capital charges stating that the deferred CAP charges had been fully recovered as of January 31, 2006, and, as ordered by the Commission, the remaining balance at that time of $59,922 would be applied to on-going CAP capital costs for water not used or delivered. Collection of the CAP hook-up fees has been discontinued since January 2006; however, some developments have outstanding obligations that have already been reflected in the compliance reports. The remaining balance of $59,922 has been applied to CAP capital costs not used or delivered through 2008.

Test year expenses for purchased CAP water including charges from the Maricopa Water District totaled $899,344.

Q. WHAT IS THE MECHANISM AUTHORIZED BY THE COMMISSION FOR THE PARADISE VALLEY WATER DISTRICT?

A. Arizona-American's Paradise Valley Water District has an allocation of 3,231 acre feet of water, all of which was delivered during the test year to the Salt River Project ("SRP") pursuant to a water exchange agreement. The current CAP-cost recovery for the Paradise Valley water district was approved by the Commission in Decision No. 61831 (July 20,

1999). Recovery of deferred CAP costs of $533,115 was authorized over a five-year period which ended in June 2004. In that decision, the Commission also approved a surcharge mechanism for the Paradise Valley Water District to recover on-going CAP capital charges. The approved surcharge applies to residential consumption greater than 45,000 gallons per month and to all non-residential consumption. The surcharge includes a provision for an annual true-up.

Q. IS ARIZONA-AMERICAN PROPOSING ANY CHANGES TO THE EXISTING CAP SURCHARGE FOR THE PARADISE VALLEY WATER DISTRICT IN THIS PROCEEDING?

A. Yes, but the request is for minimal changes to the calculation of the annual surcharge. As discussed in the testimony of Mr. Lenderking, Arizona-American is no longer participating in the water exchange agreement with SRP that provided a use for the Paradise Valley CAP allocation in the past. Instead, the full CAP allocation will be delivered to the Tonopah Desert Recharge Project to be recovered from wells in the district. As a result of the new arrangement, Arizona-American will replace the SRP wheeling charge of $22.63 per acre foot with a Central Arizona Water Conservation District ("CAWCD") storage charge of $8 per acre foot.

As with the original water exchange agreement, Arizona-American will not incur Arizona Department of Water Resources' groundwater pumping fees when it pumps the stored CAP water from its Paradise Valley wells. However, these savings will be offset by the power costs for pumping the stored "CAP Water" from district wells. Therefore, this imputed savings in the original CAP surcharge calculation should not be a component in future CAP surcharge calculation, as is also true of the SRP wheeling charge. A revised calculation of the CAP surcharge calculation will be submitted in the Company's rebuttal filing in this proceeding.

Q. WHAT IS THE MECHANISM AUTHORIZED BY THE COMMISSION FOR SUN CITY WEST WATER DISTRICT?

A. In Decision No. 62293 (issued February 1, 2000), the Commission approved a Groundwater Savings Fee for the Sun City West Water District in conjunction with a request for the Sun City Water District to recover deferred and on-going Central Arizona Project ("CAP") capital charges not used or delivered to MWD. The Commission's decision provided a surcharge mechanism to recover both deferred CAP capital charges and the on-going capital and delivery charges. The Sun City West Water District has an allocation of 2,382 acre feet of water, of which 2,372 acre feet were delivered to the Maricopa Water District Recharge Facility ("MWD") during the test year.

The approved mechanism for Sun City West Water District provides for recovery of deferred CAP M&I charges of $495,540 over a five-year period beginning in February 2001 and a separate adjustable surcharge for the recovery of on-going CAP capital and delivery charges.

Q. HAS ARIZONA-AMERICAN RECOVERED THE DEFERRED CAP M&I CHARGES WITHIN THE FIVE-YEAR RECOVERY PERIOD?

A. Yes. As of January 31, 2006, Arizona-American has fully recovered the deferred CAP capital charges; however, we continue to incur the ongoing capital and delivery charges.

Q. IS ARIZONA-AMERICAN PROPOSING ANY REVISION TO THE GROUNDWATER SAVINGS FEE FOR SUN CITY WEST WATER DISTRICT?

A. No. The mechanism as originally designed allows for increases and decreases in the cost of CAP water and provides an efficient procedure for billing customers for this cost without over or under recoveries. Accordingly, Arizona-American is not seeking to modify this mechanism in any way at this time.

B OPERATING EXPENSES

Q. WHAT ARE ARIZONA-AMERICAN'S REQUESTED TOTAL OPERATING EXPENSES BY DISTRICT?

A. The following tables summarize adjusted test year operating expenses for each district:

Table 7 – Operating Expenses -Water Districts

District	Agua Fria Water	Anthem Water	Havasu Water	Mohave Water	Paradise Valley Water	Sun City West Water	Tubac Water
Operating Expenses	$16,217,325	$ 7,215,051	$1,158,005	$ 5,076,491	$ 6,926,235	$ 5,114,006	$ 465,453

Table 8 – Operating Expenses - Wastewater Districts

District	Agua Fria Wastewater	Anthem Wastewater	Mohave Wastewater
Operating Expenses	$3,474,151	$5,438,217	$ 780,542

C PRO FORMA ADJUSTMENTS

Q. WHAT PRO FORMA ADJUSTMENTS IS ARIZONA-AMERICAN PROPOSING TO THE HISTORICAL TEST YEAR.

A. Arizona-American has identified known and measureable changes to the historical test year revenues and expenses for each of the categories listed below.

- Adjustment LJG-1 – Unbilled Revenue
- Adjustment LJG-2 – Eliminate Surcharges
- Adjustment LJG-3 – Miscellaneous Revenue Adjustments
- Adjustment LJG-4 – Annualize ACRM Surcharge
- Adjustment LJG-5 – Annualize Year End Customers
- Adjustment SLH-1 – Annualize Payroll Expense
- Adjustment SLH-2 – Annualize Power Expense
- Adjustment SLH-3 – Normalize Purchased Water

- Adjustment SLH-4 – Annualize Chemicals Expense
- Adjustment SLH-6 - Annualize Management Fees
- Adjustment SLH-7 - Annualize Pensions Expense
- Adjustment SLH-8 – Amortize Rate Case Expense
- Adjustment SLH-9 – Annualize Insurance Expense
- Adjustment SLH-10 – Tank Maintenance Accrual
- Adjustment SLH-11 – Annualize Depreciation/CIAC
- Adjustment SLH-12 – Annualize Property Taxes
- Adjustment SLH-15 – Annualize 401K Expense
- Adjustment SLH-16 – Line 21 Clean-up
- Adjustment SLH-17 – Remove CAP Revenue and Expense
- Adjustment SLH-18 – Interest Synchronization
- Adjustment SLH-19 – Federal and State Income Taxes
- Adjustment SLH-20 – Annualize Postage Increase
- Adjustment SLH-21 – One-Time Service Company Charges
- Adjustment SLH-22 – Adjust Conservation Expenses
- Adjustment SLH-23 – Adjustment to Remove Prior Period Labor Adjustment

Q. ARE YOU SPONSORING ALL OF THE PRO FORMA ADJUSTMENTS IDENTIFIED ABOVE?

A. No. Ms. Gutowski sponsors the adjustments identified as LJG-1, LJG-2, LJG-3, LJG-4, and LJG-5. Mr. Broderick sponsors the amount of rate case expense in SLH-8 and the amount of the reduction to depreciation expense in SLH-11 for the amortization of the imputed regulatory CIAC.

Q. WHAT IS ADJUSTMENT SLH-1 – ANNUALIZE PAYROLL EXPENSE?

A. This is a *pro forma* adjustment to reflect the known and measureable change in pay rates for Arizona-American to annualize the latest known pay rates for employees of Arizona-American at the end of the test year. The latest known rates, which became effective March 24, 2008, form the basis of the annualization adjustment, however, Arizona-American reserves the right to update this adjustment for the 2009 pay rates if the hearing schedule permits the inclusion of that rate increase.

Q. WHAT IS ADJUSTMENT SLH-2 – ANNUALIZE POWER EXPENSE?

A. This is a *pro forma* adjustment that annualizes the increase in rates approved for Arizona Public Service Company ("APS") in July 2007 for the districts that receive power from APS. Arizona-American has accounts billed under APS's rate schedules E-30, E-32 and E-221. The affected water districts are Agua Fria Water, Anthem Water, Paradise Valley Water, and Sun City West Water. The affected wastewater districts are Agua Fria Wastewater (including the Northwest Valley Regional Treatment Facility), and Anthem Wastewater. On March 31, 2008, APS filed an application for a nine percent rate increase with the Commission. One component to APS's rate application is its proposal to disaggregate the E-32 tariff based upon customer demand. Given the timing of APS's filing and the filing of Arizona-American's rate application filing, Arizona-American requires additional time to determine how APS's proposal to disaggregate Rate E-32 will impact its accounts, as well as the impact of the other proposed rate schedule changes on test-year power costs. Arizona-American will update the *pro forma* adjustment to power expense to reflect the APS proposed increase during the rebuttal phase of the case.

Arizona-American districts Tubac, Mohave Water, and Mohave Wastewater systems receive power from Unisource, which is presently before the Commission with a rate-increase request. No final order has been issued. After the final order has been issued, Arizona-American will update its *pro forma* adjustments for Tubac Water, Mohave

Water, and Mohave Wastewater to properly reflect known and measureable changes in the cost of that power.

For Arizona-American's Agua Fria Water district, some of its electricity needs are provided by the Maricopa Water District, which increased its rates by 10 percent, on January 1, 2008. The increase in power costs is $116,435 for the Agua Fria Water District, based upon consumption during the test year and applying the rates in effect at January 1, 2008.

Q. ARE THERE ANY OTHER PENDING FUEL OR POWER COST INCREASES?

A. Southwest Gas Corporation did not increase general rates during 2007 and at the time of this filing is not projecting a general rate increase, however, with a monthly gas cost adjustor mechanism, as natural gas prices increase, the gas cost adjustor can also increase. Southwest Gas Corporation is currently anticipating natural gas price increases of approximately two percent from 2008 to 2009.

Q. WOULD APPROVAL BY THE COMMISSION OF A FUEL AND POWER SUPPLY ADJUSTOR MECHANISM FOR ARIZONA-AMERICAN SHIELD ARIZONA-AMERICAN FROM POWER SUPPLY INCREASES SUCH AS ARE REFLECTED IN THE *PRO FORMA* ADJUSTMENTS TO POWER EXPENSE?

A. Yes. Power cost increases are outside the control of Arizona-American and power cost increases erode earnings to which Arizona-American is entitled. For the 10 water and wastewater districts included in this filing, the power costs escalations from two providers, APS and MWD, add almost a half million dollars to water costs. To provide Arizona-American a reasonable opportunity to earn its authorized return, an adjustor mechanism should be approved for the districts included in this rate application. Arizona-American requests approval of an adjustor mechanism from the Commission to adjust rates as power rates vary from those included in the adjusted test-year expenses.

The change in power costs should be calculated by using test-year volumes of water sold and the current rates for power. A threshold could be set that would provide a benchmark of when adjustments would be allowed based upon a cost per-thousand-gallons sold. Schedule H-8 is a proposed tariff for a power supply adjustor mechanism that could be used for all districts.

Q. WHAT IS ADJUSTMENT SLH-3 – NORMALIZE PURCHASED WATER?

A. This adjustment applies only to the Havasu Water district and corrects an entry recorded to the district's purchased water account to normalize the purchased water expense.

Q. WHAT IS ADJUSTMENT SLH-4 – ANNUALIZE CHEMICALS EXPENSE?

A. This is a *pro forma* adjustment to annualize the effect of changes in the cost of chemicals used in water treatment operations. It incorporates 2008 price level increases that have been negotiated contractually by American Water's Supply Chain department.

The Agua Fria Water, Havasu Water, Paradise Valley Water and Sun City West Water districts each have an Arsenic Cost Recovery Mechanism ("ACRM") in place. During 2007, Arizona-American used some new chemicals in arsenic treatment (ferric chloride and polymer) and increased volumes used for other chemicals (sodium hydroxide and sulfuric acid). The costs of the ferric chloride chemicals , where applicable, were deferred for each district in accordance with the applicable ACRM. Media replacement costs for arsenic treatment were also deferred during 2007 for recovery in ACRM applications. The *pro forma* adjustment to annualize chemicals quantifies a 12-month period of chemicals and media replacement costs for the districts with arsenic treatment facilities. Now that Arizona-American has made the rate filings required by the Commission as a condition of approving ACRMs for these districts, it is appropriate to include these new and on-going charges in each district's cost of service.

Q. WHAT IS ADJUSTMENT SLH-6 – ANNUALIZE MANAGEMENT FEES?

A. This is a *pro forma* adjustment to annualize the effect of the labor rate increase approved in March 2008. I increased test-year labor and labor-related charges by four percent to incorporate labor-rate increases granted in March 2008 at the Service Company level.

Q. WHAT IS ADJUSTMENT SLH-7 – ANNUALIZE PENSION EXPENSE?

A. This is a *pro forma* adjustment to annualize the increase in pension costs based on the 2008 funding liability. Employees of Arizona-American hired before January 1, 2006, are eligible for a defined-benefit pension. The cost to fund this pension liability for 2008 is reflected in this pro forma adjustment.

Q. WHAT IS ADJUSTMENT SLH-8 – AMORTIZE RATE CASE EXPENSE?

A. This is a *pro forma* adjustment that adjusts regulatory expenses to include an amortization of the costs incurred to prepare and process this rate application. The total estimated costs of $612,000 and the three-year amortization period are sponsored by Mr. Broderick, while I am sponsoring the allocation of the amortization of the rate case expenses among districts. To allocate the rate-case expense to each of the 10 water and wastewater districts, I calculated a four-factor allocation percentage limited to the 10 districts that are the subject of this rate application. I then applied this factor to the annual amortization to determine the *pro forma* adjustments.

For districts with an unamortized balance from a previous rate case (Anthem Water, Mohave Water, Agua Fria Wastewater, Anthem Wastewater, and Mohave Wastewater), I calculated a new amortization over three years based upon the remaining balance as of June 2009. I used June 2009 because it is consistent with the Commission's time-clock rules for a filing made by May 1, 2008. For Anthem Water, Anthem Wastewater and Agua Fria Wastewater, which have pending rate applications before the Commission, my calculations are based upon the Company's final position. Should the Commission adopt

a different level of rate case expense in its final decision, we will adjust the amortizations for Anthem Water, Anthem Wastewater and Agua Fria Wastewater.

Q. WHAT IS ADJUSTMENT SLH-9 – ANNUALIZE INSURANCE EXPENSE?

A. This is a *pro forma* adjustment to annualize the increase in group insurance expenses for Arizona-American's water and wastewater districts. Group insurance includes premiums for life insurance, medical insurance, dental insurance, long-term disability insurance, short-term disability insurance, worker's compensation insurance and liability insurance. The 2008 group insurance costs were compiled and the increase in these expenses above the 2007 expenses supports this *pro forma* adjustment.

Q. WHAT IS ADJUSTMENT SLH-10 – TANK MAINTENANCE ACCRUAL?

A. This is a *pro forma* adjustment that will enable Arizona-American to begin reserving funds that can be used to fund a tank-maintenance program. The program covers a ten-year cycle and is further discussed by Mr. Cole. I have calculated the amount of funds that Arizona-American should begin collecting from its customers to cover the costs that Mr. Cole believes are needed to inspect and maintain the tanks for each water district. By collecting funds for tank maintenance based upon a 10-year program, expenses, which otherwise would fluctuate from year to year, will be levelized for rate recovery.

Q. WHAT IS ADJUSTMENT SLH-11 – ANNUALIZE DEPRECIATION/CIAC?

A. This is a *pro forma* adjustment that annualizes the depreciation expense on test-year ending plant in service and the amortization of contributions in aid of construction. Ms. Gutowski used the depreciation rates approved in each district's last rate proceeding to calculate the depreciation annualization. This *pro forma* adjustment also includes the amortization of regulatory assets previously authorized by the Commission in Decision No. 67093. Also included in the *pro forma* adjustment is the reduction to depreciation expense required by Decision No. 63584 that results from amortizing the imputed

regulatory CIAC. Continuation of these amortizations preserves the balances that Arizona-American has on its balance sheet for accounting purposes.

Q. WHAT IS ADJUSTMENT SLH-12 – ANNUALIZE PROPERTY TAXES?

A. This is a *pro forma* adjustment to adjust the property taxes to the level based upon the adjusted test-year revenue and also to compute a property-tax factor to include in the revenue-conversion factor to provide for the property-tax increases that will result from the revenue increases in this proceeding. The property tax factor was originally proposed by the Commission Staff and adopted by the Commission in Decision No. 70209, dated March 20, 2008 for Arizona-American's Sun City Wastewater and Sun City West Wastewater districts.

Q. WHAT IS ADJUSTMENT SLH-15 – ANNUALIZE 401K EXPENSE?

A. This is a *pro forma* adjustment that annualizes Arizona-American's contribution to its employees' 401K program. Employees of Arizona-American hired after January 1, 2006 are only eligible for the Company's 401K plan. Arizona-American contributes a percentage contribution and also matches a portion when employees contribute up to a pre-established percentage.

Q. WHAT IS ADJUSTMENT SLH-16 – LINE 21 CLEAN-UP?

A. This is a *pro forma* adjustment that removes civic and charitable contributions, membership dues, and other miscellaneous expenditures that are recorded in a Miscellaneous Expense account, but are not typically recoverable from customers.

Q. WHAT IS ADJUSTMENT SLH-17 – REMOVE CAP REVENUE AND EXPENSES?

A. This is a *pro forma* adjustment to isolate Central Arizona Project ("CAP") surcharges and purchased-water costs to enable retention of the mechanisms that are currently in place to

recover these charges. Sun City West Water, and Paradise Valley Water currently have mechanisms in place, which I discuss in greater detail above in conjunction with Operating Revenues. Agua Fria Water District's mechanism is no longer in effect and Arizona-American is including the purchased water costs for this district in its operating expenses.

Q. WHAT IS ADJUSTMENT SLH-18 – INTEREST SYNCHRONIZATION?

A. This is a *pro forma* adjustment to synchronize the interest deduction that is a function of each district's rate base and weighted cost of debt and the interest deduction that is a component in the test-year income tax calculation. For ratemaking purposes, a utility's revenue requirement reflects the recovery of interest expense based on the weighted cost of debt in the capital structure. It is this interest expense that needs to be used for the interest deduction when calculating the tax expense. An Interest Synchronization adjustment is necessary to match the rate base used in determining revenue requirements with the proportionate part of the total amount of debt and equity used to determine the cost of capital. The amount of interest expense that customers in each district contribute through their payment of water rates should be the same as the amount of interest expense deducted from revenues in calculating each district's tax expense. Synchronizing the interest deduction for ratemaking with the interest deduction for earnings purposes accomplishes this goal.

Q. WHAT IS ADJUSTMENT SLH-19 – FEDERAL AND STATE INCOME TAXES?

A. This is a *pro forma* adjustment that adjusts test-year income taxes to reflect the federal and state income tax effects of the *pro forma* adjustments included on Schedule C-2.

Q. WHAT IS ADJUSTMENT SLH-20 – ANNUALIZE POSTAGE INCREASE?

A. This is a *pro forma* adjustment to annualize the effects of the May 14, 2007, and May 14, 2008, increases in postage rates.

Q. WHAT IS ADJUSTMENT SLH-21 – ONE-TIME SERVICE COMPANY CHARGES?

A. This is a *pro forma* adjustment that removes charges from Management Fees that are one-time, non-recurring and not appropriate for calculating revenue requirements for this proceeding. The types of costs that have been removed are costs associated with business change and divestiture. American Water is restructuring its corporate model to a more state-based focus and it continues its transition from a wholly-owned subsidiary of RWE to a publicly-traded entity.

Q. WHAT IS ADJUSTMENT SLH-22 – ADJUST CONSERVATION EXPENSES?

A. This is a *pro forma* adjustment that adjusts the test-year expenses to the level approved by the Commission in Decision No. 67093 for the West Valley districts of Sun City West, Sun City and Agua Fria. In that decision, the Commission authorized $40,000 for conservation-targeted expenditures. I first allocate the $40,000 expense among the districts based upon customer count and adjust expense to enable Arizona-American to continue activities that inform and educate customers about the need for conservation.

For the Anthem Water District, Arizona-American requested a $7,500 allowance in expenses for conservation-related expenditures in Docket No. W-1303A-06-0403. Although at the time that this testimony was drafted, the Commission had not yet issued an order in that proceeding, I have included a *pro forma* adjustment to reflect that increased expense in this proceeding.

Q. WHAT IS ADJUSTMENT SLH-23 – ADJUSTMENT TO REMOVE PRIOR PERIOD LABOR ADJUSTMENT?

A. This is a *pro forma* adjustment that eliminates the effect of a labor adjustment that related to prior periods. During the test year, an accounting adjustment was made to reclassify some labor charges that were inappropriately charged to construction in prior years for

Agua Fria Wastewater. I quantified and removed the charges associated with years other than the test year to adjust test-year labor charges.

Q. WHY IS ARIZONA-AMERICAN REQUESTING COMMISSION APPROVAL OF ITS RULES AND REGULATIONS FOR EACH DISTRICT?

A. Rules and Regulations ("Rules") for each district were filed in compliance with the Commission's order to provide tariffs after the issuance of Decision No. 67093. The Commission Staff accepted the Rules but included a disclaimer in their files that if there were any differences between the Rules filed by Arizona-American and the original Citizen's Rules and Regulations, the Citizen's Rules and Regulations would prevail. Arizona-American has compared both sets of Rules and Regulations and asks that the Commission adopt the Arizona-American Rules and remove the disclaimer from its files to reduce the potential for confusion by our customers or other interested parties.

VII. COMPANY'S FINANCIAL STATEMENTS

Q. THE COMMISSION'S STANDARD FILING REQUIREMENTS REQUIRE THAT AN APPLICANT FOR A RATE CHANGE INCLUDE FINANCIAL STATEMENTS AND STATISTICAL SCHEDULES WITH ITS APPLICATION. ARE YOU SPONSORING THE REQUIRED E-SERIES SCHEDULES?

A. Yes, in part. I will be sponsoring all of the E-Series schedules except for Schedules E-1, E-5, which are being sponsored by Ms. Gutowski and Schedules E-4 and E-9, which are sponsored by Mr. Broderick.

Q. WHAT IS INCLUDED IN THE E-SERIES SCHEDULES?

A. Schedule E-2 titled, "Comparative Income Statements-Test Year Ended December 31, 2007" contains the income statements of each district for the years 2005, 2006, and 2007. Schedule E-3 titled "Comparative Statement of Changes in Financial Position-Test Year Ended December 31, 2007" presents the sources and applications of funds by the districts

for the years 2005, 2006, and 2007. Schedule E-6 titled "Comparative Departmental Statements of Operating Income -Test Year Ended December 31, 2007" summarizes the operating income statements on a functional basis for each district for the years 2005, 2006, and 2007. Schedule E-7 titled "Operating Statistics-Test Year Ended December 31, 2007" presents the district's operating statistics for sales quantities and customers for the years 2005, 2006, and 2007. Schedule E-8 titled "Taxes Charged to Operations-Test Year Ended December 31, 2007" provides details regarding taxes incurred by the district for the years 2005, 2006, and 2007.

Q. WHAT ARE THE F-SERIES OF SCHEDULES?

A. I am sponsoring the F-Series of schedules. Appendix F of the standard filing requirements is labeled "Projections and Forecasts". The data contained in the F-Series of schedules compares current results of operations to projected results based upon different assumptions. More specifically, Schedule F-1 titled "Projected Income Statements-Present and Proposed Rates" forecasts 2008 income using test-year rates and proposed revenue from this proceeding. Schedule F-2 titled, "Projected Statement of Changes in Financial Position-Present and Proposed Rates" presents the sources and applications of funds by the districts for the test year and projected results using the same assumptions as Schedule F-1. Schedule F-3 titled "Projected Construction Requirements" shows the district's projected construction expenditures for the years 2008, 2009, and 2010. This schedule provides additional detail concerning the construction expenditures shown on Schedule A-4. Schedule F-4 titled "Assumptions Used in Developing Projections" provides a general description of the assumptions used in developing projections for 2008 concerning customer growth, customer water demand, changes in expenses, and construction requirements.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CASE?

A. Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT AND TUBAC WATER DISTRICT	DOCKET NO. W-01303A-08-
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WASTEWATER DISTRICT, ANTHEM WASTEWATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT	DOCKET NO. SW-01303A-08-

DIRECT TESTIMONY
OF
LINDA J. GUTOWSKI
ON BEHALF OF
ARIZONA AMERICAN WATER COMPANY
APRIL 30, 2008

DIRECT TESTIMONY
OF
LINDA J. GUTOWSKI
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

TABLE OF CONTENTS

	EXECUTIVE SUMMARY	iii
I	INTRODUCTION AND QUALIFICATIONS	1
II	SCOPE AND PURPOSE OF TESTIMONY	2
III	RATE BASE	2
IV	ADJUSTED OPERATING REVENUE	16
V	COMPARATIVE STATEMENTS	22
VI	EFFECT OF PROPOSED TARIFF SCHEDULES	22

EXECUTIVE SUMMARY

Linda J. Gutowski testifies as follows:

RATE BASE

Ms. Gutowski sponsors rate base Exhibits B-1 through B-5. Rate base for each district follows:

Table 1 – Summary of Rate Base

District	OCRB
Agua Fria Water	$96,976,395
Anthem Water	$69,535,470
Havasu Water	$4,221,474
Mohave Water	$12,041,310
Paradise Valley	$40,864,986
Sun City West Water	$37,901,085
Tubac Water	$1,527,454
Agua Fria Wastewater	$23,329,983
Anthem Wastewater	$23,299,355
Mohave Wastewater	$ 4,740,149
Total All Districts	**$314,437,662**

Common Rate-Base Adjustments
Adjustment LJG-3 reallocates the UPIS balance from the Corporate District into the proper district, based on plant coding:

Adjustment LJG-4 allocates the Common, or Corporate, Plant and Accumulated Depreciation to each of the districts:

Adjustment LJG-5 is the opposite side of Adjustment LJG-3. It reverses the December 2007 Journal Entry and removes $753,965 from the Corporate Plant accounts.

Adjustment LJG-6 decreases Advances and/or Contributions in Aid of Construction for dollars associated with projects that are still in Construction Work in Progress ("CWIP").

Mr. Broderick has three adjustments on Schedule B-2. Adjustment TMB-7 is reserved for the Imputed Regulatory Advances in Aid of Construction. Adjustment TMB-8 is reserved for the Imputed Regulatory Contributions in Aid of Construction. Adjustment TMB-9 is reserved to remove the Acquisition Adjustment from the Citizens Utilities purchase.

Agua Fria Water Rate-Base Adjustments. Adjustment LJG-1 removes $76,503 from UPIS and $19,453 from Accumulated Depreciation. Adjustment LJG-2 removes Excess Hook-Up Fee Contribution for the White Tanks Project. Adjustment LJG-10 adds $25,000,000 of White Tanks Project Costs to Rate Base. Adjustment LJG-11 adds Post-Test-Year Additions of $3,214,033.

Anthem Water Rate-Base Adjustments. Adjustment LJG-1 reduces Accumulated Depreciation by $215,890. Adjustment LJG-2 adds $3,000,000 to rate base, net of $500,000 accumulated amortization, for the Phoenix Interconnection. Adjustment LJG-10 reduces the Advance balance (and increases the Contribution Balance) by $14,158,285 because of the March 31, 2008, Pulte refund payment of $20,226,122.

Havasu Water Rate-Base Adjustments. Adjustment LJG-1, corrects Accumulated Depreciation for Havasu Water District by decreasing it $20,809. Adjustment LJG-2 removes $77,319 of Plant and reduces Accumulated Depreciation by $29,047 for the Plant that the Commission found to be not useful in Decision 67093. Adjustment LJG-10 adds $94,996 to rate base for deferred ACRM O&M costs.

Mohave Water Rate-Base Adjustments. Adjustment LJG-1, adjusts the under-collection in the Accumulated Depreciation for rate-making purposes. Adjustment LJG-2 removes ($4,915) from plant as a proposed retirement to go along with a Post-Test-Year addition recommended by Staff in the last rate case. Adjustment LJG-10 includes estimated project costs of $610,732 for the Mohave Water District's Big Bend Acres 0.25MG Reservoir.

Paradise Valley Water Rate-Base Adjustments. Adjustments LJG-1 and LJG-2 correct accumulated depreciation balances from the last rate case and the calculation going forward. Adjustment LJG-10 corrects an error in plant-account assignment. Adjustment LJG-11 adds $1,899,267 to UPIS associated with well replacements and rehabilitations. Adjustment LJG-12 corrects a refund of High Block Surcharge monies.

Sun City West Water Rate-Base Adjustments. Adjustment LJG-1 reduces Accumulated Depreciation for over-expensing.

Tubac Water Rate-Base Adjustments. Adjustment LJG-1 increases Accumulated Depreciation for an under-collection that has been building up since the last rate case, Decision No. 67093. Adjustment LJG-2 decreases UPIS by $1,624 for Plant Not Used.

Agua Fria Wastewater Rate-Base Adjustments. Adjustment LJG-1 corrects an over-collection in accumulated depreciation of $131,912. Adjustment LJG-10 updates the UPIS and accumulated depreciation for the Northwest Valley Regional Treatment Facility for a net addition of $3,573,560.

Anthem Wastewater District Rate-Base Adjustments. Adjustment LJG-1 corrects an over-expense in accumulated depreciation of $4,011. Adjustment LJG-10 reflects the wastewater share ($6,067,837) of the March 31, 2008, Pulte Refund Payment. Adjustment LJG-11 adds $1,800,000 to UPIS for the Headworks Plant Modification.

Mohave Wastewater Rate-Base Adjustments. Adjustment LJG-1 reduced accumulated depreciation by $225,743. Adjustment LJG-10 adds $3,932,080 to UPIS for the Wishing Well Wastewater Treatment Plant project.

Schedule B-5. Ms. Gutowski sponsors the Materials & Supplies and Prepayment portions of the working capital calculation.

INCOME STATEMENT ADJUSTMENTS.

Ms Gutowski sponsors the following income-statement adjustments:

Adjustment LJG-1 removes unbilled revenues for each district.

Adjustment LJG-2 (Anthem Water District) removes the revenue from, and expenses for, the service that had been provided to Desert Hills Water Company during 2007.

Adjustment LJG-3 provides various types of individual adjustments for the districts.

Adjustment LJG-4 (Agua Fria Water, Havasu Water, Paradise Valley, and Sun City West Water) moves the ACRM revenue collected during the test year from Other Revenue to Water Revenue. Other adjustments were made for Paradise Valley Water and Mohave Wastewater.

Adjustment LJG-5 annualizes customer revenues for each district.

E SCHEDULES

Ms. Gutowski prepared Schedule E-1, the Comparative Balance Sheet schedule for each district, and Schedule E-5, the Detail of Plant in Service schedule for each district.

H SCHEDULES

Ms. Gutowski sponsors the Present Rate portion of the H Schedules.

I INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE NUMBER.

A. My name is Linda J. Gutowski. My business address is 19820 N. 7th Street, Suite 201, Phoenix, AZ 85024, and my business phone is 623-445-2496.

Q. IN WHAT CAPACITY AND BY WHO ARE YOU EMPLOYED?

A. I am a Senior Rate Analyst for Arizona-American Water Company. Arizona-American Water Company ("Arizona-American" or "the Company") is a wholly owned subsidiary of American Water.

Q. PLEASE DESCRIBE YOUR PRIMARY RESPONSIBILITIES FOR THE COMPANY.

A. I primarily prepare regulatory filings for Arizona-American.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATION.

A. I have a Bachelor of Arts degree in Economics from Susquehanna University. I studied accounting for two years at the Wharton School at the University of Pennsylvania. I have attended several utility seminars including the NARUC Rate Seminar, New Mexico State's Basics of Regulation and the Rate Making Process, Edison Electric Institute's Electric Rate Advanced Course, and Arthur Anderson's Advanced Regulatory Concepts School as well as many company sponsored training sessions.

I worked for American Water in New Jersey as a Staff Accountant and then as a Rate Analyst from 1973 to 1976. I left to work as a financial analyst for a consulting firm of environmental engineers, Betz Converse Murdoch, building water and wastewater plants from 1976 through 1982. I was employed by the Arizona Corporation Commission as an

auditor and a rate analyst from 1983 until 1986. I then worked for six years in the rate department at Arizona Public Service Company, developing new rates and supporting regulatory filings. I returned to American Water in New Jersey as a rate analyst in 1993, and moved to Arizona-American's Phoenix Office in December of 2005.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I testified in May 2007, on behalf of Arizona-American in the Anthem Water and Anthem/Agua Fria Wastewater cases, Docket No. WS-01303A-06-0403. I also testified in the Sun City Water case, Docket No. W-01303A-07-0209 in January 2008. When I worked at the Commission, I testified concerning CC&N applications, fuel adjustor cases, and small rate cases. I have provided testimony before Commissions in Ohio, Maryland, and Missouri, and provided support for exhibits filed in 20 of the states in which Arizona-American or one of its regulated affiliates currently or formerly operates.

II <u>SCOPE AND PURPOSE OF TESTIMONY</u>

Q. WHAT IS THE SCOPE AND PURPOSE OF YOUR TESTIMONY?

A. The scope and purpose of my testimony are set forth in my Executive Summary.

III <u>RATE BASE</u>

Q. WHAT ARE ARIZONA-AMERICAN'S RATE BASE EXHIBITS?

A. Schedule B-1 contains Summary of the Fair Value Rate Base for each District. The Company has done an Original Cost Rate Base and did not conduct a study to determine rate base based on reconstruction cost net of depreciation ("RCND"). Therefore, the Original Cost Rate Base is what the Company is requesting as its Fair Value Rate Base.

Schedule B-2 contains Original Cost Rate Base Pro Forma Adjustment Schedules. The first two or three pages for each District are the summary pages. These are followed by detailed pages by year for each district, updating plant additions, retirements,

adjustments, and accumulated depreciation since the last rate case. Next are pages for the common plant and accumulated depreciation that are allocated to each District. These were built out from 2006, which is the test year for the Sun City Water rate case, W-01303A-07-0209. That is the most recent time that the corporate allocation was examined by Staff. These corporate allocation pages are the same in every district – just the Four-Factor allocation changes. Following these pages are individual exhibits of Rate Base Adjustments in the Schedule B-2's. Some of these vary for each district and some of these are the same adjustment, although different amounts, in each district.

Schedule B-3 is blank as it would be a summary of the RCND Rate Base, which we are not sponsoring. Schedule B-4, which would provide detail for the RCND plant accounts. is therefore also blank.

Schedule B-5 provides the Computation of Working Capital. Ms. Hubbard is supporting the Lead/Lag Study that resulted in the Cash Working Capital and I am supporting the 13-month Average of Materials and Supplies Inventories and the Prepayments, all of which comprise the Working Capital.

Q. COULD YOU SUMMARIZE RATE BASE BY DISTRICT?

A. Yes. The following table summarizes rate base for each district (from Schedule B-1):

Table 1 – Summary of Rate Base

District	OCRB
Agua Fria Water	$96,976,395
Anthem Water	$69,535,470
Havasu Water	$4,221,474
Mohave Water	$12,041,310
Paradise Valley	$40,864,986
Sun City West Water	$37,901,085
Tubac Water	$1,527,454
Agua Fria Wastewater	$23,329,983
Anthem Wastewater	$23,299,355
Mohave Wastewater	$ 4,740,149
Total All Districts	**$314,437,662**

Q. WHAT ARE THE COMMON RATE-BASE ADJUSTMENTS FOR THE DISTRICTS?

A. Adjustment LJG-3 spreads a December 2007 Journal Entry to each district's Utility Plant in Service ("UPIS"). The December Journal Entry erroneously allocated UPIS to the Corporate District. Adjustment LJG-3 reallocates the UPIS balance from the Corporate District into the proper district, based on plant coding.

Q. WHAT IS THE MAGNITUDE OF EACH ADJUSTMENT LJG-3, BY DISTRICT?

A. Please see the following table:

Table 2 – UPIS Reallocation by District

Districts	UPIS Moved
Agua Fria Water	$510,426
Anthem Water	$34,816
Havasu Water	$6,156
Mohave Water	$448
Paradise Valley	$93,988
Sun City West	$5,456
Anthem Wastewater	$11,156
Total	**$662,446**

Q. SHOULD ANY MORE UPIS BE SHIFTED FROM CORPORATE TO OTHER DISTRICTS?

A. Yes. Some of the UPIS should be shifted to Sun City Water, which is not included in this case. Also, some of the UPIS is being shifted to the Northwest Valley Treatment Plant ("NWVTP"), which is part of the Sun City West Wastewater District. That amount of UPIS, $77,382, is being shifted to the NWVTP so that 32% of the NWVTP can be included in Agua Fria Wastewater District (to be discussed later).

Q. WHAT ABOUT THE DISTRICTS THAT ARE MISSING FROM THE LISTING IN TABLE 2?

A. The Tubac Water, Agua Fria Wastewater, and Mohave Wastewater districts had no work orders closed out in that Journal Entry.

Q. WHAT ARE THE NEXT COMMON RATE BASE ADJUSTMENTS?

A. Adjustment LJG-4 allocates the Common, or Corporate, Plant and Accumulated Depreciation to each of the districts. The Allocation is based on the Four-Factor Allocation Method using the column for Number of Customers.

The Corporate Plant is the total of the 7th Street Phoenix office, the Sun City office, and the Eastern Division office (which is comprised of less than $17,000 in computer equipment). These plant and accumulated depreciation dollars are spread across the districts involved in this case, based on the district's percentage of total of metered customers for the company. We have chosen to show the Corporate allocation on a separate page for several reasons.

Q. CAN YOU PLEASE EXPLAIN THOSE REASONS?

A. Yes. The Commission recently examined Corporate Division Plant in the Sun City Water case, W-01303A-07-0209. It is only necessary to update this data from the test year which ended on December 31, 2006. Because the districts do not all have the same prior test years, it is much easier to have the Corporate Division on a separate sheet and allocate it from there.

Another reason is that we are now combining what were the Corporate, Central, and Eastern Divisions. These divisions were created for operating reasons and not for rate-making reasoning. For instance, many of the people who work out of the 7th Street and the Sun City offices have jobs affecting the entire state. Both Operating Managers, the one in charge of Central and the one in charge of Eastern, have offices and assistants in the Sun City office building.

Another reason to allocate from the test-year ending balances is that this accounts for customer growth. Agua Fria Water's allocation factors, for instance, have changed from

18.8% to 20.4% to 21.5% from 2005 through 2007, because this district has grown faster than other districts. If we were to spread the Corporate Plant each year, the allocations would change each year, while trying to show additions, retirements, and adjustments. That makes the distribution difficult and somewhat senseless.

Finally, if we did not allocate Corporate Plant from the test-year-ending balances, we would have to deal with changing depreciation rates from every rate case for most of the districts. By holding the Corporate Plant out separately, we can set the depreciation rates and leave them stable.

Q. ARE THERE ANY MORE COMMON RATE BASE ADJUSTMENTS?

A. Yes. Adjustment LJG-5 on Schedule B-2 is the opposite side of Adjustment LJG-3. This reverses the December 2007 Journal Entry and removes it from the Corporate Plant accounts. The amount removed is $753,965 – and Table 2 above shows into which of the Districts in this case the amounts are going.

Next, Adjustment LJG-6 on Schedule B-2 decreases Advances and/or Contributions in Aid of Construction for dollars associated with projects that are still in Construction Work in Progress ("CWIP"). Since these project amounts had not been transferred from CWIP to Utility Plant in Service as of December 31, 2007, and therefore, are not part of the increase to Rate Base, the associated balances of Advances or Contributions should also not decrease Rate Base.

Q. HOW MUCH WERE THE ADVANCES OR CONTRIBUTIONS IN EACH DISTRICT REDUCED FOR THE PROJECTS THAT ARE IN CWIP AS OF THE END OF THE TEST YEAR?

A. Please see the following table:

Table 3 – Reductions of Advances or Contributions

Districts	Advances	Contributions
Agua Fria Water		$3,432,286
Anthem Water		$40,960
Havasu Water		$10,645
Mohave Water	$291,909	$94,452
Paradise Valley		$322,588
Sun City West Water		$17,318
Tubac Water		$20,266
Agua Fria Wastewater		$60,151
Anthem Wastewater		$116,347
Mohave Wastewater		$65,395
Total	**$291,909**	**$4,180,406**

Q. MR. BRODERICK SPONSORS THREE ADJUSTMENTS THAT ARE COMMON TO THE DISTRICTS THAT APPEAR ON SCHEDULE B-2. CAN YOU DESCRIBE THEM AND THEIR NUMBERING?

A. Adjustment TMB-7 is reserved for the Imputed Regulatory Advances in Aid of Construction. The amortization of these runs out in July 2008, so these are fully amortized, and no adjustment is needed to decrease rate base in any district for the imputed advances.

Adjustment TMB-8 is reserved for the Imputed Regulatory Contributions in Aid of Construction. These imputed contributions are being amortized over a 10-year period rather than the 6.5-year period for the advances, so the Company is using the remaining, unamortized balances as of December 31, 2007.

Adjustment TMB-9 is reserved to remove the Acquisition Adjustment from the Citizens Utilities purchase. Because this acquisition is recorded in the Corporate Division, and because we allocate Corporate to the Districts, Paradise Valley had incorrectly received a piece of the acquisition adjustment, although it was not a part of the Citizens purchase.

Q. WILL YOU PLEASE SUMMARIZE MR. BRODERICK'S COMMON ADJUSTMENTS?

A. Certainly, please see the following table:

Table 4 – Summary of Broderick Adjustments

District	TMB-7	TMB-8	TMB-9
Agua Fria Water	$0	$796,965	$6,090,214
Anthem Water	$0	$434,306	$1,588,350
Havasu Water	$0	$113,427	$281,816
Mohave Water	$0	$1,157,044	$2,918,124
Paradise Valley	$0	$0	$876,064
Sun City West	$0	$392,368	$2,845,456
Tubac	$0	$58,023	$98,857
Agua Fria Wastewater	$0	$0	$830,693
Anthem Wastewater	$0	$190,695	$1,489,494
Mohave Wastewater	$0	$131,237	$226,486
Total	**$0**	**$3,274,065**	**$17,245,554**

Q. WHAT ARE THE REMAINING ADJUSTMENTS TO SCHEDULE B-2?

A. These are individual adjustments particular to each district. I first discuss the water districts, and then the wastewater districts.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE AGUA FRIA WATER DISTRICT?

A. Adjustment LJG-1 removes $76,503 from UPIS and $19,453 from Accumulated Depreciation. These are amounts which were found to be Plant not useful in the last rate case, Decision No. 67093. This is the first rate case for this district since that Decision.

Adjustment LJG-2 on Schedule B-2 removes the Excess Hook-Up Fee Contribution for the White Tanks Project. Decision No. 69914, effective September 27, 2007, allowed the Company to increase the Agua Fria hook-up fee to collect contributions to be used to fund the White Tanks Project. The excess amount of the new hook-up fees over the old hook-up fees is to be deducted from the Contributions in this rate case. Mr. Broderick further discusses this subject.

Adjustment LJG-10 adds $25,000,000 of White Tanks Project Costs to Rate Base. The funding schedule of the White Tanks Project has changed due to the downturn in the

Arizona real estate market, and it is important to request this additional funding up front. Mr. Broderick discusses why this is appropriate.

My last adjustment, LJG-11, is to add Post-Test-Year Additions of $3,214,033. Arizona-American expects to complete the Sierra Montana 2.2 MG Reservoir by August 2008, and the project costs are expected to be $2,046,765. Also, we expect by October 2008 to complete the Distribution System Improvements Phase 2 projects – the Cool Well Waterline Connection, the Waddell Haciendas project, and the Reems Road Bypass. Those projects are expected to cost $1,167,268. Mr Gross further discusses these projects.

These adjustments bring the total rate base for the Agua Fria Water District to $99,268,524, as summarized on Schedule B-1. This is a 500% increase in rate base over the last rate case, which had a test year ending December 31, 2001. Over the last six years, Arizona-American has made enormous investments to serve this fast-growing district.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE ANTHEM WATER DISTRICT?

A. I have reduced Accumulated Depreciation in Adjustment LJG-1 by $446,034, due to a response we made to a data request from RUCO during the last rate case. Then I increase Accumulated Depreciation in Adjustment LJG-1 by ($230,144) for the shift in the work orders that went back to CWIP as a result of the Staff audit. The net effect is to reduce Accumulated Depreciation by $215,890. If the final order in Docket No. WS-01303A-06-0403 has a different balance, we will adjust the Schedule B-2 balance accordingly.

Arizona-American has paid two of the agreed $1,000,000 payments for the Phoenix Interconnection out of the $5,000,000 total. A third payment is due in September 2009.

In the on-going Anthem case, WS-01303A-06-0403, Staff allowed $3,000,000 in rate base (and reflected $3,000,000 in zero-cost debt in the capital structure). Staff also allowed amortization of the agreement balance over 25 years beginning July 1, 2005. Consistently, Adjustment LJG-2 to Schedule B-2 allows the same $3,000,000 in rate base net of a 30-month accumulated amortization from July 1, 2005 through December 31, 2007 or ($500,000).

In accordance with the Fourth Amendment to the Agreement between Arizona-American Water and Pulte, Pulte agreed to fix the total remaining refund balance owed by Arizona-American to $26,968,163 for both water and wastewater. Arizona-American's remaining refund payments are due in two installments, two years apart, without interest. The first installment of $20,226,122 was paid on March 31, 2008. We split this 70% Water and 30% Sewer, so that the Anthem Water District Advance balance is reduced by $14,158,285 in Adjustment LJG-10.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE HAVASU WATER DISTRICT?

A. Adjustment LJG-1, corrects Accumulated Depreciation for Havasu Water District by decreasing it $20,809. There were errors in booked depreciation beginning in September 2006. Then, there was an erroneous double correction in October 2006. Finally, one of the 300 plant accounts had the incorrect depreciation expense taken for 14 months in 2006 and 2007.

Adjustment LJG-2 removes $77,319 of Plant and reduces Accumulated Depreciation by $29,047 for the Plant that the Commission found to be not useful in Decision 67093. This is the first rate case for this district since that Decision.

In Decision No. 69162, dated December 5, 2006, Arizona-American was authorized to defer until the next rate case the O&M costs for media replacement at the Havasu Arsenic Treatment Plant. The result is to mitigate the impact of the ACRM on the Havasu system by reducing the amount of the expected Step 2 increase by capitalizing, and thereby deferring, recovery of eligible O&M costs. The media replacement in Havasu did cost $88,300. We filed for the Havasu ACRM Step 2 rate increase on April 14, 2008, and expect to have the new rates in effect in August 2008. Adding AFUDC from then until the expected date of rates in this case, September 2009, adds $6,696 to the costs to be deferred. Adjustment LJG-10 adds $94,996 to rate base for deferred ACRM O&M costs.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE MOHAVE WATER DISTRICT?

A. The first adjustment, LJG-1, adjusts the under-collection in the Accumulated Depreciation for rate-making purposes. This amount has built to $139,328 up since the last rate case (Decision No. 69440). This amount comes from multiplying the plant amounts each month by the depreciation rates and comparing to the booked depreciation expense that was added to accumulated depreciation.

Adjustment LJG-2 removes ($4,915) from plant as a proposed retirement to go along with a Post-Test-Year addition recommended by Staff in the last rate case.

Arizona-American expects to complete the Mohave Water District's Big Bend Acres 0.25MG Reservoir by August 2008. Adjustment LJG-10 includes estimated project costs of $610,732 in rate base. Mr. Gross further discusses this project.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE PARADISE VALLEY WATER DISTRICT?

A. Adjustments LJG-1 and LJG-2 correct accumulated depreciation balances from the last rate case and the calculation going forward. LJG-1 increases accumulated depreciation by $107,315, an adjustment from Decision No. 68858. LJG-2 then reduces accumulated depreciation by $50,277 for an over collection when the plant additions, retirements, and balances are multiplied by the depreciation rates.

Adjustment LJG-10 corrects an error in plant-account assignment. The Paradise Valley Arsenic Treatment Facility was assigned to account 304.1, Structures & Improvements Source of Supply instead of 304.3, Structures & Improvements Water Treatment. Changing the plant account does nothing to UPIS, but the Commission approved depreciation rate for 304.1 is 14.59%, whereas the depreciation rate for 304.3 is 2.00%. Changing the plant account to 304.3 decreases the accumulated depreciation balance from November 2006 through December 2007 by $1,883,984.

As discussed by Mr. Gross and Mr. Cole, two wells are being replaced or rehabilitated in Paradise Valley. Post Test Year Plant Additions and Retirements for Well #12 redrilling are expected to be $1,935,000 less a retirement of $159,974. The Additions and Retirements for the Well #17 rehabilitation are expected to be $288,080 less a retirement of $163,840. The net addition to UPIS on Adjustment LJG-11 is $1,899,267.

Adjustment LJG-12 corrects a refund of High Block Surcharge monies to three residential customers during the test year. The refund was put against Operating Revenue. The High Block Surcharge funds go into Contributions, so any refund should be applied to that account.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE SUN CITY WEST WATER DISTRICT?

A. Adjustment LJG-1 reduces Accumulated Depreciation for an over-expensing, due to the method I use to build-out accumulated depreciation which begins with the balance at the end of the last rate case with a test-year ended December 2001 and multiplies the additions, retirements, and adjustments through December 2007 by the allowed depreciation rates compared to the book balance at December 2007.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE TUBAC WATER DISTRICT?

A. Adjustment LJG-1 increases Accumulated Depreciation for an under-collection that has been building up since the last rate case, Decision No. 67093. The amount of under-collection by the end of December 2007 is $1,624.

Adjustment LJG-2 decreases UPIS by $1,624 for Plant Not Used as recommended by Staff and accepted in Decision No. 67093. This is the first rate case for this district since that decision.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE AGUA FRIA WASTEWATER DISTRICT?

A. The Agua Fria Wastewater District is being split off from the Anthem/Agua Fria Wastewater District. Adjustment LJG-1 corrects an over-collection in accumulated depreciation of $131,912. I calculated it from December 2005—the end of the test year in the pending Anthem case—until December 2007, the end of the test year in this case.

Starting in January 2006, many work orders for Agua Fria Wastewater were erroneously assigned to the Anthem Wastewater business unit. During the course of preparing this case and disaggregating these two districts, we found we needed to make a *pro forma* adjustment to move the UPIS and the related accumulated depreciation out of Anthem

Wastewater and into Agua Fria Wastewater. The amount of UPIS moved is $27,587,539 and the accumulated depreciation $1,392,386.

Using the reciprocal of the split for the Northwest Valley Treatment Plant ("NWVTP") inclusion approved in the Sun City West Wastewater rate case, Decision No. 70209, I updated the UPIS and accumulated depreciation for the NWVTP and added 32% to Agua Fria Wastewater in adjustment LJG-10.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE ANTHEM WASTEWATER DISTRICT?

A. As just discussed, the Anthem Wastewater District is being split off from the Anthem/Agua Fria Wastewater District. Adjustment LJG-1 corrects an over-expense in accumulated depreciation of $4,011. I calculated it from December 2005—the end of the test year in the pending Anthem case—until December 2007, the end of the test year in this case.

Starting in January 2006, many work orders for Agua Fria Wastewater were assigned to the Anthem Wastewater business unit number in error. During the course of preparing this case and disaggregating these two districts, we found we needed to make a pro forma adjustment to move the UPIS and the related accumulated depreciation out of Anthem Wastewater and into Agua Fria Wastewater. The amount of UPIS moved out of Anthem Wastewater is $26,939,794 and the accumulated depreciation $1,374,019. The reason the amount removed from Anthem Wastewater does not equal the amount added to Agua Fria Wastewater is that some of the work orders that needed to be transferred into Agua Fria Wastewater came from other districts.

Adjustment LJG-10 is the 30% portion of the payment to Pulte under the Fourth Amendment to the Agreement between Arizona-American Water and Pulte. The

payment is discussed under the Anthem Water District adjustment section above. The proportion of the payment to Pulte is $6,067,837 which reduces Advances in Aid of Construction.

Adjustment LJG-11 adds Post-Test-Year Treatment Plant Modifications to the Headworks, which will assist with filtering out solids and protect and extend the life of the membranes. The project is expected to be completed by December of 2008 and cost $1,800,000. Mr. Gross further discusses this project.

Q. WHAT INDIVIDUAL RATE BASE ADJUSTMENTS WERE MADE FOR THE MOHAVE WASTEWATER DISTRICT?

A. The approved accumulated depreciation in Decision No. 69440 with a test year ended June 24, 2005, is $82,199. The beginning book balance for this case was $335,786. Adjustment LJG-1 had to be made to bring accumulated depreciation down by $225,743 by the end of December 2007.

Adjustment LJG-10 adds Post Test Year Plant of $3,932,080 for the Wishing Well Wastewater Treatment Plant project which is projected to be completed in May of 2008. Mr. Gross further discusses this project.

Q. WHAT IS SCHEDULE B-5 AND WHAT PART OF IT DID YOU PREPARE?

A. Schedule B-5 shows the Working Capital computation. Working Capital is usually made up of Cash Working Capital derived from a Lead/Lag study, a 13-Month Average of Inventories, and any Prepayments on the Balance Sheet. As discussed earlier, Ms. Hubbard is supporting the Lead/Lag computation and the resulting Cash Working Capital calculation. I calculated the 13-month average of the inventories, both plant material and chemical, if applicable, and the prepayment balances from the balance sheet. While each of the water districts has its own chemical inventory, the plant and material inventory is

more centralized and shared. The Sun City inventory serves Sun City Water, Sun City West Water, and Agua Fria Water. The Paradise Valley inventory serves Paradise Valley, Anthem Water, and Tubac. Finally, the Mohave inventory serves Mohave Water and Havasu Water. I split each of the inventories based on Net Plant from the Four Factor Allocation worksheet for the test year.

Q. CAN YOU SUMMARIZE MATERIALS AND SUPPLIES INVENTORIES AND PREPAYMENTS FOR EACH DISTRICT?

A. Yes. Please see the following table:

Table 5 – Material and Supplies Inventories and Prepayments by District.

District	Mat'l & Supplies	Prepayments
Agua Fria Water	$192,139	$214,929
Anthem Water	$56,344	$25,677
Havasu Water	$4,486	$4,556
Mohave Water	$8,897	$57,963
Paradise Valley	$38,726	$117,955
Sun City West	$56,510	$24,906
Tubac Water	$1,445	$1,598
Agua Fria Wastewater	$9,554	$13,429
Anthem Wastewater	$16,520	$24,079
Mohave Wastewater	$341	$3,661
Total	**$384,962**	**$488,753**

IV ADJUSTED OPERATING REVENUE

Q. YOU HAVE MADE SEVERAL ADJUSTMENTS TO OPERATING REVENUE IN THIS CASE. WHAT ARE THE COMMON OPERATING-REVENUE ADJUSTMENTS FOR THE DISTRICTS?

A. Income Statement Pro Forma Adjustments, Schedule C-2, Adjustment LJG-1 is to remove Unbilled Revenue from the test year in every district. Unbilled Revenue is an estimate of the usage at the end of the year that has yet to be billed. For instance, those customers who get billed early in December have usage throughout December that will not be billed again until January. The number of days remaining in December that they

were not billed for, times average daily revenue gives the journal-entry estimate of unbilled revenue.

Q. WHY WOULD YOU DELETE UNBILLED REVENUE FROM THE TEST YEAR?

A. We perform a bill analysis that looks at 12 bills for each customer, or less if the customer was new during the year. Then we annualize the number of customers times usage and add revenue to fill out the number of customers during the year. Because we look at 12 bills and annualize, there is no need to add any unbilled revenue. The Test Year Adjusted Revenue dollars reflect 12 full bills.

Q. CAN YOU SUMMARIZE THE UNBILLED REVENUE ADJUSTMENT (LJG-1) BY DISTRICT?

A. Yes. Please see the following table.

Table 6 – Unbilled Revenue Removed from Test Year Booked Revenue.

District	LJG-1
Agua Fria Water	($271,793)
Anthem Water	($67,568)
Havasu Water	$10,210
Mohave Water	($91,692)
Paradise Valley	($229,170)
Sun City West	($204,330)
Tubac Water	($2,957)
Agua Fria Wastewater	$0
Anthem Wastewater	($10,445)
Mohave Wastewater	($19,166)
Total	**($886,911)**

Q. WHAT OTHER REVENUE ADJUSTMENT IS COMMON TO ALL THE DISTRICTS?

A. Adjustment LJG-5 is the one used to Annualize Customer Growth in every District. For the Water districts and the Sewer districts where rates are based on water volume, we used the Residential 5/8", ¾" and 1" Average Number of Customers and the Commercial 5/8", ¾", 1", 1-1/2", and 2" Average Number of Customers and compared that to the Test

Year End Number of Bills by meter size to obtain the customer growth in bills. We took the Average Monthly Gallons for each one of these class and meter sizes and multiplied by the Customer Growth Bills to get the growth in volume. These factors by meter size were then billed out at the present rates for each district. I included the ACRM Step 1 rates in present rates in Agua Fria Water, Havasu Water, Paradise Valley Water, and Sun City West Water. I used the Company's final proposed rates in the Anthem Water and Anthem/Agua Fria Wastewater districts. When the Company receives a final order in this two-year old case, we will make an adjustment to reflect the allowed rates. In the Mohave Wastewater district, the sewer rates are flat rates so only the number of bills was used in the calculation.

Q. DID YOU ALSO ADJUST OPERATING EXPENSES WHEN YOU ADJUSTED REVENUE FOR THE INCREASE OR DECREASE IN TEST-YEAR CUSTOMERS?

A. Yes. For the water districts, I adjusted Purchased Water, Fuel & Power, and Chemical expense based on the increased or decreased volume of sales. For the wastewater districts, I adjusted Fuel & Power, Chemical Expense, and Waste Disposal Expense based on the increased or decreased number of bills. I used bills rather than volume for the wastewater districts, because Mohave Wastewater bills are flat rate, and because the other two wastewater district use partial water volume for residential and small commercial, which would not be a good divisor on which to base cost. For both Water and Wastewater districts, I increased or decreased Postage Expense and Other Customer Accounting Expense based on the number of bills.

Q. CAN YOU SUMMARIZE ADJUSTMENT LJG-5 BY DISTRICT?

A. Yes. Please see the following table:

Table 7 – Customer Annualization, LJG-5

District	Resid Rev	Comm'l Rev	Total Rev	Oper Expense
Agua Fria Water	$41,605	$9,652	$51,257	$10,263
Anthem Water	$2,701	$5,619	$8,320	$1,525
Havasu Water	($3,476)	($865)	($4,341)	($1,119)
Mohave Water	($435)	($378)	($813)	($138)
Paradise Valley	($10,237)	($6,651)	($16,888)	($2,465)
Sun City West	$915	($595)	$320	$19
Tubac Water	$669	$243	$912	$90
Agua Fria Wastewater	$16,348	$0	$16,348	$4,000
Anthem Wastewater	($4,320)	$6,788	$2,468	($463)
Mohave Wastewater	$633	$0	$633	$198
Total All Districts	**$44,403**	**$13,813**	**$58,216**	**$11,910**

Q. ARE THERE ANY OTHER REVENUE ADJUSTMENTS THAT ARE COMMON FOR ALL THE DISTRICTS?

A. No.

Q. WHAT IS ADJUSTMENT LJG-2?

A. In the Anthem Water District, I needed to remove the revenue from, and expenses for, the service that had been provided to Desert Hills Water Company during 2007. The Company is no longer providing water to Desert Hills. The revenue was calculated at the proposed rates in the Anthem Water case awaiting a Decision. At the actual gallons sold during the test year, the revenue we will no longer collect is $157,936. The expense was computed for Fuel & Poser and Chemical Costs at the same rates used to annualize customers resulting in a deduction to expense of $22,875.

Q. WHAT IS ADJUSTMENT LJG-4?

A. Agua Fria Water, Havasu Water, Paradise Valley, and Sun City West Water were all provided Step 1 ACRMs. All four districts were ordered by the Commission to file rate cases to roll these Step 1 rates into base rates and ask for Step 2 recovery as a surcharge, if appropriate. The Step 2 ACRM cases are either already filed or being filed by the end of May 2008. Therefore, I moved the ACRM revenue collected during the test year from Other Revenue up to Water Revenue.

Q. DID YOU NEED TO TAKE A FURTHER STEP IN PARADISE VALLEY?

A. Yes. The Step 1 ACRM increase went into effect during the April revenue month, so I needed to annualize the revenue that would have been collected had the Step 1 rates been in effect the whole year. That annualization came to $599,146 for the more than three months that needed to be added.

Q. IS ADJUSTMENT LJG-4 USED FOR ANYTHING ELSE?

A. Yes. In Mohave Wastewater I had to increase revenue for an annual billing for effluent sales that had not been sent out during the test year. It is an annual billing based on acre feet and the rate changed May 1, 2007 with Decision No. 69440. The additional billing to be added in the test year, normalized to the new rate, is $41,299,

Q. CAN YOU PLEASE EXPLAIN ADJUSTMENTS LJG-3 BY DISTRICT?

A. Yes. Adjustment LJG-3 is reserved for various types of individual adjustments for the districts. For the Agua Fria Water District, Adjustment LJG-3 removes December 2006 revenue of $21,166 that was reallocated in January. It removes $2,871 of prepaid water expense booked to revenue in error. It removes $48,519, which is the 2006 portion of bulk water billing to Arizona Water that happened during the test year. And finally, it adds back $51,100 in miscellaneous credits and billings on the wrong rate schedules that occurred on the books during the test year.

For the Anthem Water District, I increased revenue by $3,956,102, which is the difference between the test-year amount of present rate revenue and the test-year billing factors times Arizona-American's proposed rates in Docket No. WS-01303A-06-0403. When the Company receives a final order in that case, we will adjust this amount and request the remaining revenue in this case.

For the Havasu Water District, Adjustment LJG-3 adds back a credit adjustment that was removed twice in error during the test year of $18,690.

For the Mohave Water District, I annualized the rate increase granted on May 1, 2007 in Decision 69440 by multiplying the billing factors from the H Schedules times the new rates. The adjustment is $212,262.

For the Paradise Valley Water District, Adjustment LJG-3 removes $12,906 for the 2006 Premium billing of the Paradise Valley Country Club. That was part of an old contract and will no longer be computed under the new contract. I added $7,399 to test year revenue for a turf account with a miscellaneous debit for additional revenue that was billed at present rates but not for the ACRM revenue. I added back the $20,291 High Block Surcharge credit given to three customers. This credit rightfully offsets Contributions, not Revenue and is the opposite of an adjustment made to rate base. I also added back $5,802 from test-year credit billing for a 2006 bill dispute resolution. And, I added back Residential credits of $28,107 and removed Commercial debits of ($1,145). These are miscellaneous credits and debits that happened during the test year.

For the Sun City West Water District, the adjustment corrects for miscellaneous credits and adjustments given during the test year totaling $4,167.

For the Agua Fria Wastewater District, I increased revenue by $885,897, which is the difference between the test-year amount of present rate revenue and the test-year billing factors times Arizona-American's final proposed rates in Docket No. WS-01303A-06-0403. When the Commission issues a final order in that docket, we will adjust this amount and request the remaining revenue in this case.

For the Anthem Wastewater District I increased revenue by $2,052,790 which is the difference between the test year amount of present rate revenue and the test year billing

factors times the company final position proposed rates in Docket No. WS-01303A-06-0403. When the Commission issues a final order in that docket, we will adjust this amount and request the remaining revenue in this case.

For the Mohave Wastewater District, I annualized the rate increase authorized in Decision 69440 effective May 1, 2007 for $57,282.

V COMPARATIVE STATEMENTS

Q. DID YOU PREPARE ANY OF THE E SCHEDULES?

A. Yes. I prepared Schedule E-1, the Comparative Balance Sheet schedule for each district, and Schedule E-5, the Detail of Plant in Service schedule for each district.

Q. HOW DID YOU PREPARE THE COMPARATIVE BALANCE SHEET SCHEDULE?

A. The Total Company Balance, Page 1 of Schedule E-1, comes right from the books and records for the years 2005, 2006, and 2007. Page 2 is the Balance Sheet for the District. The Corporate Division is allocated to the districts' trial balance based on the Four-Factor Allocation of number of customers.

Q. HOW WAS SCHEDULE E-5 DERIVED?

A. Plant balances are listed on Schedule B-2 annually since the last rate case. I took the amount for plant in service at 2006 and 2007 from that detail and used it on the E-5. The column in between is the difference and represents the additions, retirements, and adjustments during the test year. The second page of the schedule shows the detail of plant in service for the Corporate Division. I applied Allocation Factors to that total for each of the districts to calculate a district total including common plant allocation.

VI EFFECT OF PROPOSED TARIFF SCHEDULES

Q. CAN YOU BRIEFLY DESCRIBE THE H SCHEDULES?

A. Yes. Schedule H-1 is a summary of the revenue billed under present rates and the amount that would be generated by the proposed increase in metered water rates. Schedule H-2 is an analysis of revenue at present and proposed rates by class and meter size in dollar amount and percentage. The average number of customers derived from the bill count is also shown by meter size and in total. Schedule H-3 presents a comparison of present and proposed rates and shows the changes by blocks. Schedule H-4 compares present and proposed rates and the percentage increase at various consumption levels. Schedule H-5 is the bill count of the bills during the test year.

Q. WHICH PORTION OF THE H SCHEDULES ARE YOU SPONSORING?

A. I am sponsoring the Present Rate portion of the H Schedules. These schedules, up to the Proposed Rates, were prepared by me or under my direction. The Company uses all the historic billing information and factors for the 12 months ending December 2007 for each District. The current rates were applied to the billing information.

I updated the currents rates for the Agua Fria Water, Havasu Water, Paradise Valley, and Sun City West Water Districts to include the Step 1 ACRM surcharges. I updated the Mohave Water and Mohave Wastewater Districts to reflect rate increases that occurred during the test year. Finally, I adjusted current rates for the Anthem Water, Anthem Wastewater, and Agua Fria Wastewater Districts to those currently proposed by the Company.

All present rate revenue ties out to the Test Year Adjusted Present Rate Revenue in Schedule C-1 for the Water Revenue. These dollars by class are then brought over to Schedule A-1, so that class percentage increases can be shown. Mr. Herbert sponsors the Proposed Rate portion of the H Schedules.

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA -AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT, AND TUBAC WATER DISTRICT	DOCKET NO. W-01303A-08-____
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WASTEWATER DISTRICT, ANTHEM WASTEWATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT	DOCKET NO. SW-01303A-08-____.

DIRECT TESTIMONY
OF
JOHN C. (JAKE) LENDERKING
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

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TABLE OF CONTENTS

	EXECUTIVE SUMMARY	iii
I	INTRODUCTION AND QUALIFICATIONS	1
II	PURPOSE OF TESTIMONY	2
III	WATER CONSERVATION	2
IV	PARADISE VALLEY WATER – CAP SURCHARGE MODIFICATION	6

EXECUTIVE SUMMARY

Mr. Lenderking testifies as follows:

WATER CONSERVATION

Arizona-American presently spends approximately $40,000 annually in Sun City Water, Sun City West Water and Agua Fria Water Districts on water conservation. This amount was authorized by Commission Decision No. 60172, issued on May 7, 1997. This level of funding has been used in part to assist Arizona American to meet ADWR conservation regulations.

Arizona-American's conservation program is called Save H2O. The Save H2O program encourages and promotes water conservation in many ways, including:

- Participation in community events;
- Water conservation messages in customer bills
- Providing water conservation kits (upon request);
- Home Water Audits;
- Internet communication;
- Financial assistance and staff participation in the Regional "Water Use it Wisely" Campaign; and
- RinseSmart Program.

As a compliance requirement, a report to the Commission is provided each year that provides greater detail.

Arizona-American is considered by ADWR to be a "municipal water provider," which makes it subject to ADWR regulation. The new ADWR water conservation program is known as the Modified Non-Per Capita Conservation Program ("MNPCCP"). Because Arizona-American already implements conservation measures, the effects of the MNPCCP on the Arizona-American districts will be minimal.

CAP SURCHARGE MODIFICATION

Because of a failure at the Miller Road Treatment Facility, untreated water from the PCX-1 well owned by the Salt River Project ("SRP"), a well contaminated with trichloroethylene was introduced into the district's water supply. There were no health effects, but the incident highlighted the risk of using the PCX-1 well as part of the district's water supply. Among other things, Arizona-American has determined that it will no longer use the PCX-1 well as part of the water supply for its Paradise Valley Water District.

Arizona-American has secured an allotment of CAP water for the benefit of its Paradise Valley Water District customers. However, it has no economical way to physically deliver and treat the CAP water for delivery to customers. Arizona-American was able to make use of its CAP allocation through an exchange with SRP where it exchanged its CAP allocation with SRP in return for rights to water pumped from the PCX-1 well. The exchange allowed Arizona-American to take water from the PCX-1 well, treat it at the Miller Road Treatment Facility to remove TCE, and then blend it with other water sources for delivery to Paradise Valley Water District customers.

The current SRP water delivery charges and the SRP administrative charges total $22.62 per acre foot. The current CAP annual Municipal and Industrial water service charges are $91 per acre

foot and the Municipal and Industrial capital charges are $21 per acre foot. The seventh revised CAP Surcharge, authorized by Commission Decision No. 61831, recovers both the SRP and CAP costs.

Arizona-American has added storage for the Paradise Valley Water District and presently has enough capacity to run the system without the PCX-1 well. Further, as discussed by Mr. Gross in his testimony, Arizona-American is, among other things, replacing Well 12 with a new well, which will return its production to its original level of 2200 gallons per minute.

Arizona-American will store and recover the district's 3,231 acre-feet allocation of CAP water at the Tonopah Desert Recharge Project, owned by the Central Arizona Water Conservation District ("CAWCD"). The stored CAP water will then be "recovered" from wells in the Paradise Valley Water District. The cost to store water is much lower than the cost to exchange water with SRP. The current price to store water at a CAWCD facility in the Phoenix AMA is $8 per acre foot while the cost to exchange water with SRP is $22.62 per acre foot.

I INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE NUMBER.

A. My name is John Carroll (Jake) Lenderking. My business address is 19820 N. 7th Street, Suite 201, Phoenix, Arizona 85024, and my telephone number is 623-445-2410.

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

A. I am employed by Arizona-American Water Company ("Arizona-American") as its Water Resources Manager.

Q. PLEASE BRIEFLY OUTLINE YOUR RESPONSIBILITIES AS ARIZONA-AMERICAN'S WATER RESOURCES MANAGER.

A. I am responsible for all water resource activities including: Arizona Department of Water Resources ("ADWR") annual reports, water resource planning, water resource allocation, permitting, and attending and participating in regional water policy forums. I also oversee all water conservation activities in the State.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I received a Bachelor of Science degree (summa cum laude) from Arizona State University in Environmental Resource Management with a concentration in Watershed Ecology.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

A. I joined Arizona-American in 2007. Before joining Arizona-American, I was employed by the City of Phoenix in its Water Conservation office, where I worked towards the development of the City's demand management plan, a plan that is still under development. I also oversaw the implementation of the city's retrofit and audit program, where we visited single-family homes, performed water audits, and replaced older

inefficient plumbing fixtures with new efficient ones. Before I joined the City of Phoenix, I was employed by ADWR as part of its Phoenix Active Management Area ("AMA") section. At the time I left ADWR, I was responsible for the regulation and permitting of all recharge activities in the Phoenix AMA.

Q. ARE YOU A MEMBER OF ANY ASSOCIATIONS?

A. I am a member of Colorado River Water Users Association and the Arizona Hydrological Society.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. No.

II PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. Please refer to the Executive Summary, which precedes my testimony.

III WATER CONSERVATION

Q. PLEASE DESCRIBE ARIZONA-AMERICAN'S WATER CONSERVATION PROGRAM.

A. Presently, approximately $40,000 is spent annually in Sun City Water, Sun City West Water and Agua Fria Water Districts on water conservation. This amount was authorized by Commission Decision No. 60172, issued on May 7, 1997. This level of funding has been used in part to assist Arizona American to meet ADWR conservation regulations.

Arizona-American's conservation program is called Save H2O. The Save H2O program encourages and promotes water conservation in many ways, including:

- Participation in community events;
- Water conservation messages in customer bills
- Providing water conservation kits (upon request);

- Home Water Audits;
- Internet communication;
- Financial assistance and staff participation in the Regional "Water Use it Wisely" Campaign; and
- RinseSmart Program.

As a compliance requirement, a report to the Commission is provided each year that provides greater detail.

Q. YOU MENTIONED "ADWR CONSERVATION REGULATIONS." HOW DOES ADWR REGULATE WATER PROVIDERS?

A. Arizona-American is considered by ADWR to be a "municipal water provider," which makes it subject to ADWR regulation. For many years ADWR has relied upon the total Gallons Per-Capita per Day ("GPCD") program to regulate large municipal water providers within AMAs. Under this program, ADWR had given municipal water providers target GPCD rates and dates at which the municipal provider was to be at or below the target GPCD rate. Generally, the GPCD rate was to go down over time. The GPCD based program had many obstacles that made it difficult for municipal water providers to comply with the rates. There were also obstacles for ADWR's implementation.

Q. WERE THERE ANY PARTICULAR OBSTACLES FOR PRIVATE WATER COMPANIES?

A. Yes. Private water companies cannot control water use and development within their certificated area, and thus have little ability to decrease consumption and meet the target GPCD rates. ADWR took note of these problems and asked for the public's input in developing a new program. ADWR surveyed and interviewed many of the municipal

water providers and developed a stakeholder process which began in 2006. The stakeholder process has since been completed and a new program has been developed.

Q. WHAT IS THE NEW ADWR WATER CONSERVATION PROGRAM?

A. New legislation required modification of ADWR's Third Management Plan to incorporate the new ADWR program, known as the Modified Non-Per Capita Conservation Program ("MNPCCP"). The modification of the Third Management Plan mandates that all large municipal providers that are not designated as having an assured water supply will be regulated under the modified MNPCCP. This is to begin in 2010 or sooner. The modification requires large municipal providers regulated under the MNPCCP to implement up to ten water conservation measures from a list of measures included in the program depending upon the number of connections. All municipal providers regulated under the MNPCCP must have a public education program. Additionally there are three tiers that a district will fall into, each tier containing more conservation requirements than the previous one. The first tier is for districts that have up to 5,000 connections, the second is for districts with 5,001 to 30,000 connections, and the third tier is for districts with over 30,000 connections. The tiers require one, five, and ten additional conservation measures respectively.

Q. HOW DOES THE NEW ADWR WATER CONSERVATION PROGRAM AFFECT ARIZONA-AMERICAN?

A. The Agua Fria, Sun City, Sun City West, Anthem, Tubac and Paradise Valley water districts will all be regulated in this program. However, because Arizona-American already implements conservation measures, the effects of the MNPCCP on the Arizona-American districts will be minimal.

Tubac Water has approximately 570 connections and is therefore in the first tier. This district already meets the required level of conservation by having conservation materials

available, the use of bill inserts for conservation messaging, and meter replacements. The new regulations have no effect on this system.

Paradise Valley Water has approximately 4,800 connections, so it is also in the first tier. It already meets the required level of conservation by having conservation materials available, providing bill inserts for conservation messaging, and offering meter replacements. The new regulations have no effect on this system at this time, but in the future this district will be over 5,000 connections and in the second tier. When this occurs, this district may require some funding to meet the five additional conservation requirements. The Paradise Valley District's conservation program will be reworked and Arizona-American may ask the Commission to authorize additional funding in the next rate case to remain in compliance.

However, because of very high water consumption in Paradise Valley Water district, Arizona-American witness Mr. Thomas M. Broderick proposes in his testimony enhancements to the existing conservation-oriented rate design for residential customers. He also proposes a system benefits surcharge to fund, among other things, a landscape conversion program the Town of Paradise Valley will propose later in this case.

Although Sun City Water is not included in this rate case, it contains approximately 23,000 connections and so is in the second tier which requires five more conservation measures than the first tier. As mentioned earlier, this district already spends a portion of the $40,000 each year toward conservation, as required by Decision No. 60172. Compliance will not be an issue.

Sun City West Water has approximately 15,500 connections. This puts it in the second tier, which requires five more conservation measures than the first tier. As mentioned

earlier, this district already spends a portion of the $40,000 each year toward conservation, as required by Decision No. 60172. Compliance will not be an issue.

Anthem has been rapidly growing and today has approximately 8,600 connections. This puts it in the second tier, which requires five additional conservation measures compared to the first tier. This is the only Arizona-American district above the first tier without a conservation budget authorized by the Commission. Arizona-American asked the Commission to authorize $7,500 annually to fund water conservation in the pending Anthem Water rate case. This amount should allow the appropriate conservation measures to be implemented.

Agua Fria Water contains well over 30,000 connections and thus is in the third tier. This tier requires ten more conservation measures than the first tier. As mentioned earlier, this district already spends a portion of the $40,000 each year toward conservation, as required by Decision No. 60172. With some reworking, this district will likely meet or exceed the required ten additional conservation measures. However, the MNPCCP begins in 2010 and the reworking of the Agua Fria district's conservation is not yet complete. This district may require some additional funding to meet the ten additional conservation requirements. As the conservation program is reworked and ADWR reviews it, Arizona-American may ask the Commission to authorize additional funding in the next rate case to remain in compliance.

Finally because they are not in an AMA, the Mohave Water and Havasu Water districts are not affected by the new requirements.

IV <u>PARADISE VALLEY WATER – CAP SURCHARGE MODIFICATION</u>

Q. ARE YOU FAMILIAR WITH THE RECENT WATER CONTAMINATION ISSUE IN THE PARADISE VALLEY WATER DISTRICT?

A. Yes. Because of a failure at the Miller Road Treatment Facility, untreated water from the PCX-1 well owned by the Salt River Project ("SRP"), a well contaminated with trichloroethylene ("TCE") was introduced into the district's water supply. There were no health effects, but the incident highlighted the risk of using the PCX-1 well as part of the district's water supply.

Q. WHAT HAS ARIZONA-AMERICAN DONE AS A RESULT OF THE CONTAMINATION INCIDENT?

A. Among other things, Arizona-American has determined that it will no longer use the PCX-1 well as part of the water supply for its Paradise Valley Water District.

Q. HOW WAS IT THAT ARIZONA-AMERICAN WAS ABLE TO USE AN SRP WELL AS PART OF ITS WATER SUPPLY?

A. Arizona-American has secured an allotment of CAP water for the benefit of its Paradise Valley Water District customers. However, it has no economical way to physically deliver and treat the CAP water for delivery to customers.

Arizona-American was able to make use of its CAP allocation through an exchange with SRP. Arizona-American exchanged its CAP allocation with SRP in return for rights to water pumped from the PCX-1 well. This changed the legal characteristic of the PCX-1 well water to CAP water. In turn, the CAP water provided to SRP legally became groundwater.

Normally, SRP cannot provide water to areas outside its geographic boundaries. The exchange allowed Arizona-American to take water from the PCX-1 well, treat it at the Miller Road Treatment Facility to remove TCE, and then blend it with other water sources for delivery to Paradise Valley Water District customers.

Q. HOW DID ARIZONA-AMERICAN RECOVER THE COSTS ASSOCIATED WITH ITS "CAP WATER" FROM SRP'S PCX-1 WELL?

A. The current SRP water delivery charges and the SRP administrative charges total $22.62 per acre foot. The current CAP annual Municipal and Industrial water service charges are $91 per acre foot and the Municipal and Industrial capital charges are $21 per acre foot. The seventh revised CAP Surcharge, authorized by Commission Decision No. 61831, recovers both the SRP and CAP costs.

Q. HOW WILL ARIZONA-AMERICAN SUPPLY ADEQUATE WATER TO ITS PARADISE VALLEY WATER CUSTOMERS WITHOUT THE PCX-1 WELL?

A. Arizona-American has added storage for the Paradise Valley Water District and presently has enough capacity to run the system without the PCX-1 well. Further, as discussed by Mr. Gross in his testimony, Arizona-American is, among other things, replacing Well 12 with a new well, which will return its production to its original level of 2200 gallons per minute.

Q. WHAT WILL ARIZONA-AMERICAN DO WITH ITS CAP WATER ALLOCATION?

A. Arizona-American will store and recover the district's 3,231 acre-feet allocation of CAP water. ADWR encourages these arrangements because they are good water management. Arizona-American will store 3,231 acre feet of CAP water at the Tonopah Desert Recharge Project. This facility is owned by the Central Arizona Water Conservation District ("CAWCD"). Arizona-American already has a storage agreement with CAWCD, so it was able to immediately start storing the CAP water.

The stored CAP water will then be "recovered" from wells in the Paradise Valley Water District. Physically, the water from the wells will be groundwater, but legally it will be

considered CAP water. This allows Arizona-American to fully utilize the district's CAP water in alignment with the Phoenix AMA goal of safe yield.

Q. HOW DOES THE STORAGE CHARGE COMPARE TO THE CHARGE TO EXCHANGE WATER WITH SRP?

A. The cost to store water is much lower than the cost to exchange water with SRP. The current price to store water at a CAWCD facility in the Phoenix AMA is $8 per acre foot while the cost to exchange water with SRP is $22.62 per acre foot.

Q. ISN'T THE TONOPAH DESERT RECHARGE PROJECT LOCATED A LONG WAY FROM THE PARADISE VALLEY WATER DISTRICT?

A. Yes, this is the short-term solution as Arizona-American already holds a contract to store at the Tonopah Desert Recharge Project. Further, Arizona-American intends to evaluate in the future other storage options closer to the district.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA -AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT, AND TUBAC WATER DISTRICT	DOCKET NO. W-01303A-08-___
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WASTEWATER DISTRICT, ANTHEM WASTEWATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT	DOCKET NO. SW-01303A-08-___.

DIRECT TESTIMONY
OF
BENTE VILLADSEN
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

TABLE OF CONTENTS

Section **Page #**

EXECUTIVE SUMMARY II
I. INTRODUCTION AND SUMMARY 1
II. THE COST OF CAPITAL AND RISK 5
A. The Cost of Capital and Risk 5
B. The Relationship Between Capital Structure and the Cost of equity 8
C. Implications for Analysis 10
III. THE COST OF CAPITAL FOR THE BENCHMARK SAMPLES 16
A. Preliminary Decisions 17
1. The Samples: Water Utilities and Gas Local Distribution Companies 17
2. Market-Value Capital Structure 20
3. Market Costs of Debt and Preferred Equity 21
B. Cost-of-Equity Estimation Methods 22
1. The Risk-Positioning Approach 23
a) Security Market Line Benchmarks 24
b) Relative Risk 26
c) Cost of Equity Capital Calculation 27
2. Discounted Cash Flow Method 29
C. The Samples and Results 36
1. The Water Utility Sample 36
2. Risk-Positioning Cost-of-Capital Estimates 37
a) Interest Rate Estimate 37
b) Betas and the Market Risk Premium 38
c) Risk-Positioning Results 39
3. The DCF Cost-of-Capital Estimates 42
a) Growth Rates 42
b) Dividend and Price Inputs 43
c) DCF Results 44
IV. ARIZONA-AMERICAN'S COST OF EQUITY 45

APPENDIX A RESUME

APPENDIX B SELECTING THE WATER AND GAS LDC SAMPLES AND USE OF MARKET VALUES

APPENDIX C RISK-POSITIONING METHODOLOGY AND EMPIRICAL RESULTS

APPENDIX D DISCOUNTED CASH FLOWS METHODOLOGY: DETAILED PRINCIPLES AND RESULTS

APPENDIX E EFFECT OF DEBT ON THE COST OF EQUITY

EXECUTIVE SUMMARY

Dr. Bente Villadsen, a Principal at *The Brattle Group*, files testimony on the cost of capital for Arizona-American districts (collectively, "Arizona-American").

Dr. Villadsen selects two benchmark samples, water utilities and gas local distribution companies ("LDC"). She estimates the sample companies' cost of equity, associated after-tax weighted-average cost of capital, and the corresponding cost of equity at 46.9 and 41.6 percent equity. She also reviews recent Arizona water and wastewater decisions. In undertaking her analysis, Dr. Villadsen notes that the overall cost of capital is constant within a broad middle range of capital structures although the distribution of costs and risks among debt and equity holders is not. Because Arizona-American's requested target of 46.9 percent equity is lower than the percentage equity among many utilities, its financial risk is higher and the return required by investors increases with the level of risk they carry. Should short-term debt be included for an equity percentage of 41.6 percent, Arizona-American's capitalization is further below that of the average water utility.

Based on the evidence from the samples, Dr. Villadsen estimates a cost of equity for the benchmark samples at Arizona-American's capital structure to be in the range of 11.0 to 12.5 percent, so that Arizona-American's request for 11.75 percent is equal to the midpoint. Dr. Villadsen also reviewed recent Arizona decisions and found that the decisions correspond to a cost of equity of approximately 11.0 and 12.25 percent when applied to an entity with 46.9 and 41.6 percent equity, respectively. She therefore finds that Arizona-American's request for 11.75 percent return on equity is reasonable and fully supported by her analysis.

I. INTRODUCTION AND SUMMARY

Q1. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.

A1. My name is Bente Villadsen. My business address is *The Brattle Group*, 44 Brattle Street, Cambridge, MA 02138.

Q2. PLEASE DESCRIBE YOUR JOB AND EDUCATIONAL EXPERIENCE.

A2. I am a Principal of *The Brattle Group*, ("Brattle"), an economic, environmental and management consulting firm with offices in Cambridge, Washington, San Francisco, London and Brussels. My work concentrates on regulatory finance and accounting. I have previously prepared and presented cost-of-capital testimony before many regulatory bodies, including the Arizona Corporation Commission ("Commission"). I hold a B.S. and M.S. from University of Aarhus, Denmark and a Ph.D. from Yale University's School of Management.

Q3. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A3. I have been asked by Arizona-American Company ("Arizona-American" or the "Company") to estimate the cost of equity for Arizona-American's water and wastewater districts. The cost of equity is the return that the Commission should provide the Company an opportunity to earn on the portion of its rate base financed by equity.

To determine the cost of equity for Arizona-American, I first estimate the overall cost of capital for two samples of regulated companies using several versions of the discounted cash flow ("DCF") and risk-positioning models. Second, I determine the cost of equity that the estimated overall cost of capital gives rise to at Arizona-American's requested capital structure consisting of 46.9 percent equity. I also calculate the cost of equity at approximately 41.6 percent equity. Third, I evaluate the relative risk of Arizona-American and the sample companies to determine the recommended cost of equity for Arizona-American.

Q4. PLEASE SUMMARIZE ANY PARTS OF YOUR BACKGROUND AND EXPERIENCE THAT ARE PARTICULARLY RELEVANT TO YOUR TESTIMONY ON THESE MATTERS.

A4. Brattle's specialties include financial economics, regulatory economics, and the utility industry. I have worked extensively on cost of capital matters for electric, natural gas distribution, pipeline and water utilities in both state and federal jurisdictions. Additionally, I have significant experience in other areas of rate regulation, credit risk in the utilities industry, energy contracts, and accounting issues. I have previously prepared and presented cost-of-capital testimony before the Commission. I have also filed expert testimony and appeared before other regulatory bodies and arbitration tribunals concerning cost of capital, accounting questions, and damage issues. Appendix A contains more information on my professional qualifications.

Q5. PLEASE SUMMARIZE YOUR APPROACH TO ESTIMATING THE COST OF CAPITAL FOR ARIZONA-AMERICAN.

A5. To assess the cost of capital for Arizona-American, I select two benchmark samples, regulated water utilities and natural gas local distribution companies ("LDC"). These samples are selected to have risks characteristics comparable to those of Arizona-American's districts. I also report results for a subsample of the water companies with a high percentage of regulated revenues. I give greater weight to the results from the gas LDC sample, because the water sample suffers from numerous data issues that make the cost-of-equity estimates based on this sample not reliable at the present time. For each sample, I estimate the sample companies' cost of equity using several versions of the DCF method and of the risk-positioning model. Based on data availability and the current state of the water and gas distribution industries I assign the most weight to the risk-positioning models.

Next, based on the cost-of-equity estimates for each company and its market costs of debt and preferred stock, I calculate each firm's overall cost of capital, i.e., its after-tax weighted-average cost of capital ("ATWACC"), using the company market value capital structure. I then calculate the samples' average ATWACC and the cost of equity for a

capital structure with 46.9 percent equity. Thus, I present the cost of equity that is consistent with the samples' market information and Arizona-American's regulatory capital structure. (By "regulatory capital structure," I mean the capital structure that Arizona-American proposes in its application.)

Focusing on the overall cost of capital rather than its components avoids potential problems of inconsistency between the estimated cost of equity and the level of financial risk at the regulated company's capital structure.

Q6. PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING ARIZONA-AMERICAN'S COST OF EQUITY.

A6. The cost of equity for the water utility sample is about 13.5 percent for a range of 13.25 to 13.75 percent at 46.9 percent equity using the long-term risk-positioning method. The corresponding overall after-tax weighted-average cost-of-capital point estimate is a bit below 8.5 percent for a range of 8.25 to 8.75 percent. The gas LDC sample yields a cost-of-equity range from 11.5 to 12 percent with a midpoint of 11.75. The corresponding after-tax weighted-average cost-of-capital range from 7.25 to 7.75 percent. I specify a minimum of plus or minus .25 percent (25 basis point) range because it is not really possible to estimate the cost of capital or equity more precisely than that. The cost-of-equity estimates that result from the multi-stage discounted cash flow method are a bit lower for the water sample than for the gas LDC sample. Combined, the multistage DCF results imply a range of 10 to 11 percent. The Simple DCF results are comparable for the gas LDC sample at a little below 11 percent but much higher for the water sample at 15.5 to 16.5 percent – again at 46.9 percent equity.

Based on these results, and considering that I rely mostly on the gas LDC sample estimates due to numerous data problems associated with the water sample, the most reliable estimates for Arizona-American's cost of equity indicate a range of 11 to 12.5 percent with the most reliable results in the range of 11.5 to 12 percent. Arizona-American's request for an 11.75 percent return on equity is within this range and at the midpoint. It is also near the midpoint of my gas LDC risk-positioning estimates using the

long-term risk-positioning model. Including short-term debt in the capital structure reduces the equity percentage to 41.6 percent, so the cost-of-equity estimates increase 100 to 150 basis points. In my opinion, the request for an 11.75 percent return on equity is therefore very reasonable.

Q7. WHY DO YOU NEED TO CONSIDER ARIZONA-AMERICAN'S REGULATORY CAPITAL STRUCTURE?

A7. A firm's cost of equity is a function of both its business risk and its financial risk. The more leveraged a company is the higher its financial risk. Investors holding equity in companies with higher risk require a higher rate of return, so as a company adds debt, the cost of equity goes up at an ever increasing rate. The higher cost of equity offsets the lower cost of debt, so that the after-tax weighted-average overall cost of capital remains constant over a broad range of capital structures.

That is, the associated capital structure affects an estimated cost-of-equity estimate just as a life insurance applicant's age affects the required life-insurance premium. It is therefore necessary to calculate the cost of equity the sample companies would have had at Arizona-American's regulatory capital structure to report accurately the market evidence on the cost of equity.

Q8. HOW IS THE REST OF YOUR TESTIMONY ORGANIZED?

A8. The rest of my testimony is organized as follows:

Section II defines the cost of capital and discusses the principles relating the cost of capital and capital structure for a business.

Section III presents the methods used to estimate the cost of capital for the benchmark samples and the associated numerical analyses. This section also explains the basis of my conclusions for the benchmark samples' returns on equity and overall costs of capital.

Section IV summarizes the analysis and discusses the recommendation for Arizona-American.

Appendix A lists my qualifications.

Appendix B discusses in detail the selection procedure for each sample, and the methods used to derive the necessary capital structure market value information.

Appendix C details the risk-positioning method including the numerical analyses.

Appendix D details the DCF method, including the numerical analyses.

Appendix E discusses the impact of leverage on the cost of capital in more detail.

I repeat portions of my testimony in the appendices in order to give the reader the context of the issues before I present additional technical detail and further discussion.

II. THE COST OF CAPITAL AND RISK

A. The Cost of Capital and Risk

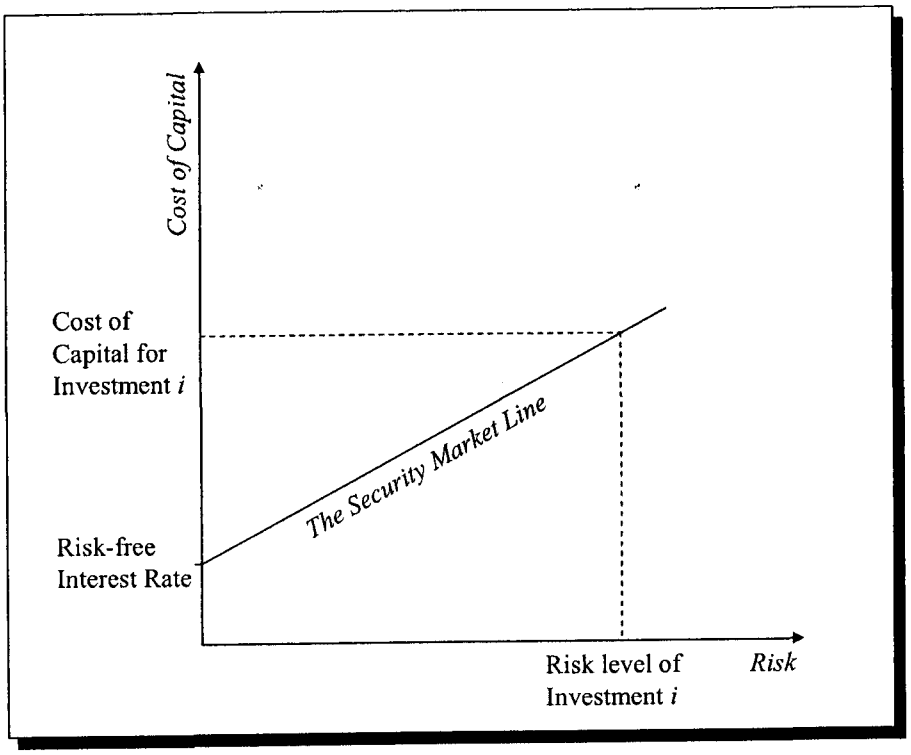
Q9. PLEASE FORMALLY DEFINE THE "COST OF CAPITAL."

A9. The cost of capital is the expected rate of return in capital markets on alternative investments of equivalent risk. In other words, it is the rate of return investors require based on the risk-return alternatives available in competitive capital markets. The cost of capital is a type of opportunity cost: it represents the rate of return that investors could expect to earn elsewhere without bearing more risk.[1]

The definition of the cost of capital recognizes a tradeoff between risk and return that is known as the "security market risk-return line," or "security market line" for short. This line is depicted in Figure 1. Figure 1 shows that the higher the risk, the higher the cost of capital. A version of Figure 1 applies for all investments. However, for different types of securities, the location of the line may depend on corporate and personal tax rates.

[1] "Expected" is used in the statistical sense: the mean of the distribution of possible outcomes. The terms "expect" and "expected" in this testimony, as in the definition of the cost of capital itself, refer to the probability-weighted average over all possible outcomes.

Figure 1: The Security Market Line



Q10. WHY IS THE COST OF CAPITAL RELEVANT IN RATE REGULATION?

A10. U.S. rate regulation accepts the "cost of capital" as the right expected rate of return on utility investment.[2] This practice is normally viewed as consistent with the U.S. Supreme Court's opinions in *Bluefield Waterworks & Improvement Co. v. Public Service Commission*, 262 U.S. 678 (1923), and *Federal Power Commission v. Hope Natural Gas*, 320 U.S. 591 (1944).

From an economic perspective, rate levels that give investors a fair opportunity to earn the cost of capital are the lowest levels that compensate investors for the risks they bear. Over the long run, an expected return above the cost of capital makes customers overpay for service. Regulatory authorities normally try to prevent such outcomes, unless there are offsetting benefits (e.g., from incentive regulation that reduces future costs). At the

[2] An early paper that links the cost of capital as defined by financial economics with the correct expected rate of return for utilities is Stewart C. Myers, "Application of Finance Theory to Public Utility Rate Cases," *The Bell Journal of Economics and Management Science*, 3:58-97 (Spring 1972).

same time, an expected return below the cost of capital does a disservice not just to investors but, importantly, to customers as well. In the long run, such a return denies the company the ability to attract capital, to maintain its financial integrity, and to expect a return commensurate with that of other enterprises characterized by commensurate risks and uncertainties.

More important for customers, however, are the economic issues an inadequate return raises for them. In the short run, deviations of the expected rate of return on the rate base from the cost of capital may seemingly create a "zero-sum game"-- investors gain if customers are overcharged, and customers gain if investors are shortchanged. But in fact, even in the short run, such action may adversely affect the utility's ability to provide stable and favorable rates because some potential efficiency investments may be delayed or because the company is forced to file more frequent rate cases. In the long run, inadequate returns are likely to cost customers – and society generally – far more than may be gained in the short run. Inadequate returns lead to inadequate investment, whether for maintenance or for new plant and equipment. The costs of an undercapitalized industry can be far greater than the short-run gains from shortfalls in the cost of capital. Moreover, in capital-intensive industries (such as the water industry),[3] systems that take a long time to decay cannot be fixed overnight. Thus, it is in the customers' interest not only to make sure that the return investors expect does not exceed the cost of capital, but also to make sure that it does not fall short of the cost of capital, either.

Of course, the cost of capital cannot be estimated with perfect certainty, and other aspects of the way the revenue requirement is set may mean investors expect to earn more or less than the cost of capital even if the allowed rate of return equals the cost of capital exactly. However, a commission that sets rates so investors expect to earn the cost of capital on average treats both customers and investors fairly, which is in the long-run interests of both groups.

[3] Capital expenditures among water utilities have in the last several years exceeded 30% of revenues.

B. The Relationship Between Capital Structure and the Cost of equity

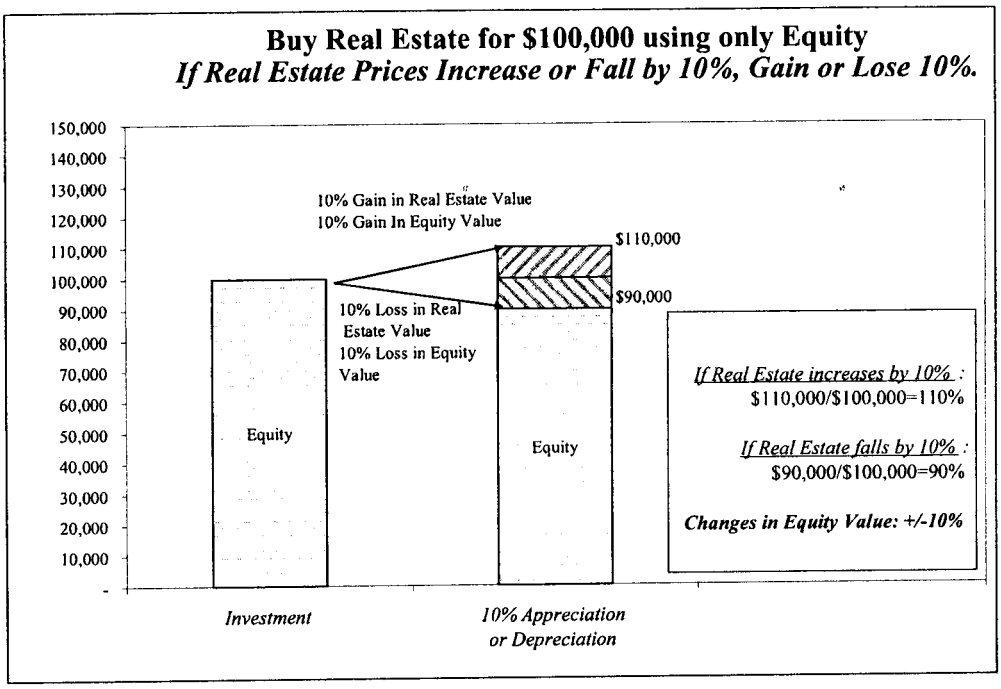
Q11. PLEASE EXPLAIN WHY IT IS NECESSARY TO REPORT THE COST OF EQUITY ADJUSTED FOR CAPITAL STRUCTURE.

A11. In most jurisdictions in North America, rate regulation focuses on the components of the rates. In other words, the focus of cost-of-capital estimation is usually on determining the "right" cost of equity, and to a lesser degree on setting the allowed capital structure. While the overall cost of capital depends primarily on the company's line of business, the distribution of the cost of capital among debt and equity depends on their share in total revenues. Debt holders' claim is usually a fixed amount (except in situations of default) while equity holders are residual claimants, meaning that equity holders get paid last. In other words, the use of debt imposes financial risk on the equity holders. Because a company's financial risk depends on its capital structure, the risk shareholders carry increases with the leverage of the company. As shareholders expect to be compensated for increased risk, the required rate of return increases with the company's leverage. The increased risk is caused by the fact that debt has a senior claim on a specified portion of earnings and in bankruptcy on assets. As common equity is the most junior security, it gets what's left after everyone else has been paid. In other words, common equity holders carry all residual risk. However, as explained in more detail in Appendix E, the overall cost of capital is constant within a broad middle range of capital structures, although the distribution of costs and risks among debt and equity holders is not.

Q12. PLEASE PROVIDE AN EXAMPLE ON HOW DEBT ADDS RISK TO EQUITY.

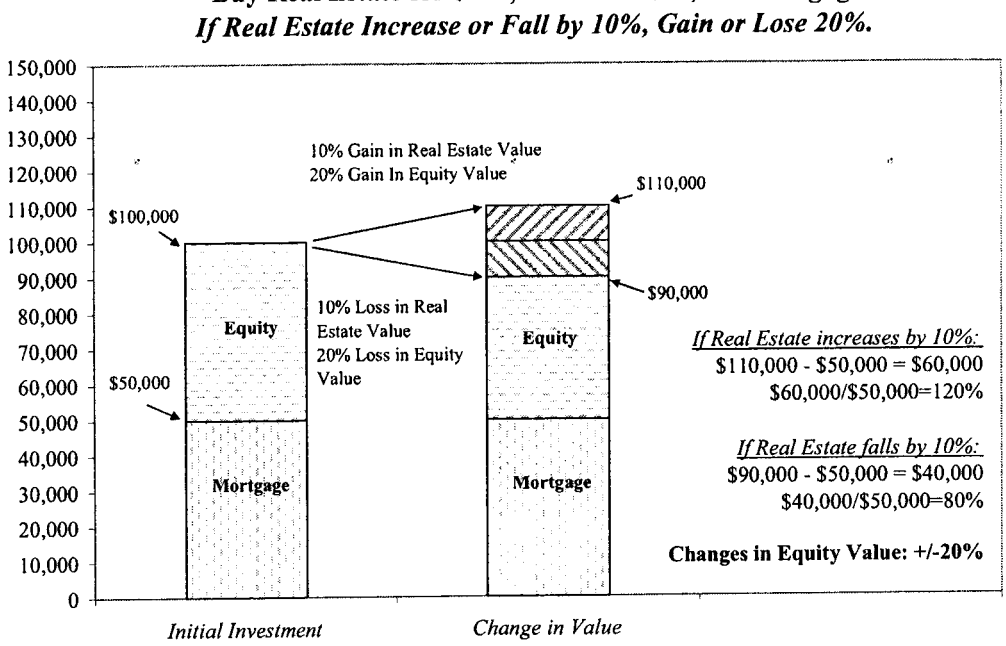
A12. As a simple example, think of an investor who takes money out of his savings account and invests $100,000 in real estate. The future value of the real estate is uncertain. If the real estate market booms, he wins. If the real estate market goes down, he loses. Figure 2 below illustrates this.

Figure 2. Financial risk example – equity financing



In the scenario above, the investor financed his real estate purchase through 100 percent equity. Suppose instead that the investor had financed 50 percent of his real estate investment with a mortgage of $50,000. The mortgage lender does not expect to share in any benefits from increases in real estate values. Neither does the mortgage lender expect to share in any losses from falling real estate values. As a result, the investor carries the entire risk of fluctuating real estate prices. Figure 3 illustrates this effect.

Figure 3. Financial risk example - debt and equity financing



In Figure 3, where the investor financed his purchase through 50 percent equity and 50 percent debt, the variability in the investor's equity return is two times greater than that of Figure 2. The entire fluctuation of 10 percent from rising or falling real estate prices falls on the investor's $50,000 equity investment. The lesson from the example is obvious: debt adds risk to equity.

C. Implications for Analysis

Q13. PLEASE EXPLAIN THE IMPLICATIONS OF THE RELATIONSHIP BETWEEN CAPITAL STRUCTURE AND THE COST OF EQUITY FOR RATE REGULATION.

A13. The risk equity holders carry, and therefore the cost of equity, depends on the capital structure. As illustrated in the example above, as leverage increases, the market risk increases and hence the required return on equity increases.

Q14. TO ASSESS THE MAGNITUDE OF FINANCIAL RISK FOR A RATE REGULATED COMPANY, SHOULD YOU USE THE MARKET-VALUE OR THE BOOK-VALUE CAPITAL STRUCTURE?

A14. The market-value capital structure is the relevant quantity for analyzing the cost-of-equity evidence, which is based on market information.[4]

Q15. PLEASE PROVIDE AN EXAMPLE THAT ILLUSTRATES WHY MARKET VALUES ARE RELEVANT.

A15. Suppose in the previous example that the investor has invested in real estate 10 years ago. Further assume that depreciation has reduced the book value of the real estate from $100,000 to $75,000 and assume the investor has paid off 40 percent of his $50,000 mortgage. Thus, the investor has a remaining mortgage of $30,000 (= 60% × $50,000). The book value of the investor's equity is therefore $45,000 (= $75,000 - $30,000).

What happens now if real estate prices rise or fall 20 percent? To answer that question, we need to know how real estate prices have developed over the past 10 years. If the market value of the real estate now is $200,000, then a 20-percent decrease in the price of real estate ($40,000) is almost equal to the investor's book value equity. However, his market value equity (or net worth) is equal to the value of the real estate minus what he owes on the mortgage. If we assume that the market value of the mortgage equals the unpaid balance ($30,000), then the investor's net worth is calculated as follows:

[4] The need to use market-value capital structures to analyze the effect of debt on the cost of equity has been recognized in the financial literature for a long time. For example, the initial reconciliation of the Modigliani-Miller theories of capital structure with the Capital Asset Pricing Model, in Robert S. Hamada, "Portfolio Analysis, Market Equilibrium and Corporate Finance," *The Journal of Finance* 24: 13-31 (March 1969) works with market-value capital structures. For a more recent presentation of the concept, see, for example, Richard A. Brealey, Stewart C. Myers, and Franklin Allen, *Principles of Corporate Finance*, New York: McGraw-Hill/Irwin 8th ed. (2006) pp. 503-06. Book values may be relevant for some issues, e.g., for covenants on individual bond issues, but as explained in the text, market values are the determinants of the impact of debt on the cost of equity.

Net Worth	=	Market Value of Real Estate	-	Remaining Mortgage
	=	$200,000	-	$30,000
	=	$170,000		

Therefore, the rate of return on equity due to a 20 percent decline in real estate prices is calculated as follows:

Table 1. Calculating the Rate of Return on Equity

Decline in Real Estate Value	$40,000
Market-Value Equity	$170,000
Rate of Return on Equity	- $40,000/$170,000 = -23.5%

Q16. PLEASE EXPLAIN THE IMPLICATIONS FOR RATE REGULATION AND YOUR TESTIMONY.

A16. Because the market risk, and therefore the cost of equity, depends on the market-value capital structures, one must base the estimation of the sample companies' cost of capital on market value capital structures. An approach that estimates the cost of equity for each of the sample firms without explicit consideration of the market value capital structure (i.e. the financial risk) underlying those costs risks material errors. The cost-of-equity estimates of the sample companies at their actual market-value capital structures are not necessarily reflected in the regulatory capital structure. Therefore, using book values could lead to an incorrect rate of return. I avoid this problem by calculating each sample company's ATWACC using its market value capital structure. I then use the sample companies' average overall cost of capital to determine the corresponding return on equity at Arizona-American's regulatory capital structure. This procedure ensures that the capital structure and the estimated cost of equity are consistent.

In my analyses, I estimate the cost of equity for each of the sample firms using traditional estimation methods (such as the DCF and Capital Asset Pricing Model ("CAPM")). I use

each company's estimated cost of equity along with Arizona-American's marginal tax rate and each company's market cost of debt and market-value capital structure to estimate the sample companies' overall cost of capital. I then calculate the sample average overall cost of capital for each equity estimation method for both of the samples. For each estimation method discussed above, I determine the cost of equity at Arizona-American's regulated capital structure, so that is consistent with the sample's overall cost-of-capital information.

Q17. IS THE USE OF MARKET VALUES TO CALCULATE THE IMPACT OF CAPITAL STRUCTURE ON THE RISK OF EQUITY INCOMPATIBLE WITH USE OF A BOOK-VALUE RATE BASE FOR A REGULATED COMPANY?

A17. No. Investors buy stock at market prices and expect a reasonable return on their investment. Market-based cost-of-equity estimation methods, such as DCF or CAPM which are frequently used in rate regulation, recognize this and rely on market data. That is, the cost of capital is the fair rate of return on regulatory assets for both investors and customers. Most regulatory jurisdictions in the U.S. measure the rate base using the net book value of assets, not current replacement value or historical cost trended for inflation. But the jurisdictions still apply market-derived measures of the cost of equity to that net book value rate base.

The issue here is "what level of risk is reflected in that cost-of-equity estimate?" That risk level depends on the sample company's market-value capital structure, not its book-value capital structure. *That risk level would be different if the sample company's market-value capital structure exactly equaled its book-value capital structure, so the estimated cost of equity would be different, too.*

Q18. PLEASE SUM UP THE IMPLICATIONS OF THIS SECTION.

A18. The market risk, and therefore the cost of equity depends directly on the market-value capital structure of the company or asset in question. It therefore is impossible to validly compare the measured costs of equity of different companies without taking capital structure into account. Capital structure and the cost of equity are unbreakably linked,

and any effort to treat the two as separate and distinct questions violates both everyday experience (e.g., with home mortgages) and basic financial principles.

Q19. HOW SHOULD A COST-OF-CAPITAL ANALYST IMPLEMENT THIS PRINCIPLE?

A19. As discussed further in Appendix E, there has been a great deal of financial research on the effects of capital structure on the value of the firm. One of the key conclusions that result from the research is that no narrowly defined optimal capital structure exists within industries, although the typical range of capital structures does vary among industries. Instead, there is a relatively wide range of capital structures within any industry in which fine-tuning the debt ratio makes little or no difference to the value of the firm, and hence to its overall after-tax cost of capital.

Accordingly, analysts should treat the market-value weighted average of the cost of equity and the after-tax current cost of debt, or the "ATWACC" for short, as constant. Sample evidence should be analyzed to determine the sample's average ATWACC, which can be compared across different firms or industries. The economically appropriate cost of equity for a regulated firm is the quantity that, when applied to the regulatory capital structure, produces the same ATWACC. That value is the cost of equity that the sample would have had, estimation problems aside, if the sample's market-value capital structure had been equal to the regulatory capital structure in question.

Q20. HOW DO YOU CALCULATE THE COST OF EQUITY CONSISTENT WITH THE MARKET-DETERMINED ESTIMATE OF THE SAMPLE'S AVERAGE COST OF CAPITAL?

A20. For simplicity assume that all sample companies have only common stock and debt. Then the ATWACC is calculated as:

$$ATWACC = r_D \times (1 - T_C) \times D + r_E \times E \qquad \textbf{(1)}$$

where r_D is the market cost of debt, r_E is the market cost of equity, T_C is the marginal corporate income tax rate, D is the percent debt in the capital structure, and E is the percent equity in capital structure. The cost of equity consistent with the overall cost-of-capital estimate (ATWACC), the market cost of debt and equity, the marginal corporate income tax rate and the amount of debt and equity in the capital structure can be determined by solving equation (1) for r_E.

Q21. CAN YOU PROVIDE AN EXAMPLE OF HOW THIS FORMULA IS USED TO DETERMINE THE COST OF EQUITY?

A21. Yes. Consider a company with a 40 percent marginal corporate income tax rate and a cost of debt equal to 6 percent. For simplicity, I assume there is no difference in the company's embedded cost of debt and the cost at which it currently can issue additional debt. Further, suppose that the ATWACC estimate based on a sample of companies with comparable business risk is 7.5 percent. If the company's capital structure has 50 percent debt and 50 percent equity, equation (1) above yields a cost-of-equity estimate of 11.4 percent. If the equity ratio is lower, for example 45 percent, the cost of equity would instead be 12.3 percent. Conversely, a higher equity ratio such as 55 percent would imply a lower cost-of-equity estimate of 10.7 percent. Table 2 below summarizes these calculations as well as the dollar amount customers have to pay for financing costs.

Table 2. Example of the effect of capital structure on the estimated cost of equity.

Marginal tax rate	40%		
Cost of debt	6%		
Estimated ATWACC	7.50%		
Rate Base	$ 1,000,000		
Regulatory Equity Ratio	45%	50%	55%
Regulatory Debt Ratio	55%	50%	45%
Estimated ATWACC	7.50%	7.50%	7.50%
Cost-of-equity	12.3%	11.4%	10.7%
After Tax Cost of Financing[1)]	$ 75,000	$ 75,000	$ 75,000
Before Tax Cost of Financing[2)]	$ 125,000	$ 125,000	$ 125,000

[1)] Estimated ATWACC × Rate Base.

[2)] Estimated ATWACC × Rate Base / (1 - Tax Rate).

The important point of this example is that the overall cost of capital does not depend on the company's capital structure, as long as the capital structure is in a wide middle range of values. Therefore, the cost to customers does not depend on the capital structure either. A higher equity ratio simply means that a higher percentage return is paid to equity investors, but the fraction of the rate base to which this higher return applies is lower. The equity investors are compensated appropriately for the higher risk, but that has no effect on the overall cost borne by customers. As long as equity investors are correctly compensated for the risk of their investment, the only effect that a higher equity ratio has is on how the return is divided between debt holders and equity holders, and not on how much customers end up paying.

Q22. BUT IS IT NOT THE CASE THAT IF THE ALLOWED RATE OF RETURN ON EQUITY IS LOWER, THEN ALL ELSE EQUAL RATEPAYERS PAY LESS?

A22. Yes, for a given equity percentage. However, it comes at a cost: if the rate of return on equity appropriate for a capital structure with 55 percent equity were applied to a company whose equity ratio is 45 percent, the company's equity investors would not be appropriately compensated for the risk of their investment. In particular, in this situation the expected return on equity would be set too low. Such a result would impair the company's ability to attract investors, since they can expect higher returns elsewhere for the same risk level. This may well have negative consequences for the utility's ability to sustain an appropriate level of investment. Ultimately, this translates into a lower quality of the services that the utility can provide to its customers. Alternatively, the company could reduce its equity percentage with possibly negative effects on the cost of debt or other credit factors.

III. THE COST OF CAPITAL FOR THE BENCHMARK SAMPLES

Q23. HOW IS THIS SECTION OF YOUR TESTIMONY ORGANIZED?

A23. As noted in *Section II*, I estimate the cost of capital using two samples of comparable risk companies. This section first covers preliminary matters such as sample selection, market-value capital structure determination, and the sample companies' costs of debt. It

then covers estimation of the cost of equity for the sample companies and the resulting estimates of the sample's overall after-tax cost of capital.

A. Preliminary Decisions

Q24. WHAT PRELIMINARY DECISIONS ARE NEEDED TO IMPLEMENT THE ABOVE PRINCIPLES?

A24. I must select the benchmark samples, calculate the sample companies' market-value capital structures, and determine the sample companies' market costs of debt and preferred equity.

1. The Samples: Water Utilities and Gas Local Distribution Companies

Q25. WHY DO YOU USE TWO SAMPLES?

A25. The overall cost of capital for a part of a company depends on the risk of the business in which the part is engaged, not on the overall risk of the parent company on a consolidated basis.

Estimating the cost of capital for Arizona-American's regulated assets is the subject of this proceeding. The ideal sample would be a number of companies that are publicly traded "pure plays" in the water production, storage, treatment, transmission, distribution and wastewater lines of business.[5] "Pure play" is an investment term referring to companies with operations only in one line of business. Publicly traded firms, firms whose shares are freely traded on stock exchanges, are ideal because the best way to infer the cost of capital is to examine evidence from capital markets on companies in the given line of business.

Therefore, for this case, a sample of companies whose operations are concentrated solely in the regulated portion of the water industry would be ideal. Unfortunately, the available

[5] Most of the water utilities in *Value Line* have operations in the water as well as wastewater business.

sample of "water" utility companies in the U.S. is relatively small and has serious data deficiencies. See *Section III.C.1* for a description of these deficiencies.

To select my sample of comparable water and gas LDC companies, I start with those companies that are listed as a water utility or natural gas utility in *Value Line*.[6] Usually, I would apply several selection criteria to delete companies with unusual circumstances that may bias the cost-of-capital estimation and companies whose risk characteristics differ from those of the filing entity. However, the application of such criteria would eliminate almost all the water utilities listed in *Value Line*. Therefore, I do not apply selection criteria to the water utility sample although I do apply my standard criteria to the gas LDC sample. Specifically, if I eliminate all water utilities with annual revenues below $300 million, less than 50 percent regulated revenues, lack of growth rates (from Bloomberg or *Value Line*), or lack of a bond rating, I would be left with at most two companies (Aqua America and California Water Services). A two company sample is simply too small to provide reliable results. Therefore, I keep all water utilities with data in my water utility sample, but I do report results for a subsample of companies that earn a large percentage of revenues from regulated activities.[7]

Q26. WHAT DO YOU DO TO OVERCOME THE WEAKNESSES OF THE WATER UTILITY SAMPLE?

A26. To overcome the weaknesses of the water sample, I select a second sample of regulated utilities: gas local distribution companies. Gas LDCs, like water utilities, are regulated by state regulatory bodies, have large distribution investments, and serve a mix of residential, industrial, and commercial customers.

One reason for using the gas LDC sample is to generate a sample of regulated companies whose primary source of revenues is in the regulated portion of the natural gas industry to provide a check for the results of the water sample. Therefore, I start with *Value Line*'s

[6] To select the samples I include both the Standard, the Small and Mid-Cap Editions of *Value Line Investment Survey* and *Value Line Investment Survey - Plus Edition.*

[7] The only company listed as a water utility in *Value Line* that I do not include is Sun Hydraulics. This company's main line of business is the production of industrial equipment, not the water utility business.

universe of natural gas utilities, and eliminate those companies whose percentage of assets attributed to regulated activities is less than 50 percent. In addition, I only include companies with an investment grade bond rating, no recent sizable mergers or acquisitions, no recent dividend cuts, and no other activity that could cause the estimation parameters to be biased. Additionally, I require the companies to have necessary data available. The final sample includes ten companies. Additional details of the sample selection process for each sample and subsample are described below as well as in Appendix B.

Q27. IF THE BUSINESS RISK OF THE GAS LDC SAMPLE DIFFERS FROM THE WATER SAMPLE, CAN YOU STILL RELY ON THE COST OF EQUITY ESTIMATED FOR THE GAS LDC SAMPLE?

A27. Yes. If the business and financial risk of the two samples differ, then a cost-of-capital analyst can still make use of the information from the more reliable sample to evaluate the reliability of the estimates from the water sample. The inference would be based on information about the relative risk of the two industries.

Q28. PLEASE ELABORATE ON THE WAY TWO SAMPLES WITH DIFFERENT BUSINESS AND FINANCIAL RISKS CAN BE COMPARED.

A28. As mentioned above, the overall cost of capital for a part of a company depends on the risk of the business in which the part is engaged, not on the overall risk of the parent company on a consolidated basis. According to financial economics, the overall risk of a diversified company equals the market value weighted-average of the risks of its components.

Calculating the overall after-tax weighted average cost of capital for each sample company as described above allows the analyst to estimate the average overall cost of capital for the sample. The ATWACC captures both the business risk and the financial risk of the sample companies in one number. This allows comparison of the cost of capital between two samples on a much more informed basis. If the alternative (more reliable) sample is judged to have slightly different risk than the water sample, but the

results show wide differences in the ATWACC estimates, the analyst should carefully consider the validity of the water sample estimates, whether they are materially higher or lower than the alternative sample's estimates. Of course, the alternative sample could be the source of the error, but that is less likely because the alternative sample has been selected precisely because of its expected reliability.

Q29. PLEASE COMPARE THE CHARACTERISTICS OF THE WATER UTILITY SAMPLE AND THE GAS LDC SAMPLE.

A29. The two samples differ primarily in that they operate in two different (regulated) industries, but they are very similar in terms of the percentage of revenues from regulated operations and the customers they serve. On average, both samples earn a large percentage of their revenue from regulated activities and serve a mix of residential, industrial, and other customers. In addition, both industries are characterized by large capital investment and both are operating a large distribution system. However, the gas LDC sample has fewer of the data and estimation issues identified above for the water sample. Please refer to Appendix B for additional details on the two samples.

2. Market-Value Capital Structure

Q30. WHAT CAPITAL STRUCTURE INFORMATION DO YOU REQUIRE?

A30. For reasons discussed below and in Appendix E, explicit evaluation of the market-value capital structures of the sample companies is vital for a correct interpretation of the market evidence on the return on equity. This requires estimates of the market values of common equity, preferred equity and debt, and the current market costs of preferred equity and debt.

Q31. PLEASE DESCRIBE HOW YOU CALCULATE THE MARKET VALUES OF COMMON EQUITY, PREFERRED EQUITY AND DEBT.

A31. I estimate the capital structure for each sample company by estimating the market values of common equity, preferred equity and debt from the most recent publicly available data. The details are in Appendix B.

Briefly, the market value of common equity is the price per share times the number of shares outstanding. For the risk-positioning approach, I use the last 15 trading days of each year to calculate the market value of equity for the year. I then calculate the average capital structure over the corresponding five-year period used to estimate the "beta" risk measures for the sample companies. This procedure matches the estimated beta to the degree of financial risk present during its estimation period. In the DCF analyses, I use the average stock price over 15 trading days ending on the release date of the BEst growth rate forecasts utilized.[8]

The market value of debt is estimated at its book value adjusted by the difference between the "estimated fair (market) value" and the "carrying cost" of long-term debt reported in each company's 10-K.[9] The market value of preferred stock for the samples is set equal to its book value.[10]

3. Market Costs of Debt and Preferred Equity

Q32. HOW DO YOU ESTIMATE THE CURRENT MARKET COST OF DEBT?

A32. The fifteen-day average market cost of debt for each company is set equal to the yield on an index of public utility bonds that have the same credit rating, as reported by Bloomberg. The DCF analyses use the current credit rating whereas the risk-positioning analyses use the current yield of a utility bond that corresponds to the five-year average debt rating of each company so as to match consistently the horizon of information used by *Value Line* to estimate each company's beta. Bond rating information was obtained from Bloomberg which reports Standard & Poor's bond ratings. I calculate the after-tax cost of debt using the Company's estimated marginal income tax rate of 38.6 percent.

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[8] BEst is Bloomberg's name for its earnings growth rate information. BEst growth rate forecasts are as of February 7, 2008.

[9] The book value of debt from Bloomberg includes all interest-bearing financial obligations that are not current and includes capitalized leases and mandatory redeemable preferred and trust preferred securities in accordance with FASB 150 effective June 2003. See Bloomberg's definition of long-term debt for additional details.

[10] This is unlikely to affect the results as the average percentage of preferred is less than .25 percent for both the water and gas sample.

Q33. HOW DO YOU ESTIMATE THE MARKET COST OF PREFERRED EQUITY?

A33. For all sample companies, the preferred rating was assumed equal to the company's bond rating. The cost of a company's preferred equity was set equal to the yield on an index of preferred utility stock with the same rating. The data were obtained from the Mergent Bond Record.[11]

B. Cost-of-Equity Estimation Methods

Q34. HOW DO YOU ESTIMATE THE COST OF EQUITY FOR YOUR SAMPLE COMPANIES?

A34. Recall that the cost of capital is the expected rate of return in capital markets on alternative investments of equivalent risk. This definition leads me to address three key points in my estimation procedures. First, the cost of capital is an expected rate of return – it cannot be directly observed, but must be inferred from available evidence. Second, the cost of capital is determined in capital markets (such as the New York Stock Exchange). Therefore, capital market data provide the best evidence from which to draw inferences. Third, the cost of capital depends on the return offered by alternative investments of equivalent risk. Consequently, measures of risk that matter in capital markets are part of the evidence that I need to examine.

Q35. HOW DOES THE ABOVE DEFINITION HELP YOU ESTIMATE THE COST OF CAPITAL?

A35. The definition of the cost of capital recognizes a tradeoff between risk and expected return; this is the security market line plotted above in Figure 1 above. Cost-of-capital estimation methods usually take one of two approaches: (1) they establish the location of the security market line and estimate the relative risk of the security, which jointly determine the cost of capital, or (2) they try to identify a comparable-risk sample of companies and estimate the cost of capital directly. Looking at Figure 1, the first

[11] Published monthly, Mergent's Bond Record offers a comprehensive review of over 68,000 bond issues including coverage of corporate, government, municipal, industrial development/environmental control revenue and international bonds, plus structured finance and equipment trust issues, medium-term notes, convertible issues, preferred stocks and commercial paper issues.

approach focuses directly on the vertical axis, while the second focuses both on the security's position on the horizontal axis and on the position of the security market line.

The first type of approach is more direct, but ignores the wealth of information available on securities not thought to be of precisely comparable risk. The "discounted cash flow" or "DCF" model is an example. The second type of approach, sometimes known as "equity risk premium approach," requires an extra step – positioning the security market line. Using the second approach allows me to use information from all traded securities rather than just those included in my sample. The capital asset pricing model ("CAPM") is an example. While both approaches can work equally well if conditions are right, one may be preferable to the other under certain circumstances. In particular, approaches that rely on the entire security market line are less sensitive to deviations from the assumptions that underlie the model, all else equal. In this case, I examine both DCF and risk-positioning approach evidence for the water utility and gas LDC sample.

1. The Risk-Positioning Approach

Q36. PLEASE EXPLAIN THE RISK-POSITIONING METHOD.

A36. The risk-positioning method estimates the cost of equity as the sum of a current interest rate and a risk premium. It is therefore sometimes also known as the "risk premium" approach. This approach may sometimes be applied more or less formally. As an example of an informal application, an analyst may estimate the spread between interest rates and what is believed to be a reasonable estimate of the cost of capital at a specific time, and then apply that spread to current interest rates to get a current estimate of the cost of capital.

More formal applications of the risk-positioning approach take full advantage of the security market line depicted in Figure 1: they use information on a large number of traded securities to identify the security market line and derive the cost of capital for the individual security based on that security's relative risk. This reliance on the entire security market line makes the method less vulnerable to the kinds of problems that arise from using one stock at a time (such as the DCF method). The risk-positioning approach

is widely used and underlies much of the current research published in academic journals on the nature, determinants and magnitude of the cost of capital. The most commonly used version of the formal risk-positioning models is the Capital Asset Pricing Model ("CAPM"). The equation for the CAPM is:

$$k_s = r_f + \beta_s \times MRP \qquad (2)$$

where k is the cost of capital, r_F is the risk-free interest rate, MRP is the market risk premium, and β is the measure of relative risk.

Section I of Appendix C to this testimony provides more detail on the principles that underlie the risk-positioning approach. Section II of Appendix C provides the details of the risk-positioning approach empirical estimates I obtain.

Q37. HOW ARE THE "MORE FORMAL" APPLICATIONS OF THE RISK-POSITIONING APPROACH IMPLEMENTED?

A37. The first step is to specify the current values of the benchmarks that determine the security market line. The second is to determine the security's, or investment's, relative risk. The third is to specify exactly how the benchmarks combine to produce the security market line, so the company's cost of capital can be calculated based on its relative risk.

a) Security Market Line Benchmarks

Q38. WHAT BENCHMARKS ARE USED TO DETERMINE THE LOCATION OF THE SECURITY MARKET LINE?

A38. The essential benchmarks that determine the security market line are the risk-free interest rate and the premium that a security of average risk commands over the risk-free rate. This premium is commonly referred to as the "market risk premium" ("MRP"), i.e., the excess of the expected return on the average common stock over the risk-free interest rate. In the risk-positioning approach, the risk-free interest rate and MRP are common to all securities. A security-specific measure of relative risk (beta) is estimated separately and combined with the MRP to obtain the company-specific risk premium.

Q39. WHAT BENCHMARK DO YOU USE FOR THE MRP?

A39. I estimate two versions of the risk-positioning model. The first version measures the market risk premium as the risk premium of average-risk common stocks over long-term Government bonds. The second version measures the market risk premium over short-term Treasury bills, which is the usual measure of the MRP used in capital market theories.

Q40. HOW DO YOU ESTIMATE THE MRP?

A40. Appendix C summarizes academic and empirical research on the MRP. However, as discussed in the appendix, there is currently little consensus on the "best practice" for estimating the MRP. (Note: this is not the same as saying that all practices are equally good). For example, the leading graduate textbook in corporate finance expresses the view that a range between 5 to 8 percent is reasonable for the U.S.[12] Morningstar data from 1926 to 2006, the longest period reported, show an MRP average premium of stocks over Treasury bills is 8.6 percent.[13] At the same time, Dimson, Marsh and Stauton (2008) estimate the arithmetic market risk premium for the U.S. over the 1900 to 2007 period at 6.5%.[14] In a regulatory setting, the Surface Transportation Board ("STB") recently decided to rely on the Capital Asset Pricing Model ("CAPM") when determining the cost of capital for major railroads in the U.S. As part of its methodology, the STB decided to rely on the long-term market risk premium reported by Morningstar/Ibbotson in its implementation of the CAPM.[15] Currently, this approach would result in a long-term MRP of 7.1%.

My testimony considers both the historical evidence and the results of scholarly studies of the factors that affect the risk premium for average-risk stocks in order to estimate the benchmark risk premium investors currently expect.

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[12] Richard A. Brealey, Stewart C. Myers, and Franklin Allen, *Principles of Corporate Finance*, McGraw-Hill, 8th edition, 2006, pp. 151-154.

[13] Morningstar, *Stocks, Bonds, Bills, and Inflation: Valuation Edition 2007 Yearbook.*

[14] Dimson, Marsh and Staunton, *Global Investment Returns Yearbook 2008*, p. 48.

[15] *STB Ex Parte No. 664*, Issued January 17, 2008, pp. 8-9.

Considering all the evidence, I conclude that S&P 500 stocks of average risk today command a premium of 8.0 percent over the short-term risk-free rate and 6.5 percent over the long-term Government rate. The estimation of the MRP is discussed in greater detail in Appendix C.

Q41. HOW DO YOU DETERMINE THE RISK-FREE RATE YOU USE?

A41. Ideally, the risk-free rate is the estimated risk-free rate over the period where rates will be in effect. For this proceeding, I use the current yield on long-term Government bonds and 30-day T-bills as an estimate for the long-term and short-term risk-free rate, respectively. Using an average of 15 trading days ending February 7, 2008, I obtain a short-term risk-free rate of 2.2 percent and a long-term risk-free rate of 4.3 percent, respectively.[16]

b) Relative Risk

Q42. WHAT MEASURE OF RELATIVE RISK DO YOU USE?

A42. I examine the "beta" of the stocks in question. Beta is a measure of the "systematic" risk of a stock — the extent to which a stock's value fluctuates more or less than average when the market fluctuates.

The basic idea behind beta is that risks that cannot be diversified away in large portfolios matter more than those that can be eliminated by diversification. Beta is a measure of the risks that cannot be eliminated by diversification. This concept is explored further in Appendix C.

Q43. WHAT DOES A PARTICULAR VALUE OF BETA MEAN?

A43. By definition, a stock with a beta equal to 1.0 has average non-diversifiable risk: it goes up or down by 10 percent on average when the market goes up or down by 10 percent.

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[16] See Table No. BV-9. Throughout the first part of 2008, short-term interest rates have been dropping rapidly as the Federal Reserve has cut interest rates and undertaken other measures to avoid more financial market distress. For example, on March 18, the Federal Reserve dropped the federal funds rate by .75 percent (Federal Reserve, Press Release, March 18, 2008) and on March 14, 2008, the Federal Reserve effectively became creditors of the financially distressed Bear Stearns bank (Craig Torres, Bernanke Discards Monetary History with Bear Stearns Bailout, *Bloomberg*, March 15, 2008).

Stocks with betas above 1.0 exaggerate the swings in the market. A stock with a beta of 2.0 tends to fall 20 percent when the market falls 10 percent, for example. Stocks with betas below 1.0 understate the swings in the market. A stock with a beta of 0.5 tends to rise 5 percent when the market rises 10 percent.

Q44. HOW DO YOU ESTIMATE BETA?

A44. I use beta estimates reported in the *Value Line* for the sample companies.

c) Cost of Equity Capital Calculation

Q45. HOW DO YOU COMBINE THE PRECEDING STEPS TO ESTIMATE THE COST OF EQUITY?

A45. The most widely used approach to combine a risk measure with the benchmark market risk premium on common stocks to find a risk premium for a particular firm or industry is the Capital Asset Pricing Model. However, the CAPM is only one risk-positioning technique.

In addition to the CAPM, I rely on an empirical variety of the model. Empirical research has long shown that the CAPM tends to overstate the actual sensitivity of the cost of capital to beta: low-beta stocks tend to have higher risk premia than predicted by the CAPM and high beta stocks tend to have lower risk premia than predicted. A number of variations on the original CAPM theory have been proposed to account for this finding.

This finding can be used directly to estimate the cost of capital, using beta to measure relative risk, without simultaneously relying on the CAPM. Here I examine results from both the CAPM and a version of the security market line based on the empirical finding that risk premia are related to beta, but are not as sensitive to beta as the CAPM predicts, to convert the betas into a risk premium. I refer to this latter model as the "ECAPM," where ECAPM stands for Empirical Capital Asset Pricing Model. The formula for the ECAPM is

$$k_s = r_f + \alpha + \beta_s \times (MRP - \alpha) \qquad \textbf{(3)}$$

where as before k is the cost of capital, r_f is the risk-free interest rate, MRP is the market risk premium, β is the measure of relative risk, and α is the empirical adjustment factor.

Research supports values for α ranging from one to seven percent when using a short-term interest rate. I use baseline values of α of 2 percent for the short-term risk-free rate and 0.5 percent for the long-term risk-free rate. I also conduct sensitivity tests for different values of α. For the short-term risk-free rate I use values for α of 1, 2 and 3 percent. For the long-term risk-free rate I use values for α of 0, 0.5 and 1.5 percent. See Appendix C for a more detailed discussion of the ECAPM model and Table C-1 for a summary of the empirical evidence on the size of the required adjustment.

Q46. WHY IS IT APPROPRIATE TO USE THE ECAPM MODEL?

A46. Empirical tests of the CAPM have repeatedly shown that an investment's return is related to systematic risk, but that the increase in return for an increase in risk is less than is predicted. The empirical tests have also shown that the theoretical intercept, as measured by the return on Treasury bills, is too low to fit the data. In other words, the empirical tests indicate that the slope of the CAPM is too steep and the intercept is too low. The empirical data support the ECAPM. The ECAPM recognizes the consistent empirical observation that the CAPM underestimates (overestimates) the cost of capital for low (high) beta stocks. The ECAPM corrects the predictions of the CAPM to more closely match the results of the empirical tests. Ignoring the results of CAPM tests would lead to an estimate of the cost of capital that is likely to be less accurate than is possible.

Q47. IS THE USE OF THE ECAPM EQUIVALENT TO ADJUSTING THE ESTIMATED BETAS FOR THE SAMPLE COMPANIES?

A47. No. Fundamentally, this is not an adjustment (increase) in beta. This can easily be seen by the fact that the expected return on high beta stocks is lower with the ECAPM than when estimated by the CAPM. The ECAPM model is a recognition that the actual slope of the risk-return tradeoff is flatter than predicted and the intercept higher based upon

repeated empirical tests of the model.[17] Even if the beta of the sample companies were estimated accurately, the CAPM would still underestimate the required return for low beta stocks. Even if the ECAPM were used, the costs of equity would be underestimated if the betas were underestimated.

2. Discounted Cash Flow Method

Q48. PLEASE DESCRIBE THE DISCOUNTED CASH FLOW APPROACH.

A48. The DCF model takes the first approach to cost-of-capital estimation, i.e., to attempt to estimate the cost of capital in one step. The method assumes that the market price of a stock is equal to the present value of the dividends that its owners expect to receive. The method also assumes that this present value can be calculated by the standard formula for the present value of a cash flow stream:

$$P = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \frac{D_3}{(1+k)^3} + \cdots + \frac{D_T}{(1+k)^T} \qquad \textbf{(4)}$$

where "P" is the market price of the stock; "D_t" is the dividend cash flow expected at the end of period t (i.e., subscript period 1, 2, 3 or T in the equation); "k" is the cost of capital; and "T" is the last period in which a dividend cash flow is to be received. The formula just says that the stock price is equal to the sum of the expected future dividends, each discounted for the time and risk between now and the time the dividend is expected to be received.

Most DCF applications go even further, and make very strong (i.e., unrealistic) assumptions that yield a simplification of the standard formula, which then can be rearranged to estimate the cost of capital. Specifically, if investors expect a dividend stream that will grow forever at a steady state, the market price of the stock will be given by a very simple formula,

[17] Many investment firms make an adjustment to the beta. A commonly used adjustment is the Merrill Lynch adjustment, which adjusts betas 1/3 toward one. This type of adjustment is intended to compensate for sampling errors in the beta estimation, not for the empirical fact that CAPM tends to overestimate the sensitivity of the cost of capital to beta. See Appendix C for a more detailed explanation.

$$P = \frac{D_1}{(k-g)} \tag{5}$$

where "D_1" is the dividend expected at the end of the first period, "g" is the perpetual growth rate, and "P" and "k" are the market price and the cost of capital, as before. Equation (5) is a simplified version of Equation (4) that can be solved to yield the well known "DCF formula" for the cost of capital:

$$\begin{aligned} k &= \frac{D_1}{P} + g \\ &= \frac{D_0 \times (1+g)}{P} + g \end{aligned} \tag{6}$$

where "D_0" is the current dividend, which investors expect to increase at rate g by the end of the next period, and the other symbols are defined as before. Equation (6) says that if Equation (5) holds, the cost of capital equals the expected dividend yield plus the (perpetual) expected future growth rate of dividends. I refer to this as the simple DCF model. Of course, the "simple" model is simple because it relies on very strong, unrealistic, assumptions.

Q49. ARE THERE OTHER VERSIONS OF THE DCF MODELS BESIDES THE "SIMPLE" ONE?

A49. Yes. There are many variations on the DCF models that may rely on less strong (more realistic) assumptions in that they allow growth rates to vary over time. I consider a variant of the DCF model that uses the companies' individual growth rates during the first five years, converges to a perpetual growth rate in years 6-10 and then uses the GDP growth rate as the perpetual growth rate after year 10 for all companies. This is a variant of the "multi-stage" DCF method. The DCF models are described in detail in Section I of Appendix D. (Section II of Appendix D provides the details of my empirical DCF results.)

Q50. WHAT ARE THE MERITS OF THE DCF APPROACH?

A50. The DCF approach is conceptually sound if its assumptions are met, but can run into difficulty in practice because those assumptions are so strong, and hence so unlikely to

correspond to reality. Two conditions are well known to be necessary for the DCF approach to yield a reliable estimate of the cost of capital: the variant of the present value formula that is used must actually match the variations in investor expectations for the dividend growth path; and the growth rate(s) used in that formula must match current investor expectations. Less frequently noted conditions may also create problems. (See Appendix D for details.)

Q51. WHAT IS THE MOST DIFFICULT PART OF IMPLEMENTATING THE DCF APPROACH?

A51. Finding the right growth rate(s) is the usual "hard part" of a DCF application. The original approach to estimation of the growth rate, *g*, relied on average historical growth rates in observable variables, such as dividends or earnings, or on the "sustainable growth" approach, which estimates *g* as the average book rate of return times the fraction of earnings retained within the firm. But it is highly unlikely that these historical averages over periods with widely varying rates of inflation and costs of capital will equal current growth rate expectations. This is particularly true for the water sample as many companies in the industry are growing fast, engaged in mergers, acquisitions or other restructuring activities.

Moreover, the constant growth rate DCF model requires that dividends and earnings grow at the same rate for companies that on average earn their cost of capital.[18] It is inconsistent with the theory on which the model is based to have different growth rates in earnings and dividends over the period when growth is assumed to be constant. If the growth in dividends and earnings were expected to vary over some number of years before settling down into a constant growth period, then it would be appropriate to

[18] Why must the two growth rates be equal in a steady-growth DCF model? Think of earnings as divided between reinvestment, which funds future growth, and dividends. If dividends grow faster than earnings, there is less investment and slower growth each year. Sooner or later dividends will equal earnings. At that point, growth is zero because nothing is being reinvested (dividends are constant). If dividends grow slower than earnings, each year a bigger fraction of earnings are reinvested. That makes for ever faster growth. Both scenarios contradict the steady-growth assumption. So if you observe a company with different expectations for dividend and earnings growth, you know the company's stock price and its dividend growth forecast are inconsistent with the assumptions of the steady-growth DCF model.

estimate a multistage DCF model. In the multistage model, earnings and dividends can grow at different rates, but must grow at the same rate in the final, constant growth rate period. A difference between forecasted dividend and earnings rates therefore is a signal that the facts do not fit the assumptions of the simple DCF model.

Q52. HOW DO YOU ESTIMATE THE GROWTH RATES YOU USE IN YOUR DCF ANALYSIS?

A52. I use earnings growth rate forecasts from Bloomberg and *Value Line*. Analysts' forecasts are superior to using single variables in time series forecasts based upon historical data as has been documented and confirmed extensively in academic research. Please see Section I in Appendix D for a detailed discussion on this issue.

Q53. ARE YOU AWARE THAT THE COMMISSION STAFF TYPICALLY RELIES ON AN AVERAGE OF HISTORICAL GROWTH RATES OF EARNINGS AND DIVIDENDS, ALONG WITH FORECASTS OF EARNINGS AND DIVIDEND GROWTH RATES, TO ESTIMATE THE GROWTH RATE FOR THE DCF MODEL?

A53. Yes, but I do not believe that this is the best way to estimate the growth rate for use in the DCF model for the following reasons. First, as mentioned above, the model requires that dividends and earnings grow at the same rate at some point in the future in order to apply the model. The data on historical growth rates do not confirm this condition. Second, analysts have access to historical information and include that information in their forecast of earnings growth rates. In other words, using historical data provides no additional information than that captured in analyst forecasts.

Finally, averaging wildly different growth rate estimates in the hopes of having the extremes cancel out calls into question whether the DCF model is applicable at this time to the sample companies.

Q54. ARE YOU AWARE OF EVIDENCE THAT ANALYSTS' FORECASTS OF EARNING GROWTH HAVE HISTORICALLY OVER-ESTIMATED EARNINGS AND DIVIDEND GROWTH?

A54. Yes. Although analyst forecasts have historically been too optimistic, this problem is less acute for regulated companies.[19] Further, according to a recent joint report by NASD and the NYSE,

> ... the SRO Rules have been effective in helping restore integrity to research by minimizing the influences of investment banking and promoting transparency of other potential conflicts of interest. Evidence also suggests that investors are benefiting from more balanced and accurate research to aid their investment decisions.[20]

In addition, the use of a two-stage DCF model, which substitutes the forecast growth of GDP, mitigates analyst optimism by substituting the GDP growth rate for the potentially optimistic (or pessimistic) earnings forecasts of analysts.

Q55. HOW WELL ARE THE CONSTANT-GROWTH RATE CONDITIONS NECESSARY FOR THE RELIABLE APPLICATION OF THE DCF LIKELY TO BE MET FOR THE SAMPLE COMPANIES AT PRESENT?

A55. The requisite conditions for the sample companies are not fully met at this time, particularly for the water sample. Of particular concern for this proceeding is the uncertainty about what investors truly expect the long-run outlook for the sample companies to be. The longest time period available for growth rate forecasts of which I am aware is five years. The long-run growth rate (i.e., the growth rate after the water industry settles into a steady state, which may be beyond the next five years for this industry) drives the actual results one gets with the DCF model. Unfortunately, this implies that unless the company or industry in question is stable – so there is little doubt

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[19] See, for example, L. K.C. Chan, J. Karceski, and J. Lakonishok (2003), "The Level and Persistence of Growth Rates," *Journal of Finance* 58(2), pp. 643-684.

[20] Joint Report by NASD and NYSE on the Operation and Effectiveness of the Research Analyst Conflict of Interest Rules, December 2005, p. 44.

as to the growth rate investors expect – DCF results in practice can end up being driven by the subjective judgment of the analyst who performs the work.

Of the eight companies in the water sample, only four have growth forecasts from both Bloomberg and *Value Line,* and two have only one analyst following them.[21] The average long-term earnings forecasts vary from a low of 0.6 percent to a high of 13.1 percent. Additionally, the analysts' forecasts for individual companies range widely. For example, the median BEst growth forecast for Southwest Water Co is 9.7 percent while the *Value Line* forecast is 23.6 percent. The lack of sufficient analyst following and the large variation in growth forecasts indicate that these forecasts are less reliable than ideal. The growth rates for gas LDC sample vary less from an average of 3.0 to 7.1 percent, and are more consistent with the GDP growth forecast of 4.9 percent. Of the ten companies in the gas LDC sample, one has only two analysts providing a forecast (one *Value Line* and one BEst). Thus, the available data are far from being ideal. As discussed above, the two-stage DCF model adjusts for any overly optimistic (or pessimistic) growth rate forecasts by adjusting the 5-year growth rate forecasts of the analysts toward the long-term GDP growth rate in the years after year 5. See Appendix D, *Section I* for a discussion of the two-stage model.

The DCF growth rates, whether estimated from historical data or from analyst forecasts, have likely been affected by several factors: many mergers and acquisitions in the water industry in recent years, significant growth in many parts of the country, and a trend towards consolidation. The industry appears to be moving towards a larger degree of consolidation – at least among the privately held water utilities. The consolidation of the industry may well increase as the industry needs significant infrastructure investments to comply with EPA water purification rules, maintain or replace old infrastructure, and deal with increased threats towards the water systems.[22] The American Society of Civil Engineers estimated in 2005 that the drinking water infrastructure required "$11 billion annually to replace aging infrastructure [...] and to comply with safe drinking water

[21] See Table BV-5 for details.

[22] See, for example, *Value Line*, Water Utility Industry, January 25, 2008.

regulations," while the wastewater segment required $390 billion in investments over the following 20 years.[23] Coupled with the rising construction costs of utility infrastructure, this creates uncertainty about future conditions and diverging expectations. The uncertainty associated with these factors increases the industry's business risk. Additionally, environmental regulations impact the industry as standards for water quality evolve over time, and there is potential for new safety and security requirements in the future. The industry has no federal regulator (other than for environmental and health issues), and state public utility commissions regulate most investor owned water utilities. Different regulatory bodies may lead to differing regulatory requirements for companies operating in adjacent parts of the country. Taken together, these factors mean that it may be some time before the water industry settles into anything investors will see as a stable equilibrium necessary for the reliable application of the DCF model.

Such circumstances imply that a commission may often be faced with a wide range of DCF estimates, none of which can be well grounded in objective data on true long-run growth expectations, *because no such objective data now exist.* DCF for firms or industries in flux is *inherently* subjective with regard to the most important parameter, the long-run growth rate that drives the answer.

In short, the unavoidable questions about the DCF model's strong assumptions cause me to view the DCF method as *inherently* less reliable than the risk-positioning approach described above. This is particularly true for the water sample, because of the data problems discussed above. However, because the DCF method has been widely used in the past, I submit DCF evidence in this case. DCF estimates also serve as a check on the values provided by the risk-positioning methods.

In this proceeding, I give little weight to the DCF results. However, I use the results as a check on the reasonableness of my risk-positioning estimates.

[23] *Report Card for America's Infrastructure*, The American Society of Civil Engineers, 2005, pp. 15, 55.

C. THE SAMPLES AND RESULTS

1. The Water Utility Sample

Q56. EARLIER YOU SAID THAT THE SAMPLE OF WATER UTILITIES HAD SERIOUS DATA WEAKNESSES. PLEASE ELABORATE ON THESE WEAKNESSES.

A56. In attempting to apply the DCF model to the sample, four companies had no *Value Line* growth forecasts. The size of the companies in the water sample also makes cost-of-capital estimation difficult. Currently, only four companies have more than $500 million in market value of equity. More important, however, is the fact that the stock of these companies trades relatively infrequently. For example, three of the eight water utilities traded an average of less than 20,000 shares per trading day since January of 2007. In percentage terms, these companies traded less than 0.2 percent of their shares outstanding.[24] By contrast, each of the gas LDC sample companies had an average trading volume of at least 107,000 shares per day (greater than 180,000 if Laclede Group were excluded), which in percentage terms represented more than 0.45 percent of shares outstanding for each company. Low trading volume causes concern because there may be a delay between the release of important information and the time that this information is reflected in prices. Such delay is well known to cause beta estimates to be statistically insignificant and possibly biased.

In addition to lack of data and the small size of the companies, there are firm-specific events that render the water utility sample less reliable than would be ideal. First, Aqua America (the largest of the companies) has gone through several mergers and acquisitions in recent years. Normally, I would not include companies with significant merger or acquisition activity in a sample because the individual information about the progress of the proposed merger is so much more important for the determination of the company's stock price than day-to-day market fluctuations. In practice, beta estimates for such companies tend to be too low. The growth rates for such companies may also be affected.

[24] The three companies are Connecticut Water Service Co., Middlesex Water Co., and York Water Co.

Second, Southwest Water Co. earns only 41 percent of its revenue from regulated activities.[25] I therefore report my results for both the full sample and a subsample of companies that do not include Southwest Water Co.

It is because of these weaknesses in the water sample that I also utilize a sample of natural gas LDCs. The selection procedure for this sample was summarized earlier and details are provided in Appendix B.

2. Risk-Positioning Cost-of-Capital Estimates

Q57. HOW IS YOUR TESTIMONY ORGANIZED CONCERNING THE RISK–POSITIONING METHOD TO ESTIMATE COST OF CAPITAL?

A57. This section first describes the input data used in the CAPM and ECAPM models, then reports the resulting cost-of-equity estimates for the samples. The second section of Appendix C details the empirical analysis.

a) Interest Rate Estimate

Q58. HOW DID YOU DETERMINE THE EXPECTED RISK-FREE INTEREST RATE?

A58. I reviewed current constant maturity U.S. Government bond yield data available from the St. Louis Federal Reserve Bank. For the period January 17 to February 7, 2008, the average yield on 30-day Treasury bills was 2.16 percent and the average yield on long-term government bonds was 4.33 percent.[26]

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[25] However, the majority of the company's property, plant and equipment belongs to its regulated utilities. See Southwest Water Co. 2006 10-K p. 93.

[26] See Table No. BV-9.

b) Betas and the Market Risk Premium

Q59. WHAT BETA ESTIMATES DID YOU USE IN YOUR ANALYSIS FOR THE SAMPLES?

A59. I rely upon the most recent betas estimated by *Value Line* for both the water sample and for the gas LDC sample.

Q60. ARE THE BETA VALUES REPORTED BY *VALUE LINE* ADJUSTED BETAS?

A60. Yes. *Value Line* reports betas that are adjusted about 1/3 towards one. For this proceeding, I reverse the *Value Line* adjustment. *Value Line* and many investment firms adjust the estimated betas. This type of adjustment is intended to compensate for sampling errors in the beta estimation, not for the empirical fact that the CAPM tends to overestimate the sensitivity of the cost of capital to beta. I use adjusted betas when the sample companies display statistically significant sensitivity to interest rate changes or likely would do so short of measurement errors. For this proceeding I use unadjusted betas as I have in past appearances before the Commission concerning water and wastewater utilities.

Q61. PLEASE SUMMARIZE THE BETA ESTIMATES YOU RELY ON.

A61. After reversing the *Value Line* adjustment procedure, the average estimated *Value Line* beta for the water sample is about .84 while the average for the gas LDC sample is about .80. These beta estimates are reported in Workpaper #1 to Tables No. BV-10 and BV-22.

Q62. WHAT VALUE DO YOU USE FOR THE MARKET RISK PREMIUM?

A62. For the premium over the short-term risk-free interest rate I use 8.0 percent, while for the premium over the long-term risk-free interest rate I use 6.5 percent, for the reasons discussed before and in Appendix C.

Q63. PLEASE EXPLAIN THE METHOD TO ADJUST FOR DIFFERENCES IN CAPITAL STRUCTURE.

A63. Starting with the ATWACC, the cost of equity for any capital structure within a broad range of capital structures can be determined by the following formula:

$$\text{Return on equity} = \frac{\text{ATWACC - Return on debt} \times \text{\% debt in capital structure} \times (1\text{- tax rate})}{\text{\% equity in capital structure}}$$

This is the calculation that is displayed in Tables No. BV-12 and BV-24.[27] The tables display the result of converting the sample average ATWACC to a return on equity for a specific capital structure. It is straightforward to use this method to determine the cost of equity consistent with the capital structure.

c) Risk-Positioning Results

Q64. WHAT ARE THE COST-OF-EQUITY ESTIMATES DERIVED FROM THE RISK-POSITIONING APPROACH FOR THE WATER SAMPLE?

A64. Using the long-term interest rate in the two risk-positioning models (CAPM and ECAPM), with two values of the ECAPM parameter (0.5% and 1.5%), I obtain three estimates of each sample company's cost of equity (Tables No. BV-10 and BV-22). The cost-of-equity estimates are combined with the estimates of the company's cost of debt and preferred to calculate the company's ATWACC (Tables No. BV-11 and BV-23). Tables No. BV-12 and BV-24 combine the sample average ATWACC with Arizona-American's capital structure, cost of debt, and tax rate to obtain the cost of equity at Arizona-American's 46.9 percent equity. Panel A of Table No. BV-12 shows the cost of equity and ATWACC value for all water sample companies, while Panel B shows the results for the subsample of companies with significant revenue from regulated water utility activities. The cost-of-equity results are summarized below in Table 3 below.

[27] For companies that have preferred equity, an additional term equal to (Return on preferred equity x % preferred in capital structure) is subtracted from the numerator of this fraction.

Table 3. Cost-of-Equity Estimates

Regulatory Capital Structure: *46.9% Equity / 0.0% Preferred / 53.1% Debt* *2008 Tax Rate:* *38.6%*

	METHODS								
	RISK POSITIONING (using Long-Term Risk-Free Rate)			RISK POSITIONING (using Short-Term Risk-Free Rate)				DCF	
	CAPM	α = 0.5%	α = 1.5%	CAPM	α = 1%	α = 2%	α = 3%	Simple	Multi-stage
[1] **Water Sample***									
Full Sample									
Cost of Equity	13.6%	13.6%	13.7%	12.6%	12.6%	12.7%	12.8%	16.5%	10.2%
Average ATWACC	8.3%	8.4%	8.4%	7.9%	7.9%	7.9%	8.0%	9.7%	6.8%
Sub-sample									
Cost of Equity	13.5%	13.5%	13.6%	12.5%	12.6%	12.7%	12.8%	15.5%	10.2%
Average ATWACC	8.3%	8.3%	8.4%	7.8%	7.9%	7.9%	8.0%	9.3%	6.8%
[2] **Gas LDC Sample****									
Cost of Equity	11.5%	11.6%	11.9%	10.3%	10.6%	10.8%	11.1%	10.8%	10.9%
Average ATWACC	7.4%	7.4%	7.6%	6.8%	6.9%	7.1%	7.2%	7.1%	7.1%

[3] Risk Positioning Security Market Line Parameters:

Long-Term		*Short-Term*	
Risk Free Rate Estimate:	4.3%	Risk Free Rate Estimate:	2.2%
Estimated MRP:	6.5%	Estimated MRP:	8.0%

Multi-Stage DCF Parameter:

GDP Growth Estimate: 4.9%

Sources and Notes:

* For the Water Sample, Risk Positioning data from Table No. BV-12 and DCF data from Table No. BV-8.

** For the Gas LDC Sample, Risk Positioning data from Table No. BV-22 and DCF data from Table No. BV-19.

[1] The full water sample consists of American States Water Co, Aqua America Inc, California Water Service Group, Connecticut Water Service Inc, Middlesex Water Co, SJW Corp, Southwest Water Co, and York Water Co. The subsample excludes Southwest Water Co. Results exclude companies whose estimated cost of equity is less than their cost of debt plus 25 basis points.

[2] The gas LDC sample consists of AGL Resources, Atmos Energy Corp, Laclede Group, New Jersey Resources, Nicor Inc., Northwest Natural Gas, Piedmont Natural Gas, South Jersey Industries, Southwest Gas, and WGL Holdings.

[3] See Appendices C and D for details on Risk Positioning and DCF parameters used in estimates.

Using the short-term interest rate in the two risk-positioning models (CAPM and ECAPM) and using different values for the ECAPM parameter, α, I obtain four estimates of each sample companies' cost of equity. These estimates are also displayed in Tables No. BV-12 and BV-24. As for the long-term interest rate, I summarize the cost-of-equity results above in Table 3.

Q65. PLEASE SUMMARIZE YOUR FINDINGS FROM THE RISK-POSITIONING MODEL.

A65. Focusing on the middle ECAPM (α = .50%) for the long-term risk-positioning model, I find that the water sample's cost of equity of about 13.5 percent. I do not rely on the short-term models for reasons discussed below. However, it is more correct to say that the sample results indicate a range of values from about 13.25 to 13.75 percent for the long-term model. Looking at the gas LDC sample, the results are lower, for a range of approximately 11.5 to 12.0 percent for the long-term risk-positioning model. Because

short-term interest rates have been repeatedly driven down by the Federal Reserve in an effort to prevent the economy from sliding into a recession and to provide liquidity in the credit markets in the wake of the subprime mortgage crisis,[28] I assign no weight to the short-term model in this proceeding. This is consistent with, for example, a recent decision by the Surface Transportation Board that decided to rely on the CAPM using 20-year Treasury bonds for the risk-free rate, 5-year weekly beta estimates, and Ibbotson's reported long-term market risk premium when determining railroads' cost of equity.[29] Additionally, as discussed previously, I place very little weight on the water sample results because of numerous data problems. Therefore, I conclude that the risk-positioning model provides cost-of-equity estimates in the range of 11.5 to 12.0 percent. I discuss the assessment of Arizona-American's cost of equity in the concluding section.

Q66. DID YOU PERFORM ANY ADDITIONAL ANALYSIS USING THE RISK-POSITIONING MODEL?

A66. Yes. I repeated the analysis incorporating Arizona-American's short-term debt into the capital structure, which results in a 41.6 percent equity ratio. More specifically, using the same overall cost-of-capital estimates from each of the two samples (Tables No. BV-11 and BV-23), I included the short-term debt percentage and the corresponding cost of short-term debt in the calculation of Arizona-American's cost of equity. The calculations are shown in Tables No. BV-14 and BV-26 for the water and gas LDC sample respectively. The results, which are summarized in Table 4 below, show that the risk-positioning model yields estimates that are, on average, approximately 100 to 150 basis points higher than those obtained using only long-term debt in the capital structure.

[28] As recently as on March 18, 2008, the Federal Reserve cut the Federal Funds rate by .75 percent, so that it now (March 18, 2008) stands at 2.25 percent. Also, on March 14, 2008 the Federal Reserve joined forces with JPMorgan to bail out the failing Bear Stearns bank. See, for example, Craig Torres, Bernanke Discards Monetary History with Bear Stearns Bailout, *Bloomberg*, March 15, 2008. See also, *Business Week*, A Sweeter Bear Bid May Sour the Fed, March 24, 2008.

[29] *STB Ex Parte No. 664*, Issued January 17, 2008.

Table 4. Cost-of-equity Estimates Computed Including Short-Term Debt in the Capital Structure

Regulatory Capital Structure: *41.6% Equity / 47.4% LT Debt / 11% ST Debt* *2008 Tax Rate:* *38.6%*

	METHODS								
	RISK POSITIONING (using Long-Term Risk-Free Rate)			RISK POSITIONING (using Short-Term Risk-Free Rate)				DCF	
	CAPM	α = 0.5%	α = 1.5%	CAPM	α = 1%	α = 2%	α = 3%	Simple	Multi-stage
[1] **Water Sample***									
Full Sample									
Cost of Equity	15.1%	15.1%	15.2%	14.0%	14.1%	14.1%	14.2%	18.4%	11.3%
Average ATWACC	8.3%	8.4%	8.4%	7.9%	7.9%	7.9%	8.0%	9.7%	6.8%
Sub-sample									
Cost of Equity	15.0%	15.1%	15.2%	13.9%	14.0%	14.1%	14.2%	17.3%	11.3%
Average ATWACC	8.3%	8.3%	8.4%	7.8%	7.9%	7.9%	8.0%	9.3%	6.8%
[2] **Gas LDC Sample****									
Cost of Equity	12.8%	12.9%	13.2%	11.4%	11.7%	12.0%	12.3%	12.0%	12.1%
Average ATWACC	7.4%	7.4%	7.6%	6.8%	6.9%	7.1%	7.2%	7.1%	7.1%

[3] Risk Positioning Security Market Line Parameters:

Long-Term		*Short-Term*		Multi-Stage DCF Parameter:	
Risk Free Rate Estimate:	4.3%	Risk Free Rate Estimate:	2.2%	GDP Growth Estimate:	4.9%
Estimated MRP:	6.5%	Estimated MRP:	8.0%		

Sources and Notes:

* For the Water Sample, Risk Positioning data from Table No. BV-14 and DCF data from Table No. BV-13.

** For the Gas LDC Sample, Risk Positioning data from Table No. BV-26 and DCF data from Table No. BV-25.

[1] The full water sample consists of American States Water Co, Aqua America Inc, California Water Service Group, Connecticut Water Service Inc, Middlesex Water Co, SJW Corp, Southwest Water Co, and York Water Co. The subsample excludes Southwest Water Co. Results exclude companies whose estimated cost of equity is less than their cost of debt plus 25 basis points.

[2] The gas LDC sample consists of AGL Resources, Atmos Energy Corp, Laclede Group, New Jersey Resources, Nicor Inc., Northwest Natural Gas, Piedmont Natural Gas, South Jersey Industries, Southwest Gas, and WGL Holdings.

[3] See Appendices C and D for details on Risk Positioning and DCF parameters used in estimates.

3. The DCF Cost-of-Capital Estimates

Q67. WHAT STEPS DO YOU TAKE IN YOUR DCF ANALYSES?

A67. Given the above discussion of DCF principles, the steps are to collect the data, estimate the sample companies' costs of equity at their current capital structures, and then to adjust the sample's estimates to Arizona-American's 46.9 percent equity ratio.

a) Growth Rates

Q68. WHAT GROWTH RATE INFORMATION DO YOU USE?

A68. For reasons discussed above and in Appendix D, historical growth rates today are not as relevant as forecasts of current investor expectations for these samples. I therefore use rates forecast by security analysts.

The ideal in a DCF application would be a detailed forecast of future dividends, year by year well into the future until a true steady state (constant) dividend growth rate was reached, based on a large sample of investment analysts' expectations. I know of no source of such data. Dividends are ultimately paid from earnings, however, and earnings forecasts from a number of analysts are available for a few years. Investors do not expect dividends to grow in lockstep with earnings, but for companies for which the DCF approach can be used reliably (*i.e.*, for relatively stable companies whose prices do not include the option-like values described in Appendix D), they do expect dividends to track earnings over the long-run. Thus, use of earnings growth rates as a proxy for expectations of dividend growth rates is a common practice.

Accordingly, the first step in my DCF analysis is to examine a sample of investment analysts' forecast earnings growth rates from Bloomberg and *Value Line* to the degree such forecasts are available. The details are in Appendix D. At present, *Value Line* data run through a 2010-2012 horizon, representing an average of about four years from the current earning forecasts available for 2007. Bloomberg also provides a long-term earnings growth rate estimate. The longest-horizon forecasted growth rates from these sources underlie the simple DCF model (*i.e.*, the standard perpetual-growth model associated with the "DCF formula," dividend yield plus growth). Unfortunately, the longest growth forecast data only go out four to five years, which is too short a period to make the DCF model completely reliable.

b) Dividend and Price Inputs

Q69. WHAT VALUES DO YOU USE FOR DIVIDENDS AND STOCK PRICES?

A69. Dividends are either for the 4th quarter of 2007, or for the first quarter of 2008, depending on the most recent dividend information available at the time of estimation for each company.[30] This dividend is grown at the estimated growth rate and divided by the price described below to estimate the dividend yield for the simple DCF model.

[30] The dividend information was obtained from Bloomberg.

Stock prices are an average of closing stock prices for the 15-day trading period ending on the day the BEst forecast was obtained from Bloomberg. A 15-day stock price average is used to guard against anomalous price changes in any single day.

c) DCF Results

Q70. WHAT ARE THE DCF ESTIMATES FOR THE SAMPLES?

A70. The data are used in the two versions of the DCF method to get sample company estimates at the sample company's capital structure. The resulting cost of equity at Arizona-American's 46.9 percent equity estimates are shown in Table 3 above. There is a very large difference between the simple and multi-stage DCF results for the water sample (16.5 versus 10.2 percent), confirming the conclusion drawn above that the water industry is not in a stable equilibrium. As a result, DCF results from the water sample are unreliable, and I therefore do not put any weight on them in arriving at my final estimate. However, for the gas LDC sample both DCF models yields similar results (10.8 and 10.9 percent), suggesting that the gas LDC sample is indeed of better quality than the water sample at this time. In addition, DCF estimates for the gas LDC sample are not too different from risk-positioning results, albeit on average lower than them. As with the risk-positioning model, I repeated the analysis including short-term debt in the Company's capital structure. The calculations for the DCF analysis are shown in Tables No. BV-13 and BV-25 for the water and gas LDC sample respectively. The results are summarized in Table 4 above, and are about 120 basis points higher in the case of the gas LDC sample, and between 110 and 190 basis points higher in the case of the water sample.

IV. ARIZONA-AMERICAN'S COST OF EQUITY

Q71. WHAT CONCLUSIONS DO YOU DRAW FROM THE ABOVE DATA REGARDING EACH SAMPLE'S COST OF EQUITY AT ARIZONA-AMERICAN'S 46.9 PERCENT EQUITY RATIO?

A71. For the gas LDC sample, the estimated costs of equity from the risk-positioning model and from the DCF model are reasonably in line. For the water sample, estimates vary more significantly between different methods, and the DCF results are particularly variable. Although I do not rely upon the DCF model results for the water sample, I believe that DCF cost-of-capital estimates provide a useful check on the risk-positioning results for the gas LDC sample. The consistency of the multi-stage DCF and the risk-positioning cost-of-equity estimates for the gas LDC sample indicate that those estimates are reasonable.

Q72. DO YOU HAVE ANY COMMENTS REGARDING THE RESULTS OF THE RISK-POSITIONING MODELS?

A72. The estimated cost of equity displayed in Panel B of Table No. BV-12 compared to Table No. BV-24 is significantly higher on average for the water sample. The risk-positioning results are summarized above in Table 3. Of those results, the CAPM values deserve the least weight, because this method does not adjust for the empirical finding that the cost of capital is less sensitive to beta than predicted by the CAPM (which my testimony considers by using the ECAPM). Conversely, the ECAPM numbers deserve the most weight, because this method adjusts for the empirical findings.

Additionally, the estimates based upon the short-term risk-free rate are currently not very reliable for reasons discussed above. If the Fed believes further action is necessary, short-term rates are likely to fall further. On the other hand, if inflation becomes a concern, as it appears to be the case,[31] then short-term rates could remain constant or even start increasing. Because of this uncertainty, I give more weight to the estimates

[31] "Rising Inflation Limits the Fed as Growth Lags," *The New York Times*, February 21, 2008.

using the long-term risk-free rate at this time, because long-term interest rates are generally less responsive to Fed actions than short-term rates.

Q73. DID YOU CONSIDER ANY OTHER EVIDENCE WHEN ASSESSING THE REASONABLENESS OF ARIZONA-AMERICAN'S REQUESTED 11.75 PERCENT RETURN ON EQUITY?

A73. Yes. I reviewed recent water utility decisions from the Arizona Corporation Commission and compared the rates of return on equity and the capital structures to Arizona-American's regulatory capital structure.

Q74. PLEASE EXPLAIN THIS PROCEDURE.

A74. I obtained data on seventeen recent Arizona decisions on water and wastewater utilities from the Company. This data is summarized in Table 5 below.

Table 5. Capital Structure and Allowed Rate of Return on Equity in Recent Arizona Water Decisions

Company	Decision [1]	Date [2]	Common Equity [3]	Allowed Rate of Return on Equity [4]
Bella Vista Water Company	65350	11/1/2002	68.1%	9.1%
Clearwater Utilities	66782	2/13/2004	100.0%	9.1%
Arizona Water Company	66849	3/19/2004	66.2%	9.2%
Arizona-American Water Co. (Formerly Citizens)	67093	6/30/2004	39.9%	9.0%
Rio Rico Utilities	67279	10/5/2004	100.0%	8.7%
Las Quintas Serenas Water Co.	67455	1/4/2005	100.0%	8.1%
Forest Highlands	67983	7/18/2005	100.0%	8.1%
Pineview Water Co.	67989	7/18/2005	51.0%	8.9%
Chaparral City Water	68176	9/30/2005	58.8%	9.3%
Arizona Water Company	68302	11/14/2005	73.4%	9.1%
Arizona-American Water Co. (PV)	68858	7/28/2006	36.7%	10.4%
Black Mountain Sewer	69164	12/5/2006	100.0%	9.6%
Far West Water & Sewer Co.	69335	2/20/2007	56.0%	9.3%
Goodman Water Co.	69404	4/16/2007	100.0%	9.3%
Arizona-American Water Co. (Mohave W&WW)	69440	5/1/2007	40.0%	10.7%
Gold Canyon Sewer Company	69664	6/28/2007	100.0%	9.2%
Utility Source	70140	1/23/2008	100.0%	8.9%
Average			75.9%	9.2%
Average *			62.2%	9.2%

Sources and Notes:
[1]-[4]: Provided by Arizona-American Water Company.
Key: * Excluding Companies with 100% of common equity and Arizona-American Water Co.

Arizona-American's requested target regulatory capital structure consists of 46.9 percent equity which is significantly lower than that of all companies in the table (excluding Arizona-American itself). Therefore, Arizona-American's equity has more financial risk than most of the companies listed in Table 5. Consequently, the allowed return on equity for Arizona-American should be higher. To determine exactly how much higher, I calculate the ATWACC that corresponds to the capital structures and cost of equity in Table 5 using Arizona-American's current cost of debt and tax rate. I then determine the cost of equity that corresponds to the calculated ATWACC at Arizona-American's 46.9 percent equity, as well as at 41.6 percent equity, the value obtained if short-term debt is included in the calculation.[32] The result of this calculation is shown in Table 6 below.

Q75. WHAT ARE THE IMPLICATIONS OF TABLE 6 BELOW?

A75. Ignoring companies with no debt and Arizona-American, the average rate of return on equity was 11.1 percent when measured at 46.9 percent equity, and 12.3 percent when measured at 41.6 percent equity. The average for all water utilities was substantially higher.

[32] In performing this calculation, I assume that the rate base equals net book value. I understand that this in not true in Arizona but believe rates are calculated in a manner that produces similar results.

Table 6. Rate of Return on Equity that Provides the Same Cost to Customers at Arizona-American's Equity Ratio as Allowed in Recent Arizona Water Decisions

Decision [1]	Date [2]	Common Equity [3]	Allowed Rate of Return on Equity [4]	Implied ATWACC [5]	Implied Rate of Return at 46.9% Equity [6]	Implied Rate of Return at 41.6% Equity [7]
65350	11/1/2002	68.1%	9.1%	7.4%	11.5%	12.7%
66782	2/13/2004	100.0%	9.1%	9.1%	15.2%	16.9%
66849	3/19/2004	70.1%	9.2%	8.0%	12.8%	14.3%
67093	6/30/2004	39.9%	9.0%	5.4%	7.2%	7.9%
67279	10/5/2004	100.0%	8.7%	8.7%	14.3%	15.9%
67455	1/4/2005	100.0%	8.1%	8.1%	13.0%	14.5%
67983	7/18/2005	100.0%	8.1%	8.1%	13.0%	14.5%
67989	7/18/2005	51.0%	8.9%	6.2%	8.9%	9.9%
68176	9/30/2005	58.8%	9.3%	6.8%	10.2%	11.3%
68302	11/14/2005	73.4%	9.1%	8.1%	12.9%	14.4%
68858	7/28/2006	36.7%	10.4%	5.9%	8.4%	9.3%
69164	12/5/2006	100.0%	9.6%	9.6%	16.2%	18.1%
69335	2/20/2007	56.0%	9.3%	6.8%	10.2%	11.3%
69404	4/16/2007	100.0%	9.3%	9.3%	15.6%	17.4%
69440	5/1/2007	40.0%	10.7%	6.4%	9.4%	10.4%
69664	6/28/2007	100.0%	9.2%	9.2%	15.4%	17.1%
70140	1/23/2008	100.0%	8.9%	8.9%	14.7%	16.4%
Average		76.1%	9.2%	7.8%	12.3%	13.7%
Average*		62.9%	9.2%	7.2%	11.1%	12.3%

Sources and Notes: Columns [1] through [4] - provided by Arizona-American. Column [5] was computed using Arizona-American's current cost of debt and tax rate. Columns [6] and [7] were calculated using the ATWACC in column [5] and Arizona-American's cost of debt, tax rate, and regulatory capital structure, excluding and including short-term debt respectively.
Key: * Excludes the eight companies with 100% equity, and Arizona-American decisions (67093, 68858 and 69440).

Q76. BASED ON THE EVIDENCE WHAT IS YOUR CONCLUSION REGARDING ARIZONA-AMERICAN'S REQUEST 11.75 PERCENT RETURN ON EQUITY?

A76. Based on the results from my cost-of-capital estimation procedures and recent Arizona decision on water utilities' cost of equity, I conclude that an 11.75 percent return on equity is reasonable.

Q77. DOES THIS CONCLUDE YOUR TESTIMONY?

A77. Yes.

APPENDIX A

RESUME OF DR. BENTE VILLADSEN

Bente Villadsen's work concentrates in the areas of accounting and regulatory finance. She has extensive experience in cost of capital and credit issues in the utility industry as well the impact of regulatory initiatives. Further, Dr. Villadsen works on issues related to accounting disclosure and principles. Her recent work has included cost-of-capital analysis, energy efficiency issues, accounting issues pertaining to contract disputes in the petroleum, energy, and materials industries. Her work has included valuation, accounting disclosure and principles including impairment testing, leases, mark-to-market accounting, accounting for hybrid securities, accounting for equity investments, cash flow estimation etc. She has testified on accounting issues, cost of capital, and damages.

Dr. Villadsen holds a Ph.D. from Yale University's School of Management with a concentration in accounting. She has a joint degree in mathematics and economics (BS and MS) from University of Aarhus in Denmark. Prior to joining *The Brattle Group*, she was a Professor of Accounting at the University of Iowa, University of Michigan, and at Washington University in St. Louis where she taught financial and cost accounting. Dr. Villadsen also worked as a consultant for Risoe National Laboratories in Denmark.

REPRESENTATIVE EXPERIENCE

ENERGY AND PUBLIC UTILITY FINANCE

- Dr. Villadsen has filed several cost-of-capital testimonies and appeared at hearings for water and wastewater utilities in connection with rate hearings before state regulatory commissions. She has also filed testimony on cost of capital for electric utilities.

- She has considerable experience in estimating the cost of capital for major U.S. and Canadian utilities, pipelines, and railroads. The work has been used in connection with the companies' rate hearings before the Federal Energy Regulatory Commission, the Canadian National Energy Board, the Surface Transportation Board, and state and provincial regulatory bodies. The work has been performed for pipelines, integrated electric utilities, non-integrated electric utilities, gas distribution companies, water utilities, railroads and other parties.

- In connection with rate hearings for electric utilities, Dr. Villadsen has estimated the impact of power purchase agreements on the company's credit ratings and calculated appropriate compensation for utilities that sign such agreements to fulfill, for example, renewable energy requirements.

- Dr. Villadsen has been part of a team assessing the impact of conservation initiatives, energy efficiency, and decoupling of volumes and revenues on electric utilities financial performance. Specifically, she has estimated the impact of specific regulatory proposals on the affected utilities earnings and cash flow.

- For a large integrated utility in the U.S., Dr. Villadsen participated in all aspects of the company's rate filing, including the company's cost of capital, incentive based rates, and certain regulatory accounting issues.

- Dr. Villadsen has been involved in several projects evaluating the impact of credit ratings on electric utilities. She was part of a team evaluating the impact of accounting fraud on an energy company's credit rating and assessing the company's credit rating but-for the accounting fraud.

- For a large electric utility, Dr. Villadsen modeled cash flows and analyzed its financing decisions to determine the degree to which the company was in financial distress as a consequence of long-term energy contracts.

- For a large electric utility without generation assets, Dr. Villadsen assisted in the assessment of the risk added from offering its customers a price protection plan and being the provider of last resort (POLR).

ACCOUNTING AND CORPORATE FINANCE

- In a recent international arbitration matter, Dr. Villadsen filed expert testimony on the allocation of corporate overhead costs and damages in the form of lost profit.

- Dr. Villadsen has provided expert reports and testimony on several accounting issues in international and domestic arbitrations or court proceedings. In a recent international arbitration, she testified on the proper application of US GAAP in determining shareholders' equity. Among other topics, she testified regarding impairment of long-lived assets, lease accounting, the equity method of accounting, and the measurement of investing activities. In a U.S. arbitration, she provided expert reports on the equity method of accounting, the classification of debt versus equity and the distinction between categories of liabilities in a contract dispute between two major oil companies.

- In U.S. District Court, Dr. Villadsen filed testimony regarding the information required to determine accounting income losses associated with a breach of contract and cash flow modeling.

- She has worked extensively on litigation matters involving the proper application of mark-to-market and derivative accounting in the energy industry. The work relates to the proper valuation of energy contracts, the application of accounting principles, and disclosure requirements regarding derivatives.

- Dr. Villadsen evaluated the accounting practices of a mortgage lender and the mortgage industry to assess the information available to the market and ESOP plan administrators prior to the company's filing for bankruptcy. A large part of the work consisted of comparing the company's and the industry's implementation of gain-of-sale accounting.

- On behalf of senior management, Dr. Villadsen evaluated the performance of segments of regulated entities. In addition, she has reviewed and evaluated the methods used for in overhead allocation.

- She has worked on accounting issues in connection with several tax shelter cases. The focus of her work has been the application of accounting principles to evaluate intra-company transactions, the accounting treatment of security sales, and the classification of debt and equity instruments.

- Dr. Villadsen has modeled the cash flows of several companies to estimate the impact of specific (energy) contracts or to determine the impact of specific loans.

- For a company in the energy sector, she modeled cash flows to evaluate the company's need for additional funds over time and to assess its viability.

- She assisted in the estimation of net worth of individual segments for firms in the consumer product industry. Further, she built a model to analyze the segment's vulnerability to additional fixed costs and its risk of bankruptcy.

- For a large integrated oil company, Dr. Villadsen estimated the company's cost of capital and assisted in the analysis of the company's accounting and market performance.

- In connection with commercial litigation, Dr. Villadsen estimated the cost of capital for companies in the chemical industry and for companies in the cement industry.

RECENT PUBLICATIONS

"Building Sustainable Efficiency Businesses: Volume I – Approaches and Models," (with Joe Wharton and Peter Fox-Penner, and with "*The Brattle Group*" listed as author), *Edison Electric Institute*, forthcoming, Spring 2008.

"Measuring Return on Equity Correctly: Why current estimation models set allowed ROE too low," *Public Utilities Fortnightly*, August 2005 (with A. Lawrence Kolbe and Michael J. Vilbert).

"The Effect of Debt on the Cost of Equity in a Regulatory Setting," (with A. Lawrence Kolbe and Michael J. Vilbert, and with "*The Brattle Group*" listed as author), *Edison Electric Institute*, April 2005.

"Communication and Delegation in Collusive Agencies," *Journal of Accounting and Economics*, Vol. 19, 1995.

"Beta Distributed Market Shares in a Spatial Model with an Application to the Market for Audit Services" (with M. Hviid), *Review of Industrial Organization*, Vol. 10, 1995.

REPRESENTATIVE PRESENTATIONS

"Evaluating Alternative Business / Inventive Models," (with Joe Wharton). *EEI Workshop, Making a Business of Energy Efficiency: Sustainable Business Models for Utilities*, Washington DC, December 2007.

"Deferred Income Taxes and IRS's NOPR: Who should benefit?", *NASUCA Annual Meeting*, Anaheim, CA, November 2007.

"Current Issues in Cost of Capital," (with M.J. Vilbert). *EEI Electric Rates Advanced Course*, Madison, 2005.

"Issues for Cost of Capital Estimation," (with M.J. Vilbert). *EEI Cost of Capital Conference*, Chicago, 2004.

"Discussion of 'Are Performance Measures Other Than Price Important to CEO Incentives?'" *Annual Meeting of the American Accounting Association*, 2000.

"Contracting and Income Smoothing in an Infinite Agency Model: A Computational Approach," (with R.T. Boylan) *Business and Management Assurance Services Conference*, Austin 2000.

TESTIMONY

Direct Testimony on cost of capital and carrying charge on damages, U.S. Department of Energy, Bonneville Power Administration, BPA Docket No. WP-07, March 2008.

Expert Report and Supplemental Expert Report on the allocation of corporate overhead and damages from lost profit. The International Centre for the Settlement of Investment Disputes, Case No. ARB/03/29, February and April 2008 (*Confidential*).

Expert Report on accounting information needed to assess income. United States District Court for the District of Maryland (Baltimore Division), Civil No. 1:06cv02046-JFM, June 2007 (*Confidential*)

Expert Report, Rebuttal Expert Report, and Hearing Appearance regarding investing activities, impairment of assets, leases, shareholder' equity under U.S. GAAP and valuation. International Chamber of Commerce (ICC), Case No. 14144/CCO, May 2007, August 2007, September 2007. (Joint with Carlos Lapuerta, *Confidential*)

Direct Testimony, Rebuttal Testimony, and Hearing Appearance on cost of capital before the Arizona Corporation Commission on behalf of Arizona-American Water in Docket No. W-01303A-06-0491, July 2006, July 2007, August 2007.

Direct Testimony, Rebuttal Testimony, Rejoinder Testimony, Supplemental Rejoinder Testimony and Hearing Appearance on cost of capital before the Arizona Corporation Commission on behalf of Arizona-American Water in Docket No. W-01303A-06-0403, June 2006, April 2007, May 2007.

Direct Testimony, Rebuttal Testimony, Rejoinder Testimony, and Hearing Appearance on cost of capital before the Arizona Corporation Commission on behalf of Arizona-American Water in Docket No. W-01303A-06-0014, January 2006, October 2006, November 2006.

Expert report, rebuttal expert report, and deposition on behalf of a major oil company regarding the equity method of accounting and classification of debt and equity, August 2004 and November 2004. (*Confidential*).

APPENDIX B

SELECTING THE WATER AND GAS LDC SAMPLES AND THE USE OF MARKET VALUES

I. SAMPLE SELECTION AND THE CHARACTERISTICS OF EACH SAMPLE 2

A. THE WATER SAMPLE 2

B. THE GAS LOCAL DISTRIBUTION COMPANIES SAMPLE 4

II. MARKET VALUE CAPITAL STRUCTURE, COSTS OF DEBT & COSTS OF PREFERRED EQUITY 7

I. SAMPLE SELECTION AND THE CHARACTERISTICS OF EACH SAMPLE

A. The Water Sample

Q1. How did you select your sample of water utilities?

A1. The goal was to create a sample of companies whose primary business is as a regulated water utility with business risk generally similar to that of Arizona-American Water. To construct this sample, I started with the universe of nine water utility companies listed as such in the *Value Line Investment Survey - Plus Edition*. I then eliminated Sun Hydraulics because, although listed as a water utility, its operations consist mainly of producing industrial equipment.[1]

Normally, I would apply several additional selection criteria to eliminate companies with unique circumstances that may affect the cost of capital estimates. For example, I would normally eliminate companies with annual revenues lower than $300 million in 2006,[2] no or low bond ratings, lack of growth estimates or Bloomberg data, and all companies with announced dividend cuts or that were involved in significant merger activity over the last five years (2003 to today). However, applying these procedures to the eight water utilities followed by *Value Line* would result in a sample of at most two companies. (The areas of concern associated with the companies included in the sample are detailed below.) I try to balance my standard criteria against the need to have a reasonable sample size. This results in the use of all eight companies to form a full sample, as well as the use of seven companies to form a subsample with a high percentage of regulated revenues.[3] The eight companies that form the full sample of water utilities are American States Water Co., Aqua America Inc., California Water Service Group, Connecticut

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[1] Bloomberg lists it in the "metal fabricate/hardware" industry group, which is a subset of the "industrial" sector.

[2] Table No. BV-2 and its associated workpapers report the share of operating revenues from different lines of business in 2006 for these companies. (Table No. BV-1 provides an index to the other tables.)

[3] Southwest Water Company is dropped from the subsample because it only earns an estimated 41 percent of its 2006 revenues from regulated activities. The remaining companies in the subsample earn at least an estimated 89 percent of their 2006 revenues through regulated activities.

Water Service Inc., Middlesex Water Co., SJW Corp., Southwest Water Co., and York Water Co.

Q2. Why do you usually eliminate companies currently involved in a merger from your samples?

A2. The stock prices of companies involved in mergers are often more affected by news relating to the merger than to movements in the stock market. In other words, the stock price "decouples" from its normal relationship to the stock market (the economy) which is the basis upon which a company's relative risk is calculated. Instead the stock price of a merger candidate is more affected by the latest speculation on the terms and probability of the merger.

Q3. What are some of the water sample's data problems?

A3. First, of the eight water utilities followed by *Value Line*, three companies (Connecticut Water, Middlesex Water, and York Water) have 2006 revenues below $100 million. If I were to consider the threshold of $300 million I usually rely on, then six of the eight companies would fall under it. The stocks of small companies frequently exhibit "thin trading" which means that their stock trades infrequently. Indeed, since January of 2007, the three companies listed above have traded an average of less than 20,000 shares per trading day. In percentage terms, these companies traded less than 0.2 percent of their shares outstanding. By contrast, each of the gas LDC sample companies had an average trading volume of at least 107,000 shares per day (180,000 if Laclede Group were excluded), which in percentage terms represented more than 0.45 percent of shares outstanding for each company. Greater trading volume gives the expert more confidence in the estimates since there is less likelihood of a delay between the release of important information and the time that this information is reflected in prices. Such delay is well known to cause beta estimates to be statistically insignificant and possibly biased.

Second, four companies lack long-term earnings forecasts from *Value Line*, and two companies only have one analyst providing BEst growth rate forecasts. In addition, the existing growth rates estimates are highly variable, ranging from a low of 0.6 percent to a high of 13.1 percent. Such highly variable growth rates are not indicative of an industry

that is stable and cast doubt on the applicability of the DCF model to this industry at this time.

Third, only two companies have significant revenue, have stocks with substantial trading, have a bond rating and have more than one long-term growth forecast from BEst.

Fourth, many companies have significant merger activity over the last five years, leading *Value Line* to note that "mergers and acquisitions activity has remained at a feverishly high pace."[4] For example, Aqua America acquired more than two dozen smaller companies in 2007, while Southwest Water Co. completed six small acquisitions in the last three years, the most recent of which in February 2008.[5] The large number of mergers and acquisitions is an indication of an industry in flux which will certainly affect the DCF estimates and perhaps the risk positioning estimates as well.

These factors may all potentially affect the cost of equity estimates in ways not completely predictable. Because of the substantial data problems and the lack of a large number of publicly traded water utilities, without considering the gas LDC sample I would be forced to rely either on a sample with significant data problems, or on a sample with at most two companies (Aqua America Inc., and California Water Services Group).[6]

B. The Gas Local Distribution Companies Sample

Q4. How do you select your gas local distribution company sample?

A4. To select this sample, I started with the universe of publicly traded natural gas utilities covered by *Value Line Investment Survey – Plus Edition*. This resulted in an initial group of 20 companies. I then eliminated companies by applying additional selection criteria

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[4] *Value Line Investment Survey*, Water Utility Industry, January 25, 2008.

[5] Sources: *Value Line Investment Survey*, January 25, 2008, Bloomberg mergers and acquisitions historical search, performed February 5, 2008.

[6] Several companies have multiple problems. For example, Connecticut Water has revenues below $100 million, exhibits thin trading and lacks *Value Line* long-term earnings growth forecasts. Middlesex Water has revenues below $100 million and no long-term *Value Line* earnings forecast. York Water has revenues below $100 million, exhibits thin trading and has no long-term *Value Line* earnings forecast.

designed to eliminate companies with unique circumstances which may bias the cost of capital estimates.

Q5. What are the selection criteria you applied?

A5. I eliminated all companies whose regulated assets are not greater than 50 percent of their total assets as reported in each company's 2006 10-K form, because one goal for this sample was for the companies to derive the majority of their revenues from regulated activities. I also eliminated all companies whose bond rating was less than BBB- as rated by S&P, and companies that had a large merger during the period February 2003 to February 2008.[7] Merger activity is obtained from Bloomberg, which provides a history of past acquisitions and divestitures for each company, and also the size of each transaction, if such information is available.[8] To guard against measurement bias caused by "thin trading," I also restricted the sample to companies with total operating revenues greater than $300 million in 2006.

Finally, I required that the companies have historical data available from Bloomberg and that they had no dividend cuts or restatement of financial statements in the past five years, since the latter can be signs of financial distress.

The final sample consists of ten gas LDC companies: AGL Resources Inc., Atmos Energy Corp., Laclede Group Inc., Nicor Inc., New Jersey Resources Corp., Northwest Natural Gas Co., Piedmont Natural Gas Co., South Jersey Industries Inc., Southwest Gas Corp., and WGL Holdings Inc.

Q6. What companies did you eliminate before arriving at the final sample?

A6. I eliminated three companies because they had no bond rating and their annual revenues were less than $300 million (Chesapeake Utilities Corp., EnergySouth Inc., and RGC Resources Inc.), one company because it had no bond rating available (Energy West Inc.), four companies because their credit ratings were below investment grade (Amerigas

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[7] One company included in the sample (Atmos Energy Corp.) did undertake an acquisition in 2004. I discuss below the reasons for keeping it in the sample.

[8] For purposes of sample selection, a sizeable merger is defined to be one which would exceed 30 percent of the total capitalization of the company at the time of the merger announcement.

Partners LP, Ferrellgas Partners LP, Markwest Hydrocarbon Inc., and Star Gas Partners LP), and lastly two companies because they had significant M&A activity in the last five years (Southern Union Co. and UGI Corp.).

Q7. Are there any issues with the remaining companies in your sample?

A7. Possibly. Atmos Energy acquired TXU Gas Company in 2004 for $1.925 billion, making it a candidate for exclusion from the sample because of significant M&A activity. In balancing the goal to have a larger sample with the desire to have a problem-free sample, I decided to include Atmos in the gas LDC sample because the acquisition occurred relatively close to the five-year threshold that I consider relevant for this criterion. However, excluding Atmos Energy from the sample would raise cost of equity estimates by approximately 10 basis points. As a result, my estimates are conservative, and the inclusion of Atmos Energy is not a source of concern about sample quality.

Q8. Please compare the characteristics of the water utility sample and the gas LDC sample.

A8. Both samples consist of companies with substantial capital investments in distribution facilities. Also, companies in both samples earn a large percentage of their revenue from regulated activities and serve a mix of residential, industrial, and other customers. The water subsample includes only those companies with a higher percent of their revenues from regulated utilities and fewer data problems which was at least 89 percent of revenues from regulated activities in 2006. Companies in the gas LDC sample had at least 65 percent of their assets attributable to regulated activities. (See Table No. BV-2 and Table No. BV-13).[9] All companies in the water utility sample and the gas LDC sample are regulated by one or more states.

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[9] Water utilities often do not report the percentage of assets subject to regulatory activities, while gas LDCs do. Both measures are likely to be good indicators of the relative magnitude of regulated activities, which is relevant to gauge the risk of the entities. Therefore, Table No. BV-2 and its associated workpapers report the share of operating revenues from different lines of business in 2006 for water utilities while Table No. BV-13 reports the share of regulated assets for gas LDC companies. (Table No. BV-1 provides an index to the other tables.)

For both the water/wastewater industry and the gas distribution industry, environmental compliance costs and infrastructure investments are of importance. Many gas LDC companies discuss environmental clean-up requirements in their 10-K. Similarly, the companies in the water industry also face regulatory requirements from federal and local authorities through, for example, the Clean Water Act of 1974 and EPA enforcement, which will likely require the water industry to invest substantial amounts in infrastructure going forward.[10]

Q9. What do you conclude from the comparison of the water utility and the gas LDC samples?

A9. The two samples differ primarily in that they operate in two different (regulated) industries, but they are very similar in terms of the percentage of revenues from regulated operations and the customers they serve. The gas LDC sample provides a reasonable comparison sample for the water utility industry but without the substantial data issues.

II. MARKET VALUE CAPITAL STRUCTURE, COSTS OF DEBT & COSTS OF PREFERRED EQUITY

Q10. What capital structure information do you require?

A10. For reasons discussed in my written evidence and explained in detail in Appendix E, explicit evaluation of the market-value capital structures of the sample companies versus the capital structure used for rate making is vital for a correct interpretation of the market evidence. This requires estimates of the market values of common and preferred equity and debt, and the current market costs of preferred equity and debt.

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[10] The *Value Line Investment Survey* (Water Utility Industry, January 25, 2008) mentions "elevated infrastructure costs that should persist for years to come." More specifically, Value Line analysts "[...] suspect that many systems are still outdated and require additional renovations. That observation, coupled with more stringent water purification standards due to greater fear of bioterrorism, will result in high costs for the foreseeable future."

Q11. How do you calculate the market-value capital structures of the sample companies?

A11. I estimate the capital structure for each company by estimating the market values of common equity, preferred equity and debt from publicly available data. The calculations are in Panels A to H of Table No. BV-3 and Panels A to J of Table No. BV-16 for the water and gas LDC sample, respectively.

The market value of equity is straightforward: the price per share times the number of shares outstanding. The market value of preferred equity is set equal to its book value because the portion of the capital structure financed with preferred equity is generally small. The market value of debt is estimated at the book value of debt reported by Bloomberg plus or minus the difference in the estimated fair (market) value and book value of long-term debt as reported in the companies' 10-Ks or annual reports.[11]

For purposes of assessing financial risk to common shareholders, I add an adjustment for short-term debt to the debt portion of the capital structure. This adjustment is used only for those companies whose short-term (current) liabilities exceed their short-term (current) assets. I add an amount equal to the minimum of the difference between short-term liabilities and short-term assets or the amount of short-term debt. The reason for this adjustment is to recognize that when current liabilities exceed current assets, a portion of the company's long-term assets are being financed, in effect, by short-term debt.

The market value capital structure is calculated to be consistent with the time period over which the cost of capital is estimated for each sample. The capital structure is determined over the historical period over which the relevant risk positioning parameters were determined and as of the date analysts provide forward looking growth forecasts. Therefore, Tables No. BV-3 and BV-16 report the market value capital structure at year

[11] See Panels A through H in Table No. BV-3 and Panels A through J in Table BV-16 for details. The adjustment relies on the difference between the companies' self-reported fair value of long-term debt and the carrying value of the same line items. This information was obtained from the sample companies' annual reports.

end for the years ending 2002 – 2006, and the third quarter of 2007.[12] The output of each of these tables is the market equity-to-value, debt-to-value, and preferred equity-to-value ratios. The overall cost of capital calculation for the risk positioning estimates rely on the average of the market value capital structure computed for the years 2002 through third quarter of 2007, as shown in Tables No. BV-4 and BV-17, respectively. The results in columns [1]-[3] are used in the DCF model calculations, while columns [4]-[6] are for the risk positioning models.

Q12. How do you estimate the current market cost of preferred equity?

A12. For companies with preferred equity, the cost of preferred equity for each company was set equal to the yield on an index of preferred stock as reported in the *Mergent Bond Record* corresponding to the S&P rating of that company's debt. The yields from *Mergent Bond Record* were as of January 2008. In general, the average amount of preferred equity in the sample companies' capital structures is very small and frequently zero. No company in either sample has more than one percent on average.

Q13. How do you estimate the current market cost of debt?

A13. The market cost of debt for each company in the DCF analysis is the current yield reported by Bloomberg for a public utility company bond corresponding to the sample company's current debt rating as classified by S&P. The risk positioning analysis, on the other hand, uses the current yield of a utility bond that corresponds to the five-year average debt rating of each company so as to match consistently the horizon of information used by *Value Line* to estimate company betas. The current S&P debt ratings were obtained from Bloomberg.[13]

The fifteen day average yield on A-rated Public Utility bonds was 6.09 percent as of February 7, 2008, and 6.31 percent on average for BBB-rated Public Utility bonds. (See Panel A of Workpaper #1 to Table No. BV-11 for the yields on utility bonds and

[12] This was the most current information on the capital structures for the sample companies at the time this testimony was prepared.

[13] Southwest Water Co.'s debt rating was not available. I used a rating of A, which is the same as that of all other water utilities in the sample.

preferred stock by credit rating.) Calculation of the after-tax cost of debt uses the marginal tax rate 38.6 percent provided by the company.

APPENDIX C

RISK POSITIONING METHODOLOGY AND EMPIRICAL RESULTS

I. EQUITY RISK PREMIUM METHODOLOGY 2

A. THE BASIC EQUITY RISK PREMIUM MODEL 2

B. MARKET RISK PREMIUM 3

C. RELATIVE RISK 10

D. INTEREST RATE ESTIMATE 14

E. COST OF CAPITAL MODELS 14

II. EMPIRICAL EQUITY RISK PREMIUM RESULTS 16

A. RISK-FREE INTEREST RATE 16

B. BETAS AND THE MARKET RISK PREMIUM 17

1. Beta Estimation Procedures 17
2. Market Risk Premium Estimation 18

C. COST OF CAPITAL ESTIMATES 18

Q1. What is the purpose of this appendix?

A1. This appendix reviews the principles behind the risk positioning methodologies, describes the estimation of the parameters used in the models, and details the cost of capital estimates obtained from these methodologies. This appendix intentionally repeats portions of my direct testimony, because I want the reader to be able to have a full discussion of the issues addressed here, rather than having to continually turn back to the corresponding section of the testimony.

I. EQUITY RISK PREMIUM METHODOLOGY

Q2. How is this section of the appendix organized?

A2. It first reviews the basic nature of the equity risk premium approach. It then discusses the individual components of the model: the benchmark risk premium, the relative risk of the company or line of business in question, the appropriate interest rate, and the combination of these elements in a particular equity risk premium model.

A. THE BASIC EQUITY RISK PREMIUM MODEL

Q3. How does the equity risk premium model work?

A3. The equity risk premium approach estimates the cost of equity as the sum of a current interest rate and a risk premium. (It therefore is sometimes also known as the "risk premium" or the "risk positioning" approach.)

This approach may sometimes be applied informally. For example, an analyst or a commission may check the spread between interest rates and what is believed to be a reasonable estimate of the cost of capital at one time, and then apply that spread to changed interest rates to get a new estimate of the cost of capital at another time.

More formal applications of the equity risk premium method implement theoretical finance models of cost of capital. They use information on all securities to identify the security market line (Figure 1 in the body of the testimony) and derive the cost of capital for the individual security based on that security's relative risk. This equity risk premium

approach is widely used and underlies most of the current scholarly research on the nature, determinants and magnitude of the cost of capital.

Q4. How are "more formal applications" put into practice?

A4. The essential benchmarks that determine the security market line are the risk-free interest rate and the premium that a security of average risk commands over the risk-free rate. This premium is commonly referred to as the "market risk premium" ("MRP"), i.e., the excess of the expected return on the average common stock over the risk-free interest rate. In the equity risk premium approach the risk-free interest rate and MRP are common to all securities. A security-specific measure of relative risk (beta) is estimated separately and combined with the MRP to obtain the company-specific risk premium.

In principle, there may be more than one factor affecting the expected stock return, each with its own security-specific measure of relative risk and its own benchmark risk premium. For example, the "arbitrage pricing theory" and other "multi-factor" models have been proposed in the academic literature. These models estimate the cost of capital as the sum of a risk-free rate and several security-specific risk premia. However, none of these alternative models has emerged in practice as "the" improvement to use instead of the original, single-factor model. I use the traditional single-factor model in this testimony.

Accordingly, the required elements in my formal equity risk premium approach are the market risk premium, an objective measure of relative risk, the risk-free rate that corresponds to the measure of the market risk premium, and a specific method to combine these elements into an estimate of the cost of capital.

B. MARKET RISK PREMIUM

Q5. Why is a risk premium necessary?

A5. Experience (e.g., the U.S. market's October Crash of 1987) demonstrates that shareholders, even well diversified shareholders, are exposed to enormous risks. By investing in stocks instead of risk-free Government bills, investors subject themselves not

only to the risk of earning a return well below those they expected in any year but also to the risk that they might lose much of their initial capital. This is why investors demand a risk premium.

I estimate and show two versions of the Capital Asset Pricing Model ("CAPM"). The first version measures the market risk premium as the risk premium of average risk common stocks over the long-term risk-free rate. Because short-term risk-free rates currently are influenced substantially by monetary policy, I do not rely on the numbers from this version of the CAPM. Specifically, the short-term risk-free rates are unusually low and likely driven by the Federal Reserve's recent interest rate cuts.[1] It is also noteworthy that the Surface Transportation Board ("STB") in a recent decision decided to rely exclusively on long-term risk-free rates in the implementation of the CAPM.[2]

Q6. Please discuss some of the issues involved in selecting the appropriate MRP.

A6. To determine the cost of capital in a regulatory proceeding, the MRP should be used with an estimate of the same interest rate used to calculate the MRP (i.e., the short-term Treasury bill rate or the long-term Government rate). For example, it would be inconsistent to utilize a short-term risk-free with an estimate of the MRP derived from comparisons to long-term interest rates. In addition, the appropriate measure of the MRP should be based upon the arithmetic mean not the geometric mean return.[3] The arithmetic mean is the simple average while the geometric mean is the compound rate of return between two periods.

Q7. How do you estimate the MRP?

A7. There is presently little consensus on "best practice" for estimating the MRP, which does not mean that each approach is equally valid. For example, the latest edition of the leading graduate textbook in corporate finance, after recommending use of the arithmetic

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[1] According to the Federal Reserve Board: *Monetary Policy, Open Market Operations*, March 25, 2008, the Federal Reserve has cut interest rates 6 times for a total of 250 basis points since September 2007, so that the Federal Funds Rate now (March 25, 2008) stands at 2.25%.

[2] See, *STB Ex Parte No. 664*, issued January 17, 2008, p. 7.

[3] See, for example, Morningstar, *Stocks, Bonds, Bills, and Inflation: Valuation Edition 2007 Yearbook*, pp. 75-77.

average realized excess return on the market for many years (which for a while was noticeably over 9 percent), now reviews the current state of the research and expresses the view that the a range between 5 to 8 percent is reasonable for the U.S.[4,5] At the same time, Dimson, Marsh, and Staunton 2008 estimate that the average arithmetic risk premium of stocks over bonds in the U.S. was 6.5% for the period 1900 to 2007.[6] In a recent proceeding the Surface Transportation Board ("STB") decided to switch from a DCF model to the CAPM model when estimating the cost of equity for U.S. railroads. The STB further decided to rely on the arithmetic risk premium of stocks over long-term bonds as reported in Morningstar / Ibbotson.[7]

My written testimony considers both the historical evidence and the results of scholarly studies of the factors that affect the risk premium for average-risk stocks in order to estimate the benchmark risk premium investors currently expect. I consider the historical difference in returns between the Standard and Poor's 500 Index ("S&P 500") and the risk-free rate, recent academic literature on the MRP and the results of recent surveys to estimate the market risk premium.

Q8. Please summarize the recent literature on the MRP and the conclusions you draw from it.

A8. Some recent research based upon U.S. data challenges the conventional wisdom of using the arithmetic average historical excess returns to estimate the MRP. However, after reviewing the issues in the debate, I remain skeptical for several reasons that the market risk premium has declined in the U.S. as much as is claimed in some of the literature.

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[4] Richard A. Brealey, Stewart C. Myers, and Franklin Allen, *Principles of Corporate Finance*, McGraw-Hill, 8th edition, 2006, pp. 151-154.

[5] In past editions, the authors expressed the view that they are "most comfortable" with values toward the upper end of that range, but this language does not appear in the 8th edition. Although Professor Myers still holds this view, this language and other sections were dropped to accommodate a request to reduce the length of the text.

[6] Dimson, Marsh and Staunton, *Global Investment Returns Yearbook 2008*, p. 48.

[7] *STB Ex Parte No. 664*, Issued January 17, 2008, pp. 8-9.

First, despite eye-catching claims like "equity risk premium as low as three percent,"[8] and "the death of the risk premium,"[9] not all recent research arrives at the same conclusion. In his presidential address to the American Finance Association in 2001, Professor Constantinides seeks to estimate the unconditional equity premium based on average historical stock returns.[10] (Note that this address was based upon evidence just before the major fall in market value.) He adjusts the average returns downward by the change in price-earnings ratio because he assumes no change in valuations in an unconditional state. His estimates for 1926 to 2000 and 1951 to 2000 are 8.0 percent and 6.0 percent, respectively, over the 3-month T-bill rate. In another published study in 2001, Professors Harris and Marston use the DCF method to estimate the market risk premium for the U.S. stocks.[11] Using analysts' forecasts to proxy for investors' expectation, they conclude that over the period 1982-1998 the MRP over the *long-term* risk-free rate is 7.14 percent. As yet another example, the paper by Drs. Ibbotson and Chen (2003) adopts a supply side approach to estimate the forward looking long-term sustainable equity returns and equity risk premium based upon economic fundamentals. Their equity risk premium over the *long-term* risk-free rate is estimated to be 3.97 percent in geometric terms and 5.90 percent on an arithmetic basis. They conclude their paper by stating that their estimate of the equity risk premium is "far closer to the historical premium than being zero or negative."[12] Morningstar has in recent years updated part of the Ibbotson and Chen analysis and found in the 2007 edition that the arithmetic MRP was approximately 6.35 percent over government bonds.[13]

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[8] Claus, J. and J. Thomas, (2001), "Equity Risk Premium as Low as Three Percent: Evidence from Analysts' Earnings Forecasts for Domestic and International Stocks," *Journal of Finance* 56:1629-1666.

[9] Arnott, R. and R. Ryan, (2001), "The Death of the Risk Premium," *Journal of Portfolio Management* 27(3):61-84.

[10] Constantinides, G.M. (2002), "Rational Asset Prices," *Journal of Finance* 57:1567-1591.

[11] Robert S. Harris and Felicia C. Marston, "The Market Risk Premium: Expectational Estimates Using Analysts' Forecasts," *Journal of Applied Finance* 11 (1) 6-16, 2001.

[12] Ibbotson, R. and P. Chen (2003), "Stock Market Returns in the Long Run: Participating in the Real Economy," *Financial Analyst Journal*, 59(1):88-98. Cited figures are on p. 97.

[13] Morningstar, Morningstar, SBBI Valuation Edition 2007 Yearbook, p. 97.

Second, Professor Ivo Welch surveyed a large group of financial economists in 1998 and 1999. The average of the estimated MRP was 7.1 percent in Prof. Welch's first survey and 6.7 percent in his second survey which was based on a smaller number of individuals. A subsequent survey[14] by Prof. Welch reported only a 5.5 percent MRP.[15] In characterizing these results Prof. Welch notes that "[T]he equity premium consensus forecast of finance and economics professors seems to have dropped during the last 2 to 3 years, a period with low realized equity premia."[16]

The above quotation from Prof. Welch emphasizes the caution that must attend survey data even from knowledgeable survey participants: the outcome is likely to change quickly with changing market circumstances. Regulatory commissions should not, in my opinion, attempt to keep pace with such rapidly changing opinions.

Third, some of the evidence for negative or close to zero market risk premium simply does not make sense. Despite the relatively high valuation levels, stock returns remain much more volatile than Treasury bond returns. I am not aware of any empirical or theoretical evidence showing that investors would rationally hold equities and not expect to earn a positive risk premium for bearing their higher risk.

Fourth, I am unaware of a convincing theory for why the future MRP should have substantially declined. At the height of the stock market bubble in the U.S., many claimed that the only way to justify the high stock prices would be if the MRP had declined dramatically,[17] but this argument was heard less frequently after the market declined substantially from its tech bubble high. All else equal, a high valuation ratio such as price-earnings ratio implies a low required rate of return, hence a low MRP. However, there is considerable debate about whether the high level of stock prices

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[14] Ivo Welch (2000), "Views of Financial Economists on the Equity Premium and on Professional Controversies," *Journal of Business*, 73(4):501-537. The cited figures are in Table 2, p. 514.

[15] Ivo Welch (2001), "The Equity Premium Consensus Forecast Revisited," School of Management at Yale University working paper. The cited figure is in Table 2.

[16] *Ibid*, p. 8.

[17] See Robert D. Arnott and Peter L. Bernstein, "What Risk Premium is 'Normal'?," *Financial Analysts Journal* 58:64-85, for an example.

(despite the burst of the internet bubble from its high in the summer of 2000) represents the transition to a new economy or is simply an "irrational exuberance," which cannot be sustained for the long term. If the former case is true, then the MRP may have decreased permanently. Conversely, the long-run MRP may remain the same even if expected market returns in the short-term are smaller.

Another common argument for a lower expected MRP is that the U.S. experienced very remarkable growth in the 20th century that was not anticipated at the start of the century. As a result, the average realized excess return is overestimated meaning the standard method of estimating the MRP would be biased upward. However, one recent study by Professors Jorion and Goetzmann finds, under some simplifying assumptions, that the so-called "survivorship bias" is only 29 basis points.[18] Furthermore, "[I]f investors have overestimated the equity premium over the second half of the last century, Constantinides (2002) argues that 'we now have a bigger puzzle on our hands' Why have investors systematically biased their estimates over such a long horizon?"[19]

To sum up the above, I cite two passages from Profs. Mehra and Prescott's review of the theoretical literature on equity premium puzzle:[20]

> Even if the conditional equity premium given current market conditions is small, and there appears to be general consensus that it is, this in itself does not imply that it was obvious either that the historical premium was too high or that the equity premium has diminished.
>
> In the absence of this [knowledge of the future], and based on what we currently know, we can make the following claim: over the long horizon the equity premium is likely to be similar to what it has been in the past and the returns to investment in equity will continue to substantially dominate that in T-bills for investors with a long planning horizon.

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[18] Jorion, P., and W. Goetzmann (1999), "Global Stock Markets in the Twentieth Century," *Journal of Finance* 54:953-980. Dimson, Marsh, and Staunton (2003) make a similar point when they comment on the equity risk premia for 16 countries based on returns between 1900 and 2001: "While the United States and the United Kingdom have indeed performed well, compared to other markets there is no indication that they are hugely out of line." p.4.

[19] Mehra, R., and E.C. Prescott (2003), "The Equity Premium in Retrospect," in *Handbook of the Economics of Finance*, Edited by G.M. Constantinides, M. Harris and R. Stulz, Elsevier B.V, p. 926

[20] *Ibid*, p. 926.

Q9. Is there other scholarly support for the conclusion?

A9. Yes. Another line of research was pursued by Steven N. Kaplan and Richard S. Ruback. They estimate the market risk premium in their article, "The Valuation of Cash Flow Forecasts: An Empirical Analysis."[21] Professors Kaplan and Ruback compare published cash flow forecasts for management buyouts and leveraged recapitalization over the 1983 to 1989 period against the actual market values that resulted from these transactions. One of their results is an estimate of the market risk premium over the long-term Treasury bond yield that is based on careful analysis of actual major investment decisions, not realized market returns. Their median estimate is 7.78 percent and their mean estimate is 7.97 percent.[22] This is considerably higher than my estimate of 6.5 percent. Even if the maturity premium of Treasury bonds over Treasury bills were only 1 percent, well below the best estimate of 1.5 percent the resulting estimate of the market risk premium over Treasury bills is higher than my estimate of 8.0 percent.

Q10. In addition to the scholarly articles and survey evidence you discussed in Section I of your Direct Testimony, what other evidence do you consider to estimate the MRP?

A10. I also consider the long-run realized equity premia reported in Morningstar *SBBI Valuation Edition 2007 Yearbook*. The data provided cover the period 1926 through 2006. The results are discussed below.

Q11. What is the "long-run realized risk premium" in the U.S.?

A11. From 1926 to 2006, the full period reported, Morningstar's data show that the average premium of stocks over Treasury bills is 8.6 percent. I also examine the "post-War" period. The risk premium for 1947-2006 is 8.4 percent.[23] (I exclude 1946 because its economic statistics are heavily influenced by the War years; e.g., the end of price controls yielded an inflation rate of 18 percent. It is not really a "post-War" year, from an

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[21] *Journal of Finance*, 50, September 1995, pp. 1059-1093.

[22] *Ibid*, p. 1082.

[23] Morningstar, *SBBI Valuation Edition 2007 Yearbook*, Appendix A.

economic viewpoint.) These averages often change slightly when another year of data is added to the Ibbotson series. The average premium of stocks over the income returns on long-term Government bonds is 7.1 percent for the 1926 to 2006 period and 7.1 for the 1947 to 2006 period.

Recently there has been a great deal of academic research on the MRP. This research has put practitioners in a dilemma: there is nothing close to a consensus about how the MRP should be estimated, but a general agreement in the academic community seems to be emerging that the old approach of using the average realized return over long periods gives too high an answer.

Q12. What is your conclusion regarding the MRP?

A12. Estimation of the MRP remains controversial. There is no consensus on its value or even how to estimate it. Given a careful review of all of the information, I estimate the risk premium for average risk stocks to be 8.0 percent over Treasury bills and 6.5 percent over long-term Government bonds.

C. RELATIVE RISK

Q13. How do you measure relative risk?

A13. The risk measure I examine is the "beta" of the stocks in question. Beta is a measure of the "systematic" risk of a stock — the extent to which a stock's value fluctuates more or less than average when the market fluctuates. It is the most commonly used measure of risk in capital market theories.

Q14. Please explain beta in more detail.

A14. The basic idea behind beta is that risks that cannot be diversified away in large portfolios matter more than those that can be eliminated by diversification. Beta is a measure of the risks that *cannot* be eliminated by diversification.

Diversification is a vital concept in the study of risk and return. (Harry Markowitz won a Nobel Prize for work showing just how important it was.) Over the long run, the rate of return on the stock market has a very high standard deviation, on the order of 15 - 20

percent per year. But many individual stocks have much higher standard deviations than this. The stock market's standard deviation is "only" about 15 - 20 percent because when stocks are combined into portfolios, some of the risk of individual stocks is eliminated by diversification. Some stocks go up when others go down, and the average portfolio return — positive or negative — is usually less extreme than that of individual stocks within it.

In the limiting case, if the returns on individual stocks were completely uncorrelated with one another, the formation of a large portfolio of such stocks would eliminate risk entirely. That is, the market's long-run standard deviation would be not 15-20 percent per year, but virtually zero.

The fact that the market's actual annual standard deviation is so large means that, in practice, the returns on stocks are correlated with one another, and to a material degree. The reason is that many factors that make a particular stock go up or down also affect other stocks. Examples include the state of the economy, the balance of trade, and inflation. Thus some risk is "non-diversifiable". Single-factor equity risk premium models derive conditions in which all of these factors can be considered simultaneously, through their impact on the market portfolio. Other models derive somewhat less restrictive conditions under which several of them might be individually relevant.

Again, the basic idea behind all of these models is that risks that cannot be diversified away in large portfolios matter more than those that can be eliminated by diversification, because there are a large number of large portfolios whose managers actively seek the best risk-reward tradeoffs available. Of course, undiversified investors would like to get a premium for bearing diversifiable risk, but they cannot.

Q15. Why not?

A15. Well-diversified investors compete away any premium rates of return for diversifiable risk. Suppose a stock were priced especially low because it had especially high diversifiable risk. Then it would seem to be a bargain to well diversified investors. For example, suppose an industry is subject to active competition, so there is a large risk of

loss of market share. Investors who held a portfolio of all companies in the industry would be immune to this risk, because the loss on one company's stock would be offset by a gain on another's stock. (Of course, the competition might make the whole industry more vulnerable to the business cycle, but the issue here is the diversifiable risk of shifts in market share among firms.)

If the shares were priced especially low because of the risk of a shift in market shares, investors who could hold shares of the whole industry would snap them up. Their buying would drive up the stocks' prices until the premium rates of return for diversifiable risk were eliminated. Since all investors pay the same price, even those who are not diversified can expect no premium for bearing diversifiable risk.

Of course, substantial non–diversifiable risk remains, as the October Crash of 1987 demonstrates. Even an investor who held a portfolio of all traded stocks could not diversify against that type of risk. Sensitivity to such market–wide movements is what beta measures. That type of sensitivity, whether considered in a single- or multi-factor model, determines the risk premium in the cost of equity.

Q16. What does a particular value of beta signify?

A16. By definition, a stock with a beta equal to 1.0 has average non-diversifiable risk: it goes up or down by 10 percent on average when the market goes up or down by 10 percent. Stocks with betas above 1.0 exaggerate the swings in the market: stocks with betas of 2.0 tend to fall 20 percent when the market falls 10 percent, for example. Stocks with betas below 1.0 are less volatile than the market. A stock with a beta of 0.5 will tend to rise 5 percent when the market rises 10 percent.

Q17. How is beta measured?

A17. The usual approach to calculating beta is a statistical comparison of the sensitivity of a stock's (or a portfolio's) return to the market's return. Many investment services report betas, including Merrill Lynch's quarterly Security Risk Evaluation, Bloomberg and the *Value Line Investment Survey*. Betas are not always calculated the same way, and therefore must be used with a degree of caution, but the basic point that a high beta

indicates a risky stock has long been widely accepted by both financial theorists and investment professionals.

Q18. Are there circumstances when the "usual approach to calculating beta" should not be used?

A18. There are at least two cases where the standard estimate of beta should be viewed skeptically.

First, companies in serious financial distress seem to "decouple" from their normal sensitivity to the stock market. The stock prices of financially distressed companies tend to change based more on individual news about their particular circumstances than upon overall market movements. Thus, a risky stock could have a low estimated beta if the company was in financial distress. Other circumstances that may cause a company's stock to decouple include an industry restructuring or major changes in a company's supply or output markets.

Second, similar circumstances seem to arise for companies "in play" during a merger or acquisition. Once again, the individual information about the progress of the proposed takeover is so much more important for that stock than day-to-day market fluctuations that, in practice, beta estimates for such companies seem to be too low.

Q19. How reliable is beta as a risk measure?

A19. Scholarly studies have long confirmed the importance of beta for a stock's required rate of return. It is widely regarded as the best single risk measure available. The merits of beta seemed to have been challenged by widely publicized work by Professors Eugene F. Fama and Kenneth R. French.[24] However, despite the early press reports of their work as signifying that "beta is dead," it turns out that beta is still a potentially important explanatory factor (albeit one of several) in their work. Thus, beta remains alive and well as the best single measure of relative risk.

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[24] See for example, "The Capital Asset Pricing Model: Theory and Evidence", Eugene F. Fama and Kenneth R. French, *Journal of Economic Perspectives*, Volume 18, Summer 2004, pp. 25-46.

D. INTEREST RATE ESTIMATE

Q20. What interest rates do your procedures require?

A20. Modern capital market theories of risk and return use the short-term risk-free rate of return as the starting benchmark. My measures of the MRP incorporate this approach, since they represent the excess of the expected return on the market over the 30-day U.S. Treasury bill rate and over the long-term U.S. Government bond rate. Accordingly, implementation of my procedures requires use of an estimate of the 30-day Treasury bill rate and the long-term Government bond rate. I use the average over the most recent 15 trading days ending on February 7, 2008.

E. COST OF CAPITAL MODELS

Q21. How do you combine the above components into an estimate of the cost of capital?

A21. By far the most widely used approach to estimation of the cost of capital is the "Capital Asset Pricing Model," and I do calculate CAPM estimates. However, the CAPM is only one equity risk premium approach technique, and I also use another.

Q22. Please start with the CAPM, by describing the model.

A22. As noted above, the modern models of capital market equilibrium express the cost of equity as the sum of a risk-free rate and a risk premium. The CAPM is the longest-standing and most widely used of these theories. The CAPM states that the cost of capital for investment *s* (e.g., a particular common stock) is given by the following equation:

$$k_s = r_f + \beta_s \times MRP \qquad \textbf{(C-1)}$$

where k_s is the cost of capital for investment *s*; r_f is the risk-free rate, β_s is the beta risk measure for the investment *s*; and *MRP* is the market risk premium.

The CAPM relies on the empirical fact that investors price risky securities to offer a higher expected rate of return than safe securities do. It says that the security market line starts at the risk-free interest rate (that is, that the return on a zero-risk security, the y-axis

intercept in Figure 1 in the body of my testimony, equals the risk-free interest rate). Further, it says that the risk premium over the risk-free rate equals the product of beta and the risk premium on a value-weighted portfolio of all investments, which by definition has average risk.

Q23. What other equity risk premium approach model do you use?

A23. Empirical research has long shown that the CAPM tends to overstate the actual sensitivity of the cost of capital to beta: low-beta stocks tend to have higher risk premia than predicted by the CAPM and high-beta stocks tend to have lower risk premia than predicted. A number of variations on the original CAPM theory have been proposed to explain this finding. The difference between the CAPM and the type of relationship identified in the empirical studies is depicted in Figure BV-C1.

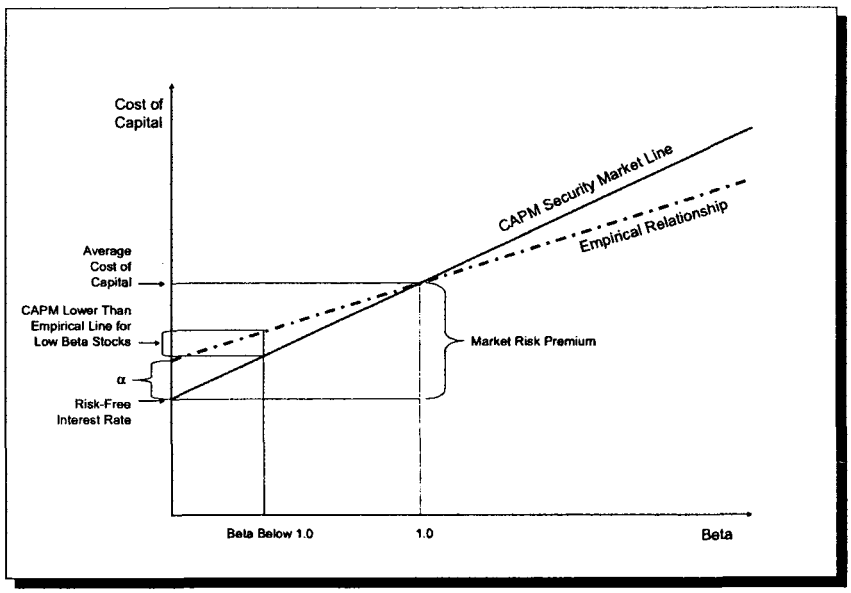

Figure BV-C1: The Empirical Security Market Line

The second model makes use of these empirical findings. It estimates the cost of capital with the equation,

$$k_s = r_f + \alpha + \beta_s \times (MRP - \alpha) \qquad \textbf{(C-2)}$$

where α is the "alpha" of the risk-return line, a constant, and the other symbols are defined as above. I label this model the Empirical Capital Asset Pricing Model, or

"ECAPM." For the short-term risk-free rate models, I set alpha equal to 1, 2, and 3 percent which are values somewhat lower than that estimated empirically. For low-beta stocks such as regulated utilities, the use of a lower value for alpha leads to a lower estimate of the cost of capital. For the long-term risk-free rate models, I set alpha equal to both 0.5 percent and 1.5 percent, but I rely more heavily on the 0.5 percent results. The use of a long-term risk-free rate incorporates some of the desired effect of using the ECAPM. That is, the long-term risk-free rate version of the Security Market Line has a higher intercept and a flatter slope than the short-term risk-free version which has been tested. Thus, it is likely that I do not need to make the same degree adjustment when I use the long-term risk-free rate. A summary of the empirical evidence on the magnitude of alpha is provided in Table No. BV-C1 below.

II. EMPIRICAL EQUITY RISK PREMIUM RESULTS

Q24. How is this part of the appendix organized?

A24. This section presents the full details of my equity risk premium approach analyses, which are summarized in the body of my testimony. Details behind the estimates of the short-term and the long-term risk-free interest rates are discussed. Next, the beta estimates, and the estimates of the MRP I use in the models are addressed. Finally, this section reports the CAPM and ECAPM results for the sample's costs of equity, and then describes the results of adjusting for differences between the benchmark sample and Arizona-American's regulated capital structures.

A. RISK-FREE INTEREST RATE

Q25. How do you obtain estimates of the risk-free interest rates over the period the utility rates set here are to be in effect?

A25. I obtain these rates using data provided by Bloomberg. In particular, I use their reported government debt yields from the "constant maturity series". This information is displayed in Table No. BV-9.

Q26. What values do you use for the short-term and long-term risk-free interest rates?

A26. I use a value of 2.2 percent for the short-term risk-free interest rate and a value of 4.3 percent for the long-term risk-free interest rate as the benchmark interest rates in the equity risk premium analyses. These values represent the average yields on 30-day and long term (20-year) Treasury securities respectively, over the 15-trading day period ending on February 7, 2008.

B. BETAS AND THE MARKET RISK PREMIUM

1. Beta Estimation Procedures

Q27. Which betas do you use in your risk positioning models?

A27. I obtained estimates from the *Value Line Investment* Survey for the sample companies.[25]

Q28. How does *Value Line* estimate the reported betas?

A28. *Value Line* estimates the reported betas using weekly data for a five year period. As a market index, *Value Line* uses the New York Stock Exchange. Also *Value Line* reports so-called adjusted betas, i.e. the betas reported by *Value Line* are calculated as follows:

$$\beta_{Value\ Line} = .67 \times \beta + 0.35 \qquad \textbf{(C-3)}$$

where β is the standard beta estimate. To obtain standard betas, I reverse the adjustment to obtain standard betas, β. *Value Line* and many investment firms adjust the estimated betas using a procedure similar to eth one described in equation (C-3). This type of adjustment is intended to compensate for sampling errors in the beta estimation. It adjusts betas below one upwards and betas above one downwards.

Q29. Please summarize the beta estimates you rely on.

A29. After reversing the *Value Line* adjustment procedure, the estimates range from 0.22 to 1.19 for the water sample and from 0.75 to 0.97 for the gas LDC sample, with an average

[25] For each sample I used the *Value Line* beta estimates most recently available. For the water sample, estimates are as of January 25, 2008, while for the gas LDC sample estimates are as of either December 14 or December 28, 2008, depending on the company.

of 0.84 and 0.80 respectively. The beta estimates for individual sample companies are reported in Workpaper #1 to Tables No. BV-10 and BV- 22.

Q30. What are the characteristics of recent beta estimates?

A30. Betas for both water and gas utilities have increased in recent years. For example, Value Line betas for water utilities averaged approximately .60 in 2002 while they now stand at approximately .91 for an increase of about 50% over the last six years. Similarly, the average beta for the gas LDC sample has increased from approximately 0.65 to approximately .89 for an increase of almost 37% over six years. Thus, at least in Value Line's judgment, the water and gas LDC companies are exposed to more systematic risk today than they were a few years back.

2. Market Risk Premium Estimation

Q31. Given all of the evidence, what MRP do you use in your analysis?

A31. It is clear that market return information is volatile and difficult to interpret, but based on the collective evidence, the MRP I use for the short-term risk-free rate is 8 percent and for the long-term risk-free rate is 6.5 percent.

C. COST OF CAPITAL ESTIMATES

Q32. Based on these data, what are the values you calculate for the overall cost of capital and the corresponding cost of equity for the water utility sample?

A32. Panels A and B of Table No. BV-10 present the cost of equity results using the equity risk positioning methods at the sample companies' market value capital structures. Panel A uses the long-term risk-free rate estimate while Panel B uses the short-term risk-free rate.

Q33. What does the water market data imply about the sample's cost of equity at the proposed 46.9 percent equity ratio for Arizona-American Water?

A33. The return on equity and the overall cost of capital for the various equity risk positioning methods are reported in Table No. BV-11, Panels A to G. Panels A through C utilize the

long-term risk-free rate while Panels D through G use the short-term risk free rate. Panel A reports the cost of capital estimates using the CAPM results for the long-term risk-free rate, while Panels B and C report these estimates for the ECAPM cost of equity results using ECAPM parameters of 0.5 and 1.5 percent, respectively. Panel D reports the CAPM estimates using the short-term risk free rate, while Panels E, F and G report ECAPM results using ECAPM parameters of 1, 2 and 3 respectively. In each panel, column [8] reports the overall cost of capital for each company. The last two rows of each panel report the sample and the subsample averages. The first is for all companies in the water sample (average [a]), and the second is for the subsample of companies with significant revenue from regulated activities (average [b]).

The sample average ATWACC from each panel of Table No. BV-11 is reproduced in column [1] of Table No. BV-12, which then reports the cost of equity for each of the risk positioning methods that is consistent with the sample information and the capital structure of Arizona-American. Panel A of Table No. BV-12 reports the results for all sample companies. Panel B of the table summarizes the results for the subsample of companies that have a large percentage of revenues from regulated activities. The sample average ATWACCs and corresponding costs of equity at a 46.9 percent equity ratio are also displayed in Table 2 of my testimony. Similar data at 41.6 percent equity are displayed in Table No. BV-13 and Table 3 of my testimony.

Q34. What cost of equity values do you calculate for the gas LDC sample?

A34. The cost of equity estimates for the gas LDC sample are displayed on Panels A and B of Table No. BV-22. As with the water utility sample results, Panel A uses the long-term risk-free rate, and Panel B uses the short-term risk-free rate.

Q35. What does the gas LDC market data imply about the sample's cost of equity at the proposed 46.9 percent equity ratio for Arizona-American Water?

A35. The sample average ATWACC from each panel of Table No. BV-23 is reproduced in column [1] of Table No. BV-24, which then reports the cost of equity for each of the risk positioning methods that is consistent with the sample information and the capital structure of Arizona-American. The sample average ATWACCs and corresponding costs

of equity at a 46.9 percent equity ratio are also displayed in Table 2 of my testimony. Similar data at 41.6 percent equity are displayed in Table No. BV-23 and Table 3 of my testimony.

Q36. What are the implications of the risk positioning results for Arizona-American's estimated cost of equity?

I discuss the implications of the risk positioning results for the two samples in the main body of my testimony.

Table BV-C1

EMPIRICAL EVIDENCE ON THE ALPHA FACTOR IN ECAPM*		
AUTHOR	RANGE OF ALPHA	PERIOD RELIED UPON
Black (1993)[1]	1% for betas 0 to 0.80	1931-1991
Black, Jensen and Scholes (1972)[2]	4.31%	1931-1965
Fama and McBeth (1972)	5.76%	1935-1968
Fama and French (1992)[3]	7.32%	1941-1990
Litzenberger and Ramaswamy (1979)[4]	5.32%	1936-1977
Litzenberger, Ramaswamy and Sosin (1980)	1.63% to 3.91%	1926-1978
Pettengill, Sundaram and Mathur (1995)[5]	4.6%	1936-1990

*The figures reported in this table are for the longest estimation period available and, when applicable, use the authors' recommended estimation technique. Many of the articles cited also estimate alpha for sub-periods and those alphas may vary.

[1]Black estimates alpha in a one step procedure rather than in an un-biased two-step procedure.

[2]Estimate a negative alpha for the subperiod 1931-39 which contain the depression years 1931-33 and 1937-39.

[3]Calculated using Ibbotson's data for the 30-day treasury yield.

[4]Relies on Lizenberger and Ramaswamy's before-tax estimation results. Comparable after-tax alpha estimate is 4.4%.

[5]Pettengill, Sundaram and Mathur rely on total returns for the period 1936 through 1990 and use 90-day treasuries. The 4.6% figure is calculated using auction averages 90-day treasuries back to 1941 as no other series were found this far back.

Sources:

Black, Fischer. 1993. Beta and Return. *The Journal of Portfolio Management* 20 (Fall): 8-18.

Black, F., Michael C. Jensen, and Myron Scholes. 1972. The Capital Asset Pricing Model: Some Empirical Tests, from Studies in the theory of Capital Markets. In *Studies in the Theory of Capital Markets*, edited by Michael C. Jensen, 79-121. New York: Praeger.

Fama, Eugene F. and James D. MacBeth. 1972. Risk, Returns and Equilibrium: Empirical Tests. *Journal of Political Economy* 81 (3): 607-636.

Fama, Eugene F. and Kenneth R. French. 1992. The Cross-Section of Expected Stock Returns. *Journal of Finance* 47 (June): 427-465.

Fama, Eugene F. and Kenneth R. French. 2004. The Capital Asset Pricing Model: Theory and Evidence. *Journal of Economic Perspectives* 18 (3): 25-46.

Litzenberger, Robert H. and Krishna Ramaswamy. 1979. The Effect of Personal Taxes and Dividends on Capital Asset Prices, Theory and Empirical Evidence. *Journal of Financial Economics* XX (June): 163-195.

Litzenberger, Robert H. and Krishna Ramaswamy and Howard Sosin. 1980. On the CAPM Approach to Estimation of a Public Utility's Cost of Equity Capital. *The Journal of Finance* 35 (2): 369-387.

Pettengill, Glenn N., Sridhar Sundaram and Ike Mathur. 1995. The Conditional Relation between Beta and Returns. *Journal of Financial and Quantitative Analysis* 30 (1): 101-116.

APPENDIX D

DISCOUNTED CASH FLOW METHODOLOGY:

DETAILED PRINCIPLES AND RESULTS

I. DISCOUNTED CASH FLOW METHODOLOGY PRINCIPLES 2

A. SIMPLE AND MULTI-STAGE DISCOUNTED CASH FLOW MODELS 2

B. CONCLUSIONS ABOUT DCF 9

II. EMPIRICAL DCF RESULTS 9

A. PRELIMINARY MATTERS 10

B. GROWTH RATES 10

C. DIVIDEND AND PRICE INPUTS 13

D. COMPANY-SPECIFIC DCF COST-OF-CAPITAL ESTIMATES 14

Q1. What is the purpose of this appendix?

A1. This appendix reviews the principles behind the discounted cash flow or "DCF" methodology and the details of the cost-of-capital estimates obtained from this methodology.

I. DISCOUNTED CASH FLOW METHODOLOGY PRINCIPLES

Q2. How is this section of the appendix organized?

A2. The first part discusses the general principles that underlie the DCF approach. The second portion describes the strengths and weaknesses of the DCF model and why it is generally less reliable for estimating the cost of capital for the sample companies at the present time than the risk positioning method discussed in Appendix C.

A. Simple And Multi-Stage Discounted Cash Flow Models

Q3. Please summarize the DCF model.

A3. The DCF model takes the first approach to cost-of-capital estimation discussed with Figure 1 in Section II-A of my direct testimony. That is, it attempts to measure the cost of equity in one step. The method assumes that the market price of a stock is equal to the present value of the dividends that its owners expect to receive. The method also assumes that this present value can be calculated by the standard formula for the present value of a cash flow stream:

$$P = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \frac{D_3}{(1+k)^3} + \cdots + \frac{D_T}{(1+k)^T} \qquad \textbf{(D-1)}$$

where "P" is the market price of the stock; "D_t" is the dividend cash flow expected at the end of period t; "k" is the cost of capital; and "T" is the last period in which a dividend cash flow is to be received. The formula just says that the stock price is equal to the sum of the expected future dividends, each discounted for the time and risk between now and the time the dividend is expected to be received.

Most DCF applications go even further, and make very strong (*i.e.*, unrealistic) assumptions that yield a simplification of the standard formula, which then can be rearranged to estimate the cost of capital. Specifically, if investors expect a dividend stream that will grow forever at a steady rate, the market price of the stock will be given by a very simple formula,

$$P = \frac{D_1}{(k-g)} \qquad \textbf{(D-2)}$$

where "D_1" is the dividend expected at the end of the first period, "g" is the perpetual growth rate, and "P" and "k" are the market price and the cost of capital, as before. Equation D-2 is a simplified version of Equation D-1 that can be solved to yield the well known "DCF formula" for the cost of capital:

$$\begin{aligned} k &= \frac{D_1}{P} + g \\ &= \frac{D_0 \times (1+g)}{P} + g \end{aligned} \qquad \textbf{(D-3)}$$

where "D_0" is the current dividend, which investors expect to increase at rate g by the end of the next period, and the other symbols are defined as before. Equation D-3 says that if Equation D-2 holds, the cost of capital equals the expected dividend yield plus the (perpetual) expected future growth rate of dividends. I refer to this as the simple DCF model. Of course, the "simple" model is simple because it relies on very strong (*i.e.*, very unrealistic) assumptions.

Q4. Are there other versions of the DCF models besides the "simple" one?

A4. Yes. If Equation D-2 and its underlying assumptions do not hold, sometimes other variations of the general present value formula, Equation D-1, can be used to solve for k in ways that differ from Equation D-3. For example, if there is reason to believe that investors do *not* expect a steady growth rate forever, but rather have different growth rate forecasts in the near term (e.g., over the next five or ten years as compared with subsequent periods), these forecasts can be used to specify the early dividends in Equation D-1. Once the near-term dividends are specified, Equation D-2 can be used to

specify the share price value at the end of the near-term (e.g., at the end of five or ten years), and the resulting cash flow stream can be solved for the cost of capital using Equation D-1.

More formally, the "multistage" DCF approach solves the following equation for k:

$$P = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \frac{D_3}{(1+k)^3} + \cdots + \frac{D_T + P_{TERM}}{(1+k)^T} \qquad \textbf{(D-4)}$$

The terminal price, P_{TERM} is estimated as

$$P_{TERM} = \frac{D_{T+1}}{(k - g_{LR})} \qquad \textbf{(D-5)}$$

where T is the last of the periods in which a near term dividend forecast is made and g_{LR} is the long-run growth rate. Thus, Equation D-4 defers adoption of the very strong perpetual growth assumptions that underlie Equation D-2 — and hence the simple DCF formula, Equation D-3 — for as long as possible, and instead relies on near term knowledge to improve the estimate of k. I examine both simple and multistage DCF results below.

Q5. Please describe the multi-stage DCF model you use.

A5. The multi-stage model I use is presented in Equations D-4 and D-5 above, and assumes that the long-term perpetual growth rate for all companies in the two samples is the forecast long-term growth rate of the GDP. This model allows growth rates to differ across companies during the first ten years before settling down to a single long-term growth rate. The growth rate for the first five years is the long-term growth rate derived from analysts' reports. After year five, the growth rate is assumed to converge linearly to the GDP growth rate. In other words, the growth rate in year 6 is adjusted by 1/6th of the difference between each company's 5-year growth rate forecast and the GDP forecast. The growth rates in years 7 to 10 are adjusted by an additional 1/6th so that the earning growth rate pattern converges on the long-term GDP growth rate forecast.

Q6. Why do you assume that the long-term growth rate of the sample companies will converge to the long-term growth rate of GDP?

A6. Recall that the DCF model assumes that dividends grow at a constant rate literally forever. If the growth rate of earnings (and therefore, dividends) were greater than (less than) the long-term growth rate of the economy, mathematically it would mean that the company (and the industry) would become an ever increasing (or decreasing) proportion of the economy. Therefore, the most logical assumption is that the company's earnings grow at the same rate as the economy on average over the long run.

Q7. What are the merits of the DCF model?

A7. The DCF approach is conceptually sound only if its assumptions are met. In actual practice one can run into difficulty because those assumptions are so strong, and hence so unlikely to correspond to reality. Two conditions are well-known to be necessary for the DCF approach to yield a reliable estimate of the cost of capital: the variant of the present value formula, Equation D-1, that is used must actually match the variations in investor expectations for the dividend growth path; and the growth rate(s) used in that formula must match current investor expectations. Less frequently noted conditions may also create problems.

The DCF model assumes that investors expect the cost of capital to be the same in all future years. Investors may not expect the cost of capital to be the same, which can bias the DCF estimate of the cost of capital in either direction.

The DCF model only works for companies for which the standard present value formula works. The standard formula does *not* work for companies that operate in industries or markets options (*e.g.*, puts and calls on common stocks), and so it will not work for companies whose stocks behave as options do. Option-pricing effects will be important for companies in financial distress, for example, which implies the DCF model will *understate* their cost of capital, all else equal.

In recent years even the most basic DCF assumption, that the market price of a stock in the absence of growth options is given by the standard present value formula (*i.e.*, by

Equation D-1 above), has been called into question by a literature on market volatility.[1] In any case, it is still too early to throw out the standard formula, if for no other reasons than that the evidence is still controversial and no one has offered a good replacement. But the evidence suggests that it must be viewed with more caution than financial analysts have traditionally applied. Simple models of stock prices may not be consistent with the available evidence on stock market volatility.

Q8. Normally DCF debates center on the right growth rate. What principles underlie that choice?

A8. Finding the right growth rate(s) is indeed the usual "hard part" of a DCF application. The original approach to estimation of g relied on average historical growth rates in observable variables, such as dividends or earnings, or on the "sustainable growth" approach, which estimates g as the average book rate of return times the fraction of earnings retained within the firm. But it is highly unlikely that historical averages over periods with widely varying rates of inflation, interest rates and costs of capital, such as in the relatively recent past, will equal current growth rate expectations.

A better approach is to use the growth rates currently expected by investment analysts, if an adequate sample of such rates is available. Analysts' forecasts are superior to time series forecasts based upon single variable historical data as has been documented and confirmed extensively in academic research.[2] If this approach is feasible and if the

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[1] See for example, Robert J. Shiller (1981), "Do Stock Prices Move Too Much to be Justified by Subsequent Changes in Dividends?," *The American Economic Review*, Vol. 71, No. 3, pp. 421-436. John Y. Campbell and Robert J. Shiller (1988), "The Dividend-Price Ratio and Expectations of Future Dividends and Discount Factors," *The Review of Financial Studies*, Vol. 1, No. 3, pp. 195-228. Lucy F. Ackert and Brian F. Smith (1993), "Stock Price Volatility, Ordinary Dividends, and Other Cash Flows to Shareholders," *Journal of Finance*, Vol. 48, No. 1, pp. 1147-1160. Eugene F. Fama and Kenneth R. French (2001), "Disappearing Dividends: Changing Firm Characteristics or Lower Propensity to Pay?," *Journal of Financial Economics*, Vol. 60, pp. 3-43. Borja Larrain and Motohiro Yogo (2005), "Does Firm Value Move Too Much to be Justified by Subsequent Changes in Cash Flow?," Federal Reserve Bank of Boston, *Working Paper*, No. 05-18.

[2] Lawrence D. Brown and Michael S. Rozeff (1978), "The Superiority of Analyst Forecasts as Measures of Expectations: Evidence from Earnings," *Journal of Finance*, Vol. XXXIII, No. 1, pp. 1-16. J. Cragg and B.G. Malkiel (1982), *Expectations and the Structure of Share Prices*, National Bureau of Economic Research, University of Chicago Press. R.S. Harris (1986), "Using Analysts' Growth Forecasts to Estimate Shareholder Required Rates of Return," *Financial Management*, Spring Issue, pp. 58-67. J. H. Vander

person estimating the cost of capital is able to select the appropriate version of the DCF formula, the DCF method should yield a reasonable estimate of the cost of capital for companies not in financial distress and without material option-pricing effects (always subject to recent concerns about the applicability of the basic present value formula to stock prices as well as issues of optimism bias). However, for the DCF approach to work, the basic stable-growth assumption must become reasonable and the underlying stable-growth rate must become determinable *within the period for which forecasts are available.*

Q9. What is the so called "optimism bias" in the earnings growth rate forecasts of security analysts and what is its effect on the DCF analysis?

A9. Optimism bias is related to the observed tendency for analysts to forecast earnings growth rates that are higher than are actually achieved. This tendency to over estimate growth rates is perhaps related to incentives faced by analysts that provide rewards not strictly based upon the accuracy of the forecasts. To the extent optimism bias is present in the analysts' earnings forecasts, the cost-of-capital estimates from the DCF model would be too high.

Q10. Does optimism bias mean that the DCF estimates are completely unreliable?

A10. No. The effect of optimism bias is least likely to affect DCF estimates for large, rate regulated companies in relatively stable segments of an industry. Furthermore, the magnitude of the optimism bias (if any) for regulated companies is not clear. This issue is addressed in a paper by Chan, Karceski, and Lakonishok (2003)[3] who sort companies on the basis of the size of the I/B/E/S forecasts to test the level of optimism bias. Utilities constitute 25 percent of the companies in lowest quintile, and by one measure the level of optimism bias is 4 percent. However, the 4 percent figure does not represent the complete characterization of the results in the paper. Table IX of the paper shows that

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Weide and W. T. Carleton (1988), "Investor Growth Expectations: Analysts vs. History," *Journal of Portfolio Management*, spring, pp. 78-82. T. Lys and S. Sohn (1990), "The Association Between Revisions of Financial Analysts Earnings Forecasts and Security Price Changes," *Journal of Accounting and Economics*, vol 13, pp. 341-363.

[3] L. K.C. Chan, J. Karceski, and J. Lakonishok, 2003, "The Level and Persistence of Growth Rates," *Journal of Finance* 58(2):643-684.

the median I/B/E/S forecast for the first (lowest) quintile averages 6.0 percent. The realized "Income before Extraordinary Items" is 2.0 percent (implying a four percent upward bias in I/B/E/S forecasts), but the "Portfolio Income before Extraordinary Items" is 8.0 percent (implying a two percent downward bias in I/B/E/S forecasts).

The difference between the "Income before Extraordinary Items" and "Portfolio Income before Extraordinary Items" is whether individual firms or a portfolio are used in estimating the realized returns. The first is a simple average of all firms in the quintile while the second is a market value weighted-average. Although both measures of bias have their own drawbacks according to the authors,[4] the Portfolio Income measure gives more weight to the larger firms in the quintile such as regulated utilities. In addition, the paper demonstrates that "analysts' forecasts as well as investors' valuations reflect a wide-spread belief in the investment community that many firms can achieve streaks of high growth in earnings."[5] Therefore, it is not clear how severe the problem of optimism bias may be for regulated utilities or even whether there is a problem at all.

Finally, the two-stage DCF model also adjusts for any over optimistic (or pessimistic) growth rate forecasts by substituting the long-term GDP growth rate for the 5-year growth rate forecasts of the analysts in the years beginning in year 11. I linearly trend the 5-year forecast growth rate to the GDP forecast growth rate in years 6 to 10.

Q11. What about the reforms by the National Associate of Security Dealers (NASD) that were designed to reduce the conflicts of interest and pressures brought against security analysts? Have those reforms been generally successful?

A11. Yes. The conclusion from the Joint Report by NASD and the New York Stock Exchange ("NYSE") on the reforms states

> ... the SRO Rules have been effective in helping restore integrity to research by minimizing the influences of investment banking and promoting transparency of other potential conflicts of interest. Evidence

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[4] Chan, Karceski, and Lakonishok, *op. cit.*, p. 675.

[5] Chan, Karceski, and Lakonishok, *op. cit.*, p. 663.

> also suggests that investors are benefiting from more balanced and accurate research to aid their investment decisions.[6]

The report does note additional reforms are advisable, but the situation is far different today than during the height of the tech bubble when analyst objectivity was clearly suspect.

B. CONCLUSIONS ABOUT DCF

Q12. Please sum up the implications of this part of the appendix.

A12. The unavoidable questions about the DCF model's strong assumptions — whether the basic present value formula works for stocks, whether option pricing effects are important for the company, whether the right variant of the basic formula has been found, and whether the true growth rate expectations have been identified — cause me to view the DCF method as *inherently* less reliable than equity risk premium approach, the other approach I use.

II. EMPIRICAL DCF RESULTS

Q13. How is this part of the appendix organized?

A13. This section presents the details of my DCF analyses for the water and gas LDC samples, which are summarized in my written testimony.

Implementation of the simple DCF models described above requires an estimate of the current price, the dividend, and near-term and long-run growth rate forecasts. The simple DCF model relies only on a single growth rate forecast, while the multistage DCF model employs both near-term individual company forecasts and long-run GDP growth rate forecasts. The remaining parts of this section describe each of these inputs in turn.

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[6] Joint Report by NASD and NYSE on the Operation and Effectiveness of the Research Analyst Conflict of Interest Rules, December 2005, p. 44.

A. PRELIMINARY MATTERS

Q14. In Appendix C you discuss estimating cost of capital and implied cost of equity using the risk positioning methodology. What, if anything, is different when you use the DCF method?

A14. First, the timing of the market value capital structure calculations is different in the DCF method than in the equity risk premium method. The equity risk premium method relies on the average capital structure over the five-year period *Value Line* uses to estimate beta while the DCF approach uses only current data, so the relevant market value capital structure measure is the most recent that can be calculated. This capital structure for the water sample companies is reported in columns [1]-[3] of Table No. BV-4, and for the gas LDC sample companies in columns [1]-[3] of Table No. BV-17.

B. GROWTH RATES

Q15. What growth rates do you use?

A15. For reasons discussed above, historical growth rates today are not useful as forecasts of current investor expectations for the water utility industry. I therefore use rates forecasted by security analysts.

The ideal in a DCF application would be a detailed forecast of future dividends, year by year well into the future, based on a large sample of investment analysts' expectations. I know of no source of such data. Dividends are ultimately paid from earnings, however, and earnings forecasts are available for a few years. Investors do not expect dividends to grow in lockstep with earnings, but for companies for which the DCF approach can be used reliably (*i.e.*, for relatively stable companies whose prices do not include the option-like values described previously), they do expect dividends to track earnings over the long-run. Thus, use of earnings growth rates as a proxy for expectations of dividend growth rates is a common practice.

Accordingly, the first step in my DCF analysis is to examine a sample of investment analysts' forecasted earnings growth rates. In particular, I utilize Bloomberg's BEst and

Value Line's forecasted earnings growth.[7] The projected earnings growth rates for the water sample companies are in Table No. BV-5, and those for the gas LDC sample companies are in Table No. BV-18. Column [1] reports Bloomberg's BEst analysts' forecasts of the long-term earnings growth for the sample companies. Column [2] reports the number of analysts that provided a forecast. Columns [3] and [4] report *Value Line's* forecasted earnings per share ("EPS") value for each company for 2007 and 2010-2012 respectively. Column [5] provides *Value Line's* implied long-term growth rate forecast, and column [6] provides a weighted average growth rate for each company across the two sources. (I treat the *Value Line* forecasts as though they overlap exactly with the forecasts from Bloomberg.) These growth rates underlie my simple and multistage DCF analyses.

In the simple DCF, I use the five-year average annual growth rate as the perpetual growth.[8] In the multistage model, I rely on the company-specific growth rate until 2012 and on the long-term GDP forecast for year 2018 onwards. During the years from 2013 to 2017, I assume the growth rate converges linearly towards the long-term GDP forecast.[9]

Q16. Do these growth rates correspond to the ideal you mentioned above?

A16. No. While forecasted growth rates are the quantity required in principle, the forecasts need to go far enough out into the future so that it is reasonable to believe that investors expect a stable growth path afterwards. As can be seen from Table No. BV-5 and Table No. BV-18, the growth rate forecasts vary widely from company to company. For example the BEst growth forecast for Southwest Water is 9.7 percent while the *Value Line* growth forecast is 23.6 percent.[10] While the differences between BEst and *Value*

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[7] The BEst growth rates were downloaded from Bloomberg on February 7, 2008. *Value Line* estimates are from the most recent report available, dated January 25, 2008 for the water sample utilities, and December 14, 2007 for the gas LDCs.

[8] This growth rate is in column [6] of Table No. BV-5 (Table No. BV-18 for the gas LDC sample).

[9] I use the long-term U.S. GDP growth forecast from *Blue Chip Economic Indicators* (October 10, 2007).

[10] See Table No. BV-5.

Line forecasts are lower for the gas LDC sample, there is still significant variation.[11] Also, for some companies, the five-year growth rate forecasts are significantly above or below the long-term GDP growth rate forecast, indicating lack of stability in growth rates. Overall, the growth rates indicate that some companies and maybe the industries have yet to reach a stable equilibrium which is required for the correct application of the DCF method.

Q17. How well are the conditions needed for DCF reliability met at present?

A17. The requisite conditions for the sample companies are not fully met at this time. Of particular concern for this proceeding is the uncertainty about what investors truly expect the long-run outlook for the sample companies to be. The longest time period available for growth rate forecasts of which I am aware is five years. The long-run growth rate (*i.e.*, the growth rate after the industry settles into a steady state, which is certainly *beyond* the next five years for water industry) drives the actual results one gets with the DCF model. Unfortunately, this implies that unless the company or industry in question is stable, so there is little doubt as to the growth rate investors expect. DCF results in practice can end up being driven by the subjective judgment of the analyst who performs the work.

This is a problem at present because it is hard to imagine that today's water industry would accurately be described as stable. There is great uncertainty about the costs required to undertake the large investments in infrastructure forecasted for the industry. Indeed, *Value Line* notes the need for investments aimed at replacing the aging infrastructure and complying with increasingly stringent water safety regulations, partially driven by increased fear of bioterrorism. Additionally, American Society of Civil Engineers estimated in 2005 that the drinking water infrastructure requires $11 billion of annual investments, while the wastewater segment requires $390 billion in investments over the following 20 years.[12] The water industry is also going through a series of mergers and acquisitions, which affects the companies' earnings growth rate estimates. This is one reason why companies heavily involved in mergers and

[11] See table No. BV-18.

[12] Report Card for America's Infrastructure, The American Society of Civil Engineers, 2005.

acquisitions are normally excluded from the sample. Taken together, these factors mean that it may be some time before the water industry settles into anything investors will see as a stable equilibrium.

Such circumstances imply that a regulator may often be faced with a wide range of DCF numbers, none of which can be well grounded in objective data on true long-run growth expectations, *because no such objective data now exist.* DCF for firms or industries in flux is *inherently* subjective with regard to a parameter (the long-run growth rate) that drives the answer one gets.

It is clear that much longer detailed growth rate forecasts than currently available from Bloomberg and Value Line would be needed to implement the DCF model in a completely reliable way for the water sample at this time; however, the general stability of the 5-year growth rate forecasts for the gas LDC sample indicates a higher degree of reliability than for the water sample at this time.

C. DIVIDEND AND PRICE INPUTS

Q18. What values do you use for dividends and stock prices?

A18. Dividends are the most recent recorded dividend payments as reported by Bloomberg. For some companies this is the 4th quarter 2007 dividend, while for others it is the 1st quarter 2008 dividend. This dividend is grown at the estimated growth rate and divided by the price described below to estimate the dividend yield for the simple and multistage DCF models.

Stock prices are the average of the closing stock prices for the 15 trading days ending on the day the BEst forecasts were released (February 7, 2008). Using these dates ensures that the information in growth rates and stock prices are contemporaneous. I use a 15-day average as a compromise. Using a longer period would be inconsistent with the principles that underlie the DCF formula. The DCF approach assumes the stock price is the present value of future expected dividends. Stock prices six months or a year ago reflect expectations at that time, which are different from those that underlie the currently

available growth forecasts. At the same time, use of an average over a brief period helps guard against a company's price on a particular day price being unduly influenced by mistaken information, differences in trading frequency, and the like.

The closing stock price is used because it is at least as good as any other measure of the day's outcome, and may be better for DCF purposes. In particular, if there were any single price during the day that would affect investors' decisions to buy or sell a stock, I would suspect that it would be each day's closing price, not the high or low during the day. The daily price changes reported in the financial pages, for example, are from close to close, not from high to high or from low to low.

D. COMPANY-SPECIFIC DCF COST-OF-CAPITAL ESTIMATES

Q19. What DCF estimates do these data yield?

A19. The cost-of-equity results for the simple and multistage DCF models are shown in Table No. BV-6 for the water utility sample and in Table No. BV-19 for the gas LDC sample. In both tables, Panel A reports the results for the simple DCF method while Panel B reports the results for the multistage DCF method using the long-term GDP growth rate as the perpetual growth rate.

Q20. What overall cost-of-capital estimates result from the DCF cost-of-equity estimates?

A20. The capital structure, DCF cost of equity, and cost of debt estimates are combined to obtain the overall after-tax weighted-average cost of capital for each sample company. These results are presented in Table No. BV-7 for the water sample and in Table No. BV-20 for the gas LDC sample. Again, Panel A relies on the simple DCF cost-of-equity results while Panel B relies on the multistage DCF cost-of-equity results.

Q21. What information do you report in Table No. BV-8 and in Table No. BV-21?

A21. These tables report, for each sample, the return on equity consistent with that sample's estimated overall after-tax weighted-average cost of capital and the proposed equity thickness of 46.9 percent for Arizona-American. For both the simple DCF and multistage DCF methods, the sample's average ATWACC is reported in column [1].

Column [6] reports the return on equity as if the sample companies' average market value capital structure had been that currently proposed for Arizona-American. Similar data at 41.6 percent equity are presented in Tables No. BV-13 and BV-25, and in Table 3 of my testimony.

Q22. What are the implications of these results?

A22. The implication of these numbers is discussed in my direct testimony, along with the findings of the equity risk premium approach.

APPENDIX E

EFFECT OF DEBT ON THE COST OF EQUITY

I. AN OVERVIEW OF THE ECONOMIC LITERATURE 2

A. TAX EFFECTS 2
1. Base Case: No Taxes, No Risk to High Debt Ratios 3
2. Corporate Tax Deduction for Interest Expense 4
3. Personal Tax Burden on Interest Expense 5

B. NON-TAX EFFECTS 8

II. EXPANDED EXAMPLE 12

A. DETAILS OF DIFFERENT LEVELS OF DEBT 12

B. THE IMPACT OF INCOME AND INTEREST 14

C. THE EFFECT OF TAXES 16

D. COMBINED EFFECTS 21

Q1. What is the purpose of this Appendix?

A1. In this appendix, I provide details on the effects of debt on the cost of equity. First, I summarize a fairly large body of financial research on capital structure. Second, I provide an extended example to illustrate the effect of debt on the cost of equity.

I. AN OVERVIEW OF THE ECONOMIC LITERATURE

Q2. What is the focus of the economic literature on the effects of debt?

A2. The economic literature focuses on the effects of debt on the value of a firm. The standard way to recognize one of these effects, the impact of the fact that interest expense is tax-deductible, is to discount the all-equity after-tax operating cash flows generated by a firm or an investment project at a weighted average cost of capital, typically known in textbooks as the "WACC." The textbook WACC equals the *market*-value weighted average of the cost of equity and the *after-tax*, *current* cost of debt. However, rate regulation in North America has a legacy of working with another weighted-average cost of capital, the *book*-value weighted average of the cost of equity and the *before-tax*, *embedded* cost of debt. To distinguish the concepts, I refer to the after-tax weighted-average cost of capital as ATWACC.

Q3. How is this section of the appendix organized?

A3. It starts with the tax effects of debt. It then turns to other effects of debt.

A. TAX EFFECTS

Q4. What are the key findings in the literature regarding tax effects?

A4. Three seminal papers are vital for this literature. The first assumes no taxes and risk-free debt. The second adds corporate income taxes. The third adds personal income taxes.

1. Base Case: No Taxes, No Risk to High Debt Ratios

Q5. Please start by explaining the simplest case of the effect of debt on the value of a firm.

A5. The "base case," no taxes and no costs to excessive debt, was worked out in a classic 1958 paper by Franco Modigliani and Merton Miller, two economists who eventually won Nobel Prizes in part for their body of work on the effects of debt.[1] Their 1958 paper made what is in retrospect a very simple point: if there are no taxes and no risk to the use of excessive debt, use of debt will have no effect on a company's operating cash flows (i.e., the cash flows to investors as a group, debt plus equity combined). If the operating cash flows are the same regardless of whether the company finances mostly with debt or mostly with equity, then the value of the firm cannot be affected at all by the debt ratio. In cost-of-capital terms, this means the overall cost of capital is constant regardless of the debt ratio, too.

In the base case, issuing debt merely divides the cash flows into two pools, one for bondholders and one for shareholders. If the divided pools have different priorities in claims on the cash flows, the risks and costs of capital will differ for each pool. But the risk and overall cost of capital of the entire firm, the sum of the two pools, is constant regardless of the debt ratio. Thus,

$$r_1^* = r_{A1} \qquad \text{(E-1a)}$$

where r_1^* is the overall after-tax cost of capital at any particular capital structure and r_{A1} is the all-equity cost of capital for the firm. (The "1" subscripts distinguish the case where there are no taxes from subsequent equations that consider first corporate and then both corporate and personal taxes.) With no taxes and no risk to debt, the overall cost of capital does not change with capital structure.

This implies that the relationship of the overall cost of capital to the component costs of debt and equity is

[1] Franco Modigliani and Merton H. Miller (1958), "The Cost of Capital, Corporation Finance and the Theory of Investment," *American Economic Review*, 48, pp. 261-297.

$$r_{E1} \times \left(\frac{E}{V}\right) + r_{D1} \times \left(\frac{D}{V}\right) = r_1^* \qquad \text{(E-1b)}$$

with the overall cost of capital (r^*) on the *right* side, as the *independent* variable, and the costs of equity (r_E) and debt (r_D) on the left side, as *dependent* variables determined by the overall cost of capital and by the capital structure (i.e., the shares of equity (E) and debt (D) in overall firm value ($V = E + D$) that the firm happens to choose. Note that if equation (E-1a) were correct, the equation that solved it for the cost of equity would be,

$$r_{E1} = r_1^* + (r_1^* - r_D) \times \left(\frac{D}{E}\right) \qquad \text{(E-1c)}$$

Note also that (D/E) gets exponentially higher in this equation as the debt-to-value ratio increases[2] i.e., the cost of equity increases exponentially with leverage.

2. Corporate Tax Deduction for Interest Expense

Q6. What happens when you add corporate taxes to the discussion?

A6. If corporate taxes exist with risk-free debt (and if only taxes at the corporate level matter, not taxes at the level of the investor's personal tax return), the initial conclusion changes. Debt at the corporate level reduces the company's tax liability by an amount equal to the marginal tax rate times the interest expense. All else equal, this will add value to the company because more of the operating cash flows will end up in the hands of investors as a group. That is, if only corporate taxes mattered, interest would add cash to the firm equal to the corporate tax rate times the interest expense. This increase in cash would increase the value of the firm, all else equal. In cost-of-capital terms, it would reduce the overall cost of capital.

How much the value of the firm would rise and *how far* the overall cost of capital would fall would depend in part on how often the company adjusts its capital structure, but this is a second-order effect in practice. (The biggest effect would be if companies could

[2] For example, at 20-80, 50-50, and 80-20 debt-equity ratios, (D/E) equals, respectively, (20/80) = 0.25, (50/50) = 1.0, and (80/20) = 4.0. The extra 30 percent of debt going from 20-80 to 50-50 has much less impact on (D/E) [i.e., by moving it from 0.25 to 1.0] than the extra 30 percent of debt going from 50-50 to 80-20 [i.e., by moving it from 1.0 to 4.0]. Since the cost of equity equals a constant risk premium times the debt-equity ratio, the cost of equity grows ever more rapidly as you add more and more debt.

issue riskless perpetual debt, an assumption Profs. Modigliani and Miller explored in 1963, in the second seminal paper;[3] this assumption could *not* be true for a real company.) Prof. Robert A. Taggart provides a unified treatment of the main papers in this literature and shows how various cases relate to one another.[4] Perhaps the most useful set of benchmark equations for the case where only corporate taxes matter are:

$$r_2^* = r_{A2} - r_D \times t_C \times \left(\frac{D}{V}\right) \tag{E-2a}$$

$$r_2^* = r_{E2} \times \left(\frac{E}{V}\right) + r_D \times \left(\frac{D}{V}\right) \times (1 - t_C) \tag{E-2b}$$

which imply for the cost of equity,

$$r_{E2} = r_{A2} + (r_{A2} - r_D) \times \left(\frac{D}{E}\right) \tag{E-2c}$$

where the variables have the same meaning as before but the "2" subscripts indicate the case that considers corporate but not personal taxes.

Note that Equation (E-2a) implies that when only corporate taxes matter, the overall after-tax cost of capital declines steadily as more debt is added, until it reaches a minimum at 100 percent debt (i.e., when $D/V = 1.0$). Note also that Equation (E-2c) still implies an exponentially increasing cost of equity as more and more debt is added. In fact, except for the subscript, Equation (E-2c) looks just like Equation (E-1c). However, whether any value is added and whether the cost of capital changes at all also depends on the effect of taxes at the personal level.

3. Personal Tax Burden on Interest Expense

Q7. How do personal taxes affect the results?

A7. Ultimately, the purpose of investment is to provide income for consumption, so personal taxes affect investment returns. For example, in the U.S., municipal bonds have lower

[3] Franco Modigliani and Merton H. Miller (1963), "Corporate Income Taxes and the Cost of Capital: A Correction," *American Economic Review*, 53, pp. 433-443.

interest rates than corporate bonds because their income is taxed less heavily at the personal level. In general, capital appreciation on common stocks is taxed less heavily than interest on corporate bonds because (1) taxes on unrealized capital gains are deferred until the gains are realized, and (2) the capital gains tax rate is lower. Dividends are taxed less heavily than interest, also, under current tax law.[5] The effects of personal taxes on the cost of common equity are hard to measure, however, because common equity is so risky.

Professor Miller, in his Presidential Address to the American Finance Association,[6] explored the issue of how personal taxes affect the overall cost of capital. The paper pointed out that personal tax effects could offset the effect of corporate taxes entirely.

Q8. Is it likely that the effect of personal taxes will completely neutralize the effect of corporate taxes?

A8. I do not believe so, although the likelihood of such a result would be increased if the current federal tax reductions on dividends and capital gains became permanent rather than expiring in 2010. However, personal taxes are important even if they do not make the corporate tax advantage on interest vanish entirely. Capital gains and dividend tax advantages definitely convey some personal tax advantage to equity, and even a partial personal advantage to equity reduces the corporate advantage to debt.

The Taggart paper explores the case of a partial offset, also. With personal taxes, the risk-free rate on the security market line is the after-personal-tax rate, which must be equal for risk-free debt and risk-free equity.[7] Therefore, the pre-personal-tax risk-free

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[4] Robert A. Taggart, Jr. (1991), "Consistent Valuation and Cost of Capital Expressions with Corporate and Personal Taxes," *Financial Management* 20, pp. 8-20.

[5] The current maximum personal tax rate on dividend income was extended to the end of 2010 by the President on May 17, 2006. It is uncertain whether the reduced rates on dividend income will be further extended.

[6] Merton H. Miller (1977), "Debt and Taxes," *The Journal of Finance*, 32: 261-276, the third of the seminal papers mentioned earlier.

[7] As Prof. Taggart notes (his footnote 9), it is not necessary that a specific, risk-free equity security exist as long as one can be created synthetically, through a combination of long and short sales of traded assets. Such constructs are a common analytical tool in financial economics.

rate for equity will generally not be equal to the pre-personal-tax risk-free rate for debt. In particular, $r_{fE} = r_{fD} \times [(1-t_D)/(1-t_E)]$, where r_{fE} and r_{fD} are the risk-free costs of equity and debt and t_E and t_D are the personal tax rates for equity and debt, respectively. In terms of the cost of debt, the Taggart paper's results imply that a formal statement of these effects can be written as:[8]

$$r_3^* = r_{A3} - r_D \times t_N \times \left(\frac{D}{V}\right) \tag{E-3a}$$

$$= r_{E3} \times \left(\frac{E}{V}\right) + r_D \times \left(\frac{D}{V}\right) \times (1-t_C) \tag{E-3b}$$

which imply

$$r_{E3} = r_{A3} + \left[r_{A3} - r_D \times \left(\frac{1-t_D}{1-t_E}\right)\right] \times \left(\frac{D}{E}\right) \tag{E-3c}$$

Suppose, for example, that $t_C = 35$ percent, $t_E = 7.7$ percent and $t_D = 40$ percent. Then $[(1-t_D)/(1-t_E)] = 0.65 = (1-t_C)$. That condition corresponds to Miller's 1977 paper, in which the net personal tax advantage of equity fully offsets the net corporate tax advantage of debt. Note also that in that case, $t_N = 0$.[9] Therefore, if the personal tax advantage on equity fully offsets the corporate tax advantage on debt, Equation (E-3a) confirms that the overall after-tax cost of capital is a constant.

However, it is unlikely that the personal tax advantage of equity fully offsets the corporate tax advantage of debt. If taxes were all that mattered (i.e., if there were no other costs to debt), the overall after-corporate-tax cost of capital would still fall as debt was added, just not as fast.

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[8] The net all-tax effect of debt on the overall cost of capital, t_N, equals $\{[t_C+t_E-t_D-(t_C \times t_E)] / (1-t_E)\}$, where t_D is the personal tax rate on debt, as before. This measure of net tax effect is designed for use with the cost of debt in Equation (E-3a), which seems more useful in the present context. The Taggart paper works with a similar measure, but one which is designed for use with the cost of risk-free equity in the equivalent Taggart equation.

[9] In the above example, $t_N = \{[0.35+0.077-0.4(0.35 \times 0.077)] / (1-0.077)\} = 0.0/0.923 = 0$.

Finally, note that the overall after-tax cost of capital, Equation (E-3b), still uses the corporate tax rate even when personal taxes matter. Equations (E-2b) and (E-3b) both correspond to the usual formula for the ATWACC. Personal taxes affect the way the cost of equity changes with capital structure – Equation (E-3c) – but not the formula for the overall after-tax cost of capital given that cost of equity.

B. NON-TAX EFFECTS

Q9. Please describe the non-tax effects of debt.

A9. If debt is truly valuable, firms should use as much as possible, and competition should drive firms in a particular industry to the same, optimal capital structure for the industry. If debt is harmful on balance, firms should avoid it. Neither picture corresponds to what we actually see. A large economic literature has evolved to try to explain why.

Part of the answer clearly is the costs of excessive debt. Here the results cannot be reduced to equations, but they are no less real for that fact. As companies add too much debt, the costs come to outweigh the benefits. Too much debt reduces or eliminates financial flexibility, which cuts the firm's ability to take advantage of unexpected opportunities or weather unexpected difficulty. Use of debt rather than internal financing may be taken as a negative signal by the market.

Even if the company is generally healthy, more debt increases the risk that the company cannot use all of the interest tax shields in a bad year. As debt continues to grow, this problem grows and others may crop up. Management begins to worry about meeting debt payments instead of making good operating decisions. Suppliers are less willing to extend trade credit, and a liquidity shortage can translate into lower operating profits. Ultimately, the firm might have to go through the costs of bankruptcy and reorganization. Collectively, such factors are known as the costs of "financial distress."[10]

The net tax advantage to debt, if positive, is affected by costs such as a growing risk that the firm might have to bear the costs of financial distress. First, the expected present

[10] See, for example, Section 18.3 of Brealey, Myers and Allen, 2006, *Principles of Corporate Finance*, 8th Edition, McGraw-Hill/Irwin, 2006.

value of these costs offsets the value added by the interest tax shield. Second, since the likelihood of financial distress is greater in bad times when other investments also do poorly, the possibility of financial distress will increase the risks investors bear. These effects increase the variability of the value of the firm. Thus, firms that use too much debt can end up with a higher overall cost of capital than those that use none.

Other parts of the answer include the signals companies send to investors by the decision to issue new securities, and by the type of securities they issue. Other threads of the literature explore cases where management acts against shareholder interests, or where management attempts to "time" the market by issuing specific securities under different conditions. For present purposes, the important point is that no theory, whether based on taxes or on some completely different issue, has emerged as "the" explanation for capital structure decisions by firms. Nonetheless, despite the lack of a single "best" theory, there is a great deal of relevant empirical research.

Q10. What does that research show?

A10. The research does not support the view that debt makes a material difference in the value of the firm, at least not once a modest amount of debt is in place. If debt were truly valuable, competitive firms should use as much debt as possible short of producing financial distress, and competitive firms that use less debt ought to be less profitable. The research shows exactly the opposite.

For example, Kester[11] found that firms in the same industry in both the U.S. and Japan do not band around a single, "optimal" capital structure, and the most profitable firms are the ones that use the *least* debt. This finding comes despite the fact that both countries at the time (unlike the U.S. currently) had fully "classical" tax systems, in which dividends are taxed fully at both the corporate and personal level. Wald[12] confirms that high profitability implies low debt ratios in France, Germany, Japan, the U.K., and the U.S.

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[11] Carl Kester (1986), "Capital and Ownership Structure: A Comparison of United States and Japanese Manufacturing Concerns," *Financial Management*, 15:5-16.

[12] John K. Wald (1999), "How Firm Characteristics Affect Capital Structure: An International Comparison," *Journal of Financial Research*, 22:161-167.

Booth *et al.* find the same result for a sample of developing nations.[13] Fama and French[14] analyze over 2000 firms for 28 years (1965-1992, inclusive) and conclude, "Our tests thus produce no indication that debt has net tax benefits."[15] A paper by Graham[16] carefully analyzes the factors that might have led a firm not to take advantage of debt. It confirms that a large proportion of firms that ought to benefit substantially from use of additional debt, including large, profitable, liquid firms, appear not to use it "enough."

This research leaves us with only three options: either (1) apparently good, profit-generating managers are making major mistakes or deliberately acting against shareholder interests, (2) the benefits of the tax deduction on debt are less than they appear, or (3) the non-tax costs to use of debt offset the potential tax benefits. Only the first of these possibilities is consistent with the view that the tax deductibility of debt conveys a material cost advantage. Moreover, if the first explanation were interpreted to mean that otherwise good managers are acting against shareholder interests, either deliberately or by mistake, it would require the additional assumption that their competitors (and potential acquirers) let them get away with it.

Q11. Are there any explanations in the financial literature for this puzzle other than stupid or self-serving managers at the most profitable firms?

A11. Yes. For example, Stewart C. Myers, a leading expert on capital structure, made it the topic of his Presidential Address to the American Finance Association.[17] The poor performance of tax-based explanations for capital structure led him to propose an entirely different mechanism, the "pecking order" hypothesis. This hypothesis holds that the net tax benefits of debt (i.e., corporate tax advantage over personal tax disadvantage) are at

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[13] Laurence Booth *et al.* (2001), "Capital Structures in Developing Countries," *The Journal of Finance* Vol. LVI, pp. 87-130, finds at p. 105 that "[o]verall, the strongest result is that profitable firms use less total debt. The strength of this result is striking ..."

[14] Eugene F. Fama and Kenneth R. French (1998), "Taxes, Financing Decisions and Firm Value," *The Journal of Finance*, 53:819-843.

[15] *Ibid.*, p. 841.

[16] John R. Graham (2000), "How Big Are the Tax Benefits of Debt," *The Journal of Finance*, 55:1901-1942.

most of a second order of importance relative to other factors that drive actual debt decisions.[18] Similarly, Baker and Wurgler (2002)[19] observe a strong and persistent impact that fluctuations in market value have on capital structure. They argue that this impact is not consistent with other theories. The authors suggest a new capital structure theory based on market timing -- capital structure is the cumulative outcome of attempts to time the equity market.[20] In this theory, there is no optimal capital structure, so market timing financing decisions just accumulate over time into the capital structure outcome. (Of course, this theory only makes sense if investors do not recognize what managers are doing.)

Q12. Do inter-firm differences within an industry explain the wide variations in capital structure across the firms in an industry?

A12. No. This view is contradicted by the empirical research. As mentioned before, it has long been found that the most profitable firms in an industry, i.e., those in the best position to take advantage of debt, use the least.[21] Graham (2000) carefully examines differences in firm characteristics as possible explanations for why firms use "too little" debt and concludes that such differences are *not* the explanation: firms that ought to benefit substantially from more debt by all measurable criteria, if the net tax advantage of debt is truly valuable, voluntarily do not use it.[22]

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[17] Stewart C. Myers (1984), "The Capital Structure Puzzle," *The Journal of Finance*, 39: 575-592. See also S. C. Myers and N. S. Majluf (1984), "Corporate Financing Decisions When Firms Have Information Investors Do Not Have," *Journal of Financial Economics* 13:187-222.

[18] See also Stewart C. Myers (1989), "Still Searching for Optimal Capital Structure," *Are the Distinctions Between Debt and Equity Disappearing?*, R.W. Kopke and E. S. Rosengren, eds., Federal Reserve Bank of Boston.

[19] Malcolm Baker and Jeffrey Wurgler (2002), "Market Timing and Capital Structure," *The Journal of Finance* 57:1-32.

[20] *Ibid.*, p. 29.

[21] For example, Kester, *op. cit.* and Wald, *op. cit.*

[22] While not contradicting Graham's finding that differences in firm characteristics do not explain capital structure differences, Nengjiu Ju, Robert Parrino, Allen M. Poteshman, and Michael S. Weisbach, "Horses and Rabbits? Trade-Off Theory and Optimal Capital Structure," *Journal of Financial and Quantitative Analysis*, June 2005, pp. 1-24, looks at the issue in a different manner. Their paper uses a dynamic rather than static model to analyze the tradeoff between the tax benefits of debt and the risk of financial distress. It finds that bankruptcy costs by themselves are enough to explain observed capital structures, once

Nor does the research support the view that firms are constantly trying to adjust their capital structures to optimal levels. Additional research on the pecking order hypothesis demonstrates that firms do not tend towards a target capital structure, or at least do not do so with any regularity, and that past studies that seemed to show the contrary actually lacked the power to distinguish whether the hypothesis was true or not.[23] In the words of the Shyam-Sunder - Myers paper p. 242, "If our sample companies did have well-defined optimal debt ratios, it seems that their managers were not much interested in getting there."

II. EXPANDED EXAMPLE

Q13. What topics do you cover in this section?

A13. The discussion in my testimony did not detail the impact of different starting points for the level of debt nor did it address income earned on the investment, interest expense, or taxes. This section covers these topics. First, it discusses how the level of debt affects the cost of equity. Second, it addresses the influence of income and interest on the investment. Third, it explains the impact of taxes on capital structure decisions. The final topic covered in this section is the combined consequence of tax and non-tax effects of debt.

A. DETAILS OF DIFFERENT LEVELS OF DEBT

Q14. Please repeat briefly the setup in the example discussed in the direct testimony.

A14. The example considered an investor who purchases $100,000 in real estate. The future value of the real estate is uncertain. Figures 2 and 3 in my direct testimony show how the return on equity to the investor differs if he finances the purchase with 100 percent equity,

---

dynamic effects are considered. This means debt is not as valuable as suggested by the traditional static analysis (of the sort used by Graham).

[23] Lakshmi Shyam-Sunder and Stewart C. Myers (1999), "Testing static tradeoff against pecking order models of capital structure," *Journal of Financial Economics* 51:219-244.

and if he finances it with 50 percent equity and 50 percent mortgage debt. The lesson from the example is that debt adds risk to equity.

Q15. What happens if the investor finances the real estate purchase with different proportions of debt?

A15. The equity return becomes more variable when the mortgage percentage is a greater proportion of the initial price. Table E-1 below calculates the return on equity when real estate prices increase by 10 percent when mortgages are 0 percent, 30 percent, 50 percent, and 70 percent of the initial price.

Table E-1: The Impact of Leverage on the Return on Equity

	100% Equity	70% Equity	50% Equity	30% Equity
Debt	$0	$30,000	$50,000	$70,000
Original Equity Investment	$100,000	$70,000	$50,000	$30,000
Increase in Market Value of Equity	$10,000	$10,000	$10,000	$10,000
Return on Equity Investment	10%	14.3%	20%	33.3%

Note that going from 70 percent equity down to 50 percent equity increases the return on the equity investment by 5.7 percent while going from 50 percent equity to 30 percent equity increases the return on equity by 13.3 percent. This illustrates a general point; the rate of return on equity increases more quickly at higher levels of debt than at lower levels. Investors demand a higher equity rate of return to bear more risk and debt magnifies equity's risk at an ever increasing rate. Therefore, the required equity rate of return goes up at an ever increasing rate as debt is added. This is not only basic finance theory, it is the everyday experience of anyone who buys a home. The bigger the mortgage, the more percentage risk the equity faces from changes in housing prices.

B. THE IMPACT OF INCOME AND INTEREST

Q16. How does earning income from the investment and paying interest on debt affect the results?

A16. In the following explanation, I ignore income taxes which I deal with in Section C below. Assume the investor is receiving income, e.g., rent, from the real estate. Specifically, assume the investor receives $500 per month in income after all non-interest expenses ($6,000 per year). Also, assume that the expected appreciation is 5 percent per year, so the expected market value is $105,000 after one year. Then the expected rate of return from the real estate with all equity financing is:

$$\text{Expected Return on Equity @ 0\% debt} = \frac{\text{Expected Net Income + Expected Appreciation}}{\text{Initial Investment}}$$

$$= \frac{\$6{,}000 + (\$105{,}000 - \$100{,}000)}{\$100{,}000}$$

$$= 11\%$$

Now suppose that the mortgage interest rate were 5 percent. Then at a mortgage equal to 50 percent, or $50,000, interest expense would be ($50,000 x 0.05), or $2,500. The expected equity rate of return would be:

$$\text{Expected Return on Equity @ 50\% debt} = \frac{\text{Expected (Net Income + Appreciation) – Int. Expense}}{\text{Initial } \textit{Equity} \text{ Investment}}$$

$$= \frac{\$6{,}000 + \$5{,}000 - \$2{,}500}{\$50{,}000}$$

$$= 17\%$$

Notice that the expected return on equity is higher as is the risk carried by equity.

Q17. Can you provide a more general illustration?

Yes. Figure E-1 uses these assumptions at different mortgage levels to plot both (i) the expected rate of return on the equity in the real estate, and (ii) the realized rate of return

on that equity in a year if the real estate value increases by 10 percent more than the expected 5 percent rate (i.e., if the value increases by 15 percent) or by 10 percent less than expected (i.e., if it decreases by 5 percent).[24]

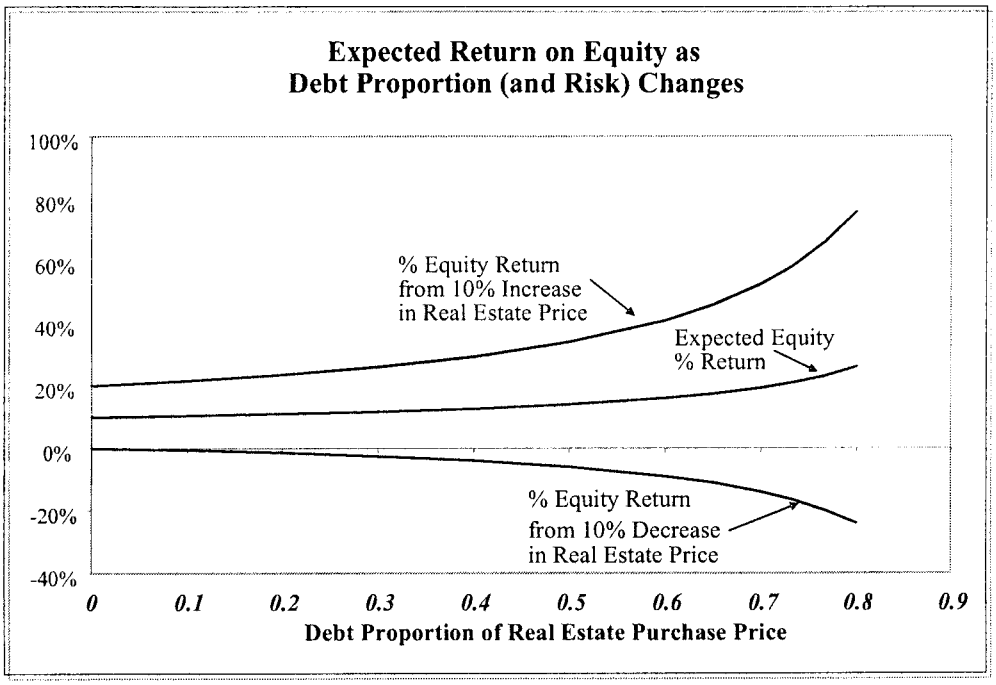

Figure E-1

The expected rate of return on equity increases at an increasing rate as the investor finances more and more of the real estate through loans (e.g., with a mortgage). Since equity bears all the risk of increases or decreases in real estate values (absent financial distress or bankruptcy), the amount of risk the buyer bears grows at an ever increasing rate as the mortgage percentage also increases.

Q18. What are the implications of this example?

A17. Any time an individual or a company uses debt to finance part an investment, the same risk magnifies. For example, if an investor buys stocks "on margin" -- by borrowing part of the money used to buy the stock -- the expected rate of return will be higher as will the

[24] For simplicity, the figure assumes the debt's interest rate is independent of the debt proportion. This might not always be true, and in general would not be true for a corporation that issued debt. However, the general shape of the graphs remains the same.

risks the investor carries. As an everyday example, imagine investing your retirement savings in a stock portfolio bought with as much margin as possible. If you were lucky, you could end up living very well in retirement. But you would be taking a lot of risk on the opposite outcome, since your portfolio could decline by more than 100 percent of your initial investment.

The same risk-magnifying effects happen when companies borrow to finance part of their investments.

C. THE EFFECT OF TAXES

Q19. What is the impact of taxes?

A18. Analyzing the net effect of taxes in capital structure decisions by corporations is an important part of the financial research. (Other parts of that research address such issues as the risk of financial distress or bankruptcy, and the signals corporations send investors by the choice of how to finance new investments.) The bottom line is that taxes complicate the picture without changing the basic conclusion.

Q20. Please describe the potential impact of taxes.

A19. Interest expense is tax-deductible for corporations. That increases the pool of cash the corporation gets to keep out of its operating earnings (i.e., its earnings before interest expense). With no debt, 100 percent of operating income is subject to taxes. With debt, only the equity part of the operating income is subject to taxes.

All else equal, the extra money kept from operating income increases the value of the corporation. The standard way to recognize that increase in value is to use an after-tax weighted-average cost of capital as a discount rate when valuing a company's operating cash flows.

Q21. Do personal taxes affect the value of debt, too?

A20. Yes, but in the other direction. One offset to debt's tax benefits at the corporate level is its higher tax burden at the personal level. Investors care about the money they get to keep after all taxes are paid, and while the corporation saves taxes by opting for debt over

equity, individuals pay more taxes on interest than on capital gains from equity (and for now, on dividends as well).

Q22. Are there factors other than taxes matter?

A21. Absolutely, "all else" does not remain equal as more debt is added. The more debt, the more the non-tax effects of debt offset the tax benefits. Other costs include such effects as a loss of flexibility, the possibility of sending negative signals to investors, and a host of costs and risks associated with the danger of financial distress.

Q23. Does the tradeoff between the tax and non-tax effects of debt mean that firms have well-defined, optimal capital structures?

A22. No, this sort of "tradeoff" model does not explain actual corporate behavior. A substantial body of economic research confirms that real-world corporations act as if, after a moderate amount of debt is in place, the tax benefits of debt are not worth debt's other costs. In country after country and in industry after industry, the most profitable corporations in an industry tend to use the least debt. The research on this point is quite thorough, and the finding that the most profitable companies tend to use the least debt in a given industry is robust. Yet these are the companies with the most operating income to shield from taxes, who would benefit most if interest tax shields were truly valuable net of debt's other costs. They also presumptively are the best-managed on average (else why are they the most profitable?). This means it is unrealistic to suppose that more debt is always better, or that greater tax savings due to higher interest expense always add value to the firm on balance.

Q24. If the tradeoff model doesn't explain capital structure decisions by firms, is there a model that does?

A23. No single model has (yet) emerged as 'the" explanation of capital structure. However, several alternative models attempt to model the tradeoff (e.g., the "pecking order" hypothesis and "agency cost" explanations).

Q25. What does the absence of an agreed theory of capital structure in the financial literature imply about the overall effect of debt on the value of the firm?

A24. The findings of the financial literature mean that within an industry, there is no well-defined optimal capital structure. The use of some debt does convey some value advantage in most industries, but that advantage is offset by other costs as firms add more debt.[25] The range of capital structures over which the value of the firm in any industry is maximized is wide and should be treated as flat. The location and level of that range, however, does vary from industry to industry, just as the overall cost of capital varies from industry to industry.

Figure E-2 illustrates the picture that emerges from the research. This figure shows the present value of an investment in each of four different industries. For simplicity, the investment is expected to yield $1.00 per year forever. For firms in relatively high-risk industries (Industry 1 in the graph, the lowest line), the $1.00 perpetuity is not worth much and any use of debt decreases firm value. For firms in relatively low-risk industries (Industry 4 in the graph), the perpetuity is worth more and substantial amounts of debt make sense. Industries 2 and 3 are intermediate cases.

The maximum net rate at which taxes can increase value in this figure equals 20 percent of interest expense, representing a balance between the corporate tax advantage to debt and the personal tax disadvantage. The figure plots the maximum possible impact of taxes on value as a separate line, starting at the all-equity value of the lowest-risk industry (Industry 4).

[25] Note that if debt did increase the value of the firm materially, competition would tend to take that value away, since issuing debt is an easy-to-copy competitive strategy. Prices would fall as firms copied the strategy, lowering operating earnings and passing the net tax advantages to debt through to customers (just as happens under rate regulation). Therefore, if also there were a narrow range of optimal capital structures within an industry, competition would drive all firms in the industry to capital structures within that range. This does not happen in practice, which contradicts one or both of the assumptions, i.e., (1) that debt adds material value on balance, and/or (2) that there is a narrow range of optimal capital structures.

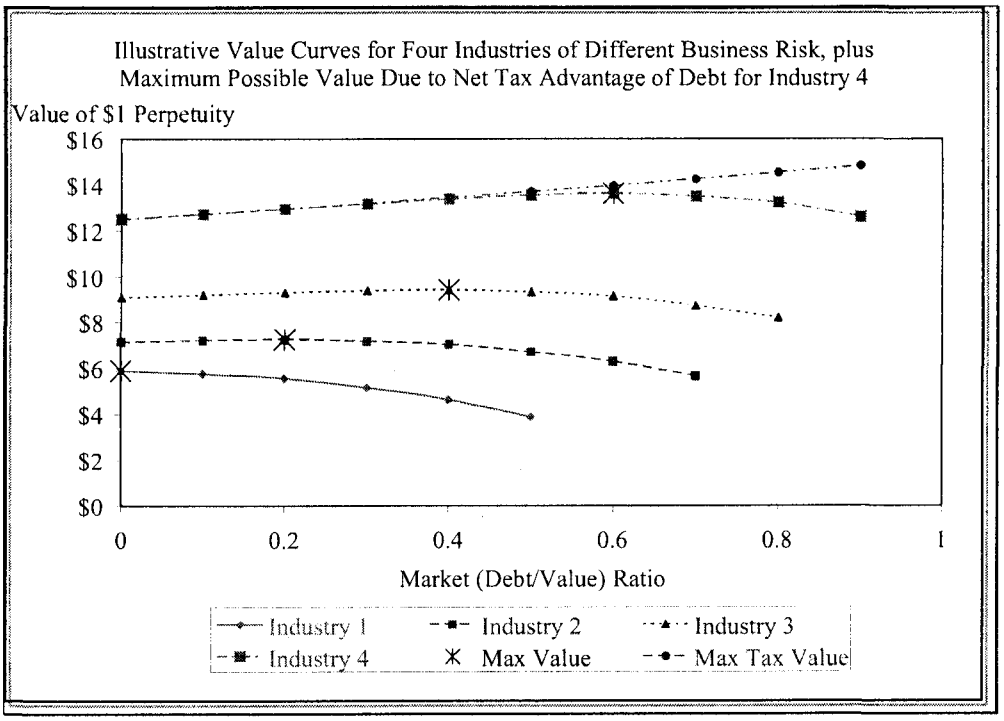

Figure E-2

Figure E-2 identifies a particular point as the maximum value on each of the four curves. However, the research shows that reliable identification of this maximum point, except in the extreme case where no debt should be used, is impossible. In accord with the research, the graph is prepared so that in none of the industries does a change in capital structure make much difference near the top of the curve. Even Industry 4, which increases in value at the maximum rate as quite a lot of debt is added, eventually must reach a broad range where changes in the debt ratio make little difference to firm value, given the research. For Industry 4, debt makes less than a 2 percent difference in the total value of the firm for debt-to-value ratios between 40 and 70 percent. (While these particular values are illustrative, numbers of this order of magnitude are the only ones consistent with the research.)

Q26. What does this imply for the overall cost of capital?

A25. Figure E-3 plots the after-tax weighted-average costs of capital ("ATWACCs") that correspond to the value curves in Figure E-2. This picture just turns Figure E-2 upside

down.[26] All the same conclusions remain, except that they are stated in terms of the overall cost of capital instead of the overall firm value. In particular, except for high-risk industries, the overall cost of capital is essentially flat across a broad middle range of capital structures for each industry, which is the only outcome consistent with the research. For Industry 4, for example, the ATWACC changes by less than 15 basis points for debt-to-value ratios between 40 and 70 percent.

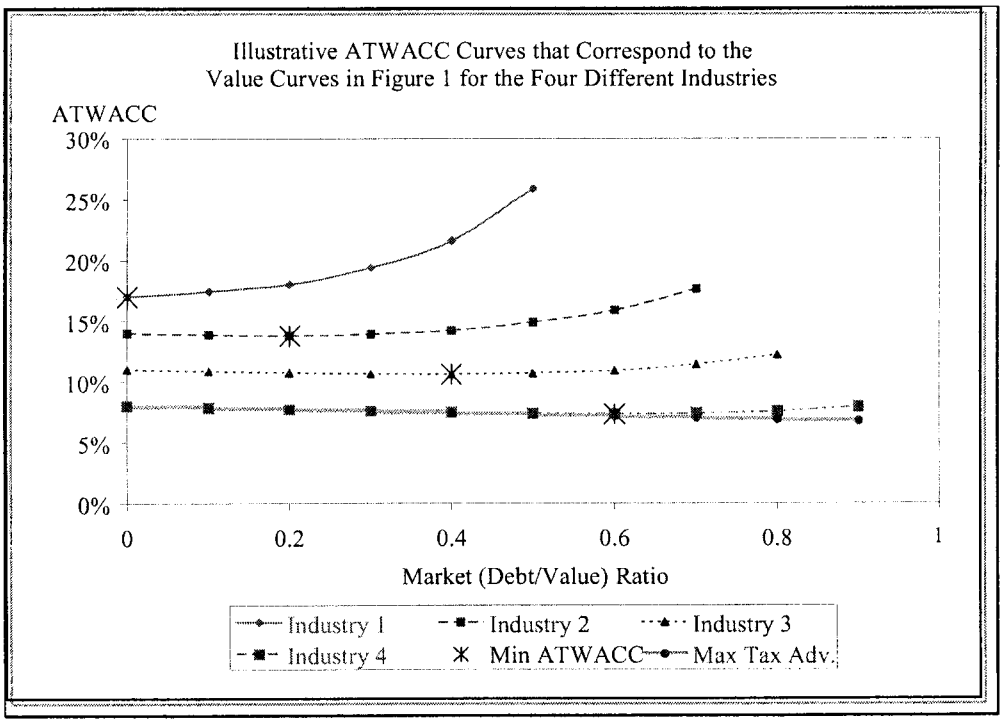

Figure E-3

Q27. How does this discussion relate to estimation of the right cost of equity for ratemaking purposes?

A26. When an analyst estimates the cost of equity for a sample of companies, s/he does so at the sample's actual market-value capital structure. That is, the sample evidence corresponds to ATWACCs that are already out somewhere in the broad middle range in

[26] Note that the actual estimated ATWACC at higher debt ratios will tend to underestimate the ATWACC that corresponds to the value curves in Figure E-2, which are depicted in Figure E-3, and so will tend to overestimate the value of debt to the firm. The reason is that some of the non-tax effects of excessive debt, such as a loss of financial flexibility, may be hard to detect and not show up in cost-of-capital measurement.

which changes in the debt ratio have little or no impact on the overall value of the firm or the ATWACC.

An analyst therefore should assume the ATWACCs for the sample companies are literally flat. This assumption always provides the exact tradeoff between the cost of equity and capital structure at the literal minimum of the company's ATWACC curve. The research shows that this minimum is actually a broad, flat region, as depicted above. If the company happens to be somewhat to one side or the other of the literal minimum within this region, the recommended procedure may lead to a small understatement or overstatement of the amount that the cost of equity will change as capital structure changes. The degree of this under- or overstatement, however, is very small compared to the inherent uncertainty in estimating the cost of equity in the first place. Otherwise, the financial research would have found very different results about the existence of a narrowly defined optimal capital structure.

D. COMBINED EFFECTS

Q28. Please summarize the implications for the combined impact of the tax and non-tax effects of debt.

A27. The most profitable firms do not behave as if the precise amount of debt they use makes any material difference to value, and competition does not force them into an alternative decision, as it would if debt were genuinely valuable. The explanation that fits the facts and the research is that within an industry, there is no well-defined optimal capital structure. Use of some debt does convey an advantage in most industries, but that advantage is offset by other costs as firms add more debt. The range of capital structures over which the value of the firm in any industry is maximized is wide and should be treated as flat. The location and level of that range, however, does vary from industry to industry, just as the overall cost of capital varies from industry to industry. To conclude that more debt does add more value, once the firm is somewhere in the normal range for the industry, is to conclude that corporate management in general is either blind to an

easy source of value or otherwise incompetent (and that their competitors let them get away with it).

The finding that there is no narrowly defined optimal capital structure implies that analysts should estimate the ATWACCs for a sample of companies in a given industry and treat the average ATWACC value as independent of capital structure (at least within a broad middle range of capital structures). The right cost of equity for a rate-regulated company in the same industry is the number that yields the same ATWACC at the capital structure used to set the revenue requirement, since that is the cost of equity that (estimation problems aside) the sample companies would have had if their market-value capital structures had been equal to the regulatory capital structure.

Exhibits to the Direct Testimony of

Bente Villadsen

Docket No. W-01303A-08-____
Docket No. SW-01303A-08-____

Table No. BV-1

Index to Tables for the Direct Testimony of Bente Villadsen

Table No. BV-1	Table of Contents
Table No. BV-2	Percentage of Revenue from Regulated Activities - Water Sample
Table No. BV-3	Market Value of the Water Sample
Table No. BV-4	Capital Structure Summary of the Water Sample
Table No. BV-5	Estimated Growth Rates of the Water Sample
Table No. BV-6	DCF Cost of Equity of the Water Sample
Table No. BV-7	Overall After-Tax DCF Cost of Capital of the Water Sample
Table No. BV-8	DCF Cost of Equity at Arizona-American Water's Capital Structure
Table No. BV-9	Normalized Risk-Free Rates
Table No. BV-10	Risk Positioning Cost of Equity of the Water Sample
Table No. BV-11	Overall Risk Positioning Cost of Capital of the Water Sample
Table No. BV-12	Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure
Table No. BV-13	DCF Cost of Equity at Arizona-American Water's Capital Structure including Short-Term Debt
Table No. BV-14	Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure including Short-Term Debt
Table No. BV-15	Classification of Companies by Assets - Gas LDC Sample
Table No. BV-16	Market Value of the Gas LDC Sample
Table No. BV-17	Capital Structure Summary of the Gas LDC Sample
Table No. BV-18	Estimated Growth Rates of the Gas LDC Sample
Table No. BV-19	DCF Cost of Equity of the Gas LDC Sample
Table No. BV-20	Overall After-Tax DCF Cost of Capital of the Gas LDC Sample
Table No. BV-21	DCF Cost of Equity at Arizona-American Water's Capital Structure
Table No. BV-22	Risk Positioning Cost of Equity of the Gas LDC Sample
Table No. BV-23	Overall Risk Positioning Cost of Capital of the Gas LDC Sample
Table No. BV-24	Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure
Table No. BV-25	DCF Cost of Equity at Arizona-American Water's Capital Structure including Short-Term Debt
Table No. BV-26	Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure including Short-Term Debt

Table No. BV-2

Water Sample

Percentage of Revenue from Regulated Activities

Company	State	2006 [1]
American States Water Co	CA	94%
Aqua America Inc	CA	94%
California Water Service Group	CT	97%
Connecticut Water Service Inc	NJ	90%
Middlesex Water Co	PA	89%
SJW Corp	CA	95%
Southwest Water Co	CA	41%
York Water Co	PA	92%

Sources and Notes:
[1]: Workpaper #1 to Table No. BV-2; Panels A - H.

Workpaper #1 to Table No. BV-2

Water Sample: Breakdown of Revenues

Panel A: American States Water Co ($MM)

		% Total 2006	2006
Operating Revenues			
Water			
GSCW Water		80%	215.2
GSCW Electric		11%	29.3
CCWC Water		3%	7.8
Total Regulated Revenue	[1]		252.2
Other (ASUS Contracts*)	[2]	6%	16.4
Total Operating Revenues	[3]		268.6
Estimated % Regulated Revenues	[1] / [3]		**94%**

Sources and Notes:

American States Water Co's 2006 10-K, Note 15 - Business Segments.

*ASUS is assumed to be a non-regulated entity.

Workpaper #1 to Table No. BV-2

Water Sample: Breakdown of Revenues

Panel B: Aqua America Inc ($MM)

		% Total 2006	2006
Operating Revenues			
Residential Water		67%	222.6
Commercial Water		17%	57.0
Industrial Water		4%	14.2
Other Water		4%	15.0
Wastewater		4%	11.9
Other*	[1]	4%	13.5
Total Regulated Revenue	[2]		334.3
Other (Non-Regulated)	[3]		7.2
Total Operating Revenues	[4]		341
Estimated % Regulated Revenues	{[2]-[1]}/[4]		**94%**

Sources and Notes:

Aqua America Inc's 2006 10-K, page 5.

* "Our Regulated segment also includes certain non-regulated operating revenues of $13,525 in 2006…", 2006 10-K, page 8.

Workpaper #1 to Table No. BV-2

Water Sample: Breakdown of Revenues

Panel C: California Water Service Group ($MM)

	% Total 2006	2006
Operating Revenues		
Residential	70%	232.8
Business	18%	60.4
Industrial	5%	16.3
Public Authorities	5%	15.7
Other	3%	9.5
Total Operating Revenues		334.7
Estimated % Regulated Revenues		**97%**

Sources and Notes:

California Water Service Group's 2006 10-K, Five Year Financial Review, page 28.

On page 2 of the 10-K, there is a note saying that 96% of total consolidated operating revenue is from the California Water Operations. The business is regulated, also in page 2.

Workpaper #1 to Table No. BV-2

Water Sample: Breakdown of Revenues

Panel D: Connecticut Water Service Inc ($MM)

		% Total 2006	2006
Operating Revenues			
Water Activities			47.9
Total Regulated Revenue	[1]		47.9
Real Estate Transactions			1.0
Services and Rentals			4.1
Total Non - Regulated Revenue	[2]		5.1
Total Operating Revenues	[3]		53.0
Estimated % Regulated Revenues	[1] / [3]		**90%**

Sources and Notes:
Connecticut Water Service Inc's 2005 10-K, Note 15 - Segment Reporting.

Workpaper #1 to Table No. BV-2

Water Sample: Breakdown of Revenues

Panel E: Middlesex Water Co ($MM)

		% Total 2006	2006
Operating Revenues			
Regulated	[1]	89%	71.9
Non-Regulated	[2]	11%	9.3
Inter-segment Elimination		0%	(0.2)
Total Operating Revenues	[3]		81.1
Estimated % Regulated Revenues	[1] / [3]		**89%**

Sources and Notes:

*Middlesex Water Co's 2006 10-K, Note 8: Business Segment Data.

Workpaper #1 to Table No. BV-2

Water Sample: Breakdown of Revenues

Panel F: SJW Corp ($MM)

		% Total 2006	2006
Operating Revenues			
Regulated	[1]	95%	179.8
Non Regulated	[2]	5%	9.5
Total Operating Revenues	[3]		189.2
Estimated % Regulated Revenues	[1] / [3]		**95%**

Sources and Notes:

SJW Corp's 2006 10-K, Note 15 - Non-regulated Businesses.

Workpaper #1 to Table No. BV-2

Water Sample: Breakdown of Revenues

Panel G: Southwest Water Co ($MM)

		% Total 2006	2006
Operating Revenues			
Services Group	[1]	59%	126.2
Utility Group	[2]	41%	86.3
Total Operating Revenues	[3]		212.5
Estimated % Regulated Revenues	[2] / [3]		**41%**

Sources and Notes:

Southwest Water Co 2006 10-K, Note 12 - Segment Information:

"While state and federal agencies issue regulations regarding standards of water quality, safety, environmental and other matters which affect our Services Group operations, the pricing of the services provided by our Services Group is not subject to government regulation." p. 1.

Workpaper #1 to Table No. BV-2

Water Sample: Breakdown of Revenues

Panel H: York Water Co ($MM)

		% Total 2006	2006
Operating Revenues			
Residential		63%	18.0
Commercial and Industrial		30%	8.5
Total Regulated Revenue	[1]		26.5
Other	[2]	8%	2.2
Total Operating Revenues	[3]		28.7
Estimated % Regulated Revenues	[1] / [3]		**92%**

Sources and Notes:
York Water Co 2006 10-K, p. 2.
It is assumed that "Other" represnts non-regulated revenues.

Table No. BV-3

Market Value of the Water Sample

Panel A: American States Water Co

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$299	$299	$284	$264	$251	$212	$213	[a]
Shares Outstanding (in millions) - Common	17	17	17	17	17	15	15	[b]
Price per Share - Common	$34.54	$40.79	$38.23	$31.75	$25.66	$24.97	$23.85	[c]
Market Value of Common Equity	$594	$701	$652	$533	$430	$380	$362	[d] = [b] x [c].
Market to Book Value of Common Equity	1.99	2.35	2.30	2.02	1.71	1.79	1.70	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$69	$69	$64	$67	$53	$58	$54	[h]
Current Liabilities	$89	$89	$86	$75	$86	$96	$78	[i]
Current Portion of Long-Term Debt	$1	$1	$1	$1	$1	$1	$13	[j]
Net Working Capital	($19)	($19)	($21)	($8)	($32)	($37)	($11)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$29	$29	$32	$27	$45	$56	$35	[l]
Adjusted Short-Term Debt	$19	$19	$21	$8	$32	$37	$11	[m] = See Sources and Notes.
Long-Term Debt	$268	$268	$268	$268	$229	$230	$231	[n]
Book Value of Long-Term Debt	$287	$287	$289	$277	$262	$267	$255	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$38	$38	$38	$39	$54	$47	$38	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$325	$325	$327	$316	$316	$314	$293	[q] = [p] + [o].
Market Value of Debt	$325	$325	$327	$316	$316	$314	$293	[r] = [q].
MARKET VALUE OF FIRM								
	$919	$1,026	$979	$850	$746	$694	$655	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	64.63%	68.34%	66.60%	62.77%	57.66%	54.73%	55.25%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	-	[u] = [g] / [s].
Debt - Market Value Ratio	35.37%	31.66%	33.40%	37.23%	42.34%	45.27%	44.75%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008.

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-6.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-3

Market Value of the Water Sample

Panel B: Aqua America Inc

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$965	$965	$922	$812	$747	$658	$493	[a]
Shares Outstanding (in millions) - Common	133	133	132	129	127	123	113	[b]
Price per Share - Common	$19.70	$24.14	$23.40	$27.51	$17.98	$16.32	$12.43	[c]
Market Value of Common Equity	$2,624	$3,216	$3,097	$3,547	$2,287	$2,015	$1,407	[d] = [b] x [c].
Market to Book Value of Common Equity	2.72	3.33	3.36	4.37	3.06	3.06	2.86	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$129	$129	$135	$98	$91	$84	$71	[h]
Current Liabilities	$315	$315	$256	$272	$214	$232	$227	[i]
Current Portion of Long-Term Debt	$24	$24	$31	$25	$50	$39	$34	[j]
Net Working Capital	($162)	($162)	($90)	($149)	($73)	($109)	($121)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$196	$196	$119	$139	$75	$96	$115	[l]
Adjusted Short-Term Debt	$162	$162	$90	$139	$73	$96	$115	[m] = See Sources and Notes.
Long-Term Debt	$1,038	$1,038	$952	$878	$784	$697	$583	[n]
Book Value of Long-Term Debt	$1,225	$1,225	$1,073	$1,042	$908	$833	$732	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$4	$4	$4	$47	$29	$45	$43	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$1,228	$1,228	$1,076	$1,089	$936	$878	$776	[q] = [p] + [o].
Market Value of Debt	$1,228	$1,228	$1,076	$1,089	$936	$878	$776	[r] = [q].
MARKET VALUE OF FIRM	$3,853	$4,444	$4,173	$4,636	$3,223	$2,893	$2,183	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	68.12%	72.36%	74.21%	76.51%	70.95%	69.65%	64.46%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	0.01%	[u] = [g] / [s].
Debt - Market Value Ratio	31.88%	27.64%	25.79%	23.49%	29.05%	30.35%	35.53%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008.

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-6.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-3

Market Value of the Water Sample

Panel C: California Water Service Group

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$384	$384	$378	$294	$288	$245	$199	[a]
Shares Outstanding (in millions) - Common	21	21	21	18	18	17	15	[b]
Price per Share - Common	$35.09	$40.56	$40.35	$38.87	$36.49	$27.53	$24.17	[c]
Market Value of Common Equity	$725	$838	$834	$715	$670	$466	$367	[d] = [b] x [c].
Market to Book Value of Common Equity	1.89	2.19	2.20	2.43	2.33	1.91	1.84	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$3	$3	$3	$3	$3	$3	$3	[f]
Market Value of Preferred Equity	$3	$3	$3	$3	$3	$3	$3	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$88	$88	$110	$52	$70	$44	$41	[h]
Current Liabilities	$82	$82	$70	$63	$57	$64	$89	[i]
Current Portion of Long-Term Debt	$2	$2	$2	$1	$1	$1	$1	[j]
Net Working Capital	$9	$9	$41	($10)	$14	($19)	($48)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$0	$0	$0	$0	$0	$6	$36	[l]
Adjusted Short-Term Debt	$0	$0	$0	$0	$0	$6	$36	[m] = See Sources and Notes.
Long-Term Debt	$291	$291	$292	$274	$275	$272	$250	[n]
Book Value of Long-Term Debt	$293	$293	$294	$275	$276	$280	$288	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$24	$24	$24	$15	$25	$16	$56	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$317	$317	$318	$290	$301	$296	$344	[q] = [p] + [o].
Market Value of Debt	$317	$317	$318	$290	$301	$296	$344	[r] = [q].
MARKET VALUE OF FIRM								
	$1,046	$1,159	$1,155	$1,008	$975	$765	$714	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	69.36%	72.35%	72.19%	70.87%	68.77%	60.92%	51.40%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	0.33%	0.30%	0.30%	0.34%	0.36%	0.45%	0.49%	[u] = [g] / [s].
Debt - Market Value Ratio	30.31%	27.35%	27.51%	28.78%	30.88%	38.63%	48.11%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008.

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-6.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-3

Market Value of the Water Sample

Panel D: Connecticut Water Service Inc

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$100	$100	$96	$94	$88	$83	$80	[a]
Shares Outstanding (in millions) - Common	8	8	8	8	8	8	8	[b]
Price per Share - Common	$24.03	$23.66	$22.75	$25.09	$26.66	$27.90	$26.07	[c]
Market Value of Common Equity	$201	$198	$188	$205	$214	$222	$207	[d] = [b] x [c].
Market to Book Value of Common Equity	2.01	1.98	1.96	2.18	2.44	2.67	2.59	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$1	$1	$1	$1	$1	$1	$1	[f]
Market Value of Preferred Equity	$1	$1	$1	$1	$1	$1	$1	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$19	$19	$14	$26	$15	$11	$10	[h]
Current Liabilities	$21	$21	$13	$13	$16	$15	$15	[i]
Current Portion of Long-Term Debt	$0	$0	$0	$2	$0	$0	$0	[j]
Net Working Capital	($2)	($2)	$1	$15	($0)	($4)	($5)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$11	$11	$5	$5	$6	$10	$7	[l]
Adjusted Short-Term Debt	$2	$2	$0	$0	$0	$4	$5	[m] = See Sources and Notes.
Long-Term Debt	$77	$77	$77	$77	$66	$65	$65	[n]
Book Value of Long-Term Debt	$80	$80	$77	$80	$67	$69	$70	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$1	$1	$1	($2)	($7)	$9	$6	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$81	$81	$79	$78	$60	$78	$76	[q] = [p] + [o].
Market Value of Debt	$81	$81	$79	$78	$60	$78	$76	[r] = [q].
MARKET VALUE OF FIRM	$282	$279	$268	$284	$275	$301	$283	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	71.10%	70.78%	70.34%	72.23%	77.92%	73.93%	73.04%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	0.27%	0.28%	0.29%	0.30%	0.31%	0.28%	0.30%	[u] = [g] / [s].
Debt - Market Value Ratio	28.63%	28.94%	29.37%	27.47%	21.77%	25.79%	26.66%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008.

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-6.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-3

Market Value of the Water Sample

Panel E: Middlesex Water Co

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$133	$133	$129	$100	$95	$80	$77	[a]
Shares Outstanding (in millions) - Common	13	13	13	12	11	11	10	[b]
Price per Share - Common	$18.32	$19.01	$18.64	$18.08	$19.44	$20.19	$16.09	[c]
Market Value of Common Equity	$242	$251	$245	$209	$221	$214	$167	[d] = [b] x [c].
Market to Book Value of Common Equity	1.83	1.89	1.90	2.10	2.32	2.68	2.18	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$4	$4	$4	$4	$4	$4	$4	[f]
Market Value of Preferred Equity	$4	$4	$4	$4	$4	$4	$4	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$23	$23	$21	$17	$16	$18	$20	[h]
Current Liabilities	$27	$27	$18	$21	$28	$28	$30	[i]
Current Portion of Long-Term Debt	$3	$3	$3	$2	$1	$1	$1	[j]
Net Working Capital	($1)	($1)	$5	($3)	($11)	($8)	($9)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$7	$7	$0	$4	$11	$13	$18	[l]
Adjusted Short-Term Debt	$1	$1	$0	$3	$11	$8	$9	[m] = See Sources and Notes.
Long-Term Debt	$128	$128	$131	$128	$115	$97	$87	[n]
Book Value of Long-Term Debt	$132	$132	$133	$133	$127	$107	$97	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$2	$2	$2	$3	$3	$3	$2	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$134	$134	$135	$135	$130	$110	$99	[q] = [p] + [o].
Market Value of Debt	$134	$134	$135	$135	$130	$110	$99	[r] = [q].
MARKET VALUE OF FIRM	$380	$389	$385	$349	$355	$328	$270	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	63.66%	64.51%	63.81%	60.05%	62.19%	65.24%	61.74%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	1.04%	1.02%	1.03%	1.13%	1.14%	1.24%	1.51%	[u] = [g] / [s].
Debt - Market Value Ratio	35.30%	34.47%	35.16%	38.82%	36.67%	33.53%	36.76%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008.

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-6.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-3

Market Value of the Water Sample

Panel F: SJW Corp

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$237	$237	$228	$196	$185	$166	$153	[a]
Shares Outstanding (in millions) - Common	18	18	18	18	18	18	18	[b]
Price per Share - Common	$30.06	$33.44	$36.49	$24.74	$18.62	$14.63	$13.18	[c]
Market Value of Common Equity	$552	$614	$667	$452	$340	$267	$241	[d] = [b] x [c].
Market to Book Value of Common Equity	2.33	2.59	2.92	2.31	1.84	1.61	1.57	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$39	$39	$59	$32	$28	$27	$19	[h]
Current Liabilities	$41	$41	$37	$21	$15	$15	$24	[i]
Current Portion of Long-Term Debt	$1	$1	$0	$0	$0	$0	$0	[j]
Net Working Capital	($2)	($2)	$23	$11	$13	$12	($5)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$8	$8	$16	$0	$0	$0	$11	[l]
Adjusted Short-Term Debt	$2	$2	$0	$0	$0	$0	$5	[m] = See Sources and Notes.
Long-Term Debt	$196	$196	$164	$145	$144	$140	$110	[n]
Book Value of Long-Term Debt	$199	$199	$164	$146	$144	$140	$115	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	($23)	($23)	($23)	$22	$25	$23	$9	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$176	$176	$141	$168	$169	$163	$124	[q] = [p] + [o].
Market Value of Debt	$176	$176	$141	$168	$169	$163	$124	[r] = [q].
MARKET VALUE OF FIRM								
	$728	$790	$808	$620	$509	$430	$365	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	75.84%	77.74%	82.55%	72.94%	66.77%	62.15%	66.01%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	-	[u] = [g] / [s].
Debt - Market Value Ratio	24.16%	22.26%	17.45%	27.06%	33.23%	37.85%	33.99%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008.

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-6.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-3

Market Value of the Water Sample

Panel G: Southwest Water Co

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$172	$172	$166	$145	$126	$79	$61	[a]
Shares Outstanding (in millions) - Common	24	24	24	22	21	16	14	[b]
Price per Share - Common	$11.32	$13.06	$13.31	$14.19	$12.12	$10.87	$8.98	[c]
Market Value of Common Equity	$274	$316	$317	$315	$259	$176	$129	[d] = [b] x [c].
Market to Book Value of Common Equity	1.59	1.84	1.91	2.17	2.06	2.22	2.10	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$1	$1	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$1	$1	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$42	$42	$48	$48	$58	$35	$30	[h]
Current Liabilities	$34	$34	$36	$41	$36	$31	$32	[i]
Current Portion of Long-Term Debt	$1	$1	$1	$9	$3	$3	$2	[j]
Net Working Capital	$9	$9	$14	$17	$25	$7	$0	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$0	$0	$0	$0	$0	$0	$0	[l]
Adjusted Short-Term Debt	$0	$0	$0	$0	$0	$0	$0	[m] = See Sources and Notes.
Long-Term Debt	$143	$143	$129	$118	$116	$73	$81	[n]
Book Value of Long-Term Debt	$145	$145	$130	$127	$119	$76	$83	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$0	$0	$0	$2	$0	$0	$0	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$145	$145	$130	$129	$119	$76	$83	[q] = [p] + [o].
Market Value of Debt	$145	$145	$130	$129	$119	$76	$83	[r] = [q].
MARKET VALUE OF FIRM								
	$419	$461	$447	$444	$378	$252	$212	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	65.37%	68.54%	70.80%	70.93%	68.54%	69.72%	60.69%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	0.11%	0.10%	0.10%	0.10%	0.12%	0.20%	0.24%	[u] = [g] / [s].
Debt - Market Value Ratio	34.52%	31.36%	29.09%	28.97%	31.34%	30.08%	39.07%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008.

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-6.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-3

Market Value of the Water Sample

Panel H: York Water Co

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Yea End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$67	$67	$65	$50	$48	$39	$37	[a]
Shares Outstanding (in millions) - Common	11	11	11	16	10	10	10	[b]
Price per Share - Common	$15.39	$17.01	$17.99	$17.02	$13.00	$12.20	$10.79	[c]
Market Value of Common Equity	$173	$191	$202	$265	$134	$117	$103	[d] = [b] x [c].
Market to Book Value of Common Equity	2.58	2.86	3.08	5.27	2.80	3.01	2.77	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$7	$7	$7	$5	$5	$4	$4	[h]
Current Liabilities	$13	$13	$6	$25	$21	$14	$5	[i]
Current Portion of Long-Term Debt	$1	$1	$1	$12	$16	$3	$0	[j]
Net Working Capital	($5)	($5)	$2	($7)	$0	($7)	($2)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$5	$5	$0	$7	$0	$7	$3	[l]
Adjusted Short-Term Debt	$5	$5	$0	$7	$0	$7	$2	[m] = See Sources and Notes.
Long-Term Debt	$61	$61	$61	$40	$36	$30	$33	[n]
Book Value of Long-Term Debt	$67	$67	$62	$59	$52	$40	$34	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$8	$8	$8	$10	$12	$12	$9	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$75	$75	$70	$69	$64	$52	$44	[q] = [p] + [o].
Market Value of Debt	$75	$75	$70	$69	$64	$52	$44	[r] = [q].
MARKET VALUE OF FIRM								
	$248	$266	$272	$335	$198	$170	$147	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	69.81%	71.88%	74.22%	79.30%	67.73%	69.25%	70.19%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	-	[u] = [g] / [s].
Debt - Market Value Ratio	30.19%	28.12%	25.78%	20.70%	32.27%	30.75%	29.81%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008.

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-6.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-4

Water Sample

Capital Structure Summary

Company	DCF Capital Structure			5-Year Average Capital Structure		
	Common Equity - Value Ratio [1]	Preferred Equity - Value Ratio [2]	Debt - Value Ratio [3]	Common Equity - Value Ratio [4]	Preferred Equity - Value Ratio [5]	Debt - Value Ratio [6]
American States Water Co	0.65	-	0.35	0.61	-	0.39
Aqua America Inc	0.68	-	0.32	0.72	0.00	0.28
California Water Service Group	0.69	0.00	0.30	0.68	0.00	0.32
Connecticut Water Service Inc	0.71	0.00	0.29	0.73	0.00	0.27
Middlesex Water Co	0.64	0.01	0.35	0.63	0.01	0.36
SJW Corp	0.76	-	0.24	0.72	-	0.28
Southwest Water Co	0.65	0.00	0.35	0.69	0.00	0 31
York Water Co	0.70	-	0.30	0.72	-	0.28
Average	0.69	0.00	0.31	0.69	0.00	0.31

Sources and Notes:
[1], [4]:Workpaper #1 to Table No. BV-4.
[2], [5]:Workpaper #2 to Table No. BV-4.
[3], [6]:Workpaper #3 to Table No. BV-4.
Values in this table may not add up exactly to 1.0 because of rounding.

Workpaper #1 to Table No. BV-4

Water Sample

Calculation of the Average Common Equity - Market Value Ratio

Company	DCF Capital Structure [1]	3rd Quarter, 2007 [2]	2006 [3]	2005 [4]	2004 [5]	2003 [6]	2002 [7]	5-Year Average [8]
American States Water Co	0.65	0.68	0.67	0.63	0.58	0.55	0.55	0.61
Aqua America Inc	0.68	0.72	0.74	0.77	0.71	0.70	0.64	0.72
California Water Service Group	0.69	0.72	0.72	0.71	0.69	0.61	0.51	0.68
Connecticut Water Service Inc	0.71	0.71	0.70	0.72	0.78	0.74	0.73	0.73
Middlesex Water Co	0.64	0.65	0.64	0.60	0.62	0.65	0.62	0.63
SJW Corp	0.76	0.78	0.83	0.73	0.67	0.62	0.66	0.72
Southwest Water Co	0.65	0.69	0.71	0.71	0.69	0.70	0.61	0.69
York Water Co	0.70	0.72	0.74	0.79	0.68	0.69	0.70	0.72

Sources and Notes:

[1] - [7]: Table No. BV-3; Panels A - H, [t].

[8]: {([2] x 0.75) + [3] + [4] + [5] + [6] + ([7] x 0.25)} / 5.

Workpaper #2 to Table No. BV-4

Water Sample

Calculation of the Average Preferred Equity - Market Value Ratio

Company	DCF Capital Structure [1]	3rd Quarter, 2007 [2]	2006 [3]	2005 [4]	2004 [5]	2003 [6]	2002 [7]	5-Year Average [8]
American States Water Co	-	-	-	-	-	-	-	-
Aqua America Inc	-	-	-	-	-	-	0.00	0.00
California Water Service Group	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Connecticut Water Service Inc	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Middlesex Water Co	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.01
SJW Corp	-	-	-	-	-	-	-	-
Southwest Water Co	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
York Water Co	-	-	-	-	-	-	-	-

Sources and Notes:
[1] - [7]: Table No. BV-3; Panels A - H, [u].
[8]: {([2] x 0.75) + [3] + [4] + [5] + [6] + ([7] x 0.25)} / 5.

Workpaper #3 to Table No. BV-4

Water Sample

Calculation of the Average Debt - Market Value Ratio

Company	DCF Capital Structure [1]	3rd Quarter, 2007 [2]	2006 [3]	2005 [4]	2004 [5]	2003 [6]	2002 [7]	5-Year Average [8]
American States Water Co	0.35	0.32	0.33	0.37	0.42	0.45	0.45	0.39
Aqua America Inc	0.32	0.28	0.26	0.23	0.29	0.30	0.36	0.28
California Water Service Group	0.30	0.27	0.28	0.29	0.31	0.39	0.48	0.32
Connecticut Water Service Inc	0.29	0.29	0.29	0.27	0.22	0.26	0.27	0.27
Middlesex Water Co	0.35	0.34	0.35	0.39	0.37	0.34	0.37	0.36
SJW Corp	0.24	0.22	0.17	0.27	0.33	0.38	0.34	0.28
Southwest Water Co	0.35	0.31	0.29	0.29	0.31	0.30	0.39	0.31
York Water Co	0.30	0.28	0.26	0.21	0.32	0.31	0.30	0.28

Sources and Notes:
[1] - [7]: Table No. BV-3; Panels A - H, [v].
[8]: {([2] x 0.75) + [3] + [4] + [5] + [6] + ([7] x 0.25)} / 5.

Table No. BV-5

Water Sample

Combined Bloomberg Estimated and Value Line Estimated Growth Rates

Company	Bloomberg Estimate		Value Line			Combined BEst and Value Line Growth Rate
	BEst Long-Term Growth Rate	Number of Estimates	EPS Year 2007 Estimate	EPS Year 2010 - 2012 Estimate	Annualized Growth Rate	
	[1]	[2]	[3]	[4]	[5]	[6]
American States Water Co	5.0%	2	$1.63	$2.20	7.8%	5.9%
Aqua America Inc	10.5%	6	$0.75	$1.05	8.8%	10.3%
California Water Service Group	7.8%	4	$1.43	$2.20	11.4%	8.5%
Connecticut Water Service Inc	1.1%	1	$1.10	n/a	n/a	1.1%
Middlesex Water Co	0.8%	2	$0.84	n/a	n/a	0.8%
SJW Corp	10.0%	1	$1.09	n/a	n/a	10.0%
Southwest Water Co	9.7%	3	$0.30	$0.70	23.6%	13.1%
York Water Co	0.6%	2	$0.57	n/a	n/a	0.6%

Sources and Notes:
[1] - [2]: Bloomberg as of February 07, 2008.
[3] - [4]: Most recent Value Line Standard Edition, dated January 25, 2008.
[5]: ([4] / [3]) ^ (1/4) - 1.
[6]: ([1] x [2] + [5]) / ([2] + 1).

Table No. BV-6

DCF Cost of Equity of the Water Sample

Panel A: Simple DCF Method (Quarterly)

Company	Stock Price [1]	Most Recent Dividend [2]	Quarterly Dividend Yield [3]	Combined BEst and Value Line Long-Term Growth Rate [4]	Quarterly Growth Rate [5]	DCF Cost of Equity [6]
American States Water Co	$34.54	$0.25	0.72%	5.9%	1.5%	9.0%
Aqua America Inc	$19.70	$0.13	0.63%	10.3%	2.5%	13.1%
California Water Service Group	$35.09	$0.29	0.83%	8.5%	2.1%	12.1%
Connecticut Water Service Inc	$24.03	$0.22	0.91%	1.1%	0.3%	4.8%
Middlesex Water Co	$18.32	$0.18	0.96%	0.8%	0.2%	4.7%
SJW Corp	$30.06	$0.16	0.54%	10.0%	2.4%	12.4%
Southwest Water Co	$11.32	$0.06	0.53%	13.1%	3.1%	15.6%
York Water Co	$15.39	$0.12	0.79%	0.6%	0.1%	3.8%

Sources and Notes:
[1]: Workpaper #1 to Table No. BV-6.
[2]: Workpaper #2 to Table No. BV-6.
[3]: [2] / [1].
[4]: Table No. BV-5, [6].
[5]: {(1 + [4]) ^ (1/4)} - 1.
[6]: {(([2] / [1]) x (1 + [5]) + [5] + 1) ^ 4} - 1.

Table No. BV-6

DCF Cost of Equity of the Water Sample

Panel B: Multi-Stage DCF (Using Blue Chip Long-Term GDP Growth Forecast as the Perpetual Rate)

Company	Stock Price [1]	Most Recent Dividend [2]	Combined BEst and *Value Line* Long-Term Growth Rate [3]	Growth Rate: FY 2013 [4]	Growth Rate: FY 2014 [5]	Growth Rate: FY 2015 [6]	Growth Rate: FY 2016 [7]	Growth Rate: FY 2017 [8]	GDP Long-Term Growth Rate [9]	DCF Cost of Equity [10]
American States Water Co	$34.54	$0.25	5.9%	5.8%	5.6%	5.4%	5.2%	5.1%	4.9%	8.1%
Aqua America Inc	$19.70	$0.13	10.3%	9.4%	8.5%	7.6%	6.7%	5.8%	4.9%	8.6%
California Water Service Group	$35.09	$0.29	8.5%	7.9%	7.3%	6.7%	6.1%	5.5%	4.9%	9.2%
Connecticut Water Service Inc	$24.03	$0.22	1.1%	1.7%	2.4%	3.0%	3.6%	4.3%	4.9%	7.8%
Middlesex Water Co	$18.32	$0.18	0.8%	1.5%	2.2%	2.9%	3.5%	4.2%	4.9%	7.9%
SJW Corp	$30.06	$0.16	10.0%	9.2%	8.3%	7.5%	6.6%	5.8%	4.9%	7.9%
Southwest Water Co	$11.32	$0.06	13.1%	11.8%	10.4%	9.0%	7.6%	6.3%	4.9%	8.5%
York Water Co	$15.39	$0.12	0.6%	1.3%	2.0%	2.7%	3.5%	4.2%	4.9%	7.3%

Sources and Notes:
[1]: Workpaper #1 to Table No. BV-6.
[2]: Workpaper #2 to Table No. BV-6.
[3]: Table No. BV-5, [6].
[4]: [3] - {([3] - [9])/ 6}.
[5]: [4] - {([3] - [9])/ 6}.
[6]: [5] - {([3] - [9])/ 6}.
[7]: [6] - {([3] - [9])/ 6}.
[8]: [7] - {([3] - [9])/ 6}.
[9]: Blue Chip Economic Indicators published October 10, 2007. This number is assumed to be the perpetual growth rate. (See Appendix D).
[10]: Workpaper #3 to Table No. BV-6.

Workpaper #1 to Table No. BV-6

Water Sample

Common Stock Prices from January 17, 2008 to February 7, 2008

Company	2/7/2008	2/6/2008	2/5/2008	2/4/2008	2/1/2008	1/31/2008	1/30/2008	1/29/2008	1/28/2008	1/25/2008	1/24/2008	1/23/2008	1/22/2008	1/18/2008	1/17/2008	Average
American States Water Co	$33.99	$34.34	$34.12	$35.27	$34.67	$34.52	$33.02	$34.02	$34.11	$34.00	$34.07	$34.35	$34.25	$35.95	$37.35	$34.54
Aqua America Inc	$20.03	$19.92	$19.85	$20.55	$20.24	$19.92	$19.52	$19.75	$19.19	$18.91	$19.17	$19.23	$19.02	$20.00	$20.17	$19.70
California Water Service Group	$35.37	$34.86	$34.68	$35.75	$35.35	$34.74	$33.58	$35.00	$35.23	$34.60	$35.15	$36.02	$34.00	$35.96	$36.09	$35.09
Connecticut Water Service Inc	$23.88	$24.06	$24.39	$24.20	$23.91	$23.88	$24.19	$24.31	$24.14	$23.91	$23.92	$23.42	$23.50	$24.34	$24.37	$24.03
Middlesex Water Co	$18.25	$18.18	$18.01	$18.18	$18.15	$18.47	$18.27	$18.59	$18.44	$18.62	$18.66	$17.80	$17.86	$18.75	$18.58	$18.32
SJW Corp	$30.75	$29.71	$29.23	$29.92	$31.21	$30.23	$28.80	$30.04	$30.72	$29.00	$29.75	$31.04	$29.96	$29.65	$30.88	$30.06
Southwest Water Co	$11.16	$11.02	$11.00	$11.25	$11.38	$11.44	$10.87	$11.26	$11.49	$11.10	$11.24	$11.83	$11.04	$11.73	$11.95	$11.32
York Water Co	$15.42	$14.94	$15.30	$15.31	$15.59	$15.42	$15.29	$15.50	$15.33	$15.35	$15.30	$15.15	$15.27	$15.65	$15.97	$15.39

Sources and Notes:

Bloomberg as of February 07, 2008.

The prices chosen are the daily closing prices from Bloomberg starting from the most recent prices available in Bloomberg as of February 07, 2008 and ending fifteen trading days before.

Workpaper #2 to Table No. BV-6

Water Sample

Most Recent Dividend Payment

Company	Most Recent Dividend
American States Water Co	$0.25
Aqua America Inc	$0.13
California Water Service Group	$0.29
Connecticut Water Service Inc	$0.22
Middlesex Water Co	$0.18
SJW Corp	$0.16
Southwest Water Co	$0.06
York Water Co	$0.12

Sources and Notes:
Bloomberg as of February 07, 2008.

Workpaper #3 to Table No. BV-6

DCF Cost of Equity of the Water Sample

Multi - Stage DCF (using Blue Chip Economic Indicator Long-Term GDP Growth Forecast as the Perpetual Growth Rate)

Year	Company	American States Water Co	Aqua America Inc	California Water Service Group	Connecticut Water Service Inc	Middlesex Water Co	SJW Corp	Southwest Water Co	York Water Co
	Current Stock Price	($34.54)	($19.70)	($35.09)	($24.03)	($18.32)	($30.06)	($11.32)	($15.39)
	Current Dividend	$0.25	$0.13	$0.29	$0.22	$0.18	$0.16	$0.06	$0.12
YEAR 2008	Dividend Q1 Estimate	$0.25	$0.13	$0.30	$0.22	$0.18	$0.16	$0.06	$0.12
YEAR 2008	Dividend Q2 Estimate	$0.26	$0.13	$0.30	$0.22	$0.18	$0.17	$0.06	$0.12
YEAR 2008	Dividend Q3 Estimate	$0.26	$0.13	$0.31	$0.22	$0.18	$0.17	$0.06	$0.12
YEAR 2008	Dividend Q4 Estimate	$0.26	$0.14	$0.31	$0.22	$0.18	$0.17	$0.07	$0.12
YEAR 2009	Dividend Q1 Estimate	$0.27	$0.14	$0.32	$0.22	$0.18	$0.18	$0.07	$0.12
YEAR 2009	Dividend Q2 Estimate	$0.27	$0.14	$0.33	$0.22	$0.18	$0.18	$0.07	$0.12
YEAR 2009	Dividend Q3 Estimate	$0.28	$0.15	$0.33	$0.22	$0.18	$0.19	$0.07	$0.12
YEAR 2009	Dividend Q4 Estimate	$0.28	$0.15	$0.34	$0.22	$0.18	$0.19	$0.07	$0.12
YEAR 2010	Dividend Q1 Estimate	$0.28	$0.16	$0.35	$0.22	$0.18	$0.20	$0.08	$0.12
YEAR 2010	Dividend Q2 Estimate	$0.29	$0.16	$0.36	$0.22	$0.18	$0.20	$0.08	$0.12
YEAR 2010	Dividend Q3 Estimate	$0.29	$0.16	$0.36	$0.22	$0.18	$0.20	$0.08	$0.12
YEAR 2010	Dividend Q4 Estimate	$0.30	$0.17	$0.37	$0.22	$0.18	$0.21	$0.08	$0.12
YEAR 2011	Dividend Q1 Estimate	$0.30	$0.17	$0.38	$0.23	$0.18	$0.21	$0.09	$0.12
YEAR 2011	Dividend Q2 Estimate	$0.31	$0.18	$0.39	$0.23	$0.18	$0.22	$0.09	$0.12
YEAR 2011	Dividend Q3 Estimate	$0.31	$0.18	$0.39	$0.23	$0.18	$0.23	$0.09	$0.12
YEAR 2011	Dividend Q4 Estimate	$0.31	$0.18	$0.40	$0.23	$0.18	$0.23	$0.10	$0.12
YEAR 2012	Dividend Q1 Estimate	$0.32	$0.19	$0.41	$0.23	$0.18	$0.24	$0.10	$0.12
YEAR 2012	Dividend Q2 Estimate	$0.32	$0.19	$0.42	$0.23	$0.18	$0.24	$0.10	$0.12
YEAR 2012	Dividend Q3 Estimate	$0.33	$0.20	$0.43	$0.23	$0.18	$0.25	$0.10	$0.12
YEAR 2012	Dividend Q4 Estimate	$0.33	$0.20	$0.44	$0.23	$0.18	$0.25	$0.11	$0.12
YEAR 2013	Dividend Q1 Estimate	$0.34	$0.21	$0.44	$0.23	$0.18	$0.26	$0.11	$0.12
YEAR 2013	Dividend Q2 Estimate	$0.34	$0.21	$0.45	$0.23	$0.18	$0.27	$0.11	$0.12
YEAR 2013	Dividend Q3 Estimate	$0.35	$0.22	$0.46	$0.23	$0.18	$0.27	$0.12	$0.13
YEAR 2013	Dividend Q4 Estimate	$0.35	$0.22	$0.47	$0.23	$0.18	$0.28	$0.12	$0.13
YEAR 2014	Dividend Q1 Estimate	$0.36	$0.23	$0.48	$0.23	$0.19	$0.28	$0.12	$0.13
YEAR 2014	Dividend Q2 Estimate	$0.36	$0.23	$0.49	$0.24	$0.19	$0.29	$0.13	$0.13
YEAR 2014	Dividend Q3 Estimate	$0.37	$0.24	$0.50	$0.24	$0.19	$0.29	$0.13	$0.13
YEAR 2014	Dividend Q4 Estimate	$0.37	$0.24	$0.51	$0.24	$0.19	$0.30	$0.13	$0.13
YEAR 2015	Dividend Q1 Estimate	$0.38	$0.25	$0.51	$0.24	$0.19	$0.31	$0.14	$0.13
YEAR 2015	Dividend Q2 Estimate	$0.38	$0.25	$0.52	$0.24	$0.19	$0.31	$0.14	$0.13
YEAR 2015	Dividend Q3 Estimate	$0.39	$0.26	$0.53	$0.24	$0.19	$0.32	$0.14	$0.13
YEAR 2015	Dividend Q4 Estimate	$0.39	$0.26	$0.54	$0.24	$0.19	$0.32	$0.15	$0.13
YEAR 2016	Dividend Q1 Estimate	$0.40	$0.27	$0.55	$0.25	$0.20	$0.33	$0.15	$0.13
YEAR 2016	Dividend Q2 Estimate	$0.40	$0.27	$0.56	$0.25	$0.20	$0.34	$0.15	$0.13
YEAR 2016	Dividend Q3 Estimate	$0.41	$0.28	$0.57	$0.25	$0.20	$0.34	$0.16	$0.13
YEAR 2016	Dividend Q4 Estimate	$0.41	$0.28	$0.57	$0.25	$0.20	$0.35	$0.16	$0.14
YEAR 2017	Dividend Q1 Estimate	$0.42	$0.28	$0.58	$0.26	$0.20	$0.35	$0.16	$0.14
YEAR 2017	Dividend Q2 Estimate	$0.42	$0.29	$0.59	$0.26	$0.20	$0.36	$0.16	$0.14
YEAR 2017	Dividend Q3 Estimate	$0.43	$0.29	$0.60	$0.26	$0.21	$0.36	$0.17	$0.14
YEAR 2017	Dividend Q4 Estimate	$0.43	$0.30	$0.61	$0.26	$0.21	$0.37	$0.17	$0.14
YEAR 2018 Q1	Year 10 Stock Price	$57.69	$34.15	$60.28	$38.52	$29.27	$51.61	$19.98	$24.68
	Trial COE: Quarterly Rate	2.0%	2.1%	2.2%	1.9%	1.9%	1.9%	2.1%	1.8%
	Trial COE: Annual Rate	8.1%	8.6%	9.2%	7.8%	7.9%	7.9%	8.5%	7.3%
	Cost of Equity	8.1%	8.6%	9.2%	7.8%	7.9%	7.9%	8.5%	7.3%
	(Trial COE - COE) x 100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Sources and Notes:

All Growth Rate Estimates: Table No. BV-6; Panel B.

Stock Prices and Dividends are from Bloomberg as of February 07, 2008.

1. See Workpaper #1 to Table No. BV-6 for the average closing stock price obtained from Bloomberg.
2. See Workpaper #2 to Table No. BV-6 for the for the quarterly dividend obtained from Bloomberg.
3. The Blue Chip Economic Indicator Long-Term GDP Growth Rate is used to calculate the Year 10 Stock Price.
   {(the Dividend Year 2017 Q3 Estimate) x ((1 + the Perpetual Growth Rate) ^ (1/2))} /
   {(Trial COE - Quarterly Rate) - ((1 + the Perpetual Growth Rate) ^ (1/4) -1)}.

Table No. BV-7

Overall Cost of Capital of the Water Sample

Panel A: Simple DCF Method (Quarterly)

Company		3rd Quarter, 2007 Bond Rating [1]	3rd Quarter, 2007 Preferred Equity Rating [2]	DCF Cost of Equity [3]	DCF Common Equity to Market Value Ratio [4]	Cost of Preferred Equity [5]	DCF Preferred Equity to Market Value Ratio [6]	DCF Cost of Debt [7]	DCF Debt to Market Value Ratio [8]	Arizona-American Water's Income Tax Rate [9]	Overall After- Tax Cost of Capital [10]
American States Water Co	*	A	-	9.0%	0.65	-	-	6.1%	0.35	38.6%	7.2%
Aqua America Inc	*	A	-	13.1%	0.68	-	-	6.1%	0.32	38.6%	10.1%
California Water Service Group	*	A	A	12.1%	0.69	6.2%	0.00	6.1%	0.30	38.6%	9.5%
Connecticut Water Service Inc	*	A	A	4.8%	0.71	6.2%	0.00	6.1%	0.29	38.6%	4.5%
Middlesex Water Co	*	A	A	4.7%	0.64	6.2%	0.01	6.1%	0.35	38.6%	4.4%
SJW Corp	*	A	-	12.4%	0.76	-	-	6.1%	0.24	38.6%	10.3%
Southwest Water Co		A	A	15.6%	0.65	6.2%	0.00	6.1%	0.35	38.6%	11.5%
York Water Co	*	A	-	3.8%	0.70	-	-	6.1%	0.30	38.6%	3.8%
Average [a]				12.4%	0.69	6.2%	0.00	6.1%	0.31	38.6%	9.7%
Average [b]				11.6%	0.69	6.2%	0.00	6.1%	0.30	38.6%	9.3%

Sources and Notes:

[1]: Bloomberg as of February 07, 2008.

[2]: Preferred ratings were assumed equal to debt ratings.

[3]: Table No. BV-6; Panel A, [5].

[4]: Table No. BV-4, [1].

[5]: Workpaper #2 to Table No. BV-11, Panel B, [6].

[6]: Table No. BV-4, [2].

[7]: Workpaper #2 toTable No. BV-11, Panel A, [6].

[8]: Table No. BV-4, [3].

[9]: Provided by Arizona-American Water.

[10]: ([3] x [4]) + ([5] x [6]) + {[7] x [8] x (1 - [9])}.

[a]: Average for all companies whose cost of equity exceeds their cost of debt by at least 25 basis points.

[b]: Average for companies in sample [a] and with an asterisk.

* Represents companies that have revenues from regulated activities greater than 85%.

Table No. BV-7

Overall Cost of Capital of the Water Sample

Panel B: Multi-Stage DCF (Using Blue Chip Long-Term GDP Growth Forecast as the Perpetual Rate)

Company		3rd Quarter, 2007 Bond Rating [1]	3rd Quarter, 2007 Preferred Equity Rating [2]	DCF Cost of Equity [3]	DCF Common Equity to Market Value Ratio [4]	Cost of Preferred Equity [5]	DCF Preferred Equity to Market Value Ratio [6]	DCF Cost of Debt [7]	DCF Debt to Market Value Ratio [8]	Arizona-American Water's Income Tax Rate [9]	Overall After- Tax Cost of Capital [10]
American States Water Co	*	A	-	8.1%	0.65	-	-	6.1%	0.35	38.6%	6.6%
Aqua America Inc	*	A	-	8.6%	0.68	-	-	6.1%	0.32	38.6%	7.0%
California Water Service Group	*	A	A	9.2%	0.69	6.2%	0.00	6.1%	0.30	38.6%	7.5%
Connecticut Water Service Inc	*	A	A	7.8%	0.71	6.2%	0.00	6.1%	0.29	38.6%	6.6%
Middlesex Water Co	*	A	A	7.9%	0.64	6.2%	0.01	6.1%	0.35	38.6%	6.4%
SJW Corp	*	A	-	7.9%	0.76	-	-	6.1%	0.24	38.6%	6.9%
Southwest Water Co		A	A	8.5%	0.65	6.2%	0.00	6.1%	0.35	38.6%	6.8%
York Water Co	*	A	-	7.3%	0.70	-	-	6.1%	0.30	38.6%	6.2%
Average [a]				8.2%	0.68	6.2%	0.00	6.1%	0.31	38.6%	6.8%
Average [b]				8.1%	0.69	6.2%	0.01	6.1%	0.31	38.6%	6.8%

Sources and Notes:

[1]: Bloomberg as of February 07, 2008.

[2]: Preferred ratings were assumed equal to debt ratings.

[3]: Table No. BV-6; Panel B, [10].

[4]: Table No. BV-4, [1].

[5]: Workpaper #2 to Table No. BV-11, Panel B, [6].

[6]: Table No. BV-4, [2].

[7]: Workpaper #2 toTable No. BV-11, Panel A, [6].

[8]: Table No. BV-4, [3].

[9]: Provided by Arizona-American Water.

[10]: ([3] x [4]) + ([5] x [6]) + {[7] x [8] x (1 - [9])}.

[a]: Average for all companies whose cost of equity exceeds their cost of debt by at least 25 basis points.

[b]: Average for companies in sample [a] and with an asterisk.

* Represents companies that have revenues from regulated activities greater than 85%.

Table No. BV-8

DCF Cost of Equity at Arizona-American Water Capital Structure

Water Sample

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Debt [2]	Arizona-American Water's Cost of Debt [3]	Arizona-American Water's Income Tax Rate [4]	Arizona-American Water's Regulatory % Preferred Equity [5]	Arizona-American Water's Cost of Preferred Equity [6]	Arizona-American Water's Regulatory % Equity [7]	Estimated Return on Equity [8]
Using All Companies with Bloomberg Forecast								
Simple DCF Quarterly	9.7%	0.53	6.1%	38.6%	0.0%	6.2%	0.47	16.5%
Multi-Stage DCF - Using the Blue Chip Economic Indicator Long-Term GDP as the Perpetual Rate	6.8%	0.53	6.1%	38.6%	0.0%	6.2%	0.47	10.2%
Using Companies that have 2006 Revenues from Regulated Activities Greater Than 85%								
Simple DCF Quarterly	9.3%	0.53	6.1%	38.6%	0.0%	6.2%	0.47	15.5%
Multi-Stage DCF - Using the Blue Chip Economic Indicator Long-Term GDP Growth Rate as the Perpetual Rate	6.8%	0.53	6.1%	38.6%	0.0%	6.2%	0.47	10.2%

Sources and Notes:

[1]: Table No. BV-7; Panels A-B, [10].

[2]: Provided by Arizona-American Water.

[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[4]: Provided by Arizona-American Water.

[5]: Provided by Arizona-American Water.

[6]: From Mergent Bond Record, January 2008 Edition.

[7]: Provided by Arizona-American Water.

[8]: {[1] - ([2] x [3] x (1 - [4])+ [5] x [6])} / [7].

Table No. BV-9 - Interest Rates

Water Sample

US Interest Rate Series (All Constant Maturity Series)

Trading Date	30 Day	90 Day	180 Day	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	Long Term
1/17/2008	3.07%	3.07%	3.01%	2.81%	2.44%	2.46%	2.90%	3.22%	3.66%	4.27%
1/18/2008	2.63%	2.86%	2.86%	2.69%	2.36%	2.39%	2.86%	3.20%	3.66%	4.30%
1/22/2008	2.15%	2.35%	2.41%	2.29%	2.08%	2.12%	2.64%	3.01%	3.52%	4.23%
1/23/2008	2.07%	2.21%	2.25%	2.19%	2.09%	2.12%	2.64%	3.01%	3.51%	4.23%
1/24/2008	2.19%	2.37%	2.48%	2.40%	2.25%	2.30%	2.85%	3.21%	3.68%	4.37%
1/25/2008	2.07%	2.30%	2.41%	2.34%	2.23%	2.28%	2.81%	3.15%	3.61%	4.30%
1/28/2008	2.12%	2.34%	2.36%	2.30%	2.20%	2.27%	2.80%	3.15%	3.61%	4.30%
1/29/2008	2.13%	2.28%	2.36%	2.33%	2.29%	2.33%	2.87%	3.23%	3.69%	4.35%
1/30/2008	1.93%	2.21%	2.29%	2.30%	2.30%	2.44%	2.96%	3.32%	3.78%	4.45%
1/31/2008	1.64%	1.96%	2.07%	2.11%	2.17%	2.27%	2.82%	3.19%	3.67%	4.35%
2/1/2008	1.75%	2.10%	2.15%	2.13%	2.09%	2.22%	2.75%	3.13%	3.62%	4.31%
2/4/2008	2.15%	2.27%	2.22%	2.17%	2.08%	2.23%	2.78%	3.18%	3.68%	4.37%
2/5/2008	2.22%	2.19%	2.13%	2.06%	1.93%	2.08%	2.66%	3.08%	3.61%	4.32%
2/6/2008	2.12%	2.10%	2.10%	2.05%	1.96%	2.11%	2.67%	3.08%	3.61%	4.36%
2/7/2008	2.19%	2.17%	2.13%	2.08%	1.99%	2.21%	2.79%	3.21%	3.74%	4.50%
[A] Average:	2.16%	2.32%	2.35%	2.28%	2.16%	2.26%	2.79%	3.16%	3.64%	4.33%

Sources and Notes:

[A]: Average over the last 15 trading days.

Bloomberg as of February 07, 2008. The most recent 15 trading days are used.

Workpaper #1 to Table No. BV-9 - Risk Premium Forecast

Water Sample

Panel A: Historical Bond Yield Averages

	Treasury Bill Yield [1]	Intermediate-Term Government Bond Yield (5-year) [2]	Long-Term Government Bond Yield (20-year) [3]	Long-Term Corporate Bonds (Total Return) [4]
1926	3.27%	3.61%	3.54%	7.37%
1927	3.12%	3.40%	3.17%	7.44%
1928	3.56%	4.01%	3.40%	2.84%
1929	4.75%	3.62%	3.40%	3.27%
1930	2.41%	2.91%	3.30%	7.98%
1931	1.07%	4.12%	4.07%	-1.85%
1932	0.96%	3.04%	3.15%	10.82%
1933	0.30%	3.25%	3.36%	10.38%
1934	0.16%	2.49%	2.93%	13.84%
1935	0.17%	1.63%	2.76%	9.61%
1936	0.18%	1.29%	2.55%	6.74%
1937	0.31%	1.14%	2.73%	2.75%
1938	-0.02%	1.52%	2.52%	6.13%
1939	0.02%	0.98%	2.26%	3.97%
1940	0.00%	0.57%	1.94%	3.39%
1941	0.06%	0.82%	2.04%	2.73%
1942	0.27%	0.72%	2.46%	2.60%
1943	0.35%	1.45%	2.48%	2.83%
1944	0.33%	1.40%	2.46%	4.73%
1945	0.33%	1.03%	1.99%	4.08%
1946	0.35%	1.12%	2.12%	1.72%
1947	0.50%	1.34%	2.43%	-2.34%
1948	0.81%	1.51%	2.37%	4.14%
1949	1.10%	1.23%	2.09%	3.31%
1950	1.20%	1.62%	2.24%	2.12%
1951	1.49%	2.17%	2.69%	-2.69%
1952	1.66%	2.35%	2.79%	3.52%
1953	1.82%	2.18%	2.74%	3.41%
1954	0.86%	1.72%	2.72%	5.39%
1955	1.57%	2.80%	2.95%	0.48%
1956	2.46%	3.63%	3.45%	-6.81%
1957	3.14%	2.84%	3.23%	8.71%
1958	1.54%	3.81%	3.82%	-2.22%
1959	2.95%	4.98%	4.47%	-0.97%
1960	2.66%	3.31%	3.80%	9.07%
1961	2.13%	3.84%	4.15%	4.82%
1962	2.73%	3.50%	3.95%	7.95%
1963	3.12%	4.04%	4.17%	2.19%
1964	3.54%	4.03%	4.23%	4.77%
1965	3.93%	4.90%	4.50%	-0.46%
1966	4.76%	4.79%	4.55%	0.20%
1967	4.21%	5.77%	5.56%	-4.95%
1968	5.21%	5.96%	5.98%	2.57%
1969	6.58%	8.29%	6.87%	-8.09%
1970	6.52%	5.90%	6.48%	18.37%
1971	4.39%	5.25%	5.97%	11.01%
1972	3.84%	5.85%	5.99%	7.26%
1973	6.93%	6.79%	7.26%	1.14%
1974	8.00%	7.12%	7.60%	-3.06%
1975	5.80%	7.19%	8.05%	14.64%
1976	5.08%	6.00%	7.21%	18.65%
1977	5.12%	7.51%	8.03%	1.71%
1978	7.18%	8.83%	8.98%	-0.07%
1979	10.38%	10.33%	10.12%	-4.18%
1980	11.24%	12.45%	11.99%	-2.62%
1981	14.71%	13.96%	13.34%	-0.96%
1982	10.54%	9.90%	10.95%	43.79%
1983	8.80%	11.41%	11.97%	4.70%
1984	9.85%	11.04%	11.70%	16.39%
1985	7.72%	8.55%	9.56%	30.90%
1986	6.16%	6.85%	7.89%	19.85%
1987	5.47%	8.32%	9.20%	-0.27%
1988	6.35%	9.17%	9.19%	10.70%
1989	8.37%	7.94%	8.16%	16.23%
1990	7.81%	7.70%	8.44%	6.78%
1991	5.60%	5.97%	7.30%	19.89%
1992	3.51%	6.11%	7.26%	9.39%
1993	2.90%	5.22%	6.54%	13.19%
1994	3.90%	7.80%	7.99%	-5.76%
1995	5.60%	5.38%	6.03%	27.20%
1996	5.21%	6.16%	6.73%	1.40%
1997	5.26%	5.73%	6.02%	12.95%
1998	4.86%	4.68%	5.42%	10.76%
1999	4.68%	6.45%	6.82%	-7.45%
2000	5.89%	5.07%	5.58%	12.87%
2001	3.83%	4.42%	5.75%	10.65%
2002	1.65%	2.61%	4.84%	16.33%
2003	1.02%	2.97%	5.11%	5.27%
2004	1.20%	3.47%	4.84%	8.72%
2005	2.98%	4.34%	4.61%	5.87%
2006	4.80%	4.65%	4.91%	3.24%

[1] - [4]: Ibbotson Associates Stocks Bonds Bills and Inflation (SBBI) monthly paper reports.

Table No. BV-10

Risk Positioning Cost of Equity of the Water Sample

Panel A: Using the Long-Term Risk-Free Rate

Company	Long-Term Risk-Free R te [1]	Value Line Unadjusted Betas [2]	Long-Term Market Risk Premium [3]	CAPM Cost of Equity [4]	ECAPM (0.5%) Cost of Equity [5]	ECAPM (1.5%) Cost of Equity [6]
American States Water Co	4.3%	0.97	6.50%	10.6%	10.6%	10.7%
Aqua America Inc	4.3%	0.82	6.50%	9.6%	9.7%	9.9%
California Water Service Group	4.3%	1.19	6.50%	12.1%	12.0%	11.8%
Connecticut Water Service Inc	4.3%	0.75	6.50%	9.2%	9.3%	9.5%
Middlesex Water Co	4.3%	0.82	6.50%	9.6%	9.7%	9.9%
SJW Corp	4.3%	1.12	6.50%	11.6%	11.5%	11.4%
Southwest Water Co	4.3%	0.97	6.50%	10.6%	10.6%	10.7%
York Water Co	4.3%	0.22	6.50%	5.8%	6.1%	6.9%

Sources and Notes:
[1]: Table No. BV-9 - Interest Rates, Panel A, Row [A].
[2]: Workpaper # 1 to Table No. BV-10, column [1].
[3]: Villadsen Direct Testimony, Appendix B.
[4]: [1] + ([2] x [3]).
[5]: ([1] + 0.5%) + [2] x ([3] - 0.5%).
[6]: ([1] + 1.5%) + [2] x ([3] - 1.5%).

Table No. BV-10

Risk Positioning Cost of Equity of the Water Sample

Panel B: Using the Short-Term Risk-Free Rate.

Company	Short-Term Risk-Free Rate [1]	Value Line Unadjusted Betas [2]	Short-Term Market Risk Premium [3]	CAPM Cost of Equity [4]	ECAPM (1%) Cost of Equity [5]	ECAPM (2%) Cost of Equity [6]	ECAPM (3%) Cost of Equity [7]
American States Water Co	2.2%	0.97	8.0%	10.0%	10.0%	10.0%	10.1%
Aqua America Inc	2.2%	0.82	8.0%	8.8%	8.9%	9.1%	9.3%
California Water Service Group	2.2%	1.19	8.0%	11.8%	11.6%	11.4%	11.2%
Connecticut Water Service Inc	2.2%	0.75	8.0%	8.2%	8.4%	8.7%	8.9%
Middlesex Water Co	2.2%	0.82	8.0%	8.8%	8.9%	9.1%	9.3%
SJW Corp	2.2%	1.12	8.0%	11.2%	11.0%	10.9%	10.8%
Southwest Water Co	2.2%	0.97	8.0%	10.0%	10.0%	10.0%	10.1%
York Water Co	2.2%	0.22	8.0%	4.0%	4.8%	5.5%	6.3%

Sources and Notes:
[1]: Table No. BV-9 - Interest Rates, Panel B, Row [1].
[2]: Workpaper # 1 to Table No. BV-10, column [1].
[3]: Villadsen Direct Testimony, Appendix B.
[4]: [1] + ([2] x [3]).
[5]: ([1] + 1%) + [2] x ([3] - 1%).
[6]: ([1] + 2%) + [2] x ([3] - 2%).
[7]: ([1] + 3%) + [2] x ([3] - 3%).

Workpaper # 1 to Table No. BV-10

Water Sample

Value Line Unadjusted Betas

Company	Value Line Betas [1]	Value Line Unadjusted Betas [2]
American States Water Co	1.00	0.97
Aqua America Inc	0.90	0.82
California Water Service Group	1.15	1.19
Connecticut Water Service Inc	0.85	0.75
Middlesex Water Co	0.90	0.82
SJW Corp	1.10	1.12
Southwest Water Co	1.00	0.97
York Water Co	0.50	0.22
Average	0.91	0.84

Sources and Notes:

[1]: Most recent Value Line Standard Edition, dated January 25, 2008.

[2]: {[1] - 0.35}/0.67.

Table No. BV-11

Overall Cost of Capital of the Water Sample

Panel A: CAPM Cost of Equity Based on the Long-Term Risk-Free Rate

Company		CAPM Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
American States Water Co	*	10.6%	0.61	-	-	6.1%	0.39	38.6%	8.0%
Aqua America Inc	*	9.6%	0.72	6.2%	0.00	6.1%	0.28	38.6%	8.0%
California Water Service Group	*	12.1%	0.68	6.2%	0.00	6.1%	0.32	38.6%	9.4%
Connecticut Water Service Inc	*	9.2%	0.73	6.2%	0.00	6.1%	0.27	38.6%	7.7%
Middlesex Water Co	*	9.6%	0.63	6.2%	0.01	6.1%	0.36	38.6%	7.5%
SJW Corp	*	11.6%	0.72	-	-	6.1%	0.28	38.6%	9.4%
Southwest Water Co		10.6%	0.69	6.2%	0.00	6.1%	0.31	38.6%	8.5%
York Water Co	*	5.8%	0.72	-	-	6.1%	0.28	38.6%	5.2%
Average [a]		10.5%	0.68	6.2%	0.00	6.1%	0.31	38.6%	8.3%
Average [b]		10.4%	0.68	6.2%	0.00	6.1%	0.31	38.6%	8.3%

Sources and Notes:
[1]: Table No. BV-10; Panel A, [4].
[2]: Table No. BV-4, [4].
[3]: Workpaper #2 to Table No. BV-11 ; Panel B, [1].
[4]: Table No. BV-4, [5].
[5]: Workpaper #2 to Table No. BV-11 ; Panel A, [1].
[6]: Table No. BV-4, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

[a]: Average for all companies whose CAPM cost of equity exceeds their cost of debt by at least 25 basis points.
[b]: Average for companies in sample [a] and with an asterisk.
* Represents companies that have revenues from regulated activities greater than 85%.

Table No. BV-11

Overall Cost of Capital of the Water Sample

Panel B: ECAPM (0.5%) Cost of Equity Based on the Long-Term Risk-Free Rate

Company		ECAP (0.5%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
American States Water Co	*	10.6%	0.61	-	-	6.1%	0.39	38.6%	8.0%
Aqua America Inc	*	9.7%	0.72	6.2%	0.00	6.1%	0.28	38.6%	8.1%
California Water Service Group	*	12.0%	0.68	6.2%	0.00	6.1%	0.32	38.6%	9.3%
Connecticut Water Service Inc	*	9.3%	0.73	6.2%	0.00	6.1%	0.27	38.6%	7.8%
Middlesex Water Co	*	9.7%	0.63	6.2%	0.01	6.1%	0.36	38.6%	7.5%
SJW Corp	*	11.5%	0.72	-	-	6.1%	0.28	38.6%	9.3%
Southwest Water Co		10.6%	0.69	6.2%	0.00	6.1%	0.31	38.6%	8.5%
York Water Co	*	6.1%	0.72	-	-	6.1%	0.28	38.6%	5.5%
Average [a]		10.5%	0.68	6.2%	0.00	6.1%	0.31	38.6%	8.4%
Average [b]		10.5%	0.68	6.2%	0.00	6.1%	0.31	38.6%	8.3%

Sources and Notes:
[1]: Table No. BV-10; Panel A, [5].
[2]: Table No. BV-4, [4].
[3]: Workpaper #2 to Table No. BV-11 ; Panel B, [1].
[4]: Table No. BV-4, [5].
[5]: Workpaper #2 to Table No. BV-11 ; Panel A, [1].
[6]: Table No. BV-4, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

[a]: Average for all companies whose CAPM cost of equity exceeds their cost of debt by at least 25 basis points.
[b]: Average for companies in sample [a] and with an asterisk.
* Represents companies that have revenues from regulated activities greater than 85%.

Table No. BV-11

Overall Cost of Capital of the Water Sample

Panel C: ECAPM (1.5%) Cost of Equity Based on the Long-Term Risk-Free Rate

Company		ECAPM (1.5%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
American States Water Co	*	10.7%	0.61	-	-	6.1%	0.39	38.6%	8.0%
Aqua America Inc	*	9.9%	0.72	6.2%	0.00	6.1%	0.28	38.6%	8.2%
California Water Service Group	*	11.8%	0.68	6.2%	0.00	6.1%	0.32	38.6%	9.2%
Connecticut Water Service Inc	*	9.5%	0.73	6.2%	0.00	6.1%	0.27	38.6%	8.0%
Middlesex Water Co	*	9.9%	0.63	6.2%	0.01	6.1%	0.36	38.6%	7.6%
SJW Corp	*	11.4%	0.72	-	-	6.1%	0.28	38.6%	9.2%
Southwest Water Co		10.7%	0.69	6.2%	0.00	6.1%	0.31	38.6%	8.5%
York Water Co	*	6.9%	0.72	-	-	6.1%	0.28	38.6%	6.0%
Average [a]		10.5%	0.68	6.2%	0.00	6.1%	0.31	38.6%	8.4%
Average [b]		10.5%	0.68	6.2%	0.00	6.1%	0.31	38.6%	8.4%

Sources and Notes:
[1]: Table No. BV-10; Panel A, [6].
[2]: Table No. BV-4, [4].
[3]: Workpaper #2 to Table No. BV-11 ; Panel B, [1].
[4]: Table No. BV-4, [5].
[5]: Workpaper #2 to Table No. BV-11 ; Panel A, [1].
[6]: Table No. BV-4, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

[a]: Average for all companies whose CAPM cost of equity exceeds their cost of debt by at least 25 basis points.
[b]: Average for companies in sample [a] and with an asterisk.
* Represents companies that have revenues from regulated activities greater than 85%.

Table No. BV-11

Overall Cost of Capital of the Water Sample

Panel D: CAPM Cost of Equity Based on the Short-Term Risk-Free Rate

Company		CAPM Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
American States Water Co	*	10.0%	0.61	-	-	6.1%	0.39	38.6%	7.6%
Aqua America Inc	*	8.8%	0.72	6.2%	0.00	6.1%	0.28	38.6%	7.4%
California Water Service Group	*	11.8%	0.68	6.2%	0.00	6.1%	0.32	38.6%	9.2%
Connecticut Water Service Inc	*	8.2%	0.73	6.2%	0.00	6.1%	0.27	38.6%	7.0%
Middlesex Water Co	*	8.8%	0.63	6.2%	0.01	6.1%	0.36	38.6%	6.9%
SJW Corp	*	11.2%	0.72	-	-	6.1%	0.28	38.6%	9.1%
Southwest Water Co		10.0%	0.69	6.2%	0.00	6.1%	0.31	38.6%	8.1%
York Water Co	*	4.0%	0.72	-	-	6.1%	0.28	38.6%	3.9%
Average [a]		9.8%	0.68	6.2%	0.00	6.1%	0.31	38.6%	7.9%
Average [b]		9.8%	0.68	6.2%	0.00	6.1%	0.31	38.6%	7.8%

Sources and Notes:
[1]: Table No. BV-10; Panel B, [4].
[2]: Table No. BV-4, [4].
[3]: Workpaper #2 to Table No. BV-11 ; Panel B, [1].
[4]: Table No. BV-4, [5].
[5]: Workpaper #2 to Table No. BV-11 ; Panel A, [1].
[6]: Table No. BV-4, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

[a]: Average for all companies whose CAPM cost of equity exceeds their cost of debt by at least 25 basis points.
[b]: Average for companies in sample [a] and with an asterisk.
* Represents companies that have revenues from regulated activities greater than 85%.

Table No. BV-11

Overall Cost of Capital of the Water Sample

Panel E: ECAPM (1%) Cost of Equity Based on the Short-Term Risk-Free Rate

Company		ECAPM (1%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
American States Water Co	*	10.0%	0.61	-	-	6.1%	0.39	38.6%	7.6%
Aqua America Inc	*	8.9%	0.72	6.2%	0.00	6.1%	0.28	38.6%	7.5%
California Water Service Group	*	11.6%	0.68	6.2%	0.00	6.1%	0.32	38.6%	9.1%
Connecticut Water Service Inc	*	8.4%	0.73	6.2%	0.00	6.1%	0.27	38.6%	7.2%
Middlesex Water Co	*	8.9%	0.63	6.2%	0.01	6.1%	0.36	38.6%	7.0%
SJW Corp	*	11.0%	0.72	-	-	6.1%	0.28	38.6%	9.0%
Southwest Water Co		10.0%	0.69	6.2%	0.00	6.1%	0.31	38.6%	8.1%
York Water Co	*	4.8%	0.72	-	-	6.1%	0.28	38.6%	4.5%
Average [a]		9.8%	0.68	6.2%	0.00	6.1%	0.31	38.6%	7.9%
Average [b]		9.8%	0.68	6.2%	0.00	6.1%	0.31	38.6%	7.9%

Sources and Notes:
[1]: Table No. BV-10; Panel B, [5].
[2]: Table No. BV-4, [4].
[3]: Workpaper #2 to Table No. BV-11 ; Panel B, [1].
[4]: Table No. BV-4, [5].
[5]: Workpaper #2 to Table No. BV-11 ; Panel A, [1].
[6]: Table No. BV-4, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

[a]: Average for all companies whose CAPM cost of equity exceeds their cost of debt by at least 25 basis points.
[b]: Average for companies in sample [a] and with an asterisk.
* Represents companies that have revenues from regulated activities greater than 85%.

Table No. BV-11

Overall Cost of Capital of the Water Sample

Panel F: ECAPM (2%) Cost of Equity Based on the Short-Term Risk-Free Rate

Company		ECAPM (2%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
American States Water Co	*	10.0%	0.61	-	-	6.1%	0.39	38.6%	7.6%
Aqua America Inc	*	9.1%	0.72	6.2%	0.00	6.1%	0.28	38.6%	7.6%
California Water Service Group	*	11.4%	0.68	6.2%	0.00	6.1%	0.32	38.6%	8.9%
Connecticut Water Service Inc	*	8.7%	0.73	6.2%	0.00	6.1%	0.27	38.6%	7.4%
Middlesex Water Co	*	9.1%	0.63	6.2%	0.01	6.1%	0.36	38.6%	7.1%
SJW Corp	*	10.9%	0.72	-	-	6.1%	0.28	38.6%	8.9%
Southwest Water Co		10.0%	0.69	6.2%	0.00	6.1%	0.31	38.6%	8.1%
York Water Co	*	5.5%	0.72	-	-	6.1%	0.28	38.6%	5.0%
Average [a]		9.9%	0.68	6.2%	0.00	6.1%	0.31	38.6%	7.9%
Average [b]		9.9%	0.68	6.2%	0.00	6.1%	0.31	38.6%	7.9%

Sources and Notes:

[1]: Table No. BV-10; Panel B, [6].
[2]: Table No. BV-4, [4].
[3]: Workpaper #2 to Table No. BV-11 ; Panel B, [1].
[4]: Table No. BV-4, [5].
[5]: Workpaper #2 to Table No. BV-11 ; Panel A, [1].
[6]: Table No. BV-4, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

[a]: Average for all companies whose CAPM cost of equity exceeds their cost of debt by at least 25 basis points.
[b]: Average for companies in sample [a] and with an asterisk.
* Represents companies that have revenues from regulated activities greater than 85%.

Table No. BV-11

Overall Cost of Capital of the Water Sample

Panel G: ECAPM (3%) Cost of Equity Based on the Short-Term Risk-Free Rate

Company		ECAPM (3%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
American States Water Co	*	10.1%	0.61	-	-	6.1%	0.39	38.6%	7.6%
Aqua America Inc	*	9.3%	0.72	6.2%	0.00	6.1%	0.28	38.6%	7.8%
California Water Service Group	*	11.2%	0.68	6.2%	0.00	6.1%	0.32	38.6%	8.8%
Connecticut Water Service Inc	*	8.9%	0.73	6.2%	0.00	6.1%	0.27	38.6%	7.5%
Middlesex Water Co	*	9.3%	0.63	6.2%	0.01	6.1%	0.36	38.6%	7.3%
SJW Corp	*	10.8%	0.72	-	-	6.1%	0.28	38.6%	8.8%
Southwest Water Co		10.1%	0.69	6.2%	0.00	6.1%	0.31	38.6%	8.1%
York Water Co	*	6.3%	0.72	-	-	6.1%	0.28	38.6%	5.6%
Average [a]		9.9%	0.68	6.2%	0.00	6.1%	0.31	38.6%	8.0%
Average [b]		9.9%	0.68	6.2%	0.00	6.1%	0.31	38.6%	8.0%

Sources and Notes:
[1]: Table No. BV-10; Panel B, [7].
[2]: Table No. BV-4, [4].
[3]: Workpaper #2 to Table No. BV-11 ; Panel B, [1].
[4]: Table No. BV-4, [5].
[5]: Workpaper #2 to Table No. BV-11 ; Panel A, [1].
[6]: Table No. BV-4, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

[a]: Average for all companies whose CAPM cost of equity exceeds their cost of debt by at least 25 basis points.
[b]: Average for companies in sample [a] and with an asterisk.
* Represents companies that have revenues from regulated activities greater than 85%.

Workpaper #1 to Table No. BV-11

Water Sample

Panel A: Rating to Yield Conversion

Rating	Bond Yield	Preferred Yield	Short-Term Bond Yield
AA	5.98%	6.05%	4.18%
A	6.09%	6.20%	4.31%
BBB	6.31%	6.51%	4.59%

Sources and Notes:
Bond Yields from Bloomberg as of February 07, 2008.
Preferred Yields from Mergent Bond Record, January 2008 Edition.
AA estimated as A - 0.5 * (BBB - A).

Workpaper #1 to Table No. BV-11

Water Sample

Panel B: Bond Rating Summary

Company	3rd Quarter, 2007 [1]	2006 [2]	2005 [3]	2004 [4]	2003 [5]	2002 [6]
American States Water Co	A	A	A	A	A	A
Aqua America Inc	A	A	A	A	A	A
California Water Service Group	A	A	A	A	A	A
Connecticut Water Service Inc	A	A	A	A	A	A
Middlesex Water Co	A	A	A	A	A	A
SJW Corp	A	A	A	A	A	A
Southwest Water Co*	A	A	A	A	A	A
York Water Co	A	A	A	A	A	A

Sources and Notes:

[1] - [6]: Bloomberg as of February 07, 2008.

* Rating not available, assumed to be A.

Workpaper #1 to Table No. BV-11

Water Sample

Panel C: Preferred Equity Rating Summary

Company	3rd Quarter, 2007 [1]	2006 [2]	2005 [3]	2004 [4]	2003 [5]	2002 [6]
American States Water Co	-	-	-	-	-	-
Aqua America Inc	-	-	-	-	-	A
California Water Service Group	A	A	A	A	A	A
Connecticut Water Service Inc	A	A	A	A	A	A
Middlesex Water Co	A	A	A	A	A	A
SJW Corp	-	-	-	-	-	-
Southwest Water Co	A	A	A	A	A	A
York Water Co	-	-	-	-	-	-

Sources and Notes:

[1] - [6]: Preferred equity ratings are assumed equal to the company's bond ratings reported in Workpaper #1 to Table No. BV-11, Panel B.

Workpaper #2 to Table No. BV-11

Water Sample

Panel B: Bond Yield Summary

Company	3rd Quarter, 2007 [1]	2006 [2]	2005 [3]	2004 [4]	2003 [5]	2002 [6]	5-Year Weighted Average [7]
American States Water Co	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
Aqua America Inc	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
California Water Service Group	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
Connecticut Water Service Inc	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
Middlesex Water Co	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
SJW Corp	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
Southwest Water Co	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
York Water Co	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%

Sources and Notes:

[1] - [6]: Ratings based on Workpaper #1 to Table No. BV-11, Panel A. Bond yields from Bloomberg as of February 07, 2008.

[7]: {([1] x 0.75) + [2] + [3] + [4] + [5] + ([6] x 0.25)} / 5.

Workpaper #2 to Table No. BV-11

Water Sample

Panel A: 15 Day Average Utility Yields and Mergent Preferred Yields

Date	A Rated Utility [1]	BBB Rated Utility [2]	A Preferred [3]	BBB Preferred [4]
1/18/2008	6.08	6.27	-	-
1/21/2008	6.08	6.27	-	-
1/22/2008	5.91	6.12	-	-
1/23/2008	6.19	6.35	-	-
1/24/2008	6.17	6.34	-	-
1/25/2008	5.90	6.20	-	-
1/28/2008	6.05	6.28	-	-
1/29/2008	6.12	6.32	-	-
1/30/2008	6.14	6.33	-	-
1/31/2008	6.05	6.31	-	-
2/1/2008	6.07	6.27	-	-
2/4/2008	6.17	6.40	-	-
2/5/2008	6.09	6.27	-	-
2/6/2008	6.09	6.35	-	-
2/7/2008	6.22	6.51	-	-
Average	6.09	6.31	6.20	6.51

Sources and Notes:

[1] - [2]: Bloomberg as of February 07, 2008.

[3] - [4]: Mergent Bond Record, January 2008 Edition.

Workpaper #2 to Table No. BV-11

Water Sample

Panel C: Preferred Equity Yield Summary

Company	3rd Quarter, 2007 [1]	2006 [2]	2005 [3]	2004 [4]	2003 [5]	2002 [6]	5-Year Weighted Average [7]
American States Water Co	-	-	-	-	-	-	-
Aqua America Inc	-	-	-	-	-	6.20%	6.20%
California Water Service Group	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Connecticut Water Service Inc	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Middlesex Water Co	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
SJW Corp	-	-	-	-	-	-	-
Southwest Water Co	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
York Water Co	-	-	-	-	-	-	-

Sources and Notes:

[1] - [6]: Ratings based on Workpaper #1 to Table No. BV-11, Panel A are assumed to equal preferred ratings. Preferred equity yields are from Mergent Bond Record, January 2008 Edition.

[7]: {([1] x 0.75) + [2] + [3] + [4] + [5] + ([6] x 0.25)} / 5.

Table No. BV-12

Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure

Water Sample

Panel A: Using All Companies

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Debt [2]	Arizona-American Water's Cost of Debt [3]	Arizona-American Water's Income Tax Rate [4]	Arizona-American Water's Regulatory % Preferred Equity [5]	Arizona-American Water's Cost of Preferred Equity [6]	Arizona-American Water's Regulatory % Equity [7]	Estimated Return on Equity [8]
Using Long-Term Risk-Free Rates:								
CAPM using Value Line Unadjusted Betas	8.3%	0.53	6.1%	38.6%	0.00	6.2%	0.47	13.6%
ECAPM (0.50%) using Value Line Unadjusted Betas	8.4%	0.53	6.1%	38.6%	0.00	6.2%	0.47	13.6%
ECAPM (1.50) using Value Line Unadjusted Betas	8.4%	0.53	6.1%	38.6%	0.00	6.2%	0.47	13.7%
Using Short-Term Risk-Free Rates:								
CAPM using Value Line Unadjusted Betas	7.9%	0.53	6.1%	38.6%	0.00	6.2%	0.47	12.6%
ECAPM (1%) using Value Line Unadjusted Betas	7.9%	0.53	6.1%	38.6%	0.00	6.2%	0.47	12.6%
ECAPM (2%) using Value Line Unadjusted Betas	7.9%	0.53	6.1%	38.6%	0.00	6.2%	0.47	12.7%
ECAPM (3%) using Value Line Unadjusted Betas	8.0%	0.53	6.1%	38.6%	0.00	6.2%	0.47	12.8%

Sources and Notes:
[1]: Table No. BV-11; Panels A - G, [8].
[2]: Provided by Arizona-American Water.
[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.
[4]: Provided by Arizona-American Water.
[5]: Provided by Arizona-American Water.
[6]: From Mergent Bond Record, January 2008 Edition.
[7]: Provided by Arizona-American Water.
[8]: {[1] - ([2] x [3] x (1 - [4])+ [5] x [6])} / [7].

Table No. BV-12

Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure

Water Sample

Panel B: Using Companies With 2006 Revenues from Regulated Activities Greater Than 75%

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Debt [2]	Arizona-American Water's Cost of Debt [3]	Arizona-American Water's Income Tax Rate [4]	Arizona-American Water's Regulatory % Preferred Equity [5]	Arizona-American Water's Cost of Preferred Equity [6]	Arizona-American Water's Regulatory % Equity [7]	Estimated Return on Equity [8]
Using Long-Term Risk-Free Rates:								
CAPM using Value Line Unadjusted Betas	8.3%	0.53	6.1%	38.6%	0.00	6.2%	0.47	13.5%
ECAPM (0.50%) using Value Line Unadjusted Betas	8.3%	0.53	6.1%	38.6%	0.00	6.2%	0.47	13.5%
ECAPM (1.50) using Value Line Unadjusted Betas	8.4%	0.53	6.1%	38.6%	0.00	6.2%	0.47	13.6%
Using Short-Term Risk-Free Rates:								
CAPM using Value Line Unadjusted Betas	7.8%	0.53	6.1%	38.6%	0.00	6.2%	0.47	12.5%
ECAPM (1%) using Value Line Unadjusted Betas	7.9%	0.53	6.1%	38.6%	0.00	6.2%	0.47	12.6%
ECAPM (2%) using Value Line Unadjusted Betas	7.9%	0.53	6.1%	38.6%	0.00	6.2%	0.47	12.7%
ECAPM (3%) using Value Line Unadjusted Betas	8.0%	0.53	6.1%	38.6%	0.00	6.2%	0.47	12.8%

Sources and Notes:

[1]: Table No. BV-11; Panels A - G, [8].

[2]: Provided by Arizona-American Water.

[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[4]: Provided by Arizona-American Water.

[5]: Provided by Arizona-American Water.

[6]: From Mergent Bond Record, January 2008 Edition.

[7]: Provided by Arizona-American Water.

[8]: {[1] - ([2] x [3] x (1 - [4])+ [5] x [6])} / [7].

Table No. BV-13

DCF Cost of Equity at Arizona-American Water Capital Structure

Water Sample Using Short-term Debt

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Long-Term Debt [2]	Arizona-American Water's Cost of Long-Term Debt [3]	Arizona-American Water's Regulatory % Short-Term Debt [4]	Arizona-American Water's Cost of Short-Term Debt [5]	Arizona-American Water's Income Tax Rate [6]	Arizona-American Water's Regulatory % Preferred Equity [7]	Arizona-American Water's Cost of Preferred Equity [8]	Arizona-American Water's Regulatory % Equity [9]	Estimated Return on Equity [10]
Using All Companies with Bloomberg Forecast										
Simple DCF Quarterly	9.7%	0.47	6.1%	0.11	4.3%	38.6%	0.0%	6.2%	0.42	18.4%
Multi-Stage DCF - Using the Blue Chip Economic Indicator Long-Term GDP as the Perpetual Rate	6.8%	0.47	6.1%	0.11	4.3%	38.6%	0.0%	6.2%	0.42	11.3%
Using Companies that have 2006 Revenues from Regulated Activities Greater Than 85%										
Simple DCF Quarterly	9.3%	0.47	6.1%	0.11	4.3%	38.6%	0.0%	6.2%	0.42	17.3%
Multi-Stage DCF - Using the Blue Chip Economic Indicator Long-Term GDP Growth Rate as the Perpetual Rate	6.8%	0.47	6.1%	0.11	4.3%	38.6%	0.0%	6.2%	0.42	11.3%

Sources and Notes:

[1]: Table No. BV-7; Panels A-B, [10].

[2]: Provided by Arizona-American Water.

[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[4]: Provided by Arizona-American Water.

[5]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[6]: Provided by Arizona-American Water.

[7]: Provided by Arizona-American Water.

[8]: From Mergent Bond Record, January 2008 Edition.

[9]: Provided by Arizona-American Water.

[10]: {[1] - ([2] x [3] x (1 - [6]) + [4] x [5] x (1- [6]) + [7] x [8]} / [9].

Table No. BV-14

Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure

Water Sample Using Short-term Debt

Panel A: Using All Companies

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Long-Term Debt [2]	Arizona-American Water's Cost of Long-Term Debt [3]	Arizona-American Water's Regulatory % Short-Term Debt [4]	Arizona-American Water's Cost of Short-Term Debt [5]	Arizona-American Water's Income Tax Rate [6]	Arizona-American Water's Regulatory % Preferred Equity [7]	Arizona-American Water's Cost of Preferred Equity [8]	Arizona-American Water's Regulatory % Equity [9]	Estimated Return on Equity [10]
Using Long-Term Risk-Free Rates:										
CAPM using Value Line Unadjusted Betas	8.3%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	15.1%
ECAPM (0.50%) using Value Line Unadjusted Betas	8.4%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	15.1%
ECAPM (1.50) using Value Line Unadjusted Betas	8.4%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	15.2%
Using Short-Term Risk-Free Rates:										
CAPM using Value Line Unadjusted Betas	7.9%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	14.0%
ECAPM (1%) using Value Line Unadjusted Betas	7.9%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	14.1%
ECAPM (2%) using Value Line Unadjusted Betas	7.9%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	14.1%
ECAPM (3%) using Value Line Unadjusted Betas	8.0%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	14.2%

Sources and Notes:

[1]: Table No. BV-11; Panels A - G, [8].

[2]: Provided by Arizona-American Water.

[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[4]: Provided by Arizona-American Water.

[5]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[6]: Provided by Arizona-American Water.

[7]: Provided by Arizona-American Water.

[8]: From Mergent Bond Record, January 2008 Edition.

[9]: Provided by Arizona-American Water.

[10]: {[1] - ([2] x [3] x (1 - [6]) + [4] x [5] x (1- [6]) + [7] x [8]} / [9].

Table No. BV-14

Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure

Water Sample Using Short-term Debt

Panel B: Using Companies With 2006 Revenues from Regulated Activities Greater Than 85%

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Long-Term Debt [2]	Arizona-American Water's Cost of Long-Term Debt [3]	Arizona-American Water's Regulatory % Short-Term Debt	Arizona-American Water's Cost of Short-Term Debt	Arizona-American Water's Income Tax Rate [6]	Arizona-American Water's Regulatory % Preferred Equity [7]	Arizona-American Water's Cost of Preferred Equity [8]	Arizona-American Water's Regulatory % Equity [9]	Estimated Return on Equity [10]
Using Long-Term Risk-Free Rates:										
CAPM using Value Line Unadjusted Betas	8.3%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	15.0%
ECAPM (0.50%) using Value Line Unadjusted Betas	8.3%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	15.1%
ECAPM (1.50) using Value Line Unadjusted Betas	8.4%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	15.2%
Using Short-Term Risk-Free Rates:										
CAPM using Value Line Unadjusted Betas	7.8%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	13.9%
ECAPM (1%) using Value Line Unadjusted Betas	7.9%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	14.0%
ECAPM (2%) using Value Line Unadjusted Betas	7.9%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	14.1%
ECAPM (3%) using Value Line Unadjusted Betas	8.0%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	14.2%

Sources and Notes:
[1]: Table No. BV-11; Panels A - G, [8].
[2]: Provided by Arizona-American Water.
[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.
[4]: Provided by Arizona-American Water.
[5]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.
[6]: Provided by Arizona-American Water.
[7]: Provided by Arizona-American Water.
[8]: From Mergent Bond Record, January 2008 Edition.
[9]: Provided by Arizona-American Water.
[10]: {[1] - ([2] x [3] x (1 - [6]) + [4] x [5] x (1- [6]) + [7] x [8]} / [9].

Table No. BV-15

Gas LDC Sample

Classification of Companies by Assets

Company	Company Category
AGL Resources Inc	MR
Atmos Energy Corp	R
Nicor Inc	R
Laclede Group Inc	R
New Jersey Resources Corp	MR
Northwest Natural Gas Co	R
Piedmont Natural Gas Co	R
South Jersey Industries Inc	MR
Southwest Gas Corp	R
WGL Holdings Inc	R

Sources and Notes:
Workpaper #1 to Table No. BV-2, Panels A-K.
R = Regulated (greater than 80 percent of total assets are regulated).
MR = Mostly Regulated (50 to 80 percent of total assets are regulated).

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel A: AGL Resources Inc (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	4,565,000	74.3%
Total	[2]	6,147,000	

Sources and Notes:
[1]-[2]: AGL Resources Inc's 2006 Form 10-K.

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel B: Atmos Energy Corp (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	5,462,301	95.5%
Total	[2]	5,719,547	

Sources and Notes:
[1]-[2]: Atmos Energy Corp's 2006 Form 10-K.

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel C: Nicor Inc (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	2,580,700	95.1%
Total	[2]	2,714,700	

Sources and Notes:
[1]-[2]: Nicor Inc's 2006 Form 10-K.

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel D: Laclede Group Inc (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	763,827	89.5%
Total	[2]	853,515	

Sources and Notes:
[1]-[2]: Laclede Group Inc's 2006 Form 10-K.

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel E: New Jersey Resources Corp (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	1,586,934	66.2%
Total	[2]	2,398,928	

Sources and Notes:
[1]-[2]: New Jersey Resources Corp's 2006 Form 10-K.

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel F: Northwest Natural Gas Co (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	see footnote	98.0%
Total	[2]	see footnote	

Sources and Notes:
[1]-[2]: Northwest Natural Gas Co's 2006 Form 10-K, p. 3 explicitly states the percentage of regulated assets.

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel G: Piedmont Natural Gas Co (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	2,600,411	97.2%
Total	[2]	2,676,288	

Sources and Notes:
[1]-[2]: Piedmont Natural Gas Co's 2006 Form 10-K.

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel H: South Jersey Industries Inc (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	1,228,076	78.1%
Total	[2]	1,573,032	

Sources and Notes:
[1]-[2]: South Jersey Industries Inc's 2006 Form 10-K.

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel I: Southwest Gas Corp (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	3,352,074	96.2%
Total	[2]	3,484,965	

Sources and Notes:
[1]-[2]: Southwest Gas Corp's 2006 Form 10-K.

Workpaper #1 to Table No. BV-15

Gas LDC Sample: Percentage of Regulated Assets

Panel J: WGL Holdings Inc (thousands)

		2006	% of Total Assets
Assets Attributed to Utility	[1]	2,944,100	99.8%
Total	[2]	2,950,000	

Sources and Notes:
[1]-[2]: WGL Holdings Inc's 2006 Form 10-K.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel A: AGL Resources Inc

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$1,661	$1,623	$1,609	$1,499	$1,385	$945	$710	[a]
Shares Outstanding (in millions) - Common	76	77	78	78	77	65	57	[b]
Price per Share - Common	$37.39	$39.71	$39.24	$34.75	$33.24	$28.95	$24.41	[c]
Market Value of Common Equity	$2,857	$3,053	$3,049	$2,703	$2,549	$1,867	$1,384	[d] = [b] x [c].
Market to Book Value of Common Equity	1.72	1.88	1.89	1.80	1.84	1.98	1.95	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$227	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$227	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$1,811	$1,428	$1,822	$2,041	$1,457	$742	$586	[h]
Current Liabilities	$1,645	$1,375	$1,627	$1,968	$1,477	$1,048	$1,016	[i]
Current Portion of Long-Term Debt	$0	$0	$0	$0	$0	$77	$30	[j]
Net Working Capital	$166	$53	$195	$73	($20)	($229)	($399)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$580	$576	$539	$522	$334	$306	$389	[l]
Adjusted Short-Term Debt	$0	$0	$0	$0	$20	$229	$389	[m] = See Sources and Notes.
Long-Term Debt	$1,674	$1,548	$1,622	$1,615	$1,623	$956	$767	[n]
Book Value of Long-Term Debt	$1,674	$1,548	$1,622	$1,615	$1,643	$1,262	$1,186	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$83	$83	$83	$169	$193	$133	$87	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$1,757	$1,631	$1,705	$1,784	$1,836	$1,395	$1,273	[q] = [p] + [o].
Market Value of Debt	$1,757	$1,631	$1,705	$1,784	$1,836	$1,395	$1,273	[r] = [q].
MARKET VALUE OF FIRM	$4,614	$4,684	$4,754	$4,487	$4,385	$3,262	$2,884	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	61.92%	65.18%	64.13%	60.24%	58.13%	57.23%	47.99%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	7.88%	[u] = [g] / [s].
Debt - Market Value Ratio	38.08%	34.82%	35.87%	39.76%	41.87%	42.77%	44.13%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel B: Atmos Energy Corp

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$2,032	$1,966	$1,648	$1,602	$1,133	$858	$573	[a]
Shares Outstanding (in millions) - Common	90	89	82	81	63	51	42	[b]
Price per Share - Common	$27.90	$28.08	$32.04	$26.35	$27.13	$24.54	$23.27	[c]
Market Value of Common Equity	$2,508	$2,508	$2,619	$2,122	$1,704	$1,263	$970	[d] = [b] x [c].
Market to Book Value of Common Equity	1.23	1.28	1.59	1.32	1.50	1.47	1.69	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$1,520	$1,069	$1,118	$1,264	$677	$458	$331	[h]
Current Liabilities	$1,336	$920	$1,119	$1,113	$414	$442	$464	[i]
Current Portion of Long-Term Debt	$4	$4	$3	$3	$6	$9	$22	[j]
Net Working Capital	$188	$153	$2	$155	$269	$26	($111)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$202	$151	$382	$145	$0	$119	$146	[l]
Adjusted Short-Term Debt	$0	$0	$0	$0	$0	$0	$111	[m] = See Sources and Notes.
Long-Term Debt	$2,125	$2,126	$2,180	$2,183	$861	$863	$670	[n]
Book Value of Long-Term Debt	$2,129	$2,130	$2,184	$2,186	$867	$872	$804	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	($126)	($126)	($126)	($105)	$75	$141	$105	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$2,002	$2,004	$2,057	$2,082	$943	$1,013	$909	[q] = [p] + [o].
Market Value of Debt	$2,002	$2,004	$2,057	$2,082	$943	$1,013	$909	[r] = [q].
MARKET VALUE OF FIRM	$4,510	$4,512	$4,676	$4,204	$2,646	$2,276	$1,879	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	55.61%	55.59%	56.01%	50.48%	64.39%	55.49%	51.63%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	-	[u] = [g] / [s].
Debt - Market Value Ratio	44.39%	44.41%	43.99%	49.52%	35.61%	44.51%	48.37%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel C: Nicor Inc

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$909	$909	$873	$811	$749	$755	$728	[a]
Shares Outstanding (in millions) - Common	45	45	45	44	44	44	44	[b]
Price per Share - Common	$40.03	$42.15	$48.18	$40.64	$37.42	$34.02	$34.01	[c]
Market Value of Common Equity	$1,807	$1,902	$2,163	$1,795	$1,650	$1,498	$1,497	[d] = [b] x [c].
Market to Book Value of Common Equity	1.99	2.09	2.48	2.21	2.20	1.99	2.05	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$4	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$4	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$734	$734	$911	$1,346	$1,021	$916	$708	[h]
Current Liabilities	$1,007	$1,007	$1,142	$1,623	$1,171	$1,069	$1,099	[i]
Current Portion of Long-Term Debt	$75	$75	$0	$50	$0	$0	$100	[j]
Net Working Capital	($199)	($199)	($232)	($227)	($150)	($153)	($291)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$162	$162	$350	$586	$490	$575	$315	[l]
Adjusted Short-Term Debt	$162	$162	$232	$227	$150	$153	$291	[m] = See Sources and Notes.
Long-Term Debt	$423	$423	$498	$486	$497	$497	$396	[n]
Book Value of Long-Term Debt	$660	$660	$730	$764	$647	$650	$787	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$18	$18	$18	$25	$30	$30	$32	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$678	$678	$748	$789	$677	$680	$819	[q] = [p] + [o].
Market Value of Debt	$678	$678	$748	$789	$677	$680	$819	[r] = [q].
MARKET VALUE OF FIRM								
	$2,485	$2,580	$2,911	$2,584	$2,328	$2,178	$2,320	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	72.70%	73.71%	74.31%	69.48%	70.90%	68.79%	64.52%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	0.19%	[u] = [g] / [s].
Debt - Market Value Ratio	27.30%	26.29%	25.69%	30.52%	29.10%	31.21%	35.29%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel D: Laclede Group Inc

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$440	$428	$403	$367	$356	$299	$286	[a]
Shares Outstanding (in millions) - Common	22	22	21	21	21	19	19	[b]
Price per Share - Common	$33.59	$32.20	$35.54	$29.45	$31.30	$28.99	$23.78	[c]
Market Value of Common Equity	$731	$697	$759	$624	$657	$553	$450	[d] = [b] x [c].
Market to Book Value of Common Equity	1.66	1.63	1.89	1.70	1.85	1.85	1.57	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$1	$1	$1	$1	$1	$1	$1	[f]
Market Value of Preferred Equity	$1	$1	$1	$1	$1	$1	$1	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$562	$467	$460	$424	$338	$288	$222	[h]
Current Liabilities	$552	$474	$431	$366	$263	$366	$337	[i]
Current Portion of Long-Term Debt	$0	$40	$0	$40	$25	$0	$25	[j]
Net Working Capital	$10	$34	$29	$99	$100	($78)	($89)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$294	$211	$207	$71	$71	$218	$162	[l]
Adjusted Short-Term Debt	$0	$0	$0	$0	$0	$78	$89	[m] = See Sources and Notes.
Long-Term Debt	$356	$356	$395	$340	$380	$305	$260	[n]
Book Value of Long-Term Debt	$356	$396	$396	$380	$405	$383	$374	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$18	$18	$18	$31	$35	$31	$31	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$374	$414	$414	$412	$440	$414	$405	[q] = [p] + [o].
Market Value of Debt	$374	$414	$414	$412	$440	$414	$405	[r] = [q].
MARKET VALUE OF FIRM	$1,106	$1,112	$1,174	$1,036	$1,098	$969	$856	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	66.11%	62.69%	64.66%	60.18%	59.81%	57.11%	52.57%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	0.06%	0.06%	0.07%	0.09%	0.10%	0.13%	0.15%	[u] = [g] / [s].
Debt - Market Value Ratio	33.83%	37.25%	35.27%	39.73%	40.09%	42.76%	47.28%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel E: New Jersey Resources Corp

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$669	$645	$622	$438	$468	$419	$361	[a]
Shares Outstanding (in millions) - Common	28	28	28	28	28	27	27	[b]
Price per Share - Common	$46.96	$48.36	$49.94	$43.07	$43.42	$38.50	$32.40	[c]
Market Value of Common Equity	$1,310	$1,342	$1,380	$1,214	$1,204	$1,048	$872	[d] = [b] x [c].
Market to Book Value of Common Equity	1.96	2.08	2.22	2.77	2.57	2.50	2.41	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$937	$800	$966	$1,073	$686	$450	$434	[h]
Current Liabilities	$839	$703	$897	$1,097	$688	$524	$436	[i]
Current Portion of Long-Term Debt	$35	$4	$4	$3	$28	$2	$27	[j]
Net Working Capital	$133	$101	$72	($20)	$26	($71)	$25	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$289	$256	$281	$174	$260	$186	$60	[l]
Adjusted Short-Term Debt	$0	$0	$0	$20	$0	$71	$0	[m] = See Sources and Notes.
Long-Term Debt	$359	$383	$332	$317	$316	$258	$371	[n]
Book Value of Long-Term Debt	$394	$388	$336	$341	$344	$332	$398	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$2	$2	$2	$2	$6	$9	$10	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$396	$390	$338	$343	$349	$341	$407	[q] = [p] + [o].
Market Value of Debt	$396	$390	$338	$343	$349	$341	$407	[r] = [q].
MARKET VALUE OF FIRM	$1,706	$1,731	$1,718	$1,557	$1,554	$1,389	$1,280	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	76.78%	77.50%	80.32%	77.99%	77.52%	75.45%	68.15%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	0.02%	[u] = [g] / [s].
Debt - Market Value Ratio	23.22%	22.50%	19.68%	22.01%	22.48%	24.55%	31.83%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel F: Northwest Natural Gas Co

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$585	$585	$600	$587	$569	$506	$482	[a]
Shares Outstanding (in millions) - Common	27	27	27	28	27	26	26	[b]
Price per Share - Common	$47.86	$45.97	$42.24	$34.89	$33.36	$30.54	$27.17	[c]
Market Value of Common Equity	$1,272	$1,222	$1,151	$962	$901	$794	$695	[d] = [b] x [c].
Market to Book Value of Common Equity	2.17	2.09	1.92	1.64	1.59	1.57	1.44	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$8	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$8	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$205	$205	$309	$324	$237	$200	$193	[h]
Current Liabilities	$299	$299	$339	$327	$267	$214	$205	[i]
Current Portion of Long-Term Debt	$5	$5	$30	$8	$15	$0	$20	[j]
Net Working Capital	($89)	($89)	($1)	$5	($15)	($15)	$8	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$112	$112	$100	$127	$103	$85	$70	[l]
Adjusted Short-Term Debt	$89	$89	$1	$0	$15	$15	$0	[m] = See Sources and Notes.
Long-Term Debt	$512	$512	$517	$522	$484	$500	$446	[n]
Book Value of Long-Term Debt	$606	$606	$548	$530	$514	$515	$466	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$49	$49	$49	$50	$69	$62	$53	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$655	$655	$597	$579	$583	$578	$518	[q] = [p] + [o].
Market Value of Debt	$655	$655	$597	$579	$583	$578	$518	[r] = [q].
MARKET VALUE OF FIRM								
	$1,927	$1,877	$1,748	$1,542	$1,484	$1,371	$1,222	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	66.01%	65.10%	65.86%	62.42%	60.72%	57.88%	56.89%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	0.68%	[u] = [g] / [s].
Debt - Market Value Ratio	33.99%	34.90%	34.14%	37.58%	39.28%	42.12%	42.43%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel G: Piedmont Natural Gas Co

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$878	$878	$883	$884	$855	$630	$590	[a]
Shares Outstanding (in millions) - Common	74	74	75	77	77	67	66	[b]
Price per Share - Common	$25.15	$25.35	$27.47	$23.97	$23.44	$21.30	$18.02	[c]
Market Value of Common Equity	$1,867	$1,881	$2,049	$1,838	$1,797	$1,434	$1,193	[d] = [b] x [c].
Market to Book Value of Common Equity	2.13	2.14	2.32	2.08	2.10	2.28	2.02	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$435	$435	$476	$505	$391	$323	$176	[h]
Current Liabilities	$425	$425	$400	$529	$336	$740	$205	[i]
Current Portion of Long-Term Debt	$0	$0	$0	$35	$0	$2	$47	[j]
Net Working Capital	$11	$11	$76	$11	$55	($414)	$18	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$196	$196	$170	$159	$110	$555	$47	[l]
Adjusted Short-Term Debt	$0	$0	$0	$0	$0	$414	$0	[m] = See Sources and Notes.
Long-Term Debt	$825	$825	$825	$625	$660	$460	$462	[n]
Book Value of Long-Term Debt	$825	$825	$825	$660	$660	$876	$509	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$89	$89	$89	$93	$115	$45	$81	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$914	$914	$914	$753	$775	$921	$590	[q] = [p] + [o].
Market Value of Debt	$914	$914	$914	$753	$775	$921	$590	[r] = [q].
MARKET VALUE OF FIRM	$2,780	$2,795	$2,963	$2,592	$2,572	$2,355	$1,782	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	67.14%	67.31%	69.16%	70.93%	69.86%	60.88%	66.92%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	-	[u] = [g] / [s].
Debt - Market Value Ratio	32.86%	32.69%	30.84%	29.07%	30.14%	39.12%	33.08%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel H: South Jersey Industries Inc

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$472	$472	$443	$394	$343	$298	$238	[a]
Shares Outstanding (in millions) - Common	30	30	29	29	28	26	24	[b]
Price per Share - Common	$35.49	$34.44	$33.21	$29.84	$25.79	$20.01	$16.40	[c]
Market Value of Common Equity	$1,048	$1,017	$974	$865	$716	$529	$400	[d] = [b] x [c].
Market to Book Value of Common Equity	2.22	2.15	2.20	2.20	2.09	1.78	1.68	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$2	$2	$2	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$2	$2	$2	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$309	$309	$372	$362	$284	$266	$212	[h]
Current Liabilities	$328	$328	$423	$406	$285	$268	$316	[i]
Current Portion of Long-Term Debt	$0	$0	$2	$2	$5	$5	$11	[j]
Net Working Capital	($19)	($19)	($49)	($42)	$4	$3	($93)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$146	$146	$195	$147	$92	$113	$167	[l]
Adjusted Short-Term Debt	$19	$19	$49	$42	$0	$0	$93	[m] = See Sources and Notes.
Long-Term Debt	$358	$358	$358	$319	$329	$309	$274	[n]
Book Value of Long-Term Debt	$377	$377	$409	$363	$334	$314	$378	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$21	$21	$21	$13	$16	$25	$43	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$397	$397	$430	$376	$350	$339	$421	[q] = [p] + [o].
Market Value of Debt	$397	$397	$430	$376	$350	$339	$421	[r] = [q].
MARKET VALUE OF FIRM	$1,446	$1,415	$1,404	$1,241	$1,068	$870	$823	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	72.52%	71.92%	69.38%	69.69%	67.05%	60.87%	48.65%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	0.16%	0.19%	0.21%	[u] = [g] / [s].
Debt - Market Value Ratio	27.48%	28.08%	30.62%	30.31%	32.79%	38.94%	51.14%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel I: Southwest Gas Corp

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$942	$942	$901	$751	$706	$630	$596	[a]
Shares Outstanding (in millions) - Common	43	43	42	39	37	34	33	[b]
Price per Share - Common	$28.31	$29.15	$38.33	$26.74	$25.49	$22.61	$23.14	[c]
Market Value of Common Equity	$1,205	$1,240	$1,601	$1,052	$938	$774	$770	[d] = [b] x [c].
Market to Book Value of Common Equity	1.28	1.32	1.78	1.40	1.33	1.23	1.29	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[f]
Market Value of Preferred Equity	$0	$0	$0	$0	$0	$0	$0	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$292	$292	$502	$543	$432	$281	$262	[h]
Current Liabilities	$399	$399	$496	$621	$483	$310	$313	[i]
Current Portion of Long-Term Debt	$37	$37	$28	$83	$30	$6	$9	[j]
Net Working Capital	($71)	($71)	$33	$5	($21)	($23)	($43)	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$0	$0	$0	$24	$100	$52	$53	[l]
Adjusted Short-Term Debt	$0	$0	$0	$0	$21	$23	$43	[m] = See Sources and Notes.
Long-Term Debt	$1,328	$1,328	$1,386	$1,325	$1,263	$1,221	$1,152	[n]
Book Value of Long-Term Debt	$1,365	$1,365	$1,414	$1,408	$1,314	$1,250	$1,204	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$80	$80	$80	$145	$154	$126	$66	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$1,445	$1,445	$1,494	$1,553	$1,468	$1,377	$1,269	[q] = [p] + [o].
Market Value of Debt	$1,445	$1,445	$1,494	$1,553	$1,468	$1,377	$1,269	[r] = [q].
MARKET VALUE OF FIRM								
	$2,650	$2,685	$3,096	$2,605	$2,406	$2,151	$2,040	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	45.46%	46.19%	51.73%	40.37%	38.98%	35.99%	37.77%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	-	-	-	-	-	-	-	[u] = [g] / [s].
Debt - Market Value Ratio	54.54%	53.81%	48.27%	59.63%	61.02%	64.01%	62.23%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-16

Market Value of the Gas LDC Sample

Panel J: WGL Holdings Inc

($MM)

	DCF Capital Structure	3rd Quarter, 2007	Year End, 2006	Year End, 2005	Year End, 2004	Year End, 2003	Year End, 2002	Notes
MARKET VALUE OF COMMON EQUITY								
Book Value, Common Shareholder's Equity	$1,013	$981	$922	$894	$853	$818	$766	[a]
Shares Outstanding (in millions) - Common	49	49	49	49	49	49	49	[b]
Price per Share - Common	$32.35	$33.16	$32.88	$30.41	$30.95	$27.69	$23.98	[c]
Market Value of Common Equity	$1,599	$1,635	$1,607	$1,481	$1,506	$1,345	$1,164	[d] = [b] x [c].
Market to Book Value of Common Equity	1.58	1.67	1.74	1.66	1.76	1.64	1.52	[e] = [d] / [a].
MARKET VALUE OF PREFERRED EQUITY								
Book Value of Preferred Equity	$28	$28	$28	$28	$28	$28	$28	[f]
Market Value of Preferred Equity	$28	$28	$28	$28	$28	$28	$28	[g] = [f].
MARKET VALUE OF DEBT								
Current Assets	$897	$574	$562	$481	$433	$409	$341	[h]
Current Liabilities	$916	$557	$561	$412	$413	$386	$338	[i]
Current Portion of Long-Term Debt	$46	$21	$61	$50	$61	$12	$42	[j]
Net Working Capital	$27	$38	$62	$120	$81	$35	$46	[k] = [h] - ([i] - [j]).
Notes Payable (Short-Term Debt)	$301	$184	$177	$41	$96	$167	$91	[l]
Adjusted Short-Term Debt	$0	$0	$0	$0	$0	$0	$0	[m] = See Sources and Notes.
Long-Term Debt	$594	$616	$576	$584	$590	$637	$668	[n]
Book Value of Long-Term Debt	$640	$638	$637	$634	$651	$649	$710	[o] = [n] + [j] + [m].
Adjustment to Book Value of Long-Term Debt	$17	$17	$17	$43	$56	$86	$58	[p] = See Sources and Notes.
Market Value of Long-Term Debt	$657	$655	$654	$677	$707	$735	$768	[q] = [p] + [o].
Market Value of Debt	$657	$655	$654	$677	$707	$735	$768	[r] = [q].
MARKET VALUE OF FIRM								
	$2,284	$2,318	$2,289	$2,186	$2,241	$2,108	$1,960	[s] = [d] + [g] + [r].
DEBT AND EQUITY TO MARKET VALUE RATIOS								
Common Equity - Market Value Ratio	70.02%	70.54%	70.19%	67.75%	67.19%	63.81%	59.40%	[t] = [d] / [s].
Preferred Equity - Market Value Ratio	1.23%	1.22%	1.23%	1.29%	1.26%	1.34%	1.44%	[u] = [g] / [s].
Debt - Market Value Ratio	28.75%	28.24%	28.58%	30.96%	31.55%	34.85%	39.17%	[v] = [r] / [s].

Sources and Notes:

Bloomberg as of February 07, 2008

Capital structure from 3rd Quarter, 2007 calculated using respective balance sheet information and 15-day average prices ending at period end.

The DCF Capital structure is calculated using 3rd Quarter, 2007 balance sheet information and a 15-trading day average closing price ending on 2/7/2008.

Prices are reported in Workpaper #1 to Table No. BV-19.

[m] =

(1): 0 if [k] > 0.

(2): The absolute value of [k] if [k] < 0 and |[k]| < [l].

(3): [l] if [k] < 0 and |[k]| > [l].

[p]: Difference between fair value of Long-Term debt and carrying amount of Long-Term debt per company 10-K. Data for adjustment is from 2006 10-K. Companies do not report the fair value of Long-Term debt in quarterly reports, so end-of-year 2006 data is used instead.

Table No. BV-17

Gas LDC Sample

Capital Structure Summary

Company	DCF Capital Structure			5-Year Average Capital Structure		
	Common Equity - Value Ratio [1]	Preferred Equity - Value Ratio [2]	Debt - Value Ratio [3]	Common Equity - Value Ratio [4]	Preferred Equity - Value Ratio [5]	Debt - Value Ratio [6]
AGL Resources Inc	0.62	-	0.38	0.60	0.00	0.39
Atmos Energy Corp	0.56	-	0.44	0.56	-	0.44
Nicor Inc	0.73	-	0.27	0.71	0.00	0.29
Laclede Group Inc/The	0.66	0.00	0.34	0.60	0.00	0.40
New Jersey Resources Corp	0.77	-	0.23	0.77	0.00	0.23
Northwest Natural Gas Co	0.66	-	0.34	0.62	0.00	0.38
Piedmont Natural Gas Co	0.67	-	0.33	0.68	-	0.32
South Jersey Industries Inc	0.73	-	0.27	0.67	0.00	0.33
Southwest Gas Corp	0.45	-	0.55	0.42	-	0.58
WGL Holdings Inc	0.70	0.01	0.29	0.67	0.01	0.31
Average	0.65	0.00	0.34	0.63	0.00	0.37

Sources and Notes:
[1], [4]:Workpaper #1 to Table No. BV-17.
[2], [5]:Workpaper #2 to Table No. BV-17.
[3], [6]:Workpaper #3 to Table No. BV-17.
Values in this table may not add up exactly to 1.0 because of rounding.

Workpaper #1 to Table No. BV-17

Gas LDC Sample

Calculation of the Average Common Equity - Market Value Ratio

Company	DCF Capital Structure [1]	3rd Quarter, 2007 [2]	2006 [3]	2005 [4]	2004 [5]	2003 [6]	2002 [7]	5-Year Average [8]
AGL Resources Inc	0.62	0.65	0.64	0.60	0.58	0.57	0.48	0.60
Atmos Energy Corp	0.56	0.56	0.56	0.50	0.64	0.55	0.52	0.56
Nicor Inc	0.73	0.74	0.74	0.69	0.71	0.69	0.65	0.71
Laclede Group Inc/The	0.66	0.63	0.65	0.60	0.60	0.57	0.53	0.60
New Jersey Resources Corp	0.77	0.77	0.80	0.78	0.78	0.75	0.68	0.77
Northwest Natural Gas Co	0.66	0.65	0.66	0.62	0.61	0.58	0.57	0.62
Piedmont Natural Gas Co	0.67	0.67	0.69	0.71	0.70	0.61	0.67	0.68
South Jersey Industries Inc	0.73	0.72	0.69	0.70	0.67	0.61	0.49	0.67
Southwest Gas Corp	0.45	0.46	0.52	0.40	0.39	0.36	0.38	0.42
WGL Holdings Inc	0.70	0.71	0.70	0.68	0.67	0.64	0.59	0.67

Sources and Notes:

[1] - [7]: Table No. BV-16; Panels A - J, [t].

[8]: {([2] x 0.75) + [3] + [4] + [5] + [6] + ([7] x 0.25)} / 5.

Workpaper #2 to Table No. BV-17

Gas LDC Sample

Calculation of the Average Preferred Equity - Market Value Ratio

Company	DCF Capital Structure [1]	3rd Quarter, 2007 [2]	2006 [3]	2005 [4]	2004 [5]	2003 [6]	2002 [7]	5-Year Average [8]
AGL Resources Inc	-	-	-	-	-	-	0.08	0.00
Atmos Energy Corp	-	-	-	-	-	-	-	-
Nicor Inc	-	-	-	-	-	-	0.00	0.00
Laclede Group Inc/The	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Jersey Resources Corp	-	-	-	-	-	-	0.00	0.00
Northwest Natural Gas Co	-	-	-	-	-	-	0.01	0.00
Piedmont Natural Gas Co	-	-	-	-	-	-	-	-
South Jersey Industries Inc	-	-	-	-	0.00	0.00	0.00	0.00
Southwest Gas Corp	-	-	-	-	-	-	-	-
WGL Holdings Inc	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

Sources and Notes:

[1] - [7]: Table No. BV-16; Panels A - J, [u].

[8]: {([2] x 0.75) + [3] + [4] + [5] + [6] + ([7] x 0.25)} / 5.

Workpaper #3 to Table No. BV-17

Gas LDC Sample

Calculation of the Average Debt - Market Value Ratio

Company	DCF Capital Structure [1]	3rd Quarter, 2007 [2]	2006 [3]	2005 [4]	2004 [5]	2003 [6]	2002 [7]	5-Year Average [8]
AGL Resources Inc	0.38	0.35	0.36	0.40	0.42	0.43	0.44	0.39
Atmos Energy Corp	0.44	0.44	0.44	0.50	0.36	0.45	0.48	0.44
Nicor Inc	0.27	0.26	0.26	0.31	0.29	0.31	0.35	0.29
Laclede Group Inc/The	0.34	0.37	0.35	0.40	0.40	0.43	0.47	0.40
New Jersey Resources Corp	0.23	0.23	0.20	0.22	0.22	0.25	0.32	0.23
Northwest Natural Gas Co	0.34	0.35	0.34	0.38	0.39	0.42	0.42	0.38
Piedmont Natural Gas Co	0.33	0.33	0.31	0.29	0.30	0.39	0.33	0.32
South Jersey Industries Inc	0.27	0.28	0.31	0.30	0.33	0.39	0.51	0.33
Southwest Gas Corp	0.55	0.54	0.48	0.60	0.61	0.64	0.62	0.58
WGL Holdings Inc	0.29	0.28	0.29	0.31	0.32	0.35	0.39	0.31

Sources and Notes:
[1] - [7]: Table No. BV-16; Panels A - J, [v].
[8]: {([2] x 0.75) + [3] + [4] + [5] + [6] + ([7] x 0.25)} / 5.

Table No. BV-18

Gas LDC Sample

Combined Bloomberg Estimated and Value Line Estimated Growth Rates

Company	Bloomberg Estimate		Value Line			Combined BEst and Value Line Growth Rate
	BEst Long-Term Growth Rate	Number of Estimates	EPS Year 2007 Estimate	EPS Year 2010 - 2012 Estimate	Annualized Growth Rate	
	[1]	[2]	[3]	[4]	[5]	[6]
AGL Resources Inc	5.8%	2	$2.65	$3.10	4.0%	5.2%
Atmos Energy Corp	5.2%	6	$1.94	$2.35	4.9%	5.1%
Nicor Inc	4.3%	4	$2.80	$2.90	0.9%	3.6%
Laclede Group Inc/The	3.5%	1	$2.31	$2.55	2.5%	3.0%
New Jersey Resources Corp	5.1%	4	$3.15	$3.40	1.9%	4.5%
Northwest Natural Gas Co	4.9%	5	$2.65	$3.30	5.6%	5.0%
Piedmont Natural Gas Co	5.4%	4	$1.45	$1.60	2.5%	4.8%
South Jersey Industries Inc	6.2%	3	$2.00	$2.90	9.7%	7.1%
Southwest Gas Corp	5.0%	3	$2.08	$2.60	5.7%	5.2%
WGL Holdings Inc	4.0%	3	$2.10	$2.25	1.7%	3.4%

Sources and Notes:

[1] - [2]: Bloomberg as of February 07, 2008.

[3] - [4]: Most recent Value Line Plus Edition, dated December 14, 2007 and December 28, 2007.

[5]: ([4] / [3]) ^ (1/4) - 1.

[6]: ([1] x [2] + [5]) / ([2] + 1).

Table No. BV-19

DCF Cost of Equity of the Gas LDC Sample

Panel A: Simple DCF Method (Quarterly)

Company	Stock Price [1]	Most Recent Dividend [2]	Quarterly Dividend Yield [3]	Combined BEst and Value Line Long-Term Growth Rate [4]	Quarterly Growth Rate [5]	DCF Cost of Equity [6]
AGL Resources Inc	$37.39	$0.41	1.10%	5.2%	1.3%	9.9%
Atmos Energy Corp	$27.90	$0.33	1.16%	5.1%	1.3%	10.1%
Nicor Inc	$40.03	$0.47	1.16%	3.6%	0.9%	8.5%
Laclede Group Inc/The	$33.59	$0.38	1.12%	3.0%	0.7%	7.7%
New Jersey Resources Corp	$46.96	$0.40	0.85%	4.5%	1.1%	8.1%
Northwest Natural Gas Co	$47.86	$0.38	0.78%	5.0%	1.2%	8.4%
Piedmont Natural Gas Co	$25.15	$0.25	0.99%	4.8%	1.2%	9.1%
South Jersey Industries Inc	$35.49	$0.27	0.76%	7.1%	1.7%	10.4%
Southwest Gas Corp	$28.31	$0.22	0.76%	5.2%	1.3%	8.4%
WGL Holdings Inc	$32.35	$0.34	1.06%	3.4%	0.8%	7.9%

Sources and Notes:
[1]: Workpaper #1 to Table No. BV-19.
[2]: Workpaper #2 to Table No. BV-19.
[3]: [2] / [1].
[4]: Table No. BV-18, [6].
[5]: {(1 + [4]) ^ (1/4)} - 1.
[6]: {(([2] / [1]) x (1 + [5]) + [5] + 1) ^ 4} - 1.

Table No. BV-19

DCF Cost of Equity of the Gas LDC Sample

Panel B: Multi-Stage DCF (Using Blue Chip Long-Term GDP Growth Forecast as the Perpetual Rate)

Company	Stock Price [1]	Most Recent Dividend [2]	Combined BEst and *Value Line* Long-Term Growth Rate [3]	Growth Rate: FY 2013 [4]	Growth Rate: FY 2014 [5]	Growth Rate: FY 2015 [6]	Growth Rate: FY 2016 [7]	Growth Rate: FY 2017 [8]	GDP Long-Term Growth Rate [9]	DCF Cost of Equity [10]
AGL Resources Inc	$37.39	$0.41	5.2%	5.1%	5.1%	5.0%	5.0%	4.9%	4.9%	9.6%
Atmos Energy Corp	$27.90	$0.33	5.1%	5.1%	5.1%	5.0%	5.0%	4.9%	4.9%	9.8%
Nicor Inc	$40.03	$0.47	3.6%	3.8%	4.0%	4.2%	4.5%	4.7%	4.9%	9.3%
Laclede Group Inc/The	$33.59	$0.38	3.0%	3.3%	3.6%	4.0%	4.3%	4.6%	4.9%	9.0%
New Jersey Resources Corp	$46.96	$0.40	4.5%	4.6%	4.6%	4.7%	4.8%	4.8%	4.9%	8.3%
Northwest Natural Gas Co	$47.86	$0.38	5.0%	5.0%	5.0%	5.0%	4.9%	4.9%	4.9%	8.2%
Piedmont Natural Gas Co	$25.15	$0.25	4.8%	4.8%	4.9%	4.9%	4.9%	4.9%	4.9%	9.0%
South Jersey Industries Inc	$35.49	$0.27	7.1%	6.7%	6.3%	6.0%	5.6%	5.3%	4.9%	8.5%
Southwest Gas Corp	$28.31	$0.22	5.2%	5.1%	5.1%	5.0%	5.0%	4.9%	4.9%	8.1%
WGL Holdings Inc	$32.35	$0.34	3.4%	3.7%	3.9%	4.2%	4.4%	4.7%	4.9%	8.9%

Sources and Notes:
[1]: Workpaper #1 to Table No. BV-19.
[2]: Workpaper #2 to Table No. BV-19.
[3]: Table No. BV-18, [6].
[4]: [3] - {([3] - [9])/ 6}.
[5]: [4] - {([3] - [9])/ 6}.
[6]: [5] - {([3] - [9])/ 6}.
[7]: [6] - {([3] - [9])/ 6}.
[8]: [7] - {([3] - [9])/ 6}.
[9]: Blue Chip Economic Indicators published October 10, 2007. This number is assumed to be the perpetual growth rate. (See Appendix D).
[10]: Workpaper #3 to Table No. BV-19.

Workpaper #1 to Table No. BV-19

Gas LDC Sample

Common Stock Prices from January 17, 2008 to February 7, 2008

Company	2/7/2008	2/6/2008	2/5/2008	2/4/2008	2/1/2008	1/31/2008	1/30/2008	1/29/2008	1/28/2008	1/25/2008	1/24/2008	1/23/2008	1/22/2008	1/18/2008	1/17/2008	Average
AGL Resources Inc	$36.76	$37.63	$37.84	$39.03	$38.46	$37.85	$36.98	$37.49	$37.22	$36.88	$36.82	$37.69	$36.38	$36.69	$37.13	$37.39
Atmos Energy Corp	$27.46	$27.63	$28.33	$28.91	$28.96	$28.74	$28.25	$28.32	$27.80	$27.47	$27.56	$27.85	$26.91	$26.92	$27.36	$27.90
Nicor Inc	$39.31	$39.75	$40.84	$42.32	$41.64	$40.94	$39.85	$39.71	$39.14	$38.68	$39.28	$40.73	$38.81	$39.26	$40.26	$40.03
Laclede Group Inc/The	$33.58	$33.17	$34.01	$34.99	$34.41	$33.77	$32.88	$33.17	$33.63	$33.64	$33.26	$34.25	$32.51	$32.94	$33.71	$33.59
New Jersey Resources Corp	$49.08	$48.24	$47.26	$48.56	$47.24	$46.83	$45.69	$46.41	$46.50	$45.67	$45.86	$47.18	$45.19	$46.64	$48.10	$46.96
Northwest Natural Gas Co	$47.44	$46.88	$46.83	$47.97	$47.18	$47.34	$46.34	$47.30	$48.13	$47.91	$48.51	$49.88	$48.22	$48.49	$49.44	$47.86
Piedmont Natural Gas Co	$25.16	$24.94	$25.05	$25.66	$25.52	$25.07	$24.32	$24.93	$24.92	$24.54	$24.72	$26.29	$25.11	$25.16	$25.93	$25.15
South Jersey Industries Inc	$35.36	$34.99	$35.08	$36.08	$35.79	$35.03	$34.51	$35.34	$35.46	$34.99	$35.33	$36.49	$34.94	$36.14	$36.84	$35.49
Southwest Gas Corp	$28.75	$28.50	$28.49	$29.87	$29.25	$28.55	$28.14	$28.36	$28.17	$27.75	$27.57	$28.14	$27.25	$27.59	$28.23	$28.31
WGL Holdings Inc	$32.24	$32.08	$32.12	$32.80	$32.33	$32.24	$31.79	$32.05	$32.21	$31.81	$32.26	$33.14	$32.22	$32.62	$33.28	$32.35

Sources and Notes:

Bloomberg as of February 07, 2008.

The prices chosen are the daily closing prices from Bloomberg starting from the most recent prices available in Bloomberg as of February 07, 2008 and ending fifteen trading days before.

Workpaper #2 to Table No. BV-19

Gas LDC Sample

Most Recent Paid Dividends

Company	Most Recent Dividend
AGL Resources Inc	$0.41
Atmos Energy Corp	$0.33
Nicor Inc	$0.47
Laclede Group Inc/The	$0.38
New Jersey Resources Corp	$0.40
Northwest Natural Gas Co	$0.38
Piedmont Natural Gas Co	$0.25
South Jersey Industries Inc	$0.27
Southwest Gas Corp	$0.22
WGL Holdings Inc	$0.34

Sources and Notes:
Bloomberg as of February 07, 2008.

Workpaper #3 to Table No. BV-19

DCF Cost of Equity of the Gas LDC Sample

Multi - Stage DCF (using Blue Chip Economic Indicator Long-Term GDP Growth Forecast as the Perpetual Growth Rate)

Year	Company	AGL Resources Inc	Atmos Energy Corp	Nicor Inc	Laclede Group Inc	New Jersey Resources Corp	Northwest Natural Gas Co	Piedmont Natural Gas Co	South Jersey Industries Inc	Southwest Gas Corp	WGL Holdings Inc
	Current Stock Price	($37.39)	($27.90)	($40.03)	($33.59)	($46.96)	($47.86)	($25.15)	($35.49)	($28.31)	($32.35)
	Current Dividend	$0.41	$0.33	$0.47	$0.38	$0.40	$0.38	$0.25	$0.27	$0.22	$0.34
YEAR 2008	Dividend Q1 Estimate	$0.42	$0.33	$0.47	$0.38	$0.40	$0.38	$0.25	$0.27	$0.22	$0.34
YEAR 2008	Dividend Q2 Estimate	$0.42	$0.33	$0.47	$0.38	$0.40	$0.38	$0.25	$0.28	$0.22	$0.35
YEAR 2008	Dividend Q3 Estimate	$0.43	$0.34	$0.47	$0.38	$0.41	$0.38	$0.26	$0.28	$0.22	$0.35
YEAR 2008	Dividend Q4 Estimate	$0.43	$0.34	$0.48	$0.38	$0.41	$0.39	$0.26	$0.29	$0.23	$0.35
YEAR 2009	Dividend Q1 Estimate	$0.44	$0.35	$0.48	$0.39	$0.42	$0.39	$0.26	$0.29	$0.23	$0.35
YEAR 2009	Dividend Q2 Estimate	$0.44	$0.35	$0.49	$0.39	$0.42	$0.40	$0.27	$0.30	$0.23	$0.36
YEAR 2009	Dividend Q3 Estimate	$0.45	$0.35	$0.49	$0.39	$0.43	$0.40	$0.27	$0.30	$0.23	$0.36
YEAR 2009	Dividend Q4 Estimate	$0.45	$0.36	$0.49	$0.39	$0.43	$0.41	$0.27	$0.31	$0.24	$0.36
YEAR 2010	Dividend Q1 Estimate	$0.46	$0.36	$0.50	$0.40	$0.44	$0.41	$0.27	$0.31	$0.24	$0.37
YEAR 2010	Dividend Q2 Estimate	$0.47	$0.37	$0.50	$0.40	$0.44	$0.42	$0.28	$0.32	$0.24	$0.37
YEAR 2010	Dividend Q3 Estimate	$0.47	$0.37	$0.51	$0.40	$0.45	$0.42	$0.28	$0.33	$0.25	$0.37
YEAR 2010	Dividend Q4 Estimate	$0.48	$0.38	$0.51	$0.41	$0.45	$0.43	$0.28	$0.33	$0.25	$0.38
YEAR 2011	Dividend Q1 Estimate	$0.48	$0.38	$0.52	$0.41	$0.46	$0.43	$0.29	$0.34	$0.25	$0.38
YEAR 2011	Dividend Q2 Estimate	$0.49	$0.39	$0.52	$0.41	$0.46	$0.44	$0.29	$0.34	$0.26	$0.38
YEAR 2011	Dividend Q3 Estimate	$0.50	$0.39	$0.53	$0.42	$0.47	$0.45	$0.29	$0.35	$0.26	$0.39
YEAR 2011	Dividend Q4 Estimate	$0.50	$0.40	$0.53	$0.42	$0.47	$0.45	$0.30	$0.35	$0.26	$0.39
YEAR 2012	Dividend Q1 Estimate	$0.51	$0.40	$0.54	$0.42	$0.48	$0.46	$0.30	$0.36	$0.27	$0.39
YEAR 2012	Dividend Q2 Estimate	$0.51	$0.41	$0.54	$0.43	$0.48	$0.46	$0.31	$0.37	$0.27	$0.40
YEAR 2012	Dividend Q3 Estimate	$0.52	$0.41	$0.54	$0.43	$0.49	$0.47	$0.31	$0.37	$0.27	$0.40
YEAR 2012	Dividend Q4 Estimate	$0.53	$0.42	$0.55	$0.43	$0.49	$0.47	$0.31	$0.38	$0.28	$0.40
YEAR 2013	Dividend Q1 Estimate	$0.53	$0.42	$0.55	$0.43	$0.50	$0.48	$0.32	$0.39	$0.28	$0.41
YEAR 2013	Dividend Q2 Estimate	$0.54	$0.43	$0.56	$0.44	$0.50	$0.49	$0.32	$0.39	$0.28	$0.41
YEAR 2013	Dividend Q3 Estimate	$0.55	$0.43	$0.56	$0.44	$0.51	$0.49	$0.32	$0.40	$0.29	$0.41
YEAR 2013	Dividend Q4 Estimate	$0.55	$0.44	$0.57	$0.45	$0.52	$0.50	$0.33	$0.41	$0.29	$0.42
YEAR 2014	Dividend Q1 Estimate	$0.56	$0.44	$0.58	$0.45	$0.52	$0.50	$0.33	$0.41	$0.29	$0.42
YEAR 2014	Dividend Q2 Estimate	$0.57	$0.45	$0.58	$0.45	$0.53	$0.51	$0.34	$0.42	$0.30	$0.42
YEAR 2014	Dividend Q3 Estimate	$0.58	$0.46	$0.59	$0.46	$0.53	$0.52	$0.34	$0.42	$0.30	$0.43
YEAR 2014	Dividend Q4 Estimate	$0.58	$0.46	$0.59	$0.46	$0.54	$0.52	$0.34	$0.43	$0.31	$0.43
YEAR 2015	Dividend Q1 Estimate	$0.59	$0.47	$0.60	$0.47	$0.54	$0.53	$0.35	$0.44	$0.31	$0.44
YEAR 2015	Dividend Q2 Estimate	$0.60	$0.47	$0.60	$0.47	$0.55	$0.53	$0.35	$0.44	$0.31	$0.44
YEAR 2015	Dividend Q3 Estimate	$0.60	$0.48	$0.61	$0.47	$0.56	$0.54	$0.36	$0.45	$0.32	$0.45
YEAR 2015	Dividend Q4 Estimate	$0.61	$0.48	$0.62	$0.48	$0.56	$0.55	$0.36	$0.46	$0.32	$0.45
YEAR 2016	Dividend Q1 Estimate	$0.62	$0.49	$0.62	$0.48	$0.57	$0.55	$0.37	$0.46	$0.33	$0.46
YEAR 2016	Dividend Q2 Estimate	$0.63	$0.50	$0.63	$0.49	$0.58	$0.56	$0.37	$0.47	$0.33	$0.46
YEAR 2016	Dividend Q3 Estimate	$0.63	$0.50	$0.64	$0.49	$0.58	$0.57	$0.37	$0.48	$0.33	$0.47
YEAR 2016	Dividend Q4 Estimate	$0.64	$0.51	$0.64	$0.50	$0.59	$0.57	$0.38	$0.48	$0.34	$0.47
YEAR 2017	Dividend Q1 Estimate	$0.65	$0.51	$0.65	$0.50	$0.60	$0.58	$0.38	$0.49	$0.34	$0.48
YEAR 2017	Dividend Q2 Estimate	$0.66	$0.52	$0.66	$0.51	$0.60	$0.59	$0.39	$0.50	$0.35	$0.48
YEAR 2017	Dividend Q3 Estimate	$0.67	$0.53	$0.67	$0.52	$0.61	$0.60	$0.39	$0.50	$0.35	$0.49
YEAR 2017	Dividend Q4 Estimate	$0.67	$0.53	$0.67	$0.52	$0.62	$0.60	$0.40	$0.51	$0.35	$0.49
YEAR 2018 Q1	Year 10 Stock Price	$62.42	$46.57	$65.55	$54.68	$77.74	$79.60	$41.80	$60.20	$47.15	$52.93
	Trial COE: Quarterly Rate	2.3%	2.4%	2.3%	2.2%	2.0%	2.0%	2.2%	2.1%	2.0%	2.2%
	Trial COE: Annual Rate	9.6%	9.8%	9.3%	9.0%	8.3%	8.2%	9.0%	8.5%	8.1%	8.9%
	Cost of Equity	9.6%	9.8%	9.3%	9.0%	8.3%	8.2%	9.0%	8.5%	8.1%	8.9%
	(Trial COE - COE) x 100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Sources and Notes:

All Growth Rate Estimates: Table No. BV-19: Panel B.

Stock Prices and Dividends are from Bloomberg as of February 07, 2008.

1. See Workpaper #1 to Table No. BV-19 for the average closing stock price obtained from Bloomberg.
2. See Workpaper #2 to Table No. BV-19 for the for the quarterly dividend obtained from Bloomberg.
3. The Blue Chip Economic Indicator Long-Term GDP Growth Rate is used to calculate the Year 10 Stock Price.
   {(the Dividend Year 2017 Q3 Estimate) x ((1 + the Perpetual Growth Rate) ^ (1/2))} /
   {(Trial COE - Quarterly Rate) - ((1 + the Perpetual Growth Rate) ^ (1/4) -1)}.

Table No. BV-20

Overall Cost of Capital of the Gas LDC Sample

Panel A: Simple DCF Method (Quarterly)

Company		3rd Quarter, 2007 Bond Rating [1]	3rd Quarter, 2007 Preferred Equity Rating [2]	DCF Cost of Equity [3]	DCF Common Equity to Market Value Ratio [4]	Cost of Preferred Equity [5]	DCF Preferred Equity to Market Value Ratio [6]	DCF Cost of Debt [7]	DCF Debt to Market Value Ratio [8]	Arizona-American Water's Income Tax Rate [9]	Overall After- Tax Cost of Capital [10]
AGL Resources Inc	*	A	-	9.9%	0.62	-	-	6.1%	0.38	38.6%	7.5%
Atmos Energy Corp	*	BBB	-	10.1%	0.56	-	-	6.3%	0.44	38.6%	7.3%
Nicor Inc	*	AA	-	8.5%	0.73	-	-	6.0%	0.27	38.6%	7.2%
Laclede Group Inc/The	*	A	A	7.7%	0.66	6.2%	0.00	6.1%	0.34	38.6%	6.3%
New Jersey Resources Corp	*	A	-	8.1%	0.77	-	-	6.1%	0.23	38.6%	7.1%
Northwest Natural Gas Co	*	AA	-	8.4%	0.66	-	-	6.0%	0.34	38.6%	6.8%
Piedmont Natural Gas Co	*	A	-	9.1%	0.67	-	-	6.1%	0.33	38.6%	7.3%
South Jersey Industries Inc	*	BBB	-	10.4%	0.73	-	-	6.3%	0.27	38.6%	8.6%
Southwest Gas Corp	*	BBB	-	8.4%	0.45	-	-	6.3%	0.55	38.6%	5.9%
WGL Holdings Inc	*	AA	AA	7.9%	0.70	6.0%	0.01	6.0%	0.29	38.6%	6.7%
Average				8.8%	0.65	6.1%	0.01	6.1%	0.34	38.6%	7.1%

Sources and Notes:

[1]: Bloomberg as of February 07, 2008.

[2]: Preferred ratings were assumed equal to debt ratings.

[3]: Table No. BV-19; Panel A, [5].

[4]: Table No. BV-17, [1].

[5]: Workpaper #2 to Table No. BV-23, Panel B, [6].

[6]: Table No. BV-17, [2].

[7]: Workpaper #2 toTable No. BV-23, Panel A, [6].

[8]: Table No. BV-17, [3].

[9]: Provided by Arizona-American Water.

[10]: ([3] x [4]) + ([5] x [6]) + {[7] x [8] x (1 - [9])}.

Table No. BV-20

Overall Cost of Capital of the Gas LDC Sample

Panel B: Multi-Stage DCF (Using Blue Chip Long-Term GDP Growth Forecast as the Perpetual Rate)

Company		3rd Quarter, 2007 Bond Rating [1]	3rd Quarter, 2007 Preferred Equity Rating [2]	DCF Cost of Equity [3]	DCF Common Equity to Market Value Ratio [4]	Cost of Preferred Equity [5]	DCF Preferred Equity to Market Value Ratio [6]	DCF Cost of Debt [7]	DCF Debt to Market Value Ratio [8]	Arizona-American Water's Income Tax Rate [9]	Overall After- Tax Cost of Capital [10]
AGL Resources Inc	*	A	-	9.6%	0.62	-	-	6.1%	0.38	38.6%	7.3%
Atmos Energy Corp	*	BBB	-	9.8%	0.56	-	-	6.3%	0.44	38.6%	7.2%
Nicor Inc	*	AA	-	9.3%	0.73	-	-	6.0%	0.27	38.6%	7.8%
Laclede Group Inc/The	*	A	A	9.0%	0.66	6.2%	0.00	6.1%	0.34	38.6%	7.2%
New Jersey Resources Corp	*	A	-	8.3%	0.77	-	-	6.1%	0.23	38.6%	7.3%
Northwest Natural Gas Co	*	AA	-	8.2%	0.66	-	-	6.0%	0.34	38.6%	6.6%
Piedmont Natural Gas Co	*	A	-	9.0%	0.67	-	-	6.1%	0.33	38.6%	7.3%
South Jersey Industries Inc	*	BBB	-	8.5%	0.73	-	-	6.3%	0.27	38.6%	7.3%
Southwest Gas Corp	*	BBB	-	8.1%	0.45	-	-	6.3%	0.55	38.6%	5.8%
WGL Holdings Inc	*	AA	AA	8.9%	0.70	6.0%	0.01	6.0%	0.29	38.6%	7.4%
Average				8.9%	0.65	6.1%	0.01	6.1%	0.34	38.6%	7.1%

Sources and Notes:

[1]: Bloomberg as of February 07, 2008.

[2]: Preferred ratings were assumed equal to debt ratings.

[3]: Table No. BV-19; Panel B, [10].

[4]: Table No. BV-17, [1].

[5]: Workpaper #2 to Table No. BV-23, Panel B, [6].

[6]: Table No. BV-17, [2].

[7]: Workpaper #2 toTable No. BV-23, Panel A, [6].

[8]: Table No. BV-17, [3].

[9]: Provided by Arizona-American Water.

[10]: ([3] x [4]) + ([5] x [6]) + {[7] x [8] x (1 - [9])}.

Table No. BV-21

DCF Cost of Equity at Arizona-American Water Capital Structure

Gas LDC Sample

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Debt [2]	Arizona-American Water's Cost of Debt [3]	Arizona-American Water's Income Tax Rate [4]	Arizona-American Water's Regulatory % Preferred Equity [5]	Arizona-American Water's Cost of Preferred Equity [6]	Arizona-American Water's Regulatory % Equity [7]	Estimated Return on Equity [8]
Using All Companies with Bloomberg Forecast								
Simple DCF Quarterly	7.1%	0.53	6.1%	38.6%	0.0%	6.2%	0.47	10.8%
Multi-Stage DCF - Using the Blue Chip Economic Indicator Long-Term GDP Growth Forecast as the Perpetual Rate	7.1%	0.53	6.1%	38.6%	0.0%	6.2%	0.47	10.9%

Sources and Notes:

[1]: Table No. BV-20; Panels A-B, [10].

[2]: Provided by Arizona-American Water.

[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[4]: Provided by Arizona-American Water.

[5]: Provided by Arizona-American Water.

[6]: From Mergent Bond Record, January 2008 Edition.

[7]: Provided by Arizona-American Water.

[8]: {[1] - ([2] x [3] x (1 - [4])+ [5] x [6])} / [7].

Table No. BV-22

Risk Positioning Cost of Equity of the Gas LDC Sample

Panel A: Using the Long-Term Risk-Free Rate

Company	Long-Term Risk-Free Rate [1]	Value Line Unadjusted Betas [2]	Long-Term Market Risk Premium [3]	CAPM Cost of Equity [4]	ECAPM (0.5%) Cost of Equity [5]	ECAPM (1.5%) Cost of Equity [6]
AGL Resources Inc	4.3%	0.75	6.50%	9.2%	9.3%	9.5%
Atmos Energy Corp	4.3%	0.75	6.50%	9.2%	9.3%	9.5%
Nicor Inc	4.3%	0.97	6.50%	10.6%	10.6%	10.7%
Laclede Group Inc/The	4.3%	0.90	6.50%	10.1%	10.2%	10.3%
New Jersey Resources Corp	4.3%	0.75	6.50%	9.2%	9.3%	9.5%
Northwest Natural Gas Co	4.3%	0.82	6.50%	9.6%	9.7%	9.9%
Piedmont Natural Gas Co	4.3%	0.75	6.50%	9.2%	9.3%	9.5%
South Jersey Industries Inc	4.3%	0.75	6.50%	9.2%	9.3%	9.5%
Southwest Gas Corp	4.3%	0.82	6.50%	9.6%	9.7%	9.9%
WGL Holdings Inc	4.3%	0.75	6.50%	9.2%	9.3%	9.5%

Sources and Notes:
[1]: Table No. BV- 9 Interest Rates, Panel A, Row [A].
[2]: Workpaper # 1 to Table No. BV-22, column [1].
[3]: Villadsen Direct Testimony, Appendix B.
[4]: [1] + ([2] x [3]).
[5]: ([1] + 0.5%) + [2] x ([3] - 0.5%).
[6]: ([1] + 1.5%) + [2] x ([3] - 1.5%).

Table No. BV-22

Risk Positioning Cost of Equity of the Gas LDC Sample

Panel B: Using the Short-Term Risk-Free Rate.

Company	Short-Term Risk-Free Rate [1]	Value Line Unadjusted Betas [2]	Short-Term Market Risk Premium [3]	CAPM Cost of Equity [4]	ECAPM (1%) Cost of Equity [5]	ECAPM (2%) Cost of Equity [6]	ECAPM (3%) Cost of Equity [7]
AGL Resources Inc	2.2%	0.75	8.0%	8.2%	8.4%	8.7%	8.9%
Atmos Energy Corp	2.2%	0.75	8.0%	8.2%	8.4%	8.7%	8.9%
Nicor Inc	2.2%	0.97	8.0%	10.0%	10.0%	10.0%	10.1%
Laclede Group Inc/The	2.2%	0.90	8.0%	9.4%	9.5%	9.6%	9.7%
New Jersey Resources Corp	2.2%	0.75	8.0%	8.2%	8.4%	8.7%	8.9%
Northwest Natural Gas Co	2.2%	0.82	8.0%	8.8%	8.9%	9.1%	9.3%
Piedmont Natural Gas Co	2.2%	0.75	8.0%	8.2%	8.4%	8.7%	8.9%
South Jersey Industries Inc	2.2%	0.75	8.0%	8.2%	8.4%	8.7%	8.9%
Southwest Gas Corp	2.2%	0.82	8.0%	8.8%	8.9%	9.1%	9.3%
WGL Holdings Inc	2.2%	0.75	8.0%	8.2%	8.4%	8.7%	8.9%

Sources and Notes:
[1]: Table No. BV- 9 Interest Rates, Panel B, Row [I].
[2]: Workpaper # 1 to Table No. BV-22, column [1].
[3]: Villadsen Direct Testimony, Appendix B.
[4]: [1] + ([2] x [3]).
[5]: ([1] + 1%) + [2] x ([3] - 1%).
[6]: ([1] + 2%) + [2] x ([3] - 2%).
[7]: ([1] + 3%) + [2] x ([3] - 3%).

Workpaper # 1 to Table No. BV-22

Gas LDC Sample

Value Line Unadjusted Betas

Company	Value Line Betas [1]	Value Line Unadjusted Betas [2]
AGL Resources Inc	0.85	0.75
Atmos Energy Corp	0.85	0.75
Nicor Inc	1.00	0.97
Laclede Group Inc/The	0.95	0.90
New Jersey Resources Corp	0.85	0.75
Northwest Natural Gas Co	0.90	0.82
Piedmont Natural Gas Co	0.85	0.75
South Jersey Industries Inc	0.85	0.75
Southwest Gas Corp	0.90	0.82
WGL Holdings Inc	0.85	0.75
Average	0.89	0.80

Sources and Notes:

[1]: Most recent Value Line Plus Edition, dated December 14, 2007 and December 28, 2007.

[2] = ([1] - 0.35) / 0.67

Table No. BV-23

Overall Cost of Capital of the Gas LDC Sample

Panel A: CAPM Cost of Equity Based on the Long-Term Risk-Free Rate

Company		CAPM Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
AGL Resources Inc	*	9.2%	0.60	6.20%	0.00	6.1%	0.39	38.6%	7.0%
Atmos Energy Corp	*	9.2%	0.56	-	-	6.3%	0.44	38.6%	6.8%
Nicor Inc	*	10.6%	0.71	6.05%	0.00	6.0%	0.29	38.6%	8.6%
Laclede Group Inc/The	*	10.1%	0.60	6.20%	0.00	6.1%	0.40	38.6%	7.6%
New Jersey Resources Corp	*	9.2%	0.77	6.20%	0.00	6.1%	0.23	38.6%	7.9%
Northwest Natural Gas Co	*	9.6%	0.62	6.05%	0.00	6.0%	0.38	38.6%	7.4%
Piedmont Natural Gas Co	*	9.2%	0.68	-	-	6.1%	0.32	38.6%	7.4%
South Jersey Industries Inc	*	9.2%	0.67	6.51%	0.00	6.3%	0.33	38.6%	7.4%
Southwest Gas Corp	*	9.6%	0.42	-	-	6.3%	0.58	38.6%	6.3%
WGL Holdings Inc	*	9.2%	0.67	6.05%	0.01	6.0%	0.31	38.6%	7.4%
Average		9.5%	0.63	6.2%	0.00	6.1%	0.37	38.6%	7.4%

[1]: Table No. BV-22; Panel A, [4].
[2]: Table No. BV-17, [4].
[3]: Workpaper #2 to Table No. BV-23 ; Panel B, [7].
[4]: Table No. BV-17, [5].
[5]: Workpaper #2 to Table No. BV-23 ; Panel A, [7].
[6]: Table No. BV-17, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

Table No. BV-23

Overall Cost of Capital of the Gas LDC Sample

Panel B: ECAPM (0.5%) Cost of Equity Based on the Long-Term Risk-Free Rate

Company		ECAPM (0.5%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
AGL Resources Inc	*	9.3%	0.60	6.2%	0.00	6.1%	0.39	38.6%	7.1%
Atmos Energy Corp	*	9.3%	0.56	-	-	6.3%	0.44	38.6%	6.9%
Nicor Inc	*	10.6%	0.71	6.0%	0.00	6.0%	0.29	38.6%	8.6%
Laclede Group Inc/The	*	10.2%	0.60	6.2%	0.00	6.1%	0.40	38.6%	7.6%
New Jersey Resources Corp	*	9.3%	0.77	6.2%	0.00	6.1%	0.23	38.6%	8.0%
Northwest Natural Gas Co	*	9.7%	0.62	6.0%	0.00	6.0%	0.38	38.6%	7.4%
Piedmont Natural Gas Co	*	9.3%	0.68	-	-	6.1%	0.32	38.6%	7.5%
South Jersey Industries Inc	*	9.3%	0.67	6.5%	0.00	6.3%	0.33	38.6%	7.5%
Southwest Gas Corp	*	9.7%	0.42	-	-	6.3%	0.58	38.6%	6.3%
WGL Holdings Inc	*	9.3%	0.67	6.0%	0.01	6.0%	0.31	38.6%	7.5%
Average		9.6%	0.63	6.2%	0.00	6.1%	0.37	38.6%	7.4%

Sources and Notes:
[1]: Table No. BV-22; Panel A, [5].
[2]: Table No. BV-17, [4].
[3]: Workpaper #2 to Table No. BV-23 ; Panel B, [7].
[4]: Table No. BV-17, [5].
[5]: Workpaper #2 to Table No. BV-23 ; Panel A, [7].
[6]: Table No. BV-17, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

Table No. BV-23

Overall Cost of Capital of the Gas LDC Sample

Panel C: ECAPM (1.5%) Cost of Equity Based on the Long-Term Risk-Free Rate

Company		ECAPM (1.5%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
AGL Resources Inc	*	9.5%	0.60	6.2%	0.00	6.1%	0.39	38.6%	7.2%
Atmos Energy Corp	*	9.5%	0.56	-	-	6.3%	0.44	38.6%	7.0%
Nicor Inc	*	10.7%	0.71	6.0%	0.00	6.0%	0.29	38.6%	8.6%
Laclede Group Inc/The	*	10.3%	0.60	6.2%	0.00	6.1%	0.40	38.6%	7.7%
New Jersey Resources Corp	*	9.5%	0.77	6.2%	0.00	6.1%	0.23	38.6%	8.2%
Northwest Natural Gas Co	*	9.9%	0.62	6.0%	0.00	6.0%	0.38	38.6%	7.6%
Piedmont Natural Gas Co	*	9.5%	0.68	-	-	6.1%	0.32	38.6%	7.7%
South Jersey Industries Inc	*	9.5%	0.67	6.5%	0.00	6.3%	0.33	38.6%	7.6%
Southwest Gas Corp	*	9.9%	0.42	-	-	6.3%	0.58	38.6%	6.4%
WGL Holdings Inc	*	9.5%	0.67	6.0%	0.01	6.0%	0.31	38.6%	7.6%
Average		9.8%	0.63	6.2%	0.00	6.1%	0.37	38.6%	7.6%

Sources and Notes:
[1]: Table No. BV-22; Panel A, [6].
[2]: Table No. BV-17, [4].
[3]: Workpaper #2 to Table No. BV-23 ; Panel B, [7].
[4]: Table No. BV-17, [5].
[5]: Workpaper #2 to Table No. BV-23 ; Panel A, [7].
[6]: Table No. BV-17, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

Table No. BV-23

Overall Cost of Capital of the Gas LDC Sample

Panel D: CAPM Cost of Equity Based on the Short-Term Risk-Free Rate

Company		CAPM Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
AGL Resources Inc	*	8.2%	0.60	6.2%	0.00	6.1%	0.39	38.6%	6.4%
Atmos Energy Corp	*	8.2%	0.56	-	-	6.3%	0.44	38.6%	6.3%
Nicor Inc	*	10.0%	0.71	6.0%	0.00	6.0%	0.29	38.6%	8.1%
Laclede Group Inc/The	*	9.4%	0.60	6.2%	0.00	6.1%	0.40	38.6%	7.1%
New Jersey Resources Corp	*	8.2%	0.77	6.2%	0.00	6.1%	0.23	38.6%	7.2%
Northwest Natural Gas Co	*	8.8%	0.62	6.0%	0.00	6.0%	0.38	38.6%	6.8%
Piedmont Natural Gas Co	*	8.2%	0.68	-	-	6.1%	0.32	38.6%	6.7%
South Jersey Industries Inc	*	8.2%	0.67	6.5%	0.00	6.3%	0.33	38.6%	6.7%
Southwest Gas Corp	*	8.8%	0.42	-	-	6.3%	0.58	38.6%	5.9%
WGL Holdings Inc	*	8.2%	0.67	6.0%	0.01	6.0%	0.31	38.6%	6.7%
Average		8.6%	0.63	6.2%	0.00	6.1%	0.37	38.6%	6.8%

Sources and Notes:
[1]: Table No. BV-22; Panel B, [4].
[2]: Table No. BV-17, [4].
[3]: Workpaper #2 to Table No. BV-23 ; Panel B, [7].
[4]: Table No. BV-17, [5].
[5]: Workpaper #2 to Table No. BV-23 ; Panel A, [7].
[6]: Table No. BV-17, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

Table No. BV-23

Overall Cost of Capital of the Gas LDC Sample

Panel E: ECAPM (1%) Cost of Equity Based on the Short-Term Risk-Free Rate

Company		ECAPM (1%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
AGL Resources Inc	*	8.4%	0.60	6.2%	0.00	6.1%	0.39	38.6%	6.6%
Atmos Energy Corp	*	8.4%	0.56	-	-	6.3%	0.44	38.6%	6.4%
Nicor Inc	*	10.0%	0.71	6.0%	0.00	6.0%	0.29	38.6%	8.2%
Laclede Group Inc/The	*	9.5%	0.60	6.2%	0.00	6.1%	0.40	38.6%	7.2%
New Jersey Resources Corp	*	8.4%	0.77	6.2%	0.00	6.1%	0.23	38.6%	7.4%
Northwest Natural Gas Co	*	8.9%	0.62	6.0%	0.00	6.0%	0.38	38.6%	7.0%
Piedmont Natural Gas Co	*	8.4%	0.68	-	-	6.1%	0.32	38.6%	6.9%
South Jersey Industries Inc	*	8.4%	0.67	6.5%	0.00	6.3%	0.33	38.6%	6.9%
Southwest Gas Corp	*	8.9%	0.42	-	-	6.3%	0.58	38.6%	6.0%
WGL Holdings Inc	*	8.4%	0.67	6.0%	0.01	6.0%	0.31	38.6%	6.9%
Average		8.8%	0.63	6.2%	0.00	6.1%	0.37	38.6%	6.9%

Sources and Notes:
[1]: Table No. BV-22; Panel B, [5].
[2]: Table No. BV-17, [4].
[3]: Workpaper #2 to Table No. BV-23 ; Panel B, [7].
[4]: Table No. BV-17, [5].
[5]: Workpaper #2 to Table No. BV-23 ; Panel A, [7].
[6]: Table No. BV-17, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

Table No. BV-23

Overall Cost of Capital of the Gas LDC Sample

Panel F: ECAPM (2%) Cost of Equity Based on the Short-Term Risk-Free Rate

Company		ECAPM (2%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
AGL Resources Inc	*	8.7%	0.60	6.2%	0.00	6.1%	0.39	38.6%	6.7%
Atmos Energy Corp	*	8.7%	0.56	-	-	6.3%	0.44	38.6%	6.6%
Nicor Inc	*	10.0%	0.71	6.0%	0.00	6.0%	0.29	38.6%	8.2%
Laclede Group Inc/The	*	9.6%	0.60	6.2%	0.00	6.1%	0.40	38.6%	7.3%
New Jersey Resources Corp	*	8.7%	0.77	6.2%	0.00	6.1%	0.23	38.6%	7.6%
Northwest Natural Gas Co	*	9.1%	0.62	6.0%	0.00	6.0%	0.38	38.6%	7.1%
Piedmont Natural Gas Co	*	8.7%	0.68	-	-	6.1%	0.32	38.6%	7.1%
South Jersey Industries Inc	*	8.7%	0.67	6.5%	0.00	6.3%	0.33	38.6%	7.1%
Southwest Gas Corp	*	9.1%	0.42	-	-	6.3%	0.58	38.6%	6.1%
WGL Holdings Inc	*	8.7%	0.67	6.0%	0.01	6.0%	0.31	38.6%	7.1%
Average		9.0%	0.63	6.2%	0.00	6.1%	0.37	38.6%	7.1%

Sources and Notes:
[1]: Table No. BV-22; Panel B, [6].
[2]: Table No. BV-17, [4].
[3]: Workpaper #2 to Table No. BV-23 ; Panel B, [7].
[4]: Table No. BV-17, [5].
[5]: Workpaper #2 to Table No. BV-23 ; Panel A, [7].
[6]: Table No. BV-17, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

Table No. BV-23

Overall Cost of Capital of the Gas LDC Sample

Panel G: ECAPM (3%) Cost of Equity Based on the Short-Term Risk-Free Rate

Company		ECAPM (3%) Cost of Equity [1]	5-Year Average Common Equity to Market Value Ratio [2]	Weighted - Average Cost of Preferred Equity [3]	5-Year Average Preferred Equity to Market Value Ratio [4]	Weighted-Average Cost of Debt [5]	5-Year Average Debt to Market Value Ratio [6]	Arizona-American Water's Income Tax Rate [7]	Overall After-Tax Cost of Capital [8]
AGL Resources Inc	*	8.9%	0.60	6.2%	0.00	6.1%	0.39	38.6%	6.9%
Atmos Energy Corp	*	8.9%	0.56	-	-	6.3%	0.44	38.6%	6.7%
Nicor Inc	*	10.1%	0.71	6.0%	0.00	6.0%	0.29	38.6%	8.2%
Laclede Group Inc/The	*	9.7%	0.60	6.2%	0.00	6.1%	0.40	38.6%	7.3%
New Jersey Resources Corp	*	8.9%	0.77	6.2%	0.00	6.1%	0.23	38.6%	7.8%
Northwest Natural Gas Co	*	9.3%	0.62	6.0%	0.00	6.0%	0.38	38.6%	7.2%
Piedmont Natural Gas Co	*	8.9%	0.68	-	-	6.1%	0.32	38.6%	7.2%
South Jersey Industries Inc	*	8.9%	0.67	6.5%	0.00	6.3%	0.33	38.6%	7.2%
Southwest Gas Corp	*	9.3%	0.42	-	-	6.3%	0.58	38.6%	6.2%
WGL Holdings Inc	*	8.9%	0.67	6.0%	0.01	6.0%	0.31	38.6%	7.2%
Average		9.2%	0.63	6.2%	0.00	6.1%	0.37	38.6%	7.2%

Sources and Notes:
[1]: Table No. BV-22; Panel B, [7].
[2]: Table No. BV-17, [4].
[3]: Workpaper #2 to Table No. BV-23 ; Panel B, [7].
[4]: Table No. BV-17, [5].
[5]: Workpaper #2 to Table No. BV-23 ; Panel A, [7].
[6]: Table No. BV-17, [6].
[7]: Provided by Arizona-American Water.
[8]: ([1] x [2]) + ([3] x [4]) + {[5] x [6] x (1 - [7])}.

Workpaper #1 to Table No. BV-23

Gas LDC Sample

Panel A: Rating to Yield Conversion

Rating	Bond Yield	Preferred Yield	Short-term Debt Yield
AA	5.98%	6.05%	4.18%
A	6.09%	6.20%	4.31%
BBB	6.31%	6.51%	4.59%

Sources and Notes:
Bond Yields from Bloomberg as of February 07, 2008.
Preferred Yields from Mergent Bond Record, January 2008 Edition..
AA estimated as A - 0.5 * (BBB - A).

Workpaper #1 to Table No. BV-23

Gas LDC Sample

Panel B: Bond Rating Summary

Company	3rd Quarter, 2007 [1]	2006 [2]	2005 [3]	2004 [4]	2003 [5]	2002 [6]
AGL Resources Inc	A	A	A	A	A	A
Atmos Energy Corp	BBB	BBB	BBB	BBB	A	A
Nicor Inc	AA	AA	AA	AA	AA	AA
Laclede Group Inc/The	A	A	A	A	A	A
New Jersey Resources Corp	A	A	A	A	A	A
Northwest Natural Gas Co	AA	AA	A	A	A	A
Piedmont Natural Gas Co	A	A	A	A	A	A
South Jersey Industries Inc	BBB	BBB	BBB	BBB	BBB	BBB
Southwest Gas Corp	BBB	BBB	BBB	BBB	BBB	BBB
WGL Holdings Inc	AA	AA	AA	AA	AA	AA

Sources and Notes:
[1] - [6]: Bloomberg as of February 07, 2008.

Workpaper #1 to Table No. BV-23

Gas LDC Sample

Panel C: Preferred Equity Rating Summary

Company	3rd Quarter, 2007 [1]	2006 [2]	2005 [3]	2004 [4]	2003 [5]	2002 [6]
AGL Resources Inc	-	-	-	-	-	A
Atmos Energy Corp	-	-	-	-	-	-
Nicor Inc	-	-	-	-	-	AA
Laclede Group Inc/The	A	A	A	A	A	A
New Jersey Resources Corp	-	-	-	-	-	A
Northwest Natural Gas Co	-	-	-	-	-	AA
iedmont Natural Gas Co	-	-	-	-	-	-
South Jersey Industries Inc	-	-	-	BBB	BBB	BBB
Southwest Gas Corp	-	-	-	-	-	-
WGL Holdings Inc	AA	AA	AA	AA	AA	AA

Sources and Notes:

[1] - [6]: Preferred equity ratings are assumed equal to the company's bond ratings reported in Workpaper #1 to Table No. BV-23, Panels A and B.

Workpaper #2 to Table No. BV-23

Gas LDC Sample

Panel A: 15 Day Average Utility Yields and Mergent Preferred Yields

Date	A Rated Utility [1]	BBB Rated Utility [2]	A Preferred [3]	BBB Preferred [4]
1/18/2008	6.08	6.27	-	-
1/21/2008	6.08	6.27	-	-
1/22/2008	5.91	6.12	-	-
1/23/2008	6.19	6.35	-	-
1/24/2008	6.17	6.34	-	-
1/25/2008	5.90	6.20	-	-
1/28/2008	6.05	6.28	-	-
1/29/2008	6.12	6.32	-	-
1/30/2008	6.14	6.33	-	-
1/31/2008	6.05	6.31	-	-
2/1/2008	6.07	6.27	-	-
2/4/2008	6.17	6.40	-	-
2/5/2008	6.09	6.27	-	-
2/6/2008	6.09	6.35	-	-
2/7/2008	6.22	6.51	-	-
Average	6.09	6.31	6.20	6.51

Sources and Notes:

[1] - [2]: Bloomberg as of February 07, 2008.

[3] - [4]: Mergent Bond Record, January 2008 Edition.

Workpaper #2 to Table No. BV-23

Gas LDC Sample

Panel B: Bond Yield Summary

Company	3rd Quarter, 2007 [1]	2006 [2]	2005 [3]	2004 [4]	2003 [5]	2002 [6]	5-Year Weighted Average [7]
AGL Resources Inc	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
Atmos Energy Corp	6.31%	6.31%	6.31%	6.31%	6.09%	6.09%	6.25%
Nicor Inc	5.98%	5.98%	5.98%	5.98%	5.98%	5.98%	5.98%
Laclede Group Inc/The	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
New Jersey Resources Corp	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
Northwest Natural Gas Co	5.98%	5.98%	6.09%	6.09%	6.09%	6.09%	6.05%
Piedmont Natural Gas Co	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%	6.09%
South Jersey Industries Inc	6.31%	6.31%	6.31%	6.31%	6.31%	6.31%	6.31%
Southwest Gas Corp	6.31%	6.31%	6.31%	6.31%	6.31%	6.31%	6.31%
WGL Holdings Inc	5.98%	5.98%	5.98%	5.98%	5.98%	5.98%	5.98%

Sources and Notes:

[1] - [6]: Ratings based on Workpaper #1 to Table No. BV-23, Panel A. Bond yields from Bloomberg as of February 07, 2008.

[7]: {([1] x 0.75) + [2] + [3] + [4] + [5] + ([6] x 0.25)} / 5.

The report does not publish yield data for AA-rated preferred bonds. Therefore, I assumed:

Yield on AA-rated debt = Yield on A-rated bond - {(1/2) x (Yield on BBB-rated bond - Yield on A-rated bond)}.

Workpaper #2 to Table No. BV-23

Gas LDC Sample

Panel C: Preferred Equity Yield Summary

Company	3rd Quarter, 2007 [1]	2006 [2]	2005 [3]	2004 [4]	2003 [5]	2002 [6]	5-Year Weighted Average [7]
AGL Resources Inc	-	-	-	-	-	6.20%	6.20%
Atmos Energy Corp	-	-	-	-	-	-	-
Nicor Inc	-	-	-	-	-	6.05%	6.05%
Laclede Group Inc/The	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
New Jersey Resources Corp	-	-	-	-	-	6.20%	6.20%
Northwest Natural Gas Co	-	-	-	-	-	6.05%	6.05%
Piedmont Natural Gas Co	-	-	-	-	-	-	-
South Jersey Industries Inc	-	-	-	6.51%	6.51%	6.51%	6.51%
Southwest Gas Corp	-	-	-	-	-	-	-
WGL Holdings Inc	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%

Sources and Notes:

[1] - [6]: Ratings based on Workpaper #1 to Table No. BV-23, Panel A are assumed to equal preferred ratings. Preferred equity yields are from Mergent Bond Record, January 2008 Edition.

[7]: {([1] x 0.75) + [2] + [3] + [4] + [5] + ([6] x 0.25)} / 5.

The report does not publish yield data for AA-rated preferred equity. Therefore, I assumed:

Yield on AA-rated preferred equity = Yield on A-rated preferred - {(1/2) x (Yield on BBB-rated preferred - Yield on A-rated preferred)}.

Table No. BV-24

Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure

Gas LDC Sample

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Debt [2]	Arizona-American Water's Cost of Debt [3]	Arizona-American Water's Income Tax Rate [4]	Arizona-American Water's Regulatory % Preferred Equity [5]	Arizona-American Water's Cost of Preferred Equity [6]	Arizona-American Water's Regulatory % Equity [7]	Estimated Return on Equity [8]
Using Long-Term Risk-Free Rates:								
CAPM using Value Line Unadjusted Betas	7.4%	0.53	6.1%	38.6%	0.00	6.2%	0.47	11.5%
ECAPM (0.50%) using Value Line Unadjusted Betas	7.4%	0.53	6.1%	38.6%	0.00	6.2%	0.47	11.6%
ECAPM (1.50) using Value Line Unadjusted Betas	7.6%	0.53	6.1%	38.6%	0.00	6.2%	0.47	11.9%
Using Short-Term Risk-Free Rates:								
CAPM using Value Line Unadjusted Betas	6.8%	0.53	6.1%	38.6%	0.00	6.2%	0.47	10.3%
ECAPM (1%) using Value Line Unadjusted Betas	6.9%	0.53	6.1%	38.6%	0.00	6.2%	0.47	10.6%
ECAPM (2%) using Value Line Unadjusted Betas	7.1%	0.53	6.1%	38.6%	0.00	6.2%	0.47	10.8%
ECAPM (3%) using Value Line Unadjusted Betas	7.2%	0.53	6.1%	38.6%	0.00	6.2%	0.47	11.1%

Sources and Notes:

[1]: Table No. BV-23; Panels A - G, [8].

[2]: Provided by Arizona-American Water.

[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[4]: Provided by Arizona-American Water.

[5]: Provided by Arizona-American Water.

[6]: From Mergent Bond Record, January 2008 Edition.

[7]: Provided by Arizona-American Water.

[8]: {[1] - ([2] x [3] x (1 - [4])+ [5] x [6])} / [7].

Table No. BV-25

DCF Cost of Equity at Arizona-American Water Capital Structure

Gas LDC Sample

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Long-Term Debt [2]	Arizona-American Water's Cost of Long-Term Debt [3]	Arizona-American Water's Regulatory % Short-Term Debt [4]	Arizona-American Water's Cost of Short-Term Debt [5]	Arizona-American Water's Income Tax Rate [6]	Arizona-American Water's Regulatory % Preferred Equity [7]	Arizona-American Water's Cost of Preferred Equity [8]	Arizona-American Water's Regulatory % Equity [9]	Estimated Return on Equity [10]
Using All Companies with Bloomberg Forecast										
Simple DCF Quarterly	7.1%	0.47	6.1%	0.11	4.3%	38.6%	0.0%	6.2%	0.42	12.0%
Multi-Stage DCF - Using the Blue Chip Economic Indicator Long-Term GDP Growth Forecast as the Perpetual Rate	7.1%	0.47	6.1%	0.11	4.3%	38.6%	0.0%	6.2%	0.42	12.1%

Sources and Notes:

[1]: Table No. BV-20; Panels A-B, [10].

[2]: Provided by Arizona-American Water.

[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[4]: Provided by Arizona-American Water.

[5]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.

[6]: Provided by Arizona-American Water.

[7]: Provided by Arizona-American Water.

[8]: From Mergent Bond Record, January 2008 Edition.

[9]: Provided by Arizona-American Water.

[10]: {[1] - ([2] x [3] x (1 - [6]) + [4] x [5] x (1- [6]) + [7] x [8]} / [9].

Table No. BV-26

Risk Positioning Cost of Equity at Arizona-American Water's Capital Structure

Gas LDC Sample

	Overall Cost of Capital [1]	Arizona-American Water's Regulatory % Long-Term Debt [2]	Arizona-American Water's Cost of Long-Term Debt [3]	Arizona-American Water's Regulatory % Short-Term Debt [4]	Arizona-American Water's Cost of Short-Term Debt [5]	Arizona-American Water's Income Tax Rate [6]	Arizona-American Water's Regulatory % Preferred Equity [7]	Arizona-American Water's Cost of Preferred Equity [8]	Arizona-American Water's Regulatory % Equity [9]	Estimated Return on Equity [10]
Using Long-Term Risk-Free Rates:										
CAPM using Value Line Unadjusted Betas	7.4%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	12.8%
ECAPM (0.50%) using Value Line Unadjusted Betas	7.4%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	12.9%
ECAPM (1.50) using Value Line Unadjusted Betas	7.6%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	13.2%
Using Short-Term Risk-Free Rates:										
CAPM using Value Line Unadjusted Betas	6.8%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	11.4%
ECAPM (1%) using Value Line Unadjusted Betas	6.9%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	11.7%
ECAPM (2%) using Value Line Unadjusted Betas	7.1%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	12.0%
ECAPM (3%) using Value Line Unadjusted Betas	7.2%	0.47	6.1%	0.11	4.3%	38.6%	0.00	6.2%	0.42	12.3%

Sources and Notes:
[1]: Table No. BV-23; Panels A - G, [8].
[2]: Provided by Arizona-American Water.
[3]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.
[4]: Provided by Arizona-American Water.
[5]: Based on an A rating, as provided by Arizona-American Water. Yield from Bloomberg as of February 07, 2008.
[6]: Provided by Arizona-American Water.
[7]: Provided by Arizona-American Water.
[8]: From Mergent Bond Record, January 2008 Edition.
[9]: Provided by Arizona-American Water.
[10]: {[1] - ([2] x [3] x (1 - [6]) + [4] x [5] x (1- [6]) + [7] x [8]} / [9].

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA -AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT, HAVASU WATER DISTRICT, MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WEST WATER DISTRICT, AND TUBAC WATER DISTRICT	DOCKET NO. W-01303A-08-
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WASTEWATER DISTRICT, ANTHEM WASTEWATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT	DOCKET NO. SW-01303A-08-.

DIRECT TESTIMONY
OF
PAUL R. HERBERT
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 30, 2008

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TABLE OF CONTENTS

	EXECUTIVE SUMMARY	iii
I	INTRODUCTION AND QUALIFICATIONS	1
II	PURPOSE OF TESTIMONY	2
III	COST OF SERVICE	3
IV	RATE DESIGN	6

EXECUTIVE SUMMARY

Mr. Herbert testifies as follows:

Mr. Herbert explains the cost-of-service and rate-design studies prepared for each of the operating districts submitted in this case. The purpose of the cost-allocation studies is to determine and allocate the total district cost of service to the several service classifications served by Agua Fria, Anthem, Havasu, Mohave, Paradise Valley, Sun City West and Tubac Water Districts and by the Agua Fria, Anthem and Mohave Wastewater Districts. The studies provide a basis for determining the extent to which the revenues to be derived from each classification are commensurate with the cost of serving that classification, within each district.

Mr. Herbert sponsors Schedules G-1 through G-9, and the proposed-rates portion of the H schedules.

1 I **INTRODUCTION AND QUALIFICATIONS**

2 Q. **PLEASE STATE YOUR NAME AND ADDRESS**

3 A. My name is Paul R. Herbert. My business address is 207 Senate Avenue, Camp Hill,
4 Pennsylvania.

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

6 A. I am employed by Gannett Fleming, Inc.

7 Q. **PLEASE DESCRIBE YOUR POSITION WITH GANNETT FLEMING, INC. AND**
8 **BRIEFLY STATE YOUR GENERAL DUTIES AND RESPONSIBILITIES.**

9 A. I am President of the Valuation and Rate Division. My duties and responsibilities include
10 the preparation of accounting and financial data for revenue requirement and cash
11 working capital claims, the allocation of cost of service to customer classifications, and
12 the design of customer rates in support of public utility rate filings.

13 Q. **HAVE YOU PRESENTED TESTIMONY IN RATE PROCEEDINGS BEFORE A**
14 **REGULATORY AGENCY?**

15 A. Yes. I have testified before the Pennsylvania Public Utility Commission, the New Jersey
16 Board of Public Utilities, the Public Utilities Commission of Ohio, the Public Service
17 Commission of West Virginia, the Kentucky Public Service Commission, the Iowa State
18 Utilities Board, the Virginia State Corporation Commission, the Tennessee Regulatory
19 Authority, a The California Public Utilities Commission, the New Mexico Public
20 Regulation Commission, the Illinois Commerce Commission and the Missouri Public
21 Service Commission concerning revenue requirements, cost of service allocation, rate
22 design and cash working capital claims. A list of the cases in which I have testified is
23 provided at the end of my direct testimony.

24 Q. **WHAT IS YOUR EDUCATIONAL BACKGROUND?**

A. I have a Bachelor of Science Degree in Finance from the Pennsylvania State University, University Park, Pennsylvania.

Q. WOULD YOU PLEASE DESCRIBE YOUR PROFESSIONAL AFFILIATIONS?

A. I am a member of the American Water Works Association and have served as a member of the Management Committee for the Pennsylvania Section. I am also a member of the Pennsylvania Municipal Authorities Association. In 1998, I became a member of the National Association of Water Companies as well as a member of its Rates and Revenue Committee.

Q. BRIEFLY DESCRIBE YOUR WORK EXPERIENCE.

A. I joined the Valuation Division of Gannett Fleming Corddry and Carpenter, Inc., predecessor to Gannett Fleming, Inc., in September 1977, as a Junior Rate Analyst. Since then, I advanced through several positions and was assigned the position of Manager of Rate Studies on July 1, 1990. On June 1, 1994, I was promoted to Vice President and on November 1, 2003, I was promoted to Senior Vice President. On July 1, 2007, I was promoted to my current position as President.

While attending Penn State, I was employed during the summers of 1972, 1973 and 1974 by the United Telephone System - Eastern Group in its accounting department. Upon graduation from college in 1975, I was employed by Herbert Associates, Inc., Consulting Engineers (now Herbert Rowland and Grubic, Inc.), as a field office manager until September 1977.

II <u>PURPOSE OF TESTIMONY</u>

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. Please refer to the Executive Summary, which precedes my testimony.

III COST OF SERVICE

Q. WHAT METHOD OF COST ALLOCATION WAS USED IN THE STUDIES?

A. I used the Commodity Demand Method which is described in AWWA Manual M1, "Principles of Water Rates, Fees and Charges" published in 2000 and prior additions of the manual. It is the method prescribed by Schedule G of the Commission filing requirements.

Q. PLEASE BRIEFLY DESCRIBE THE COMMODITY DEMAND METHOD.

A. The commodity demand method allocates each item of the cost of providing water service to the several cost functions – commodity, demand, which is further separated into maximum day and maximum hour costs, customer facilities, and customer accounting functions. These functional costs are then allocated to the several customer classifications served by the system.

Commodity costs are those that vary directly with the amount of water sold. Typical commodity costs include the use of power and chemicals purchased to treat and pump water to the distribution system.

Demand costs include operating and capital costs associated with facilities that provide peak demands on the system. These facilities include wells, pumping plant, transmission and distribution mains, and storage tanks. Demand costs are further separated into those facilities serving a maximum day function and those serving a maximum hour function.

Customer facilities costs are those associated with serving each customer at the point of the customer's connection to the system. These costs are further separated to include costs associated with the customer's service line and the customer's meter.

Customer accounting costs are those associated with meter reading, billing, and customer accounting and collections.

The functional costs are then allocated to customer classifications based on each classification's use of the commodities and facilities.

Q. PLEASE DESCRIBE THE CONTENTS OF YOUR EXHIBITS.

A. A cost of service allocation and rate design study was conducted for each operating district. Each study was prepared in response to Schedules G-1 through G-7 of the Commission's filing requirements which I sponsor. Each study used the test year revenue requirements developed by the Company in Schedules A through F and H. Schedules G-8 and G-9 are also provided to present a comparison of the allocated cost of service with revenues under present and proposed rates.

For each district, costs were allocated to each of the cost functions described earlier and then to the residential, commercial, other water utilities and private fire protection classifications.

Q. PLEASE DESCRIBE EACH OF THE SCHEDULES IN YOUR EXHIBITS.

A. I will use the Agua Fria Water District study and the test period revenue requirements to describe each of the schedules.

Schedule G-5 allocates the total original cost rate base by account to the several cost functions. The source of the utility plant in service by account and other rate base elements was taken from Schedules B-1 and B-2 prepared by the Company. The amount of rate base by account shown in column 3 was allocated to the several cost functions using the allocation factors referenced in column 2. The allocation factors were developed in Schedule G-7, which I will describe later.

The results of the allocated rate base to cost functions are allocated to customer classifications on Schedule G-3. The rate base by function in column 3 is allocated to

classes using the allocation factors referenced in column 2. The allocation factors were developed in Schedule G-7, which I will describe later.

Schedules G-4 and G-6, are similar to Schedules G-3 and G-5. Schedule G-6 allocates operation and maintenance expenses, depreciation expense and taxes to cost functions in the same manner as the rate base allocation. Schedule G-4 allocates the total expenses by function to customer classifications. The detailed cost of service used in Schedules G-4 and G-6 was taken from Schedules C-1 and C-2 prepared by the Company.

Schedule G-7, describes the basis for allocating the cost of service by function to customer classifications. Factor A, on page 2 of Schedule G-7, allocates commodity costs based on the average daily usage of each classification. Factors B and C allocate Maximum Day and Hour Demand costs to classes based on each classes' estimated peak day and hour demands. Factors D and E allocate meter and services costs to classes based on the relative capacity of meters and services. Factor F allocates customer accounting to classes based on the number of customers.

The factors used to allocate the cost of service to cost functions in Schedules G-5 and G-6 are presented on the first page of Schedule G-7. Factors 1 through 5, allocate costs directly to the appropriate cost function. Factors 6 through 13 are composite factors which are developed internally based on the results of allocating other costs.

Schedule G-2 sets forth the rate of return and relative rate of return by classification under proposed rate revenues. Lines 4 and 10 of Schedule G-2 are brought forward from Schedules G-3 and G-4. Schedule G-1 is calculated in a similar manner using revenues under present rates.

Schedule G-8, provides a comparison of the results of the cost of service allocation study with revenues under present and proposed rates for each classification. The cost of

service by classification in column 2 was developed on Schedule G-9. The revenues under present and proposed rates are shown in columns 4 and 6 which are brought forward from Schedules G-1 and G-2. A comparison of the relative cost and revenue responsibility can be performed by comparing the percent of total in columns 3, 5 and 7 of the schedule. The increase in revenue and the percentage increase are shown in columns 8 and 9.

IV RATE DESIGN

Q. PLEASE DESCRIBE THE DESIGN OF THE PROPOSED RATE STRUCTURE FOR THE DISTRICTS.

A. The rate structure was based on the results of the cost allocation, the existing rate structure and guidelines set forth by Company management.

Q. PLEASE DESCRIBE THE GUIDELINES FROM COMPANY MANAGEMENT.

A. The Company instructed me to consider the following: 1) Maintain the same basic conservation-oriented rate structure effective under existing rates which includes a customer charge and inclining block rates for each classification and meter size; 2) increase customer charges and block rates so that revenues under proposed rates are more aligned with the cost of providing service; and 3) increase private fire service rates to recover a greater share of the cost of service.

Q. DOES THE PROPOSED RATE STRUCTURE COMPLY WITH THE GUIDELINES PROVIDED TO YOU?

A. Yes, they do. The same basic structure under present rate has been maintained and the revenues under proposed rates generally move toward the indicated cost of service by classification within each operating district.

Q. PLEASE EXPLAIN THE BASIC WATER RATE STRUCTURE.

A. The basic water rate structure includes a customer charge by meter size and a three-tier inclining block structure for the 5/8-inch residential customers and a two-tier inclining block structure for the remaining classes and meter sizes. The customer charges increase by size and are generally designed to recover the cost of meter reading, billing and collecting as well as the operating and capital costs of the meter and service line.

The three-tier block structure for 5/8-inch residential customers includes a first block of 4,000 gallons per month to cover a typical household's basic needs and is priced at rate that is below the average consumption rate. The second block ranges from the next 9,000 to 16,000 gallons and is generally priced at or just above the average rate. The third tier is for all usage above the second block and is priced at the highest rate to send the appropriate price signal to encourage conservation.

The two-tier block structure for the remaining residential customers and the non-residential customers includes a first block that increases by meter size and is priced at a rate that is equal to the second block rate for the 5/8-inch residential rate schedule. The second block is priced at a rate that is equal to the third block rate for the 5/8-inch residential rate schedule.

The exception to this basic rate structure is the proposed structure for Paradise Valley. The blocking structure for Paradise Valley includes 5 tiers which are designed to address the wide range of consumption patterns in this District. Refer to Mr. Broderick's testimony for further explanation.

Certain other customers such as the irrigation customers, the State Prison, and Sales to other Water Utilities have a single block consumption rate.

Q. PLEASE DESCRIBE THE BASIC WASTEWATER TARIFFS.

A. The wastewater rates for Anthem and Agua Fria Wastewater Districts include a basic customer charge and a single block consumption charge. These charges were increased according to the cost of service in these districts. For Mohave Wastewater, the rates are primarily flat rate charges per month except for two commercial customers that have metered usage. These rates also were increased to recover the proposed cost of service.

Q. HAVE YOU PREPARED A COMPARISON OF PRESENT AND PROPOSED RATES AND PROOF OF REVENUE?

A. The H Schedules compare present and proposed rated and prove revenues. Ms. Gutowski is responsible for the present-rates portions of the H schedules and I am responsible for the proposed-rates portions.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Other Filing Requirements

1) Compliance Status Reports

1a) Arizona Department of Environmental Quality

Compliance Status Reports-Water

Arizona Department of Environmental Quality

Drinking Water Monitoring and Protection Unit
1110 W. Washington Street, 5415B-1
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: **AZ American Water Co. - Havasu**

Public Water System ID #: **08-015**

Public Water System Type: [X] Community [] Non-transient Non-community [] Transient Non-community

Overall Compliance Status: [X] No Major Deficiencies [] Major Deficiencies

Monitoring and Reporting Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Operation and Maintenance Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Major unresolved/ongoing operation and maintenance deficiencies:

[] unable to maintain 20psi
[] cross connection/backflow problems
[] treatment deficiencies
[] certified operator
[] inadequate storage
[] surface water treatment rule
[] approval of construction
[] other

Date of last inspection / sanitary survey: 5-22-03

Administrative Orders:
Is an ADEQ administrative order in effect? [] Yes [X] No
Comments: *None*

System information:

Number of Entry Points to the Distribution System 2 Number of Sources 3

Population Served 3740 Service Connections 1496 Initial Monitoring Year 1993

Evaluation completed by: **Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit**
Phone: **602-771-4641**
Date: **January 31, 2008**

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
1110 W. Washington Street, 5415B-1
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: AZ American Water – Bullhead City

Public Water System ID #: 08-032

Public Water System Type: [X] Community [] Non-transient Non-community [] Transient Non-community

Overall Compliance Status: [X] No Major Deficiencies [] Major Deficiencies

Monitoring and Reporting Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Operation and Maintenance Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Major unresolved/ongoing operation and maintenance deficiencies:

[] unable to maintain 20psi
[] cross connection/backflow problems
[] treatment deficiencies
[] certified operator
[] inadequate storage
[] surface water treatment rule
[] approval of construction
[] other

Date of last inspection / sanitary survey: 1-17-07

Administrative Orders:
Is an ADEQ administrative order in effect? [] Yes [X] No
Comments: *None*

System Information:

Number of Entry Points to the Distribution System 6 Number of Sources 6

Population Served 36330 Service Connections 14532 Initial Monitoring Year 1994

Evaluation completed by: Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit
Phone: 602-771-4641
Date: February 15, 2008

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
1110 W. Washington Street, 5415B-2
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: AZ AMERICAN WATER - PARADISE VALLEY

Public Water System ID #: 07-056

Public Water System Type: [X] Community [] Non-transient Non-community [] Transient Non-community

Overall Compliance Status: [X] No Major Deficiencies [] Major Deficiencies

Monitoring and Reporting Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *Due to issues with Trichloroethylene, the system has disconnected Well PCX-1, DWR 55-564426.*

Operation and Maintenance Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Major unresolved/ongoing operation and maintenance deficiencies:

[] unable to maintain 20psi
[] cross connection/backflow problems
[] treatment deficiencies
[] certified operator
[] inadequate storage
[] surface water treatment rule
[] approval of construction
[] other

Date of last inspection / sanitary survey: 1-26-06

Administrative Orders:
Is an ADEQ administrative order in effect? [X] Yes [] No
Comments: *The system is under a Consent Order effective March 28, 2008.*

System information:

Number of Entry Points to the Distribution System 1 Number of Sources 6

Population Served 11600 Service Connections 4630 Initial Monitoring Year 1993

Evaluation completed by: Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit DC
Phone: 602-771-4641
Date: March 28, 2008

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4, following disconnection of Well PCX-1, DWR 55-564426. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Water Quality Compliance Assurance Unit
1110 W. Washington Street, 5415B-1
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: AZ American Water- Tubac Valley

Public Water System ID #: 12-001

Public Water System Type: [X] Community [] Non-transient Non-community [] Transient Non-community

Overall Compliance Status: [X] No Major Deficiencies [] Major Deficiencies

Monitoring and Reporting Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: None.

Operation and Maintenance Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: None.

Major unresolved/ongoing operation and maintenance deficiencies:

[ ] unable to maintain 20psi
[ ] cross connection/backflow problems
[ ] treatment deficiencies
[ ] certified operator
[ ] inadequate storage
[ ] surface water treatment rule
[ ] approval of construction
[ ] other

Date of last inspection / sanitary survey: 9-20-01

Administrative Orders:
Is an ADEQ administrative order in effect? [ ] Yes [X] No
Comments: None.

System Information:

Number of Entry Points to the Distribution System 4 Number of Sources 4

Population Served 1450 Service Connections 611 Initial Monitoring Year 1993

Evaluation completed by: Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit DC
Phone: 602-771-4641
Date: February 8, 2008

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
1110 W. Washington Street, 5415B-2
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: AZ AMERICAN WATER - CAMP MOHAVE

Public Water System ID #: 08-037

Public Water System Type: [X] Community [] Non-transient Non-community [] Transient Non-community

Overall Compliance Status: [X] No Major Deficiencies [ ] Major Deficiencies

Monitoring and Reporting Status: [X] No Major Deficiencies [ ] Major Deficiencies
Comments: *None*

Operation and Maintenance Status: [X] No Major Deficiencies [ ] Major Deficiencies
Comments: *None*

Major unresolved/ongoing operation and maintenance deficiencies:

[ ] unable to maintain 20psi
[ ] cross connection/backflow problems
[ ] treatment deficiencies
[ ] certified operator
[ ] inadequate storage
[ ] surface water treatment rule
[ ] approval of construction
[ ] other

Date of last inspection / sanitary survey: 10-3-2000

Administrative Orders:
Is an ADEQ administrative order in effect? [ ] Yes [X] No
Comments: *None*

System Information:

Number of Entry Points to the Distribution System 1 Number of Sources 1

Population Served 245 Service Connections 98 Initial Monitoring Year 1994

Evaluation completed by: Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit
Phone: 602-771-4641
Date: April 9, 2008

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
1110 W. Washington Street, 5415B-2
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: AZ AMERICAN WATER - LAKE MOHAVE HIGHLAND

Public Water System ID #: 08-062

Public Water System Type: [X] Community [] Non-transient Non-community [] Transient Non-community

Overall Compliance Status: [X] No Major Deficiencies [] Major Deficiencies

Monitoring and Reporting Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Operation and Maintenance Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Major unresolved/ongoing operation and maintenance deficiencies:

[] unable to maintain 20psi
[] cross connection/backflow problems
[] treatment deficiencies
[] certified operator
[] inadequate storage
[] surface water treatment rule
[] approval of construction
[] other

Date of last inspection / sanitary survey: 10-3-2000

Administrative Orders:
Is an ADEQ administrative order in effect? [] Yes [X] No
Comments: *None*

System information:

Number of Entry Points to the Distribution System 1 Number of Sources 1

Population Served 685 Service Connections 274 Initial Monitoring Year 1994

Evaluation completed by: Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit DC
Phone: 602-771-4641
Date: April 9, 2008

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
1110 W. Washington Street, 5415B-1
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: AZ AMERICAN WATER - DESERT FOOTHILLS

Public Water System ID #: 08-137

Public Water System Type: [X] Community [] Non-transient Non-community [] Transient Non-community

Overall Compliance Status: [X] No Major Deficiencies [] Major Deficiencies

Monitoring and Reporting Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Operation and Maintenance Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Major unresolved/ongoing operation and maintenance deficiencies:
- [] unable to maintain 20psi
- [] cross connection/backflow problems
- [] treatment deficiencies
- [] certified operator
- [] inadequate storage
- [] surface water treatment rule
- [] approval of construction
- [] other

Date of last inspection / sanitary survey: 10-3-2000

Administrative Orders:
Is an ADEQ administrative order in effect? [] Yes [X] No
Comments: *None*

System information:

Number of Entry Points to the Distribution System 1 Number of Sources 1

Population Served 2813 Service Connections 1025 Initial Monitoring Year 1998

Evaluation completed by: Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit DC
Phone: 602-771-4641
Date: April 9, 2008

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
1110 W. Washington Street, 5415B-2
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: Arizona Gateway LLC

Public Water System ID #: 08-163

Public Water System Type: [] Community [] Non-transient Non-community [X] Transient Non-community

Overall Compliance Status: [X] No Major Deficiencies [] Major Deficiencies

Monitoring and Reporting Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Operation and Maintenance Status: [X] No Major Deficiencies [] Major Deficiencies
Comments: *None*

Major unresolved/ongoing operation and maintenance deficiencies:

[] unable to maintain 20psi
[] cross connection/backflow problems
[] treatment deficiencies
[] certified operator
[] inadequate storage
[] surface water treatment rule
[] approval of construction
[] other

Date of last inspection / sanitary survey: 6-16-05

Administrative Orders:
Is an ADEQ administrative order in effect? [] Yes [X] No
Comments: *None*

System information:

Number of Entry Points to the Distribution System 1 Number of Sources 1

Population Served 1000 Service Connections 1 Initial Monitoring Year 2003

Evaluation completed by: Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit DC
Phone: 602-771-4641
Date: April 9, 2008

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
1110 W. Washington Street, 5415B-2
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: AZ AMERICAN WATER - RIO VISTA

Public Water System ID #: 08-333

Public Water System Type: [X] Community [] Non-transient Non-community [] Transient Non-community

Overall Compliance Status: [X] No Major Deficiencies [ ] Major Deficiencies

Monitoring and Reporting Status: [X] No Major Deficiencies [ ] Major Deficiencies
Comments:
This is a consecutive water system that buys all of their water from PWS #08-063, Bermuda Water Company.

Operation and Maintenance Status: [X] No Major Deficiencies [ ] Major Deficiencies
Comments: *None*

Major unresolved/ongoing operation and maintenance deficiencies:

[ ] unable to maintain 20psi
[ ] cross connection/backflow problems
[ ] treatment deficiencies
[ ] certified operator
[ ] inadequate storage
[ ] surface water treatment rule
[ ] approval of construction
[ ] other

Date of last inspection / sanitary survey: 2-27-95

Administrative Orders:
Is an ADEQ administrative order in effect? [ ] Yes [X] No
Comments: *None*

System information:

Number of Entry Points to the Distribution System 0 Number of Sources 0

Population Served 59 Service Connections 25 Initial Monitoring Year 1997

Evaluation completed by: Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit DC
Phone: 602-771-4641
Date: April 9, 2008

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

1b) Maricopa County Environmental Services Department

Compliance Status Reports-Water

Maricopa County
Environmental Services Department

PUBLIC WATER SYSTEM COMPLIANCE STATUS REPORT

System Name: Arizona American, Agua Fria
PWS ID#: 07-695

Type of System: Community Number of POE's: 7 Surface Water: N/A
Number of Service Connections: 22300 Population Served: 52400

Assigned Monitoring Dates - Initial: 1/1/93 Phase II: 1/1/93 Phase V: 1/1/93

Does the water system have a Certified Operator? Yes

Does the system have major treatment plant deficiencies? No
Please describe: _____

Date of last inspection: June 27, 2007

Does the system have major O & M deficiencies? No
Please describe: _____

Does the system have water quality monitoring/reporting deficiencies? No
Please describe: _____

General Public Water System Compliance Status? **Compliant**

Date of compliance review: **2/12/2008** By: **Duncan Wright** Initials: **Dw**
Phone: **(602) 506-5173**

Requested By: Roman Diaz Fax Number/ Contact: _____ Tracking Number: 1426
Supervisor Initials: MM Date: 2-15-08

Drinking Water Program
John Kolman, Manager
1001 N. Central Ave., Suite 250 Phoenix, Arizona 85004-1940 Phone: (602) 506-6666 Fax: (602) 372-0866

Maricopa County
Environmental Services Department

To KEVIN FIGGINS

PUBLIC WATER SYSTEM COMPLIANCE STATUS REPORT

System Name: **AAWC - Aqua Fria North East**
PWS ID#: **07-531**

Type of System: Community Number of POE's: 1 Surface Water: 0
Number of Service Connections: 1000 Population Served: 3000

Assigned Monitoring Dates - Initial: 1/1/06 Phase II: 1/1/06 Phase V: 1/1/06

Does the water system have a Certified Operator? Yes

Does the system have major treatment plant deficiencies? No
Please describe: _

Date of last inspection: July 14, 2005

Does the system have major O & M deficiencies? None
Please describe: All defeciencies corrected 08-01-05

Does the system have water quality monitoring/reporting deficiencies? Yes
Please describe: Submit Emergency Operations Plan and Microbiological Site Sampling Plan and Disinfection Byproducts Sampling Plan for review.

General Public Water System Compliance Status? **Compliant**

Date of compliance review: **04/09/08** By: **Mike Mallette** Initials: **MKM**
Phone: **(602) 506-6644**

Requested By: _____ Fax Number/ Contact: _____ Tracking Number: 1476
Supervisor Initials: MM Date: 4-16-08

Drinking Water Program
John Kolman, Manager
1001 N. Central Ave., Suite 150Phoenix, Arizona 85004-1940 Phone: (602) 506-6666 Fax: (602) 506-6925

Please see spreadsheet for status.

Maricopa County
Environmental Services Department

PUBLIC WATER SYSTEM COMPLIANCE STATUS REPORT

System Name: AAWC- Anthem
PWS ID#: 07-504

Type of System: Community Number of POE's: 2 Surface Water: Yes
Number of Service Connections: 8568 Population Served: 25302

Assigned Monitoring Dates - Initial: 1/1/99 Phase II: 1/1/99 Phase V: 1/1/99

Does the water system have a Certified Operator? Yes

Does the system have major treatment plant deficiencies? No
Please describe: _____

Date of last inspection: December 7, 2006

Does the system have major O & M deficiencies? No
Please describe: _____

Does the system have water quality monitoring/reporting deficiencies? _____
Please describe: 3Q , 2006 TTHM/HAA5 results not reported. 4Q, 2007 TTHM/HAA5 results not reported Only 1 TTHM/HAA5 reported for 2Q 2007. System did not report Nitrate results for 2007 at EPDS 001 and 002.

General Public Water System Compliance Status? **Non-compliant, minor**

Date of compliance review: **2/19/08** By: **Duncan Wright** Initials: **DW**
Phone: **(602) 506-5173**

Requested By: Roman Diaz, AAWC Fax Number/ Contact: _____ Tracking Number: 1427
Supervisor Initials: JH Date: 2-20-08

Drinking Water Program
John Kolman, Manager
1001 N. Central Ave., Suite 250 Phoenix, Arizona 85004-1940 Phone: (602) 506-6666 Fax: (602) 372-0866

Please see spreadsheet for status.

Maricopa County
Environmental Services Department

PUBLIC WATER SYSTEM COMPLIANCE STATUS REPORT

System Name: Arizona American- Sun city West
PWS ID#: 07-150

Type of System: Community Number of POE's: 2 Surface Water: n/a
Number of Service Connections: 15399 Population Served: 25362

Assigned Monitoring Dates - Initial: 1/1/94 Phase II: 1/1/94 Phase V: 1/1/94

Does the water system have a Certified Operator? Yes

Does the system have major treatment plant deficiencies? No
Please describe: _____

Date of last inspection: July 14, 2005

Does the system have major O & M deficiencies? No
Please describe: _____

Does the system have water quality monitoring/reporting deficiencies? Yes
Please describe: System did not monitor for VOC's at POE 003 in 2006 (POE is now inactive as of 2/2007). System only reported 20 of required 30 Coliform samples in December of 2007.

General Public Water System Compliance Status? **Substantial Compliance**

Date of compliance review: **1/28/2008** By: **Duncan Wright** Initials: **dw**
Phone: **(602) 506-5173**

Requested By: AAWC Fax Number/ Contact: Roman Diaz Tracking Number: 1128
Supervisor Initials: MJ Date: 1-31-08

Drinking Water Program
John Kolman, Manager
1001 N. Central Ave., Suite 250 Phoenix, Arizona 85004-1940 Phone: (602) 506-6666 Fax: (602) 372-0866

1c) Arizona Department of Environmental Quality

Compliance Status Reports-Wastewater

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.us

Stephen A. Owens
Director

March 18, 2008

Mr. Kevin Figgins
Water Quality, American Water-Western Region
19820 N. 7th Street, Suite 201
Phoenix, Arizona 85024

RE: Compliance Status for Anthem Water Campus. Inventory number 103259, Permit number 23639, and 36218.

Dear Mr. Figgins;

Your request for evaluation of compliance status of the above facility is completed. Our records indicate that Anthem Water Campus WWTP has Aquifer Protection Permit number 23639 and National Pollutant Elimination System (NPDES) permit number 36218 issued on 2/12/2002 and 4/17/2006 respectively.

Aquifer protection permit reporting requirements and monitoring results which have been submitted indicate the facility **is in compliance** based on the current information that is available to ADEQ. No enforcement actions are pending at this time.

It should be understood that the compliance status of a facility may change from time to time based upon monitoring results or a facility inspection. Therefore this is based on the most current information available.

Sincerely,

Fred Vakili, EHS II
Water Quality Data Unit
Water Quality Compliance Section
Phone: (602) 771-4535
FAV@AZDEQ.GOV

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.us

Stephen A. Owens
Director

March 18, 2008

Arizona American Water Company
Mr. Roman Diaz, Water quality Supervisor
101 Corporate Centers
19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

RE: Compliance Status for Sun City West Water Reclamation WWTP, Inventory number 102667, Place ID: 9539, Permit number 27576 and 36946.

Dear Mr. Diaz,
Your request for evaluation of compliance status for the above facility is completed. Our records indicate that Sun City West Water Reclamation WWTP has Aquifer Protection Permit number 27567 and 36946 issued on 2/1/05 and 5/29/2007 respectively.

The Aquifer Protection Permit reporting requirements and monitoring results which have been submitted indicate the facility **is in compliance** based on the current information that is available to ADEQ. No enforcement actions are pending.

It should be understood that the compliance status of a facility may change from time to time based upon monitoring results or a facility inspection. Therefore this is based on the most current information available.

Sincerely,

Fred Vakili, EHS- II
Water Quality Data Unit
Water Quality Compliance Section

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.us

Stephen A. Owens
Director

February 05, 2008

Arizona American Water Company
Mr. Roman Diaz, Water Quality Supervisor
101 Corporate centers
19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

RE: Compliance Status for Sun Lake Village WWTP, Inventory number 103681, Place ID 7273, Permit number 22070.

Dear Mr. Diaz,
Your request for evaluation of compliance status for the above facility is completed. Our records indicate that above facility has Aquifer Protection Permit number 22070 issued on 4/4/2001.

The Aquifer Protection Permit reporting requirements and monitoring results which have been submitted indicate the facility **is in compliance** based on the current information that is available to ADEQ. No enforcement actions are pending.

It should be understood that the compliance status of a facility may change from time to time based upon monitoring results or a facility inspection. Therefore this is based on the most current information available.

Sincerely,

Fred Vakili, EHS- II
Water Quality Data Unit
Water Quality Compliance Section

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.us

Stephen A. Owens
Director

February 05, 2008

Arizona American Water Company
Mr. Roman Diaz, Water Quality Supervisor
101 Corporate centers
19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

RE: Compliance Status for Wishing Well WWTP, Inventory number 102181, Place ID 1784, Permit number 30157 and 36948.

Dear Mr. Diaz,
Your request for evaluation of compliance status for the above facility is completed. Our records indicate that above facility has Aquifer Protection Permit number 30157 and 36948 issued on 3/16/2004 and 10/23/2007 respectively.

The Aquifer Protection Permit reporting requirements and monitoring results which have been submitted indicate the facility **is in compliance** based on the current information that is available to ADEQ. No enforcement actions are pending.

It should be understood that the compliance status of a facility may change from time to time based upon monitoring results or a facility inspection. Therefore this is based on the most current information available.

Sincerely,

Fred Vakili, EHS- II
Water Quality Data Unit
Water Quality Compliance Section

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.us

Stephen A. Owens
Director

February 05, 2008

Arizona American Water Company
Mr. Roman Diaz, Water Quality supervisor
101 Corporate centers.
19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

RE: Compliance Status for Arizona Gateway WWTP, Inventory number 105010, Place ID: 16067, Permit number 36949.

Dear Mr. Diaz,
Your request for evaluation of compliance status for the above facility is completed. Our records indicate that Gateway WWTP has Aquifer Protection Permit number 36949 issued on 4/23/2007.

The Aquifer Protection Permit reporting requirements and monitoring results which have been submitted indicate the facility **is in compliance** based on the current information that is available to ADEQ. No enforcement actions are pending.

It should be understood that the compliance status of a facility may change from time to time based upon monitoring results or a facility inspection. Therefore this is based on the most current information available.

Sincerely,

Fred Vakili, EHS- II
Water Quality Data Unit
Water Quality Compliance Section

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.us

Stephen A. Owens
Director

February 05, 2008

Arizona American Water Company
Mr. Roman Diaz, Water Quality Supervisor
101 Corporate centers
19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

RE: Compliance Status for Verrado Water Reclamation, Inventory number 105202, Place ID 16908, Permit number 27395 and 36947.

Dear Mr. Diaz,
Your request for evaluation of compliance status for the above facility is completed. Our records indicate that above facility has Aquifer Protection Permit number 27395 and 36947 issued on 8/11/2004 and 05/29/2007 respectively.

The Aquifer Protection Permit reporting requirements and monitoring results which have been submitted indicate the facility **is in compliance** based on the current information that is available to ADEQ. No enforcement actions are pending.

It should be understood that the compliance status of a facility may change from time to time based upon monitoring results or a facility inspection. Therefore this is based on the most current information available.

Sincerely,

Fred Vakili, EHS- II
Water Quality Data Unit
Water Quality Compliance Section

Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.adeq.state.az.us

Stephen A. Owens
Director

February 05, 2008

Arizona American Water Company
Mr. Roman Diaz, Water Quality Supervisor
101 Corporate centers
19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

RE: Compliance Status for Russell Ranch WWTP, Inventory number 105299, Place ID: 16296, Permit number: 26497 and 36953.

Dear Mr. Diaz,
Your request for evaluation of compliance status for the above facility is completed. Our records indicate that Russell Ranch WWTP has Aquifer Protection Permit number 26497 and 36953 issued on December 18, 2002 and May 29, 2007 respectively.

The Aquifer Protection Permit reporting requirements and monitoring results which have been submitted indicate the facility **is in compliance** based on the current information that is available to ADEQ. No enforcement actions are pending.

It should be understood that the compliance status of a facility may change from time to time based upon monitoring results or a facility inspection. Therefore this is based on the most current information available.

Sincerely,

Fred Vakili, EHS- II
Water Quality Data Unit
Water Quality Compliance Section

2) Monitoring Assistance Program Invoices

ARIZONA-AMERICAN WATER COMPANY'S WATER SYSTEMS
PARTICIPATING IN
THE MONITORING ASSISTANCE PROGRAM
(And PWS ID Numbers)

Public Water System ID #	Public Water System Name	Operating District
07531	Northeast Agua Fria	Agua Fria
08015	Havasu	Havasu
08037	Camp Mohave	Mohave
08062	Lake Mohave Highland	Mohave
08137	Desert Foothill	Mohave
12011	Tubac	Tubac

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

* Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to wilful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 11181	Invoice Number 64660
To: AAWC-COOLWELL PO BOX 1687 SUN CITY AZ 85372	Public Water System ID #: 07080
	Billing for Calendar Year: 2008
	Due Date: **December 17, 2007 2nd Notice! Past Due!**
	Total Amount Due . . . . . $ 323.20
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 64660

AAWC-COOLWELL PO BOX 1687	Owner Id #: 11181 **MAP**
	Billing for Calendar Year: 2008
SUN CITY AZ 85372 07080 - Aawc-Coolwell	Due Date: **12/17/2007 Past Due!**

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)		$ 250.00
Fee per Connection in 2008	28 connections X $ 2.57	$ 71.96
Total Sampling Fee		$ 321.96
Plus Paid Interest Charges and/or Other Adjustments		$ 0.00
Plus Unpaid Interest Charges as of 01/04/2008		$ 1.24
Minus Payments Received and/or Other Adjustments		$ 0.00
Amount Due		$ 323.20
Amount received by ADEQ (Make check payable to State of Arizona)		$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered:

MW1 01/04/2008
WM301Go

American Water
PO Box 5600
Cherry Hill, NJ 08034

A/P Phone 1-866-777-8426 (Opt. 2,0,1,2)

Check No. - 73052649
Check Date - 01/31/08
Stub 1 of 1

INVOICE NO.		COMPANY NO./NAME	REMARKS	INVOICE AMOUNT
00143601	013108	23 Arizona AWW	AAWC- COOLWELL ANNUAL FE	323.20
				323.20

50094813 State of Arizona

CHECK CONTAINS A VOID PANTOGRAPH,MICROPRINT BORDER. CHEMICAL REACTANTS AND A WATERMARK ON BACK — HOLD AT AN ANGLE TO VIEW

American Water
PO Box 5600
Cherry Hill, NJ 08034

PNC BANK, NA
NEW JERSEY

55-277
312

NO. 73052649

DATE 01/31/08

THREE HUNDRED TWENTY THREE AND 20/100 **********

$*******323.20

VOID AFTER 90 DAYS

PAY TO THE ORDER OF :

State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

RWE GROUP

AUTHORIZED SIGNATURE

⑈73052649⑈ ⑆031202770⑆ 8013584806⑈

See Reverse Side For Easy Opening Instructions

American Water
PO Box 5600
Cherry Hill, NJ 08034

RWE GROUP

State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

Accu-Seal, Patent 4,918,128 – 5,253,798 – 5,785,242 – 5,829,670
Solutions for Business : 908-387-8050

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

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If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 6283	Invoice Number 64046
To: ARIZONA AMERICAN WATER CO Ste 201 19820 N 7th St PHOENIX AZ 85024-1694	Public Water System ID #: 07531
	Billing for Calendar Year: 2008
	Due Date: **December 17, 2007**
	Total Amount Due . . . . . $ 6,456.55
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 64046

ARIZONA AMERICAN WATER CO 19820 N 7th St Ste 201 PHOENIX AZ 85024-16947531 - Arizona American Water Co	Owner Id #: 6283 **MAP**
	Billing for Calendar Year: 2008
	Due Date: **12/17/2007**

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	$ 250.00
Fee per Connection in 2008 . . . . . 2,415 connections X $ 2.57	$ 6,206.55
Total Sampling Fee	$ 6,456.55
Plus Paid Interest Charges and/or Other Adjustments	$ 0.00
Plus Unpaid Interest Charges as of 10/31/2007	$ 0.00
Minus Payments Received and/or Other Adjustments	$ 0.00
Amount Due	$ 6,456.55
Amount received by ADEQ (Make check payable to State of Arizona)	$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered: MW1 10/31/2007 WM300Go

American Water
PO Box 5600
Cherry Hill, NJ 08034

A/P Phone 1-866-777-8426 (Opt. 2,0,1,2)

Check No. - 73051582
Check Date - 12/14/07
Stub 1 of 1

INVOICE NO.		COMPANY NO./NAME	REMARKS	INVOICE AMOUNT
00139567	121407	23 Arizona AWW	Misc Oper Exp AG Consol	6,456.55
				6,456.55

HGF

50094813 State of Arizona

CHECK CONTAINS A VOID PANTOGRAPH.MICROPRINT BORDER, CHEMICAL REACTANTS AND A WATERMARK ON BACK — HOLD AT AN ANGLE TO VIEW

American Water
PO Box 5600
Cherry Hill, NJ 08034

PNC BANK, NA
NEW JERSEY

55-277
312

NO. 73051582
DATE 12/14/07

SIX THOUSAND FOUR HUNDRED FIFTY SIX AND 55/100 **********

$*****6,456.55
VOID AFTER 90 DAYS

PAY TO THE ORDER OF : State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

RWE GROUP

AUTHORIZED SIGNATURE

⑈73051582⑈ ⑆031202770⑆ 8043584806⑈

See Reverse Side For Easy Opening Instructions

American Water
PO Box 5600
Cherry Hill, NJ 08034

RWE GROUP

State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

Accu-Seal Patent 4,918,128 – 5,233,799 – 5,785,242 – 5,829,670
Solutions for Business · 908-387-8050

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

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If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 6283	Invoice Number 64047
To: ARIZONA AMERICAN WATER CO Ste 201 19820 N 7th St PHOENIX AZ 85024-1694	Public Water System ID #: 08015
	Billing for Calendar Year: 2008
	Due Date: **December 17, 2007**
	Total Amount Due . . . . . $ 4,094.72
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 64047

ARIZONA AMERICAN WATER CO 19820 N 7th St Ste 201 PHOENIX AZ 85024-16908015 - Arizona American Water Co	Owner Id #: 6283	**MAP**
	Billing for Calendar Year: 2008	
	Due Date: **12/17/2007**	

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	$ 250.00
Fee per Connection in 2008 . . . . . 1,496 connections X $ 2.57	$ 3,844.72
Total Sampling Fee	$ 4,094.72
Plus Paid Interest Charges and/or Other Adjustments	$ 0.00
Plus Unpaid Interest Charges as of 10/31/2007	$ 0.00
Minus Payments Received and/or Other Adjustments	$ 0.00
Amount Due	$ 4,094.72
Amount received by ADEQ (Make check payable to State of Arizona)	$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered:

MW1 10/31/2007
WM300Go

American Water
PO Box 5600
Cherry Hill, NJ 08034

A/P Phone 1-866-777-8426 (Opt. 2,0,1,2)

Check No. - 73051587
Check Date - 12/14/07
Stub 1 of 1

INVOICE NO.		COMPANY NO./NAME	REMARKS	INVOICE AMOUNT
00139567	121407	23 Arizona AWW	Misc Oper Exp AG Consol	4,094.72

				4,094.72

50094813 State of Arizona

CHECK CONTAINS A VOID PANTOGRAPH.MICROPRINT BORDER. CHEMICAL REACTANTS AND A WATERMARK ON BACK — HOLD AT AN ANGLE TO VIEW

American Water
PO Box 5600
Cherry Hill, NJ 08034

PNC BANK, NA
NEW JERSEY

55-277
312

NO. 73051587

DATE 12/14/07

FOUR THOUSAND NINETY FOUR AND 72/100 **********

$*****4,094.72

VOID AFTER 90 DAYS

PAY TO THE ORDER OF : State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

RWE GROUP

AUTHORIZED SIGNATURE

⑈73051587⑈ ⑆031202770⑆ 8013584806⑈

See Reverse Side For Easy Opening Instructions

American Water
PO Box 5600
Cherry Hill, NJ 08034

RWE GROUP

State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

Accu-Seal-Patent 4,918,128 – 5,253,798 – 5,785,242 – 5,829,670
Solutions for Business • 908-387-8050

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

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If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 6283	Invoice Number 64048
To: ARIZONA AMERICAN WATER CO Ste 201 19820 N 7th St PHOENIX AZ 85024-1694	Public Water System ID #: 08037
	Billing for Calendar Year: 2008
	Due Date: December 17, 2007
	Total Amount Due . . . . . $ 501.86
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 64048

ARIZONA AMERICAN WATER CO 19820 N 7th St Ste 201 PHOENIX AZ 85024-16948037 - Arizona American Water Co	Owner Id #: 6283 **MAP**
	Billing for Calendar Year: 2008
	Due Date: 12/17/2007

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	$ 250.00
Fee per Connection in 2008 . . . . . 98 connections X $ 2.57	$ 251.86
Total Sampling Fee	$ 501.86
Plus Paid Interest Charges and/or Other Adjustments	$ 0.00
Plus Unpaid Interest Charges as of 10/31/2007	$ 0.00
Minus Payments Received and/or Other Adjustments	$ 0.00
Amount Due	$ 501.86
Amount received by ADEQ (Make check payable to State of Arizona)	$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered:

MW1 10/31/2007
WM300Go

American Water
PO Box 5600
Cherry Hill, NJ 08034

A/P Phone 1-866-777-8426 (Opt. 2,0,1,2)

Check No. - 73051583
Check Date - 12/14/07
Stub 1 of 1

INVOICE NO.		COMPANY NO./NAME	REMARKS	INVOICE AMOUNT
00139567	121407	23 Arizona AWW	Misc Oper Exp AG Consol	501.86

				501.86

50094813 State of Arizona

CHECK CONTAINS A VOID PANTOGRAPH,MICROPRINT BORDER, CHEMICAL REACTANTS AND A WATERMARK ON BACK — HOLD AT AN ANGLE TO VIEW

American Water
PO Box 5600
Cherry Hill, NJ 08034

PNC BANK, NA
NEW JERSEY

55-277
312

NO. 73051583
DATE 12/14/07

FIVE HUNDRED ONE AND 86/100 **********

$*******501.86
VOID AFTER 90 DAYS

PAY TO THE
ORDER OF : State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

RWE GROUP

AUTHORIZED SIGNATURE

⑈73051583⑈ ⑆031202770⑆ 8013584806⑈

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American Water
PO Box 5600
Cherry Hill, NJ 08034

RWE GROUP

State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

Accu-Seal. Patent 4,918,128 - 5,253,798 - 5,785,242 - 5,829,670
Solutions for Business • 908-387-8050

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

* Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to wilful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

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Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 6283	Invoice Number 64049
To: ARIZONA AMERICAN WATER CO Ste 201 19820 N 7th St PHOENIX AZ 85024-1694	Public Water System ID #: 08062
	Billing for Calendar Year: 2008
	Due Date: December 17, 2007
	Total Amount Due . . . . . $ 954.18
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 64049

ARIZONA AMERICAN WATER CO 19820 N 7th St Ste 201 PHOENIX AZ 85024-16908062 - Arizona American Water Co	Owner Id #: 6283	MAP
	Billing for Calendar Year: 2008	
	Due Date: 12/17/2007	

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	$ 250.00
Fee per Connection in 2008 . . . . . 274 connections X $ 2.57	$ 704.18
Total Sampling Fee	$ 954.18
Plus Paid Interest Charges and/or Other Adjustments	$ 0.00
Plus Unpaid Interest Charges as of 10/31/2007	$ 0.00
Minus Payments Received and/or Other Adjustments	$ 0.00
Amount Due	$ 954.18
Amount received by ADEQ (Make check payable to State of Arizona)	$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered:

MW1 10/31/2007
WM300Go

American Water
PO Box 5600
Cherry Hill, NJ 08034

A/P Phone 1-866-777-8426 (Opt. 2,0,1,2)

Check No. - 73051584
Check Date - 12/14/07
Stub 1 of 1

INVOICE NO.		COMPANY NO./NAME	REMARKS	INVOICE AMOUNT
00139567	121407	23 Arizona AWW	Misc Oper Exp AG Consol	954.18
				954.18

HGF-

Accu-Seal Patent 4,918,128 - 5,253,798 - 5,785,242 - 5,829,670

50094813 State of Arizona

CHECK CONTAINS A VOID PANTOGRAPH,MICROPRINT BORDER, CHEMICAL REACTANTS AND A WATERMARK ON BACK — HOLD AT AN ANGLE TO VIEW

American Water
PO Box 5600
Cherry Hill, NJ 08034

PNC BANK, NA
NEW JERSEY

55-277
312

NO. 73051584

DATE 12/14/07

NINE HUNDRED FIFTY FOUR AND 18/100 **********

$*******954.18

VOID AFTER 90 DAYS

PAY TO THE ORDER OF :

State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

RWE GROUP

AUTHORIZED SIGNATURE

⑈73051584⑈ ⑆031202770⑆ 8013584806⑈

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American Water
PO Box 5600
Cherry Hill, NJ 08034

RWE GROUP

Solutions for Business • 908-387-8050

State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

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Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 6283	Invoice Number 64050
To: ARIZONA AMERICAN WATER CO Ste 201 19820 N 7th St PHOENIX AZ 85024-1694	Public Water System ID #: 08137
	Billing for Calendar Year: 2008
	Due Date: **December 17, 2007**
	Total Amount Due . . . . . $ 2,884.25
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 64050

ARIZONA AMERICAN WATER CO 19820 N 7th St Ste 201 PHOENIX AZ 85024-16908137 - Arizona American Water Co	Owner Id #: 6283 **MAP**
	Billing for Calendar Year: 2008
	Due Date: **12/17/2007**

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	$ 250.00
Fee per Connection in 2008 . . . . . 1,025 connections X $ 2.57	$ 2,634.25
Total Sampling Fee	$ 2,884.25
Plus Paid Interest Charges and/or Other Adjustments	$ 0.00
Plus Unpaid Interest Charges as of 10/31/2007	$ 0.00
Minus Payments Received and/or Other Adjustments	$ 0.00
Amount Due	$ 2,884.25
Amount received by ADEQ (Make check payable to State of Arizona)	$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered:

MW1 10/31/2007
WM300Go

American Water
PO Box 5600
Cherry Hill, NJ 08034

A/P Phone 1-866-777-8426 (Opt. 2,0,1,2)

Check No. - 73051586
Check Date - 12/14/07
Stub 1 of 1

INVOICE NO.		COMPANY NO./NAME	REMARKS	INVOICE AMOUNT
00139567	121407	23 Arizona AWW	Misc Oper Exp AG Consol	2,884.25
				2,884.25

50094813 State of Arizona

CHECK CONTAINS A VOID PANTOGRAPH,MICROPRINT BORDER, CHEMICAL REACTANTS AND A WATERMARK ON BACK — HOLD AT AN ANGLE TO VIEW

American Water
PO Box 5600
Cherry Hill, NJ 08034

PNC BANK, NA
NEW JERSEY

55-277
312

NO. 73051586
DATE 12/14/07

TWO THOUSAND EIGHT HUNDRED EIGHTY FOUR AND 25/100 **********

$*****2,884.25
VOID AFTER 90 DAYS

PAY TO THE ORDER OF :
State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

RWE GROUP

AUTHORIZED SIGNATURE

⑈73051586⑈ ⑆031202770⑆ 8013584806⑈

See Reverse Side For Easy Opening Instructions

American Water
PO Box 5600
Cherry Hill, NJ 08034

RWE GROUP

State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

* Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to wilful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 6283	Invoice Number 64051
To: ARIZONA AMERICAN WATER CO Ste 201 19820 N 7th St PHOENIX AZ 85024-1694	Public Water System ID #: 12001
	Billing for Calendar Year: 2008
	Due Date: December 17, 2007
	Total Amount Due . . . . . $ 1,820.27
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 64051

ARIZONA AMERICAN WATER CO 19820 N 7th St Ste 201 PHOENIX AZ 85024-1694 12001 - Arizona American Water Co	Owner Id #: 6283	MAP
	Billing for Calendar Year: 2008	
	Due Date: 12/17/2007	

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	$ 250.00
Fee per Connection in 2008 . . . . . 611 connections X $ 2.57	$ 1,570.27
Total Sampling Fee	$ 1,820.27
Plus Paid Interest Charges and/or Other Adjustments	$ 0.00
Plus Unpaid Interest Charges as of 10/31/2007	$ 0.00
Minus Payments Received and/or Other Adjustments	$ 0.00
Amount Due	$ 1,820.27
Amount received by ADEQ (Make check payable to State of Arizona)	$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered:

MW1 10/31/2007
WM300Go

American Water
PO Box 5600
Cherry Hill, NJ 08034

A/P Phone 1-866-777-8426 (Opt. 2,0,1,2)

Check No. - 73051585
Check Date - 12/14/07
Stub 1 of 1

INVOICE NO.		COMPANY NO./NAME	REMARKS	INVOICE AMOUNT
00139567	121407	23 Arizona AWW	Misc Oper Exp AG Consol	1,820.27
				1,820.27

HGF

Accu-Seal - Patent 4,918,128 - 5,253,798 - 5,785,242 - 5,829,670

50094813 State of Arizona

CHECK CONTAINS A VOID PANTOGRAPH,MICROPRINT BORDER, CHEMICAL REACTANTS AND A WATERMARK ON BACK — HOLD AT AN ANGLE TO VIEW

American Water
PO Box 5600
Cherry Hill, NJ 08034

PNC BANK, NA
NEW JERSEY

55-277
312

NO. 73051585

DATE 12/14/07

ONE THOUSAND EIGHT HUNDRED TWENTY AND 27/100 **********

$*****1,820.27
VOID AFTER 90 DAYS

PAY TO THE ORDER OF : State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

RWE GROUP

AUTHORIZED SIGNATURE

⑈73051585⑈ ⑆031202770⑆ 8013584806⑈

See Reverse Side For Easy Opening Instructions

American Water
PO Box 5600
Cherry Hill, NJ 08034

RWE GROUP

Solutions for Business · 908-387-8050

State of Arizona
1110 W Washington Ste 100
Phoenix AZ 85007

3) Water Use Data

COMPANY NAME	Arizona American Water Company (Agua Fria)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	30,949	345,358	371,773	
FEBRUARY	31,192	269,564	314,654	
MARCH	31,414	276,757	398,020	
APRIL	31,772	313,152	451,884	16,760
*May	32,042	527,498	466,108	43,547
JUNE	32,259	508,214	559,960	30,948
JULY	32,458	723,290	736,713	32,102
AUGUST	32,873	455,370	570,315	18,558
SEPTEMBER	33,010	434,401	563,675	3,866
OCTOBER	32,944	799,003	575,291	
NOVEMBER	33,022	584,470	501,715	
DECEMBER	33,021	332,357	342,476	
	TOTALS ->	5,569,434	5,852,584	145,780

What is the level of arsenic for each well on your system. _____mg/l
(If more than one well, please list each separately) - **See attached**

If system has fire hydrants, what is the fire flow requirement? _____GPM for _____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
( ) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
(X) Yes ( ) No

If yes, provide the GPCPD amount:_____204*_____

*Estimate

COMPANY NAME	Arizona American Water Company - Agua Fria

Arsenic Data by Well

PWS_NO	Well #	DWR #	Date	<>	Result	Unit	Comments
04-07-080	1.1	Well (55-803469)	12/01/06		4	ppb	contacted Ben Chou for info
04-07-531	100.1	55-595224	11/12/03		4.9	ppb	NSA
04-07-531	100.2	NEAF	01/22/04		6.1	ppb	NSA
04-07-695	1.1	Well (55-623682)	5/16/2007		18	ppb	treated w/GIM at POE site
04-07-695	1.2		5/16/2007		24	ppb	treated w/GIM at POE site
04-07-695	1.4		5/16/2007		17	ppb	treated w/GIM at POE site
04-07-695	1.5		5/16/2007		15	ppb	
04-07-695	2.1	Well N29A (55-553671	5/16/2007		12	ppb	treated w/GIM at POE site
04-07-695	2.2	Well (55-554002)				ppb	out of service
04-07-695	2.3		5/16/2007		10	ppb	treated w/GIM at POE site
	2.4	55-200558	5/16/2007		12	ppb	treated w/GIM at POE site
04-07-695	3.1	55-565447	06/30/05		6	ppb	
	3.2	55-565446	06/30/05		7	ppb	
	3.3	55-591439	10/17/02		7.4	ppb	
	3.4	55-202096	?		8	ppb	NSA / out of service
04-07-695	4.1	Well 35C (55-604498)	06/28/05		4	ppb	
04-07-695	4.2	Well (55-555779)	06/28/05		8	ppb	
04-07-695	4.3	55-590166	06/28/05		8	ppb	
	4.4	55-576971	06/28/05		5	ppb	
	4.5	55-593407	08/12/05		ND	ppb	NSA
	4.6	55-202092	11/30/04		10	ppb	NSA
	4.7	55-204414	01/13/05		6	ppb	NSA
04-07-695	5.1	Well 2B (55-514145)	5/17/2007		23	ppb	treated w/GIM at POE site
04-07-695	5.2	Well 26A (55-624692)	7/26/2007		21	ppb	treated w/GIM at POE site
04-07-695	5.3	Well 1A (55-604500)	5/17/2007		6	ppb	treated w/GIM at POE site
04-07-695	8.1	55-592749	06/28/05		10	ppb	
04-07-695	8.2	55-595241	06/28/05		9	ppb	
04-07-695	8.3	55-598979	02/26/04		7	ppb	NSA
04-07-695	9.1	55-585407	5/22/2007		23	ppb	treated with IX at POE site
04-07-695	9.2	55-595267	5/22/2007		54	ppb	treated with IX at POE site
04-07-695	9.3	55-592226	5/24/2007		15	ppb	treated with IX at POE site
04-07-695	9.4	55-591437	5/22/2007		12	ppb	treated with IX at POE site
04-07-695	AFTL1	55-205432	10/05/07		46	ppb	reated w/GIM at Cortessa well site
04-07-695	AFTL4	55-212434	12/12/07		12	ppb	reated w/GIM at Cortessa well site

COMPANY NAME	Arizona American Water (Anthem)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	8,574	99,791	107,774	1,558
FEBRUARY	8,591	81,893	89,169	483
MARCH	8,613	84,251	113,901	0
APRIL	8,616	101,920	124,270	489
MAY	8,633	95,581	129,558	0
JUNE	8,639	130,353	158,308	7,122
JULY	8,647	148,692	173,565	4,791
AUGUST	8,619	131,103	163,092	0
SEPTEMBER	8,615	14,948	167,315	10,996
OCTOBER	8,601	135,483	159,652	9,234
NOVEMBER	8,587	129,203	134,922	9,407
DECEMBER	8,552	116,424	98,267	0
	TOTALS ->	**1,269,642**	**1,619,793**	**44,080**

~~What is the level of arsenic for each well on your system. _____mg/l~~
(If more than one well, please list each separately)

55-577504 0.009 mg/l
55-577505 0.002 mg/l

If system has fire hydrants, what is the fire flow requirement? _____GPM for _____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
(X) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
( ) Yes (X) No

If yes, provide the GPCPD amount:_____N/A_____

COMPANY NAME	Arizona American Water (Anthem Non-Potable)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	63	33,255	68,343	
FEBRUARY	63	16,421	62,240	
MARCH	63	52,912	69,932	
APRIL	63	58,643	75,893	
MAY	63	70,847	76,661	
JUNE	63	95,732	89,298	
JULY	63	116,987	91,074	
AUGUST	63	81,533	82,346	
SEPTEMBER	63	100,748	72,031	
OCTOBER	63	79,521	74,239	
NOVEMBER	60	60,057	68,672	
DECEMBER	60	43,564	69,963	
	TOTALS ->	**810,220**	**900,692**	**0**

What is the level of arsenic for each well on your system. _____mg/l
(If more than one well, please list each separately)

If system has fire hydrants, what is the fire flow requirement? _____GPM for _____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
( ) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?
( ) Yes (X) No

If yes, provide the GPCPD amount:_____N/A_____

COMPANY NAME	Arizona American Water (Havasu)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS URCHASED Thousands)
JANUARY	1,513	30,844	21,194	
FEBRUARY	1,517	(457)	16,950	
MARCH	1,515	41,225	22,239	
APRIL	1,501	16,153	25,014	
MAY	1,496	20,160	24,334	
JUNE	1,494	13,087	29,387	
JULY	1,506	23,682	30,951	
AUGUST	1,518	23,000	32,727	
SEPTEMBER	1,525	22,697	27,073	
OCTOBER	1,521	19,302	24,311	
NOVEMBER	1,523	15,839	23,543	
DECEMBER	1,528	19,245	21,904	
	TOTALS ->	244,777	299,627	0

What is the level of arsenic for each well on your system. _____mg/l
(If more than one well, please list each separately)

If system has fire hydrants, what is the fire flow requirement? _____GPM for _____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
( ) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
( ) Yes (X) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?
( ) Yes (X) No

If yes, provide the GPCPD amount:_____N/A_____

COMPANY NAME	Arizona American Water Company - Havasu

Arsenic Data by Well

PWS_NO	D.W.R. Number	<>	Result	Unit	Comments
08-015	55-601831		5	**ppb**	11/07
08-015	55-539646		4	**ppb**	11/07
08-015	55-512988		23	**ppb**	11/07

COMPANY NAME	Arizona American Water (Mohave)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS URCHASE Thousand
JANUARY	16,010	153,320	204,817	931
FEBRUARY	16,065	152,063	167,950	1,053
MARCH	16,085	162,530	200,279	1,070
APRIL	16,062	174,970	214,364	1,296
MAY	15,999	170,341	210,322	1,429
JUNE	15,983	211,483	232,639	1,696
JULY	15,955	231,892	255,288	1,782
AUGUST	15,926	204,532	250,922	1,710
SEPTEMBER	15,927	202,069	221,370	1,791
OCTOBER	15,885	208,264	202,774	1,653
NOVEMBER	15,867	161,422	187,879	1,834
DECEMBER	15,822	158,739	170,166	906
	TOTALS ->	**2,191,625**	**2,518,770**	**17,151**

What is the level of arsenic for each well on your system. _____mg/l
(If more than one well, please list each separately)

If system has fire hydrants, what is the fire flow requirement? 1,000_____GPM for _2.0_____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
(X) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
( ) Yes (X) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?
( ) Yes (X) No

If yes, provide the GPCPD amount:_____N/A_____

COMPANY NAME	Arizona American Water Company - Mohave

Arsenic Data by Well

PWS_NO	D.W.R. Number	<>	Result	Unit	Comments
08-032	55-603477		2	ppb	2/20/06
08-032	55-603473		2	ppb	2/20/06
08-032	55-603472		1	ppb	2/20/06
08-032	55-509446		ND	ppb	2/20/06
08-032	55-519149		3	ppb	2/20/06
08-032	55-506309		ND	ppb	2/20/06
08-037	55-559559		ND	ppb	11/06
08-062	55-603417		2	ppb	11/06
08-062	55-556101		1	ppb	11/06
08-137	55-557919		4	ppb	11/07

COMPANY NAME	Arizona American Water (Paradise Valley)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	4,730	183,176	190,318	
FEBRUARY	4,732	137,441	168,847	
MARCH	4,732	162,112	222,409	
APRIL	4,733	207,267	260,511	
MAY	4,758	249,826	294,153	
JUNE	4,771	289,379	364,370	
JULY	4,762	387,567	327,561	
AUGUST	4,754	341,414	260,228	
SEPTEMBER	4,755	288,438	354,500	
OCTOBER	4,751	321,873	275,038	
NOVEMBER	4,752	297,439	276,199	
DECEMBER	4,750	206,702	160,247	
	TOTALS ->	3,072,634	3,154,381	0

What is the level of arsenic for each well on your system. _____mg/l
(If more than one well, please list each separately)

Wells 16	
Well PCX-1	0.008
Well 11	0.019
Well 12	0.010
Well 14	0.011
Well 15	0.010
Well 16	0.012
Well 17	0.010

If system has fire hydrants, what is the fire flow requirement? __1500__GPM for ___1___ hr

If system has chlorination treatment, does this treatment system chlorinate continuously?
(X) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?
(X) Yes ( ) No

If yes, provide the GPCPD amount:_____1010*_____

*Estimate

COMPANY NAME	Arizona American Water Company (Sun City West)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH	NUMBER OF CUSTOMERS CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	15,420	151,795	159,169	
FEBRUARY	15,419	116,557	133,771	
MARCH	15,417	149,789	161,442	
APRIL	15,399	168,596	181,369	
MAY	15,369	176,240	170,322	
JUNE	15,366	172,902	196,864	
JULY	15,361	184,729	208,109	
AUGUST	15,362	188,233	200,339	
SEPTEMBER	15,372	177,930	190,297	
OCTOBER	15,407	164,774	199,061	
NOVEMBER	15,421	178,044	178,355	
DECEMBER	15,428	146,421	134,606	
	TOTALS ->	1,976,010	2,113,704	0

What is the level of arsenic for each well on your system. _____mg/l
~~(If more than one well, please list each separately) - See attached~~

If system has fire hydrants, what is the fire flow requirement? _____GPM for _____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
( ) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
(X) Yes ( ) No

If yes, provide the GPCPD amount:_____202*_____

*Estimate

COMPANY NAME	Arizona American Water Company - Sun City West

Arsenic Data by Well

PWS_NO	Well #	DWR #	Date	<>	Result	Unit	Comments
04-07-150	2.1	Well 23B (55-547408)	5/14/2007		6	ppb	treated with coag/fil at POE
04-07-150	2.2	Well 23A (55-610215)	5/14/2007		6	ppb	treated with coag/fil at POE
04-07-150	2.3	Well 22A (55-610214)	5/14/2007		8	ppb	treated with coag/fil at POE
04-07-150	2.4	Well 21C (55-520840)	5/14/2007		27	ppb	treated with coag/fil at POE
04-07-150	2.5	Well 21B (55-612959)	5/14/2007		20	ppb	treated with coag/fil at POE
04-07-150	1.1	55-547409	5/14/2007		30	ppb	treated with GIM at POE
04-07-150	1.2	Well 27A (55-514405)	5/14/2007		24	ppb	treated with GIM at POE
04-07-150	1.3	Well 28A (55-612963)	5/14/2007		OOS		treated with GIM at POE
04-07-150	1.4	Well 34A (55-610219)	5/14/2007		37	ppb	treated with GIM at POE
04-07-150	1.5	Well 34B (55-610220)	5/14/2007		30	ppb	treated with GIM at POE

COMPANY NAME	Arizona American Water (Tubac Valley)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	534	5,633	5,871	
FEBRUARY	534	4,880	5,628	
MARCH	534	5,889	7,793	
APRIL	536	7,477	9,560	
MAY	534	7,601	9,804	
JUNE	534	10,271	11,774	
JULY	535	11,210	10,526	
AUGUST	535	8,580	7,823	
SEPTEMBER	535	7,847	8,714	
OCTOBER	535	7,462	11,208	
NOVEMBER	536	9,702	9,125	
DECEMBER	536	7,769	6,170	
	TOTALS ->	**94,321**	**103,996**	**0**

What is the level of arsenic for each well on your system. _____mg/l
(If more than one well, please list each separately)

11/15/2005	Well 3	0.003 mg/L
11/15/2005	Well 2	0.022 mg/L
11/9/2005	Well 4	0.029 mg/L
2005	Well 5	0.021 mg/L new source approval done by contractor

If system has fire hydrants, what is the fire flow requirement? __1500__GPM for __1__ hr

If system has chlorination treatment, does this treatment system chlorinate continuously?
( ) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?
(X) Yes ( ) No

If yes, provide the GPCPD amount:_____246*_____

*Estimate

COMPANY NAME	Arizona American Water Company - Tubac

Arsenic Data by Well

PWS_NO	Well #	DWR #	Date	<>	Result	Unit	Comments
04-12-001	2.1	Well TU2 (55-604371)	12/18/07		24.000	ppb	
04-12-001	3.1	Well TU3 (55-604370)	09/24/07		4	ppb	
04-12-001	4.1	Well TU4 (55-505043)	12/18/07		36	ppb	
04-12-001	5.1		12/18/07		16	ppb	

4) Major Plant In Service Inventory

4a) WATER

COMPANY NAME	Arizona American Water (Anthem)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-577504	125	700	600	12	8	2000
55-577505	100	500	600	12	8	2000

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
CAP Water (Ak-Chin)	4,861	1,189,589
City of Phoenix Interconnect	3,472	31,806

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
30	1	1,026	
100	2		
125	2		
150	4		
350	2		
450	4		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
1,250,000	2	5,000	1
1,670,000	2	10,000	2
		15,000	1

COMPANY NAME	Arizona American Water (Anthem)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	N/A	
3	N/A	
4	PVC	6,861
6	PVC	78,895
8	PVC	361,468
10	PVC	518
12	PVC	212,068
14	PVC	1,227
16	PVC	33,473
18	PVC	21,683
20	PVC	5,709
24	PVC	8,270
30	PVC	46,308
Undetermined	PVC	38,910
	TOTAL =	815,391

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	
5/8	11
3/4	4,855
1	3,413
1 1/2	125
2	172
3	21
4	5
6	2
8	2
10	
	8,606

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Zenon micro-filtration system divided into four process trains with a total capacity of 7 MGD.
Associated pumps, valves, piping, and instrumentation. Chlorine feed and injection equipment.
Three UV Disinfection units not on line, Chlorine contact chamber is on line.

STRUCTURES:

Process tank building, process control and equipment building, electrical building, administrative office
building shared with the water plant, block perimeter wall shared with the water plant.
One 1,500 kW generator, one 350 kW generator at Upper Reservoir, one 600kW generator at CAP
One 1,000 kW generator shared with wastewater plant.

OTHER:

Six vehicles ad various tools shared between water and wastewater plant

COMPANY NAME	Arizona American Water (Agua Fria)

WATER COMPANY PLANT DESCRIPTION

WELLS

	ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (Inches)	Year Drilled
1.1	55-623682	250	1200	1000	20	12	1956
1.2	55-575445	250	1200	1200	18	10	2000
1.4	55-605761	200	1000	1200	18	10	1946
1.5	55-587293	250	1200	950	18	10	2001
2.1	55-553671	250	1200	1060	16	10	1996
2.2	55-554002	250	1200	1170	18	10	1997
2.3	55-573654	250	1200	1140	18	10	1999
2.4	55-200558	250	1200	1150	19	10	2004
3.1	55-565447	250	1200	1100	18	10	1999
3.2	55-565446	200	1000	1200	18	10	2002
3.3	55-591439	260	1133	1080	19	10	2002
3.4	55-202096	250	1200	1150	19	10	2004
4.1	55-604498	250	1200	1200	20	8	1948
4.2	55-555779	200	800	1150	16	8	1996
4.3	55-590166	250	888	1050	18	10	2002
4.4	55-576971	200	1348	1575	16	10	2000
4.5	55-593407	200	990	1205	19	10	2003
4.6	55-202092	125	514	1055	19	8	2004
4.7	55-204414	NA	1000	1480	19	8	2005
5.1	55-514145	150	800	1000	16	8	1986
5.2	55-624692	125	600	888	18	4	1954
5.3	55-604500	200	800	1000	20	8	1954
7.1	55-595221	200	1000	1100	18	10	2003
7.2	55-595224	300	1600	1208	18	12	2004
8.1	55-592749	100	400	980	18	4	2003
8.2	55-595241	125	540	1103	18	8	2004
8.3	55-598979	75	240	841	15	6	2003
9.1	55-585407	100	320	900	12	6	2001
9.2	55-595267	125	500	660	16	6	2003
9.3	55-592226	125	530	1520	12	6	2002
9.4	55-591437	100	500	610	16	6	2002
AFTL 1	55-205432	200	500	1606	18	8	2005
AFTL 4	55-212434	150	600	720	18	8	2006
CW	55-803469	50	300	850	16	4	1972

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Maricopa Water District (MWD Well 6-10-C)	897	0
Maricopa Water District (MWD Well 7-22)	1,017	145,780
Arizona American Water Agua Fria Division	4,000	11,113

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Othe
3	1	6,120	
5	1		
7	1		
10	6		
15	2		
30	1		
40	3		
50	8		
60	6		
75	6		
100	3		
125	11		
150	15		
200	3		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
10,000	1	5,000	3
40,000	2	10,000	13
100,000	1	14,000	1
250,000	0		
1,000,000	4		
1,325,000	2		
1,500,000	3		
1,250,000	2		
1,735,000	2		

COMPANY NAME	Arizona American Water (Agua Fria)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	Various	-
4	Various	70,252
6	Various	701,457
8	Various	1,613,218
10	Various	140,592
12	Various	1,003,122
14	Various	4,976
16	Various	188,683
18	Various	6,711
20	Various	46,619
24	Various	15,458
30	Various	36,966
36	Various	15
48	Various	29
Undetermined	Various	60,737
	TOTAL =	3,888,835

CUSTOMERS METERS

Size (in inches)	Quantity
5/8 X 3/4	19,362
3/4	9,333
1	5,446
1 1/2	385
2	538
3	74
4	2
5	
6	6
7	
8	2
Unknown	
	35,148

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Gas chlorination equipment and enclosures
AF WP 1, 2, 5 Granular Iron Media Arsenic Removal Treatment Facility
Sodium Hypochlorite generation system

STRUCTURES:

Buildings and enclosures associated with wells and booster stations

OTHER:

AF WP 1 - 6 Granular Iron Media vessels @ 3,069 gallons each
AF WP 2 - 4 Granular Iron Media vessels @ 3,069 gallons each
AF WP 5 - 4 Granular Iron Media vessels @ 1,895 gallons each
AFTL Well 1 - 2 Granular Iron Media vessels @ 1,346 gallons each

COMPANY NAME	Arizona American Water (Havasu)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-512988	15	100	420	8	12	1986
55-534237	None	None	355	12	6	1992
55-539646	20	550	150	10	6	1993
55-594370	20	500	790	16	8	2003
55-601829	7.5	50	180	6	None	Unknown
55-601830	None	None	148	10	None	1968
55-601831	15	250	160	8	4	1972
55-601832	5	75	245	10	3	1970
55-601833	30	175	150	8	6	1980

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5	1	68	
7.5	1		
15	2		
20	4		
25	4		
30	3		
40	1		
50	5		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
100,000	1	200	1
125,000	2	5,000	1
250,000	1	8,000	1
300,000	1	10,000	1
500,000	1		
720,000	1		
750,000	1		

COMPANY NAME	Arizona American Water (Havasu)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		691
3		1,959
4	PVC	36,322
5		
6	PVC	58,721
6	D.I.	5,611
8	PVC	28,812
8	D.I.	1,346
10	PVC	519
12		469
Private		5,756
	TOTAL =	140,207

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	1,489
3/4	4
1	14
1 1/2	110
2	23
3	4
4	6
6	1
	1,651

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Gas chlorination equipment w/enclosures. Iron media Arsenic removal system.

STRUCTURES:

Buildings and enclosures associated with wells and booster stations.

OTHER:

COMPANY NAME	Arizona American Water (Mohave)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-506309	250	1,400	515	16	6	1983
55-509446	75	500	602	14	12	1985
55-519149	100	2,100	280	18	12	1987
55-548414	None	500	760	24	None	1995
55-551125	10	25	1,212	5	2	1995
55-556101	20	150	505	8	4	1996
55-557919	15	100	1,073	12	12	1996
55-559559	20	500	312	8	4	1996
55-586016	8	35	695	8	2	2003
55-603415	25	112	200	16	6	Unknown
55-603416	None	55	200	8	None	Unknown
55-603417	20	150	500	10	4	1973
55-603472	75	600	610	12-10	8	1975
55-603473	200	2,150	400	14-16	8	1970
55-603474	18	450	101	16	6	1959
55-603476	None	250	115	8	None	1961
55-603477	40	350	450	12	6	1975
55-603478	8	83	157	12	3	Unknown
55-603479	20	220	580	12	6	Unknown

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Bermuda Water Company		14,470

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5	2	1,035	
7.5	1		
10	5		
15	7		
20	3		
25	4		
40	3		
50	7		
100	3		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
35,000	1	70	1
100,000	2	1,000	1
123,000	3	3,000	3
125,000	0	5,000	4
200,000	1	10,000	2
250,000	2		
424,000	1		
500,000	3		
1,000,000	3		

COMPANY NAME	Arizona American Water (Mohave)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		13,253
3		78,472
4	PVC	237,914
5		
6	PVC	446,840
8	PVC	254,748
10	PVC	19,640
12	PVC	98,498
16	Various	3,823
18	Various	1,443
	TOTAL =	1,154,631

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	13,871
3/4	9
1	304
1 1/2	1,438
2	433
3	24
4	7
6	6
TOTAL	16,092

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Gas chlorination equipment w/enclosures

STRUCTURES:

Buildings and enclosures associated with wells and booster stations, building utilized as an operations center. Administrative building/office.

OTHER:

COMPANY NAME	Arizona American Water (Paradise Valley)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-624805	300	1,800	1,396	20 - 16	12	1959
55-624806	300	1,800	1,301	24 - 20	12	1962
55-624807	400	2,100	1,743	20 - 8	10	1965
55-624808	400	2,100	1,430	20-18-6	10	1969
55-624809	400	2,200	1,500	18	12	1980
55-537967	400	1,500	1,100	20	8	1993

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Descriptio	Pump Horsepower	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
PCX-1		2,100	1,075,200

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
1.5	1	534	
3	4		
7.5	1		
10	5		
15	1		
30	5		
40	2		
60	3		
125	3		
400	4		
600	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
22,000	1	500	2
30,000	1		
95,000	1		
100,000	1		
100,000	1		
100,000	1		
200,000	1		
360,000	1		
500,000	1		
1,500,000	2		

COMPANY NAME	Arizona American Water (Paradise Valley)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	Various	-
2 1/2	Various	-
3	Various	-
4	Various	102,519
5	Various	-
6	Various	298,197
8	Various	122,340
10	Various	2,800
12	Various	54,449
16	Various	42,841
18	Various	25
20	Various	2,804
24	Various	13,123
Undetermined	Various	1,122
	TOTAL =	**640,220**

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	2,358
3/4	30
1	2,031
1 1/2	145
2	305
3	24
4	2
5	
6	5
7	
	4,900

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Air Stripping Facility for TCE removal, sodium hypochlorite disinfection
Arsenic Treatment Facility, Sodium Hypochlorite, Ferric Chloride, Polymer

STRUCTURES:

Buildings and enclosures associated with arsenic treatment facility, wells and booster stations

OTHER:

COMPANY NAME	Arizona American Water (Sun City West)

WATER COMPANY PLANT DESCRIPTION

WELLS

	ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
1.2	55-601217	200	1,060	716	16	10	1982/1986
1.3	55-612963	200	800	1,032	16	10	1955
1.4	55-205590	200	1,400	1,176	20	10	2005
2.3	55-610214	200	1,200	852	20	10	1982
2.2	55-610215	200	1,200	904	20	10	1982
2.4	55-520840	200	800	1,060	16	10	1988
2.5	55-612959	200	990	963	20	8	1958
1.1	55-547409	250	1,200	1,190	16	8	1995
2.1	55-547408	200	1,200	1,186	16	8	1995
1.5	55-610220	200	1,200	1,000	20	10	1947

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
75	2	1,142	
100	12		
125	1		
150	4		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
758,000	2	10,000	4
1,250,000	2		

COMPANY NAME	Arizona American Water (Sun City West)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
1	Various	-
2	Various	-
4	Various	21,778
5	Various	
6	Various	696,395
8	Various	80,571
10	Various	84,150
12	Various	97,571
14	Various	26,710
16	Various	19,201
18	Various	6,821
20	Various	1,901
24	N/A	-
Undetermined	Various	4,534
	TOTAL =	1,039,632

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	14,270
3/4	4
1	261
1 1/2	552
2	279
3	13
4	2
5	
6	1
7	
8	
TOTAL =	15,382

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

SCW WP 1 Coagulation Filtration Arsenic Removal Treatment Facility
SCW WP 2 Granular Iron Media Arsenic Removal Treatment Facility
Sodium Hypochlorite equipment and storage facilities

STRUCTURES:

Buildings and enclosures associated with wells and booster stations
SCW WP 1 Buildings and enclosures associated with wells and booster stations
SCW WP 1 Control, Blower, MCC, and Polymer storage and feed equipment building
SCW WP 1 Clarifier (242,000 gallons x 2) and thickener structure
Chemical storage and feed equipment building

OTHER:

SCW WP 1 - 3 filter vessels @ 242,000 gallons each
SCW WP 2 - 4 Granular Iron Media Vessels @ 2,319 gallons each
SCW WP 2 - 30,000 gallon Sludge Holding Tank

COMPANY NAME	Arizona American Water (Tubac Valley)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-604370	25	180	204	12	3	1965
55-604371	40	300	140	12	4	1965
55-505043	75	500	650	16	8	1983
55-632901	75	500	302	12	6	1977

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5	2	71	
50	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
50,000	1	2,000	1
		5,000	3
		5,400	1
		8,000	1

COMPANY NAME	Arizona American Water (Tubac Valley)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
4 and under	Various	28,468
6 and over	Various	95,563
	Total =	124,031

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	513
3/4	
1	46
1 1/2	2
2	14
3	4
4	
5	
6	
7	
8	
TOTAL =	579

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

1 Acc-u-tab chlorinator systems and 3 liquid chlorine pumps

STRUCTURES:

Enclosures associated with wells and boosters
Three sheds covering chlorine equipment. 4' X 4', 6' X 10', 10' X 10'

OTHER:

Administrative Trailer

4b) WASTEWATER

COMPANY NAME	Arizona American Water - Agua Fria Wastewater

WASTEWATER COMPANY PLANT DESCRIPTION

TREATMENT FACILITIES

TYPE OF TREATMENT (Extended Aerations, Step Aerations, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Russell Ranch Water Reclamation Facility: Activated Sludge, BNR Verrado Water Reclamation Facility: Activated Sludge, BNR	
DESIGN CAPACITY OF PLANT		
(Gallons Per Day)	Russell Ranch	60,000
(Gallons Per Day)	Verrado	830,000

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
Verrado High School Lift Station	2	15	217	5,828

FORCE MAINS

Size	Material	Length (in feet)
8 inch	Ductile Iron	5,264

	MANHOLES	CLEANOUTS
Type	Quantity	Quantity
Standard	2,698	129
Drop		

COMPANY NAME	Arizona American Water - Agua Fria Wastewater

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)

COLLECTION MAINS

Size (in inches)	Material	Length (in feet)
4	n/a	
6	PVC	246
8	PVC	360,156
10	PVC	11,580
12	PVC	24,327
15	PVC	46,940
18	PVC	25,566
21	PVC	9,868
24	PVC	
30	PVC	
Undetermined	PVC	101,772
	TOTAL =	580,455

SERVICES

Size (in inches)	Material	Quantity
4	n/a	n/a
6	n/a	n/a
8	n/a	n/a
12	n/a	n/a
15	n/a	n/a

For the following three items, list the utility owned assets in each category.

SOLIDS PROCESSING AND HANDLING FACILITIES	Russell Ranch: Aerobic Digester, Vault and Haul Verrado: Aerobic Digester, Belt Filter Press
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	Russell Ranch: 1 NaOCl pump, 1 dechlor ($NaHSO_3$pump) Verrado: 1-700 gal NaOCl tank, 2 NaOCl pumps
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	Verrado: 4 Disc Filter Units (10 micron)
STRUCTURES (Buildings, Fences Etc)	Russell Ranch: Storage shed, block fence around entire permieter of property Verrado: Administrative Modular Trailer, Dewatering building, Motor Control building, Shop building, block fence around entire permieter of property
OTHER Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.	Various tools and equipment associated with wastewater collection and treatment. Russell Ranch: 275 kW standby generator Verrado: 750 kW ad 2,000 kW on site standby Generators, 4 work trucks

COMPANY NAME	Arizona American Water - Agua Fria Wastewater

WASTEWATER FLOWS

MONTH/YEAR	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW (MG)	SEWAGE FLOW ON PEAK DAY (MG)
JANUARY	1,441	5.523	0.236
FEBRUARY	1,427	5.134	0.249
MARCH	1,446	5.749	0.323
APRIL	1,520	4.848	0.230
MAY	1,575	5.066	0.241
JUNE	1,552	4.795	0.208
JULY	1,593	4.954	0.191
AUGUST	1,637	5.313	0.253
SEPTEMBER	1,608	5.405	0.228
OCTOBER	1,614	4.621	0.239
NOVEMBER	1,635	5.973	0.321
DECEMBER	1,629	5.460	0.242
	TOTALS ->	**62.841**	

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)		**Reuse and recharge**
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	Russell Ranch Verrado	**105229** **105202**
Groundwater Permit Numbers	Verrado	**USF 71-207708.0000**
Aquifer Protection Permit Number	Russell Ranch Verrado	**P-105229** **P-105202**
ADEQ Reuse Permit Number	Russell Ranch Verrado	**Type 2 General Class A+** **R-105661** **R-105583**
EPA NPDES Permit Number		**N/A**

COMPANY NAME	Arizona American Water - NE Agua Fria Wastewater

WASTEWATER COMPANY PLANT DESCRIPTION

TREATMENT FACILITIES

TYPE OF TREATMENT (Extended Aerations, Step Aerations, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Refer to the Northwest Valley Regional Water Reclamation Facility (page)
DESIGN CAPACITY OF PLANT (Gallons Per Day)	Refer to the Northwest Valley Regional Water Reclamation Facility (page)

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
~~NE Agua Fria Lift Station 1 (Corte Bella)~~	~~2~~	~~35~~	~~1,760~~	~~55,600~~

FORCE MAINS

Size	Material	Length (in feet)
Included with Agua Fria Wastewater		

	MANHOLES	CLEANOUTS
Type	Quantity	Quantity
Standard	Included with Agua Fria WW	Included with Agua Fria WW
Drop		

COMPANY NAME	Arizona American Water - NE Agua Fria Wastewater

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)

COLLECTION MAINS

Size (in inches)	Material	Length (in feet)
4	n/a	
6	PVC	Included with Agua Fria Wastewater
8	PVC	
10	PVC	
12	PVC	
15	PVC	
18	PVC	
21	PVC	
24	PVC	
30	PVC	
Undetermined	PVC	
	TOTAL =	0

SERVICES

Size (in inches)	Material	Quantity
4	n/a	n/a
6	n/a	n/a
8	n/a	n/a
12	n/a	n/a
15	n/a	n/a

For the following three items, list the utility owned assets in each category.

SOLIDS PROCESSING AND HANDLING FACILITIES	Refer to the Northwest Valley Regional Water Reclamation Facility (page)
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	Refer to the Northwest Valley Regional Water Reclamation Facility (page)
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	Refer to the Northwest Valley Regional Water Reclamation Facility (page)
STRUCTURES (Buildings, Fences Etc)	Refer to the Northwest Valley Regional Water Reclamation Facility (page)
OTHER Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.	Refer to the Northwest Valley Regional Water Reclamation Facility (page)

COMPANY NAME	Arizona American Water (NE Agua Fria Wastewater)

WASTEWATER FLOWS

MONTH/YEAR	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW (MG)	SEWAGE FLOW ON PEAK DAY (MG)
JANUARY	2,539	7.242	0.292
FEBRUARY	2,580	7.122	0.304
MARCH	2,607	8.471	0.336
APRIL	2,641	8.009	0.338
MAY	2,712	7.844	0.308
JUNE	2,772	7.820	0.300
JULY	2,783	7.949	0.298
AUGUST	2,809	7.939	0.320
SEPTEMBER	2,861	8.466	0.336
OCTOBER	2,873	8.967	0.344
NOVEMBER	2,874	9.324	0.404
DECEMBER	2,875	10.223	0.413
	TOTALS ->	**99.376**	

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	**Ground Water Recharge**
Wastewater Inventory Number (all wasterwater systems are assigned an inventory number)	**102667**
Groundwater Permit Numbers	**N/A**
ADEQ Aquifer Protection Permit Number	**P-102667**
ADEQ Reuse Permit Number	**N/A**
EPA NPDES Permit Number	**N/A**

COMPANY NAME	Arizona American Water (Northwest Valley Regional Water Reclamation Facility)

WASTEWATER COMPANY PLANT DESCRIPTION

TREATMENT FACILITY

TYPE OF TREATMENT (Extended Aerations, Step Aerations, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Northwest Valley Regional Water Reclamation Facility (formerly Sun City West WRF) Activated sludge, BNR w/ DN filtration
DESIGN CAPACITY OF PLANT (gallons Per Day	5,000,000

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity(gals)

FORCE MAINS

Size	Material	Length (in feet)

	MANHOLES	CLEANOUTS
Type	Quantity	Quantity

COMPANY NAME	Arizona American Water (Northwest Valley Regional Water Reclamation Facility)

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)

COLLECTION MAINS

Size (in inches)	Material	Length (in feet)
	TOTALS =	0

SERVICES

Size (in inches)	Material	Quantity

For the following three items, list the utility owned assets in each category.

SOLIDS PROCESSING AND HANDLING FACILITIES	Aerobic Digesters (3), Belt pressed sludge is hauled to landfill
DISINFECTION EQUIPMENT	Hypochlorite injections at filter effluent ad Sodium Bisultate dechlorination at discharge weir.
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	Rapid sand filter
STRUCTURES (Buildings, Fences, Etc.)	Admin/Maintenance/Control Building at Treatment Plant; VFD/Control Building at Bell Road Lift Station
OTHER Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.	Various tools and equipment associated with wastewater collection

COMPANY NAME	Arizona American Water (Northwest Valley Regional Water Reclamation Facility)

WASTEWATER FLOWS

MONTH/YEAR	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW (MG)	SEWAGE FLOW ON PEAK DAY (MG)
JANUARY	17,524	85.895	3.144
FEBRUARY	17,565	79.281	3.162
MARCH	17,588	88.035	3.185
APRIL	17,603	79.937	3.113
MAY	17,644	74.217	2.805
JUNE	17,704	67.741	2.546
JULY	17,710	68.744	2.476
AUGUST	17,734	69.492	2.547
SEPTEMBER	17,796	70.500	2.665
OCTOBER	17,839	76.446	2.797
NOVEMBER	17,854	78.764	2.967
DECEMBER	17,860	81.826	3.340
	TOTALS ->	920.878	

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	**Ground Water Recharge**
Wastewater Inventory Number (all wasterwater systems are assigned an inventory number)	**102667**
Groundwater Permit Numbers	**N/A**
ADEQ Aquifer Protection Permit Number	**P-102667**
ADEQ Reuse Permit Number	**N/A**
EPA NPDES Permit Number	**N/A**

COMPANY NAME	Arizona American Water - Anthem Wastewater

WASTEWATER COMPANY PLANT DESCRIPTION

TREATMENT FACILITIES

TYPE OF TREATMENT (Extended Aerations, Step Aerations, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Extended aeration with anoxic zone and Zenon microfiltration system
DESIGN CAPACITY OF PLANT (Gallons Per Day)	3,000,000

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
Influent Lift Station	4	30	2,932	9,700
Reject Water Lift Station	2	20	1,400	6,500
Panhandle 1 Lift Station	2	7.5	494	5,000
Panhandle 2 Lift Station	2	23	500	5,000
Panhandle 3 Lift Station	2	5	700	5,000

FORCE MAINS

Size	Material	Length (in feet)
4 inch	Ductile Iron	5,622
6 inch	Ductile Iron	3,499
8 inch	Ductile Iron	81
18 inch	Ductile Iron	9,276

	MANHOLES	CLEANOUTS
Type	Quantity	Quantity
Standard	1,904	198
Drop		

COMPANY NAME	Arizona American Water - Anthem Wastewater

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)

COLLECTION MAINS

Size (in inches)	Material	Length (in feet)
4	n/a	
6	PVC	4,820
8	PVC	410,635
10	PVC	23,871
12	PVC	19,572
15	PVC	3,224
18	PVC	9,933
21	PVC	2,170
24	PVC	1,070
30	PVC	
Undetermined	PVC	18,831
	TOTAL =	494,126

SERVICES

Size (in inches)	Material	Quantity
4	n/a	n/a
6	n/a	n/a
8	n/a	n/a
12	n/a	n/a
15	n/a	n/a

For the following three items, list the utility owned assets in each category.

SOLIDS PROCESSING AND HANDLING FACILITIES	Belt filter press, 1.5 meter belt
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	UV or Chlorine (NaOCl) injection with chlorine contact chamber
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	Zenon Zee-Weed 500 microfiltration system
STRUCTURES (Buildings, Fences Etc)	Common administration building shared with water plant, headworks building, process building, solids building, perimeter wall. One 1,000,000 gallon non-potable/reclaimed water storage reservoir
OTHER Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.	Various tools and equipment associated with wastewater collection and treatment. 2,000 kW generator, three lift station geenrators, Panhandle 1-50 kW, Panhandle 2-60 kW, Pandhandle 3-80 kW

COMPANY NAME	Arizona American Water - Anthem Wastewater

WASTEWATER FLOWS

MONTH/YEAR	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW (MG)	SEWAGE FLOW ON PEAK DAY (MG)
JANUARY	8,059	36.377	1.530
FEBRUARY	8,079	33.083	1.384
MARCH	8,101	37.352	1.463
APRIL	8,107	37.631	1.486
MAY	8,130	37.366	1.390
JUNE	8,135	34.356	1.310
JULY	8,150	36.809	1.360
AUGUST	8,121	38.685	1.488
SEPTEMBER	8,110	38.898	1.509
OCTOBER	8,094	41.738	1.555
NOVEMBER	8,108	45.800	1.588
DECEMBER	8,076	45.507	1.700
	TOTALS ->	463.602	

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	**Reuse and recharge**
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	**103259**
Groundwater Permit Numbers	**N/A**
Aquifer Protection Permit Number	**P-103259**
ADEQ Reuse Permit Number	**R-103259**
EPA NPDES Permit Number	**N/A**

COMPANY NAME	Arizona American Water - Mohave Wastewater

WASTEWATER COMPANY PLANT DESCRIPTION

TREATMENT FACILITY

TYPE OF TREATMENT (Extended Aerations, Step Aerations, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Extended aeration, trickling filter
DESIGN CAPACITY OF PLANT	
gallons Per Day	112,000 (Arizona Gateway Treatment Plant)
gallons Per Day	250,000 (Wishing Well Treatment Plant)

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity(gals)
Mountain View Drive	2	7.5	114	2,100
Lago Cove	2	3	17	1,000

FORCE MAINS

Size	Material	Length (in feet)
4 inch	PVC	3,000

	MANHOLES	CLEANOUTS
Type	Quantity	Quantity
Standard	452	14
Drop	2	

COMPANY NAME	Arizona American Water - Mohave Wastewater

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)

COLLECTION MAINS

Size (in inches)	Material	Length (in feet)
4	n/a	
6	PVC	201
8	PVC	111,812
10	PVC	9,001
12	PVC	12,300
15	n/a	6,086
18	n/a	
21	n/a	
24	n/a	
	TOTAL =	139,400

SERVICES

Size (in inches)	Material	Quantity
4	n/a	1,511
6	n/a	
8	n/a	2
12	n/a	
15	n/a	
	TOTAL =	1,513

For the following three items, list the utility owned assets in each category.

SOLIDS PROCESSING AND HANDLING FACILITIES	N/A
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	Chlorinator
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	Slow sand filter
STRUCTURES (Buildings, Fences Etc)	600' chain link fence, building over aeration plant, blower building with lab
OTHER Laboratory Equipment, Tools, Vehicles, Standby Power Generators, etc.	150 KW Cat gen-set, 24 hour turbidity meter, miscellaneous lab equipment, influent meter, effluent meter. Effluent pumps.

COMPANY NAME	Arizona American Water - Mohave Wastewater

WASTEWATER FLOWS

MONTH/YEAR	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW (MG)	SEWAGE FLOW ON PEAK DAY (MG)
JANUARY	1,195	6,272	0.230
FEBRUARY	1,195	5,606	0.216
MARCH	1,217	6,248	0.233
APRIL	1,223	6,172	0.236
MAY	1,237	6,028	0.221
JUNE	1,246	5,418	0.207
JULY	1,238	5,749	0.204
AUGUST	1,236	5,739	0.218
SEPTEMBER	1,242	5,641	0.279
OCTOBER	1,248	6,124	0.273
NOVEMBER	1,240	6,194	0.201
DECEMBER	1,234	6,647	0.221
	TOTALS ->	**71,838**	

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	**Reuse and evap ponds**
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	**38-158**
Groundwater Permit Numbers	**N/A**
ADEQ Aquifer Protection Permit Number	**P-105010**
ADEQ Reuse Permit Number	**N/A**
EPA NPDES Permit Number	**N/A**

5) Curtailment Tariff
and
Cross Connection/Backflow Tariff

ARIZONA-AMERICAN WATER COMPANY

Arizona-American's curtailment tariffs for all its districts were filed on October 12, 2007 in compliance with Decision No. 67093. The tariffs were approved by the Commission Staff and became effective on October 24, 2007.

Arizona-American's cross-connection control tariffs for all its districts were approved by the Commission in various rate case decisions. The approved tariffs are on file with the Commission.

Agua Fria Water

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Index of Standard Filing Schedules for Class A Water/Wastewater Utilities

Schedule No.	Title	Witness
Schedule A-1	Computation of Increase in Gross Revenue Requirement	Witness: Broderick
Schedule A-2	Summary of Results of Operations	Witness: Hubbard
Schedule A-3	Summary of Capital Structure	Witness: Broderick
Schedule A-4	Construction Expenditures and Gross Utility Plant in Service	Witness: Hubbard
Schedule A-5	Summary Statements of Cash Flows	Witness: Hubbard
Schedule B-1	Summary of Fair Value Rate Base	Witness: Gutowski
Schedule B-2	Original Cost Rate Base Proforma Adjustments	Witness: Gutowski
Schedule B-3	RCND Rate Base Proforma Adjustments	Witness: Gutowski
Schedule B-4	RCND Detail of Plant Accounts	Witness: Gutowski
Schedule B-5	Computation of Working Capital	Witness: Gutowski
Schedule C-1	Adjusted Test Year Income Statement	Witness: Hubbard
Schedule C-2	Income Statement Pro Forma Adjustments	Witness: Hubbard
Schedule C-3	Computation of Gross Revenue Conversion Factor	Witness: Hubbard
Schedule D-1	Summary of Cost of Capital	Witness: Broderick
Schedule D-2	Cost of Long Term Debt	Witness: Broderick
Schedule D-3	Cost of Preferred Stock	Witness: Broderick
Schedule D-4	Cost of Common Equity	Witness: Broderick
Schedule E-1	Comparative Balance Sheets	Witness: Gutowski
Schedule E-2	Comparative Income Statements	Witness: Hubbard
Schedule E-3	Comparative Statement of Changes in Financial Position	Witness: Hubbard
Schedule E-4	Statement of Changes in Stockholder's Equity	Witness: Broderick
Schedule E-5	Detail of Plant in Service	Witness: Gutowski
Schedule E-6	Comparative Departmental Statements of Operating Income	Witness: Hubbard
Schedule E-7	Operating Statistics	Witness: Hubbard
Schedule E-8	Taxes Charged to Operations	Witness: Hubbard
Schedule E-9	Notes To Financial Statements	Witness: Broderick
Schedule F-1	Projected Income Statements - Present & Proposed Rates	Witness: Hubbard
Schedule F-2	Projected Statements of Changes in Financial Position	Witness: Hubbard
Schedule F-3	Projected Construction Requirements	Witness: Hubbard
Schedule F-4	Assumptions Used in Rate Filing	Witness: Hubbard
Schedule G-1	Rates of Return by Customer Classification - Existing Rates	Witness: Herbert
Schedule G-2	Rates of Return by Customer Classification - Proposed Rates	Witness: Herbert
Schedule G-3	Rate Base Allocation to Classes	Witness: Herbert
Schedule G-4	Operating Expenses Allocation to Classes	Witness: Herbert
Schedule G-5	Distribution of Rate Base by Function	Witness: Herbert
Schedule G-6	Distribution of Expenses by Function	Witness: Herbert
Schedule G-7	Development of Allocation Factors	Witness: Herbert
Schedule H-1	Summary of Revenues by Customer	Witness: Gutowski
Schedule H-2	Analysis of Revenues by Detailed Class	Witness: Gutowski
Schedule H-3	Changes In Representative Rate Schedules	Witness: Gutowski
Schedule H-4	Typical Bill Analysis	Witness: Gutowski
Schedule H-5	Bill Count	Witness: Gutowski

A Schedules
Agua Fria
Water

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Computation of Increase in Gross Revenue Requirement

Exhibit
Schedule A-1
Page 1
Witness: Broderick

Line No.		
1	Original Cost Rate Base	$ 96,976,395
2		
3	Adjusted Operating Income	2,601,288
4		
5	Current Rate of Return	2.68%
6		
7	Required Operating Income	$ 8,146,017
8		
9	Required Rate of Return	8.40%
10		
11	Operating Income Deficiency	$ 5,544,729
12		
13	Gross Revenue Conversion Factor	1.6578
14		
15	Increase in Gross Revenue	
16	Requirement	$ 9,192,203
17		

18 Customer	Present	Proposed	Dollar	Percent
19 Classification	Rates	Rates	Increase	Increase
20				
21 Residential	$13,633,335	$20,846,887	$7,213,552	52.91%
22 Commercial	3,920,854	5,690,307	$1,769,453	45.13%
23 OPA	31,032	54,537	$23,505	75.75%
24 Sale for Resale	123,440	123,440	$0	0.00%
25 Private Fire	108,160	196,887	$88,726	82.03%
26 Misc Irrigation Sales	96,636	193,445	$96,809	100.18%
27				
28 Total Water Revenues	$17,913,457	$27,105,503	$9,192,045	51.31%
29				
30 Other Revenues	$905,117	$905,117	$0	0.00%
31				
32 Total Revenues	$18,818,574	$28,010,619	$9,192,045	48.85%

33
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40 Supporting Schedules:
41 B-1
42 C-1
43 H-1
44
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46
47
48
49
50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Hubbard

Line No.	Description	Prior Years Ended 12/9/2005	Prior Years Ended 12/31/2006	Test Year Actual 12/31/2007	Test Year Adjusted 12/31/2007	Projected Year Present Rates 12/31/2008	Projected Year Proposed Rates 12/31/2008
1	Gross Revenues	$ 12,719,894	$ 15,899,844	$ 19,060,578	$ 18,818,613	$ 18,818,613	$ 28,010,816
2							
3	Revenue Deductions and	10,271,560	10,561,624	13,429,416	16,217,325	16,078,560	19,904,178
4	Operating Expenses						
5							
6	Operating Income	$ 2,448,334	$ 5,338,220	$ 5,631,162	$ 2,601,288	$ 2,740,053	$ 8,106,637
7							
8	Other Income and	629,857	372,995	1,355,628	-	(359,507)	(359,507)
9	Deductions						
10							
11	Interest Expense	2,235,443	2,270,234	2,869,000	2,822,013	2,822,013	2,822,013
12							
13	Net Income	$ 842,748	$ 3,440,981	$ 4,117,790	$ (220,725)	$ (441,467)	$ 4,925,117
14							
15	Earned Per Average						
16	Common Share	25.82	103.22	117.14	(6.09)	(12.17)	135.79
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	1.01%	3.44%	3.69%	-0.20%	-0.38%	4.28%
25			6.46%	2.49%			
26	Return on Year End						
27	Capital	0.92%	3.17%	3.59%	-0.19%	-0.38%	4.26%
28							
29	Return on Average						
30	Common Equity	3.50%	9.74%	9.34%	-0.50%	-0.87%	9.73%
31							
32	Return on Year End						
33	Common Equity	2.84%	8.41%	8.72%	-0.47%	-0.82%	9.11%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	(0.20)	(2.31)	(0.01)	0.96	0.96	4.17
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	2.91	(7.63)	5.13	0.92	0.84	2.75
41							
42							
43	Supporting Schedules:						
44	E-2 F-1						
45	C-1						
46	Workpapers & Supporting Documents:						
47	\08 Agua Fria Water\Workpapers\Rate Base\AFWtr Rate Base.xls						
48							
49							
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\						

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Broderick

Line No.	Description:	Prior Years Ended 12/9/2005	Prior Years Ended 12/31/2006	Test Year 12/31/2007	Projected Year 12/31/2008
1					
2					
3	Long-Term Debt	198,757,395	207,839,822	194,768,140	189,208,140
4					
5	Total Debt	$ 198,757,395	$ 207,839,822	$ 194,768,140	$ 189,208,140
6					
7					
8	Preferred Stock	-	-	-	-
9					
10	Common Equity	95,198,212	125,757,912	136,123,326	166,123,326
11					
12					
13	Total Capital & Debt	$ 293,955,607	$ 333,597,734	$ 330,891,466	$ 355,331,466
14					
15					
16	Capitalization Ratios:				
17					
18	Long-Term Debt	67.61%	62.30%	58.86%	53.25%
19					
20	Total Debt	67.61%	62.30%	58.86%	53.25%
21					
22					
23	Preferred Stock	-	-	-	-
24					
25	Common Equity	32.39%	37.70%	41.14%	46.75%
26					
27					
28	Total Capital	100.00%	100.00%	100.00%	100.00%
29					
30	Weighted Cost of				
31	Short-term Debt	2.90%	5.73%	5.73%	5.73%
32					
33	Weighted Cost of				
34	Long-term Debt	4.90%	5.39%	5.47%	5.46%
35					
36	Weighted Cost of				
37	Senior Capital	4.90%	5.39%	5.47%	5.46%
38					
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41					
42					
43	Supporting Schedules:				
44	E-1 D-1				
45	Workpapers & Supporting Documents:				
46					
47					
48					
49					
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\				

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Construction Expenditures and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Hubbard

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2	Prior Year Ended 12/09/05	45,090,649	30,825,861	141,329,634
3				
4	Prior Year Ended 12/31/06	20,664,018	29,449,350	170,778,984
5				
6	Test Year Ended 12/31/07	33,926,232	36,880,365	207,659,349
7				
8	Projected Year Ended December 31, 2008	40,088,481	42,705,835	250,365,184
9				
10	Projected Year Ended December 31, 2009	42,771,175	45,563,681	295,928,865
11				
12	Projected Year Ended December 31, 2010	3,676,100	3,916,110	299,844,975
13				
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41				
42	Supporting Schedules:			
43	F-3			
44	E-5			
45	\Common\Workpapers\Cash Flow Supporting Schedules\Cash Flow Inputs - A4 and F3.xls			
46				
47				
48				
49				
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Hubbard

Line No.		Prior Year Ended 12/9/2005	Prior Year Ended 12/31/2006	Test Year Ended 12/31/2007	Projected Year Present Rates 12/31/2008	Projected Year Proposed Rates 12/31/2008
5	Source of Funds					
6	From Operations					
7	Net Income	(188,821)	(166,332)	(359,507)	277,547	5,644,131
8	Depreciation and Amortization	3,364,538	3,324,008	4,117,636	4,397,190	4,397,190
9	Def. Investment Tax Credits	-	-	-	-	-
10	Deferred income Taxes	654,101	(2,958,669)	(795,911)	(795,911)	(795,911)
11	Amort. Of Regulatory Expense	40,790	55,786	27,026	27,026	27,026
12	Total From Operations	3,870,608	254,793	2,989,244	3,905,853	9,272,437
13	From Financing					
14	Advances in Aid of Construction	22,484,339	10,728,384	17,093,592	17,093,592	17,093,592
15	Contributions in Aid of Construction	3,484,356	11,543,926	12,045,014	12,045,014	12,045,014
16	Issuance of Long-term Debt	4,634,724	5,072,121	514,645	514,645	514,645
17	(Decrease) Increase in Net Amounts due to					
18	Parent and Affiliates	-	11,391,127	5,202,536	10,405,072	10,405,072
19	Total From Financing	30,603,419	38,735,558	34,855,787	40,058,323	40,058,323
20						
21	Total Funds Provided	$ 34,474,026	$ 38,990,350	$ 37,845,031	$ 43,964,176	$ 49,330,760
22	Application of Funds					
23	Construction Expenditures	45,090,649	20,664,018	33,926,232	40,088,481	40,088,481
24	Rate Case Expenses	40,790	55,786	27,026	$ 27,026	27,026
25	Dividends Paid	-	-	-	-	-
26	Other Deferred Debits and Credits	39,000	(278,477)	(718,761)	(718,761)	(718,761)
27	Total Funds Applied	$ 45,170,440	$ 20,441,327	$ 33,234,497	$ 39,396,746	$ 39,396,746

42 Supporting Schedules:
43 E-3
44 F-2

50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

B Schedules
Agua Fria
Water

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Summary of Fair Value Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Gutowski

Line No.			Original Cost Rate base
1			
2	Gross Utility Plant in Service	$	211,145,154
3	CWIP in Rate Base		25,000,000
4	Less: Accumulated Depreciation		20,033,433
5			
6	Net Utility Plant in Service	$	216,111,721
7			
8	Less:		
9	Advances in Aid of		
10	Construction		98,233,813
11	Contributions in Aid of		
12	Construction - Net of amortization		28,271,263
13	Imputed Regulatory Advances		-
14	Imputed Regulatory Contributions		796,965
15	Customer Meter Deposits		19,040
16	Deferred Income Taxes & Credits		(2,839,311)
17	Investment tax Credits		-
18	Plus:		
19	Unamortized Finance		
20	Charges		-
21	Deferred Debits		3,529,517
22	Allowance for Working Capital		1,816,928
23	Utility Plant Acquisition Adjustment		-
24			
25	Total Rate Base	$	96,976,395
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	Supporting Schedules:		Recap Schedules:
42	B-2 B-5		A-1
43	B-3		
44	E-1		
45			
46			
47			
48			
49			
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Gutowski

Line No.		[A] Actual End of Test Year	[B] ADJ LJG-1 Retirements from Jul '04 Decision	[C] ADJ LJG-2 Remove White Tanks Hook Up Excess Contrib	[D] ADJ LJG-3 Spread Dec '07 Corporate JE to Districts	[E] ADJ LJG-4 Allocate Corporate to Districts	[F] ADJ LJG-5 Spread Dec '07 Corp JE to Districts	[G] ADJ LJG-6 Decrease CIAC for CWIP
1	Gross Utility							
2	Plant in Service	$ 206,661,420	$ (76,503)	$ -	$ 510,426	$ 997,929	$ (162,151)	
3	CWIP for the White Tanks Project							
4	**Less:**							
5								
6	Accumulated Depreciation	19,289,808	(19,453)	-	-	763,218	(140)	
7								
8	Net Utility Plant							
9	in Service	$ 187,371,612	$ (57,050)	$ -	$ 510,426	$ 234,711	$ (162,011)	$ -
10								
11	**Less:**							
12	Advances in Aid of							
13	Construction	98,233,813						
14	Contributions in Aid of							
15	Construction - Net	31,777,034		(73,485)				(3,432,286)
16	Imputed Regulatory Advances	-						
17	Imputed Regulatory Contributions	-						
18	Customer Meter Deposits	19,040						
19	Deferred Income Taxes	(2,839,311)						
20	Investment Tax Credits	-						
21								
22								
23	**Plus:**							
24	Deferred Debits	3,529,517						
25	Working capital	1,816,928						
26	Utility Plant Acquisition Adjustment	6,090,214						
27								
28	Total	$ 71,617,694	$ (57,050)	$ 73,485	$ 510,426	$ 234,711	$ (162,011)	$ 3,432,286
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39	Supporting Schedules:							
40	B-5							
41	E-1							
42	08 AZ MEGA\Common\Workpapers\CZN AZAM plant recon 2001 Case.xls							
43	08 AZ MEGA\08 Agua Fria Water\Workpapers\Rate Base\UPIS Aqua Fria Water 2002-2007.xls							Recap Schedules:
44	08 AZ MEGA\08 Agua Fria Water\Workpapers\Rate Base\ACCUM DEP Aqua Fria Water.xls							B-1
45	08 AZ MEGA\Common\Workpapers\Ariz Trial Bal 2007.xls							
46	08 AZ MEGA\Common\Workpapers\Corp Rate Base\UPIS Corporate.xls							
47	08 AZ MEGA\Common\Workpapers\Corp Rate Base\DEP Corporate.xls							
48								
49								
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\							

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 2
Witness: Gutowski

Line No.		[H] ADJ TMB-7 Regulatory AIAC	[I] ADJ TMB-8 Regulatory CIAC	[J] ADJ TMB-9 Remove Acquisition Adjustment	[K] ADJ LJG-10 CWIP in Rate Base	[L] ADJ LJG-11 Post TYE Plant Additions	[M] Total Pro Forma Adjustments	[N] Adjusted End of Test Year
1	Gross Utility							
2	Plant in Service					$ 3,214,033	$ 4,483,734	$ 211,145,154
3	CWIP for the White Tanks Project				25,000,000		25,000,000	25,000,000
4	**Less:**						-	-
5							-	-
6	Accumulated Depreciation						743,625	20,033,433
7								
8	Net Utility Plant							
9	in Service	$ -	$ -	$ -	$25,000,000	$ 3,214,033	$28,740,109	$ 216,111,721
10								
11	**Less:**							
12	Advances in Aid of							
13	Construction						-	98,233,813
14	Contributions in Aid of							
15	Construction - Net						(3,505,771)	28,271,263
16	Imputed Regulatory Advances	-					-	-
17	Imputed Regulatory Contributions		796,965				796,965	796,965
18	Customer Meter Deposits						-	19,040
19	Deferred Income Taxes						-	(2,839,311)
20	Investment Tax Credits						-	-
21								
22								
23	**Plus:**							
24	Deferred Debits						-	3,529,517
25	Working capital						-	1,816,928
26	Utility Plant Acquisition Adjustment			(6,090,214)			(6,090,214)	-
27								
28	Total	$ -	$ (796,965)	$ (6,090,214)	$25,000,000	$ 3,214,033	$25,358,701	$ 96,976,395
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39	Supporting Schedules:							
40	B-5							
41	E-1							
42	08 AZ MEGA\Common\Workpapers\CZN AZAM							
43	08 AZ MEGA\08 Agua Fria Water\Workpapers\R						Recap Schedules:	
44	08 AZ MEGA\08 Agua Fria Water\Workpapers\R						B-1	
45	08 AZ MEGA\Common\Workpapers\Ariz Trial Ba							
46	08 AZ MEGA\Common\Workpapers\Corp Rate B							
47	08 AZ MEGA\Common\Workpapers\Corp Rate B							
48								
49								
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\							

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-1, LJG-3

Exhibit
Schedule B-2
Page 3
Witness: Gutowski

Line No.	Object Account	Sub. Account	Description	Annual Depr. Rate	Monthly Depr. Rate	Approved Dec. 67093 December 2001	Remove Common Plant Allocations	Remove Post-T.Y. Plant Incld'd in Decision	Related Adjstmnts' to Accum. Deprec.	LJG-1 Add Back Plant Not Used Per Staff (To Be Retired)	Adjusted Balance December 2001	Misc Differences	Related Adjstmnts' to Accum. Deprec.	Starting Balances December 2001
1	Reconcile Agua Fria Water Plant & Accum. Depr.													
2	to Amounts Previously Approved													
6	101000	301000	Organization	0.00%	0.00%	1,229	-	-	-		1,229	-	-	1,229
7	101000	302000	Franchises	0.00%	0.00%	78,887	-	-	-		78,887	(0)	-	78,887
8	101000	303200	Land & Land Rights SS	0.00%	0.00%	213,063	-	-	-	(4,619)	217,682	0	-	217,682
9	101000	303300	Land & Land Rights P	0.00%	0.00%	47,681	-	-	-		47,681	(0)	-	47,681
10	101000	303400	Land & Land Rights WT								-	225		225
11	101000	303500	Land & Land Rights TD	0.00%	0.00%	225	-	-	-		225	(225)	-	-
12	101000	303600	Land & Land Rights AG	0.00%	0.00%	681	(681)	-	-		-	-	-	-
13	101000	304100	Struct & Imp SS	2.50%	0.21%	1,189,507	-	(50,631)	-	(11,196)	1,150,072	(12,399)	-	1,137,673
14	101000	304200	Struct & Imp P	1.67%	0.14%	1,246,735	-	-	-		1,246,735	0	-	1,246,735
15	101000	304300	Struct & Imp WT	1.67%	0.14%	39,917	-	-	-		39,917	(0)	-	39,917
16	101000	304400	Struct & Imp TD	1.67%	0.14%	-	-	-	-		-	-	-	-
17	101000	304600	Struct & Imp Offices	2.03%	0.17%	467,707	(369,506)	-	-		98,201	-	-	98,201
18	101000	304800	Struct & Imp Misc	0.00%	0.00%	-	-	-	-		-	-	-	-
19	101000	305000	Collect & Impounding	0.00%	0.00%	-	-	-	-		-	-	-	-
20	101000	307000	Wells & Springs	2.52%	0.21%	4,052,408	-	29,586	-		4,081,994	(39,999)	-	4,041,995
21	101000	310100	Power Generation Equip Other	4.42%	0.37%	-	-	-	-		-	-	-	-
22	101000	311200	Pump Equip Electric	4.42%	0.37%	14,614,342	-	(90,551)	-	(15,122)	14,538,913	(1)		14,538,912
23	101000	311300	Pump Equip Diesel	4.42%	0.37%	25,799	-	-	-		25,799	0	-	25,799
24	101000	311500	Pump Equip Other	4.42%	0.37%	697	-	-	-		697	(0)	-	697
25	101000	320100	WT Equip Non-Media	4.00%	0.33%	374,055	-	10,260	-	(3,442)	387,757	(10,260)	-	377,497
26	101000	330000	Dist Reservoirs & Standpipe	1.67%	0.14%	3,090,645	-	20,687	-	(34,414)	3,145,746	(284,119)	-	2,861,627
27	101000	331001	TD Mains Not Classified by Size	1.53%	0.13%	21,459,474	-	8,345	-	(7,710)	21,475,529	(85,500)	-	21,390,029
28	101000	331100	TD Mains 4in & Less	1.53%	0.13%	-	-	-	-		-	-	-	-
29	101000	331200	TD Mains 6in to 8in	1.53%	0.13%	-	-	-	-		-	-	-	-
30	101000	331300	TD Mains 10in to 16in	1.53%	0.13%	-	-	-	-		-	-	-	-
31	101000	331400	TD Mains 18in and Grtr.	2.34%	0.20%									
32	101000	332000	Fire Mains	0.00%	0.00%									
33	101000	333000	Services	2.48%	0.21%	2,694,167	-	-	-		2,694,167	(1)	-	2,694,166
34	101000	334100	Meters	2.51%	0.21%	1,744,305	-	-	-		1,744,305	(0)	-	1,744,305
35	101000	334200	Meter Installations	2.51%	0.21%		-	-	-		-	-	-	-
36	101000	335000	Hydrants	2.00%	0.17%	2,805,185	-	(5,229)	-		2,799,956	(0)	-	2,799,956
37	101000	339100	Other P/E Intangible	0.00%	0.00%	115,264	-	-	-		115,264	(0)	-	115,264
38	101000	339300	Other P/E Misc	0.00%	0.00%									
39	101000	339500	Other P/E TD	0.00%	0.00%	-	-	-	-		-	-	-	-
40	101000	340100	Office Furniture & Equip	4.04%	0.34%	230,306	(144,522)	-	-		85,784	-	-	85,784
41	101000	340200	Comp & Periph Equip	4.04%	0.34%	189,928	(128,043)	-	-		61,885	-	-	61,885
42	101000	341100	Trans Equip Lt Duty Trks	25.00%	2.08%	251,004	38,550	-	-		289,554	-	-	289,554
43	101000	341200	Trans Equip Hvy Duty Trks	25.00%	2.08%		-	-			-	-	-	-
44	101000	342000	Stores Equipment	3.92%	0.33%	4,012	(4,012)	-	-		-	-	-	-
45	101000	343000	Tools,Shop,Garage Equip	4.02%	0.34%	57,402	(53,725)	-	-		3,677	0	-	3,677
46	101000	344000	Laboratory Equipment	0.00%	0.00%	18,183	(18,183)	-	-		-	-	-	-
47	101000	345000	Power Operated Equipment	5.20%	0.43%	16,803	(16,803)	-	-		-	-	-	-
48	101000	346100	Comm Equip Non-Telephone	10.30%	0.86%	122,529	(118,728)	-	-		3,801	-	-	3,801
49	101000	346300	Comm Equip Other	4.93%	0.41%	38,697	19,875	-	-		58,572	-	-	58,572
50														
51			Utility Plant			55,190,837	(795,779)	(77,533)		(76,503)	54,394,028	(432,280)		53,961,748
52			Remove Double Booked Advances - Staff Req Adj to Balance (?)			(4,128,730)								-
53			Total Plant			51,062,107					54,394,028			53,961,748
54														
55			Annual Depreciation Expense, includes retirements											
56			Retirements											
57			Accum. Depr. - Apprvd'/Calculated			5,020,828	(5,787)		-	(19,453)	4,995,588		-	4,995,588
58			Total Salvage											
59			Total Approved/Calculated											
60			Total Per Books (\Trial Balance\Column DE\)											(4,520,311)
61			Total Over/(Under) Depreciated											(475,277)

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-1, LJG-3

Exhibit
Schedule B-2
Page 4
Witness: Gutowski

Reconcile Agua Fria Water Plant & Accum. Depr.
to Amounts Previously Approved

Line No.	Object Account	Sub. Account	Description	Additions, 2002	Retirements 2002	Adjustments 2002	Accum Depr. Expense 2002	Ending Balance December 2002	Additions, 2003	Retirements 2003	Adjustments 2003	Accum Depr. Expense 2003	Ending Balance December 2003
6	101000	301000	Organization	-	-	-	-	1,229	-	-	-	-	1,229
7	101000	302000	Franchises	-	-	-	-	78,887	28,684	-	-	-	107,571
8	101000	303200	Land & Land Rights SS	-	-	-	-	217,682	-	-	-	-	217,682
9	101000	303300	Land & Land Rights P	-	-	(9,000)	-	38,681	-	-	-	-	38,681
10	101000	303400	Land & Land Rights WT	-	-	-	-	225	-	-	-	-	225
11	101000	303500	Land & Land Rights TD	-	-	-	-	-	-	-	-	-	-
12	101000	303600	Land & Land Rights AG	-	-	-	-	-	-	-	-	-	-
13	101000	304100	Struct & Imp SS	227,899	-	(110,181)	28,687	1,255,390	404,406	-	-	32,232	1,659,797
14	101000	304200	Struct & Imp P	770,482	-	(414,113)	21,316	1,603,104	1,573,447	-	-	28,633	3,176,552
15	101000	304300	Struct & Imp WT	43,696	-	-	727	83,613	(31,000)	-	-	922	52,613
16	101000	304400	Struct & Imp TD	-	-	-	-	-	1,566,697	-	-	2,180	1,566,697
17	101000	304600	Struct & Imp Offices	-	-	-	1,993	98,201	-	(3,391)	-	(1,398)	94,809
18	101000	304800	Struct & Imp Misc	-	-	-	-	-	-	-	-	-	-
19	101000	305000	Collect & Impounding	-	-	-	-	-	-	-	-	-	-
20	101000	307000	Wells & Springs	409,075	-	(331,462)	102,109	4,119,608	2,424,191	-	-	109,445	6,543,799
21	101000	310100	Power Generation Equip Other	-	-	-	-	-	451,929	-	-	-	451,929
22	101000	311200	Pump Equip Electric	1,598,066	(31,482)	(2,229,104)	612,960	13,876,392	2,554,706	(4,376)	59,913	624,426	16,486,634
23	101000	311300	Pump Equip Diesel	-	-	-	1,140	25,799	-	-	-	1,140	25,799
24	101000	311500	Pump Equip Other	-	-	-	31	697	354,596	-	-	1,337	355,293
25	101000	320100	WT Equip Non-Media	-	(764)	(49,000)	14,165	327,733	360,054	(4,194)	-	10,018	683,593
26	101000	330000	Dist Reservoirs & Standpipe	240,572	-	(962,470)	46,785	2,139,729	5,635,509	-	-	43,590	7,775,238
27	101000	331001	TD Mains Not Classified by Size	3,840,084	-	(21,437,848)	4,835	3,792,265	1,875,304	-	(60,447)	65,879	5,607,122
28	101000	331100	TD Mains 4in & Less	6,217	(639)	21,390,000	326,654	21,395,577	3,773	-	-	327,404	21,399,350
29	101000	331200	TD Mains 6in to 8in	1,900,958	-	-	2,445	1,900,958	4,944,680	-	-	44,180	6,845,638
30	101000	331300	TD Mains 10in to 16in	1,364,853	-	-	1,740	1,364,853	5,945,556	-	-	30,705	7,310,409
31	101000	331400	TD Mains 18in and Grtr.						211,113	-	-	412	211,113
32	101000	332000	Fire Mains										
33	101000	333000	Services	957,068	(7,828)	(18,711)	61,356	3,624,695	1,376,974	-	363	97,249	5,002,032
34	101000	334100	Meters	472,474	-	(3,960)	45,316	2,212,819	441,329	-	171	58,113	2,654,318
35	101000	334200	Meter Installations	83,516	-	-	284	83,516	185,520	-	-	2,720	269,036
36	101000	335000	Hydrants	1,341,984	-	(18,550)	58,206	4,123,390	1,724,481	-	-	89,183	5,847,871
37	101000	339100	Other P/E Intangible	-	-	-	-	115,264	-	-	-	-	115,264
38	101000	339300	Other P/E Misc										
39	101000	339500	Other P/E TD	-	-	-	-	-	-	-	-	-	-
40	101000	340100	Office Furniture & Equip	-	-	-	3,466	85,784	-	(74,201)	-	(70,735)	11,583
41	101000	340200	Comp & Periph Equip	-	-	-	2,500	61,885	-	-	-	2,500	61,885
42	101000	341100	Trans Equip Lt Duty Trks	19,897	-	-	72,803	309,452	-	-	-	77,363	309,452
43	101000	341200	Trans Equip Hvy Duty Trks	-	-	-	-	-	-	-	-	-	-
44	101000	342000	Stores Equipment	-	-	-	-	-	-	-	-	-	-
45	101000	343000	Tools,Shop,Garage Equip	-	-	-	148	3,677	-	-	-	148	3,677
46	101000	344000	Laboratory Equipment	-	-	-	-	-	-	-	-	-	-
47	101000	345000	Power Operated Equipment	-	-	-	-	-	-	-	-	-	-
48	101000	346100	Comm Equip Non-Telephone	-	-	-	392	3,801	233,939	-	-	2,400	237,741
49	101000	346300	Comm Equip Other	9,804	-	-	3,210	68,376	-	-	-	3,371	68,376
50													
51			Utility Plant	13,286,646	(40,714)	(4,194,399)		63,013,282	32,265,889	(86,162)	0		95,193,009
52			Remove Double Booked Advances - Staff Req Adj		-		-						
53			Total Plant					63,013,282					95,193,009
54													-
55			Annual Depreciation Expense, includes retirements				1,413,268					1,583,417	
56			Retirements	-		-		-					
57			Accum. Depr. - Apprvd'/Calculated					6,408,856					7,992,273
58			Total Salvage										
59			Total Approved/Calculated										
60			Total Per Books (\Trial Balance\Column DE\)				(1,427,065)	(5,947,376)				(1,663,140)	(7,610,515)
61			Total Over/(Under) Depreciated				13,797	(461,480)				79,723	(381,758)

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-1, LJG-3

Exhibit
Schedule B-2
Page 5
Witness: Gutowski

Reconcile Agua Fria Water Plant & Accum. Depr.
to Amounts Previously Approved

Line No.	Object Account	Sub. Account	Description	Additions, 2004	Retirements 2004	Adjustments 2004	Accum Depr. Expense 2004	Ending Balance December 2004	Additions, 2005	Retirements 2005	Adjustments 2005	Accum Depr. Expense 2005	Ending Balance December 2005
6	101000	301000	Organization	-	-	-	-	1,229	-	-	-	-	1,229
7	101000	302000	Franchises	-	-	-	-	107,571	252,348	-	-	-	359,919
8	101000	303200	Land & Land Rights SS	270,268	-	-	-	487,951	600,128	-	-	-	1,088,079
9	101000	303300	Land & Land Rights P	14,185	-	-	-	52,866	-	-	-	-	52,866
10	101000	303400	Land & Land Rights WT	624,427	-	-	-	624,652	-	-	-	-	624,652
11	101000	303500	Land & Land Rights TD	-	-	-	-	-	-	-	-	-	-
12	101000	303600	Land & Land Rights AG	-	-	-	-	-	-	-	-	-	-
13	101000	304100	Struct & Imp SS	2,401,260	-	-	55,632	4,061,056	1,314,655	-	-	106,508	5,375,711
14	101000	304200	Struct & Imp P	918,822	-	-	57,492	4,095,374	143,784	-	-	68,797	4,239,158
15	101000	304300	Struct & Imp WT	7,106	-	-	909	59,719	-	-	-	997	59,719
16	101000	304400	Struct & Imp TD	1,620,595	-	-	27,704	3,187,292	118,143	-	-	53,556	3,305,436
17	101000	304600	Struct & Imp Offices	-	-	-	1,925	94,809	-	-	-	1,925	94,809
18	101000	304800	Struct & Imp Misc	-	-	-	-	-	-	-	-	-	-
19	101000	305000	Collect & Impounding	-	-	-	-	-	-	-	-	-	-
20	101000	307000	Wells & Springs	(1,117,894)	-	-	165,900	5,425,905	3,389,362	-	-	148,611	8,815,267
21	101000	310100	Power Generation Equip Other	(234,432)	-	-	-	217,497	276,641	-	421,792	-	915,930
22	101000	311200	Pump Equip Electric	2,378,595	(13,429)	-	753,314	18,851,801	1,220,211	(33,473)	-	812,282	20,038,539
23	101000	311300	Pump Equip Diesel	3,773	-	-	1,168	29,572	-	-	-	1,307	29,572
24	101000	311500	Pump Equip Other	1,059,028	-	-	28,106	1,414,321	295,397	-	-	65,777	1,709,718
25	101000	320100	WT Equip Non-Media	(78,547)	(2,784)	-	25,009	602,262	263,614	-	-	25,638	865,876
26	101000	330000	Dist Reservoirs & Standpipe	(2,933,181)	-	-	118,149	4,842,057	2,008,430	-	-	89,253	6,850,488
27	101000	331001	TD Mains Not Classified by Size	129,616	-	-	85,477	5,736,738	(75,805)	-	-	87,411	5,660,933
28	101000	331100	TD Mains 4in & Less	10,472	-	-	327,457	21,409,822	35,773	-	-	327,644	21,445,595
29	101000	331200	TD Mains 6in to 8in	4,265,931	-	-	119,805	11,111,569	5,673,615	-	-	190,769	16,785,184
30	101000	331300	TD Mains 10in to 16in	503,257	-	-	120,256	7,813,666	7,306,854	-	-	142,411	15,120,520
31	101000	331400	TD Mains 18in and Grtr.	1,444,883	-	-	7,826	1,655,996	1,328,938	-	-	46,009	2,984,934
32	101000	332000	Fire Mains										
33	101000	333000	Services	1,097,719	-	-	129,444	6,099,751	1,963,422	-	-	160,912	8,063,174
34	101000	334100	Meters	421,063	(1,155)	-	69,240	3,074,226	388,125	(91)	-	80,878	3,462,260
35	101000	334200	Meter Installations	522,194	(1,296)	-	8,238	789,933	384,323	(1,840)	-	20,623	1,172,417
36	101000	335000	Hydrants	1,619,435	-	-	122,979	7,467,306	1,816,394	-	-	157,131	9,283,700
37	101000	339100	Other P/E Intangible	-	-	-	-	115,264	-	-	-	-	115,264
38	101000	339300	Other P/E Misc										
39	101000	339500	Other P/E TD	-	-	-	-	-	-	-	-	-	-
40	101000	340100	Office Furniture & Equip	-	-	-	468	11,583	14,988	-	-	518	26,571
41	101000	340200	Comp & Periph Equip	9,398	-	-	2,639	71,283	26,946	(20,780)	-	(17,817)	77,448
42	101000	341100	Trans Equip Lt Duty Trks	(20,677)	-	-	75,209	288,775	2,185	-	-	72,239	290,960
43	101000	341200	Trans Equip Hvy Duty Trks	-	-	-	-	-	-	-	-	-	-
44	101000	342000	Stores Equipment	-	-	-	-	-	-	-	-	-	-
45	101000	343000	Tools,Shop,Garage Equip	-	-	-	148	3,677	-	-	-	148	3,677
46	101000	344000	Laboratory Equipment	-	-	-	-	-	-	-	-	-	-
47	101000	345000	Power Operated Equipment	-	-	-	-	-	-	-	-	-	-
48	101000	346100	Comm Equip Non-Telephone	102,570	-	-	28,969	340,311	738,992	-	204,232	50,864	1,283,535
49	101000	346300	Comm Equip Other	289,563	-	-	6,297	357,939	-	-	-	17,646	357,939
50													
51			Utility Plant	15,329,429	(18,665)	-		110,503,774	29,487,462	(56,184)	626,024		140,561,076
52			Remove Double Booked Advances - Staff Req Adj										
53			Total Plant					110,503,774					140,561,076
54													
55			Annual Depreciation Expense, includes retirements				2,339,762					2,712,039	
56			Retirements										
57			Accum. Depr. - Apprvd'/Calculated					10,332,035					13,044,074
58			Total Salvage										
59			Total Approved/Calculated										
60			Total Per Books (\Trial Balance\Column DE\)				(2,439,092)	(10,049,607)				(2,879,733)	(12,929,341)
61			Total Over/(Under) Depreciated				99,330	(282,428)				167,695	(114,733)

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-1, LJG-3

Exhibit
Schedule B-2
Page 6
Witness: Gutowski

Reconcile Agua Fria Water Plant & Accum. Depr.
to Amounts Previously Approved

Line No.	Object Account	Sub. Account	Description	Additions, 2006	Retirements 2006	Adjustments 2006	Accum Depr. Expense 2006	Ending Balance December 2006	Additions, 2007	Retirements 2007	Adjustments 2007	Accum Depr. Expense 2007	Ending Balance December 2007	LJG-3 Spread Corp JE to Districts Dec-07
6	101000	301000	Organization	-	-	-	-	1,229	-	-	-	-	1,229	
7	101000	302000	Franchises	-	-	-	-	359,919	(40,773)	-	2,851	2,851	321,997	
8	101000	303200	Land & Land Rights SS	(24,743)	(8,455)	97,846	89,391	1,152,726	280,927	-	(17)	(17)	1,433,636	
9	101000	303300	Land & Land Rights P	178	(668)	-	(668)	52,376	-	0	(80,838)	(80,837)	(28,462)	
10	101000	303400	Land & Land Rights WT	-	-	-	-	624,652	-	-	-	-	624,652	
11	101000	303500	Land & Land Rights TD	-	-	-	-	-	-	-	-	-	-	
12	101000	303600	Land & Land Rights AG	-	-	-	-	-	-	-	-	-	-	
13	101000	304100	Struct & Imp SS	1,302,214	(20,074)	-	130,073	6,657,852	2,444,256	-	(81,949)	90,836	9,020,159	
14	101000	304200	Struct & Imp P	334,261	(43,865)	-	29,750	4,529,554	227,861	(3,042)	82,482	156,580	4,836,856	
15	101000	304300	Struct & Imp WT	-	(39,917)	-	(38,919)	19,802	1,142,208	-	-	7,797	1,162,010	
16	101000	304400	Struct & Imp TD	243,003	-	-	57,829	3,548,439	2,513	-	-	59,270	3,550,952	
17	101000	304600	Struct & Imp Offices	-	-	-	1,925	94,809	78,475	-	-	3,160	173,284	
18	101000	304800	Struct & Imp Misc	-	-	-	-	-	-	-	-	-	-	
19	101000	305000	Collect & Impounding	-	-	-	-	-	-	-	-	-	-	
20	101000	307000	Wells & Springs	744,620	(13,682)	17,418	233,727	9,563,622	2,310,727	-	-	259,912	11,874,350	6,865
21	101000	310100	Power Generation Equip Other	64,932	(156,700)	-	(156,700)	824,162	4,763	(279)	-	(279)	828,646	15,127
22	101000	311200	Pump Equip Electric	50,132	(1,147,936)	-	(264,152)	18,940,734	2,305,951	(187,316)	121,922	812,330	21,181,291	52,898
23	101000	311300	Pump Equip Diesel	-	(17,748)	-	(16,441)	11,824	48	-	-	523	11,872	
24	101000	311500	Pump Equip Other	(457,841)	-	-	61,653	1,251,877	19,674	-	-	55,475	1,271,551	
25	101000	320100	WT Equip Non-Media	4,471,675	(70,010)	-	67,484	5,267,541	4,238,445	(2,974)	363	255,465	9,503,375	218,139
26	101000	330000	Dist Reservoirs & Standpipe	10,085	(88,573)	-	25,900	6,771,999	2,975,586	-	-	153,393	9,747,585	
27	101000	331001	TD Mains Not Classified by Size	51,598	-	-	86,933	5,712,531	5,393	-	-	87,481	5,717,924	
28	101000	331100	TD Mains 4in & Less	9,848	(93,320)	-	234,883	21,362,123	10,543	(1,514)	-	325,399	21,371,152	
29	101000	331200	TD Mains 6in to 8in	6,816,687	-	-	304,010	23,601,871	7,727,608	-	-	420,190	31,329,478	
30	101000	331300	TD Mains 10in to 16in	5,327,755	-	-	256,207	20,448,275	6,836,139	-	-	371,260	27,284,414	
31	101000	331400	TD Mains 18in and Grtr.	8,924,321	-	-	186,713	11,909,255	1,865,145	-	-	284,953	13,774,400	
32	101000	332000	Fire Mains	-	-	-	-	-	89,876	-	-	-	89,876	
33	101000	333000	Services	913,989	-	-	212,443	8,977,162	2,298,757	(2,396)	(491)	245,968	11,273,032	
34	101000	334100	Meters	754,076	(100,544)	-	(3,325)	4,115,792	555,923	(4,886)	-	105,469	4,666,830	
35	101000	334200	Meter Installations	313,720	(1,327)	-	32,472	1,484,809	98,467	-	-	39,817	1,583,276	
36	101000	335000	Hydrants	977,157	-	-	195,688	10,260,857	1,532,553	-	-	223,335	11,793,410	
37	101000	339100	Other P/E Intangible	-	-	(115,264)	(115,264)	-	-	-	-	-	-	
38	101000	339300	Other P/E Misc											212,320
39	101000	339500	Other P/E TD	-	-	-	-	-	-	-	-	-	-	
40	101000	340100	Office Furniture & Equip	66,750	-	-	1,483	93,321	1,845	(2,302)	-	1,600	92,864	
41	101000	340200	Comp & Periph Equip	-	-	-	3,129	77,448	1,215	(3,989)	-	(856)	74,674	5,078
42	101000	341100	Trans Equip Lt Duty Trks	7,334	(95,652)	-	(34,870)	202,642	15	-	-	50,664	202,657	
43	101000	341200	Trans Equip Hvy Duty Trks	-	-	-	-	-	-	-	-	-	-	
44	101000	342000	Stores Equipment	-	-	-	-	-	-	-	-	-	-	
45	101000	343000	Tools,Shop,Garage Equip	5,040	(120)	-	163	8,597	10	-	-	346	8,608	
46	101000	344000	Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	
47	101000	345000	Power Operated Equipment	30,758	-	-	-	30,758	(199)	-	-	-	30,559	
48	101000	346100	Comm Equip Non-Telephone	156,062	-	-	138,746	1,439,597	23,104	-	-	146,980	1,462,701	
49	101000	346300	Comm Equip Other	83,696	-	-	20,003	441,635	4,962	(56,011)	-	(34,211)	390,585	
50														
51			Utility Plant	31,177,305	(1,898,592)	-		169,839,790	37,042,015	(264,709)	44,324		206,661,420	510,426
52			Remove Double Booked Advances - Staff Req Adj											
53			Total Plant					169,839,790					206,661,420	
54														
55			Annual Depreciation Expense, includes retirements				1,740,264					4,044,853		
56			Retirements											
57			Accum. Depr. - Apprvd'/Calculated					14,784,338					18,829,191	
58			Total Salvage											
59			Total Approved/Calculated											
60			Total Per Books (\Trial Balance\Column DE\)				(1,458,110)	(14,387,450)				(4,164,621)	(18,552,072)	
61			Total Over/(Under) Depreciated				(282,155)	(396,888)				119,768	(277,120)	

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-4, LJG-5

Exhibit
Schedule B-2
Page 7
Witness: Gutowski

Reconcile AZCorp. Plant & Accumulated Depreciation to Amounts Previously Audited

Line No.	Object Account	Sub. Account	Description	Annual Depr. Rate	Monthly Depr. Rate	Audited W-01303A-07-0209 December 2006	Additions, 2007	Retirements 2007	Adjustments 2007	Depr. Expense 2007	LJG-4 Ending Balance December 2007	LJG-5 Corp JE to District Dec-07
6	101000	303600	Land & Land Rights AG	0.00%	0.00%	30,722	(30,722)	-	-		-	
7	101000	304510	Struct & Imp AG Cap Lease	5.63%	0.47%	-	-	-	-		-	
8	101000	304600	Struct & Imp Offices	4.63%	0.39%	18,209	(18,209)	-	-	-	-	
9	101000	304800	Struct & Imp Misc	4.63%	0.39%	-	-	-	-	-	-	
10	101000	304620	Struct & Imp Leasehold	14.20%	1.1833%	197,755	-	-	-	28,081	197,755	29,431
11	101000	331001	Mains	1.53%	0.1275%	-	783,397	-	-	999	783,397	(783,397)
12	101000	340100	Office Furniture & Equip	4.04%	0.34%	1,090,182	34,725	-	-	44,162	1,124,906	
13	101000	340200	Comp & Periph Equip	15.89%	1.32%	395,932	61,597	-	-	63,685	457,529	
14	101000	340300	Computer Software	37.71%	3.14%	1,800,584	(233)	-	-	677,128	1,800,350	
15	101000	340330	Comp Software Other	37.71%	3.14%	36,811	9,951	-	-	14,194	46,763	
16	101000	340500	Other Office Equipment	7.13%	0.59%	-	-	-	-	-	-	
17	101000	341100	Trans Equip Lt Duty Trks	28.05%	2.34%	469,000	(469,000)	-	-	-	-	
18	101000	343000	Tools,Shop,Garage Equip	3.61%	0.30%	18,131	20,324	-	-	382	38,455	
19	101000	344000	Laboratory Equipment	3.71%	0.31%	-	-	-	-	-	-	
20	101000	345000	Power Operated Equipment	4.64%	0.39%	47,923	(47,923)	-	-	-	-	
21	101000	346100	Comm Equip Non-Telephone	9.76%	0.81%	199,220	(13,140)	-	-	16,648	186,080	
22	101000	346200	Comm Equip Telephone	9.76%	0.81%	49,678	(49,678)	-	-	-	-	
23	101000	346300	Comm Equip Other	7.91%	0.66%	12,887	(7,985)	-	-	355	4,902	
24	101000	347000	Misc Equipment	5.10%	0.43%	-	-	-	-	-	-	
25	101000	380400	WW TD Equip Aux Effl Trmt	5.00%	0.42%	-	-	-	-	-	-	
26	101000	393000	WW Tool Shop & Garage Equip	4.74%	0.40%	-	-	-	-	-	-	
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47												
48			Utility Plant			4,367,033	273,104	-	-	845,634	4,640,137	(753,965)
49			Agua Fria Water Allocation Factor			21.5064%				21.5064%	21.5064%	21.5064%
50			Agua Fria Water Allocation			939,194				181,866	997,929	(162,181)
51												
52			Monthly Depreciation Expense									
53			Retirements									
54			Accum. Deprec. - Apprvd'/Calculated			2,824,120				845,634	3,669,754	(651)
55			Total Removal Cost			(221,543)				576	(220,968)	
56			Total Salvage			100,000					100,000	
57			Total Approved/Calculated			2,702,577				846,210	3,548,787	(651)
58			Total Per Books (\Trial Balance\Column BU\)			(2,790,931)				(764,613)	(3,555,544)	
59			Total Over/(Under) Depreciated			88,354				(81,597)	6,757	
60			Agua Fria Water Allocation Factor			21.5064%					21.5064%	21.5064%
61			Agua Fria Water Allocation								763,218	(140)

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-2

Exhibit
Schedule B-2
Page 8
Witness: Gutowski

Line No.

1 Remove Excess Hook-Up Fee Contribution for White Tanks Project:

2

3 In Decision No. 69914, effective September 27, 2007, the Commission allowed the Company to increase
4 the hook up fee in Agua Fria Water District to collect contributions to be used to fund the White Tanks
5 Project. The excess amount of the new hook-up fees over the old hook-ups fees is to be reduced
6 from Contributions in Rate Base in this case.

7

8 Incremental CIAC for White Tanks Project $ (73,485.00)

9

10 Increase / (Decrease) to Contributions $ (73,485.00)

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45 Workpapers & Supporting Documents:
46 \08 Agua Fria Water\Workpapers\Rate Base\CIAC Incremental WT Hook Up Fees 2007.xls
47
48
49
50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-6

Exhibit
Schedule B-2
Page 9
Witness: Gutowski

Line No.

1 Remove Contributions for Plant Not in Service

2
3
4 An adjustment is being made to Contributions in Aid of Construction for the amounts associated
5 with projects that are in CWIP as of the end of the test year. Since these project amounts had not been
6 transferred to Utility Plant in Service as of 12/31/07 and, therefore, are not part of Rate Base,
7 the reduction for Contributions should also not be a part of Rate Base.
8

9	Contributions in Aid of Construction at 12/31/07	$ 33,212,320
10	Less Amortization of CIAC	(1,435,287)
11		
12	Net Contributions	31,777,034
13		
14	Amount of Contributions in CWIP	$ (3,432,286)
15		
16	Pro forma Net Contributions in Aid of Construction	$ 28,344,748
17		
18	Increase/ (Decrease) to Contributions	$ (3,432,286)

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45 Workpapers & Supporting Documents:
46 \Workpapers\Rate Base\CWIP Balances AZ Report 12-31-07.xls
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50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment TMB-7

Exhibit
Schedule B-2
Page 10
Witness: Broderick

Line No.			
1	Impute Regulatory Advances Per Dec. 63584		
2			
3	Regulatory Advances - Per Decision 67093	$	27,385,370
4			
5	Amortization 01/15/02 to 12/31/02		(4,051,090)
6			
7	Amortization 01/01/03 to 12/31/03		(4,213,134)
8			
9	Amortization 01/01/04 to 12/31/04		(4,213,134)
10			
11	Amortization 01/01/05 to 12/31/05		(4,213,134)
12			
13	Amortization 01/01/06 to 12/31/06		(4,213,134)
14			
15	Amortization 01/01/07 to 12/31/07		(4,213,134)
16			
17	Balance at 12/31/07	$	2,268,611
18			
19			
20	Amortization 01/01/08 to 7/14/08		(2,268,611)
21			
22	Pro forma balance in Regulatory Advances	$	-
23			
24	Adjustment to Rate Base	$	-
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45	Workpapers & Supporting Documents:		
46	\Workpapers\Rate Base\Imputed AIAC and CIAC.xls		
47			
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49			
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment TMB-8

Exhibit
Schedule B-2
Page 11
Witness: Broderick

Line No.			
1	Impute Regulatory Contributions Per Dec. 63584		
2			
3	Regulatory Contributions - Per Decision 67093	$	1,973,438
4			
5	Amortization 01/15/02 to 12/31/02		(189,754)
6			
7	Amortization 01/01/03 to 12/31/03		(197,344)
8			
9	Amortization 01/01/04 to 12/31/04		(197,344)
10			
11	Amortization 01/01/05 to 12/31/05		(197,344)
12			
13	Amortization 01/01/06 to 12/31/06		(197,344)
14			
15	Amortization 01/01/07 to 12/31/07		(197,344)
16			
17	Balance at 12/31/07	$	796,965
18			
19	Pro forma balance in Regulatory Advances	$	796,965
20			
21	Adjustment to Rate Base	$	796,965
22			
23			
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45	Workpapers & Supporting Documents:		
46	08 AZ MEGA\08 Agua Fria Water\Workpapers\Rate Base\Imputed AIAC and CIAC.xls		
47			
48			
49			
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment TMB-9

Exhibit
Schedule B-2
Page 12
Witness: Gutowski

Line No.		
1	Remove Utility Plant Acquisition Adjustment	
2		
3	Pro Forma Utility Plant Acquisition Adjustment	$ -
4		
5	Test Year Utility Plant Acquisition Adjustment Balance	6,090,214
6		
7	Increase (decrease) in Utility Plant Acquisition Adjustment	$ (6,090,214)
8		
9	Adjustment to Rate Base	(6,090,214)
10		
11		
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45	Workpapers & Supporting Documents:	
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50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\	

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-10

Exhibit
Schedule B-2
Page 13
Witness: Gutowski

Line No.		
1	Add CWIP for the White Tanks Project	
2		
3	Due to the delay in receipts of the Hook-up Fees associated with the White Tanks Project, the	
4	Company will find itself behind and needing to finance much more than anticipated for much longer	
5	than anticipated. The Company is requesting that $25,000,000, or about half, of the White Tanks	
6	Project be included in Rate Base to alleviate the dire financial situation.	
7		
8	Addition of CWIP in Rate Base for the White Tanks Project	$25,000,000
9		
10	Adjustment to Rate Base	$ 25,000,000
11		
12		
13		
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45	Workpapers & Supporting Documents:	
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50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\	

Line No.

1 Post Test Year Additions to Plant:

2

3 The Company expects to complete the Agua Fria Water Distribution System Improvements
4 Phase 2 projects consisting of the Cool Well Waterline Connection, the Waddell Haciendas
5 project, and the Reems Road Bypass. This work is expected to be completed by
6 October, 2008. Projected project costs are:

		Project Costs	Annual Deprec Expense	Post TY Annual Depreciation Expense
304400	Struct & Imp TD	$ 192,154	1.67%	$ 3,209
331200	TD Mains 6in to 8in	205,286	1.53%	3,141
331300	TD Mains 10in to 16in	748,152	1.53%	11,447
346190	Remote Control & Instrumentation	21,676	4.93%	1,069
		$ 1,167,267.93		$ 18,865.20

21 The Company also expects to completed the Sierra Montana 2.2MG Reservoir. This project
22 is expected to be completed by August, 2008. Projected project costs are:

		Project Costs	Annual Deprec Expense	Post TY Annual Depreciation Expense
330000	Dist Reservoirs & Standpipe	$ 1,647,404	1.67%	$ 27,512
331400	TD Mains 18in and Grtr.	399,361	2.34%	9,345
		$ 2,046,765		$ 36,857
	Total of both Projects	$ 3,214,033		$ 55,722

45 Workpapers & Supporting Documents:

50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
RCND Rate Base Proforma Adjustments

Exhibit
Schedule B-3
Page 1
Witness: Gutowski

Line No.		Actual at End of Test Year	Proforma Adjustments Label	Proforma Adjustments Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	$ -			$ -
3					
4	**Less:**				
5					
6	Accumulated				
7	Depreciation				-
8					
9	Net Utility Plant				
10	in Service	$ -			$ -
11					
12	**Less:**				
13	Advances in Aid of				
14	Construction				-
15	Contributions in Aid of				
16	Construction - Net				-
17	Imputed Regulatory Advances				
18	Imputed Regulatory Contributions				-
19	Customer Meter Deposits				-
20	Deferred Income Taxes				-
21	Investment Tax Credits				
22	**Plus:**				
23	Unamortized Finance				
24	Charges				-
25	Deferred Tax Assets				-
26	Working capital				-
27	Utility Plant Acquisition Adjustment				-
28					
29	Total	$ -			$ -
30					
31					
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43	Supporting Schedules:				
44	B-4				
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49					
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\				

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2001
RCND Detail of Plant Accounts

Exhibit
Schedule B-4
Page 1
Witness: Gutowski

Line No.	
1	The Company did not conduct an RCND study.
2	
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50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Gutowski

Line No.		
1		
2	Working Cash Requirement	$ 1,409,860
3	Material and Supplies Inventories	192,139 [1]
4	Prepayments	214,929
5		
6		
7	Total Working Capital Allowance	$ 1,816,928
8		
9		
10		
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43	Supporting Schedules:	Recap Schedules:
44	E-1	B-1
45	Workpapers & Supporting Documents:	
46	[1]Thirteen-month average	
47		
48		
49		
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\	

Arizona American Water Company
Test Year Ended December 31, 2007
Lead/Lag Study - Working Cash Requirement

Exhibit
Schedule B-6
Page 1
Witness: Hubbard

AQUA FRIA WATER

Line No.		Test Year Adjusted Results	Revenue Lag Days	Expense Lag Days	Net Lag Days	Lead/ Lag Factor	Cash Working Capital Required
1	OPERATING EXPENSES						
2	**P08** Labor	$ 1,440,677	48.94335	12.0000	36.9434	0.1012	$ 145,818
3	**P09** Purchased Water	901,467	48.94335	(30.8791)	79.8225	0.2187	197,143
4	**P10** Fuel & Power	1,954,815	48.94335	31.3074	17.6360	0.0483	94,452
5	**P11** Chemicals	1,121,555	48.94335	47.9308	1.0126	0.0028	3,111
6	**P13** Management Fees	2,775,604	48.94335	10.4000	38.5434	0.1056	293,099
7	**P14** Group Insurance	396,645	48.94335	(14.0819)	63.0253	0.1727	68,489
8	**P15** Pensions	240,413	48.94335	45.0000	3.9434	0.0108	2,597
9	**P17** Insurance Other Than Group	158,153	48.94335	(68.2707)	117.2141	0.3211	50,788
10	**P18** Customer Accounting	370,806	48.94335	19.7597	29.1837	0.0800	29,648
11	**P19** Rents	63,217	48.94335	29.1000	19.8434	0.0544	3,437
12	**P27-** Depreciation & Amortization	4,397,190	48.94335	-	48.9434	0.1341	589,625
13	Other Operating Expenses[1]	1,603,545	48.94335	30.0000	18.9434	0.0519	83,223
14	TAXES						
15	**P29** Taxes Other than Income	128,923	48.94335	15.3976	33.5458	0.0919	11,849
16	**P29** Property Taxes	803,071	48.94335	201.7500	(152.8066)	(0.4186)	(336,205)
17	**P30-** Income Tax[2]	3,352,198	48.94335	30.1300	18.8134	0.0515	172,784
18							
19							
20							
21							
22							
23							
24							
25							
26	WORKING CASH REQUIREMENT	$ 19,708,279					$ 1,409,860
27							
28							
29	[1]All other Operating Expenses are assumed to be paid by the 15th of the month following the receipt of goods and services.						
30	[2]At proposed rates.						

C Schedules
Agua Fria
Water

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Adjusted Test Year Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Hubbard

Line No.		[A] Test Year Book Results	[B] Total Pro Forma Adjustments	[C] Test Year Adjusted Results	[D] Proposed Rate Increase	[E] Adjusted with Rate Increase
1	**Revenues**					
2	Water Revenues	$ 16,548,743	$ 1,364,754	$ 17,913,497	9,192,203	$ 27,105,699
3	Other Revenues	2,511,835	(1,606,718)	905,117		905,117
4						
5		$ 19,060,578	$ (241,965)	$ 18,818,613	$ 9,192,203	$ 28,010,816
6	**Operating Expenses**					
7	Labor	$ 1,342,608	$ 98,069	$ 1,440,677		$ 1,440,677
8	Purchased Water	899,344	2,123	901,467		901,467
9	Fuel & Power	1,790,848	163,967	1,954,815		1,954,815
10	Chemicals	191,424	930,131	1,121,555		1,121,555
11	Waste Disposal	(870)	-	(870)		(870)
12	Management Fees	2,766,348	9,256	2,775,604		2,775,604
13	Group Insurance	379,483	17,162	396,645		396,645
14	Pensions	191,116	49,297	240,413		240,413
15	Regulatory Expense	27,026	36,986	64,012		64,012
16	Insurance Other Than Group	158,153	-	158,153		158,153
17	Customer Accounting	364,296	6,510	370,806		370,806
18	Rents	63,217	-	63,217		63,217
19	General Office Expense	161,107	-	161,107		161,107
20	Miscellaneous	797,248	(9,281)	787,967	22,024	809,990
21	Maintenance Expense	153,510	437,819	591,329		591,329
22	Depreciation & Amortization	4,117,636	279,554	4,397,190		4,397,190
23	Taxes Other Than Income-Property Taxes	559,456	243,615	803,071	125,995	929,066
24	Taxes Other Than Income-Other	115,710	13,213	128,923		128,923
25	Income Taxes	(648,244)	509,488	(138,756)	3,490,954	3,352,198
26						
27	**Total Operating Expenses**	$ 13,429,416	$ 2,787,909	$ 16,217,325	$ 3,638,972	$ 19,856,298
28	**Utility Operating Income**	$ 5,631,162	$ (3,029,874)	$ 2,601,288	$ 5,553,230	$ 8,154,518
29	**Other Income & Deductions**					
30	Other Income & Deductions	743,094	(743,094)	-		-
31	Interest Expense	2,509,493	312,520	2,822,013		2,822,013
32	Other Expense	(1,034)	-	(1,034)		(1,034)
33	Gain/Loss Sale of Fixed Assets	251,993	-	251,993		251,993
34	**Total Other Income & Deductions**	$ (1,513,372)	$ (1,055,614)	$ (2,568,986)	$ -	$ (2,568,986)
35	**Net Profit (Loss)**	$ 4,117,790	$ (4,085,488)	$ 32,302	$ 5,553,230	$ 5,585,532
36						
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43						
44	Supporting Schedules:			Recap Schedules:		
45	E-2 C-2			A-1		
46						
47						
48						
49						
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\					

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Pro Forma Adjustments

Exhibit
Schedule C-2
Page 1
Witness: Hubbard

Line No.		[A] Test Year Book Results	[B] ADJ LJG-1 Unbilled Revenue	[C] ADJ LJG-2 Eliminate Surcharges	[D] ADJ LJG-3 Misc. Revenue Adjustments	[E] ADJ LJG-4 Annualize ACRM Surcharge	[F] ADJ LJG-5 Annualize YE Customers	[G] ADJ. SLH-1 Annualize Payroll Exp	[H] ADJ SLH-2 Annualize Power Exp	[I] ADJ SLH-3 Purchased Water Adjustment	[J] ADJ SLH-4 Annualize Chemicals Exp	[K] ADJ SLH-6 Annualize Management Fees
1	**Revenues**											
2	**P02** Water Revenues	$ 16,548,743	$ (271,793)	$ -	$ (21,429)	$ 1,606,718	$ 51,257					
3	**P04** Other Revenues	2,511,835				(1,606,718)						
4												
5		$ 19,060,578	$ (271,793)	$ -	$ (21,429)	$ -	$ 51,257	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**											
7	**P08** Labor	$ 1,342,608						$ 98,069				
8	**P09** Purchased Water	899,344					2,123			$ -		
9	**P10** Fuel & Power	1,790,848					4,603		159,364			
10	**P11** Chemicals	191,424					2,641				927,490	
11	**P12** Waste Disposal	(870)										
12	**P13** Management Fees	2,766,348										74,253
13	**P14** Group Insurance	379,483										
14	**P15** Pensions	191,116										
15	**P16** Regulatory Expense	27,026										
16	**P17** Insurance Other Than Group	158,153										
17	**P18** Customer Accounting	364,296					896					
18	**P19** Rents	63,217										
19	**P20** General Office Expense	161,107										
20	**P21** Miscellaneous	797,248										
21	**P25** Maintenance Expense	153,510										
22	**P27-2** Depreciation & Amortization	4,117,636										
23	**P29** Taxes Other Than Income-Property Taxes	559,456										
24	**P29** Taxes Other Than Income-Other	115,710						13,213				
25	**P30-3** Income Taxes	(648,244)										
26												
27	**Total Operating Expenses**	$ 13,429,416	$ -	$ -	$ -	$ -	$ 10,263	$ 111,282	$ 159,364	$ -	$ 927,490	$ 74,253
28	**Utility Operating Income**	$ 5,631,162	$ (271,793)	$ -	$ (21,429)	$ -	$ 40,994	$ (111,282)	$ (159,364)	$ -	$ (927,490)	$ (74,253)
29	**Other Income & Deductions**											
30	**P39-4** Other Income & Deductions	743,094	(743,094)									
31	**P56-6** Interest Expense	2,509,493										
32	**P48-5** Other Expense	(1,034)										
33	**P43** Gain/Loss Sale of Fixed Assets	251,993										
34	**Total Other Income & Deductions**	$ (1,513,372)	$ (743,094)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
35	**Net Profit (Loss)**	$ 4,117,790	$ (1,014,887)	$ -	$ (21,429)	$ -	$ 40,994	$ (111,282)	$ (159,364)	$ -	$ (927,490)	$ (74,253)
36												
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42												
43	Supporting Schedules:								Recap Schedules:			
44									C-1			
45	Workpapers & Supporting Documents:											
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\											
47												
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Pro Forma Adjustments

Exhibit
Schedule C-2
Page 2
Witness: Hubbard

Line No.		[L] ADJ SLH-7 Annualize Pensions Exp	[M] ADJ SLH-8 Amortize Rate Case Exp	[N] ADJ SLH-9 Annualize Insurance Exp	[O] ADJ SLH-10 Tank Maintenance Accrual	[P] ADJ SLH-11 Annualize Depreciation /CIAC	[Q] ADJ SLH-12 Annualize Property Taxes	[R] ADJ SLH-15 Annualize 401K Expense	[S] ADJ SLH-16 Line 21 Clean-up	[T] ADJ SLH-17 Remove CAP Rev & Exp	[U] ADJ SLH-18 Interest Synchronization
1	**Revenues**										
2	P02 Water Revenues										
3	P04 Other Revenues										
4											
5		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**										
7	P08 Labor	$ -									
8	P09 Purchased Water										
9	P10 Fuel & Power		-								
10	P11 Chemicals										
11	P12 Waste Disposal										
12	P13 Management Fees										
13	P14 Group Insurance			17,162							
14	P15 Pensions	49,297									
15	P16 Regulatory Expense		36,986								
16	P17 Insurance Other Than Group										
17	P18 Customer Accounting										
18	P19 Rents									-	
19	P20 General Office Expense										
20	P21 Miscellaneous							(12,226)	($3,939)		
21	P25 Maintenance Expense				437,819						
22	P27-2 Depreciation & Amortization					279,554					
23	P29 Taxes Other Than Income-Property Taxes						243,615				
24	P29 Taxes Other Than Income-Other										
25	P30-3 Income Taxes										
26											
27	**Total Operating Expenses**	$ 49,297	$ 36,986	$ 17,162	$ 437,819	$ 279,554	$ 243,615	$ (12,226)	$ (3,939)	$ -	$ -
28	**Utility Operating Income**	$ (49,297)	$ (36,986)	$ (17,162)	$ (437,819)	$ (279,554)	$ (243,615)	$ 12,226	$ 3,939	$ -	$ -
29	**Other Income & Deductions**										
30	P39-4 Other Income & Deductions										
31	P56-6 Interest Expense										312,520
32	P48-5 Other Expense										
33	P43 Gain/Loss Sale of Fixed Assets										
34	**Total Other Income & Deductions**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (312,520)
35	**Net Profit (Loss)**	$ (49,297)	$ (36,986)	$ (17,162)	$ (437,819)	$ (279,554)	$ (243,615)	$ 12,226	$ 3,939	$ -	$ (312,520)
36											
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43	Supporting Schedules:	Recap Schedules:									
44		C-1									
45	Workpapers & Supporting Documents:										
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\										
47											
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Pro Forma Adjustments

Exhibit
Schedule C-2
Page 3
Witness: Hubbard

Line No.		[V] ADJ SLH-19 Federal and State Income Taxes	[W] ADJ SLH-20 Annualize Postage Increase	[X] ADJ SLH-21 Remove One-Time SC Charges	[Y] ADJ SLH-22 Adjust Conservation Expenses	[Z] ADJ SLH-23 Adj to Remove Prior Period Labor Adj	[AA] Total Pro Forma Adjustments	[AB] Test Year Adjusted Results	[AC] Proposed Rate Increase	[AD] Adjusted with Rate Increase
1	**Revenues**									
2	P02 Water Revenues						$ 1,364,754	$ 17,913,497	$ 9,192,203	$ 27,105,699
3	P04 Other Revenues						(1,606,718)	905,117		905,117
4							-	-		-
5		$ -	$ -	$ -	$ -	$ -	$ (241,965)	$ 18,818,613	$ 9,192,203	$ 28,010,816
6	**Operating Expenses**									
7	P08 Labor						98,069	$ 1,440,677		$ 1,440,677
8	P09 Purchased Water						2,123	$ 901,467		$ 901,467
9	P10 Fuel & Power						163,967	1,954,815		$ 1,954,815
10	P11 Chemicals						930,131	1,121,555		$ 1,121,555
11	P12 Waste Disposal						-	(870)		$ (870)
12	P13 Management Fees			(64,997)			9,256	2,775,604		$ 2,775,604
13	P14 Group Insurance						17,162	396,645		$ 396,645
14	P15 Pensions						49,297	240,413		$ 240,413
15	P16 Regulatory Expense						36,986	64,012		$ 64,012
16	P17 Insurance Other Than Group						-	158,153		$ 158,153
17	P18 Customer Accounting		5,614				6,510	370,806		$ 370,806
18	P19 Rents						-	63,217		$ 63,217
19	P20 General Office Expense						-	161,107		$ 161,107
20	P21 Miscellaneous				6,883		(9,281)	787,967	22,024	$ 809,990
21	P25 Maintenance Expense						437,819	591,329		$ 591,329
22	P27-2 Depreciation & Amortization						279,554	4,397,190		$ 4,397,190
23	P29 Taxes Other Than Income-Property Taxes						243,615	803,071	125,995	$ 929,066
24	P29 Taxes Other Than Income-Other						13,213	128,923		$ 128,923
25	P30-3 Income Taxes	509,488					509,488	(138,756)	3,490,954	$ 3,352,198
26										
27	**Total Operating Expenses**	$ 509,488	$ 5,614	$ (64,997)	$ 6,883	$ -	$ 2,787,909	$ 16,217,325	$ 3,638,972	$ 19,856,298
28	**Utility Operating Income**	$ (509,488)	$ (5,614)	$ 64,997	$ (6,883)	$ -	$ (3,029,874)	$ 2,601,288	$ 5,553,230	$ 8,154,518
29	**Other Income & Deductions**									
30	P39-4 Other Income & Deductions						(743,094)	-		-
31	P56-6 Interest Expense						312,520	2,822,013		2,822,013
32	P48-5 Other Expense						-	(1,034)		(1,034)
33	P43 Gain/Loss Sale of Fixed Assets							251,993		251,993
34	**Total Other Income & Deductions**	$ -	$ -	$ -	$ -	$ -	$ (1,055,614)	$ (2,568,986)	$ -	$ (2,568,986)
35	**Net Profit (Loss)**	$ (509,488)	$ (5,614)	$ 64,997	$ (6,883)	$ -	$ (4,085,488)	$ 32,302	$ 5,553,230	$ 5,585,532
36										
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43	Supporting Schedules:			Recap Schedules:					Recap Schedules:	
44				C-1					C-1	
45	Workpapers & Supporting Documents:									
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\									
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-1

Exhibit
Schedule C-2
Page 4
Witness: Gutowski

Line No.	Remove Net Unbilled Revenue Accrual	Residential	Commercial	Pubic Authority	SFR
1					
2					
3					
4	January	87,101.62	2,947.42	(6,829.50)	(7,701.38)
5	February	2,960.97	2,540.52	1,114.34	(419.50)
6	March	(16,856.87)	(5,123.88)	5,693.96	(1,842.99)
7	April	(101,071.60)	(54,999.58)	0.97	(998.03)
8	May	5,681.98	18,416.17	(5,906.96)	10,961.90
9	June	(64,419.54)	(23,941.09)	1,170.01	(42,006.06)
10	July	42,257.88	(4,199.07)	4,002.56	42,006.06
11	August	(86,010.13)	6,380.74	(849.74)	(17,233.12)
12	September	(40,605.77)	(46,632.88)	(2,406.55)	(14,185.28)
13	October	25,277.67	29,700.66	(19,705.18)	1,403.27
14	November	49,025.84	13,719.04	10,568.47	(2,711.77)
15	December	(60,796.70)	(12,848.19)	(1,756.69)	7,333.08
16					
17					
18	Net Unbilled Revenues	(157,454.65)	(74,040.14)	(14,904.31)	(25,393.82)
19					
20					
21					
22	Subtotal			$ (271,793)	(Net Debit)
23					
24	Test Year Adjusted Balance			-	
25					
26	Increase/(Decrease) in Unbilled Revenues			$ (271,793)	
27					
28	Adjustment to Revenues and/or Expense			$ (271,793)	
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45	Workpapers & Supporting Documents:				
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\				
47	\Common\Workpapers\2007 Unbilled Revenue.XLs				
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-2

Exhibit
Schedule C-2
Page 5
Witness: Gutowski

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45	Workpapers & Supporting Documents:
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-3

Exhibit
Schedule C-2
Page 6
Witness: Gutowski

Line No.		J/E Number	Billed Revenues
1	Adjust Booked Revenues to Reflect Corrections to Test Year Revenues		
2			
3	Correct for Prior Year and for Prepaid Water Expense Accrual		
4			
5	Original Book to City of Surprise for December 2006 Revenue	23101	$ (21,166)
6	True Up Prepaid Accrual	230513	(2,871)
7			
8	Adjustment to Billed Revenues		$ (24,037)
9			
10	Increase / (Decrease) to Test Year Revenue		$ (24,037)
11			
12			
13	Remove Back Billing (Bulk Sales) to Arizona Water Company for the		
14	Prior Year		
15			
16	Total Back Billing in the Test year Revenue Amount		$113,210.45
17			
18	Less: Amount of Back Billing for July through December 2006		($48,518.77)
19			
20	Amount of Bulk Billing that should be in test year		$64,691.69
21			
22	Increase / (Decrease) to Test Year Revenue		$ (48,519)
23			
24			
25			
26	Add back all the Credit Adjustments and subtract all the Billings for		
27	the Wrong Rate Schedules		
28			
29	In the test year, there were a lot of little credit adjustments for over estimates, or meter		
30	re-reads, or customers on the wrong rate schedule. This adjustment removes those		
31	errors and adjustments from the billing records by adding them back		
32			
33	Residential	28,581.05	
34	Commercial	22,545.76	
35	Increase / (Decrease) to Test Year Revenue		$ 51,127
36			
37			
38	Total of the adjustments on this schedule		$ (21,429)
39			
40			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	08 AZ MEGA\08 Agua Fria Water\Schedules\Aqua Fria Water H Schedule.xls		
48	08 AZ MEGA\08 Agua Fria Water\Workpapers\Revenue\#303197 Arizona Water Company.xls		
49	08 AZ MEGA\08 Agua Fria Water\Workpapers\Revenue\2340 AF Water.xls		
50			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-4

Exhibit
Schedule C-2
Page 7
Witness: Gutowski

Line No.

1 Annualize Revenue for ACRM Surcharge:

2

3 In Decision No. 68825, Agua Fria Water District was allowed to implement a Phase 1 Arsenic Recovery Cost
4 Mechanism. The ACRM began July 5, 2006. The following amounts were collected in the Test Year for
5 Residential and Commercial ACRM surcharges and recorded in Other Revenue. This adjustment moves
6 those amounts from Other Revenue to Water Revenue.

9	Residential ACRM Surcharge	$ 1,326,303
10		
11	Commercial ACRM Surcharge	280,416
12		
13	Total ACRM Surcharge in Test Year	$ 1,606,718
14		
15		
16	Increase / (Decrease) in Water Revenue	$ 1,606,718
17		
18	Increase / (Decrease) in Other Revenue	$ (1,606,718)

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45 Workpapers & Supporting Documents:
46 \Schedules\2007 Agua Fria Water Sch. A-F.xls\
47 08 AZ MEGA\08 Agua Fria Water\Workpapers\Revenue\2340 AF Water.xls
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-5

Exhibit
Schedule C-2
Page 8
Witness: Gutowski

Line No.

1 Customer Growth Annualization of Test Year Revenue:

Line No.		Residential		Commercial			
5		5/8 x 3/4"	1"	5/8 x 3/4"	1"	1-1/2"	2"
6	*Customer Growth Statistics*						
7	From the H-2's						
8	Average Customers	28,342	4,711	69	123	183	311
9	Average Monthly Gallons	7,400	11,753	6,015	37,770	113,367	191,585
10							
11	Actual TYE Bills	28,540	5,408	69	130	203	316
12	Cust Growth Bills	198	697	-	7	20	5
13	(Line 11 - Line 8)						
14							
15	Cust Growth Volumes (1,000 gals)						
16	(Line 12 x Line 9 / 1,000)	1,465.20	8,191.84	-	264.39	2,267.34	957.93
17							
18							
19	*Customer Growth Revenue:*						
20	Meter Charge (incl ACRM)	$10.45	$26.74	$10.45	$26.74	$55.90	$83.84
21	Volumetric - 1st block limit	4,000	45,000	13,000	45,000	100,000	150,000
22	1st block rate (incl ACRM)	$1.5398	$2.2198	$2.2198	$2.2198	$2.2198	$2.2198
23	2nd block rate (incl ACRM)	$2.2198	$2.6468	$2.6468	$2.6468	$2.6468	$2.6468
24							
25	Revenue per Additional Bill	$24.16	$52.83	$23.80	$107.49	$313.26	$526.88
26	times Customer Growth Bills (Line 12)	$4,782.99	$36,822.03	$0.00	$752.46	$6,265.20	$2,634.39
27							
28	Total Residential		$41,605		Total Commercial		$9,652
29							
30							
31							
32	Increase / (Decrease) in Operating Expenses						
33		Purchased	Fuel &			Other Cust	
34		Water	Power	Chemicals	Postage	Accounting	Total
35	Test Year Adjusted Expense from Sch C-2	$ 899,344	$ 1,950,212	$ 1,118,914	$ 123,806	$ 246,104	$ 4,338,379
36	Test Year 1,000 Gals Sold	5,569,434	5,569,434	5,569,434			
37	Avg Customers times 12 bills				382,584	382,584	
38	Cost per Unit	$0.1615	$0.3502	$0.2009	$0.3236	$0.6433	
39	Sum of Cust Growth Volumes (Line 16)	13,146.70	13,146.70	13,146.70			
40	Sum of Cust Growth Bills (Line 12)				927	927	
41	Additional Expenses	$2,123	$4,603	$2,641	$300	$596	$10,263
42							
43							
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45	Workpapers & Supporting Documents:						
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\						
47	\Agua Fria H Schedules.xls						
48	\08 Agua Fria Water\Workpapers\Revenues\2340 AF Water.xls						
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-1

Exhibit
Schedule C-2
Page 9
Witness: Hubbard

Line No.			
1	Normalize test year Labor expense		
2			
3	Total normalized Test Year Labor expense (Workpaper) - Agua Fria Water		$ 1,340,731
4			
5	Test Year Incentive Plan - Agua Fria Water		99,946
6			
7	Total Pro Forma Test Year Labor expense - Agua Fria Water		$ 1,440,677
8			
9	Test Year Booked Labor Expense	$ 1,342,608	
10			
11	Adjusted Test Year Labor - Booked		$ 1,342,608
12			
13			
14			
15	Increase/(Decrease) in Labor Expense		$ 98,069
16			
17	Adjustment to Revenue and/or Expense		$ 98,069
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
48	\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-1

Exhibit
Schedule C-2
Page 10
Witness: Hubbard

Line No.			
1	Adjust Payroll Taxes to Reflect Adjusted Labor Expense		
2			
3	Adjusted FICA Expense (work paper) - Agua Fria Water	$ 102,566	
4			
5	Adjusted FUTA Expense (work paper) - Agua Fria Water	5,588	
6			
7	Adjusted SUTA Expense (work paper) - Agua Fria Water	10,826	
8			
9	Total Adjusted Payroll Taxes		$ 118,980
10			
11			
12	Test year FICA Expense (General Taxes) - Agua Fria Water	$ 100,063	
13			
14	Test year FUTA Expense (General Taxes) - Agua Fria Water	2,052	
15			
16	Test year SUTA Expense (General Taxes) - Agua Fria Water	3,652	
17			
18	Total Adjusted Test Year Payroll Taxes		$ 105,767
19			
20			
21	Increase/(Decrease) in Payroll Taxes (General Taxes)		$ 13,213
22			
23	Adjustment to Revenue and/or Expense		$ 13,213
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
48	\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-2

Exhibit
Schedule C-2
Page 11
Witness: Hubbard

Line No.		
1	Normalize Fuel & Power	
2		
3	Test Year Power Expense - Agua Fria Water District	$ 1,790,848
4		
5	Adjustment to Annualize APS Increase Effective July 2007	42,929
6		
7	Adjustment to Annualize MWD Increase Effective January 2008	116,435
8		
9	Total Adjusted Test Year Fuel & Power Expense	$ 1,950,212
10		
11		
12		
13	Increase/(Decrease) in Fuel & Power Expense	$ 159,364
14		
15	Adjustment to Revenue and/or Expense	$ 159,364
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45	Workpapers & Supporting Documents:	
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\	
47	\Common\Workpapers\Power\Arizona power accts Itron.xls	
48	\08 Agua Fria Water\Workpapers\Expenses\Electric Bills\Aqua Fria power 2007.xls	
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-3

Exhibit
Schedule C-2
Page 12
Witness: Hubbard

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45	Workpapers & Supporting Documents:
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-4

Exhibit
Schedule C-2
Page 13
Witness: Hubbard

Line No.			
1	Normalize & Adjust Chemicals Expense		
2			
3	Pro Forma Chemicals Expense (work paper) - Agua Fria Water		$ 979,289
4			
5	T.Y. 2007 Chemicals Expense - Agua Fria Water	191,424	
6			
7	Less: Arsenic Costs Deferred in ACRM (02/08)	139,625	
8			
9	Test Year Chemicals Expense - Agua Fria Water		51,799
10			
11	Increase/(Decrease) in Chemicals Expense		927,490
12			
13	Adjustment to Revenue and/or Expense		927,490
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Workpapers\Chemicals\Pro Forma Adj-Chemicals.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-6

Exhibit
Schedule C-2
Page 14
Witness: Hubbard

Line No.			
1	Adjust Management Fees for Labor Increases		
2			
3	Test Year Management Fees		$ 2,766,348
4			
5			
6	Adjusted Test Year Management Fees		$ 2,766,348
7			
8	Increase in Labor Expense	$321,515	
9	4 Factor Allocation to Agua Fria Water	23.0946%	
10			
11	Pro forma Adjustment to Management Fees		74,253
12			
13			
14			
15	Increase/(Decrease) in Management Fees		$ 74,253
16			
17	Adjustment to Revenue and/or Expense		$ 74,253
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Workpapers\Service Company Expenses\Labor Adj-Management Fees.xls		
48	\Common\Workpapers\2007 4 Factor.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-7

Exhibit
Schedule C-2
Page 15
Witness: Hubbard

Line No.			
1	Adjust Pension Expense to Reflect Labor Expense at District Level		
2			
3	Total Pro Forma Pension expense (work paper) - Agua Fria Water		$ 257,001
4			
5	Test Year Pension Expense - Agua Fria Water	$ 191,116	
6	Test Year Defined Contrib Plan Expense - Agua Fria Water	16,588	
7			
8	Adjusted Test Year Pension Expense		$ 207,704
9			
10			
11	Increase/(Decrease) in Pension Expense		$ 49,297
12			
13	Adjustment to Revenue and/or Expense		$ 49,297
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
48	\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-8

Exhibit
Schedule C-2
Page 16
Witness: Hubbard

Line No.			
1	Regulatory Expense		
2			
3	Estimated Rate Case Expense	$	612,000
4			
5	Estimated Amortization Period in Years		3
6			
7	Annual Rate Case Expense	$	204,000
8			
9	4 Factor - Agua Fria Water		31.3783%
10			
11	Allocated Rate Case Expense		64,012
12			
13	Unamortized Balance from Last Decision (Dec. 67093)		-
14			
15	Pro Forma Rate Case Expense		64,012
16			
17	Test Year Rate Case Expense	$	27,026
18			
19	Increase/(Decrease) Rate Case Expense	$	36,986
20			
21	Adjustment to Revenue and/or Expense	$	36,986
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Workpapers\Expenses\EXHIBIT TMB-3 Rate Case Expense.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-9

Exhibit
Schedule C-2
Page 17
Witness: Hubbard

Line No.			
1	Normalize Group Insurance		
2			
3	Total normalized Group Insurance Expense (work paper) - Agua Fria Water		$ 396,645
4			
5	Test Year Group Insurance Expense - Agua Fria Water	$ 379,483	
6			
7	Adjusted Test Year Group Insurance Expense		$ 379,483
8			
9			
10	Increase/(Decrease) in Group Insurance Expense		$ 17,162
11			
12	Adjustment to Revenue and/or Expense		$ 17,162
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47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-10

Exhibit
Schedule C-2
Page 18
Witness: Hubbard

Line No.	
1	See Reserve for Future Tank Maintenance Workpapers
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-11

Exhibit
Schedule C-2
Page 19
Witness: Hubbard

Line No.			
1	Adjust Depreciation Expense to Reflect Test Year Adjusted Plant:		
2			
3	Annualized Depreciation Expense on Test Year UPIS	$	4,993,947
4	Depreciation Expense on Post-Test Year Plant Additions		55,722
5	Depreciation Expense on Acquisition Adjustment		230,973
6	Amortization of Regulatory Assets		2,918
7			
8			
9	Less: Amortization of Contributions		689,025
10	Amortization of Imputed Regulatory CIAC		197,344
11			
12	Total Depreciation Expense	$	4,397,190
13			
14	Test Year Depreciation Expense		4,117,636
15			
16	Increase (Decrease) in Depreciation Expense		279,554
17			
18	Adjustment to Revenues and/or Expenses	$	279,554
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls		
48	\Common\Workpapers\Expenses\RegAssets04RateCase.xls		
49	\08 Agua Fria Water\Workpapers\Rate Base\Imputed AIAC and CIAC.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-12

Exhibit
Schedule C-2
Page 20
Witness: Hubbard

Line No.		[A] Property Tax Expense For Conversion Factor	[B] Property Tax Expense
1	Adjust Property Taxes to Reflect Proposed Revenues:		
2			
3	Adjusted Revenues in year ended Dec. 2007	$ 18,818,587	$ 18,818,587
4	Adjusted Revenues in year ended Dec. 2007	18,818,587	18,818,587
5	Proposed Revenues	$ 18,818,587	$ 28,010,816
6	Average of three year's of revenue	$ 18,818,587	$ 21,882,663
7	Average of three year's of revenue, times 2	$37,637,174	$43,765,326
8	Add:		
9	Construction Work in Progress at 10%	1,422,630	1,422,630
10	Deduct:		
11	Net Book Value of Transportation Equipment	$ -	$ -
12			
13	Full Cash Value	$ 39,059,804	$ 45,187,956
14	Assessment Ratio	23%	23%
15	Assessed Value	8,983,755	10,393,230
16	Property Tax Rate	8.939151%	8.939151%
17			
18	Property Tax	803,071	929,066
19	Tax on Parcels	-	-
20			
21	Total Property Tax at Proposed Rates	$ 803,071	$ 929,066
22	Property Taxes in the test year	559,456	803,071
23	Adjustment to Revenues and/or Expenses	$ 243,615	$ 125,995
24			
25			
26			
27			
28	Increase in Property Tax Due to Increase in Revenue Requirement (Line 23 Col [B])		$ 125,995
29			
30	Federal and State Tax (Ln 28 X 38.6%)		$ 48,633
31			
32	Increase in Property Tax (net of tax) (Ln 28-Ln30)		$ 77,362
33			
34	Increase in Revenue Requirement (From Sch. A1)		$ 9,192,203
35			
36	Increase in Property Tax Per Dollar Increase in Revenue (Line 32/Line 34)		0.84%
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43	Workpapers & Supporting Documents:		
44	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
45	\Common\Workpapers\Property Taxes\2007 pd in 07-08 AZ Tax Payment .xls		
46	\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-15

Exhibit
Schedule C-2
Page 21
Witness: Hubbard

Line No.			
1	Adjust 401k Expense to Reflect Adjusted Labor Expense		
2			
3	Adjusted 401k Expense (work paper) - Agua Fria Water		$ 7,351
4			
5	Test year 401k Expense (Miscellaneous Expense)	$ 19,577	
6			
7	Adjusted Test Year 401k Expense		$ 19,577
8			
9	Increase/(Decrease) in 401k Expense (Miscellaneous Expense)		$ (12,226)
10			
11	Adjustment to Revenue and/or Expense		$ (12,226)
12			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
48	\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls		
49			
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Line No.

1 Adjust for Line21 Miscellaneous Expense Clean Up

2

3 The Company went through the Corporate Miscellaneous General Expense account and removed
4 those items which it anticipated the Commission would likely disallow for ratemaking purposes,
5 such as Community Relations expense and membership dues. The Company performed the
6 same study of the Agua Fria Water account.

7

8

9	Pro forma adjustment to Line 21 Miscellaneous Expense:		
10	Agua Fria Water		($48)
11			
12	Corporate Office amount	($16,849)	
13		($16,849)	
14			
15	4 Factor Allocation to Agua Fria Water	23.0946%	
16			
17	Total Corporate disallowance		($3,891)
18			
19	Pro forma disallowance to Miscellaneous Expense		($3,939)
20			
21	Adjustment to Revenue and/or Expense		($3,939)

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45 Workpapers & Supporting Documents:
46 \Schedules\2007 Agua Fria Water Sch. A-F.xls\
47 \Common\Workpapers\Line21.xls
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-17

Exhibit
Schedule C-2
Page 23
Witness: Hubbard

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45	Workpapers & Supporting Documents:
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50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-18

Exhibit
Schedule C-2
Page 24
Witness: Hubbard

Line No.			
1	Interest Synchronization with Rate Base		
2			
3	Original Cost Rate Base (Sch. B-1, Ln. 24)		$96,976,395
4	Weighted Cost of Debt from Schedule D-1		2.91%
5	Synchronized Interest Expense		2,822,013
6	Test Year Interest Expense	2,509,493	
7			
8	Adjusted Test Year Interest Expense		2,509,493
9			
10	Increase (decrease) in Interest Expense		$ 312,520
11			
12	Adjustment to Revenues and/or Expense		312,520
13			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-19

Exhibit
Schedule C-2
Page 25
Witness: Hubbard

Line No.	Calculation of Income Taxes at Proposed Rates		Test Year Adjusted Results	Adjusted with Rate Increase
1				
2				
3				
4	Operating Income Before Inc. Taxes		$ 2,462,532	$ 11,506,716
5	Interest Expense		$ 2,822,013	$ 2,822,013
6	Arizona Taxable Income		(359,481)	8,684,703
7				
8	Less Arizona Income Tax		$ (25,049)	$ 605,150
9	Arizona Income Tax Rate =	6.968%		
10				
11	Federal Income Before Taxes		$ (359,481)	$ 8,684,703
12	Less Arizona Income Taxes		(25,049)	605,150
13	Federal Taxable Income		$ (334,432)	$ 8,079,553
14				
15	Federal Income Taxes:	34.000%	$ (113,707)	$ 2,747,048
16				
17				
18	Total Income Tax		$ (138,756)	$ 3,352,198
19				
20	Tax Rate		38.60%	38.60%
21				
22	Effective Income Tax Rates			
23	State		6.968%	6.968%
24	Federal		31.63%	31.63%
25				
26				
27	Test Year Income Taxes, Per Books		$ (648,244)	
28	Increase in Income Taxes		509,488	
29				
30	Adjustment to Revenues and/or Expense		$ 509,488	
31				
32	Test Year Income Taxes, Adjusted			$ (138,756)
33	Increase in Income Taxes			3,490,954
34				
35	Adjustment to Revenues and/or Expense			3,490,954
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45	Workpapers & Supporting Documents:			
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-20

Exhibit
Schedule C-2
Page 26
Witness: Hubbard

Line No.			
1	Adjust Postage Expense for 2007 and 2008 Postage Increases		
2			
3	2006 Total Corporate Postage Expense		$ 494,284
4			
5	2007 Postage Increase (5/14/07)	5.4%	
6			
7	Annualize 2007 Postage Increase	$ 26,691	
8			
9	Estimated 2007 Total Corporate Postage Expense Annualized		$ 520,975
10			
11	2008 Postage Increase (5/14/08)	2.90%	
12			
13	Annualize 2008 Postage Increase	$ 15,108	
14			
15	Test Year 2007 Pro Forma Total Company Postage Expense		$ 536,083
16			
17	4 Factor - Agua Fria Water		23.0946%
18			
19	Test Year 2007 Pro Forma Postage Expense-Agua Fria Water		$ 123,806
20			
21	2007 Test year Postage Expense (CA - 575660.15)		$ 118,192
22			
23	Increase in Postage Expense		$ 5,614
24			
25	Increase/(Decrease) in Postage Expense		$ 5,614
26			
27	Adjustment to Revenue and/or Expense		$ 5,614
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Workpapers\2007 4 Factor.xls		
48	\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-21

Exhibit
Schedule C-2
Page 27
Witness: Hubbard

Line No.			
1	Remove One-Time Service Company Charges		
2			
3			
4	Test Year Management Fees-Agua Fria Water		$ 2,766,348
5			
6			
7	Adjusted Test Year Management Fees		$ 2,766,348
8			
9	Write-off One-Time Service Company Charges	$281,437	
10	4 Factor Allocation to Agua Fria Water	23.0946%	
11			
12	Adjustment to Write-off One-Time Service Company Charges		(64,997)
13			
14			
15	Increase/(Decrease) in Management Fees		$ (64,997)
16			
17	Adjustment to Revenue and/or Expense		$ (64,997)
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Workpapers\Service Company Expenses\Mgt Fee Adj-One-Time Charges.xls		
48	\Common\Workpapers\2007 4 Factor.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-22

Exhibit
Schedule C-2
Page 28
Witness: Hubbard

Line No.			
1	Conservation Expense Adjustment		
2			
3	Pro Forma Conservation Expense (work paper) - Agua Fria Water		$ 18,532
4			
5	T.Y. 2007 Conservation Expense - Agua Fria Water	11,649	
6			
7			
8			
9	Test Year Conservation Expense - Agua Fria Water		11,649
10			
11	Increase/(Decrease) in Conservation Expense		6,883
12			
13	Adjustment to Revenue and/or Expense		6,883
14			
15			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Agua Fria Water Sch. A-F.xls\		
47	\Common\Water Conservation Program Expenditures 2007.xls		
48	\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-23

Exhibit
Schedule C-2
Page 29
Witness: Hubbard

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45	Workpapers & Supporting Documents:
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50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Hubbard

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Property Taxes	0.84%
6		
7	Bad Debt Expense	0.24%
8		
9	Total Tax Percentage	39.68%
10		
11	Operating Income % = 100% - Tax Percentage	60.32%
12		
13		
14		
15		
16	1 = Gross Revenue Conversion Factor	
17	Operating Income %	1.6578
18		
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43	Supporting Schedules:	Recap Schedules:
44		A-1
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D Schedules
Agua Fria
Water

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Summary of Cost of Capital
Total Company - Arizona American Water - Actual

Exhibit
Schedule D-1
Page 1
Witness: Broderick

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt	$ 194,768,140	55.65%	5.47%	3.04%	$ 189,208,140	53.25%	5.463%	2.91%
2									
3	Short-Term Debt	19,065,498	5.45%	5.37%	0.29%	-	0.00%	0.00%	0.00%
4									
5	Stockholder's Equity	136,123,326	38.90%	11.75%	4.57%	166,123,326	46.75%	11.75%	5.49%
6									
7	Totals	349,956,964	100.00%		7.90%	355,331,466	100.00%		8.40%

40 Supporting Schedules:
41 D-2
42 D-3
43 D-4
44 E-1

Recap Schedules:
A-3

50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Summary of Cost of Capital
Total Company - Arizona American Water - Proposed

Exhibit
Schedule D-1
Page 2
Witness: Broderick

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	189,208,140	53.25%	5.468%	2.91%	$ 189,208,140	53.25%	5.463%	2.91%
2									
3	Stockholder's Equity	166,123,326	46.75%	11.75%	5.49%	166,123,326	46.75%	11.75%	5.49%
4									
5	Totals	355,331,466	100.00%		8.40%	355,331,466	100.00%		8.40%
6									
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40	Supporting Schedules:						Recap Schedules:		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Summary of Cost of Capital
District Level - Agua Fria Water - Proposed

Exhibit
Schedule D-1
Page 3
Witness: Broderick

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	$ 51,638,330	53.25%	5.47%	2.91%	$ 51,638,330	53.25%	5.47%	2.91%
2									
3	Stockholder's Equity	45,338,066	46.75%	11.75%	5.49%	45,338,066	46.75%	11.75%	5.49%
4									
5	Totals	96,976,395	100.00%		8.40%	96,976,395	100.00%		8.41%
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40	Supporting Schedules:						Recap Schedules:		
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Cost of Long Term Debt
Test Year - Arizona American Water Actual

Exhibit
Schedule D-2
Page 1
Witness: Broderick

Line No.	Long-Term Debt	End of Test Year Amount Outstanding	End of Test Year Annual Cost	End of Test Year Interest Rate	End of Projected Year Amount Outstanding	End of Projected Year Annual Cost	End of Projected Year Interest Rate
1	Sep '28 L-T Note - Maricopa	10,635,000	386,051	3.630%	10,635,000	386,051	3.630%
2	Dec '13 L-T Promissory Note	24,700,000	1,331,330	5.390%	24,700,000	1,331,330	5.390%
3	Dec '16 L-T Promissory Note	11,200,000	618,240	5.520%	11,200,000	618,240	5.520%
4	Dec '18 L-T Promissory Note	123,100,000	6,918,220	5.620%	123,100,000	6,918,220	5.620%
5	Oct '37 L-T Promissory Note (1)	16,450,000	1,084,549	6.593%	10,000,000	650,000	6.500%
6	Oct '37 L-T Promissory Note (1)				6,450,000	425,249	6.593%
7	Sep '13 PILR - Monterey	32,726	2,049	6.260%	32,726	2,049	6.260%
8	Aug '15 PILR Rosalee	38,347	2,753	7.180%	38,347	2,753	7.180%
9	Aug '15 PILR - T.O. Development	32,847	2,358	7.180%	32,847	2,358	7.180%
10	Aug '13 PILR - Montex/Lincoln	19,220	1,107	5.760%	19,220	1,107	5.760%
11	Tolleson Obligation (3)	0	-	0.000%	-	-	0.000%
12	Phoenix Interconnect Agreement (2)	3,000,000	-	0.000%	3,000,000	-	0.000%
13							
14	Totals	189,208,140	10,346,656	5.468%	189,208,140	10,337,356	5.463%
15							
16							
17	Common Equity						
18	Common Stock	$ 522,880			$ 522,880		
19	Paid in Capital	164,468,228			164,468,228		
20	Retained Earnings	(28,867,782)			(28,867,782)		
21	Equity Infusion (4)				30,000,000		
22		136,123,326		11.75%	166,123,326		11.75%
23							
24							
25							
26	Short-Term Debt						
27	AWCC Bank Debt	$ 19,065,498	$ 984,733	5.165%	$ 19,065,498	$ 984,733	5.165%
28	Aug '08 L-T Senior Notes	4,519,474	321,877	7.122%	4,519,474	321,877	7.122%
29	2008 Anthem Refund Payment (5)	20,226,122	1,044,679	5.165%	20,226,122	1,044,679	5.165%
30	Totals	$ 43,811,094	$ 2,351,289	5.367%	$ 43,811,094	$ 2,351,289	5.367%
31							
32							

33 (1) The actual rate for this note if 6.593%, but the ACC authorized ceiling is 6.5%.
34 (2) $1M payments were made December 19, 2005 and September 12, 2006, leaving a balance due thereafter of $3M.
35 (3) Exclude the Tolleson obligation for ratemaking purposes as per ACC precedent.
36 (4) Additional equity infusions are planned for March 2008 ($20M) and August 2008 ($10M).
37 (5) The 2008 Anthem refund payment was paid as per the 4th Amendment to the Anthem Agreement.
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43 Supporting Schedules:
44 E-1
45 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

Recap Schedules:
D-1

Arizona American Water Company - Agua Fria Water
Arizona American Water Company - Agua Fria Water
Cost of Long Term Debt
Test Year - Agua Fria Water - Proposed

Exhibit
Schedule D-2
Page 2
Witness: Broderick

Line No.	Long-Term Debt	End of Test Year Amount Outstanding	End of Test Year Annual Cost	End of Test Year Interest Rate	End of Projected Year Amount Outstanding	End of Projected Year Annual Cost	End of Projected Year Interest Rate
1	Sep '28 L-T Note - Maricopa	10,635,000	386,051	3.630%	10,635,000	386,051	3.630%
2	Dec '13 L-T Promissory Note	24,700,000	1,331,330	5.390%	24,700,000	1,331,330	5.390%
3	Dec '16 L-T Promissory Note	11,200,000	618,240	5.520%	11,200,000	618,240	5.520%
4	Dec '18 L-T Promissory Note	123,100,000	6,918,220	5.620%	123,100,000	6,918,220	5.620%
5	Oct '37 L-T Promissory Note (1)	16,450,000	1,084,549	6.593%	10,000,000	650,000	6.500%
6	Oct '37 L-T Promissory Note (1)				6,450,000	425,249	6.593%
7	Sep '13 PILR - Monterey	32,726	2,049	6.260%	32,726	2,049	6.260%
8	Aug '15 PILR Rosalee	38,347	2,753	7.180%	38,347	2,753	7.180%
9	Aug '15 PILR - T.O. Development	32,847	2,358	7.180%	32,847	2,358	7.180%
10	Aug '13 PILR - Montex/Lincoln	19,220	1,107	5.760%	19,220	1,107	5.760%
11	Tolleson Obligation (3)	0	-	0.000%	-	-	0.000%
12	Phoenix Interconnect Agreement (2)	3,000,000	-	0.000%	3,000,000	-	0.000%
13							
14	Totals	189,208,140	10,346,656	5.468%	189,208,140	10,337,356	5.463%
15							
16							
17	Common Equity						
18	Common Stock	$ 522,880			$ 522,880		
19	Paid in Capital	164,468,228			164,468,228		
20	Retained Earnings	(28,867,782)			(28,867,782)		
21	Equity Infusion (4)				30,000,000		
22		136,123,326		11.75%	166,123,326		11.75%
23							
24							
25							
26	Short-Term Debt						
27	AWCC Bank Debt	$ 19,065,498	$ 984,733	5.165%	$ 19,065,498	$ 984,733	5.165%
28	Aug '08 L-T Senior Notes	4,519,474	321,877	7.122%	4,519,474	321,877	7.122%
29	2008 Anthem Refund Payment (5)	20,226,122	1,044,679	5.165%	20,226,122	1,044,679	5.165%
30	Totals	$ 43,811,094	$ 2,351,289	5.367%	$ 43,811,094	$ 2,351,289	5.367%

31
32
33 (1) The actual rate for this note if 6.593%, but the ACC authorized ceiling is 6.5%.
34 (2) $1M payments were made December 19, 2005 and September 12, 2006, leaving a balance due thereafter of $3M.
35 (3) Exclude the Tolleson obligation for ratemaking purposes as per ACC precedent.
36 (4) Additional equity infusions are planned for March 2008 ($20M) and August 2008 ($10M).
37 (5) The 2008 Anthem refund payment was paid as per the 4th Amendment to the Anthem Agreement.
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43 Supporting Schedules: Recap Schedules:
44 D-1
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50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Broderick

Line No.	Description of Issue	End of Test Year Shares Outstanding	End of Test Year Amount	End of Test Year Dividend Requirement	End of Projected Year Shares Outstanding	End of Projected Year Amount	End of Projected Year Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
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43	Supporting Schedules:				Recap Schedules:		
44	E-1				D-1		
45							
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47							
48							
49							
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\						

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Broderick

Line No.

1 The Company's rate application reflects an 11.75% return on common equity. See the direct testimony
2 of Bente Villadsen.
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43 Supporting Schedules: Recap Schedules:
44 D-1
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50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

E Schedules
Agua Fria
Water

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Comparative Balance Sheets
Total Company - Arizona American Water

Exhibit
Schedule E-1
Page 1
Witness: Gutowski

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	ASSETS			
2	Utility Plant	$ 678,007,460	$ 596,042,749	$ 521,206,065
4	Construction Work in Progress	19,474,380	39,764,025	53,320,402
5	Utility Plant Acquisition Adjustment	28,318,082	29,318,193	30,318,303
6	Less: Accumulated Depreciation	134,403,856	116,181,448	106,107,261
7	Net Plant	$ 591,396,066	$ 548,943,519	$ 498,737,509
8				
9	Non-Utility Property	138,301	138,301	111,151
10	Other Investments	235,473	1,106,535	3,986,237
11				
12	CURRENT ASSETS			
13	Cash and Equivalents	$ 503,022	$ 342,472	$ 1,932,319
14	Customer Accounts Receivable	4,188,775	4,235,735	3,838,527
15	Allowance for Uncollectible Accounts	(564,386)	(281,254)	(446,466)
16	Unbilled Revenues	3,841,077	2,800,566	3,985,400
17	FIT Refund Due from Assoc. Companies	2,831,051	5,000,194	4,554,302
18	Miscellaneous Receivables	2,445,842	698,059	6,020,640
19	Materials and Supplies	531,287	438,847	247,594
20	Other Current Assets	757,732	754,825	404,310
21	Total Current Assets	$ 14,534,400	$ 13,989,444	$ 20,536,626
22				
23	Deferred Debits	$ 23,053,695	$ 22,450,968	$ 12,193,236
24				
25	TOTAL ASSETS	$ 629,357,935	$ 586,628,767	$ 535,564,759
26				
27	LIABILITIES AND STOCKHOLDERS' EQUITY			
28				
29	Common Equity	$ 136,123,326	$ 125,757,912	$ 95,198,212
30				
31	Long-Term Debt	$ 194,768,140	$ 207,839,822	$ 198,757,395
32				
33	CURRENT LIABILITIES			
34	Bank Debt	$ 19,065,498	$ 14,526,117	$ 30,003,138
35	Current Portion of Long-Term Debt	4,519,474	16,050	16,050
36	Accounts Payable	5,726,344	11,459,490	15,195,593
37	Taxes Accrued	746,302	3,249,639	(11,338,335)
38	Interest Accrued	602,989	704,774	1,280,593
39	Customer Deposits	46,872	76,267	67,683
40	Other Current Liabilities	4,885,338	3,643,609	10,688,567
41	Total Current Liabilities	$ 35,592,817	$ 33,675,946	$ 45,913,289
42	DEFERRED CREDITS			
43	Advances in Aid of Construction	$ 207,062,871	$ 180,481,909	$ 160,474,919
44	Accumulated Deferred Income Taxes	(11,193,103)	(8,021,246)	6,890,093
45	Deferred Investment Tax Credits	60,106	63,826	67,546
46	Reg. Liab. - Income Tax Refund Thru Rates	229,560	263,113	241,674
47	Other Deferred Credits	12,063,286	10,919,590	7,561,755
48	Total Deferred Credits	$ 208,222,720	$ 183,707,192	$ 175,235,987
49				
50	Contributions in Aid of Construction	$ 54,650,930	$ 35,647,896	$ 20,459,874
51				
52	Total Liabilities & Common Equity	$ 629,357,933	$ 586,628,768	$ 535,564,757
53				
54	Supporting Schedules:	Recap Schedules:		
55				
56	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Comparative Balance Sheets
District Level - Agua Fria Water

Exhibit
Schedule E-1
Page 2
Witness: Gutowski

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	ASSETS			
2	Utility Plant Original Cost	$ 207,619,329	$ 170,729,455	$ 141,329,634
4	CWIP [a]	14,226,298	17,189,939	25,925,741
5	Utility Plant Acquisition Adjustment	6,090,214	5,972,793	5,685,124
6	Accumulated Depreciation	19,289,808	14,955,246	13,258,517
7	Net Plant	$ 208,646,032	$ 178,936,942	$ 159,681,983
8				
9	Non-Utility Property	-	-	-
10	Other Investments	45,780	210,842	747,477
11				
12	CURRENT ASSETS			
13	Cash & Cash Equivalents	$ 107,138	$ 69,729	$ 362,300
14	Customer Accounts Receivable	900,857	862,917	719,780
15	Allowance for Uncollectible Acctounts	(121,379)	(57,298)	(83,719)
16	Accrued Utility Revenue	661,438	389,645	895,738
17	FIT Refund Due From Assoc Co	608,858	308,386	190,873
18	Miscellaneous Receivables	496,765	142,211	1,156,172
19	Materials & Supplies	3,071	8,433	1,969
20	Prepayments	214,929	185,818	134,921
21	Total Current Assets	$ 2,871,678	$ 1,909,842	$ 3,378,033
22				
23	Deferred Debits	$ 3,529,517	$ 2,792,677	$ 1,897,262
24				
25	TOTAL ASSETS	$ 215,093,006	$ 183,850,302	$ 165,704,756
26				
27	LIABILITIES AND STOCKHOLDERS' EQUITY			
28				
29	Common Equity	$ 35,361,834	$ 33,308,309	$ 37,296,771
30				
31	Long-Term Debt	$ 41,887,708	$ 42,341,772	$ 37,269,911
32				
33	CURRENT LIABILITIES			
34	Bank Debt	$ 4,100,311	$ 2,959,305	$ 5,626,026
35	Current Portion of Long-Term Debt	971,978	3,270	3,010
36	Accounts Payable	1,686,272	3,102,252	5,162,788
37	Taxes Accrued	1,047,235	688,654	(2,295,369)
38	Interest Accrued	129,682	143,579	240,130
39	Customer Deposits	19,040	30,590	31,749
40	Other Current Liabilities	636,458	376,624	1,412,656
41	Total Current Liabilities	$ 8,590,976	$ 7,304,274	$ 10,180,990
42	DEFERRED CREDITS			
43	Advances in Aid of Construction	$ 98,233,813	$ 81,140,221	$ 70,411,837
44	Accumulated Deferred Income Taxes	(2,839,311)	(2,043,400)	915,270
45	Deferred Investment Tax Credits	-	-	-
46	Deferred Regulatory Liability	49,370	53,602	45,317
47	Other Deferred Credits	2,031,582	2,013,504	1,396,567
48	Total Deferred Credits	$ 97,475,455	$ 81,163,927	$ 72,768,991
49				
50	Contributions in Aid of Construction	$ 31,777,034	$ 19,732,020	$ 8,188,094
51				
52	Total Liabilities & Common Equity	$ 215,093,006	$ 183,850,302	$ 165,704,756
53				
54	Supporting Schedules:		Recap Schedules:	
55	E-5		A-3	
56	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	Operating Revenues	$ 19,060,578	$ 15,899,844	$ 12,719,894
2				
3	Operation & Maintenance Expense	$ 9,284,858	$ 7,287,261	$ 6,832,622
4	Depreciation & Amortization	4,117,636	3,324,008	3,364,538
5	Other Taxes	675,166	468,805	414,955
6	Income Taxes	(648,244)	(518,450)	(340,555)
7	Total Operating Expense	$ 13,429,416	$ 10,561,624	$ 10,271,560
8	Operating Income	$ 5,631,162	$ 5,338,220	$ 2,448,334
9				
10	Other Income - Net	996,121	206,663	441,036
11				
12	Long-Term Interest	2,869,000	2,270,234	2,235,443
13				
14	AFUDC	($359,507)	(166,332)	(188,821)
15	Net Income	$ 4,117,790	$ 3,440,981	$ 842,748
16				
17				
18	Preferred Dividends	$ -	$ -	$ -
19				
20	Earnings Available for Common Stock	$ 4,117,790	$ 3,440,981	$ 842,748
21				
22	Earnings Per Share of Average			
23	Common Stock Outstanding	$ 117.14	$ 103.22	$ 25.82
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43	Supporting Schedules:			Recap Schedules:
44	E-6			A-2
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50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Comparative Statement of Changes in Financial Position

Exhibit
Schedule E-3
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1				
2				
3	Source of Funds			
4	From Operations			
5	Net Income	(359,507)	(166,332)	(188,821)
6	Depreciation and Amortization	4,117,636	3,324,008	3,364,538
7	Def. Investment Tax Credits	-	-	-
8	Deferred income Taxes	(795,911)	(2,958,669)	654,101
9	Amort. Of Regulatory Expense	27,026	55,786	40,790
10	Total From Operations	2,989,244	254,793	3,870,608
11	From Financing	-		
12	Advances in Aid of Construction	17,093,592	10,728,384	22,484,339
13	Contributions in Aid of Construction	12,045,014	11,543,926	3,484,356
14	Issuance of Long-term Debt	514,645	5,072,121	4,634,724
15	(Decrease) Increase in Net Amounts due to			
16	Parent and Affilitates	5,202,536	11,391,127	-
17	Total From Financing	34,855,787	38,735,558	30,603,419
18				
19	Total Funds Provided	$ 37,845,031	$ 38,990,350	$ 34,474,026
20	Application of Funds			
21	Construction Expenditures	33,926,232	20,664,018	45,090,649
22	Rate Case Expenses	27,026	55,786	40,790
23	Dividends Paid	-	-	-
24	Other Deferred Debits and Credits	(718,761)	(278,477)	39,000
25	Total Funds Applied	$ 33,234,497	$ 20,441,327	$ 45,170,440
26				
27				
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29				
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42				
43	Supporting Schedules and Workpapers:		Recap Schedules:	
44	E-1		A-5	
45	E-2 E-4			
46	\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls			
47	\Common\Workpapers\2007 4 Factor.xls			
48				
49				
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Statement of Changes in Stockholder's Equity
Total Company

Exhibit
Schedule E-4
Page 1
Witness: Broderick

Line No.		Shares Outstanding	Common Stock	Additional Paid-In-Capital	Retained Earnings	Total
1						
2						
3						
4						
5	Balance, December 10, 2004	104,576	522,880	114,468,228	(18,388,896)	96,602,212
6						
7	Net Income				(1,404,000)	(1,404,000)
8						
9	Dividends Paid					
10						
11	Other/Reclass					
12						
13	Balance, December 9, 2005	104,576	522,880	114,468,228	(19,792,896)	95,198,212
14						
15	Net Income				(4,440,300)	(4,440,300)
16						
17	Dividends Paid					
18						
19	Other/Reclass			35,000,000		35,000,000
20						
21	Balance, December 31, 2006	104,576	522,880	149,468,228	(24,233,196)	125,757,912
22						
23	Net Income		-	-	(4,634,586)	(4,634,586)
24						
25	Dividends Paid					
26						
27	Other/Reclass			15,000,000		15,000,000
28						
29	Balance, December 31, 2007	104,576	$ 522,880	164,468,228	(28,867,782)	136,123,326
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44	Supporting Schedules:				Recap Schedules:	
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Gutowski

Line No.	Obj. Acct.	Sub. Acct.	Description	Plant Balance at 12/31/2006	Plant Additions, Reclass-ifications or Retirements	Plant Balance at 12/31/2007
1	101000	301000	Organization	1,229	-	1,229
2	101000	302000	Franchises	359,919	(37,922)	321,997
3	101000	303200	Land & Land Rights SS	1,152,726	280,910	1,433,636
4	101000	303300	Land & Land Rights P	52,376	(80,837)	(28,462)
5	101000	303400	Land & Land Rights WT	624,652	-	624,652
6	101000	303500	Land & Land Rights TD	-	-	-
7	101000	303600	Land & Land Rights AG	-	-	-
8	101000	304100	Struct & Imp SS	6,657,852	2,362,307	9,020,159
9	101000	304200	Struct & Imp P	4,529,554	307,302	4,836,856
10	101000	304300	Struct & Imp WT	19,802	1,142,208	1,162,010
11	101000	304400	Struct & Imp TD	3,548,439	2,513	3,550,952
12	101000	304600	Struct & Imp Offices	94,809	78,475	173,284
13	101000	304800	Struct & Imp Misc	-	-	-
14	101000	305000	Collect & Impounding	-	-	-
15	101000	307000	Wells & Springs	9,563,622	2,310,727	11,874,350
16	101000	310100	Power Generation Equip Other	824,162	4,484	828,646
17	101000	311200	Pump Equip Electric	18,940,734	2,240,557	21,181,291
18	101000	311300	Pump Equip Diesel	11,824	48	11,872
19	101000	311500	Pump Equip Other	1,251,877	19,674	1,271,551
20	101000	320100	WT Equip Non-Media	5,267,541	4,235,834	9,503,375
21	101000	330000	Dist Reservoirs & Standpipe	6,771,999	2,975,586	9,747,585
22	101000	331001	TD Mains Not Classified by Size	5,712,531	5,393	5,717,924
23	101000	331100	TD Mains 4in & Less	21,362,123	9,029	21,371,152
24	101000	331200	TD Mains 6in to 8in	23,601,871	7,727,608	31,329,478
25	101000	331300	TD Mains 10in to 16in	20,448,275	6,836,139	27,284,414
26	101000	331400	TD Mains 18in and Grtr.	11,909,255	1,865,145	13,774,400
27	101000	332000	Fire Mains	-	89,876	89,876
28	101000	333000	Services	8,977,162	2,295,870	11,273,032
29	101000	334100	Meters	4,115,792	551,038	4,666,830
30	101000	334200	Meter Installations	1,484,809	98,467	1,583,276
31	101000	335000	Hydrants	10,260,857	1,532,553	11,793,410
32	101000	339100	Other P/E Intangible	-	-	-
33	101000	339300	Other P/E Misc	-	-	-
34	101000	339500	Other P/E TD	-	-	-
35	101000	340100	Office Furniture & Equip	93,321	(457)	92,864
36	101000	340200	Comp & Periph Equip	77,448	(2,774)	74,674
37	101000	341100	Trans Equip Lt Duty Trks	202,642	15	202,657
38	101000	341200	Trans Equip Hvy Duty Trks	-	-	-
39	101000	342000	Stores Equipment	-	-	-
40	101000	343000	Tools,Shop,Garage Equip	8,597	10	8,608
41	101000	344000	Laboratory Equipment	-	-	-
42	101000	345000	Power Operated Equipment	30,758	(199)	30,559
43	101000	346100	Comm Equip Non-Telephone	1,439,597	23,104	1,462,701
44	101000	346300	Comm Equip Other	441,635	(51,049)	390,585
45						
46						
47			Agua Fria Direct	$169,839,790	$36,821,630	$206,661,420
48						
49						
50						

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Detail of Plant in Service

Exhibit
Schedule E-5
Page 2
Witness: Gutowski

Line No.	Obj. Acct.	Sub. Acct.	Description	Plant Balance at 12/31/2006	Plant Additions, Reclass-ifications or Retirements	Plant Balance at 12/31/2007
1	General Corporate Plant Allocated to Agua Fria					
2						
3	101000	303600	Land & Land Rights AG	30,722	(30,722)	-
4	101000	304510	Struct & Imp AG Cap Lease	-	-	-
5	101000	304600	Struct & Imp Offices	18,209	(18,209)	-
6	101000	304800	Struct & Imp Misc	-	-	-
7	101000	304620	Struct & Imp Leasehold	197,755	-	197,755
8	101000	331001	Mains	-	783,397	783,397
9	101000	340100	Office Furniture & Equip	1,090,182	34,725	1,124,906
10	101000	340200	Comp & Periph Equip	395,932	61,597	457,529
11	101000	340300	Computer Software	1,800,584	(233)	1,800,350
12	101000	340330	Comp Software Other	36,811	9,951	46,763
13	101000	340500	Other Office Equipment	-		-
14	101000	341100	Trans Equip Lt Duty Trks	469,000		-
15	101000	343000	Tools,Shop,Garage Equip	18,131		38,455
16	101000	344000	Laboratory Equipment	-		-
17	101000	345000	Power Operated Equipment	47,923		-
18	101000	346100	Comm Equip Non-Telephone	199,220		186,080
19	101000	346200	Comm Equip Telephone	49,678		-
20	101000	346300	Comm Equip Other	12,887		4,902
21	101000	347000	Misc Equipment	-		-
22	101000	380400	WW TD Equip Aux Effl Trmt	-		-
23	101000	393000	WW Tool Shop & Garage Equip	-		-
24						
25			Total General Corporate Plant	4,367,033	840,505	4,640,137
26						
27		4 Factor %	Allocated to Agua Fria Water	21.5064%		21.5064%
28						
29			Agua Fria Water Allocation	$939,194	$58,735	$997,929
30						
31						
32						
33						
34						
35						
36						
37						
38						
39			TOTAL PLANT IN SERVICE	$ 170,778,984	$ 36,880,365	$ 207,659,349
40						
41			Accumulated Depreciation	$ (14,955,246)	$ (4,334,562)	$ (19,289,808)
42			NET PLANT IN SERVICE	$ 155,823,738	$ 32,545,803	$ 188,369,541
43			CWIP	$ 17,189,939	$ (2,963,641)	$ 14,226,298
44			TOTAL NET PLANT	$ 173,013,677	$ 29,582,162	$ 202,595,839
45						
46						
47	Supporting Schedules:				Recap Schedules:	
48	B-2				E-1	
49					A-4	
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\					

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Comparative Departmental Statements of Operating Income

Exhibit
Schedule E-6
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	**Water Revenues**			
2	Residential	$ 12,418,375	$ 10,921,612	$ 8,364,735
3	Commercial	3,730,824	2,889,950	2,135,421
4	Industrial	(25)	-	-
5	Public Fire	-	-	-
6	Private Fire	108,161	96,847	71,140
7	Public Authority	45,939	223,353	231,004
8	Sales For Resale	148,834	173,100	370,735
9	Miscellaneous	96,635	1,144	(211)
10		$ 16,548,743	$ 14,306,006	$ 11,172,824
11	**Other Revenues**			
12	Other Revenues	$ 2,511,835	$ 1,593,838	$ 1,547,070
13	**Total Operating Revenues**	$ 19,060,578	$ 15,899,844	$ 12,719,894
14				
15	**Operations Expenses**			
16	Source of Supply Expense	1,168,350	882,772	1,552,056
17	Pumping Expense	1,905,976	1,553,604	894,472
18	Water Treatment Expense	203,592	72,520	27,123
19	Transmission & Distribution Expense	106,944	172,848	327,842
20	Customer Accounting Expense	610,949	479,322	496,718
21	Administrative & General Expense	4,836,551	3,727,573	3,313,221
22	**Total Operations Expense**	8,832,362	6,888,639	6,611,432
23				
24	**Maintenance Expenses**			
25	Source of Supply Expense	110,896	88,137	32,663
26	Pumping Expense	121,929	83,698	52,680
27	Water Treatment Expense	39,732	30,721	13,170
28	Transmission & Distribution Expense	153,580	160,205	107,713
29	Customer Accounting Expense	-	-	-
30	Administrative & General Expense	26,359	35,861	14,964
31	**Total Maintenance Expense**	452,496	398,622	221,190
32	**Total Operations & Maintenance Expense**	9,284,858	7,287,261	6,832,622
33				
34	**Depreciation Expense**	4,117,636	3,374,991	3,309,855
35	**Amortization**	-	(50,983)	54,683
36				
37	**Taxes**			
38	Property Taxes	559,456	395,471	347,224
39	Other Taxes	115,710	73,334	67,731
40	State Income Taxes	(56,072)	(82,184)	(81,928)
41	Federal Income Taxes	(592,172)	(436,266)	(258,627)
42	**Total Taxes**	26,922	(49,645)	74,400
43				
44	**Total Operating Expenses**	$ 13,429,416	$ 10,561,624	$ 10,271,560
45	**Operating Income**	$ 5,631,162	$ 5,338,220	$ 2,448,334
46				
47				
48	Supporting Schedules:			Recap Schedules:
49	08 AZ MEGA\08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls			E-2
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	WATER STATISTICS:			
2				
3	Total Gallons Sold (Kgal)			
4	Residential	3,903,879	3,391,916	2,642,722
5	Commercial	1,523,221	1,124,946	706,951
6	Other/Miscellaneous	142,334	492,321	544,707
7	Total Gallons Sold (Kgal)	5,569,434	5,009,183	3,894,380
8				
9				
10	Average No. Customers			
11	Residential	30,977	27,880	23,332
12	Commercial	856	703	570
13	Other/Miscellaneous	49	46	44
14				
15				
16	Average Annual Gallons Per Residential Customer (Kgal)			
17	Residential	126	122	113
18				
19	Average Annual Revenue Per Residential Customer			
20	Residential	$ 400.89	$ 391.74	$ 358.51
21				
22	Pumping Cost Per Kgal	$ 0.3641	$ 0.3269	$ 0.2432
23				
24				
25				
26				
27				
28				
29				
30				
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43				
44				
45	Workpapers & Supporting Documents:			
46	08 AZ MEGA\Common\Workpapers\Operating Statistics-Avg. Customers.xls			
47				
48				
49				
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Hubbard

Line No.	Description	Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	Description			
2				
3	Federal Taxes:			
4	Federal Income	$ (592,172)	$ (436,266)	$ (258,627)
5	FICA (Employer's)	100,063	70,016	64,555
6	Federal Unemployment	2,052	2,732	1,077
7	Total Federal Taxes	$ (490,057)	$ (363,518)	$ (192,995)
8				
9	State Taxes:			
10	State Income	(56,072)	(82,184)	(81,928)
11	Ad Valorem (Property)	559,456	395,471	347,224
12	State Sales and Water Use	9,931	-	-
13	State Unemployment	3,652	2,049	2,097
14	Total State Taxes	$ 516,967	$ 315,336	$ 267,393
15				
16	Local Taxes	$ 12	$ (1,463)	$ 2
17				
18	Total Taxes to Operations	$ 26,922	$ (49,645)	$ 74,400
19				
20				
21				
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42				
43	Supporting Schedules:		Recap Schedules:	
44	08 Agua Fria Water\Workpapers\Expenses\A of I - Agua Fria Water.xls			
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49				
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Broderick

Line No.	
1	Agua Fria Water is an operating district within Arizona-American Water Company, and
2	does not have a separate capital structure and balance sheet.
3	
4	Projected capital expenditures reflect the Company's 2008 - 2012 business plan.
5	
6	Electronic workpapers are indicated at the bottom of each page.
7	
8	The Company proposes that its fair value rate base equals its original cost rate base in this case.
9	
10	Test year book results include corporate allocations.
11	
12	2007 audited financials for Arizona-American are included in the workpapers.
13	
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50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\

F Schedules
Agua Fria
Water

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Hubbard

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2008	At Proposed Rates Year Ended 12/31/2008
1				
2	Operating Revenues	$ 19,060,578	$ 18,818,613	$ 28,010,816
3				
4	Operation & Maintenance Expense	9,284,858	11,026,896	11,026,896
5	Depreciation & Amortization	$ 4,117,636	$ 4,397,190	$ 4,397,190
6	Other Taxes	675,166	931,995	931,995
7	Income Taxes	$ (648,244)	$ (277,521)	$ 3,548,097
8	Total Operating Expense	13,429,416	16,078,560	19,904,178
9	Operating Income	5,631,162	2,740,053	8,106,637
10				
11	Other Income - Net	996,121	-	-
12				
13	Long-Term Interest	2,869,000	2,822,013	2,822,013
14				
15	AFUDC	(359,507)	(359,507)	(359,507)
16	Net Income	4,117,790	277,547	5,644,131
17				
18				
19	Earnings Per Share	117.14	7.65	155.61
20				
21	Return on Common Equity	8.72%	-0.82%	9.11%
22				
23				
24				
25				
26				
27				
28				
29				
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43	Supporting Schedules:		Recap Schedules:	
44	E-2		A-2	
45				
46				
47				
48				
49				
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	At Present Rates Year Ended 12/31/2008	At Proposed Rates Year Ended 12/31/2008
1				
2				
3				
4				
5	Source of Funds			
6	From Operations			
7	Net Income	$ (359,507)	$ 277,547	$ 5,644,131
8	Depreciation and Amortization	4,117,636	4,397,190	4,397,190
9	Def. Investment Tax Credits	-	-	-
10	Deferred income Taxes	(795,911)	(795,911)	(795,911)
11	Amort. Of Regulatory Expense	27,026	27,026	27,026
12	Total From Operations	2,989,244	3,905,853	9,272,437
13	From Financing			
14	Advances in Aid of Construction	17,093,592	17,093,592	17,093,592
15	Contributions in Aid of Construction	12,045,014	12,045,014	12,045,014
16	Issuance of Long-term Debt	514,645	514,645	514,645
17	(Decrease) Increase in Net Amounts due to			
18	Parent and Affiliates	5,202,536	10,405,072	10,405,072
19	Total From Financing	34,855,787	40,058,323	40,058,323
20				
21	Total Funds Provided	$ 37,845,031	$ 43,964,176	$ 49,330,760
22	Application of Funds			
23	Construction Expenditures	33,926,232	40,088,481	40,088,481
24	Rate Case Expenses	27,026	27,026	27,026
25	Dividends Paid	-	-	-
26	Other Deferred Debits and Credits	(718,761)	(718,761)	(718,761)
27	Total Funds Applied	$ 33,234,497	$ 39,396,746	$ 39,396,746
28				
29	Details of Financing			
30	Changes in Short-term Debt	1,141,006	-	-
31	Changes in Long-term Debt	(454,063)	-	-
32	Changes in Preferred Stock	-	-	-
33	Changes in Common Equity	2,053,524	277,547	5,644,131
34				
35				
36				
37				
38				
39				
40				
41				
42	Supporting Schedules		Recap Schedules:	
43	E-3		A-5	
44	F-3			
45				
46				
47				
48				
49				
50	\Schedules\2007 Agua Fria Water Sch. A-F.xls\			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Hubbard

Line No.	Property Classification	Actual Test Year 12/31/2007	Projected Thru 12/31/2008	Projected Thru 12/31/2009	Projected Thru 12/31/2010
5	Improvement Projects	$ 4,200,282	$ 39,540,951	$ 42,111,963	$ 3,064,678
7	Recurring Projects	522,778	547,530	659,212	611,422
15	Total Plant	$ 4,723,060	$ 40,088,481	$ 42,771,175	$ 3,676,100

43 Supporting Schedules:

Recap Schedules:
F-2
A-4

50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Hubbard

Line No.

1 Customer growth

3 -Revenues annualized for customer growth or loss. See Schedule C-2.

6 Growth in consumption and customer demand

8 -Expenses have been adjusted to reflect annualization of customer growth or loss. See Schedule C-2.

11 Changes in expenses

13 -See Schedule C-2 and testimony of Sheryl L. Hubbard and Linda J. Gutowski.

16 Construction requirements, including production reserves and changes in plant capacity

18 -Construction requirements reflect the Company's 2008 - 2012 business plan.

21 Capital structure changes

23 See Schedule D-1 and the testimony of Thomas M. Broderick.

26 Financing costs, interest rates

28 See Schedule D-2, page 2 and the testimony of Thomas M. Broderick.

44 Supporting Schedules: Recap Schedules:

50 \Schedules\2007 Agua Fria Water Sch. A-F.xls\

G Schedules
Agua Fria
Water

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

DEVELOPMENT OF RATE OF RETURN BY RATE CLASSES UNDER PRESENT RATES

Description	Cost of Service	Residential	Commercial	Other Water Utilities	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)
1. Revenues From Sales of Water - Present Rates	$17,693,381	$13,633,335	$3,951,886	$0	$108,160
2. Other Revenues	1,125,196	$872,984	$212,429	$0	$39,783
3. Total Operating Revenues	18,818,577	14,506,319	4,164,315	-	147,943
4. Less: Operating Expenses	16,356,082	13,332,623	2,881,567	-	141,892
5. Return and Income Taxes	2,462,496	1,173,696	1,282,748	-	6,052
6. Less: Interest Expense	2,822,013	2,255,071	551,421	-	15,521
7. Taxable Income	(359,518)	(1,081,375)	731,327	-	(9,469)
8. Less: Income Taxes	(138,756)	(417,363)	282,257	-	(3,649)
9. Net Return (Ln 5 - Ln 8)	2,601,251	1,591,059	1,000,491	-	9,701
10. Original Cost Measure of Value	$96,976,395	$77,491,809	$18,947,140	$0	$537,446
11. Rate of Return, Percent	2.68%	2.05%	5.28%		1.80%
12. Relative Rate of Return	1.00	0.77	1.97		0.67

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

DEVELOPMENT OF RATE OF RETURN BY RATE CLASSES UNDER PROPOSED RATES

Description	Cost of Service	Residential	Commercial	Other Water Utilities	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)
1. Revenues From Sales of Water - Proposed Rates	$26,788,618	$20,846,887	$5,744,845	$0	$196,887
2. Other Revenues	1,222,005	$955,874	$233,449	$0	$32,682
3. Total Operating Revenues	28,010,622	21,802,761	5,978,294	-	229,568
4. Less: Operating Expenses	16,504,100	13,460,771	2,900,796	-	142,533
5. Return and Income Taxes	11,506,522	8,341,990	3,077,498	-	87,035
6. Less: Interest Expense	2,822,013	2,255,070	551,139	-	15,521
7. Taxable Income	8,684,509	6,086,920	2,526,359	-	71,514
8. Less: Income Taxes	3,352,198	2,349,220	975,490	-	27,488
9. Net Return (Ln 5 - Ln 8)	8,154,324	5,992,770	2,102,008	-	59,547
10. Original Cost Measure of Value	$96,976,395	$77,497,534	$18,941,584	$0	$537,277
11. Rate of Return, Percent	8.41%	7.73%	11.10%		11.08%
12. Relative Rate of Return	1.00	0.92	1.32		1.32

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

ALLOCATION OF TOTAL RATE BASE BY COST FUNCTION TO CUSTOMER CLASSIFICATIONS

Cost Function	Factor Ref.	Rate Base	Residential	Commercial	Other Water Utilities	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commodity	A	$72,137	$54,709	$17,428	$0	
Demand - Maximum Day	B	75,786,046	58,900,914	16,885,131	0	
Demand - Maximum Hour	C	(829,462)	(675,264)	(148,971)	0	(5,226)
Customer Facilities - Meters	D	17,638,027	15,738,412	1,899,616	0	0
Customer Facilities - Services	E	2,920,000	2,129,557	257,252	0	533,192
Customer Accounting	F	1,389,646	1,349,206	31,128	0	9,311
Total		$96,976,394	$77,497,534	$18,941,584	$0	$537,277

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT
ALLOCATION OF TOTAL EXPENSES BY COST FUNCTION TO CUSTOMER CLASSIFICATIONS

Cost Function	Factor Ref.	Cost of Service	Residential	Commercial	Other Water Utilities	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commodity	A	$4,141,964	$3,141,266	$1,000,699	$0	
Demand - Maximum Day	B	5,281,910	4,105,099	1,176,810	0	
Demand - Maximum Hour	C	3,073,219	2,501,909	551,950	0	19,361
Customer Facilities - Meters	D	519,382	463,446	55,937	0	0
Customer Facilities - Services	E	567,394	413,802	49,987	0	103,606
Customer Accounting	F	2,920,230	2,835,250	65,413	0	19,566
Total		$16,504,099	$13,460,771	$2,900,796	$0	$142,533

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
RATE BASE								
Organization	11	1,231	1	880	(23)	309	50	14
Franchises	11	319,312	160	228,340	(6,067)	80,147	12,996	3,736
Miscellaneous Intangibles	11	125,682	63	89,875	(2,388)	31,546	5,115	1,470
Land & Land Rights SS	2	1,338,070	0	1,338,070	0	0	0	0
Land & Land Rights P	2	60,373	0	60,373	0	0	0	0
Land & Land Rights WT	2	625,473	0	625,473	0	0	0	0
Land & Land Rights AG	9	(19,091)	(319)	(6,323)	(5,326)	(277)	(674)	(6,172)
Struct & Imp SS	2	8,500,271	0	8,500,271	0	0	0	0
Struct & Imp P	2	4,400,022	0	4,400,022	0	0	0	0
Struct & Imp WT	2	1,190,220	0	1,190,220	0	0	0	0
Struct & Imp TD	3	3,529,111	0	0	3,529,111	0	0	0
Struct & Imp Offices	9	216,042	3,608	71,553	60,276	3,133	7,626	69,847
Wells and Springs	2	10,468,375	0	10,468,375	0	0	0	0
Supply Mains	2	0	0	0	0	0	0	0
Power Generation Equip Other	2	1,000,903	0	1,000,903	0	0	0	0
Pump Equip Electric	2	15,721,106	0	15,721,106	0	0	0	0
Pump Equip Diesel	2	3,542	0	3,542	0	0	0	0
Pump Equip Other	2	1,041,330	0	1,041,330	0	0	0	0
WT Equip Non-Media	2	9,037,566	0	9,037,566	0	0	0	0
Distrib. Reservoirs & Standpipes	3	10,891,106	0	0	10,891,106	0	0	0
TD Mains Not Classified by Size	3	(1,580,549)	0	0	(1,580,549)	0	0	0
TD Mains 4in & Less	3	(7,840,688)	0	0	(7,840,688)	0	0	0
TD Mains 6in to 8in	3	(6,958,990)	0	0	(6,958,990)	0	0	0
TD Mains 10in to 16in	2	(5,470,186)	0	(5,470,186)	0	0	0	0
TD Mains 18in and Grtr.	2	(2,805,527)	0	(2,805,527)	0	0	0	0
Fire Mains	3	89,994	0	0	89,994	0	0	0
Services	4A	2,528,943	0	0	0	0	2,528,943	0
Meters	4	3,945,382	0	0	0	3,945,382	0	0
Meter Installations	4	1,471,791	0	0	0	1,471,791	0	0
Hydrants	4	10,650,294	0	0	0	10,650,294	0	0
Office Furniture & Equip	9	391,113	6,532	129,537	109,121	5,671	13,806	126,447
Comp & Periph Equip	9	573,265	9,574	189,865	159,941	8,312	20,236	185,337
Trans Equip Lt Duty Trks	9	(356,768)	(5,958)	(118,162)	(99,538)	(5,173)	(12,594)	(115,343)
Trans Equip Hvy Duty Trks	9	0	0	0	0	0	0	0
Stores Equipment	9	0	0	0	0	0	0	0
Tools,Shop,Garage Equip	9	14,880	248	4,928	4,151	216	525	4,811

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Laboratory Equipment	2	0	0	0	0	0	0	0
Power Operated Equipment	9	30,599	511	10,134	8,537	444	1,080	9,893
Comm Equip Non-Telephone	9	1,120,461	18,712	371,097	312,609	16,247	39,552	362,245
Comm Equip Other	9	351,990	5,878	116,579	98,205	5,104	12,425	113,798
Total Plant in Service		64,606,645	39,009	46,199,841	(1,230,520)	16,213,145	2,629,088	756,082
OTHER RATE BASE ELEMENTS								
Regulatory Advances and Contributions	11	(796,965)	(398)	(569,910)	15,142	(200,038)	(32,436)	(9,324)
Customer Advances	6	0	0	0	0	0	0	0
Contributions in Aid of Construction	6	0	0	0	0	0	0	0
Construction Work in Progress (White Tanks Project)	2	25,000,000	0	25,000,000	0	0	0	0
Cash Working Capital Allowance	9	1,816,928	30,343	601,767	506,923	26,345	64,138	587,413
Materials and Supplies	9	0	0	0	0	0	0	0
Prepayments	9	0	0	0	0	0	0	0
Deferred Income Taxes	11	2,839,311	1,420	2,030,391	(53,947)	712,667	115,560	33,220
Deferred Charges	11	3,529,517	1,765	2,523,958	(67,061)	885,909	143,651	41,295
Customer Deposits	5	(19,040)	0	0	0	0	0	(19,040)
Total Other Rate Base Elements		32,369,750	33,129	29,586,205	401,058	1,424,883	290,912	633,564
Total Original Cost Measure of Value		96,976,395	72,137	75,786,046	(829,462)	17,638,027	2,920,000	1,389,646

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
OPERATION AND MAINTENANCE EXPENSES								
SOURCE OF SUPPLY EXPENSES								
-OPERATION-								
Supervision & Engineering	2	9,899	0	9,899	0	0	0	0
Operation Expense and Labor	2	43,621	0	43,621	0	0	0	0
Purchased Water	1	901,467	901,467	0	0	0	0	0
Miscellaneous Expenses	2	2,601	0	2,601	0	0	0	0
Rents	2	0	0	0	0	0	0	0
Trans Oper	2	12	0	12	0	0	0	0
Heating - Oil/Gas	2	91,975	0	91,975	0	0	0	0
Security Service	2	716	0	716	0	0	0	0
Telemetering and Telephone	2	49,967	0	49,967	0	0	0	0
Contract Services	2	6,534	0	6,534	0	0	0	0
Total Operation		1,106,792	901,467	205,325	0	0	0	0
-MAINTENANCE-								
Supervision & Engineering	2	0	0	0	0	0	0	0
Maintenance Labor	2	54,032	0	54,032	0	0	0	0
Wells and Springs Maint	2	0	0	0	0	0	0	0
Maint Supply Mains Mat	2	9,201	0	9,201	0	0	0	0
Maint Struct. & Improvements	2	21,953	0	21,953	0	0	0	0
Misc. Maintenance	2	19,108	0	19,108	0	0	0	0
Materials and Supplies	2	22,823	0	22,823	0	0	0	0
Total Maintenance		127,117	0	127,117	0	0	0	0
Total Source of Supply		1,233,909	901,467	332,442	0	0	0	0
POWER AND PUMPING EXPENSES								
Pumping Supervision & Eng Electric	2	0	0	0	0	0	0	0
Pump Fuel and Power Purchase	1	1,954,815	1,954,815	0	0	0	0	0
Pump Labor and Expenses	2	104,201	0	104,201	0	0	0	0
Misc Pumping Expenses	2	18,026	0	18,026	0	0	0	0
Total Operation		2,077,042	1,954,815	122,227	0	0	0	0

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
-MAINTENANCE-								
Supervision & Engineering	2	18,271	0	18,271	0	0	0	0
Pump Maint Power Prod Equipment	2	0	0	0	0	0	0	0
Pump Maint Power Prod Equipment - Labor	2	111,939	0	111,939	0	0	0	0
Misc. Maintenance	2	583	0	583	0	0	0	0
Pump Maint Pumping Equipment	2	13,677	0	13,677	0	0	0	0
Total Maintenance		144,470	0	144,470	0	0	0	0
Total Power and Pumping		2,221,511	1,954,815	266,697	0	0	0	0
WATER TREATMENT								
-OPERATION-								
Supervision and Engineering	2	0	0	0	0	0	0	0
Chemicals	1	1,121,555	1,121,555	0	0	0	0	0
Chemical Feed	1	3,464	3,464	0	0	0	0	0
Waste Disposal	1	(681)	(681)	0	0	0	0	0
Labor and Expenses	2	13,081	0	13,081	0	0	0	0
Misc Water Treatment Exp	2	1,644	0	1,644	0	0	0	0
Contract Services - Lab Testing	1	31,676	31,676	0	0	0	0	0
Lab Supplies	1	9	9	0	0	0	0	0
Security Service	2	(2,920)	0	(2,920)	0	0	0	0
Materials and Supplies	2	22,495	0	22,495	0	0	0	0
Rents	2	0	0	0	0	0	0	0
Total Operation		1,190,323	1,156,023	34,300	0	0	0	0
-MAINTENANCE-								
Supervision and Engineering	2	0	0	0	0	0	0	0
General Water Equip	2	13,773	0	13,773	0	0	0	0
Janitorial	2	1,925	0	1,925	0	0	0	0
Total Maintenance		15,698	0	15,698	0	0	0	0
Total Water Treatment Expenses		1,206,021	1,156,023	49,998	0	0	0	0

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TRANSMISSION AND DISTRIBUTION EXPENSES -OPERATION-								
Supervision and Engineering	7	4,822	0	1,180	3,645	(2)	0	0
Storage Facilities Expense	3	0	0	0	0	0	0	0
Labor Operation TD	7	1	0	0	1	(0)	0	0
Labor Operation Lines	6	40,682	0	9,947	30,735	0	0	0
Lines Expense	6	0	0	0	0	0	0	0
Contract Service - Other Operating	7	2,902	0	710	2,193	(1)	0	0
Meter Expense	4	(15)	0	0	0	(15)	0	0
Customer Installation Expenses	4	0	0	0	0	0	0	0
Maps and Records	7	0	0	0	0	0	0	0
Materials and Supplies	7	13,188	0	3,226	9,967	(5)	0	0
Misc Operating	7	34,599	0	8,463	26,150	(14)	0	0
Uniforms	7	14,374	0	3,516	10,864	(6)	0	0
Trans Oper	7	17	0	4	13	(0)	0	0
Rents	7	0	0	0	0	0	0	0
Total Operation		110,571	0	27,045	83,568	(43)	0	0

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
-MAINTENANCE-								
Supervision and Engineering	8	12,547	0	125	10,275	627	1,519	0
T & D Structures & Improve Maint	8	0	0	0	0	0	0	0
Reservoirs and Standpipes	3	0	0	0	0	0	0	0
T & D Mains	6	1,724	0	422	1,302	0	0	0
T & D Mains - Labor	6	20,933	0	5,118	15,815	0	0	0
Services	4A	4,442	0	0	0	0	4,442	0
Services - Labor	4A	62,863	0	0	0	0	62,863	0
Meters	4	2,204	0	0	0	2,204	0	0
Meters - Labor	4	0	0	0	0	0	0	0
Hydrants	4	1,236	0	0	0	1,236	0	0
Hydrants - Labor	4	24,354	0	0	0	24,354	0	0
Tank Maintenance Accrual	3	437,819	0	0	437,819	0	0	0
Transport Maint	8	14,805	0	148	12,124	740	1,793	0
Materials and Supplies	8	14,587	0	146	11,945	729	1,766	0
Misc. Maintenance	8	2,229	0	22	1,825	111	270	0
Miscellaneous Plant	8	(8)	0	(0)	(7)	(0)	(1)	0
Total Maintenance		599,735	0	5,981	491,099	30,002	72,653	0
Total Transmission and Distribution Expenses		710,306	0	33,026	574,667	29,959	72,653	0
CUSTOMER ACCOUNTS								
Supervision	5	0	0	0	0	0	0	0
Meter Reading Expenses	5	0	0	0	0	0	0	0
Meter Reading Labor	5	101,082	0	0	0	0	0	101,082
Recording and Collecting Expenses	5	0	0	0	0	0	0	0
Customer Records Labor	5	19,156	0	0	0	0	0	19,156
Uncollectible Accounts	5	145,633	0	0	0	0	0	145,633
Misc Customer Accounting Expenses	5	0	0	0	0	0	0	0
Customer Service Expenses	5	0	0	0	0	0	0	0
Customer Service Expenses Labor	5	140,144	0	0	0	0	0	140,144
Materials and Supplies Oper	5	11,341	0	0	0	0	0	11,341

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Misc. Operating	5	1,216	0	0	0	0	0	1,216
Bank Service Charges	5	39,395	0	0	0	0	0	39,395
Bill Inserts	5	9,479	0	0	0	0	0	9,479
Collection Agencies	5	6,966	0	0	0	0	0	6,966
Forms	5	42,724	0	0	0	0	0	42,724
Office and Admin Supplies	5	3,939	0	0	0	0	0	3,939
Postage	5	123,806	0	0	0	0	0	123,806
Telephone	5	1,272	0	0	0	0	0	1,272
Cell Phone and Wireless	5	12,755	0	0	0	0	0	12,755
Contract Services - Operation	5	6,958	0	0	0	0	0	6,958
Uniforms	5	20	0	0	0	0	0	20
Total Customers' Accounting & Collecting		665,886	0	0	0	0	0	665,886
ADMINISTRATIVE AND GENERAL EXPENSES								
Administrative & General Salaries	9	537,473	8,976	178,011	149,955	7,793	18,973	173,765
Administrative & General Salaries - Dir/Off	9	14,329	239	4,746	3,998	208	506	4,633
Director Expenses	9	4,766	80	1,578	1,330	69	168	1,541
Management Fees - Water Quality	1	51,577	51,577	0	0	0	0	0
Management Fees - Cust. Billing/Service	5	546,376	0	0	0	0	0	546,376
Management Fees - Administration	9	2,177,651	36,367	721,238	607,565	31,576	76,871	704,034
Management Fees - Empl. Service	10	0	0	0	0	0	0	0
General Office Expense	9	161,107	2,690	53,359	44,949	2,336	5,687	52,086
Outside Services	9	261,954	4,375	86,759	73,085	3,798	9,247	84,690
Insurance other than Group	9	158,153	2,641	52,380	44,125	2,293	5,583	51,131
Workers Compensation	10	0	0	0	0	0	0	0
Employee Pensions and Benefits	10	808,369	6,063	295,944	140,980	21,664	55,131	288,588
Regulatory Expenses	9	64,012	1,069	21,201	17,859	928	2,260	20,695
Miscellaneous General Expense	9	(117,286)	(1,959)	(38,845)	(32,723)	(1,701)	(4,140)	(37,919)
Trans Oper	9	94,435	1,577	31,277	26,347	1,369	3,334	30,531
Insurance Vehicle	9	12,578	210	4,166	3,509	182	444	4,066
Discount Available	9	(529)	(9)	(175)	(148)	(8)	(19)	(171)
Advertising	9	3,232	54	1,070	902	47	114	1,045
Overnight Shipping	9	6,022	101	1,994	1,680	87	213	1,947
Community Relations and Dues	9	18,086	302	5,990	5,046	262	638	5,847
Water Res Conservation	9	18,532	309	6,138	5,170	269	654	5,991

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Penalties Nondeduct	9	3,315	55	1,098	925	48	117	1,072
Research and Development	9	4,182	70	1,385	1,167	61	148	1,352
Security Service	9	68,252	1,140	22,605	19,042	990	2,409	22,066
Software Licenses and Support	9	26,585	444	8,805	7,417	385	938	8,595
Computer Equipment	9	561	9	186	157	8	20	181
Pcard	9	(419)	(7)	(139)	(117)	(6)	(15)	(135)
Materials and Supplies	9	4,434	74	1,469	1,237	64	157	1,434
Misc. Maintenance	9	20,322	339	6,731	5,670	295	717	6,570
Administrative and General Rents	9	63,217	1,056	20,937	17,638	917	2,232	20,438
Total Administrative and General Expenses		5,011,286	117,843	1,489,908	1,146,764	73,936	182,386	2,000,448
Total Operation and Maintenance Expenses		11,048,919	4,130,147	2,172,072	1,721,432	103,895	255,039	2,666,335
503 DEPRECIATION EXPENSE								
Struct & Imp SS	2	225,504	0	225,504	0	0	0	0
Struct & Imp P	2	80,775	0	80,775	0	0	0	0
Struct & Imp WT	2	19,406	0	19,406	0	0	0	0
Struct & Imp TD	3	62,510	0	0	62,510	0	0	0
Struct & Imp Offices	9	10,456	175	3,463	2,917	152	369	3,380
Wells and Springs	2	299,407	0	299,407	0	0	0	0
Supply Mains	2	0	0	0	0	0	0	0
Power Generation Equip Other	2	37,295	0	37,295	0	0	0	0
Pump Equip Electric	2	938,551	0	938,551	0	0	0	0
Pump Equip Diesel	2	525	0	525	0	0	0	0
Pump Equip Other	2	56,203	0	56,203	0	0	0	0
WT Equip Non-Media	2	388,861	0	388,861	0	0	0	0
Distrib. Reservoirs & Standpipes	3	190,296	0	0	190,296	0	0	0
TD Mains Not Classified by Size	3	87,484	0	0	87,484	0	0	0
TD Mains 4in & Less	3	326,979	0	0	326,979	0	0	0
TD Mains 6in to 8in	3	482,482	0	0	482,482	0	0	0
TD Mains 10in to 16in	2	428,898	0	428,898	0	0	0	0
TD Mains 18in and Grtr.	2	331,666	0	331,666	0	0	0	0

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Fire Mains	3	0	0	0	0	0	0	0
Services	4A	279,571	0	0	0	0	279,571	0
Meters	4	117,137	0	0	0	117,137	0	0
Meter Installations	4	39,740	0	0	0	39,740	0	0
Hydrants	4	235,868	0	0	0	235,868	0	0
Office Furniture & Equip	9	13,526	226	4,480	3,774	196	477	4,373
Comp & Periph Equip	9	18,857	315	6,246	5,261	273	666	6,097
Computer Software	9	146,010	2,438	48,358	40,737	2,117	5,154	47,205
Comp Software Other	9	3,792	63	1,256	1,058	55	134	1,226
Trans Equip Lt Duty Trks	9	50,664	846	16,780	14,135	735	1,788	16,380
Trans Equip Hvy Duty Trks	9	0	0	0	0	0	0	0
Stores Equipment	9	0	0	0	0	0	0	0
Tools,Shop,Garage Equip	9	645	11	213	180	9	23	208
Laboratory Equipment	2	0	0	0	0	0	0	0
Power Operated Equipment	9	1,589	27	526	443	23	56	514
Comm Equip Non-Telephone	9	154,564	2,581	51,192	43,123	2,241	5,456	49,971
Comm Equip Other	9	20,408	341	6,759	5,694	296	720	6,598
Acquistion Adjustment	9	230,973	3,857	76,498	64,441	3,349	8,153	74,674
Total Depreciation Expense		5,280,642	10,880	3,022,861	1,331,515	402,192	302,569	210,625

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES, AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
AMORTIZATION EXPENSE								
Amortization of Contributions	12	(689,025)	(551)	(538,473)	5,926	(125,334)	(20,740)	(9,853)
Amortization of Imputed Reg. CIAC	12	(197,344)	(158)	(154,224)	1,697	(35,897)	(5,940)	(2,822)
Amortization of Regulatory Assets	12	2,918	2	2,280	(25)	531	88	42
Total Amortizations		(883,451)	(707)	(690,417)	7,598	(160,700)	(26,592)	(12,633)
507.1 TAXES, OTHER THAN INCOME								
Federal and State Payroll Taxes	10	118,980	892	43,559	20,750	3,189	8,114	42,476
Property Taxes	12	929,066	743	726,065	(7,990)	168,997	27,965	13,286
Gross Receipt Tax and Misc.	12	9,943	8	7,770	(86)	1,809	299	142
Total Taxes, Other Than Income		1,057,990	1,644	777,395	12,675	173,994	36,379	55,904
Total O & M, Depreciation and Other Taxes		16,504,100	4,141,964	5,281,910	3,073,219	519,382	567,394	2,920,230
507.2 INCOME TAXES	12	3,352,198	2,682	2,619,743	(28,829)	609,765	100,901	47,936
Utility Operating Income Available for Return	12	8,154,518	6,524	6,372,756	(70,129)	1,483,307	245,451	116,610
Total Cost of Service		28,010,816	4,151,169	14,274,409	2,974,261	2,612,454	913,746	3,084,776
Less: Other Water Revenues	13	1,222,001	181,223	622,610	129,777	113,891	39,837	134,665
Total Cost of Service Related to Sales of Water		$ 26,788,814	$ 3,969,946	$ 13,651,799	$ 2,844,485	$ 2,498,563	$ 873,909	$ 2,950,111

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

Reference	Commodity	Max Day	Max Hour	Customer Facilities		Customer Accounting	Total
				Meters	Services		
Factor 1 - Commodity	1.0000						1.0000
Factor 2 - Maximum Day		1.0000					1.0000
Factor 3 - Maximum Hour			1.0000				1.0000
Factor 4 - Customer Facilities - Meterss				1.0000			1.0000
Factor 4A - Customer Facilites - Services					1.0000		
Factor 5 - Customer Accounting						1.0000	1.0000
Factor 6 - Max Day and Max Hour based on Mains		0.2445	0.7555				1.0000
Factor 7 - Transmission & Distirbution Operation Expenses							
Cost	0	9,947	30,735	-15	0	0	40,667
Factor	0.0000	0.2446	0.7558	-0.0004	0.0000	0.0000	1.0000
Factor 8 - Rate Transmission & Distribution Maintenance Expenses							
Cost	0	5,540	454,936	27,794	67,305	0	555,575
Factor	0.0000	0.0100	0.8189	0.0500	0.1211	0.0000	1.0000
Factor 9 - Total Cost of Service							
Cost	34,468	682,164	574,667	29,959	72,653	665,886	2,059,797
Factor	0.0167	0.3312	0.2790	0.0145	0.0353	0.3233	1.0000
Factor 10 - Labor Related Expenses							
Cost	9,215	449,970	214,423	32,980	83,861	438,779	1,229,230
Factor	0.0075	0.3661	0.1744	0.0268	0.0682	0.357	1.0000
Factor 11 - Rate Base Less Costs Allocated							
Cost	38,786	45,880,746	(1,222,041)	16,101,142	2,610,927	750,861	64,160,420
Factor	0.0005	0.7151	-0.019	0.251	0.0407	0.0117	1.0000
Factor 12 - Rate Base							
Cost	72,137	75,786,046	(829,462)	17,638,027	2,920,000	1,389,646	96,976,395
Factor	0.0008	0.7815	-0.0086	0.1819	0.0301	0.0143	1.0000
Factor 13 - Cost of Service							
Cost	4,151,161	14,266,639	2,974,347	2,610,645	913,447	3,084,634	28,000,873
Factor	0.1483	0.5095	0.1062	0.0932	0.0326	0.1102	1.0000

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR A. ALLOCATION OF COMMODITY COSTS.

Factors are based on the pro forma test year average daily consumption for each customer classification.

Classification	Average Daily Consumption, 1000 Gallons	Allocation Factor
(1)	(2)	(3)
Residential	10,804	0.7584
Commercial/Pubic	3,442	0.2416
Other Water Utility	0	0.0000
Total	14,245	1.0000

FACTOR B. ALLOCATION OF MAXIMUM DAY DEMAND COSTS.

Factors are based on the maximum day demand for each customer classification.

Customer Classification	Average Daily Consumption, 1000 Gallons	Peak Day Factor	Rate of Flow, 1000 Gallons Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	10,804	2.00	21,607	0.7772
Commercial/Pubic	3,442	1.80	6,195	0.2228
Other Water Utility	0	1.80	0	0.0000
Total	14,245		27,802	1.0000

2.5200

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR D. ALLOCATION OF COSTS ASSOCIATED WITH METERS

Factors are based on the relative cost of meters by size and customer classification, as developed on the following page and summarized below.

Customer Classification	5/8" Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	42,611	0.8923
Commercial/Pubic	5,145	0.1077
Other Water Utility	0	0.0000
Private Fire Protection	0	0.0000
Total	47,756	1.0000

FACTOR E. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES

Factors are based on the relative cost of meters by size and customer classification, as developed on the following page and summarized below.

Customer Classification	3/4" Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	42,611	0.7293
Commercial/Pubic	5,145	0.0881
Other Water Utility	0	0.0000
Private Fire Protection	10,670	0.1826
Total	58,426	1.0000

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR F. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

Customer Classification	Total Customers	Allocation Factor
(1)	(2)	(3)
Residential	33,469	0.9709
Commercial/Pubic	771	0.0224
Other Water Utility	0	0.0000
Private Fire Protection	232	0.0067
Total	34,472	1.0000

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT
FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR C. ALLOCATION OF MAXIMUM HOUR DEMAND COSTS.

Factors are based on the maximum hour demand for each customer classification.

Customer Classification	Average Hourly Consumption, 1000 Gallons	Factor	Rate of Flow, 1000 Gallons Per Hour	Maximum Hour Demand		Fire Protection		Total Allocation
				Allocation Factor	Allocation Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)	(4)=(2)x(3)	(5)	(6)=(5)X 0.8518	(7)	(8)=(7)X 0.1482	(9)
Residential	450.1	4.00	1,800.4	0.8071	0.6875	0.8543	0.1266	0.8141
Commercial/Pubic	143.4	3.00	430.2	0.1929	0.1643	0.1031	0.0153	0.1796
Other Water Utility	0.0	3.00	0.0	-	0.0000		0.0000	0.0000
	593.5		2,230.6	1.0000	0.8518	0.9574	0.1419	0.9937
Private Fire				-	-	0.0426	0.0063	0.0063
Total				1.0000	0.8518	1.0000	0.1482	1.0000

Exhibit
Schedule G-7
Page 5 of 9
Witness: Herbert

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

BASIS FOR ALLOCATING DEMAND RELATED COSTS OF FIRE SERVICE TO PRIVATE AND PUBLIC FIRE PROTECTION CUSTOMER CLASSIFICATIONS

Description (1)		Restrictive Diameters Squared (2)	Quantity (3)	Relative Demand* (4)=(2)x(3)	Allocation Factor (5)
PRIVATE FIRE PROTECTION					
Fire Lines					
2 -inch		4.00		0	
3 -inch		9.00		0	
4 -inch		16.00	83	1,328	
6 -inch		36.00	112	4,032	
8 -inch		64.00	36	2,304	
10 -inch		100.00	1	100	
12 -inch		144.00		0	
Private Hydrants		28.50	0	0	
Total Private Fire Protection			232	7,764	0.0426
PUBLIC FIRE PROTECTION					
Hydrant	Nozzle Sizes				
6" Valve	2- 2-1/2" & 1 - 4"	28.5	6,120	174,420	
Total Public Fire Protection			6,120	174,420	0.9574
Total Fire Protection			6,352	182,184	1.0000

REALLOCATE PUBLIC FIRE

	Meter Equivalents	Allocation of Public Fire	Allocation of Public Fire Using Factor
Residential	42,611	0.8923	0.8543
Commercial	5,145	0.1077	0.1031
Other Water Utilities	0	0.0000	0
	47,756	1.0000	0.9574

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum hour ratio of 2.50 and the average daily system sendout for 2007 of 13.77 MGD. The system demand for fire protection is 7,000 gallons per minute.

	Ratio	Rate of Flow, (GPM)	Weight
Average Hour	1.00	16,088	
Maximum Hour Capacity	2.50	40,220	0.8518
Fire Protection		7,000	0.1482
Total		47,220	1.0000

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT
BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

		Residential		Commercial		Other Water Utility		Private Fire Protection		Total	
Meter Size	5/8" Equivalent	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(9)	(10)=(2)X(9)	(13)	(14)=(2)X(11)	(15)	(16)
5/8	1.0	28,358	28,358	69	69	0	0	0	0	28,428	28,427
1	2.5	4,769	11,923	124	309	0	0	0	0	4,893	12,232
1-1/2	5.0	151	757	185	924	0	0	0	0	336	1,681
2	8.0	187	1,493	312	2,493	0	0	0	0	498	3,986
3	15.0	2	30	76	1,140	0	0	0	0	78	1,170
4	25.0	0	0	2	60	0	0	0	0	2	60
6	50.0	1	50	3	150	0	0	0	0	4	200
8	80.0	0	0	0	0	0	0	0	0	0	0
10	115.0	0	0	0	0	0	0	0	0	0	0
Total		33,469	42,611	771	5,145	0	0	0	0	34,239	47,756

Exhibit
Schedule G-7
Page 8 of 9
Witness: Herbert

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT
BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size	3/4" Dollar Equivalent	Residential		Commercial		Other Water Utility		Private Fire Protection		Total	
		Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(9)	(10)=(2)X(9)	(13)	(14)=(2)X(11)	(15)	(16)
3/4	1.00	28,358	28,358	69	69	0	0	0	0	28,428	28,427
1	2.50	4,769	11,923	124	309	0	0	0	0	4,893	12,232
1-1/2	5.00	151	757	185	924	0	0	0	0	336	1,681
2	8.00	187	1,493	312	2,493	0	0	0	0	498	3,986
3	15.00	2	30	76	1,140	0	0	0	0	78	1,170
4	25.00	0	0	2	60	0	0	83	2,075	85	2,135
6	50.00	1	50	3	150	0	0	112	5,600	116	5,800
8	80.00	0	0	0	0	0	0	36	2,880	36	2,880
10	115.00	0	0	0	0	0	0	1	115	1	115
Total		33,469	42,611	771	5,145	0	0	232	10,670	34,471	58,426

Exhibit
Schedule G-7
Page 9 of 9
Witness: Herbert

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2007

Customer Classification	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent Increase
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	$ 21,667,754	80.9%	$ 13,633,335	77.1%	$ 20,846,887	77.9%	$ 7,213,552	52.9%
Commercial	4,923,798	18.4%	$ 3,951,886	22.3%	5,744,845	21.4%	1,792,959	45.4%
Private Fire Service	197,262	0.7%	108,160	0.6%	196,887	0.7%	88,726	82.0%
Total Sales	26,788,814	100.0%	17,693,381	100.0%	26,788,618	100.0%	9,095,237	51.4%
Other Revenues (a)	1,222,001		1,125,193		1,222,001		96,809	8.6%
Total	$ 28,010,816		$ 18,818,574		$ 28,010,619		$ 9,192,045	48.8%

(a) Includes Miscellaneous Irrigation Sales and contract customer PI Surprise.

Exhibit
Schedule G-8
Page 1of 1
Witness: Herbert

ARIZONA AMERICAN WATER COMPANY
AGUA FRIA WATER DISTRICT
ALLOCATION OF TOTAL COST OF SERVICE BY COST FUNCTION TO CUSTOMER CLASSIFICATIONS

Cost Function	Factor Ref	Total Cost of Service	Residential	Commercial	Other Water Utilities	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commodity	A	$3,969,946	$3,010,806	$959,139	$0	
Demand - Maximum Day	B	13,651,799	10,610,178	3,041,621	0	
Demand - Maximum Hour	C	2,844,485	2,315,696	510,870	0	17,920
Customer Facilities - Meters	D	2,498,563	2,229,469	269,095	0	0
Customer Facilities - Services	E	873,909	637,343	76,991	0	159,576
Customer Accounting	F	2,950,111	2,864,262	66,082	0	19,766
Total		$26,788,813	$21,667,754	$4,923,798	$0	$197,262

H Schedules
Agua Fria
Water

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Summary of Revenues by Customer Classification - Present & Proposed Rates

Exhibit
Schedule H-1
Page 1
Witness: Gutowski

Line No.	Customer Classification	Revenues in Test Year Present Rates	Revenues in Test Year Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	Residential	$ 13,633,335	$ 20,846,887	$ 7,213,552	52.91%
2					
3	Commercial	$ 3,920,854	$ 5,690,307	1,769,453	45.13%
4					
5	OPA	$ 31,032	$ 54,537	23,505	75.75%
6					
7	Sale For Resale	$123,440.00	$123,440.00	-	0.00%
8					
9	Private Fire	$108,160.29	$196,886.68	88,726	82.03%
10					
11	Misc Irrigation Sales	$96,636.16	$193,444.75	96,809	100.18%
12					
13					
14					
15	Total Revenues	$ 17,913,457.17	$ 27,105,502.65	$ 9,192,045.48	51.31%
16					
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Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Analysis of Revenue by Detailed Class

Line No.	Rate Schedule	Description	Average Number of Customers	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Amount	Increase %
1	C1M1A	Agua Fria Residential 5/8 & 3/4"	28,342	7,400	$8,484,999.02	$13,261,361	$ 4,776,361.65	36.02%
2	C1M1B	Agua Fria Residential 1"	4,711	11,753	$3,055,961.70	$4,541,605	$ 1,485,643.36	32.71%
3	C1M1C	Agua Fria Residential 1-1/2"	151	143,951	$747,063.71	$1,082,552	$ 335,488.05	30.99%
4	C1M1D	Agua Fria Residential 2"	187	218,777	$1,395,311.46	$2,024,439	$ 629,127.54	31.08%
5	C1M1E	Agua Fria Residential 3"	2	40,017	$5,570.27	$8,240	$ 2,669.26	32.40%
6	C1M1G	Agua Fria Residential 6"	-	-	$425.22	$610	$ 185.14	30.33%
7	C2M1A	Agua Fria Commercial 5/8 & 3/4"	69	6,015	$20,824.29	$30,298	$ 9,473.90	31.27%
8	C2M1B	Agua Fria Commercial 1"	123	37,770	$174,633.18	$255,944	$ 81,311.07	31.77%
9	C2M1C	Agua Fria Commercial 1-1/2"	183	113,367	$741,442.97	$1,077,388	$ 335,944.93	31.18%
10	C2M1D	Agua Fria Commercial 2"	311	191,585	$2,086,763.40	$3,019,609	$ 932,845.77	30.89%
11	C2M1E	Agua Fria Commercial 3"	76	161,694	$506,625.80	$736,841	$ 230,215.27	31.24%
12	C2M1F	Agua Fria Commercial 4"	1	748,909	$19,217.31	$27,624	$ 8,406.23	30.43%
13	C2M1G	Agua Fria Commercial 6"	3	1,707,931	$164,568.20	$235,703	$ 71,134.85	30.18%
14	C2M3	Arizona Water Contract	1	285,857	$4,474.42	$6,920	$ 2,445.71	35.34%
15	C4M2	Agua Fria OPA - State Prison	1	869,508	$31,032.11	$54,537	$ 23,505.31	43.10%
16	C5M1	Agua Fria - OWU PI Surprise	4	2,805,455	$123,440.00	$123,440	$ -	0.00%
17	B6M04	Private Fire 4"	1	-	$422.64	$769	$ 346.56	45.05%
18	C6M04	Private Fire 4"	82	-	$26,936.35	$49,029	$ 22,092.75	45.06%
19	C6M06	Private Fire 6"	111	-	$54,302.94	$98,838	$ 44,534.79	45.06%
20	C6M08	Private Fire 8"	36	-	$23,718.96	$43,167	$ 19,447.98	45.05%
21	C6M12	Private Fire 12"	1	-	$1,961.28	$3,570	$ 1,608.24	45.05%
22	E6M06	Private Fire 6"	1	-	$886.20	$1,613	$ 726.67	45.05%
24	C7M2	Agua Fria Irrigation - Raw	4	97,043	$2,232.00	$4,464	$ 2,232.00	50.00%
25	C8M2	Agua Fria Non-Potable	1	12,735,083	$94,749.02	$189,498	$ 94,749.02	50.00%
26								
27		Total Agua Fria Water - Billed Revenues	34,402	20,182,115	$ 17,767,562.45	$ 26,878,058	$ 9,110,496.05	33.90%
28								
29		Total Residential	33,393	421,898	$13,689,331.38	$ 20,918,806.38	$ 7,229,475.00	34.56%
30		Total Commercial	767	3,253,128	$3,718,549.58	$ 5,390,327.30	$ 1,671,777.73	31.01%
31		Total OPA	1	869,508	$31,032.11	$ 54,537.42	$ 23,505.31	43.10%
32		Total Sale For Resale	4	2,805,455	$123,440.00	$ 123,440.00	$ -	0.00%
33		Total Private Fire	232	-	$108,228.37	$ 196,985.36	$ 88,756.99	45.06%
34		Misc Irrigation Sales	5	12,832,126	$96,981.02	$ 193,962.04	$ 96,981.02	50.00%
35								
36		Total Agua Fria Water - Billed Revenues	34,402	20,182,115	$ 17,767,562.45	$ 26,878,058.50	$ 9,110,496.05	33.90%
37		Miscellaneous Adjustments						
38							Customer Annualization	
39		C1M1A			$ (20,341.31)	(27,667.66)	$4,782.99	
40		C1M1B			$ (17,720.75)	(23,517.54)	$36,822.03	
41		C1M1C			$ (7,914.78)	(10,367.61)	Add back all the CR's and wrong	
42		C1M1D			$ (189.76)	(248.73)	Rate Schedules to get them	
43		C1M1E			$ (889.36)	(1,177.47)	out of the books	
44		C1M1G			$ -	-	28,581.05	
45		ACRM Credit Adjustors			$ (2,451.11)	$ (2,451.11)		
46		Unexplained Variance			$ (6,489.70)	$ (6,489.70)		
47				Subtotal	$ (55,996.77)	(71,919.83)	PMT (Booked Revenue)	
48							corrected for JE's	
49		Residential Billed Revenues			**$13,633,334.61**	**$20,846,886.55**	**$13,633,334.61**	

50								
51	BULK (C8M2)			$	183,239.06	274,858.59		
52	C2M1A			$	(2,051.83)	(2,693.41)	Customer Annualization	
53	C2M1B			$	(3,210.83)	(4,230.87)		$752.46
54	C2M1C			$	(2,820.20)	(3,699.58)		$6,265.20
55	C2M1D			$	(5,250.18)	(6,872.11)		$2,634.39
56	C2M1E				($34,607.78)	(45,420.48)	Add back all the CR's and wrong	
57	C2M1E - BBWS			$	113,210.44	148,581.39	Rate Schedules to get them	
58				$	(48,519.00)	(63,678.06)	out of the books	
59	C2M1F			$	0.01	0.01		23,048.57
60	C2M1G			$	(16.79)	(21.90)	AZ Water Billing - Prior Year portion	
61	C2M3			$	(16.11)	(20.97)	$	(48,519.00)
62	Unexplained Variance			$	2,347.63	3,177.33	Pro forma Adjustment to remove	
63			Subtotal	$	202,304.43	$ 299,979.94	PMT (Booked Revenue)	
64								
65	Commercial Billed Revenues				**$3,920,854.00**	**$5,690,307.25**	**$**	**3,920,854.00**
66								
67	C4M2			$	-			
68			Subtotal	$	-	$ -	PMT (Booked Revenue)	
69								
70	OPA Billed Revenues				**$31,032.11**	**$54,537.42**		**$31,032.11**
71								
72	C5M1 - Public Interruptible to Surprise			$	-			
73			Subtotal	$	-	$ -	PMT (Booked Revenue)	
74								
75	Sale For Resale Billed Revenues				**$123,440.00**	**$123,440.00**		**$123,440.00**
76								
77								
78	B6M04			$	-			
79	C6M04			$	-			
80	C6M06			$	1,307.50	1,896.64		
81	C6M08			$	(1,307.50)	(1,896.57)		
82	C6M12			$	-			
83	E6M06			$	-			
84	Unexplained Variance			$	(68.08)	(98.75)		
85			Subtotal	$	(68.08)	$ (98.68)	PMT (Booked Revenue)	
86								
87	Private Fire Billed Revenues				**$108,160.29**	**$196,886.68**		**$108,160.29**
88								
89	C7M2			$	-			
90	C8M2							
91	Unexplained Variance	1.5		$	(344.86)	(517.29)		
92			Subtotal	$	(344.86)	$ (517.29)	PMT (Booked Revenue)	
93								$94,747.77
94	Misc. Irrigation Billed Revenues				**$96,636.16**	**$193,444.75**		**$96,975.66**
95								
96								
97								
98								
99	Billed Revenues				$17,913,457.17	$27,105,502.65		
100								
101							corrected for JE's removal	
102	Total Booked Revenues Per G.L.- F.Y. 2007							$17,913,796.67
103								
104	*Unreconciled Difference* vs. Billed Revenues			$	(339.50)			
105	%				-0.0019%			

Arizona American Water Company - Agua Fria Water
Test Year Ended December 31, 2007
Changes in Representative Rate Schedules

Line No.	Rate Schedule	Description	Block	Base Charge Present Rate	Base Charge Proposed Rate	Base Charge Change	Volume Charge Present Rate	Volume Charge Proposed Rate	Volume Charge Change
1	C1M1A	Agua Fria Residential 5/8 & 3/4"	First 4,000 gals.	$10.45	$ 15.00	$ 4.55	$ 1.5398	$ 2.9256	$ 1.3858
2			Next 9,000 gals.				$ 2.2198	$ 3.4629	$ 1.2431
3			Over 13,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
4	C1M1B	Agua Fria Residential 1"	First 45,000 gals.	$26.74	$ 38.38	$ 11.64	$ 2.2198	$ 3.4629	$ 1.2431
5			Over 45,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
6	C1M1C	Agua Fria Residential 1-1/2"	First 100,000 gals.	$55.90	$ 80.24	$ 24.34	$ 2.2198	$ 3.4629	$ 1.2431
7			Over 100,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
8	C1M1D	Agua Fria Residential 2"	First 150,000 gals.	$83.84	$ 120.34	$ 36.50	$ 2.2198	$ 3.4629	$ 1.2431
9			Over 150,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
10	C1M1E	Agua Fria Residential 3"	First 300,000 gals.	$164.02	$ 235.44	$ 71.42	$ 2.2198	$ 3.4629	$ 1.2431
11			Over 300,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
12	C1M1G	Agua Fria Residential 6"	First 800,000 gals.	$425.22	$ 610.36	$ 185.14	$ 2.2198	$ 3.4629	$ 1.2431
13			Over 800,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
14	C2M1A	Agua Fria Commercial 5/8 & 3/4"	First 13,000 gals.	$10.45	$ 15.00	$ 4.55	$ 2.2198	$ 3.4629	$ 1.2431
15			Over 13,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
16	C2M1B	Agua Fria Commercial 1"	First 45,000 gals.	$26.74	$ 38.38	$ 11.64	$ 2.2198	$ 3.4629	$ 1.2431
17			Over 45,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
18	C2M1C	Agua Fria Commercial 1-1/2"	First 100,000 gals.	$55.90	$ 80.24	$ 24.34	$ 2.2198	$ 3.4629	$ 1.2431
19			Over 100,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
20	C2M1D	Agua Fria Commercial 2"	First 150,000 gals.	$83.84	$ 120.34	$ 36.50	$ 2.2198	$ 3.4629	$ 1.2431
21			Over 150,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
22	C2M1E	Agua Fria Commercial 3"	First 300,000 gals.	$164.02	$ 235.44	$ 71.42	$ 2.2198	$ 3.4629	$ 1.2431
23			Over 300,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
24	C2M1F	Agua Fria Commercial 4"	First 400,000 gals.	$220.63	$ 316.69	$ 96.06	$ 2.2198	$ 3.4629	$ 1.2431
25			Over 400,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
26	C2M1G	Agua Fria Commercial 6"	First 800,000 gals.	$425.22	$ 610.36	$ 185.14	$ 2.2198	$ 3.4629	$ 1.2431
27			Over 800,000 gals.				$ 2.6468	$ 3.6698	$ 1.0230
28	C2M3	Arizona Water Contract	First 8,000 gals.	$0.00	$ -	$ -	$ 1.7800	$ 2.9256	$ 1.1456
29			Over 8,000 gals.				$ 2.2400	$ 3.4629	$ 1.2229
30	C4M2	Agua Fria OPA - State Prison	All Usage	$191.75	$ 275.24	$ 83.49	$ 1.9300	$ 3.4629	$ 1.5329
31	C5M1	Agua Fria - OWU PI Surprise	All Usage	$0.00	$ -	$ -	$ 1.0000	$ 1.0000	$ -
32	B6M04	Private Fire 4"		$35.22	$ 64.10	$ 28.88	$ -	$ -	$ -
33	C6M04	Private Fire 4"		$27.25	$ 49.60	$ 22.35	$ -	$ -	$ -
34	C6M06	Private Fire 6"		$40.86	$ 74.37	$ 33.51	$ -	$ -	$ -
35	C6M08	Private Fire 8"		$54.48	$ 99.15	$ 44.67	$ -	$ -	$ -
36	C6M12	Private Fire 12"		$163.44	$ 297.46	$ 134.02	$ -	$ -	$ -
37	E6M06	Private Fire 6"		$126.60	$ 230.41	$ 103.81	$ -	$ -	$ -
38	C7M2	Agua Fria Irrigation - Raw	All Usage	$0.00	$ -	$ -	$ 0.5000	$ 1.0000	$ 0.5000
39	C8M2	Agua Fria Irrigation Non Potable	All Usage	$0.00	$ -	$ -	$ 0.6200	$ 1.2400	$ 0.6200
40									
41									

42	Miscellaneous				
43	Establishment, Re-establishment and/or Reconnect - Business Hours	$30.00	$30.00	$	-
44	Establishment, Re-establishment and/or Reconnect - Non Business Hours	$40.00	$40.00	$	-
45	Insufficient Funds (NSF) Check Charge	$10.00	$10.00	$	-
46	Customer Requested Meter Reread Charge	$5.00	$5.00	$	-
47	Meter Test Charge	$10.00	$ 81.00	$	71.00
48					
49	Service & Meter Installation Charges				
50	Service Installations:				
51	Meter Size				
52	5/8-inch	$370			
53	3/4-inch	$370			
54	1-inch	$420			
55	1.5-inch	$450			
56	2-inch Turbine	$580			
57	2-inch Compound	$580			
58	3-inch Turbine	$745			
59	3-inch Compound	$765			
60	4-inch Turbine	$1,090			
61	4-inch Compound	$1,120			
62	6-inch Turbine	$1,610			
63	6-inch Compound	$1,630			
64	Over 6-inch	actual costs			
65	Meter Installations				
66	Meter Size				
67	5/8-inch	$130			
68	3/4-inch	$205			
69	1-inch	$240			
70	1.5-inch	$450			
71	2-inch Turbine	$945			
72	2-inch Compound	$1,640			
73	3-inch Turbine	$1,420			
74	3-inch Compound	$2,195			
75	4-inch Turbine	$2,270			
76	4-inch Compound	$3,145			
77	6-inch Turbine	$4,425			
78	6-inch Compound	$6,120			
79	Over 6-inch	actual costs			
80					

An applicant for water service shall pay to the Company, as a refundable advance in aid of construction, the full cost to provide the new service line and meter.

Arizona American Water Company - Agua Fria
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	C1M1A	Agua Fria Residential 5/8 & 3/4"		1,000	$11.99	$17.93	$ 5.94	49.51%
2	C1M1A	Agua Fria Residential 5/8 & 3/4"		2,000	$13.53	$20.85	$ 7.32	54.12%
3	C1M1A	Agua Fria Residential 5/8 & 3/4"		3,000	$15.07	$23.78	$ 8.71	57.78%
4	C1M1A	Agua Fria Residential 5/8 & 3/4"		4,000	$16.61	$26.70	$ 10.09	60.77%
5	C1M1A	Agua Fria Residential 5/8 & 3/4"		5,000	$18.83	$30.17	$ 11.34	60.21%
6	C1M1A	Agua Fria Residential 5/8 & 3/4"		6,000	$21.05	$33.63	$ 12.58	59.76%
7	C1M1A	Agua Fria Residential 5/8 & 3/4"		7,000	$23.27	$37.09	$ 13.82	59.40%
8	C1M1A	Agua Fria Residential 5/8 & 3/4"		8,000	$25.49	$40.55	$ 15.07	59.11%
9	C1M1A	Agua Fria Residential 5/8 & 3/4"		9,000	$27.71	$44.02	$ 16.31	58.86%
10	C1M1A	Agua Fria Residential 5/8 & 3/4"		10,000	$29.93	$47.48	$ 17.55	58.65%
11	C1M1A	Agua Fria Residential 5/8 & 3/4"		11,000	$32.15	$50.94	$ 18.79	58.46%
12	C1M1A	Agua Fria Residential 5/8 & 3/4"		12,000	$34.37	$54.41	$ 20.04	58.30%
13	C1M1A	Agua Fria Residential 5/8 & 3/4"		13,000	$36.59	$57.87	$ 21.28	58.17%
14	C1M1A	Agua Fria Residential 5/8 & 3/4"		14,000	$39.23	$61.54	$ 22.30	56.85%
15	C1M1A	Agua Fria Residential 5/8 & 3/4"		15,000	$41.88	$65.21	$ 23.33	55.70%
16	C1M1A	Agua Fria Residential 5/8 & 3/4"		16,000	$44.53	$68.88	$ 24.35	54.69%
17	C1M1A	Agua Fria Residential 5/8 & 3/4"		17,000	$47.17	$72.55	$ 25.37	53.79%
18	C1M1A	Agua Fria Residential 5/8 & 3/4"		18,000	$49.82	$76.22	$ 26.40	52.98%
19	C1M1A	Agua Fria Residential 5/8 & 3/4"		19,000	$52.47	$79.89	$ 27.42	52.26%
20	C1M1A	Agua Fria Residential 5/8 & 3/4"		20,000	$55.12	$83.56	$ 28.44	51.61%
21	C1M1A	Agua Fria Residential 5/8 & 3/4"		21,000	$57.76	$87.23	$ 29.47	51.01%
22	C1M1A	Agua Fria Residential 5/8 & 3/4"		22,000	$60.41	$90.90	$ 30.49	50.47%
23	C1M1A	Agua Fria Residential 5/8 & 3/4"		23,000	$63.06	$94.57	$ 31.51	49.97%
24	C1M1A	Agua Fria Residential 5/8 & 3/4"		24,000	$65.70	$98.24	$ 32.53	49.52%
25	C1M1A	Agua Fria Residential 5/8 & 3/4"		25,000	$68.35	$101.91	$ 33.56	49.10%
26	C1M1A	Agua Fria Residential 5/8 & 3/4"		26,000	$71.00	$105.58	$ 34.58	48.71%
27	C1M1A	Agua Fria Residential 5/8 & 3/4"		27,000	$73.64	$109.25	$ 35.60	48.35%
28	C1M1A	Agua Fria Residential 5/8 & 3/4"		28,000	$76.29	$112.92	$ 36.63	48.01%
29	C1M1A	Agua Fria Residential 5/8 & 3/4"		29,000	$78.94	$116.59	$ 37.65	47.70%
30	C1M1A	Agua Fria Residential 5/8 & 3/4"		30,000	$81.58	$120.26	$ 38.67	47.40%
31	C1M1A	Agua Fria Residential 5/8 & 3/4"		31,000	$84.23	$123.92	$ 39.70	47.13%
32	C1M1A	Agua Fria Residential 5/8 & 3/4"		32,000	$86.88	$127.59	$ 40.72	46.87%
33	C1M1A	Agua Fria Residential 5/8 & 3/4"		33,000	$89.52	$131.26	$ 41.74	46.63%
34	C1M1A	Agua Fria Residential 5/8 & 3/4"		34,000	$92.17	$134.93	$ 42.76	46.40%
35	C1M1A	Agua Fria Residential 5/8 & 3/4"		35,000	$94.82	$138.60	$ 43.79	46.18%
36	C1M1A	Agua Fria Residential 5/8 & 3/4"		36,000	$97.46	$142.27	$ 44.81	45.98%
37	C1M1A	Agua Fria Residential 5/8 & 3/4"		37,000	$100.11	$145.94	$ 45.83	45.78%
38	C1M1A	Agua Fria Residential 5/8 & 3/4"		38,000	$102.76	$149.61	$ 46.86	45.60%
39	C1M1A	Agua Fria Residential 5/8 & 3/4"		39,000	$105.40	$153.28	$ 47.88	45.42%
40	C1M1A	Agua Fria Residential 5/8 & 3/4"		40,000	$108.05	$156.95	$ 48.90	45.26%
41	C1M1A	Agua Fria Residential 5/8 & 3/4"		41,000	$110.70	$160.62	$ 49.93	45.10%
42	C1M1A	Agua Fria Residential 5/8 & 3/4"		42,000	$113.34	$164.29	$ 50.95	44.95%
43	C1M1A	Agua Fria Residential 5/8 & 3/4"		43,000	$115.99	$167.96	$ 51.97	44.81%
44	C1M1A	Agua Fria Residential 5/8 & 3/4"		44,000	$118.64	$171.63	$ 52.99	44.67%
45	C1M1A	Agua Fria Residential 5/8 & 3/4"		45,000	$121.29	$175.30	$ 54.02	44.54%
46	C1M1A	Agua Fria Residential 5/8 & 3/4"		46,000	$123.93	$178.97	$ 55.04	44.41%
47	C1M1A	Agua Fria Residential 5/8 & 3/4"		47,000	$126.58	$182.64	$ 56.06	44.29%
48	C1M1A	Agua Fria Residential 5/8 & 3/4"		48,000	$129.23	$186.31	$ 57.09	44.18%
49	C1M1A	Agua Fria Residential 5/8 & 3/4"		49,000	$131.87	$189.98	$ 58.11	44.06%
50	C1M1A	Agua Fria Residential 5/8 & 3/4"		50,000	$134.52	$193.65	$ 59.13	43.96%
51	C1M1A	Agua Fria Residential 5/8 & 3/4"		51,000	$137.17	$197.32	$ 60.16	43.86%
52	C1M1A	Agua Fria Residential 5/8 & 3/4"		52,000	$139.81	$200.99	$ 61.18	43.76%
53	C1M1A	Agua Fria Residential 5/8 & 3/4"		53,000	$142.46	$204.66	$ 62.20	43.66%
54	C1M1A	Agua Fria Residential 5/8 & 3/4"		54,000	$145.11	$208.33	$ 63.22	43.57%
55	C1M1A	Agua Fria Residential 5/8 & 3/4"		55,000	$147.75	$212.00	$ 64.25	43.48%
56								
57	C1M1A	Agua Fria Residential 5/8 & 3/4"	Average:	7,400	$24.16	$38.48		
58								
59								
60								

1	C1M1B	Agua Fria Residential 1"		1,000	$28.96	$41.84	$	12.88	44.49%
2	C1M1B	Agua Fria Residential 1"		2,000	$31.18	$45.31	$	14.13	45.31%
3	C1M1B	Agua Fria Residential 1"		3,000	$33.40	$48.77	$	15.37	46.02%
4	C1M1B	Agua Fria Residential 1"		4,000	$35.62	$52.23	$	16.61	46.64%
5	C1M1B	Agua Fria Residential 1"		5,000	$37.84	$55.69	$	17.86	47.19%
6	C1M1B	Agua Fria Residential 1"		6,000	$40.06	$59.16	$	19.10	47.68%
7	C1M1B	Agua Fria Residential 1"		7,000	$42.28	$62.62	$	20.34	48.11%
8	C1M1B	Agua Fria Residential 1"		8,000	$44.50	$66.08	$	21.58	48.51%
9	C1M1B	Agua Fria Residential 1"		9,000	$46.72	$69.55	$	22.83	48.86%
10	C1M1B	Agua Fria Residential 1"		10,000	$48.94	$73.01	$	24.07	49.19%
11	C1M1B	Agua Fria Residential 1"		11,000	$51.16	$76.47	$	25.31	49.48%
12	C1M1B	Agua Fria Residential 1"		12,000	$53.38	$79.93	$	26.56	49.75%
13	C1M1B	Agua Fria Residential 1"		13,000	$55.60	$83.40	$	27.80	50.00%
14	C1M1B	Agua Fria Residential 1"		14,000	$57.82	$86.86	$	29.04	50.23%
15	C1M1B	Agua Fria Residential 1"		15,000	$60.04	$90.32	$	30.29	50.45%
16	C1M1B	Agua Fria Residential 1"		16,000	$62.26	$93.79	$	31.53	50.64%
17	C1M1B	Agua Fria Residential 1"		17,000	$64.48	$97.25	$	32.77	50.83%
18	C1M1B	Agua Fria Residential 1"		18,000	$66.70	$100.71	$	34.02	51.00%
19	C1M1B	Agua Fria Residential 1"		19,000	$68.92	$104.18	$	35.26	51.16%
20	C1M1B	Agua Fria Residential 1"		20,000	$71.14	$107.64	$	36.50	51.31%
21	C1M1B	Agua Fria Residential 1"		21,000	$73.36	$111.10	$	37.75	51.45%
22	C1M1B	Agua Fria Residential 1"		22,000	$75.58	$114.56	$	38.99	51.59%
23	C1M1B	Agua Fria Residential 1"		23,000	$77.80	$118.03	$	40.23	51.71%
24	C1M1B	Agua Fria Residential 1"		24,000	$80.02	$121.49	$	41.47	51.83%
25	C1M1B	Agua Fria Residential 1"		25,000	$82.24	$124.95	$	42.72	51.95%
26	C1M1B	Agua Fria Residential 1"		26,000	$84.45	$128.42	$	43.96	52.05%
27	C1M1B	Agua Fria Residential 1"		27,000	$86.67	$131.88	$	45.20	52.15%
28	C1M1B	Agua Fria Residential 1"		28,000	$88.89	$135.34	$	46.45	52.25%
29	C1M1B	Agua Fria Residential 1"		29,000	$91.11	$138.80	$	47.69	52.34%
30	C1M1B	Agua Fria Residential 1"		30,000	$93.33	$142.27	$	48.93	52.43%
31	C1M1B	Agua Fria Residential 1"		31,000	$95.55	$145.73	$	50.18	52.51%
32	C1M1B	Agua Fria Residential 1"		32,000	$97.77	$149.19	$	51.42	52.59%
33	C1M1B	Agua Fria Residential 1"		33,000	$99.99	$152.66	$	52.66	52.67%
34	C1M1B	Agua Fria Residential 1"		34,000	$102.21	$156.12	$	53.91	52.74%
35	C1M1B	Agua Fria Residential 1"		35,000	$104.43	$159.58	$	55.15	52.81%
36	C1M1B	Agua Fria Residential 1"		36,000	$106.65	$163.04	$	56.39	52.87%
37	C1M1B	Agua Fria Residential 1"		37,000	$108.87	$166.51	$	57.63	52.94%
38	C1M1B	Agua Fria Residential 1"		38,000	$111.09	$169.97	$	58.88	53.00%
39	C1M1B	Agua Fria Residential 1"		39,000	$113.31	$173.43	$	60.12	53.06%
40	C1M1B	Agua Fria Residential 1"		40,000	$115.53	$176.90	$	61.36	53.11%
41	C1M1B	Agua Fria Residential 1"		41,000	$117.75	$180.36	$	62.61	53.17%
42	C1M1B	Agua Fria Residential 1"		42,000	$119.97	$183.82	$	63.85	53.22%
43	C1M1B	Agua Fria Residential 1"		43,000	$122.19	$187.28	$	65.09	53.27%
44	C1M1B	Agua Fria Residential 1"		44,000	$124.41	$190.75	$	66.34	53.32%
45	C1M1B	Agua Fria Residential 1"		45,000	$126.63	$194.21	$	67.58	53.37%
46	C1M1B	Agua Fria Residential 1"		46,000	$129.28	$197.88	$	68.60	53.07%
47	C1M1B	Agua Fria Residential 1"		47,000	$131.92	$201.55	$	69.63	52.78%
48	C1M1B	Agua Fria Residential 1"		48,000	$134.57	$205.22	$	70.65	52.50%
49	C1M1B	Agua Fria Residential 1"		49,000	$137.22	$208.89	$	71.67	52.23%
50	C1M1B	Agua Fria Residential 1"		50,000	$139.87	$212.56	$	72.69	51.97%
51	C1M1B	Agua Fria Residential 1"		51,000	$142.51	$216.23	$	73.72	51.73%
52	C1M1B	Agua Fria Residential 1"		52,000	$145.16	$219.90	$	74.74	51.49%
53	C1M1B	Agua Fria Residential 1"		53,000	$147.81	$223.57	$	75.76	51.26%
54	C1M1B	Agua Fria Residential 1"		54,000	$150.45	$227.24	$	76.79	51.04%
55	C1M1B	Agua Fria Residential 1"		55,000	$153.10	$230.91	$	77.81	50.82%
56									
57	C1M1B	Agua Fria Residential 1"	Average:	11,753	$52.83	$79.08	$	26.25	49.69%
58									
59									
60									

1	C1M1C	Agua Fria Residential 1-1/2"		5,000	$67.00	$97.55	$	30.56	45.61%
2	C1M1C	Agua Fria Residential 1-1/2"		10,000	$78.10	$114.87	$	36.77	47.08%
3	C1M1C	Agua Fria Residential 1-1/2"		15,000	$89.20	$132.18	$	42.99	48.19%
4	C1M1C	Agua Fria Residential 1-1/2"		20,000	$100.30	$149.50	$	49.20	49.06%
5	C1M1C	Agua Fria Residential 1-1/2"		25,000	$111.40	$166.81	$	55.42	49.75%
6	C1M1C	Agua Fria Residential 1-1/2"		30,000	$122.49	$184.13	$	61.63	50.32%
7	C1M1C	Agua Fria Residential 1-1/2"		35,000	$133.59	$201.44	$	67.85	50.79%
8	C1M1C	Agua Fria Residential 1-1/2"		40,000	$144.69	$218.76	$	74.06	51.19%
9	C1M1C	Agua Fria Residential 1-1/2"		45,000	$155.79	$236.07	$	80.28	51.53%
10	C1M1C	Agua Fria Residential 1-1/2"		50,000	$166.89	$253.39	$	86.50	51.83%
11	C1M1C	Agua Fria Residential 1-1/2"		55,000	$177.99	$270.70	$	92.71	52.09%
12	C1M1C	Agua Fria Residential 1-1/2"		60,000	$189.09	$288.01	$	98.93	52.32%
13	C1M1C	Agua Fria Residential 1-1/2"		65,000	$200.19	$305.33	$	105.14	52.52%
14	C1M1C	Agua Fria Residential 1-1/2"		70,000	$211.29	$322.64	$	111.36	52.70%
15	C1M1C	Agua Fria Residential 1-1/2"		75,000	$222.39	$339.96	$	117.57	52.87%
16	C1M1C	Agua Fria Residential 1-1/2"		80,000	$233.48	$357.27	$	123.79	53.02%
17	C1M1C	Agua Fria Residential 1-1/2"		85,000	$244.58	$374.59	$	130.00	53.15%
18	C1M1C	Agua Fria Residential 1-1/2"		90,000	$255.68	$391.90	$	136.22	53.28%
19	C1M1C	Agua Fria Residential 1-1/2"		95,000	$266.78	$409.22	$	142.43	53.39%
20	C1M1C	Agua Fria Residential 1-1/2"		100,000	$277.88	$426.53	$	148.65	53.49%
21	C1M1C	Agua Fria Residential 1-1/2"		105,000	$291.11	$444.88	$	153.77	52.82%
22	C1M1C	Agua Fria Residential 1-1/2"		110,000	$304.35	$463.23	$	158.88	52.20%
23	C1M1C	Agua Fria Residential 1-1/2"		115,000	$317.58	$481.58	$	164.00	51.64%
24	C1M1C	Agua Fria Residential 1-1/2"		120,000	$330.82	$499.93	$	169.11	51.12%
25	C1M1C	Agua Fria Residential 1-1/2"		125,000	$344.05	$518.28	$	174.23	50.64%
26	C1M1C	Agua Fria Residential 1-1/2"		130,000	$357.28	$536.62	$	179.34	50.20%
27	C1M1C	Agua Fria Residential 1-1/2"		135,000	$370.52	$554.97	$	184.46	49.78%
28	C1M1C	Agua Fria Residential 1-1/2"		140,000	$383.75	$573.32	$	189.57	49.40%
29	C1M1C	Agua Fria Residential 1-1/2"		145,000	$396.99	$591.67	$	194.69	49.04%
30	C1M1C	Agua Fria Residential 1-1/2"		150,000	$410.22	$610.02	$	199.80	48.71%
31	C1M1C	Agua Fria Residential 1-1/2"		155,000	$423.45	$628.37	$	204.92	48.39%
32	C1M1C	Agua Fria Residential 1-1/2"		160,000	$436.69	$646.72	$	210.03	48.10%
33	C1M1C	Agua Fria Residential 1-1/2"		165,000	$449.92	$665.07	$	215.15	47.82%
34	C1M1C	Agua Fria Residential 1-1/2"		170,000	$463.16	$683.42	$	220.26	47.56%
35	C1M1C	Agua Fria Residential 1-1/2"		175,000	$476.39	$701.77	$	225.38	47.31%
36	C1M1C	Agua Fria Residential 1-1/2"		180,000	$489.62	$720.11	$	230.49	47.07%
37	C1M1C	Agua Fria Residential 1-1/2"		185,000	$502.86	$738.46	$	235.61	46.85%
38	C1M1C	Agua Fria Residential 1-1/2"		190,000	$516.09	$756.81	$	240.72	46.64%
39	C1M1C	Agua Fria Residential 1-1/2"		195,000	$529.33	$775.16	$	245.84	46.44%
40	C1M1C	Agua Fria Residential 1-1/2"		200,000	$542.56	$793.51	$	250.95	46.25%
41	C1M1C	Agua Fria Residential 1-1/2"		205,000	$555.79	$811.86	$	256.07	46.07%
42	C1M1C	Agua Fria Residential 1-1/2"		210,000	$569.03	$830.21	$	261.18	45.90%
43	C1M1C	Agua Fria Residential 1-1/2"		215,000	$582.26	$848.56	$	266.30	45.73%
44	C1M1C	Agua Fria Residential 1-1/2"		220,000	$595.50	$866.91	$	271.41	45.58%
45	C1M1C	Agua Fria Residential 1-1/2"		225,000	$608.73	$885.26	$	276.53	45.43%
46	C1M1C	Agua Fria Residential 1-1/2"		230,000	$621.96	$903.60	$	281.64	45.28%
47	C1M1C	Agua Fria Residential 1-1/2"		235,000	$635.20	$921.95	$	286.76	45.14%
48	C1M1C	Agua Fria Residential 1-1/2"		240,000	$648.43	$940.30	$	291.87	45.01%
49	C1M1C	Agua Fria Residential 1-1/2"		245,000	$661.67	$958.65	$	296.99	44.88%
50	C1M1C	Agua Fria Residential 1-1/2"		250,000	$674.90	$977.00	$	302.10	44.76%
51	C1M1C	Agua Fria Residential 1-1/2"		255,000	$688.13	$995.35	$	307.22	44.64%
52	C1M1C	Agua Fria Residential 1-1/2"		260,000	$701.37	$1,013.70	$	312.33	44.53%
53	C1M1C	Agua Fria Residential 1-1/2"		265,000	$714.60	$1,032.05	$	317.45	44.42%
54	C1M1C	Agua Fria Residential 1-1/2"		270,000	$727.84	$1,050.40	$	322.56	44.32%
55	C1M1C	Agua Fria Residential 1-1/2"		275,000	$741.07	$1,068.75	$	327.68	44.22%
56									
57	C1M1C	Agua Fria Residential 1-1/2"	Average:	143,951	$394.21	$587.82	$	193.61	49.11%
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1	C1M1D	Agua Fria Residential 2"		5,000	$94.94	$137.65	$	42.72	44.99%
2	C1M1D	Agua Fria Residential 2"		10,000	$106.04	$154.97	$	48.93	46.14%
3	C1M1D	Agua Fria Residential 2"		15,000	$117.14	$172.28	$	55.15	47.08%
4	C1M1D	Agua Fria Residential 2"		20,000	$128.24	$189.60	$	61.36	47.85%
5	C1M1D	Agua Fria Residential 2"		25,000	$139.34	$206.91	$	67.58	48.50%
6	C1M1D	Agua Fria Residential 2"		30,000	$150.43	$224.23	$	73.79	49.05%
7	C1M1D	Agua Fria Residential 2"		35,000	$161.53	$241.54	$	80.01	49.53%
8	C1M1D	Agua Fria Residential 2"		40,000	$172.63	$258.86	$	86.22	49.95%
9	C1M1D	Agua Fria Residential 2"		45,000	$183.73	$276.17	$	92.44	50.31%
10	C1M1D	Agua Fria Residential 2"		50,000	$194.83	$293.49	$	98.66	50.64%
11	C1M1D	Agua Fria Residential 2"		55,000	$205.93	$310.80	$	104.87	50.93%
12	C1M1D	Agua Fria Residential 2"		60,000	$217.03	$328.11	$	111.09	51.19%
13	C1M1D	Agua Fria Residential 2"		65,000	$228.13	$345.43	$	117.30	51.42%
14	C1M1D	Agua Fria Residential 2"		70,000	$239.23	$362.74	$	123.52	51.63%
15	C1M1D	Agua Fria Residential 2"		75,000	$250.33	$380.06	$	129.73	51.83%
16	C1M1D	Agua Fria Residential 2"		80,000	$261.42	$397.37	$	135.95	52.00%
17	C1M1D	Agua Fria Residential 2"		85,000	$272.52	$414.69	$	142.16	52.17%
18	C1M1D	Agua Fria Residential 2"		90,000	$283.62	$432.00	$	148.38	52.32%
19	C1M1D	Agua Fria Residential 2"		95,000	$294.72	$449.32	$	154.59	52.45%
20	C1M1D	Agua Fria Residential 2"		100,000	$305.82	$466.63	$	160.81	52.58%
21	C1M1D	Agua Fria Residential 2"		105,000	$316.92	$483.94	$	167.03	52.70%
22	C1M1D	Agua Fria Residential 2"		110,000	$328.02	$501.26	$	173.24	52.81%
23	C1M1D	Agua Fria Residential 2"		115,000	$339.12	$518.57	$	179.46	52.92%
24	C1M1D	Agua Fria Residential 2"		120,000	$350.22	$535.89	$	185.67	53.02%
25	C1M1D	Agua Fria Residential 2"		125,000	$361.32	$553.20	$	191.89	53.11%
26	C1M1D	Agua Fria Residential 2"		130,000	$372.41	$570.52	$	198.10	53.19%
27	C1M1D	Agua Fria Residential 2"		135,000	$383.51	$587.83	$	204.32	53.28%
28	C1M1D	Agua Fria Residential 2"		140,000	$394.61	$605.15	$	210.53	53.35%
29	C1M1D	Agua Fria Residential 2"		145,000	$405.71	$622.46	$	216.75	53.42%
30	C1M1D	Agua Fria Residential 2"		150,000	$416.81	$639.78	$	222.97	53.49%
31	C1M1D	Agua Fria Residential 2"		155,000	$430.04	$658.12	$	228.08	53.04%
32	C1M1D	Agua Fria Residential 2"		160,000	$443.28	$676.47	$	233.20	52.61%
33	C1M1D	Agua Fria Residential 2"		165,000	$456.51	$694.82	$	238.31	52.20%
34	C1M1D	Agua Fria Residential 2"		170,000	$469.75	$713.17	$	243.43	51.82%
35	C1M1D	Agua Fria Residential 2"		175,000	$482.98	$731.52	$	248.54	51.46%
36	C1M1D	Agua Fria Residential 2"		180,000	$496.21	$749.87	$	253.66	51.12%
37	C1M1D	Agua Fria Residential 2"		185,000	$509.45	$768.22	$	258.77	50.79%
38	C1M1D	Agua Fria Residential 2"		190,000	$522.68	$786.57	$	263.89	50.49%
39	C1M1D	Agua Fria Residential 2"		195,000	$535.92	$804.92	$	269.00	50.19%
40	C1M1D	Agua Fria Residential 2"		200,000	$549.15	$823.27	$	274.12	49.92%
41	C1M1D	Agua Fria Residential 2"		205,000	$562.38	$841.61	$	279.23	49.65%
42	C1M1D	Agua Fria Residential 2"		210,000	$575.62	$859.96	$	284.35	49.40%
43	C1M1D	Agua Fria Residential 2"		215,000	$588.85	$878.31	$	289.46	49.16%
44	C1M1D	Agua Fria Residential 2"		220,000	$602.09	$896.66	$	294.58	48.93%
45	C1M1D	Agua Fria Residential 2"		225,000	$615.32	$915.01	$	299.69	48.70%
46	C1M1D	Agua Fria Residential 2"		230,000	$628.55	$933.36	$	304.81	48.49%
47	C1M1D	Agua Fria Residential 2"		235,000	$641.79	$951.71	$	309.92	48.29%
48	C1M1D	Agua Fria Residential 2"		240,000	$655.02	$970.06	$	315.04	48.10%
49	C1M1D	Agua Fria Residential 2"		245,000	$668.26	$988.41	$	320.15	47.91%
50	C1M1D	Agua Fria Residential 2"		250,000	$681.49	$1,006.76	$	325.27	47.73%
51	C1M1D	Agua Fria Residential 2"		255,000	$694.72	$1,025.10	$	330.38	47.56%
52	C1M1D	Agua Fria Residential 2"		260,000	$707.96	$1,043.45	$	335.50	47.39%
53	C1M1D	Agua Fria Residential 2"		265,000	$721.19	$1,061.80	$	340.61	47.23%
54	C1M1D	Agua Fria Residential 2"		270,000	$734.43	$1,080.15	$	345.73	47.07%
55	C1M1D	Agua Fria Residential 2"		275,000	$747.66	$1,098.50	$	350.84	46.93%
56									
57	C1M1D	Agua Fria Residential 2"	Average:	218,777	$598.85	$892.17	$	293.32	48.98%
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1	C1M1E	Agua Fria Residential 3"		1,000	$166.24	$238.90	$	72.66	43.71%
2	C1M1E	Agua Fria Residential 3"		2,000	$168.46	$242.37	$	73.91	43.87%
3	C1M1E	Agua Fria Residential 3"		3,000	$170.68	$245.83	$	75.15	44.03%
4	C1M1E	Agua Fria Residential 3"		4,000	$172.90	$249.29	$	76.39	44.18%
5	C1M1E	Agua Fria Residential 3"		5,000	$175.12	$252.75	$	77.64	44.33%
6	C1M1E	Agua Fria Residential 3"		6,000	$177.34	$256.22	$	78.88	44.48%
7	C1M1E	Agua Fria Residential 3"		7,000	$179.56	$259.68	$	80.12	44.62%
8	C1M1E	Agua Fria Residential 3"		8,000	$181.78	$263.14	$	81.36	44.76%
9	C1M1E	Agua Fria Residential 3"		9,000	$184.00	$266.61	$	82.61	44.90%
10	C1M1E	Agua Fria Residential 3"		10,000	$186.22	$270.07	$	83.85	45.03%
11	C1M1E	Agua Fria Residential 3"		11,000	$188.44	$273.53	$	85.09	45.16%
12	C1M1E	Agua Fria Residential 3"		12,000	$190.66	$276.99	$	86.34	45.28%
13	C1M1E	Agua Fria Residential 3"		13,000	$192.88	$280.46	$	87.58	45.41%
14	C1M1E	Agua Fria Residential 3"		14,000	$195.10	$283.92	$	88.82	45.53%
15	C1M1E	Agua Fria Residential 3"		15,000	$197.32	$287.38	$	90.07	45.65%
16	C1M1E	Agua Fria Residential 3"		16,000	$199.54	$290.85	$	91.31	45.76%
17	C1M1E	Agua Fria Residential 3"		17,000	$201.76	$294.31	$	92.55	45.87%
18	C1M1E	Agua Fria Residential 3"		18,000	$203.98	$297.77	$	93.80	45.98%
19	C1M1E	Agua Fria Residential 3"		19,000	$206.20	$301.24	$	95.04	46.09%
20	C1M1E	Agua Fria Residential 3"		20,000	$208.42	$304.70	$	96.28	46.20%
21	C1M1E	Agua Fria Residential 3"		21,000	$210.64	$308.16	$	97.53	46.30%
22	C1M1E	Agua Fria Residential 3"		22,000	$212.86	$311.62	$	98.77	46.40%
23	C1M1E	Agua Fria Residential 3"		23,000	$215.08	$315.09	$	100.01	46.50%
24	C1M1E	Agua Fria Residential 3"		24,000	$217.30	$318.55	$	101.25	46.60%
25	C1M1E	Agua Fria Residential 3"		25,000	$219.52	$322.01	$	102.50	46.69%
26	C1M1E	Agua Fria Residential 3"		26,000	$221.73	$325.48	$	103.74	46.79%
27	C1M1E	Agua Fria Residential 3"		27,000	$223.95	$328.94	$	104.98	46.88%
28	C1M1E	Agua Fria Residential 3"		28,000	$226.17	$332.40	$	106.23	46.97%
29	C1M1E	Agua Fria Residential 3"		29,000	$228.39	$335.86	$	107.47	47.05%
30	C1M1E	Agua Fria Residential 3"		30,000	$230.61	$339.33	$	108.71	47.14%
31	C1M1E	Agua Fria Residential 3"		31,000	$232.83	$342.79	$	109.96	47.23%
32	C1M1E	Agua Fria Residential 3"		32,000	$235.05	$346.25	$	111.20	47.31%
33	C1M1E	Agua Fria Residential 3"		33,000	$237.27	$349.72	$	112.44	47.39%
34	C1M1E	Agua Fria Residential 3"		34,000	$239.49	$353.18	$	113.69	47.47%
35	C1M1E	Agua Fria Residential 3"		35,000	$241.71	$356.64	$	114.93	47.55%
36	C1M1E	Agua Fria Residential 3"		36,000	$243.93	$360.10	$	116.17	47.62%
37	C1M1E	Agua Fria Residential 3"		37,000	$246.15	$363.57	$	117.41	47.70%
38	C1M1E	Agua Fria Residential 3"		38,000	$248.37	$367.03	$	118.66	47.77%
39	C1M1E	Agua Fria Residential 3"		39,000	$250.59	$370.49	$	119.90	47.85%
40	C1M1E	Agua Fria Residential 3"		40,000	$252.81	$373.96	$	121.14	47.92%
41	C1M1E	Agua Fria Residential 3"		41,000	$255.03	$377.42	$	122.39	47.99%
42	C1M1E	Agua Fria Residential 3"		42,000	$257.25	$380.88	$	123.63	48.06%
43	C1M1E	Agua Fria Residential 3"		43,000	$259.47	$384.34	$	124.87	48.13%
44	C1M1E	Agua Fria Residential 3"		44,000	$261.69	$387.81	$	126.12	48.19%
45	C1M1E	Agua Fria Residential 3"		45,000	$263.91	$391.27	$	127.36	48.26%
46	C1M1E	Agua Fria Residential 3"		46,000	$266.13	$394.73	$	128.60	48.32%
47	C1M1E	Agua Fria Residential 3"		47,000	$268.35	$398.20	$	129.85	48.39%
48	C1M1E	Agua Fria Residential 3"		48,000	$270.57	$401.66	$	131.09	48.45%
49	C1M1E	Agua Fria Residential 3"		49,000	$272.79	$405.12	$	132.33	48.51%
50	C1M1E	Agua Fria Residential 3"		50,000	$275.01	$408.59	$	133.58	48.57%
51	C1M1E	Agua Fria Residential 3"		51,000	$277.23	$412.05	$	134.82	48.63%
52	C1M1E	Agua Fria Residential 3"		52,000	$279.45	$415.51	$	136.06	48.69%
53	C1M1E	Agua Fria Residential 3"		53,000	$281.67	$418.97	$	137.30	48.75%
54	C1M1E	Agua Fria Residential 3"		54,000	$283.89	$422.44	$	138.55	48.80%
55	C1M1E	Agua Fria Residential 3"		55,000	$286.11	$425.90	$	139.79	48.86%
56									
57	C1M1E	Agua Fria Residential 3"	Average:	40,017	$252.85	$374.01	$	121.17	47.92%
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1	C1M1G	Agua Fria Residential 6"		1,000	$427.44	$613.82	$	186.38	43.60%
2	C1M1G	Agua Fria Residential 6"		2,000	$429.66	$617.29	$	187.63	43.67%
3	C1M1G	Agua Fria Residential 6"		3,000	$431.88	$620.75	$	188.87	43.73%
4	C1M1G	Agua Fria Residential 6"		4,000	$434.10	$624.21	$	190.11	43.79%
5	C1M1G	Agua Fria Residential 6"		5,000	$436.32	$627.67	$	191.36	43.86%
6	C1M1G	Agua Fria Residential 6"		6,000	$438.54	$631.14	$	192.60	43.92%
7	C1M1G	Agua Fria Residential 6"		7,000	$440.76	$634.60	$	193.84	43.98%
8	C1M1G	Agua Fria Residential 6"		8,000	$442.98	$638.06	$	195.08	44.04%
9	C1M1G	Agua Fria Residential 6"		9,000	$445.20	$641.53	$	196.33	44.10%
10	C1M1G	Agua Fria Residential 6"		10,000	$447.42	$644.99	$	197.57	44.16%
11	C1M1G	Agua Fria Residential 6"		11,000	$449.64	$648.45	$	198.81	44.22%
12	C1M1G	Agua Fria Residential 6"		12,000	$451.86	$651.91	$	200.06	44.27%
13	C1M1G	Agua Fria Residential 6"		13,000	$454.08	$655.38	$	201.30	44.33%
14	C1M1G	Agua Fria Residential 6"		14,000	$456.30	$658.84	$	202.54	44.39%
15	C1M1G	Agua Fria Residential 6"		15,000	$458.52	$662.30	$	203.79	44.44%
16	C1M1G	Agua Fria Residential 6"		16,000	$460.74	$665.77	$	205.03	44.50%
17	C1M1G	Agua Fria Residential 6"		17,000	$462.96	$669.23	$	206.27	44.56%
18	C1M1G	Agua Fria Residential 6"		18,000	$465.18	$672.69	$	207.52	44.61%
19	C1M1G	Agua Fria Residential 6"		19,000	$467.40	$676.16	$	208.76	44.66%
20	C1M1G	Agua Fria Residential 6"		20,000	$469.62	$679.62	$	210.00	44.72%
21	C1M1G	Agua Fria Residential 6"		21,000	$471.84	$683.08	$	211.25	44.77%
22	C1M1G	Agua Fria Residential 6"		22,000	$474.06	$686.54	$	212.49	44.82%
23	C1M1G	Agua Fria Residential 6"		23,000	$476.28	$690.01	$	213.73	44.88%
24	C1M1G	Agua Fria Residential 6"		24,000	$478.50	$693.47	$	214.97	44.93%
25	C1M1G	Agua Fria Residential 6"		25,000	$480.72	$696.93	$	216.22	44.98%
26	C1M1G	Agua Fria Residential 6"		26,000	$482.93	$700.40	$	217.46	45.03%
27	C1M1G	Agua Fria Residential 6"		27,000	$485.15	$703.86	$	218.70	45.08%
28	C1M1G	Agua Fria Residential 6"		28,000	$487.37	$707.32	$	219.95	45.13%
29	C1M1G	Agua Fria Residential 6"		29,000	$489.59	$710.78	$	221.19	45.18%
30	C1M1G	Agua Fria Residential 6"		30,000	$491.81	$714.25	$	222.43	45.23%
31	C1M1G	Agua Fria Residential 6"		31,000	$494.03	$717.71	$	223.68	45.28%
32	C1M1G	Agua Fria Residential 6"		32,000	$496.25	$721.17	$	224.92	45.32%
33	C1M1G	Agua Fria Residential 6"		33,000	$498.47	$724.64	$	226.16	45.37%
34	C1M1G	Agua Fria Residential 6"		34,000	$500.69	$728.10	$	227.41	45.42%
35	C1M1G	Agua Fria Residential 6"		35,000	$502.91	$731.56	$	228.65	45.46%
36	C1M1G	Agua Fria Residential 6"		36,000	$505.13	$735.02	$	229.89	45.51%
37	C1M1G	Agua Fria Residential 6"		37,000	$507.35	$738.49	$	231.13	45.56%
38	C1M1G	Agua Fria Residential 6"		38,000	$509.57	$741.95	$	232.38	45.60%
39	C1M1G	Agua Fria Residential 6"		39,000	$511.79	$745.41	$	233.62	45.65%
40	C1M1G	Agua Fria Residential 6"		40,000	$514.01	$748.88	$	234.86	45.69%
41	C1M1G	Agua Fria Residential 6"		41,000	$516.23	$752.34	$	236.11	45.74%
42	C1M1G	Agua Fria Residential 6"		42,000	$518.45	$755.80	$	237.35	45.78%
43	C1M1G	Agua Fria Residential 6"		43,000	$520.67	$759.26	$	238.59	45.82%
44	C1M1G	Agua Fria Residential 6"		44,000	$522.89	$762.73	$	239.84	45.87%
45	C1M1G	Agua Fria Residential 6"		45,000	$525.11	$766.19	$	241.08	45.91%
46	C1M1G	Agua Fria Residential 6"		46,000	$527.33	$769.65	$	242.32	45.95%
47	C1M1G	Agua Fria Residential 6"		47,000	$529.55	$773.12	$	243.57	45.99%
48	C1M1G	Agua Fria Residential 6"		48,000	$531.77	$776.58	$	244.81	46.04%
49	C1M1G	Agua Fria Residential 6"		49,000	$533.99	$780.04	$	246.05	46.08%
50	C1M1G	Agua Fria Residential 6"		50,000	$536.21	$783.51	$	247.30	46.12%
51	C1M1G	Agua Fria Residential 6"		51,000	$538.43	$786.97	$	248.54	46.16%
52	C1M1G	Agua Fria Residential 6"		52,000	$540.65	$790.43	$	249.78	46.20%
53	C1M1G	Agua Fria Residential 6"		53,000	$542.87	$793.89	$	251.02	46.24%
54	C1M1G	Agua Fria Residential 6"		54,000	$545.09	$797.36	$	252.27	46.28%
55	C1M1G	Agua Fria Residential 6"		55,000	$547.31	$800.82	$	253.51	46.32%
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57	C1M1G	Agua Fria Residential 6"	Average:	-	$425.22	$610.36	$	185.14	43.54%
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1	C2M1A	Agua Fria Commercial 5/8 & 3/4"		1,000	$12.67	$18.46	$	5.79	45.72%
2	C2M1A	Agua Fria Commercial 5/8 & 3/4"		2,000	$14.89	$21.93	$	7.04	47.26%
3	C2M1A	Agua Fria Commercial 5/8 & 3/4"		3,000	$17.11	$25.39	$	8.28	48.39%
4	C2M1A	Agua Fria Commercial 5/8 & 3/4"		4,000	$19.33	$28.85	$	9.52	49.26%
5	C2M1A	Agua Fria Commercial 5/8 & 3/4"		5,000	$21.55	$32.31	$	10.77	49.96%
6	C2M1A	Agua Fria Commercial 5/8 & 3/4"		6,000	$23.77	$35.78	$	12.01	50.52%
7	C2M1A	Agua Fria Commercial 5/8 & 3/4"		7,000	$25.99	$39.24	$	13.25	50.99%
8	C2M1A	Agua Fria Commercial 5/8 & 3/4"		8,000	$28.21	$42.70	$	14.49	51.38%
9	C2M1A	Agua Fria Commercial 5/8 & 3/4"		9,000	$30.43	$46.17	$	15.74	51.72%
10	C2M1A	Agua Fria Commercial 5/8 & 3/4"		10,000	$32.65	$49.63	$	16.98	52.01%
11	C2M1A	Agua Fria Commercial 5/8 & 3/4"		11,000	$34.87	$53.09	$	18.22	52.27%
12	C2M1A	Agua Fria Commercial 5/8 & 3/4"		12,000	$37.09	$56.55	$	19.47	52.49%
13	C2M1A	Agua Fria Commercial 5/8 & 3/4"		13,000	$39.31	$60.02	$	20.71	52.69%
14	C2M1A	Agua Fria Commercial 5/8 & 3/4"		14,000	$41.95	$63.69	$	21.73	51.80%
15	C2M1A	Agua Fria Commercial 5/8 & 3/4"		15,000	$44.60	$67.36	$	22.76	51.02%
16	C2M1A	Agua Fria Commercial 5/8 & 3/4"		16,000	$47.25	$71.03	$	23.78	50.33%
17	C2M1A	Agua Fria Commercial 5/8 & 3/4"		17,000	$49.89	$74.70	$	24.80	49.71%
18	C2M1A	Agua Fria Commercial 5/8 & 3/4"		18,000	$52.54	$78.37	$	25.83	49.15%
19	C2M1A	Agua Fria Commercial 5/8 & 3/4"		19,000	$55.19	$82.04	$	26.85	48.65%
20	C2M1A	Agua Fria Commercial 5/8 & 3/4"		20,000	$57.84	$85.71	$	27.87	48.19%
21	C2M1A	Agua Fria Commercial 5/8 & 3/4"		21,000	$60.48	$89.38	$	28.89	47.77%
22	C2M1A	Agua Fria Commercial 5/8 & 3/4"		22,000	$63.13	$93.05	$	29.92	47.39%
23	C2M1A	Agua Fria Commercial 5/8 & 3/4"		23,000	$65.78	$96.72	$	30.94	47.04%
24	C2M1A	Agua Fria Commercial 5/8 & 3/4"		24,000	$68.42	$100.39	$	31.96	46.71%
25	C2M1A	Agua Fria Commercial 5/8 & 3/4"		25,000	$71.07	$104.06	$	32.99	46.41%
26	C2M1A	Agua Fria Commercial 5/8 & 3/4"		26,000	$73.72	$107.73	$	34.01	46.14%
27	C2M1A	Agua Fria Commercial 5/8 & 3/4"		27,000	$76.36	$111.39	$	35.03	45.88%
28	C2M1A	Agua Fria Commercial 5/8 & 3/4"		28,000	$79.01	$115.06	$	36.06	45.63%
29	C2M1A	Agua Fria Commercial 5/8 & 3/4"		29,000	$81.66	$118.73	$	37.08	45.41%
30	C2M1A	Agua Fria Commercial 5/8 & 3/4"		30,000	$84.30	$122.40	$	38.10	45.20%
31	C2M1A	Agua Fria Commercial 5/8 & 3/4"		31,000	$86.95	$126.07	$	39.12	45.00%
32	C2M1A	Agua Fria Commercial 5/8 & 3/4"		32,000	$89.60	$129.74	$	40.15	44.81%
33	C2M1A	Agua Fria Commercial 5/8 & 3/4"		33,000	$92.24	$133.41	$	41.17	44.63%
34	C2M1A	Agua Fria Commercial 5/8 & 3/4"		34,000	$94.89	$137.08	$	42.19	44.47%
35	C2M1A	Agua Fria Commercial 5/8 & 3/4"		35,000	$97.54	$140.75	$	43.22	44.31%
36	C2M1A	Agua Fria Commercial 5/8 & 3/4"		36,000	$100.18	$144.42	$	44.24	44.16%
37	C2M1A	Agua Fria Commercial 5/8 & 3/4"		37,000	$102.83	$148.09	$	45.26	44.02%
38	C2M1A	Agua Fria Commercial 5/8 & 3/4"		38,000	$105.48	$151.76	$	46.29	43.88%
39	C2M1A	Agua Fria Commercial 5/8 & 3/4"		39,000	$108.12	$155.43	$	47.31	43.75%
40	C2M1A	Agua Fria Commercial 5/8 & 3/4"		40,000	$110.77	$159.10	$	48.33	43.63%
41	C2M1A	Agua Fria Commercial 5/8 & 3/4"		41,000	$113.42	$162.77	$	49.35	43.52%
42	C2M1A	Agua Fria Commercial 5/8 & 3/4"		42,000	$116.06	$166.44	$	50.38	43.40%
43	C2M1A	Agua Fria Commercial 5/8 & 3/4"		43,000	$118.71	$170.11	$	51.40	43.30%
44	C2M1A	Agua Fria Commercial 5/8 & 3/4"		44,000	$121.36	$173.78	$	52.42	43.20%
45	C2M1A	Agua Fria Commercial 5/8 & 3/4"		45,000	$124.01	$177.45	$	53.45	43.10%
46	C2M1A	Agua Fria Commercial 5/8 & 3/4"		46,000	$126.65	$181.12	$	54.47	43.01%
47	C2M1A	Agua Fria Commercial 5/8 & 3/4"		47,000	$129.30	$184.79	$	55.49	42.92%
48	C2M1A	Agua Fria Commercial 5/8 & 3/4"		48,000	$131.95	$188.46	$	56.52	42.83%
49	C2M1A	Agua Fria Commercial 5/8 & 3/4"		49,000	$134.59	$192.13	$	57.54	42.75%
50	C2M1A	Agua Fria Commercial 5/8 & 3/4"		50,000	$137.24	$195.80	$	58.56	42.67%
51	C2M1A	Agua Fria Commercial 5/8 & 3/4"		51,000	$139.89	$199.47	$	59.58	42.59%
52	C2M1A	Agua Fria Commercial 5/8 & 3/4"		52,000	$142.53	$203.14	$	60.61	42.52%
53	C2M1A	Agua Fria Commercial 5/8 & 3/4"		53,000	$145.18	$206.81	$	61.63	42.45%
54	C2M1A	Agua Fria Commercial 5/8 & 3/4"		54,000	$147.83	$210.48	$	62.65	42.38%
55	C2M1A	Agua Fria Commercial 5/8 & 3/4"		55,000	$150.47	$214.15	$	63.68	42.32%
56									
57	C2M1A	Agua Fria Commercial 5/8 & 3/4"	Average:	6,015	$23.80	$35.83	$	12.03	50.53%
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1	C2M1B	Agua Fria Commercial 1"		1,000	$28.96	$41.84	$	12.88	44.49%
2	C2M1B	Agua Fria Commercial 1"		2,000	$31.18	$45.31	$	14.13	45.31%
3	C2M1B	Agua Fria Commercial 1"		3,000	$33.40	$48.77	$	15.37	46.02%
4	C2M1B	Agua Fria Commercial 1"		4,000	$35.62	$52.23	$	16.61	46.64%
5	C2M1B	Agua Fria Commercial 1"		5,000	$37.84	$55.69	$	17.86	47.19%
6	C2M1B	Agua Fria Commercial 1"		6,000	$40.06	$59.16	$	19.10	47.68%
7	C2M1B	Agua Fria Commercial 1"		7,000	$42.28	$62.62	$	20.34	48.11%
8	C2M1B	Agua Fria Commercial 1"		8,000	$44.50	$66.08	$	21.58	48.51%
9	C2M1B	Agua Fria Commercial 1"		9,000	$46.72	$69.55	$	22.83	48.86%
10	C2M1B	Agua Fria Commercial 1"		10,000	$48.94	$73.01	$	24.07	49.19%
11	C2M1B	Agua Fria Commercial 1"		11,000	$51.16	$76.47	$	25.31	49.48%
12	C2M1B	Agua Fria Commercial 1"		12,000	$53.38	$79.93	$	26.56	49.75%
13	C2M1B	Agua Fria Commercial 1"		13,000	$55.60	$83.40	$	27.80	50.00%
14	C2M1B	Agua Fria Commercial 1"		14,000	$57.82	$86.86	$	29.04	50.23%
15	C2M1B	Agua Fria Commercial 1"		15,000	$60.04	$90.32	$	30.29	50.45%
16	C2M1B	Agua Fria Commercial 1"		16,000	$62.26	$93.79	$	31.53	50.64%
17	C2M1B	Agua Fria Commercial 1"		17,000	$64.48	$97.25	$	32.77	50.83%
18	C2M1B	Agua Fria Commercial 1"		18,000	$66.70	$100.71	$	34.02	51.00%
19	C2M1B	Agua Fria Commercial 1"		19,000	$68.92	$104.18	$	35.26	51.16%
20	C2M1B	Agua Fria Commercial 1"		20,000	$71.14	$107.64	$	36.50	51.31%
21	C2M1B	Agua Fria Commercial 1"		21,000	$73.36	$111.10	$	37.75	51.45%
22	C2M1B	Agua Fria Commercial 1"		22,000	$75.58	$114.56	$	38.99	51.59%
23	C2M1B	Agua Fria Commercial 1"		23,000	$77.80	$118.03	$	40.23	51.71%
24	C2M1B	Agua Fria Commercial 1"		24,000	$80.02	$121.49	$	41.47	51.83%
25	C2M1B	Agua Fria Commercial 1"		25,000	$82.24	$124.95	$	42.72	51.95%
26	C2M1B	Agua Fria Commercial 1"		26,000	$84.45	$128.42	$	43.96	52.05%
27	C2M1B	Agua Fria Commercial 1"		27,000	$86.67	$131.88	$	45.20	52.15%
28	C2M1B	Agua Fria Commercial 1"		28,000	$88.89	$135.34	$	46.45	52.25%
29	C2M1B	Agua Fria Commercial 1"		29,000	$91.11	$138.80	$	47.69	52.34%
30	C2M1B	Agua Fria Commercial 1"		30,000	$93.33	$142.27	$	48.93	52.43%
31	C2M1B	Agua Fria Commercial 1"		31,000	$95.55	$145.73	$	50.18	52.51%
32	C2M1B	Agua Fria Commercial 1"		32,000	$97.77	$149.19	$	51.42	52.59%
33	C2M1B	Agua Fria Commercial 1"		33,000	$99.99	$152.66	$	52.66	52.67%
34	C2M1B	Agua Fria Commercial 1"		34,000	$102.21	$156.12	$	53.91	52.74%
35	C2M1B	Agua Fria Commercial 1"		35,000	$106.65	$163.04	$	56.39	52.87%
36	C2M1B	Agua Fria Commercial 1"		36,000	$108.87	$166.51	$	57.63	52.94%
37	C2M1B	Agua Fria Commercial 1"		37,000	$111.09	$169.97	$	58.88	53.00%
38	C2M1B	Agua Fria Commercial 1"		38,000	$113.31	$173.43	$	60.12	53.06%
39	C2M1B	Agua Fria Commercial 1"		39,000	$115.53	$176.90	$	61.36	53.11%
40	C2M1B	Agua Fria Commercial 1"		40,000	$117.75	$180.36	$	62.61	53.17%
41	C2M1B	Agua Fria Commercial 1"		41,000	$119.97	$183.82	$	63.85	53.22%
42	C2M1B	Agua Fria Commercial 1"		42,000	$122.19	$187.28	$	65.09	53.27%
43	C2M1B	Agua Fria Commercial 1"		43,000	$124.41	$190.75	$	66.34	53.32%
44	C2M1B	Agua Fria Commercial 1"		44,000	$126.63	$194.21	$	67.58	53.37%
45	C2M1B	Agua Fria Commercial 1"		45,000	$129.28	$197.88	$	68.60	53.07%
46	C2M1B	Agua Fria Commercial 1"		46,000	$131.92	$201.55	$	69.63	52.78%
47	C2M1B	Agua Fria Commercial 1"		47,000	$134.57	$205.22	$	70.65	52.50%
48	C2M1B	Agua Fria Commercial 1"		48,000	$137.22	$208.89	$	71.67	52.23%
49	C2M1B	Agua Fria Commercial 1"		49,000	$139.87	$212.56	$	72.69	51.97%
50	C2M1B	Agua Fria Commercial 1"		50,000	$142.51	$216.23	$	73.72	51.73%
51	C2M1B	Agua Fria Commercial 1"		51,000	$145.16	$219.90	$	74.74	51.49%
52	C2M1B	Agua Fria Commercial 1"		52,000	$147.81	$223.57	$	75.76	51.26%
53	C2M1B	Agua Fria Commercial 1"		53,000	$150.45	$227.24	$	76.79	51.04%
54	C2M1B	Agua Fria Commercial 1"		54,000	$153.10	$230.91	$	77.81	50.82%
55	C2M1B	Agua Fria Commercial 1"		55,000	$155.75	$234.58	$	78.83	50.62%
56									
57	C2M1B	Agua Fria Commercial 1"	Average:	37,770	$110.58	$169.17	$	58.59	52.99%
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1	C2M1C	Agua Fria Commercial 1-1/2"		5,000	$67.00	$97.55	$	30.56	45.61%
2	C2M1C	Agua Fria Commercial 1-1/2"		10,000	$78.10	$114.87	$	36.77	47.08%
3	C2M1C	Agua Fria Commercial 1-1/2"		15,000	$89.20	$132.18	$	42.99	48.19%
4	C2M1C	Agua Fria Commercial 1-1/2"		20,000	$100.30	$149.50	$	49.20	49.06%
5	C2M1C	Agua Fria Commercial 1-1/2"		25,000	$111.40	$166.81	$	55.42	49.75%
6	C2M1C	Agua Fria Commercial 1-1/2"		30,000	$122.49	$184.13	$	61.63	50.32%
7	C2M1C	Agua Fria Commercial 1-1/2"		35,000	$133.59	$201.44	$	67.85	50.79%
8	C2M1C	Agua Fria Commercial 1-1/2"		40,000	$144.69	$218.76	$	74.06	51.19%
9	C2M1C	Agua Fria Commercial 1-1/2"		45,000	$155.79	$236.07	$	80.28	51.53%
10	C2M1C	Agua Fria Commercial 1-1/2"		50,000	$166.89	$253.39	$	86.50	51.83%
11	C2M1C	Agua Fria Commercial 1-1/2"		55,000	$177.99	$270.70	$	92.71	52.09%
12	C2M1C	Agua Fria Commercial 1-1/2"		60,000	$189.09	$288.01	$	98.93	52.32%
13	C2M1C	Agua Fria Commercial 1-1/2"		65,000	$200.19	$305.33	$	105.14	52.52%
14	C2M1C	Agua Fria Commercial 1-1/2"		70,000	$211.29	$322.64	$	111.36	52.70%
15	C2M1C	Agua Fria Commercial 1-1/2"		75,000	$222.39	$339.96	$	117.57	52.87%
16	C2M1C	Agua Fria Commercial 1-1/2"		80,000	$233.48	$357.27	$	123.79	53.02%
17	C2M1C	Agua Fria Commercial 1-1/2"		85,000	$244.58	$374.59	$	130.00	53.15%
18	C2M1C	Agua Fria Commercial 1-1/2"		90,000	$255.68	$391.90	$	136.22	53.28%
19	C2M1C	Agua Fria Commercial 1-1/2"		95,000	$266.78	$409.22	$	142.43	53.39%
20	C2M1C	Agua Fria Commercial 1-1/2"		100,000	$277.88	$426.53	$	148.65	53.49%
21	C2M1C	Agua Fria Commercial 1-1/2"		105,000	$291.11	$444.88	$	153.77	52.82%
22	C2M1C	Agua Fria Commercial 1-1/2"		110,000	$304.35	$463.23	$	158.88	52.20%
23	C2M1C	Agua Fria Commercial 1-1/2"		115,000	$317.58	$481.58	$	164.00	51.64%
24	C2M1C	Agua Fria Commercial 1-1/2"		120,000	$330.82	$499.93	$	169.11	51.12%
25	C2M1C	Agua Fria Commercial 1-1/2"		125,000	$344.05	$518.28	$	174.23	50.64%
26	C2M1C	Agua Fria Commercial 1-1/2"		130,000	$357.28	$536.62	$	179.34	50.20%
27	C2M1C	Agua Fria Commercial 1-1/2"		135,000	$370.52	$554.97	$	184.46	49.78%
28	C2M1C	Agua Fria Commercial 1-1/2"		140,000	$383.75	$573.32	$	189.57	49.40%
29	C2M1C	Agua Fria Commercial 1-1/2"		145,000	$396.99	$591.67	$	194.69	49.04%
30	C2M1C	Agua Fria Commercial 1-1/2"		150,000	$410.22	$610.02	$	199.80	48.71%
31	C2M1C	Agua Fria Commercial 1-1/2"		155,000	$423.45	$628.37	$	204.92	48.39%
32	C2M1C	Agua Fria Commercial 1-1/2"		160,000	$436.69	$646.72	$	210.03	48.10%
33	C2M1C	Agua Fria Commercial 1-1/2"		165,000	$449.92	$665.07	$	215.15	47.82%
34	C2M1C	Agua Fria Commercial 1-1/2"		170,000	$463.16	$683.42	$	220.26	47.56%
35	C2M1C	Agua Fria Commercial 1-1/2"		175,000	$476.39	$701.77	$	225.38	47.31%
36	C2M1C	Agua Fria Commercial 1-1/2"		180,000	$489.62	$720.11	$	230.49	47.07%
37	C2M1C	Agua Fria Commercial 1-1/2"		185,000	$502.86	$738.46	$	235.61	46.85%
38	C2M1C	Agua Fria Commercial 1-1/2"		190,000	$516.09	$756.81	$	240.72	46.64%
39	C2M1C	Agua Fria Commercial 1-1/2"		195,000	$529.33	$775.16	$	245.84	46.44%
40	C2M1C	Agua Fria Commercial 1-1/2"		200,000	$542.56	$793.51	$	250.95	46.25%
41	C2M1C	Agua Fria Commercial 1-1/2"		205,000	$555.79	$811.86	$	256.07	46.07%
42	C2M1C	Agua Fria Commercial 1-1/2"		210,000	$569.03	$830.21	$	261.18	45.90%
43	C2M1C	Agua Fria Commercial 1-1/2"		215,000	$582.26	$848.56	$	266.30	45.73%
44	C2M1C	Agua Fria Commercial 1-1/2"		220,000	$595.50	$866.91	$	271.41	45.58%
45	C2M1C	Agua Fria Commercial 1-1/2"		225,000	$608.73	$885.26	$	276.53	45.43%
46	C2M1C	Agua Fria Commercial 1-1/2"		230,000	$621.96	$903.60	$	281.64	45.28%
47	C2M1C	Agua Fria Commercial 1-1/2"		235,000	$635.20	$921.95	$	286.76	45.14%
48	C2M1C	Agua Fria Commercial 1-1/2"		240,000	$648.43	$940.30	$	291.87	45.01%
49	C2M1C	Agua Fria Commercial 1-1/2"		245,000	$661.67	$958.65	$	296.99	44.88%
50	C2M1C	Agua Fria Commercial 1-1/2"		250,000	$674.90	$977.00	$	302.10	44.76%
51	C2M1C	Agua Fria Commercial 1-1/2"		255,000	$688.13	$995.35	$	307.22	44.64%
52	C2M1C	Agua Fria Commercial 1-1/2"		260,000	$701.37	$1,013.70	$	312.33	44.53%
53	C2M1C	Agua Fria Commercial 1-1/2"		265,000	$714.60	$1,032.05	$	317.45	44.42%
54	C2M1C	Agua Fria Commercial 1-1/2"		270,000	$727.84	$1,050.40	$	322.56	44.32%
55	C2M1C	Agua Fria Commercial 1-1/2"		275,000	$741.07	$1,068.75	$	327.68	44.22%
56									
57	C2M1C	Agua Fria Commercial 1-1/2"	Average:	113,367	$313.26	$475.58	$	162.32	51.82%
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1	C2M1D	Agua Fria Commercial 2"		5,000	$94.94	$137.65	$	42.72	44.99%
2	C2M1D	Agua Fria Commercial 2"		10,000	$106.04	$154.97	$	48.93	46.14%
3	C2M1D	Agua Fria Commercial 2"		15,000	$117.14	$172.28	$	55.15	47.08%
4	C2M1D	Agua Fria Commercial 2"		20,000	$128.24	$189.60	$	61.36	47.85%
5	C2M1D	Agua Fria Commercial 2"		25,000	$139.34	$206.91	$	67.58	48.50%
6	C2M1D	Agua Fria Commercial 2"		30,000	$150.43	$224.23	$	73.79	49.05%
7	C2M1D	Agua Fria Commercial 2"		35,000	$161.53	$241.54	$	80.01	49.53%
8	C2M1D	Agua Fria Commercial 2"		40,000	$172.63	$258.86	$	86.22	49.95%
9	C2M1D	Agua Fria Commercial 2"		45,000	$183.73	$276.17	$	92.44	50.31%
10	C2M1D	Agua Fria Commercial 2"		50,000	$194.83	$293.49	$	98.66	50.64%
11	C2M1D	Agua Fria Commercial 2"		55,000	$205.93	$310.80	$	104.87	50.93%
12	C2M1D	Agua Fria Commercial 2"		60,000	$217.03	$328.11	$	111.09	51.19%
13	C2M1D	Agua Fria Commercial 2"		65,000	$228.13	$345.43	$	117.30	51.42%
14	C2M1D	Agua Fria Commercial 2"		70,000	$239.23	$362.74	$	123.52	51.63%
15	C2M1D	Agua Fria Commercial 2"		75,000	$250.33	$380.06	$	129.73	51.83%
16	C2M1D	Agua Fria Commercial 2"		80,000	$261.42	$397.37	$	135.95	52.00%
17	C2M1D	Agua Fria Commercial 2"		85,000	$272.52	$414.69	$	142.16	52.17%
18	C2M1D	Agua Fria Commercial 2"		90,000	$283.62	$432.00	$	148.38	52.32%
19	C2M1D	Agua Fria Commercial 2"		95,000	$294.72	$449.32	$	154.59	52.45%
20	C2M1D	Agua Fria Commercial 2"		100,000	$305.82	$466.63	$	160.81	52.58%
21	C2M1D	Agua Fria Commercial 2"		105,000	$316.92	$483.94	$	167.03	52.70%
22	C2M1D	Agua Fria Commercial 2"		110,000	$328.02	$501.26	$	173.24	52.81%
23	C2M1D	Agua Fria Commercial 2"		115,000	$339.12	$518.57	$	179.46	52.92%
24	C2M1D	Agua Fria Commercial 2"		120,000	$350.22	$535.89	$	185.67	53.02%
25	C2M1D	Agua Fria Commercial 2"		125,000	$361.32	$553.20	$	191.89	53.11%
26	C2M1D	Agua Fria Commercial 2"		130,000	$372.41	$570.52	$	198.10	53.19%
27	C2M1D	Agua Fria Commercial 2"		135,000	$383.51	$587.83	$	204.32	53.28%
28	C2M1D	Agua Fria Commercial 2"		140,000	$394.61	$605.15	$	210.53	53.35%
29	C2M1D	Agua Fria Commercial 2"		145,000	$405.71	$622.46	$	216.75	53.42%
30	C2M1D	Agua Fria Commercial 2"		150,000	$416.81	$639.78	$	222.97	53.49%
31	C2M1D	Agua Fria Commercial 2"		155,000	$430.04	$658.12	$	228.08	53.04%
32	C2M1D	Agua Fria Commercial 2"		160,000	$443.28	$676.47	$	233.20	52.61%
33	C2M1D	Agua Fria Commercial 2"		165,000	$456.51	$694.82	$	238.31	52.20%
34	C2M1D	Agua Fria Commercial 2"		170,000	$469.75	$713.17	$	243.43	51.82%
35	C2M1D	Agua Fria Commercial 2"		175,000	$482.98	$731.52	$	248.54	51.46%
36	C2M1D	Agua Fria Commercial 2"		180,000	$496.21	$749.87	$	253.66	51.12%
37	C2M1D	Agua Fria Commercial 2"		185,000	$509.45	$768.22	$	258.77	50.79%
38	C2M1D	Agua Fria Commercial 2"		190,000	$522.68	$786.57	$	263.89	50.49%
39	C2M1D	Agua Fria Commercial 2"		195,000	$535.92	$804.92	$	269.00	50.19%
40	C2M1D	Agua Fria Commercial 2"		200,000	$549.15	$823.27	$	274.12	49.92%
41	C2M1D	Agua Fria Commercial 2"		205,000	$562.38	$841.61	$	279.23	49.65%
42	C2M1D	Agua Fria Commercial 2"		210,000	$575.62	$859.96	$	284.35	49.40%
43	C2M1D	Agua Fria Commercial 2"		215,000	$588.85	$878.31	$	289.46	49.16%
44	C2M1D	Agua Fria Commercial 2"		220,000	$602.09	$896.66	$	294.58	48.93%
45	C2M1D	Agua Fria Commercial 2"		225,000	$615.32	$915.01	$	299.69	48.70%
46	C2M1D	Agua Fria Commercial 2"		230,000	$628.55	$933.36	$	304.81	48.49%
47	C2M1D	Agua Fria Commercial 2"		235,000	$641.79	$951.71	$	309.92	48.29%
48	C2M1D	Agua Fria Commercial 2"		240,000	$655.02	$970.06	$	315.04	48.10%
49	C2M1D	Agua Fria Commercial 2"		245,000	$668.26	$988.41	$	320.15	47.91%
50	C2M1D	Agua Fria Commercial 2"		250,000	$681.49	$1,006.76	$	325.27	47.73%
51	C2M1D	Agua Fria Commercial 2"		255,000	$694.72	$1,025.10	$	330.38	47.56%
52	C2M1D	Agua Fria Commercial 2"		260,000	$707.96	$1,043.45	$	335.50	47.39%
53	C2M1D	Agua Fria Commercial 2"		265,000	$721.19	$1,061.80	$	340.61	47.23%
54	C2M1D	Agua Fria Commercial 2"		270,000	$734.43	$1,080.15	$	345.73	47.07%
55	C2M1D	Agua Fria Commercial 2"		275,000	$747.66	$1,098.50	$	350.84	46.93%
56									
57	C2M1D	Agua Fria Commercial 2"	Average:	191,585	$526.88	$792.38	$	265.51	50.39%
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1	C2M1E	Agua Fria Commercial 3"		5,000	$175.12	$252.75	$	77.64	44.33%
2	C2M1E	Agua Fria Commercial 3"		10,000	$186.22	$270.07	$	83.85	45.03%
3	C2M1E	Agua Fria Commercial 3"		15,000	$197.32	$287.38	$	90.07	45.65%
4	C2M1E	Agua Fria Commercial 3"		20,000	$208.42	$304.70	$	96.28	46.20%
5	C2M1E	Agua Fria Commercial 3"		25,000	$219.52	$322.01	$	102.50	46.69%
6	C2M1E	Agua Fria Commercial 3"		30,000	$230.61	$339.33	$	108.71	47.14%
7	C2M1E	Agua Fria Commercial 3"		35,000	$241.71	$356.64	$	114.93	47.55%
8	C2M1E	Agua Fria Commercial 3"		40,000	$252.81	$373.96	$	121.14	47.92%
9	C2M1E	Agua Fria Commercial 3"		45,000	$263.91	$391.27	$	127.36	48.26%
10	C2M1E	Agua Fria Commercial 3"		50,000	$275.01	$408.59	$	133.58	48.57%
11	C2M1E	Agua Fria Commercial 3"		55,000	$286.11	$425.90	$	139.79	48.86%
12	C2M1E	Agua Fria Commercial 3"		60,000	$297.21	$443.21	$	146.01	49.13%
13	C2M1E	Agua Fria Commercial 3"		65,000	$308.31	$460.53	$	152.22	49.37%
14	C2M1E	Agua Fria Commercial 3"		70,000	$319.41	$477.84	$	158.44	49.60%
15	C2M1E	Agua Fria Commercial 3"		75,000	$330.51	$495.16	$	164.65	49.82%
16	C2M1E	Agua Fria Commercial 3"		80,000	$341.60	$512.47	$	170.87	50.02%
17	C2M1E	Agua Fria Commercial 3"		85,000	$352.70	$529.79	$	177.08	50.21%
18	C2M1E	Agua Fria Commercial 3"		90,000	$363.80	$547.10	$	183.30	50.38%
19	C2M1E	Agua Fria Commercial 3"		95,000	$374.90	$564.42	$	189.51	50.55%
20	C2M1E	Agua Fria Commercial 3"		100,000	$386.00	$581.73	$	195.73	50.71%
21	C2M1E	Agua Fria Commercial 3"		105,000	$397.10	$599.04	$	201.95	50.86%
22	C2M1E	Agua Fria Commercial 3"		110,000	$408.20	$616.36	$	208.16	51.00%
23	C2M1E	Agua Fria Commercial 3"		115,000	$419.30	$633.67	$	214.38	51.13%
24	C2M1E	Agua Fria Commercial 3"		120,000	$430.40	$650.99	$	220.59	51.25%
25	C2M1E	Agua Fria Commercial 3"		125,000	$441.50	$668.30	$	226.81	51.37%
26	C2M1E	Agua Fria Commercial 3"		130,000	$452.59	$685.62	$	233.02	51.49%
27	C2M1E	Agua Fria Commercial 3"		135,000	$463.69	$702.93	$	239.24	51.59%
28	C2M1E	Agua Fria Commercial 3"		140,000	$474.79	$720.25	$	245.45	51.70%
29	C2M1E	Agua Fria Commercial 3"		145,000	$485.89	$737.56	$	251.67	51.80%
30	C2M1E	Agua Fria Commercial 3"		150,000	$496.99	$754.88	$	257.89	51.89%
31	C2M1E	Agua Fria Commercial 3"		155,000	$508.09	$772.19	$	264.10	51.98%
32	C2M1E	Agua Fria Commercial 3"		160,000	$519.19	$789.50	$	270.32	52.07%
33	C2M1E	Agua Fria Commercial 3"		165,000	$530.29	$806.82	$	276.53	52.15%
34	C2M1E	Agua Fria Commercial 3"		170,000	$541.39	$824.13	$	282.75	52.23%
35	C2M1E	Agua Fria Commercial 3"		175,000	$552.49	$841.45	$	288.96	52.30%
36	C2M1E	Agua Fria Commercial 3"		180,000	$563.58	$858.76	$	295.18	52.38%
37	C2M1E	Agua Fria Commercial 3"		185,000	$574.68	$876.08	$	301.39	52.45%
38	C2M1E	Agua Fria Commercial 3"		190,000	$585.78	$893.39	$	307.61	52.51%
39	C2M1E	Agua Fria Commercial 3"		195,000	$596.88	$910.71	$	313.82	52.58%
40	C2M1E	Agua Fria Commercial 3"		200,000	$607.98	$928.02	$	320.04	52.64%
41	C2M1E	Agua Fria Commercial 3"		205,000	$619.08	$945.33	$	326.26	52.70%
42	C2M1E	Agua Fria Commercial 3"		210,000	$630.18	$962.65	$	332.47	52.76%
43	C2M1E	Agua Fria Commercial 3"		215,000	$641.28	$979.96	$	338.69	52.81%
44	C2M1E	Agua Fria Commercial 3"		220,000	$652.38	$997.28	$	344.90	52.87%
45	C2M1E	Agua Fria Commercial 3"		225,000	$663.48	$1,014.59	$	351.12	52.92%
46	C2M1E	Agua Fria Commercial 3"		230,000	$674.57	$1,031.91	$	357.33	52.97%
47	C2M1E	Agua Fria Commercial 3"		235,000	$685.67	$1,049.22	$	363.55	53.02%
48	C2M1E	Agua Fria Commercial 3"		240,000	$696.77	$1,066.54	$	369.76	53.07%
49	C2M1E	Agua Fria Commercial 3"		245,000	$707.87	$1,083.85	$	375.98	53.11%
50	C2M1E	Agua Fria Commercial 3"		250,000	$718.97	$1,101.17	$	382.20	53.16%
51	C2M1E	Agua Fria Commercial 3"		255,000	$730.07	$1,118.48	$	388.41	53.20%
52	C2M1E	Agua Fria Commercial 3"		260,000	$741.17	$1,135.79	$	394.63	53.24%
53	C2M1E	Agua Fria Commercial 3"		265,000	$752.27	$1,153.11	$	400.84	53.28%
54	C2M1E	Agua Fria Commercial 3"		270,000	$763.37	$1,170.42	$	407.06	53.32%
55	C2M1E	Agua Fria Commercial 3"		275,000	$774.47	$1,187.74	$	413.27	53.36%
56									
57	C2M1E	Agua Fria Commercial 3"	Average:	161,694	$522.95	$795.37	$	272.42	52.09%
58									
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1	C2M1F	Agua Fria Commercial 4"		25,000	$276.13	$403.26	$	127.14	46.04%
2	C2M1F	Agua Fria Commercial 4"		50,000	$331.62	$489.84	$	158.22	47.71%
3	C2M1F	Agua Fria Commercial 4"		75,000	$387.12	$576.41	$	189.29	48.90%
4	C2M1F	Agua Fria Commercial 4"		100,000	$442.61	$662.98	$	220.37	49.79%
5	C2M1F	Agua Fria Commercial 4"		125,000	$498.11	$749.55	$	251.45	50.48%
6	C2M1F	Agua Fria Commercial 4"		150,000	$553.60	$836.13	$	282.53	51.03%
7	C2M1F	Agua Fria Commercial 4"		175,000	$609.10	$922.70	$	313.60	51.49%
8	C2M1F	Agua Fria Commercial 4"		200,000	$664.59	$1,009.27	$	344.68	51.86%
9	C2M1F	Agua Fria Commercial 4"		225,000	$720.09	$1,095.84	$	375.76	52.18%
10	C2M1F	Agua Fria Commercial 4"		250,000	$775.58	$1,182.42	$	406.84	52.46%
11	C2M1F	Agua Fria Commercial 4"		275,000	$831.08	$1,268.99	$	437.91	52.69%
12	C2M1F	Agua Fria Commercial 4"		300,000	$886.57	$1,355.56	$	468.99	52.90%
13	C2M1F	Agua Fria Commercial 4"		325,000	$942.07	$1,442.13	$	500.07	53.08%
14	C2M1F	Agua Fria Commercial 4"		350,000	$997.56	$1,528.71	$	531.15	53.24%
15	C2M1F	Agua Fria Commercial 4"		375,000	$1,053.06	$1,615.28	$	562.22	53.39%
16	C2M1F	Agua Fria Commercial 4"		400,000	$1,108.55	$1,701.85	$	593.30	53.52%
17	C2M1F	Agua Fria Commercial 4"		425,000	$1,174.72	$1,793.60	$	618.88	52.68%
18	C2M1F	Agua Fria Commercial 4"		450,000	$1,240.89	$1,885.34	$	644.45	51.93%
19	C2M1F	Agua Fria Commercial 4"		475,000	$1,307.06	$1,977.09	$	670.03	51.26%
20	C2M1F	Agua Fria Commercial 4"		500,000	$1,373.23	$2,068.83	$	695.60	50.65%
21	C2M1F	Agua Fria Commercial 4"		525,000	$1,439.40	$2,160.58	$	721.18	50.10%
22	C2M1F	Agua Fria Commercial 4"		550,000	$1,505.57	$2,252.32	$	746.75	49.60%
23	C2M1F	Agua Fria Commercial 4"		575,000	$1,571.74	$2,344.07	$	772.33	49.14%
24	C2M1F	Agua Fria Commercial 4"		600,000	$1,637.91	$2,435.81	$	797.90	48.71%
25	C2M1F	Agua Fria Commercial 4"		625,000	$1,704.08	$2,527.56	$	823.48	48.32%
26	C2M1F	Agua Fria Commercial 4"		650,000	$1,770.25	$2,619.30	$	849.05	47.96%
27	C2M1F	Agua Fria Commercial 4"		675,000	$1,836.42	$2,711.05	$	874.63	47.63%
28	C2M1F	Agua Fria Commercial 4"		700,000	$1,902.59	$2,802.79	$	900.20	47.31%
29	C2M1F	Agua Fria Commercial 4"		725,000	$1,968.76	$2,894.54	$	925.78	47.02%
30	C2M1F	Agua Fria Commercial 4"		750,000	$2,034.93	$2,986.28	$	951.35	46.75%
31	C2M1F	Agua Fria Commercial 4"		775,000	$2,101.10	$3,078.03	$	976.93	46.50%
32	C2M1F	Agua Fria Commercial 4"		800,000	$2,167.27	$3,169.77	$	1,002.50	46.26%
33	C2M1F	Agua Fria Commercial 4"		825,000	$2,233.44	$3,261.52	$	1,028.08	46.03%
34	C2M1F	Agua Fria Commercial 4"		850,000	$2,299.61	$3,353.26	$	1,053.65	45.82%
35	C2M1F	Agua Fria Commercial 4"		875,000	$2,365.78	$3,445.01	$	1,079.23	45.62%
36	C2M1F	Agua Fria Commercial 4"		900,000	$2,431.95	$3,536.75	$	1,104.80	45.43%
37	C2M1F	Agua Fria Commercial 4"		925,000	$2,498.12	$3,628.50	$	1,130.38	45.25%
38	C2M1F	Agua Fria Commercial 4"		950,000	$2,564.29	$3,720.24	$	1,155.95	45.08%
39	C2M1F	Agua Fria Commercial 4"		975,000	$2,630.46	$3,811.99	$	1,181.53	44.92%
40	C2M1F	Agua Fria Commercial 4"		1,000,000	$2,696.63	$3,903.73	$	1,207.10	44.76%
41	C2M1F	Agua Fria Commercial 4"		1,025,000	$2,762.80	$3,995.48	$	1,232.68	44.62%
42	C2M1F	Agua Fria Commercial 4"		1,050,000	$2,828.97	$4,087.22	$	1,258.25	44.48%
43	C2M1F	Agua Fria Commercial 4"		1,075,000	$2,895.14	$4,178.97	$	1,283.83	44.34%
44	C2M1F	Agua Fria Commercial 4"		1,100,000	$2,961.31	$4,270.71	$	1,309.40	44.22%
45	C2M1F	Agua Fria Commercial 4"		1,125,000	$3,027.48	$4,362.46	$	1,334.98	44.10%
46	C2M1F	Agua Fria Commercial 4"		1,150,000	$3,093.65	$4,454.20	$	1,360.55	43.98%
47	C2M1F	Agua Fria Commercial 4"		1,175,000	$3,159.82	$4,545.95	$	1,386.13	43.87%
48	C2M1F	Agua Fria Commercial 4"		1,200,000	$3,225.99	$4,637.69	$	1,411.70	43.76%
49	C2M1F	Agua Fria Commercial 4"		1,225,000	$3,292.16	$4,729.44	$	1,437.28	43.66%
50	C2M1F	Agua Fria Commercial 4"		1,250,000	$3,358.33	$4,821.18	$	1,462.85	43.56%
51	C2M1F	Agua Fria Commercial 4"		1,275,000	$3,424.50	$4,912.93	$	1,488.43	43.46%
52	C2M1F	Agua Fria Commercial 4"		1,300,000	$3,490.67	$5,004.67	$	1,514.00	43.37%
53	C2M1F	Agua Fria Commercial 4"		1,325,000	$3,556.84	$5,096.42	$	1,539.58	43.28%
54	C2M1F	Agua Fria Commercial 4"		1,350,000	$3,623.01	$5,188.16	$	1,565.15	43.20%
55	C2M1F	Agua Fria Commercial 4"		1,375,000	$3,689.18	$5,279.91	$	1,590.73	43.12%
56									
57	C2M1F	Agua Fria Commercial 4"	Average:	748,909	$2,032.04	$2,982.28	$	950.23	46.76%
58									
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1	C2M1G	Agua Fria Commercial 6"		50,000	$536.21	$783.51	$	247.30	46.12%
2	C2M1G	Agua Fria Commercial 6"		100,000	$647.20	$956.65	$	309.45	47.81%
3	C2M1G	Agua Fria Commercial 6"		150,000	$758.19	$1,129.80	$	371.61	49.01%
4	C2M1G	Agua Fria Commercial 6"		200,000	$869.18	$1,302.94	$	433.76	49.90%
5	C2M1G	Agua Fria Commercial 6"		250,000	$980.17	$1,476.09	$	495.92	50.59%
6	C2M1G	Agua Fria Commercial 6"		300,000	$1,091.16	$1,649.23	$	558.07	51.14%
7	C2M1G	Agua Fria Commercial 6"		350,000	$1,202.15	$1,822.38	$	620.23	51.59%
8	C2M1G	Agua Fria Commercial 6"		400,000	$1,313.14	$1,995.52	$	682.38	51.97%
9	C2M1G	Agua Fria Commercial 6"		450,000	$1,424.13	$2,168.67	$	744.54	52.28%
10	C2M1G	Agua Fria Commercial 6"		500,000	$1,535.12	$2,341.81	$	806.69	52.55%
11	C2M1G	Agua Fria Commercial 6"		550,000	$1,646.11	$2,514.96	$	868.85	52.78%
12	C2M1G	Agua Fria Commercial 6"		600,000	$1,757.10	$2,688.10	$	931.00	52.99%
13	C2M1G	Agua Fria Commercial 6"		650,000	$1,868.09	$2,861.25	$	993.16	53.16%
14	C2M1G	Agua Fria Commercial 6"		700,000	$1,979.08	$3,034.39	$	1,055.31	53.32%
15	C2M1G	Agua Fria Commercial 6"		750,000	$2,090.07	$3,207.54	$	1,117.47	53.47%
16	C2M1G	Agua Fria Commercial 6"		800,000	$2,201.06	$3,380.68	$	1,179.62	53.59%
17	C2M1G	Agua Fria Commercial 6"		850,000	$2,333.40	$3,564.17	$	1,230.77	52.75%
18	C2M1G	Agua Fria Commercial 6"		900,000	$2,465.74	$3,747.66	$	1,281.92	51.99%
19	C2M1G	Agua Fria Commercial 6"		950,000	$2,598.08	$3,931.15	$	1,333.07	51.31%
20	C2M1G	Agua Fria Commercial 6"		1,000,000	$2,730.42	$4,114.64	$	1,384.22	50.70%
21	C2M1G	Agua Fria Commercial 6"		1,050,000	$2,862.76	$4,298.13	$	1,435.37	50.14%
22	C2M1G	Agua Fria Commercial 6"		1,100,000	$2,995.10	$4,481.62	$	1,486.52	49.63%
23	C2M1G	Agua Fria Commercial 6"		1,150,000	$3,127.44	$4,665.11	$	1,537.67	49.17%
24	C2M1G	Agua Fria Commercial 6"		1,200,000	$3,259.78	$4,848.60	$	1,588.82	48.74%
25	C2M1G	Agua Fria Commercial 6"		1,250,000	$3,392.12	$5,032.09	$	1,639.97	48.35%
26	C2M1G	Agua Fria Commercial 6"		1,300,000	$3,524.46	$5,215.58	$	1,691.12	47.98%
27	C2M1G	Agua Fria Commercial 6"		1,350,000	$3,656.80	$5,399.07	$	1,742.27	47.64%
28	C2M1G	Agua Fria Commercial 6"		1,400,000	$3,789.14	$5,582.56	$	1,793.42	47.33%
29	C2M1G	Agua Fria Commercial 6"		1,450,000	$3,921.48	$5,766.05	$	1,844.57	47.04%
30	C2M1G	Agua Fria Commercial 6"		1,500,000	$4,053.82	$5,949.54	$	1,895.72	46.76%
31	C2M1G	Agua Fria Commercial 6"		1,550,000	$4,186.16	$6,133.03	$	1,946.87	46.51%
32	C2M1G	Agua Fria Commercial 6"		1,600,000	$4,318.50	$6,316.52	$	1,998.02	46.27%
33	C2M1G	Agua Fria Commercial 6"		1,650,000	$4,450.84	$6,500.01	$	2,049.17	46.04%
34	C2M1G	Agua Fria Commercial 6"		1,700,000	$4,583.18	$6,683.50	$	2,100.32	45.83%
35	C2M1G	Agua Fria Commercial 6"		1,750,000	$4,715.52	$6,866.99	$	2,151.47	45.63%
36	C2M1G	Agua Fria Commercial 6"		1,800,000	$4,847.86	$7,050.48	$	2,202.62	45.43%
37	C2M1G	Agua Fria Commercial 6"		1,850,000	$4,980.20	$7,233.97	$	2,253.77	45.25%
38	C2M1G	Agua Fria Commercial 6"		1,900,000	$5,112.54	$7,417.46	$	2,304.92	45.08%
39	C2M1G	Agua Fria Commercial 6"		1,950,000	$5,244.88	$7,600.95	$	2,356.07	44.92%
40	C2M1G	Agua Fria Commercial 6"		2,000,000	$5,377.22	$7,784.44	$	2,407.22	44.77%
41	C2M1G	Agua Fria Commercial 6"		2,050,000	$5,509.56	$7,967.93	$	2,458.37	44.62%
42	C2M1G	Agua Fria Commercial 6"		2,100,000	$5,641.90	$8,151.42	$	2,509.52	44.48%
43	C2M1G	Agua Fria Commercial 6"		2,150,000	$5,774.24	$8,334.91	$	2,560.67	44.35%
44	C2M1G	Agua Fria Commercial 6"		2,200,000	$5,906.58	$8,518.40	$	2,611.82	44.22%
45	C2M1G	Agua Fria Commercial 6"		2,250,000	$6,038.92	$8,701.89	$	2,662.97	44.10%
46	C2M1G	Agua Fria Commercial 6"		2,300,000	$6,171.26	$8,885.38	$	2,714.12	43.98%
47	C2M1G	Agua Fria Commercial 6"		2,350,000	$6,303.60	$9,068.87	$	2,765.27	43.87%
48	C2M1G	Agua Fria Commercial 6"		2,400,000	$6,435.94	$9,252.36	$	2,816.42	43.76%
49	C2M1G	Agua Fria Commercial 6"		2,450,000	$6,568.28	$9,435.85	$	2,867.57	43.66%
50	C2M1G	Agua Fria Commercial 6"		2,500,000	$6,700.62	$9,619.34	$	2,918.72	43.56%
51	C2M1G	Agua Fria Commercial 6"		2,550,000	$6,832.96	$9,802.83	$	2,969.87	43.46%
52	C2M1G	Agua Fria Commercial 6"		2,600,000	$6,965.30	$9,986.32	$	3,021.02	43.37%
53	C2M1G	Agua Fria Commercial 6"		2,650,000	$7,097.64	$10,169.81	$	3,072.17	43.28%
54	C2M1G	Agua Fria Commercial 6"		2,700,000	$7,229.98	$10,353.30	$	3,123.32	43.20%
55	C2M1G	Agua Fria Commercial 6"		2,750,000	$7,362.32	$10,536.79	$	3,174.47	43.12%
56									
57	C2M1G	Agua Fria Commercial 6"	Average:	1,707,931	$4,604.17	$6,712.61	$	2,108.43	45.79%
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1	C2M3	Arizona Water Contract		1000	$1.78	$2.93	$	1.15	64.36%
2	C2M3	Arizona Water Contract		2000	$3.56	$5.85	$	2.29	64.36%
3	C2M3	Arizona Water Contract		3000	$5.34	$8.78	$	3.44	64.36%
4	C2M3	Arizona Water Contract		4000	$7.12	$11.70	$	4.58	64.36%
5	C2M3	Arizona Water Contract		5000	$8.90	$14.63	$	5.73	64.36%
6	C2M3	Arizona Water Contract		6000	$10.68	$17.55	$	6.87	64.36%
7	C2M3	Arizona Water Contract		7000	$12.46	$20.48	$	8.02	64.36%
8	C2M3	Arizona Water Contract		8000	$14.24	$23.40	$	9.16	64.36%
9	C2M3	Arizona Water Contract		9000	$16.48	$26.87	$	10.39	63.03%
10	C2M3	Arizona Water Contract		10000	$18.72	$30.33	$	11.61	62.02%
11	C2M3	Arizona Water Contract		11000	$20.96	$33.79	$	12.83	61.23%
12	C2M3	Arizona Water Contract		12000	$23.20	$37.26	$	14.06	60.59%
13	C2M3	Arizona Water Contract		13000	$25.44	$40.72	$	15.28	60.06%
14	C2M3	Arizona Water Contract		14000	$27.68	$44.18	$	16.50	59.62%
15	C2M3	Arizona Water Contract		24000	$50.08	$78.81	$	28.73	57.37%
16	C2M3	Arizona Water Contract		34000	$72.48	$113.44	$	40.96	56.51%
17	C2M3	Arizona Water Contract		44000	$94.88	$148.07	$	53.19	56.06%
18	C2M3	Arizona Water Contract		54000	$117.28	$182.70	$	65.42	55.78%
19	C2M3	Arizona Water Contract		64000	$139.68	$217.33	$	77.65	55.59%
20	C2M3	Arizona Water Contract		74000	$162.08	$251.96	$	89.88	55.45%
21	C2M3	Arizona Water Contract		84000	$184.48	$286.59	$	102.11	55.35%
22	C2M3	Arizona Water Contract		94000	$206.88	$321.21	$	114.33	55.27%
23	C2M3	Arizona Water Contract		104000	$229.28	$355.84	$	126.56	55.20%
24	C2M3	Arizona Water Contract		114000	$251.68	$390.47	$	138.79	55.15%
25	C2M3	Arizona Water Contract		124000	$274.08	$425.10	$	151.02	55.10%
26	C2M3	Arizona Water Contract		134000	$296.48	$459.73	$	163.25	55.06%
27	C2M3	Arizona Water Contract		144000	$318.88	$494.36	$	175.48	55.03%
28	C2M3	Arizona Water Contract		154000	$341.28	$528.99	$	187.71	55.00%
29	C2M3	Arizona Water Contract		164000	$363.68	$563.62	$	199.94	54.98%
30	C2M3	Arizona Water Contract		174000	$386.08	$598.25	$	212.17	54.95%
31	C2M3	Arizona Water Contract		184000	$408.48	$632.88	$	224.40	54.93%
32	C2M3	Arizona Water Contract		194000	$430.88	$667.50	$	236.62	54.92%
33	C2M3	Arizona Water Contract		204000	$453.28	$702.13	$	248.85	54.90%
34	C2M3	Arizona Water Contract		214000	$475.68	$736.76	$	261.08	54.89%
35	C2M3	Arizona Water Contract		224000	$498.08	$771.39	$	273.31	54.87%
36	C2M3	Arizona Water Contract		234000	$520.48	$806.02	$	285.54	54.86%
37	C2M3	Arizona Water Contract		244000	$542.88	$840.65	$	297.77	54.85%
38	C2M3	Arizona Water Contract		254000	$565.28	$875.28	$	310.00	54.84%
39	C2M3	Arizona Water Contract		264000	$587.68	$909.91	$	322.23	54.83%
40	C2M3	Arizona Water Contract		274000	$610.08	$944.54	$	334.46	54.82%
41	C2M3	Arizona Water Contract		284000	$632.48	$979.17	$	346.69	54.81%
42	C2M3	Arizona Water Contract		294000	$654.88	$1,013.79	$	358.91	54.81%
43	C2M3	Arizona Water Contract		304000	$677.28	$1,048.42	$	371.14	54.80%
44	C2M3	Arizona Water Contract		314000	$699.68	$1,083.05	$	383.37	54.79%
45	C2M3	Arizona Water Contract		324000	$722.08	$1,117.68	$	395.60	54.79%
46	C2M3	Arizona Water Contract		334000	$744.48	$1,152.31	$	407.83	54.78%
47	C2M3	Arizona Water Contract		344000	$766.88	$1,186.94	$	420.06	54.78%
48	C2M3	Arizona Water Contract		354000	$789.28	$1,221.57	$	432.29	54.77%
49	C2M3	Arizona Water Contract		364000	$811.68	$1,256.20	$	444.52	54.77%
50	C2M3	Arizona Water Contract		374000	$834.08	$1,290.83	$	456.75	54.76%
51	C2M3	Arizona Water Contract		384000	$856.48	$1,325.46	$	468.98	54.76%
52	C2M3	Arizona Water Contract		394000	$878.88	$1,360.08	$	481.20	54.75%
53	C2M3	Arizona Water Contract		404000	$901.28	$1,394.71	$	493.43	54.75%
54	C2M3	Arizona Water Contract		414000	$923.68	$1,429.34	$	505.66	54.74%
55	C2M3	Arizona Water Contract		424000	$946.08	$1,463.97	$	517.89	54.74%
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57	C2M3	Arizona Water Contract	Average:	285,857	$636.64	$985.60	$	348.96	54.81%
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1	C4M2	Agua Fria OPA - State Prison		25,000	$240.00	$361.81	$	121.81	50.76%
2	C4M2	Agua Fria OPA - State Prison		50,000	$288.25	$448.39	$	160.14	55.55%
3	C4M2	Agua Fria OPA - State Prison		75,000	$336.50	$534.96	$	198.46	58.98%
4	C4M2	Agua Fria OPA - State Prison		100,000	$384.75	$621.53	$	236.78	61.54%
5	C4M2	Agua Fria OPA - State Prison		125,000	$433.00	$708.10	$	275.10	63.53%
6	C4M2	Agua Fria OPA - State Prison		150,000	$481.25	$794.68	$	313.43	65.13%
7	C4M2	Agua Fria OPA - State Prison		175,000	$529.50	$881.25	$	351.75	66.43%
8	C4M2	Agua Fria OPA - State Prison		200,000	$577.75	$967.82	$	390.07	67.52%
9	C4M2	Agua Fria OPA - State Prison		225,000	$626.00	$1,054.39	$	428.39	68.43%
10	C4M2	Agua Fria OPA - State Prison		250,000	$674.25	$1,140.97	$	466.72	69.22%
11	C4M2	Agua Fria OPA - State Prison		275,000	$722.50	$1,227.54	$	505.04	69.90%
12	C4M2	Agua Fria OPA - State Prison		300,000	$770.75	$1,314.11	$	543.36	70.50%
13	C4M2	Agua Fria OPA - State Prison		325,000	$819.00	$1,400.68	$	581.68	71.02%
14	C4M2	Agua Fria OPA - State Prison		350,000	$867.25	$1,487.26	$	620.01	71.49%
15	C4M2	Agua Fria OPA - State Prison		375,000	$915.50	$1,573.83	$	658.33	71.91%
16	C4M2	Agua Fria OPA - State Prison		400,000	$963.75	$1,660.40	$	696.65	72.29%
17	C4M2	Agua Fria OPA - State Prison		425,000	$1,012.00	$1,746.97	$	734.97	72.63%
18	C4M2	Agua Fria OPA - State Prison		450,000	$1,060.25	$1,833.55	$	773.30	72.94%
19	C4M2	Agua Fria OPA - State Prison		475,000	$1,108.50	$1,920.12	$	811.62	73.22%
20	C4M2	Agua Fria OPA - State Prison		500,000	$1,156.75	$2,006.69	$	849.94	73.48%
21	C4M2	Agua Fria OPA - State Prison		525,000	$1,205.00	$2,093.26	$	888.26	73.71%
22	C4M2	Agua Fria OPA - State Prison		550,000	$1,253.25	$2,179.84	$	926.59	73.93%
23	C4M2	Agua Fria OPA - State Prison		575,000	$1,301.50	$2,266.41	$	964.91	74.14%
24	C4M2	Agua Fria OPA - State Prison		600,000	$1,349.75	$2,352.98	$	1,003.23	74.33%
25	C4M2	Agua Fria OPA - State Prison		625,000	$1,398.00	$2,439.55	$	1,041.55	74.50%
26	C4M2	Agua Fria OPA - State Prison		650,000	$1,446.25	$2,526.13	$	1,079.88	74.67%
27	C4M2	Agua Fria OPA - State Prison		675,000	$1,494.50	$2,612.70	$	1,118.20	74.82%
28	C4M2	Agua Fria OPA - State Prison		700,000	$1,542.75	$2,699.27	$	1,156.52	74.96%
29	C4M2	Agua Fria OPA - State Prison		725,000	$1,591.00	$2,785.84	$	1,194.84	75.10%
30	C4M2	Agua Fria OPA - State Prison		750,000	$1,639.25	$2,872.42	$	1,233.17	75.23%
31	C4M2	Agua Fria OPA - State Prison		775,000	$1,687.50	$2,958.99	$	1,271.49	75.35%
32	C4M2	Agua Fria OPA - State Prison		800,000	$1,735.75	$3,045.56	$	1,309.81	75.46%
33	C4M2	Agua Fria OPA - State Prison		825,000	$1,784.00	$3,132.13	$	1,348.13	75.57%
34	C4M2	Agua Fria OPA - State Prison		850,000	$1,832.25	$3,218.71	$	1,386.46	75.67%
35	C4M2	Agua Fria OPA - State Prison		875,000	$1,880.50	$3,305.28	$	1,424.78	75.77%
36	C4M2	Agua Fria OPA - State Prison		900,000	$1,928.75	$3,391.85	$	1,463.10	75.86%
37	C4M2	Agua Fria OPA - State Prison		925,000	$1,977.00	$3,478.42	$	1,501.42	75.94%
38	C4M2	Agua Fria OPA - State Prison		950,000	$2,025.25	$3,565.00	$	1,539.75	76.03%
39	C4M2	Agua Fria OPA - State Prison		975,000	$2,073.50	$3,651.57	$	1,578.07	76.11%
40	C4M2	Agua Fria OPA - State Prison		1,000,000	$2,121.75	$3,738.14	$	1,616.39	76.18%
41	C4M2	Agua Fria OPA - State Prison		1,025,000	$2,170.00	$3,824.71	$	1,654.71	76.25%
42	C4M2	Agua Fria OPA - State Prison		1,050,000	$2,218.25	$3,911.29	$	1,693.04	76.32%
43	C4M2	Agua Fria OPA - State Prison		1,075,000	$2,266.50	$3,997.86	$	1,731.36	76.39%
44	C4M2	Agua Fria OPA - State Prison		1,100,000	$2,314.75	$4,084.43	$	1,769.68	76.45%
45	C4M2	Agua Fria OPA - State Prison		1,125,000	$2,363.00	$4,171.00	$	1,808.00	76.51%
46	C4M2	Agua Fria OPA - State Prison		1,150,000	$2,411.25	$4,257.58	$	1,846.33	76.57%
47	C4M2	Agua Fria OPA - State Prison		1,175,000	$2,459.50	$4,344.15	$	1,884.65	76.63%
48	C4M2	Agua Fria OPA - State Prison		1,200,000	$2,507.75	$4,430.72	$	1,922.97	76.68%
49	C4M2	Agua Fria OPA - State Prison		1,225,000	$2,556.00	$4,517.29	$	1,961.29	76.73%
50	C4M2	Agua Fria OPA - State Prison		1,250,000	$2,604.25	$4,603.87	$	1,999.62	76.78%
51	C4M2	Agua Fria OPA - State Prison		1,275,000	$2,652.50	$4,690.44	$	2,037.94	76.83%
52	C4M2	Agua Fria OPA - State Prison		1,300,000	$2,700.75	$4,777.01	$	2,076.26	76.88%
53	C4M2	Agua Fria OPA - State Prison		1,325,000	$2,749.00	$4,863.58	$	2,114.58	76.92%
54	C4M2	Agua Fria OPA - State Prison		1,350,000	$2,797.25	$4,950.16	$	2,152.91	76.97%
55	C4M2	Agua Fria OPA - State Prison		1,375,000	$2,845.50	$5,036.73	$	2,191.23	77.01%
56									
57	C4M2	Agua Fria OPA - State Prison	Average:	869,508	$1,869.90	$3,286.26	$	1,416.36	75.75%
58									
59									
60									

1	C5M1	Agua Fria - OWU PI Surprise		75,000	$75.00	$75.00	$	-	0.00%
2	C5M1	Agua Fria - OWU PI Surprise		150,000	$150.00	$150.00	$	-	0.00%
3	C5M1	Agua Fria - OWU PI Surprise		225,000	$225.00	$225.00	$	-	0.00%
4	C5M1	Agua Fria - OWU PI Surprise		300,000	$300.00	$300.00	$	-	0.00%
5	C5M1	Agua Fria - OWU PI Surprise		375,000	$375.00	$375.00	$	-	0.00%
6	C5M1	Agua Fria - OWU PI Surprise		450,000	$450.00	$450.00	$	-	0.00%
7	C5M1	Agua Fria - OWU PI Surprise		525,000	$525.00	$525.00	$	-	0.00%
8	C5M1	Agua Fria - OWU PI Surprise		600,000	$600.00	$600.00	$	-	0.00%
9	C5M1	Agua Fria - OWU PI Surprise		675,000	$675.00	$675.00	$	-	0.00%
10	C5M1	Agua Fria - OWU PI Surprise		750,000	$750.00	$750.00	$	-	0.00%
11	C5M1	Agua Fria - OWU PI Surprise		825,000	$825.00	$825.00	$	-	0.00%
12	C5M1	Agua Fria - OWU PI Surprise		900,000	$900.00	$900.00	$	-	0.00%
13	C5M1	Agua Fria - OWU PI Surprise		975,000	$975.00	$975.00	$	-	0.00%
14	C5M1	Agua Fria - OWU PI Surprise		1,050,000	$1,050.00	$1,050.00	$	-	0.00%
15	C5M1	Agua Fria - OWU PI Surprise		1,125,000	$1,125.00	$1,125.00	$	-	0.00%
16	C5M1	Agua Fria - OWU PI Surprise		1,200,000	$1,200.00	$1,200.00	$	-	0.00%
17	C5M1	Agua Fria - OWU PI Surprise		1,275,000	$1,275.00	$1,275.00	$	-	0.00%
18	C5M1	Agua Fria - OWU PI Surprise		1,350,000	$1,350.00	$1,350.00	$	-	0.00%
19	C5M1	Agua Fria - OWU PI Surprise		1,425,000	$1,425.00	$1,425.00	$	-	0.00%
20	C5M1	Agua Fria - OWU PI Surprise		1,500,000	$1,500.00	$1,500.00	$	-	0.00%
21	C5M1	Agua Fria - OWU PI Surprise		1,575,000	$1,575.00	$1,575.00	$	-	0.00%
22	C5M1	Agua Fria - OWU PI Surprise		1,650,000	$1,650.00	$1,650.00	$	-	0.00%
23	C5M1	Agua Fria - OWU PI Surprise		1,725,000	$1,725.00	$1,725.00	$	-	0.00%
24	C5M1	Agua Fria - OWU PI Surprise		1,800,000	$1,800.00	$1,800.00	$	-	0.00%
25	C5M1	Agua Fria - OWU PI Surprise		1,875,000	$1,875.00	$1,875.00	$	-	0.00%
26	C5M1	Agua Fria - OWU PI Surprise		1,950,000	$1,950.00	$1,950.00	$	-	0.00%
27	C5M1	Agua Fria - OWU PI Surprise		2,025,000	$2,025.00	$2,025.00	$	-	0.00%
28	C5M1	Agua Fria - OWU PI Surprise		2,100,000	$2,100.00	$2,100.00	$	-	0.00%
29	C5M1	Agua Fria - OWU PI Surprise		2,175,000	$2,175.00	$2,175.00	$	-	0.00%
30	C5M1	Agua Fria - OWU PI Surprise		2,250,000	$2,250.00	$2,250.00	$	-	0.00%
31	C5M1	Agua Fria - OWU PI Surprise		2,325,000	$2,325.00	$2,325.00	$	-	0.00%
32	C5M1	Agua Fria - OWU PI Surprise		2,400,000	$2,400.00	$2,400.00	$	-	0.00%
33	C5M1	Agua Fria - OWU PI Surprise		2,475,000	$2,475.00	$2,475.00	$	-	0.00%
34	C5M1	Agua Fria - OWU PI Surprise		2,550,000	$2,550.00	$2,550.00	$	-	0.00%
35	C5M1	Agua Fria - OWU PI Surprise		2,625,000	$2,625.00	$2,625.00	$	-	0.00%
36	C5M1	Agua Fria - OWU PI Surprise		2,700,000	$2,700.00	$2,700.00	$	-	0.00%
37	C5M1	Agua Fria - OWU PI Surprise		2,775,000	$2,775.00	$2,775.00	$	-	0.00%
38	C5M1	Agua Fria - OWU PI Surprise		2,850,000	$2,850.00	$2,850.00	$	-	0.00%
39	C5M1	Agua Fria - OWU PI Surprise		2,925,000	$2,925.00	$2,925.00	$	-	0.00%
40	C5M1	Agua Fria - OWU PI Surprise		3,000,000	$3,000.00	$3,000.00	$	-	0.00%
41	C5M1	Agua Fria - OWU PI Surprise		3,075,000	$3,075.00	$3,075.00	$	-	0.00%
42	C5M1	Agua Fria - OWU PI Surprise		3,150,000	$3,150.00	$3,150.00	$	-	0.00%
43	C5M1	Agua Fria - OWU PI Surprise		3,225,000	$3,225.00	$3,225.00	$	-	0.00%
44	C5M1	Agua Fria - OWU PI Surprise		3,300,000	$3,300.00	$3,300.00	$	-	0.00%
45	C5M1	Agua Fria - OWU PI Surprise		3,375,000	$3,375.00	$3,375.00	$	-	0.00%
46	C5M1	Agua Fria - OWU PI Surprise		3,450,000	$3,450.00	$3,450.00	$	-	0.00%
47	C5M1	Agua Fria - OWU PI Surprise		3,525,000	$3,525.00	$3,525.00	$	-	0.00%
48	C5M1	Agua Fria - OWU PI Surprise		3,600,000	$3,600.00	$3,600.00	$	-	0.00%
49	C5M1	Agua Fria - OWU PI Surprise		3,675,000	$3,675.00	$3,675.00	$	-	0.00%
50	C5M1	Agua Fria - OWU PI Surprise		3,750,000	$3,750.00	$3,750.00	$	-	0.00%
51	C5M1	Agua Fria - OWU PI Surprise		3,825,000	$3,825.00	$3,825.00	$	-	0.00%
52	C5M1	Agua Fria - OWU PI Surprise		3,900,000	$3,900.00	$3,900.00	$	-	0.00%
53	C5M1	Agua Fria - OWU PI Surprise		3,975,000	$3,975.00	$3,975.00	$	-	0.00%
54	C5M1	Agua Fria - OWU PI Surprise		4,050,000	$4,050.00	$4,050.00	$	-	0.00%
55	C5M1	Agua Fria - OWU PI Surprise		4,125,000	$4,125.00	$4,125.00	$	-	0.00%
56									
57	C5M1	Agua Fria - OWU PI Surprise	Average:	2,805,455	$2,805.46	$2,805.46	$	-	0.00%
58									
59									
60									

1	C7M2	Agua Fria Irrigation - Raw		5,000	$2.50	$5.00	$	2.50	100.00%
2	C7M2	Agua Fria Irrigation - Raw		10,000	$5.00	$10.00	$	5.00	100.00%
3	C7M2	Agua Fria Irrigation - Raw		15,000	$7.50	$15.00	$	7.50	100.00%
4	C7M2	Agua Fria Irrigation - Raw		20,000	$10.00	$20.00	$	10.00	100.00%
5	C7M2	Agua Fria Irrigation - Raw		25,000	$12.50	$25.00	$	12.50	100.00%
6	C7M2	Agua Fria Irrigation - Raw		30,000	$15.00	$30.00	$	15.00	100.00%
7	C7M2	Agua Fria Irrigation - Raw		35,000	$17.50	$35.00	$	17.50	100.00%
8	C7M2	Agua Fria Irrigation - Raw		40,000	$20.00	$40.00	$	20.00	100.00%
9	C7M2	Agua Fria Irrigation - Raw		45,000	$22.50	$45.00	$	22.50	100.00%
10	C7M2	Agua Fria Irrigation - Raw		50,000	$25.00	$50.00	$	25.00	100.00%
11	C7M2	Agua Fria Irrigation - Raw		55,000	$27.50	$55.00	$	27.50	100.00%
12	C7M2	Agua Fria Irrigation - Raw		60,000	$30.00	$60.00	$	30.00	100.00%
13	C7M2	Agua Fria Irrigation - Raw		65,000	$32.50	$65.00	$	32.50	100.00%
14	C7M2	Agua Fria Irrigation - Raw		70,000	$35.00	$70.00	$	35.00	100.00%
15	C7M2	Agua Fria Irrigation - Raw		75,000	$37.50	$75.00	$	37.50	100.00%
16	C7M2	Agua Fria Irrigation - Raw		80,000	$40.00	$80.00	$	40.00	100.00%
17	C7M2	Agua Fria Irrigation - Raw		85,000	$42.50	$85.00	$	42.50	100.00%
18	C7M2	Agua Fria Irrigation - Raw		90,000	$45.00	$90.00	$	45.00	100.00%
19	C7M2	Agua Fria Irrigation - Raw		95,000	$47.50	$95.00	$	47.50	100.00%
20	C7M2	Agua Fria Irrigation - Raw		100,000	$50.00	$100.00	$	50.00	100.00%
21	C7M2	Agua Fria Irrigation - Raw		105,000	$52.50	$105.00	$	52.50	100.00%
22	C7M2	Agua Fria Irrigation - Raw		110,000	$55.00	$110.00	$	55.00	100.00%
23	C7M2	Agua Fria Irrigation - Raw		115,000	$57.50	$115.00	$	57.50	100.00%
24	C7M2	Agua Fria Irrigation - Raw		120,000	$60.00	$120.00	$	60.00	100.00%
25	C7M2	Agua Fria Irrigation - Raw		125,000	$62.50	$125.00	$	62.50	100.00%
26	C7M2	Agua Fria Irrigation - Raw		130,000	$65.00	$130.00	$	65.00	100.00%
27	C7M2	Agua Fria Irrigation - Raw		135,000	$67.50	$135.00	$	67.50	100.00%
28	C7M2	Agua Fria Irrigation - Raw		140,000	$70.00	$140.00	$	70.00	100.00%
29	C7M2	Agua Fria Irrigation - Raw		145,000	$72.50	$145.00	$	72.50	100.00%
30	C7M2	Agua Fria Irrigation - Raw		150,000	$75.00	$150.00	$	75.00	100.00%
31	C7M2	Agua Fria Irrigation - Raw		155,000	$77.50	$155.00	$	77.50	100.00%
32	C7M2	Agua Fria Irrigation - Raw		160,000	$80.00	$160.00	$	80.00	100.00%
33	C7M2	Agua Fria Irrigation - Raw		165,000	$82.50	$165.00	$	82.50	100.00%
34	C7M2	Agua Fria Irrigation - Raw		170,000	$85.00	$170.00	$	85.00	100.00%
35	C7M2	Agua Fria Irrigation - Raw		175,000	$87.50	$175.00	$	87.50	100.00%
36	C7M2	Agua Fria Irrigation - Raw		180,000	$90.00	$180.00	$	90.00	100.00%
37	C7M2	Agua Fria Irrigation - Raw		185,000	$92.50	$185.00	$	92.50	100.00%
38	C7M2	Agua Fria Irrigation - Raw		190,000	$95.00	$190.00	$	95.00	100.00%
39	C7M2	Agua Fria Irrigation - Raw		195,000	$97.50	$195.00	$	97.50	100.00%
40	C7M2	Agua Fria Irrigation - Raw		200,000	$100.00	$200.00	$	100.00	100.00%
41	C7M2	Agua Fria Irrigation - Raw		205,000	$102.50	$205.00	$	102.50	100.00%
42	C7M2	Agua Fria Irrigation - Raw		210,000	$105.00	$210.00	$	105.00	100.00%
43	C7M2	Agua Fria Irrigation - Raw		215,000	$107.50	$215.00	$	107.50	100.00%
44	C7M2	Agua Fria Irrigation - Raw		220,000	$110.00	$220.00	$	110.00	100.00%
45	C7M2	Agua Fria Irrigation - Raw		225,000	$112.50	$225.00	$	112.50	100.00%
46	C7M2	Agua Fria Irrigation - Raw		230,000	$115.00	$230.00	$	115.00	100.00%
47	C7M2	Agua Fria Irrigation - Raw		235,000	$117.50	$235.00	$	117.50	100.00%
48	C7M2	Agua Fria Irrigation - Raw		240,000	$120.00	$240.00	$	120.00	100.00%
49	C7M2	Agua Fria Irrigation - Raw		245,000	$122.50	$245.00	$	122.50	100.00%
50	C7M2	Agua Fria Irrigation - Raw		250,000	$125.00	$250.00	$	125.00	100.00%
51	C7M2	Agua Fria Irrigation - Raw		255,000	$127.50	$255.00	$	127.50	100.00%
52	C7M2	Agua Fria Irrigation - Raw		260,000	$130.00	$260.00	$	130.00	100.00%
53	C7M2	Agua Fria Irrigation - Raw		265,000	$132.50	$265.00	$	132.50	100.00%
54	C7M2	Agua Fria Irrigation - Raw		270,000	$135.00	$270.00	$	135.00	100.00%
55	C7M2	Agua Fria Irrigation - Raw		275,000	$137.50	$275.00	$	137.50	100.00%
56									
57	C7M2	Agua Fria Irrigation - Raw	Average:	97,043	$48.52	$97.04	$	48.52	100.00%
58									
59									
60									

1	C8M2	Agua Fria Non-Potable		1,000	$3.10	$6.20	$	3.10	100.00%
2	C8M2	Agua Fria Non-Potable		2,000	$6.20	$12.40	$	6.20	100.00%
3	C8M2	Agua Fria Non-Potable		3,000	$9.30	$18.60	$	9.30	100.00%
4	C8M2	Agua Fria Non-Potable		4,000	$12.40	$24.80	$	12.40	100.00%
5	C8M2	Agua Fria Non-Potable		5,000	$15.50	$31.00	$	15.50	100.00%
6	C8M2	Agua Fria Non-Potable		6,000	$18.60	$37.20	$	18.60	100.00%
7	C8M2	Agua Fria Non-Potable		7,000	$21.70	$43.40	$	21.70	100.00%
8	C8M2	Agua Fria Non-Potable		8,000	$24.80	$49.60	$	24.80	100.00%
9	C8M2	Agua Fria Non-Potable		9,000	$27.90	$55.80	$	27.90	100.00%
10	C8M2	Agua Fria Non-Potable		10,000	$31.00	$62.00	$	31.00	100.00%
11	C8M2	Agua Fria Non-Potable		11,000	$34.10	$68.20	$	34.10	100.00%
12	C8M2	Agua Fria Non-Potable		12,000	$37.20	$74.40	$	37.20	100.00%
13	C8M2	Agua Fria Non-Potable		13,000	$40.30	$80.60	$	40.30	100.00%
14	C8M2	Agua Fria Non-Potable		14,000	$43.40	$86.80	$	43.40	100.00%
15	C8M2	Agua Fria Non-Potable		15,000	$46.50	$93.00	$	46.50	100.00%
16	C8M2	Agua Fria Non-Potable		16,000	$49.60	$99.20	$	49.60	100.00%
17	C8M2	Agua Fria Non-Potable		17,000	$52.70	$105.40	$	52.70	100.00%
18	C8M2	Agua Fria Non-Potable		18,000	$55.80	$111.60	$	55.80	100.00%
19	C8M2	Agua Fria Non-Potable		19,000	$58.90	$117.80	$	58.90	100.00%
20	C8M2	Agua Fria Non-Potable		20,000	$62.00	$124.00	$	62.00	100.00%
21	C8M2	Agua Fria Non-Potable		21,000	$65.10	$130.20	$	65.10	100.00%
22	C8M2	Agua Fria Non-Potable		22,000	$68.20	$136.40	$	68.20	100.00%
23	C8M2	Agua Fria Non-Potable		23,000	$71.30	$142.60	$	71.30	100.00%
24	C8M2	Agua Fria Non-Potable		24,000	$74.40	$148.80	$	74.40	100.00%
25	C8M2	Agua Fria Non-Potable		25,000	$77.50	$155.00	$	77.50	100.00%
26	C8M2	Agua Fria Non-Potable		26,000	$80.60	$161.20	$	80.60	100.00%
27	C8M2	Agua Fria Non-Potable		27,000	$83.70	$167.40	$	83.70	100.00%
28	C8M2	Agua Fria Non-Potable		28,000	$86.80	$173.60	$	86.80	100.00%
29	C8M2	Agua Fria Non-Potable		29,000	$89.90	$179.80	$	89.90	100.00%
30	C8M2	Agua Fria Non-Potable		30,000	$93.00	$186.00	$	93.00	100.00%
31	C8M2	Agua Fria Non-Potable		31,000	$96.10	$192.20	$	96.10	100.00%
32	C8M2	Agua Fria Non-Potable		32,000	$99.20	$198.40	$	99.20	100.00%
33	C8M2	Agua Fria Non-Potable		33,000	$102.30	$204.60	$	102.30	100.00%
34	C8M2	Agua Fria Non-Potable		34,000	$105.40	$210.80	$	105.40	100.00%
35	C8M2	Agua Fria Non-Potable		35,000	$108.50	$217.00	$	108.50	100.00%
36	C8M2	Agua Fria Non-Potable		36,000	$111.60	$223.20	$	111.60	100.00%
37	C8M2	Agua Fria Non-Potable		37,000	$114.70	$229.40	$	114.70	100.00%
38	C8M2	Agua Fria Non-Potable		38,000	$117.80	$235.60	$	117.80	100.00%
39	C8M2	Agua Fria Non-Potable		39,000	$120.90	$241.80	$	120.90	100.00%
40	C8M2	Agua Fria Non-Potable		40,000	$124.00	$248.00	$	124.00	100.00%
41	C8M2	Agua Fria Non-Potable		41,000	$127.10	$254.20	$	127.10	100.00%
42	C8M2	Agua Fria Non-Potable		42,000	$130.20	$260.40	$	130.20	100.00%
43	C8M2	Agua Fria Non-Potable		43,000	$133.30	$266.60	$	133.30	100.00%
44	C8M2	Agua Fria Non-Potable		44,000	$136.40	$272.80	$	136.40	100.00%
45	C8M2	Agua Fria Non-Potable		45,000	$139.50	$279.00	$	139.50	100.00%
46	C8M2	Agua Fria Non-Potable		46,000	$142.60	$285.20	$	142.60	100.00%
47	C8M2	Agua Fria Non-Potable		47,000	$145.70	$291.40	$	145.70	100.00%
48	C8M2	Agua Fria Non-Potable		48,000	$148.80	$297.60	$	148.80	100.00%
49	C8M2	Agua Fria Non-Potable		49,000	$151.90	$303.80	$	151.90	100.00%
50	C8M2	Agua Fria Non-Potable		50,000	$155.00	$310.00	$	155.00	100.00%
51	C8M2	Agua Fria Non-Potable		51,000	$158.10	$316.20	$	158.10	100.00%
52	C8M2	Agua Fria Non-Potable		52,000	$161.20	$322.40	$	161.20	100.00%
53	C8M2	Agua Fria Non-Potable		53,000	$164.30	$328.60	$	164.30	100.00%
54	C8M2	Agua Fria Non-Potable		54,000	$167.40	$334.80	$	167.40	100.00%
55	C8M2	Agua Fria Non-Potable		55,000	$170.50	$341.00	$	170.50	100.00%
56									
57	C8M2	Agua Fria Non-Potable	Average:	12,735	$7.90	$15.79	$	7.90	100.00%
58									
59									
60									

Arizona American Water Company
Aqua Fria Water - C1M1A incl ACRM
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 C1M1A
Page 1
Witness: Gutowski

Rate Schedule:	C1M1A					
Description:	Aqua Fria Residential 5/8 & 3/4"					
Monthly Customer Charge:		$10.45				
Tier One	Break Over:	4,000	Gallons	Rate:	$	1.5398
Tier Two	Break Over:	9,000	Gallons	Rate:	$	2.2198
Tier Three	Break Over:	999,999,999	Gallons	Rate:	$	2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	15185	0	15,185	0	0
1	15178	15,178	30,363	15,178	313,822
2	21527	43,054	51,890	58,232	612,466
3	28828	86,484	80,718	144,716	889,583
4	33830	135,320	114,548	280,036	1,137,872
5	35002	175,010	149,550	455,046	1,352,331
6	31735	190,410	181,285	645,456	1,531,788
7	27045	189,315	208,330	834,771	1,679,510
8	21935	175,480	230,265	1,010,251	1,800,187
9	17466	157,194	247,731	1,167,445	1,898,929
10	14141	141,410	261,872	1,308,855	1,980,205
11	11668	128,348	273,540	1,437,203	2,047,340
12	9272	111,264	282,812	1,548,467	2,102,807
13	7417	96,421	290,229	1,644,888	2,149,002
14	6162	86,268	296,391	1,731,156	2,187,780
15	4900	73,500	301,291	1,804,656	2,220,396
16	4104	65,664	305,395	1,870,320	2,248,112
17	3379	57,443	308,774	1,927,763	2,271,724
18	2829	50,922	311,603	1,978,685	2,291,957
19	2338	44,422	313,941	2,023,107	2,309,361
20	1930	38,600	315,871	2,061,707	2,324,427
21	1672	35,112	317,543	2,096,819	2,337,563
22	1411	31,042	318,954	2,127,861	2,349,027
23	1189	27,347	320,143	2,155,208	2,359,080
24	983	23,592	321,126	2,178,800	2,367,944
25	816	20,400	321,942	2,199,200	2,375,825
26	722	18,772	322,664	2,217,972	2,382,890
27	605	16,335	323,269	2,234,307	2,389,233
28	521	14,588	323,790	2,248,895	2,394,971
29	491	14,239	324,281	2,263,134	2,400,188
30	404	12,120	324,685	2,275,254	2,404,914
31	347	10,757	325,032	2,286,011	2,409,236
32	296	9,472	325,328	2,295,483	2,413,211
33	276	9,108	325,604	2,304,591	2,416,890
34	247	8,398	325,851	2,312,989	2,420,293
35	233	8,155	326,084	2,321,144	2,423,449
36	186	6,696	326,270	2,327,840	2,426,372
37	165	6,105	326,435	2,333,945	2,429,109
38	178	6,764	326,613	2,340,709	2,431,681
39	144	5,616	326,757	2,346,325	2,434,075
40	147	5,880	326,904	2,352,205	2,436,325
41	116	4,756	327,020	2,356,961	2,438,428
42	108	4,536	327,128	2,361,497	2,440,415
43	113	4,859	327,241	2,366,356	2,442,294
44	76	3,344	327,317	2,369,700	2,444,060
45	83	3,735	327,400	2,373,435	2,445,750
46	64	2,944	327,464	2,376,379	2,447,357
47	66	3,102	327,530	2,379,481	2,448,900
48	75	3,600	327,605	2,383,081	2,450,377
49	63	3,087	327,668	2,386,168	2,451,779
50	49	2,450	327,717	2,388,618	2,453,118
51	58	2,958	327,775	2,391,576	2,454,408

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
52	43	2,236	327,818	2,393,812	2,455,640
53	44	2,332	327,862	2,396,144	2,456,829
54	44	2,376	327,906	2,398,520	2,457,974
55	35	1,925	327,941	2,400,445	2,459,075
56	31	1,736	327,972	2,402,181	2,460,141
57	38	2,166	328,010	2,404,347	2,461,176
58	30	1,740	328,040	2,406,087	2,462,173
59	28	1,652	328,068	2,407,739	2,463,140
60	35	2,100	328,103	2,409,839	2,464,079
61	28	1,708	328,131	2,411,547	2,464,983
62	27	1,674	328,158	2,413,221	2,465,859
63	24	1,512	328,182	2,414,733	2,466,708
64	23	1,472	328,205	2,416,205	2,467,533
65	20	1,300	328,225	2,417,505	2,468,335
66	29	1,914	328,254	2,419,419	2,469,117
67	16	1,072	328,270	2,420,491	2,469,870
68	22	1,496	328,292	2,421,987	2,470,607
69	15	1,035	328,307	2,423,022	2,471,322
70	19	1,330	328,326	2,424,352	2,472,022
71	16	1,136	328,342	2,425,488	2,472,703
72	15	1,080	328,357	2,426,568	2,473,368
73	16	1,168	328,373	2,427,736	2,474,018
74	12	888	328,385	2,428,624	2,474,652
75	15	1,125	328,400	2,429,749	2,475,274
76	20	1,520	328,420	2,431,269	2,475,881
77	12	924	328,432	2,432,193	2,476,468
78	11	858	328,443	2,433,051	2,477,043
79	18	1,422	328,461	2,434,473	2,477,607
80	7	560	328,468	2,435,033	2,478,153
81	12	972	328,480	2,436,005	2,478,692
82	12	984	328,492	2,436,989	2,479,219
83	6	498	328,498	2,437,487	2,479,734
84	9	756	328,507	2,438,243	2,480,243
85	14	1,190	328,521	2,439,433	2,480,743
86	5	430	328,526	2,439,863	2,481,229
87	5	435	328,531	2,440,298	2,481,710
88	5	440	328,536	2,440,738	2,482,186
89	11	979	328,547	2,441,717	2,482,657
90	9	810	328,556	2,442,527	2,483,117
91	9	819	328,565	2,443,346	2,483,568
92	3	276	328,568	2,443,622	2,484,010
93	9	837	328,577	2,444,459	2,484,449
94	5	470	328,582	2,444,929	2,484,879
95	5	475	328,587	2,445,404	2,485,304
96	7	672	328,594	2,446,076	2,485,724
97	4	388	328,598	2,446,464	2,486,137
98	9	882	328,607	2,447,346	2,486,546
99	5	495	328,612	2,447,841	2,486,946
100	7	700	328,619	2,448,541	2,487,341
101	5	505	328,624	2,449,046	2,487,729
102	18	1,836	328,642	2,450,882	2,488,112
103	5	515	328,647	2,451,397	2,488,477
104	10	1,040	328,657	2,452,437	2,488,837
105	2	210	328,659	2,452,647	2,489,187
106	5	530	328,664	2,453,177	2,489,535
107	3	321	328,667	2,453,498	2,489,878
108	4	432	328,671	2,453,930	2,490,218
109	6	654	328,677	2,454,584	2,490,554
110	2	220	328,679	2,454,804	2,490,884
111	9	999	328,688	2,455,803	2,491,212
112	5	560	328,693	2,456,363	2,491,531
113	5	565	328,698	2,456,928	2,491,845
114	8	912	328,706	2,457,840	2,492,154
115	2	230	328,708	2,458,070	2,492,455
116	11	1,276	328,719	2,459,346	2,492,754
117	2	234	328,721	2,459,580	2,493,042
118	4	472	328,725	2,460,052	2,493,328

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
119	5	595	328,730	2,460,647	2,493,610
120	2	240	328,732	2,460,887	2,493,887
121	3	363	328,735	2,461,250	2,494,162
122	5	610	328,740	2,461,860	2,494,434
123	4	492	328,744	2,462,352	2,494,701
124	4	496	328,748	2,462,848	2,494,964
125	6	750	328,754	2,463,598	2,495,223
126	4	504	328,758	2,464,102	2,495,476
127	3	381	328,761	2,464,483	2,495,725
128	4	512	328,765	2,464,995	2,495,971
129	1	129	328,766	2,465,124	2,496,213
130	3	390	328,769	2,465,514	2,496,454
131	4	524	328,773	2,466,038	2,496,692
132	2	264	328,775	2,466,302	2,496,926
133	2	266	328,777	2,466,568	2,497,158
134	3	402	328,780	2,466,970	2,497,388
135	4	540	328,784	2,467,510	2,497,615
136	3	408	328,787	2,467,918	2,497,838
137	1	137	328,788	2,468,055	2,498,058
138	5	690	328,793	2,468,745	2,498,277
139	4	556	328,797	2,469,301	2,498,491
140	7	980	328,804	2,470,281	2,498,701
141	3	423	328,807	2,470,704	2,498,904
143	3	429	328,810	2,471,133	2,499,304
144	1	144	328,811	2,471,277	2,499,501
145	4	580	328,815	2,471,857	2,499,697
146	2	292	328,817	2,472,149	2,499,889
147	2	294	328,819	2,472,443	2,500,079
148	1	148	328,820	2,472,591	2,500,267
149	1	149	328,821	2,472,740	2,500,454
150	2	300	328,823	2,473,040	2,500,640
151	1	151	328,824	2,473,191	2,500,824
152	1	152	328,825	2,473,343	2,501,007
153	1	153	328,826	2,473,496	2,501,189
154	1	154	328,827	2,473,650	2,501,370
155	1	155	328,828	2,473,805	2,501,550
156	2	312	328,830	2,474,117	2,501,729
157	5	785	328,835	2,474,902	2,501,906
160	2	320	328,837	2,475,222	2,502,422
161	1	161	328,838	2,475,383	2,502,592
163	1	163	328,839	2,475,546	2,502,930
164	1	164	328,840	2,475,710	2,503,098
165	1	165	328,841	2,475,875	2,503,265
166	3	498	328,844	2,476,373	2,503,431
167	1	167	328,845	2,476,540	2,503,594
168	3	504	328,848	2,477,044	2,503,756
170	2	340	328,850	2,477,384	2,504,074
172	2	344	328,852	2,477,728	2,504,388
173	1	173	328,853	2,477,901	2,504,543
174	2	348	328,855	2,478,249	2,504,697
175	2	350	328,857	2,478,599	2,504,849
176	1	176	328,858	2,478,775	2,504,999
178	1	178	328,859	2,478,953	2,505,297
179	2	358	328,861	2,479,311	2,505,445
180	3	540	328,864	2,479,851	2,505,591
181	2	362	328,866	2,480,213	2,505,734
182	1	182	328,867	2,480,395	2,505,875
183	1	183	328,868	2,480,578	2,506,015
185	1	185	328,869	2,480,763	2,506,293
186	2	372	328,871	2,481,135	2,506,431
187	2	374	328,873	2,481,509	2,506,567
188	1	188	328,874	2,481,697	2,506,701
189	3	567	328,877	2,482,264	2,506,834
191	1	191	328,878	2,482,455	2,507,094
192	1	192	328,879	2,482,647	2,507,223
193	1	193	328,880	2,482,840	2,507,351
194	1	194	328,881	2,483,034	2,507,478

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
195	2	390	328,883	2,483,424	2,507,604
196	1	196	328,884	2,483,620	2,507,728
197	3	591	328,887	2,484,211	2,507,851
198	1	198	328,888	2,484,409	2,507,971
199	1	199	328,889	2,484,608	2,508,090
200	2	400	328,891	2,485,008	2,508,208
203	1	203	328,892	2,485,211	2,508,556
204	1	204	328,893	2,485,415	2,508,671
205	1	205	328,894	2,485,620	2,508,785
206	1	206	328,895	2,485,826	2,508,898
211	1	211	328,896	2,486,037	2,509,458
212	2	424	328,898	2,486,461	2,509,569
217	1	217	328,899	2,486,678	2,510,114
220	2	440	328,901	2,487,118	2,510,438
221	2	442	328,903	2,487,560	2,510,544
225	1	225	328,904	2,487,785	2,510,960
228	1	228	328,905	2,488,013	2,511,269
229	2	458	328,907	2,488,471	2,511,371
231	1	231	328,908	2,488,702	2,511,571
233	1	233	328,909	2,488,935	2,511,769
234	1	234	328,910	2,489,169	2,511,867
236	2	472	328,912	2,489,641	2,512,061
240	1	240	328,913	2,489,881	2,512,441
241	2	482	328,915	2,490,363	2,512,535
242	1	242	328,916	2,490,605	2,512,627
243	3	729	328,919	2,491,334	2,512,718
244	1	244	328,920	2,491,578	2,512,806
249	2	498	328,922	2,492,076	2,513,241
251	2	502	328,924	2,492,578	2,513,411
253	1	253	328,925	2,492,831	2,513,577
254	1	254	328,926	2,493,085	2,513,659
256	1	256	328,927	2,493,341	2,513,821
258	1	258	328,928	2,493,599	2,513,981
265	1	265	328,929	2,493,864	2,514,534
267	2	534	328,931	2,494,398	2,514,690
269	2	538	328,933	2,494,936	2,514,842
273	1	273	328,934	2,495,209	2,515,138
275	1	275	328,935	2,495,484	2,515,284
276	2	552	328,937	2,496,036	2,515,356
277	1	277	328,938	2,496,313	2,515,426
278	2	556	328,940	2,496,869	2,515,495
279	2	558	328,942	2,497,427	2,515,562
282	1	282	328,943	2,497,709	2,515,757
284	1	284	328,944	2,497,993	2,515,885
286	1	286	328,945	2,498,279	2,516,011
288	1	288	328,946	2,498,567	2,516,135
289	1	289	328,947	2,498,856	2,516,196
291	1	291	328,948	2,499,147	2,516,316
293	1	293	328,949	2,499,440	2,516,434
294	2	588	328,951	2,500,028	2,516,492
296	2	592	328,953	2,500,620	2,516,604
297	1	297	328,954	2,500,917	2,516,658
301	1	301	328,955	2,501,218	2,516,870
303	1	303	328,956	2,501,521	2,516,974
304	1	304	328,957	2,501,825	2,517,025
305	1	305	328,958	2,502,130	2,517,075
306	1	306	328,959	2,502,436	2,517,124
307	2	614	328,961	2,503,050	2,517,172
308	1	308	328,962	2,503,358	2,517,218
309	1	309	328,963	2,503,667	2,517,263
311	1	311	328,964	2,503,978	2,517,351
317	1	317	328,965	2,504,295	2,517,609
319	2	638	328,967	2,504,933	2,517,693
321	1	321	328,968	2,505,254	2,517,773
322	1	322	328,969	2,505,576	2,517,812
333	1	333	328,970	2,505,909	2,518,230
334	1	334	328,971	2,506,243	2,518,267

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
335	1	335	328,972	2,506,578	2,518,303
336	2	672	328,974	2,507,250	2,518,338
341	1	341	328,975	2,507,591	2,518,503
349	2	698	328,977	2,508,289	2,518,759
354	1	354	328,978	2,508,643	2,518,909
355	1	355	328,979	2,508,998	2,518,938
365	1	365	328,980	2,509,363	2,519,218
366	1	366	328,981	2,509,729	2,519,245
371	1	371	328,982	2,510,100	2,519,375
378	2	756	328,984	2,510,856	2,519,550
385	1	385	328,985	2,511,241	2,519,711
396	1	396	328,986	2,511,637	2,519,953
404	1	404	328,987	2,512,041	2,520,121
411	1	411	328,988	2,512,452	2,520,261
433	1	433	328,989	2,512,885	2,520,679
436	1	436	328,990	2,513,321	2,520,733
456	2	912	328,992	2,514,233	2,521,073
494	1	494	328,993	2,514,727	2,521,643
496	1	496	328,994	2,515,223	2,521,671
529	1	529	328,995	2,515,752	2,522,100
568	1	568	328,996	2,516,320	2,522,568
605	1	605	328,997	2,516,925	2,522,975
632	1	632	328,998	2,517,557	2,523,245
652	1	652	328,999	2,518,209	2,523,425
657	1	657	329,000	2,518,866	2,523,465
759	1	759	329,001	2,519,625	2,524,179
798	1	798	329,002	2,520,423	2,524,413
847	1	847	329,003	2,521,270	2,524,658
892	1	892	329,004	2,522,162	2,524,838
989	1	989	329,005	2,523,151	2,525,129
1602	1	1,602	329,006	2,524,753	2,526,355
1763	1	1,763	329,007	2,526,516	2,526,516

Add Customer Annualization from Schedule C-2, Adjustment LJG-5 as Full Bills below:

	198	792	673	1,465

	Meter Count	Tier 1 Usage	Tier 2 Usage	Tier 3 Usage	
Full Bill	329,205	1,138,664	1,011,803	377,514	2,527,981
Prorated Bills	11,096.20	33,232	17,430	(60,273)	(9,611)
	340,301.20	1,171,896	1,029,233	317,241	2,518,371

					Total
Revenue Full	$3,556,147.54	$1,804,485.85	$2,284,691.41	$ 839,674.22	$8,484,999.02
Misc Adjustments					$ (19,674.37)
					$8,465,324.65
PMTUSGRVNR Report + Customer Annualization					$8,464,620.65
Difference					$ (704.00) -0.0083%

		C1M1	37.06
		C1M1A	7,592,628.36
		C1M1A	(162.16)
Average Customers	28,342	ACRM	867,371.46
Average Consumption	7,400	Cust Annual	$4,782.99
			8,464,657.71
		True Variance	37.06 Probably should exclude C1M1
		H-Schedule Variance	$666.94

Arizona American Water Company
Aqua Fria Water - C1M1B incl ACRM
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 C1M1B
Page 6
Witness: Gutowski

Rate Schedule:	C1M1B					
Description:	Aqua Fria Residential 1"					
Monthly Customer Charge:			$26.74			
Tier One		Break Over:	45,000	Gallons	Rate:	$ 2.2198
Tier Two		Break Over:	999,999,999	Gallons	Rate:	$ 2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	4462	0	4,462	0	0
1	2706	2,706	7,168	2,706	49,260
2	2548	5,096	9,716	7,802	95,814
3	2991	8,973	12,707	16,775	139,820
4	3664	14,656	16,371	31,431	180,835
5	3917	19,585	20,288	51,016	218,186
6	3762	22,572	24,050	73,588	251,620
7	3581	25,067	27,631	98,655	281,292
8	3143	25,144	30,774	123,799	307,383
9	2674	24,066	33,448	147,865	330,331
10	2216	22,160	35,664	170,025	350,605
11	1915	21,065	37,579	191,090	368,663
12	1648	19,776	39,227	210,866	384,806
13	1400	18,200	40,627	229,066	399,301
14	1217	17,038	41,844	246,104	412,396
15	1064	15,960	42,908	262,064	424,274
16	959	15,344	43,867	277,408	435,088
17	824	14,008	44,691	291,416	444,943
18	677	12,186	45,368	303,602	453,974
19	601	11,419	45,969	315,021	462,328
20	566	11,320	46,535	326,341	470,081
21	486	10,206	47,021	336,547	477,268
22	422	9,284	47,443	345,831	483,969
23	442	10,166	47,885	355,997	490,248
24	401	9,624	48,286	365,621	496,085
25	317	7,925	48,603	373,546	501,521
26	305	7,930	48,908	381,476	506,640
27	292	7,884	49,200	389,360	511,454
28	262	7,336	49,462	396,696	515,976
29	226	6,554	49,688	403,250	520,236
30	237	7,110	49,925	410,360	524,270
31	221	6,851	50,146	417,211	528,067
32	187	5,984	50,333	423,195	531,643
33	159	5,247	50,492	428,442	535,032
34	159	5,406	50,651	433,848	538,262
35	173	6,055	50,824	439,903	541,333
36	156	5,616	50,980	445,519	544,231
37	144	5,328	51,124	450,847	546,973
38	122	4,636	51,246	455,483	549,571
39	109	4,251	51,355	459,734	552,047
40	123	4,920	51,478	464,654	554,414
41	102	4,182	51,580	468,836	556,658
42	91	3,822	51,671	472,658	558,800
43	101	4,343	51,772	477,001	560,851
44	71	3,124	51,843	480,125	562,801
45	92	4,140	51,935	484,265	564,680
46	89	4,094	52,024	488,359	566,467
47	74	3,478	52,098	491,837	568,165
48	70	3,360	52,168	495,197	569,789
49	61	2,989	52,229	498,186	571,343
50	56	2,800	52,285	500,986	572,836

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
51	65	3,315	52,350	504,301	574,273
52	55	2,860	52,405	507,161	575,645
53	46	2,438	52,451	509,599	576,962
54	42	2,268	52,493	511,867	578,233
55	44	2,420	52,537	514,287	579,462
56	36	2,016	52,573	516,303	580,647
57	47	2,679	52,620	518,982	581,796
58	43	2,494	52,663	521,476	582,898
59	29	1,711	52,692	523,187	583,957
60	43	2,580	52,735	525,767	584,987
61	33	2,013	52,768	527,780	585,974
62	26	1,612	52,794	529,392	586,928
63	29	1,827	52,823	531,219	587,856
64	29	1,856	52,852	533,075	588,755
65	32	2,080	52,884	535,155	589,625
66	27	1,782	52,911	536,937	590,463
67	19	1,273	52,930	538,210	591,274
68	33	2,244	52,963	540,454	592,066
69	19	1,311	52,982	541,765	592,825
70	27	1,890	53,009	543,655	593,565
71	21	1,491	53,030	545,146	594,278
72	18	1,296	53,048	546,442	594,970
73	16	1,168	53,064	547,610	595,644
74	17	1,258	53,081	548,868	596,302
75	15	1,125	53,096	549,993	596,943
76	13	988	53,109	550,981	597,569
77	13	1,001	53,122	551,982	598,182
78	16	1,248	53,138	553,230	598,782
79	17	1,343	53,155	554,573	599,366
80	14	1,120	53,169	555,693	599,933
81	14	1,134	53,183	556,827	600,486
82	5	410	53,188	557,237	601,025
83	12	996	53,200	558,233	601,559
84	11	924	53,211	559,157	602,081
85	8	680	53,219	559,837	602,592
86	12	1,032	53,231	560,869	603,095
87	14	1,218	53,245	562,087	603,586
88	4	352	53,249	562,439	604,063
89	8	712	53,257	563,151	604,536
90	10	900	53,267	564,051	605,001
91	12	1,092	53,279	565,143	605,456
92	8	736	53,287	565,879	605,899
93	8	744	53,295	566,623	606,334
94	5	470	53,300	567,093	606,761
95	11	1,045	53,311	568,138	607,183
96	6	576	53,317	568,714	607,594
97	3	291	53,320	569,005	607,999
98	4	392	53,324	569,397	608,401
99	2	198	53,326	569,595	608,799
100	8	800	53,334	570,395	609,195
101	8	808	53,342	571,203	609,583
102	6	612	53,348	571,815	609,963
103	9	927	53,357	572,742	610,337
104	8	832	53,365	573,574	610,702
105	4	420	53,369	573,994	611,059
106	2	212	53,371	574,206	611,412
107	5	535	53,376	574,741	611,763
108	6	648	53,382	575,389	612,109
109	7	763	53,389	576,152	612,449
110	8	880	53,397	577,032	612,782
111	6	666	53,403	577,698	613,107
112	2	224	53,405	577,922	613,426
113	8	904	53,413	578,826	613,743
114	5	570	53,418	579,396	614,052
115	5	575	53,423	579,971	614,356
116	3	348	53,426	580,319	614,655

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
117	5	585	53,431	580,904	614,951
118	6	708	53,437	581,612	615,242
119	3	357	53,440	581,969	615,527
120	4	480	53,444	582,449	615,809
121	6	726	53,450	583,175	616,087
122	3	366	53,453	583,541	616,359
123	6	738	53,459	584,279	616,628
124	2	248	53,461	584,527	616,891
125	5	625	53,466	585,152	617,152
126	2	252	53,468	585,404	617,408
127	1	127	53,469	585,531	617,662
128	3	384	53,472	585,915	617,915
129	2	258	53,474	586,173	618,165
130	2	260	53,476	586,433	618,413
131	3	393	53,479	586,826	618,659
132	2	264	53,481	587,090	618,902
133	3	399	53,484	587,489	619,143
134	5	670	53,489	588,159	619,381
135	4	540	53,493	588,699	619,614
136	2	272	53,495	588,971	619,843
137	3	411	53,498	589,382	620,070
138	2	276	53,500	589,658	620,294
139	6	834	53,506	590,492	620,516
140	3	420	53,509	590,912	620,732
141	1	141	53,510	591,053	620,945
142	4	568	53,514	591,621	621,157
143	1	143	53,515	591,764	621,365
144	3	432	53,518	592,196	621,572
145	1	145	53,519	592,341	621,776
146	1	146	53,520	592,487	621,979
147	4	588	53,524	593,075	622,181
148	2	296	53,526	593,371	622,379
149	1	149	53,527	593,520	622,575
150	3	450	53,530	593,970	622,770
151	1	151	53,531	594,121	622,962
152	1	152	53,532	594,273	623,153
153	1	153	53,533	594,426	623,343
154	1	154	53,534	594,580	623,532
155	1	155	53,535	594,735	623,720
156	2	312	53,537	595,047	623,907
157	2	314	53,539	595,361	624,092
158	1	158	53,540	595,519	624,275
159	2	318	53,542	595,837	624,457
160	4	640	53,546	596,477	624,637
161	2	322	53,548	596,799	624,813
162	4	648	53,552	597,447	624,987
163	1	163	53,553	597,610	625,157
164	4	656	53,557	598,266	625,326
165	3	495	53,560	598,761	625,491
166	3	498	53,563	599,259	625,653
167	1	167	53,564	599,426	625,812
168	2	336	53,566	599,762	625,970
169	4	676	53,570	600,438	626,126
170	1	170	53,571	600,608	626,278
171	2	342	53,573	600,950	626,429
173	1	173	53,574	601,123	626,727
174	2	348	53,576	601,471	626,875
175	2	350	53,578	601,821	627,021
177	2	354	53,580	602,175	627,309
179	2	358	53,582	602,533	627,593
180	1	180	53,583	602,713	627,733
181	1	181	53,584	602,894	627,872
182	1	182	53,585	603,076	628,010
184	2	368	53,587	603,444	628,284
185	1	185	53,588	603,629	628,419
186	2	372	53,590	604,001	628,553

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
187	1	187	53,591	604,188	628,685
190	3	570	53,594	604,758	629,078
191	4	764	53,598	605,522	629,206
195	1	195	53,599	605,717	629,702
196	3	588	53,602	606,305	629,825
197	1	197	53,603	606,502	629,945
198	1	198	53,604	606,700	630,064
201	1	201	53,605	606,901	630,418
202	3	606	53,608	607,507	630,535
206	2	412	53,610	607,919	630,991
208	2	416	53,612	608,335	631,215
209	2	418	53,614	608,753	631,325
211	2	422	53,616	609,175	631,541
213	2	426	53,618	609,601	631,753
216	1	216	53,619	609,817	632,065
217	1	217	53,620	610,034	632,168
219	1	219	53,621	610,253	632,372
220	1	220	53,622	610,473	632,473
223	1	223	53,623	610,696	632,773
228	2	456	53,625	611,152	633,268
232	2	464	53,627	611,616	633,656
234	1	234	53,628	611,850	633,846
236	1	236	53,629	612,086	634,034
237	2	474	53,631	612,560	634,127
238	2	476	53,633	613,036	634,218
239	1	239	53,634	613,275	634,307
240	1	240	53,635	613,515	634,395
242	2	484	53,637	613,999	634,569
243	1	243	53,638	614,242	634,654
244	1	244	53,639	614,486	634,738
248	4	992	53,643	615,478	635,070
249	1	249	53,644	615,727	635,149
250	1	250	53,645	615,977	635,227
252	1	252	53,646	616,229	635,381
253	1	253	53,647	616,482	635,457
254	1	254	53,648	616,736	635,532
255	1	255	53,649	616,991	635,606
256	3	768	53,652	617,759	635,679
261	1	261	53,653	618,020	636,029
262	1	262	53,654	618,282	636,098
264	1	264	53,655	618,546	636,234
268	2	536	53,657	619,082	636,502
269	1	269	53,658	619,351	636,567
273	1	273	53,659	619,624	636,823
274	2	548	53,661	620,172	636,886
275	1	275	53,662	620,447	636,947
277	1	277	53,663	620,724	637,067
278	1	278	53,664	621,002	637,126
282	1	282	53,665	621,284	637,358
284	1	284	53,666	621,568	637,472
285	1	285	53,667	621,853	637,528
286	1	286	53,668	622,139	637,583
287	1	287	53,669	622,426	637,637
289	1	289	53,670	622,715	637,743
293	1	293	53,671	623,008	637,951
296	2	592	53,673	623,600	638,104
298	1	298	53,674	623,898	638,202
300	1	300	53,675	624,198	638,298
306	1	306	53,676	624,504	638,580
309	1	309	53,677	624,813	638,718
319	1	319	53,678	625,132	639,168
320	1	320	53,679	625,452	639,212
322	1	322	53,680	625,774	639,298
324	1	324	53,681	626,098	639,382
331	1	331	53,682	626,429	639,669
334	3	1,002	53,685	627,431	639,789

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
335	1	335	53,686	627,766	639,826
336	1	336	53,687	628,102	639,862
343	1	343	53,688	628,445	640,107
345	1	345	53,689	628,790	640,175
346	1	346	53,690	629,136	640,208
349	1	349	53,691	629,485	640,304
353	1	353	53,692	629,838	640,428
355	2	710	53,694	630,548	640,488
356	1	356	53,695	630,904	640,516
359	1	359	53,696	631,263	640,597
363	1	363	53,697	631,626	640,701
364	1	364	53,698	631,990	640,726
379	1	379	53,699	632,369	641,086
386	1	386	53,700	632,755	641,247
387	1	387	53,701	633,142	641,269
390	1	390	53,702	633,532	641,332
392	2	784	53,704	634,316	641,372
404	1	404	53,705	634,720	641,588
412	1	412	53,706	635,132	641,724
425	1	425	53,707	635,557	641,932
429	1	429	53,708	635,986	641,992
437	2	874	53,710	636,860	642,104
459	1	459	53,711	637,319	642,368
460	1	460	53,712	637,779	642,379
466	1	466	53,713	638,245	642,439
483	1	483	53,714	638,728	642,592
495	1	495	53,715	639,223	642,688
496	1	496	53,716	639,719	642,695
550	1	550	53,717	640,269	643,019
569	1	569	53,718	640,838	643,114
1081	1	1,081	53,719	641,919	645,162
1707	1	1,707	53,720	643,626	647,040
1876	1	1,876	53,721	645,502	647,378
2487	1	2,487	53,722	647,989	647,989

Year 2007					
		Total	Cumulative		Consolidated
Usage	# of Bills	Usage	# Bills	Usage	Factor
Add Customer Annualization from Schedule C-2, Adjustment LJG-5 as Full Bills below:					
		697	8,192		8,191.84
		Meter Count	Tier 1 Usage	Tier 2 Usage	
Full Bill		54,419	572,872	83,309	656,181
Prorated Bills		2,813.77	23,848	(7,384)	16,464
		57,232.77	596,720	75,925	672,645
					Total
Revenue Full		$1,530,404.27	$ 1,324,598.90	$ 200,958.53	$3,055,961.70
Misc Adjustments					$ (16,726.57)
					$3,039,235.13
PMTUSGRVNR Report + Customer Annualization					$3,038,240.95
Difference					$ (994.18) -0.0327%
				C1M1B	3,001,418.92
				Cust Annual	$36,822.03
Average Customers		4,711			3,038,240.95
Average Consumption		11,753			
				True Variance	-
				H-Schedule Variance	$994.18

Arizona American Water Company
Aqua Fria Water - C1M1C incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C1M1C				
Description:	Aqua Fria Residential 1-1/2"				
Monthly Customer Charge:		$55.90			
Tier One	Break Over:	100,000	Gallons	Rate:	$ 2.2198
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	193	0	193	0	0
1	49	49	242	49	1,523
2	35	70	277	119	2,997
3	30	90	307	209	4,436
4	48	192	355	401	5,845
5	46	230	401	631	7,206
6	40	240	441	871	8,521
7	26	182	467	1,053	9,796
8	31	248	498	1,301	11,045
9	17	153	515	1,454	12,263
10	17	170	532	1,624	13,464
11	15	165	547	1,789	14,648
12	11	132	558	1,921	15,817
13	13	169	571	2,090	16,975
14	11	154	582	2,244	18,120
15	12	180	594	2,424	19,254
16	7	112	601	2,536	20,376
17	13	221	614	2,757	21,491
18	9	162	623	2,919	22,593
19	9	171	632	3,090	23,686
20	9	180	641	3,270	24,770
21	7	147	648	3,417	25,845
22	4	88	652	3,505	26,913
23	7	161	659	3,666	27,977
24	8	192	667	3,858	29,034
25	8	200	675	4,058	30,083
26	6	156	681	4,214	31,124
27	7	189	688	4,403	32,159
28	6	168	694	4,571	33,187
29	5	145	699	4,716	34,209
30	6	180	705	4,896	35,226
31	7	217	712	5,113	36,237
32	12	384	724	5,497	37,241
33	5	165	729	5,662	38,233
34	11	374	740	6,036	39,220
35	5	175	745	6,211	40,196
36	11	396	756	6,607	41,167
37	6	222	762	6,829	42,127
38	6	228	768	7,057	43,081
39	5	195	773	7,252	44,029
40	7	280	780	7,532	44,972
41	4	164	784	7,696	45,908
42	4	168	788	7,864	46,840
43	9	387	797	8,251	47,768
44	5	220	802	8,471	48,687
45	3	135	805	8,606	49,601
46	6	276	811	8,882	50,512
47	8	376	819	9,258	51,417
48	7	336	826	9,594	52,314
49	10	490	836	10,084	53,204
50	3	150	839	10,234	54,084

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
51	5	255	844	10,489	54,961
52	3	156	847	10,645	55,833
53	4	212	851	10,857	56,702
54	5	270	856	11,127	57,567
55	6	330	862	11,457	58,427
56	1	56	863	11,513	59,281
57	6	342	869	11,855	60,134
58	3	174	872	12,029	60,981
59	2	118	874	12,147	61,825
60	6	360	880	12,507	62,667
61	2	122	882	12,629	63,503
62	2	124	884	12,753	64,337
63	4	252	888	13,005	65,169
64	5	320	893	13,325	65,997
65	1	65	894	13,390	66,820
66	4	264	898	13,654	67,642
67	3	201	901	13,855	68,460
68	6	408	907	14,263	69,275
69	6	414	913	14,677	70,084
70	2	140	915	14,817	70,887
71	7	497	922	15,314	71,688
72	5	360	927	15,674	72,482
73	7	511	934	16,185	73,271
74	5	370	939	16,555	74,053
75	2	150	941	16,705	74,830
76	2	152	943	16,857	75,605
77	5	385	948	17,242	76,378
78	2	156	950	17,398	77,146
79	5	395	955	17,793	77,912
80	7	560	962	18,353	78,673
83	3	249	965	18,602	80,935
84	6	504	971	19,106	81,686
85	2	170	973	19,276	82,431
86	2	172	975	19,448	83,174
87	4	348	979	19,796	83,915
88	4	352	983	20,148	84,652
89	7	623	990	20,771	85,385
90	7	630	997	21,401	86,111
91	3	273	1,000	21,674	86,830
92	2	184	1,002	21,858	87,546
93	4	372	1,006	22,230	88,260
94	1	94	1,007	22,324	88,970
95	5	475	1,012	22,799	89,679
96	5	480	1,017	23,279	90,383
97	4	388	1,021	23,667	91,082
98	5	490	1,026	24,157	91,777
99	1	99	1,027	24,256	92,467
100	5	500	1,032	24,756	93,156
101	6	606	1,038	25,362	93,840
102	1	102	1,039	25,464	94,518
103	4	412	1,043	25,876	95,195
104	3	312	1,046	26,188	95,868
105	6	630	1,052	26,818	96,538
106	4	424	1,056	27,242	97,202
107	2	214	1,058	27,456	97,862
108	1	108	1,059	27,564	98,520
109	2	218	1,061	27,782	99,177
110	5	550	1,066	28,332	99,832
112	2	224	1,068	28,556	101,132
113	2	226	1,070	28,782	101,780
114	5	570	1,075	29,352	102,426
115	5	575	1,080	29,927	103,067
117	3	351	1,083	30,278	104,339
118	8	944	1,091	31,222	104,972
119	3	357	1,094	31,579	105,597
120	3	360	1,097	31,939	106,219

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
121	2	242	1,099	32,181	106,838
122	1	122	1,100	32,303	107,455
123	5	615	1,105	32,918	108,071
124	7	868	1,112	33,786	108,682
125	1	125	1,113	33,911	109,286
126	2	252	1,115	34,163	109,889
127	3	381	1,118	34,544	110,490
128	2	256	1,120	34,800	111,088
129	3	387	1,123	35,187	111,684
130	4	520	1,127	35,707	112,277
131	6	786	1,133	36,493	112,866
132	3	396	1,136	36,889	113,449
133	4	532	1,140	37,421	114,029
134	3	402	1,143	37,823	114,605
135	1	135	1,144	37,958	115,178
136	3	408	1,147	38,366	115,750
137	3	411	1,150	38,777	116,319
138	2	276	1,152	39,053	116,885
139	3	417	1,155	39,470	117,449
141	2	282	1,157	39,752	118,571
142	3	426	1,160	40,178	119,130
143	1	143	1,161	40,321	119,686
144	2	288	1,163	40,609	120,241
145	5	725	1,168	41,334	120,794
146	3	438	1,171	41,772	121,342
147	3	441	1,174	42,213	121,887
148	4	592	1,178	42,805	122,429
149	1	149	1,179	42,954	122,967
150	4	600	1,183	43,554	123,504
151	4	604	1,187	44,158	124,037
152	1	152	1,188	44,310	124,566
153	4	612	1,192	44,922	125,094
154	4	616	1,196	45,538	125,618
155	1	155	1,197	45,693	126,138
156	4	624	1,201	46,317	126,657
157	2	314	1,203	46,631	127,172
158	4	632	1,207	47,263	127,685
159	6	954	1,213	48,217	128,194
160	2	320	1,215	48,537	128,697
161	4	644	1,219	49,181	129,198
162	5	810	1,224	49,991	129,695
163	1	163	1,225	50,154	130,187
164	3	492	1,228	50,646	130,678
165	3	495	1,231	51,141	131,166
166	1	166	1,232	51,307	131,651
167	2	334	1,234	51,641	132,135
168	6	1,008	1,240	52,649	132,617
169	3	507	1,243	53,156	133,093
170	2	340	1,245	53,496	133,566
171	2	342	1,247	53,838	134,037
173	4	692	1,251	54,530	134,975
174	2	348	1,253	54,878	135,440
175	3	525	1,256	55,403	135,903
176	6	1,056	1,262	56,459	136,363
177	2	354	1,264	56,813	136,817
178	5	890	1,269	57,703	137,269
179	4	716	1,273	58,419	137,716
180	4	720	1,277	59,139	138,159
181	6	1,086	1,283	60,225	138,598
182	2	364	1,285	60,589	139,031
183	2	366	1,287	60,955	139,462
184	5	920	1,292	61,875	139,891
185	2	370	1,294	62,245	140,315
186	3	558	1,297	62,803	140,737
187	1	187	1,298	62,990	141,156
188	4	752	1,302	63,742	141,574

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
189	3	567	1,305	64,309	141,988
190	5	950	1,310	65,259	142,399
191	2	382	1,312	65,641	142,805
192	2	384	1,314	66,025	143,209
193	2	386	1,316	66,411	143,611
194	3	582	1,319	66,993	144,011
195	2	390	1,321	67,383	144,408
196	1	196	1,322	67,579	144,803
197	1	197	1,323	67,776	145,197
198	4	792	1,327	68,568	145,590
200	2	400	1,329	68,968	146,368
201	2	402	1,331	69,370	146,755
203	2	406	1,333	69,776	147,525
204	2	408	1,335	70,184	147,908
205	1	205	1,336	70,389	148,289
206	4	824	1,340	71,213	148,669
207	6	1,242	1,346	72,455	149,045
208	1	208	1,347	72,663	149,415
209	1	209	1,348	72,872	149,784
210	1	210	1,349	73,082	150,152
212	1	212	1,350	73,294	150,886
214	3	642	1,353	73,936	151,618
215	3	645	1,356	74,581	151,981
216	2	432	1,358	75,013	152,341
217	1	217	1,359	75,230	152,699
218	3	654	1,362	75,884	153,056
219	1	219	1,363	76,103	153,410
220	2	440	1,365	76,543	153,763
221	3	663	1,368	77,206	154,114
222	3	666	1,371	77,872	154,462
223	2	446	1,373	78,318	154,807
224	3	672	1,376	78,990	155,150
225	2	450	1,378	79,440	155,490
227	1	227	1,379	79,667	156,166
228	2	456	1,381	80,123	156,503
229	5	1,145	1,386	81,268	156,838
230	1	230	1,387	81,498	157,168
231	3	693	1,390	82,191	157,497
232	3	696	1,393	82,887	157,823
233	1	233	1,394	83,120	158,146
234	3	702	1,397	83,822	158,468
235	1	235	1,398	84,057	158,787
237	1	237	1,399	84,294	159,423
238	4	952	1,403	85,246	159,740
239	1	239	1,404	85,485	160,053
240	1	240	1,405	85,725	160,365
241	1	241	1,406	85,966	160,676
242	1	242	1,407	86,208	160,986
243	1	243	1,408	86,451	161,295
244	1	244	1,409	86,695	161,603
245	2	490	1,411	87,185	161,910
246	1	246	1,412	87,431	162,215
249	2	498	1,414	87,929	163,127
250	1	250	1,415	88,179	163,429
251	1	251	1,416	88,430	163,730
252	3	756	1,419	89,186	164,030
253	1	253	1,420	89,439	164,327
254	2	508	1,422	89,947	164,623
255	2	510	1,424	90,457	164,917
257	2	514	1,426	90,971	165,501
258	2	516	1,428	91,487	165,791
259	2	518	1,430	92,005	166,079
260	1	260	1,431	92,265	166,365
261	3	783	1,434	93,048	166,650
263	2	526	1,436	93,574	167,214
264	2	528	1,438	94,102	167,494

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
265	1	265	1,439	94,367	167,772
266	1	266	1,440	94,633	168,049
267	1	267	1,441	94,900	168,325
268	1	268	1,442	95,168	168,600
269	1	269	1,443	95,437	168,874
270	1	270	1,444	95,707	169,147
271	3	813	1,447	96,520	169,419
272	1	272	1,448	96,792	169,688
273	2	546	1,450	97,338	169,956
275	1	275	1,451	97,613	170,488
276	2	552	1,453	98,165	170,753
280	2	560	1,455	98,725	171,805
281	2	562	1,457	99,287	172,066
282	5	1,410	1,462	100,697	172,325
284	2	568	1,464	101,265	172,833
285	2	570	1,466	101,835	173,085
286	2	572	1,468	102,407	173,335
287	1	287	1,469	102,694	173,583
288	1	288	1,470	102,982	173,830
289	1	289	1,471	103,271	174,076
290	3	870	1,474	104,141	174,321
292	1	292	1,475	104,433	174,805
293	1	293	1,476	104,726	175,046
294	2	588	1,478	105,314	175,286
296	1	296	1,479	105,610	175,762
298	2	596	1,481	106,206	176,236
299	1	299	1,482	106,505	176,471
300	1	300	1,483	106,805	176,705
301	1	301	1,484	107,106	176,938
302	3	906	1,487	108,012	177,170
303	2	606	1,489	108,618	177,399
304	2	608	1,491	109,226	177,626
305	2	610	1,493	109,836	177,851
308	1	308	1,494	110,144	178,520
309	1	309	1,495	110,453	178,742
310	2	620	1,497	111,073	178,963
312	1	312	1,498	111,385	179,401
313	1	313	1,499	111,698	179,619
314	1	314	1,500	112,012	179,836
318	1	318	1,501	112,330	180,700
320	1	320	1,502	112,650	181,130
321	2	642	1,504	113,292	181,344
322	2	644	1,506	113,936	181,556
324	1	324	1,507	114,260	181,976
325	1	325	1,508	114,585	182,185
326	1	326	1,509	114,911	182,393
327	2	654	1,511	115,565	182,600
328	2	656	1,513	116,221	182,805
329	1	329	1,514	116,550	183,008
330	1	330	1,515	116,880	183,210
333	1	333	1,516	117,213	183,813
337	2	674	1,518	117,887	184,613
338	2	676	1,520	118,563	184,811
339	2	678	1,522	119,241	185,007
340	1	340	1,523	119,581	185,201
341	1	341	1,524	119,922	185,394
342	3	1,026	1,527	120,948	185,586
344	2	688	1,529	121,636	185,964
345	1	345	1,530	121,981	186,151
346	1	346	1,531	122,327	186,337
347	3	1,041	1,534	123,368	186,522
349	1	349	1,535	123,717	186,886
351	1	351	1,536	124,068	187,248
352	1	352	1,537	124,420	187,428
356	1	356	1,538	124,776	188,144
357	1	357	1,539	125,133	188,322

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
359	3	1,077	1,542	126,210	188,676
360	2	720	1,544	126,930	188,850
361	1	361	1,545	127,291	189,022
362	1	362	1,546	127,653	189,193
365	1	365	1,547	128,018	189,703
369	1	369	1,548	128,387	190,379
371	1	371	1,549	128,758	190,715
372	1	372	1,550	129,130	190,882
375	1	375	1,551	129,505	191,380
376	1	376	1,552	129,881	191,545
378	3	1,134	1,555	131,015	191,873
379	1	379	1,556	131,394	192,034
381	1	381	1,557	131,775	192,354
382	1	382	1,558	132,157	192,513
384	2	768	1,560	132,925	192,829
387	1	387	1,561	133,312	193,297
388	3	1,164	1,564	134,476	193,452
389	1	389	1,565	134,865	193,604
390	1	390	1,566	135,255	193,755
391	1	391	1,567	135,646	193,905
392	3	1,176	1,570	136,822	194,054
393	2	786	1,572	137,608	194,200
394	1	394	1,573	138,002	194,344
397	1	397	1,574	138,399	194,773
399	1	399	1,575	138,798	195,057
400	1	400	1,576	139,198	195,198
402	1	402	1,577	139,600	195,478
403	1	403	1,578	140,003	195,617
406	1	406	1,579	140,409	196,031
407	2	814	1,581	141,223	196,168
411	1	411	1,582	141,634	196,708
415	1	415	1,583	142,049	197,244
416	1	416	1,584	142,465	197,377
419	1	419	1,585	142,884	197,773
420	3	1,260	1,588	144,144	197,904
421	2	842	1,590	144,986	198,032
424	1	424	1,591	145,410	198,410
425	1	425	1,592	145,835	198,535
428	1	428	1,593	146,263	198,907
430	2	860	1,595	147,123	199,153
432	1	432	1,596	147,555	199,395
439	1	439	1,597	147,994	200,235
440	1	440	1,598	148,434	200,354
442	1	442	1,599	148,876	200,590
448	1	448	1,600	149,324	201,292
449	2	898	1,602	150,222	201,408
450	3	1,350	1,605	151,572	201,522
454	1	454	1,606	152,026	201,966
455	1	455	1,607	152,481	202,076
458	1	458	1,608	152,939	202,403
462	2	924	1,610	153,863	202,835
464	2	928	1,612	154,791	203,047
465	1	465	1,613	155,256	203,151
467	1	467	1,614	155,723	203,357
470	2	940	1,616	156,663	203,663
471	2	942	1,618	157,605	203,763
472	1	472	1,619	158,077	203,861
479	2	958	1,621	159,035	204,540
481	1	481	1,622	159,516	204,730
483	1	483	1,623	159,999	204,918
494	1	494	1,624	160,493	205,941
495	1	495	1,625	160,988	206,033
502	1	502	1,626	161,490	206,670
503	1	503	1,627	161,993	206,760
504	1	504	1,628	162,497	206,849
510	1	510	1,629	163,007	207,377

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
513	1	513	1,630	163,520	207,638
514	2	1,028	1,632	164,548	207,724
517	1	517	1,633	165,065	207,976
522	1	522	1,634	165,587	208,391
524	1	524	1,635	166,111	208,555
526	1	526	1,636	166,637	208,717
531	1	531	1,637	167,168	209,117
534	1	534	1,638	167,702	209,354
535	1	535	1,639	168,237	209,432
537	1	537	1,640	168,774	209,586
538	1	538	1,641	169,312	209,662
539	1	539	1,642	169,851	209,737
543	1	543	1,643	170,394	210,033
544	1	544	1,644	170,938	210,106
550	1	550	1,645	171,488	210,538
552	1	552	1,646	172,040	210,680
557	1	557	1,647	172,597	211,030
559	1	559	1,648	173,156	211,168
569	1	569	1,649	173,725	211,848
573	2	1,146	1,651	174,871	212,116
582	1	582	1,652	175,453	212,701
594	1	594	1,653	176,047	213,469
603	1	603	1,654	176,650	214,036
615	2	1,230	1,656	177,880	214,780
619	1	619	1,657	178,499	215,020
621	1	621	1,658	179,120	215,138
633	1	633	1,659	179,753	215,834
637	2	1,274	1,661	181,027	216,062
638	1	638	1,662	181,665	216,117
639	2	1,278	1,664	182,943	216,171
649	1	649	1,665	183,592	216,691
650	1	650	1,666	184,242	216,742
651	1	651	1,667	184,893	216,792
654	1	654	1,668	185,547	216,939
655	1	655	1,669	186,202	216,987
670	1	670	1,670	186,872	217,692
682	1	682	1,671	187,554	218,244
683	1	683	1,672	188,237	218,289
684	1	684	1,673	188,921	218,333
693	1	693	1,674	189,614	218,720
702	2	1,404	1,676	191,018	219,098
704	1	704	1,677	191,722	219,178
715	1	715	1,678	192,437	219,607
718	1	718	1,679	193,155	219,721
721	1	721	1,680	193,876	219,832
723	1	723	1,681	194,599	219,904
729	1	729	1,682	195,328	220,114
732	1	732	1,683	196,060	220,216
734	1	734	1,684	196,794	220,282
736	1	736	1,685	197,530	220,346
740	1	740	1,686	198,270	220,470
778	1	778	1,687	199,048	221,610
782	1	782	1,688	199,830	221,726
787	1	787	1,689	200,617	221,866
795	1	795	1,690	201,412	222,082
809	1	809	1,691	202,221	222,446
819	1	819	1,692	203,040	222,696
827	1	827	1,693	203,867	222,888
834	1	834	1,694	204,701	223,049
865	1	865	1,695	205,566	223,731
872	2	1,744	1,697	207,310	223,878
891	1	891	1,698	208,201	224,239
894	1	894	1,699	209,095	224,293
897	1	897	1,700	209,992	224,344
907	1	907	1,701	210,899	224,504
952	1	952	1,702	211,851	225,179

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
960	1	960	1,703	212,811	225,291
967	1	967	1,704	213,778	225,382
973	1	973	1,705	214,751	225,454
975	1	975	1,706	215,726	225,476
1059	1	1,059	1,707	216,785	226,316
1181	1	1,181	1,708	217,966	227,414
1186	1	1,186	1,709	219,152	227,454
1191	1	1,191	1,710	220,343	227,489
1201	1	1,201	1,711	221,544	227,549
1244	1	1,244	1,712	222,788	227,764
1247	1	1,247	1,713	224,035	227,776
1526	1	1,526	1,714	225,561	228,613
1618	1	1,618	1,715	227,179	228,797
3075	1	3,075	1,716	230,254	230,254

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	1,716	93,156	137,098
Prorated Bills	99.90	15,323	15,824
	1,815.90	108,479	152,922

				Total	
Revenue Full	$101,508.81	$ 240,800.95	$ 404,753.95	$747,063.71	
Misc Adjustments				$ (8,239.48)	
				$738,824.23	
PMTUSGRVNR Report				739,148.93	
Difference				$ 324.70	0.0439%
			C1M1C	739,148.93	
Average Customers	151			739,148.93	
Average Consumption	143,951				
			True Variance	-	
			H-Schedule Variance	($324.70)	

Arizona American Water Company
Aqua Fria Water - C1M1D incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C1M1D				
Description:	Aqua Fria Residential 2"				
Monthly Customer Charge:		$83.84			
Tier One	Break Over:	150,000	Gallons	Rate:	$ 2.2198
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	124	0	124	0	0
1	23	23	147	23	1,913
2	22	44	169	67	3,803
3	45	135	214	202	5,671
4	35	140	249	342	7,494
5	41	205	290	547	9,282
6	26	156	316	703	11,029
7	34	238	350	941	12,750
8	33	264	383	1,205	14,437
9	28	252	411	1,457	16,091
10	25	250	436	1,707	17,717
11	16	176	452	1,883	19,318
12	16	192	468	2,075	20,903
13	8	104	476	2,179	22,472
14	15	210	491	2,389	24,033
15	7	105	498	2,494	25,579
16	17	272	515	2,766	27,118
17	12	204	527	2,970	28,640
18	8	144	535	3,114	30,150
19	9	171	544	3,285	31,652
20	10	200	554	3,485	33,145
21	7	147	561	3,632	34,628
22	6	132	567	3,764	36,104
23	7	161	574	3,925	37,574
24	8	192	582	4,117	39,037
25	9	225	591	4,342	40,492
26	5	130	596	4,472	41,938
27	8	216	604	4,688	43,379
28	7	196	611	4,884	44,812
29	16	464	627	5,348	46,238
30	10	300	637	5,648	47,648
31	10	310	647	5,958	49,048
32	14	448	661	6,406	50,438
33	6	198	667	6,604	51,814
34	2	68	669	6,672	53,184
35	8	280	677	6,952	54,552
36	6	216	683	7,168	55,912
37	5	185	688	7,353	57,266
38	3	114	691	7,467	58,615
39	12	468	703	7,935	59,961
40	9	360	712	8,295	61,295
41	6	246	718	8,541	62,620
42	9	378	727	8,919	63,939
43	10	430	737	9,349	65,249
44	8	352	745	9,701	66,549
45	8	360	753	10,061	67,841
46	4	184	757	10,245	69,125
47	6	282	763	10,527	70,405
48	10	480	773	11,007	71,679
49	6	294	779	11,301	72,943
50	3	150	782	11,451	74,201

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
51	2	102	784	11,553	75,456
52	10	520	794	12,073	76,709
53	4	212	798	12,285	77,952
54	8	432	806	12,717	79,191
55	5	275	811	12,992	80,422
56	2	112	813	13,104	81,648
57	3	171	816	13,275	82,872
58	5	290	821	13,565	84,093
59	9	531	830	14,096	85,309
60	5	300	835	14,396	86,516
61	3	183	838	14,579	87,718
62	4	248	842	14,827	88,917
63	3	189	845	15,016	90,112
64	7	448	852	15,464	91,304
65	5	325	857	15,789	92,489
66	7	462	864	16,251	93,669
68	7	476	871	16,727	96,015
69	2	138	873	16,865	97,181
70	1	70	874	16,935	98,345
71	5	355	879	17,290	99,508
72	6	432	885	17,722	100,666
73	4	292	889	18,014	101,818
74	5	370	894	18,384	102,966
75	8	600	902	18,984	104,109
76	5	380	907	19,364	105,244
77	6	462	913	19,826	106,374
78	1	78	914	19,904	107,498
79	4	316	918	20,220	108,621
80	5	400	923	20,620	109,740
81	3	243	926	20,863	110,854
82	2	164	928	21,027	111,965
83	3	249	931	21,276	113,074
84	4	336	935	21,612	114,180
85	3	255	938	21,867	115,282
86	5	430	943	22,297	116,381
87	4	348	947	22,645	117,475
88	4	352	951	22,997	118,565
89	3	267	954	23,264	119,651
90	3	270	957	23,534	120,734
91	5	455	962	23,989	121,814
92	3	276	965	24,265	122,889
93	6	558	971	24,823	123,961
94	2	188	973	25,011	125,027
95	4	380	977	25,391	126,091
96	6	576	983	25,967	127,151
97	3	291	986	26,258	128,205
98	3	294	989	26,552	129,256
99	3	297	992	26,849	130,304
100	2	200	994	27,049	131,349
101	3	303	997	27,352	132,392
102	1	102	998	27,454	133,432
103	4	412	1,002	27,866	134,471
104	4	416	1,006	28,282	135,506
105	2	210	1,008	28,492	136,537
106	1	106	1,009	28,598	137,566
107	1	107	1,010	28,705	138,594
108	1	108	1,011	28,813	139,621
109	5	545	1,016	29,358	140,647
110	2	220	1,018	29,578	141,668
111	3	333	1,021	29,911	142,687
112	1	112	1,022	30,023	143,703
113	2	226	1,024	30,249	144,718
114	6	684	1,030	30,933	145,731
115	8	920	1,038	31,853	146,738
116	3	348	1,041	32,201	147,737
117	2	234	1,043	32,435	148,733

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
118	3	354	1,046	32,789	149,727
119	6	714	1,052	33,503	150,718
120	3	360	1,055	33,863	151,703
121	2	242	1,057	34,105	152,685
122	1	122	1,058	34,227	153,665
123	2	246	1,060	34,473	154,644
124	4	496	1,064	34,969	155,621
125	5	625	1,069	35,594	156,594
126	2	252	1,071	35,846	157,562
127	3	381	1,074	36,227	158,528
128	2	256	1,076	36,483	159,491
129	3	387	1,079	36,870	160,452
130	2	260	1,081	37,130	161,410
131	2	262	1,083	37,392	162,366
132	4	528	1,087	37,920	163,320
133	3	399	1,090	38,319	164,270
134	3	402	1,093	38,721	165,217
135	7	945	1,100	39,666	166,161
136	5	680	1,105	40,346	167,098
138	2	276	1,107	40,622	168,962
139	8	1,112	1,115	41,734	169,892
140	5	700	1,120	42,434	170,814
141	2	282	1,122	42,716	171,731
142	5	710	1,127	43,426	172,646
143	3	429	1,130	43,855	173,556
144	3	432	1,133	44,287	174,463
145	1	145	1,134	44,432	175,367
146	3	438	1,137	44,870	176,270
147	1	147	1,138	45,017	177,170
148	1	148	1,139	45,165	178,069
149	4	596	1,143	45,761	178,967
150	3	450	1,146	46,211	179,861
151	5	755	1,151	46,966	180,752
152	4	608	1,155	47,574	181,638
153	3	459	1,158	48,033	182,520
154	4	616	1,162	48,649	183,399
155	7	1,085	1,169	49,734	184,274
156	4	624	1,173	50,358	185,142
157	2	314	1,175	50,672	186,006
158	4	632	1,179	51,304	186,868
159	3	477	1,182	51,781	187,726
160	3	480	1,185	52,261	188,581
161	1	161	1,186	52,422	189,433
163	2	326	1,188	52,748	191,135
164	2	328	1,190	53,076	191,984
165	5	825	1,195	53,901	192,831
166	2	332	1,197	54,233	193,673
167	2	334	1,199	54,567	194,513
168	6	1,008	1,205	55,575	195,351
169	3	507	1,208	56,082	196,183
170	1	170	1,209	56,252	197,012
171	4	684	1,213	56,936	197,840
173	2	346	1,215	57,282	199,488
174	2	348	1,217	57,630	200,310
175	3	525	1,220	58,155	201,130
176	5	880	1,225	59,035	201,947
177	3	531	1,228	59,566	202,759
178	2	356	1,230	59,922	203,568
179	5	895	1,235	60,817	204,375
180	1	180	1,236	60,997	205,177
181	3	543	1,239	61,540	205,978
182	2	364	1,241	61,904	206,776
183	2	366	1,243	62,270	207,572
184	1	184	1,244	62,454	208,366
186	6	1,116	1,250	63,570	209,952
187	5	935	1,255	64,505	210,739

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
188	4	752	1,259	65,257	211,521
189	3	567	1,262	65,824	212,299
190	2	380	1,264	66,204	213,074
191	3	573	1,267	66,777	213,847
192	2	384	1,269	67,161	214,617
193	5	965	1,274	68,126	215,385
194	4	776	1,278	68,902	216,148
195	2	390	1,280	69,292	216,907
196	3	588	1,283	69,880	217,664
197	2	394	1,285	70,274	218,418
198	2	396	1,287	70,670	219,170
199	1	199	1,288	70,869	219,920
200	3	600	1,291	71,469	220,669
201	2	402	1,293	71,871	221,415
202	3	606	1,296	72,477	222,159
203	2	406	1,298	72,883	222,900
204	2	408	1,300	73,291	223,639
205	4	820	1,304	74,111	224,376
206	1	206	1,305	74,317	225,109
207	6	1,242	1,311	75,559	225,841
208	2	416	1,313	75,975	226,567
210	1	210	1,314	76,185	228,015
211	1	211	1,315	76,396	228,738
212	1	212	1,316	76,608	229,460
213	5	1,065	1,321	77,673	230,181
214	2	428	1,323	78,101	230,897
215	2	430	1,325	78,531	231,611
216	4	864	1,329	79,395	232,323
217	5	1,085	1,334	80,480	233,031
218	4	872	1,338	81,352	233,734
219	3	657	1,341	82,009	234,433
220	3	660	1,344	82,669	235,129
221	2	442	1,346	83,111	235,822
222	4	888	1,350	83,999	236,513
223	5	1,115	1,355	85,114	237,200
224	4	896	1,359	86,010	237,882
225	2	450	1,361	86,460	238,560
226	3	678	1,364	87,138	239,236
227	6	1,362	1,370	88,500	239,909
228	3	684	1,373	89,184	240,576
229	2	458	1,375	89,642	241,240
230	5	1,150	1,380	90,792	241,902
231	2	462	1,382	91,254	242,559
232	2	464	1,384	91,718	243,214
233	1	233	1,385	91,951	243,867
234	3	702	1,388	92,653	244,519
235	4	940	1,392	93,593	245,168
236	2	472	1,394	94,065	245,813
237	1	237	1,395	94,302	246,456
238	1	238	1,396	94,540	247,098
240	4	960	1,400	95,500	248,380
241	3	723	1,403	96,223	249,017
242	1	242	1,404	96,465	249,651
243	1	243	1,405	96,708	250,284
247	2	494	1,407	97,202	252,812
248	4	992	1,411	98,194	253,442
249	1	249	1,412	98,443	254,068
250	1	250	1,413	98,693	254,693
251	1	251	1,414	98,944	255,317
252	2	504	1,416	99,448	255,940
254	1	254	1,417	99,702	257,182
256	2	512	1,419	100,214	258,422
257	4	1,028	1,423	101,242	259,040
258	3	774	1,426	102,016	259,654
259	3	777	1,429	102,793	260,265
260	2	520	1,431	103,313	260,873

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
261	2	522	1,433	103,835	261,479
262	1	262	1,434	104,097	262,083
263	2	526	1,436	104,623	262,686
264	1	264	1,437	104,887	263,287
265	2	530	1,439	105,417	263,887
266	2	532	1,441	105,949	264,485
267	3	801	1,444	106,750	265,081
268	1	268	1,445	107,018	265,674
269	1	269	1,446	107,287	266,266
270	1	270	1,447	107,557	266,857
271	4	1,084	1,451	108,641	267,447
272	2	544	1,453	109,185	268,033
273	2	546	1,455	109,731	268,617
274	1	274	1,456	110,005	269,199
275	3	825	1,459	110,830	269,780
276	5	1,380	1,464	112,210	270,358
277	2	554	1,466	112,764	270,931
278	4	1,112	1,470	113,876	271,502
279	2	558	1,472	114,434	272,069
280	1	280	1,473	114,714	272,634
281	2	562	1,475	115,276	273,198
282	3	846	1,478	116,122	273,760
284	1	284	1,479	116,406	274,878
285	1	285	1,480	116,691	275,436
286	1	286	1,481	116,977	275,993
287	2	574	1,483	117,551	276,549
288	2	576	1,485	118,127	277,103
289	1	289	1,486	118,416	277,655
290	2	580	1,488	118,996	278,206
292	1	292	1,489	119,288	279,304
293	1	293	1,490	119,581	279,852
296	1	296	1,491	119,877	281,493
297	4	1,188	1,495	121,065	282,039
299	1	299	1,496	121,364	283,123
300	2	600	1,498	121,964	283,664
301	2	602	1,500	122,566	284,203
303	3	909	1,503	123,475	285,277
304	2	608	1,505	124,083	285,811
306	2	612	1,507	124,695	286,875
307	2	614	1,509	125,309	287,405
308	2	616	1,511	125,925	287,933
309	2	618	1,513	126,543	288,459
310	2	620	1,515	127,163	288,983
311	2	622	1,517	127,785	289,505
312	1	312	1,518	128,097	290,025
313	2	626	1,520	128,723	290,544
314	2	628	1,522	129,351	291,061
315	3	945	1,525	130,296	291,576
316	2	632	1,527	130,928	292,088
317	1	317	1,528	131,245	292,598
319	1	319	1,529	131,564	293,616
321	2	642	1,531	132,206	294,632
322	1	322	1,532	132,528	295,138
323	2	646	1,534	133,174	295,643
324	2	648	1,536	133,822	296,146
325	1	325	1,537	134,147	296,647
326	2	652	1,539	134,799	297,147
327	4	1,308	1,543	136,107	297,645
328	2	656	1,545	136,763	298,139
329	1	329	1,546	137,092	298,631
331	3	993	1,549	138,085	299,613
332	1	332	1,550	138,417	300,101
333	1	333	1,551	138,750	300,588
334	4	1,336	1,555	140,086	301,074
335	2	670	1,557	140,756	301,556
336	2	672	1,559	141,428	302,036

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
339	1	339	1,560	141,767	303,470
340	3	1,020	1,563	142,787	303,947
341	2	682	1,565	143,469	304,421
342	1	342	1,566	143,811	304,893
344	1	344	1,567	144,155	305,835
345	2	690	1,569	144,845	306,305
347	2	694	1,571	145,539	307,241
349	2	698	1,573	146,237	308,173
350	4	1,400	1,577	147,637	308,637
351	3	1,053	1,580	148,690	309,097
352	3	1,056	1,583	149,746	309,554
353	2	706	1,585	150,452	310,008
355	1	355	1,586	150,807	310,912
356	1	356	1,587	151,163	311,363
357	2	714	1,589	151,877	311,813
358	1	358	1,590	152,235	312,261
359	2	718	1,592	152,953	312,708
361	1	361	1,593	153,314	313,598
362	1	362	1,594	153,676	314,042
363	2	726	1,596	154,402	314,485
367	1	367	1,597	154,769	316,249
368	2	736	1,599	155,505	316,689
369	3	1,107	1,602	156,612	317,127
371	1	371	1,603	156,983	317,997
373	1	373	1,604	157,356	318,865
375	3	1,125	1,607	158,481	319,731
378	1	378	1,608	158,859	321,021
379	1	379	1,609	159,238	321,450
380	2	760	1,611	159,998	321,878
381	1	381	1,612	160,379	322,304
382	3	1,146	1,615	161,525	322,729
383	1	383	1,616	161,908	323,151
384	2	768	1,618	162,676	323,572
385	3	1,155	1,621	163,831	323,991
386	2	772	1,623	164,603	324,407
387	2	774	1,625	165,377	324,821
389	4	1,556	1,629	166,933	325,645
390	3	1,170	1,632	168,103	326,053
391	3	1,173	1,635	169,276	326,458
395	1	395	1,636	169,671	328,066
396	2	792	1,638	170,463	328,467
397	1	397	1,639	170,860	328,866
398	2	796	1,641	171,656	329,264
400	2	800	1,643	172,456	330,056
401	2	802	1,645	173,258	330,450
402	2	804	1,647	174,062	330,842
403	3	1,209	1,650	175,271	331,232
404	1	404	1,651	175,675	331,619
405	1	405	1,652	176,080	332,005
406	1	406	1,653	176,486	332,390
407	3	1,221	1,656	177,707	332,774
408	3	1,224	1,659	178,931	333,155
409	1	409	1,660	179,340	333,533
410	1	410	1,661	179,750	333,910
411	1	411	1,662	180,161	334,286
412	1	412	1,663	180,573	334,661
413	3	1,239	1,666	181,812	335,035
414	2	828	1,668	182,640	335,406
415	1	415	1,669	183,055	335,775
416	1	416	1,670	183,471	336,143
417	2	834	1,672	184,305	336,510
418	1	418	1,673	184,723	336,875
421	1	421	1,674	185,144	337,967
422	2	844	1,676	185,988	338,330
423	1	423	1,677	186,411	338,691
425	1	425	1,678	186,836	339,411

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
428	1	428	1,679	187,264	340,488
429	1	429	1,680	187,693	340,846
430	1	430	1,681	188,123	341,203
431	1	431	1,682	188,554	341,559
432	2	864	1,684	189,418	341,914
434	4	1,736	1,688	191,154	342,620
435	1	435	1,689	191,589	342,969
437	3	1,311	1,692	192,900	343,665
438	3	1,314	1,695	194,214	344,010
442	1	442	1,696	194,656	345,378
445	1	445	1,697	195,101	346,401
446	1	446	1,698	195,547	346,741
447	1	447	1,699	195,994	347,080
448	1	448	1,700	196,442	347,418
449	1	449	1,701	196,891	347,755
451	1	451	1,702	197,342	348,427
452	1	452	1,703	197,794	348,762
453	1	453	1,704	198,247	349,096
454	2	908	1,706	199,155	349,429
455	4	1,820	1,710	200,975	349,760
456	3	1,368	1,713	202,343	350,087
458	1	458	1,714	202,801	350,735
460	2	920	1,716	203,721	351,381
461	2	922	1,718	204,643	351,702
462	1	462	1,719	205,105	352,021
463	1	463	1,720	205,568	352,339
464	6	2,784	1,726	208,352	352,656
466	1	466	1,727	208,818	353,278
467	2	934	1,729	209,752	353,588
469	1	469	1,730	210,221	354,204
470	2	940	1,732	211,161	354,511
472	1	472	1,733	211,633	355,121
475	2	950	1,735	212,583	356,033
476	2	952	1,737	213,535	356,335
477	1	477	1,738	214,012	356,635
478	2	956	1,740	214,968	356,934
479	3	1,437	1,743	216,405	357,231
480	2	960	1,745	217,365	357,525
481	1	481	1,746	217,846	357,817
482	2	964	1,748	218,810	358,108
484	2	968	1,750	219,778	358,686
488	1	488	1,751	220,266	359,834
489	2	978	1,753	221,244	360,120
490	1	490	1,754	221,734	360,404
491	3	1,473	1,757	223,207	360,687
492	1	492	1,758	223,699	360,967
493	1	493	1,759	224,192	361,246
496	2	992	1,761	225,184	362,080
497	2	994	1,763	226,178	362,356
498	1	498	1,764	226,676	362,630
499	1	499	1,765	227,175	362,903
500	1	500	1,766	227,675	363,175
501	1	501	1,767	228,176	363,446
502	1	502	1,768	228,678	363,716
504	1	504	1,769	229,182	364,254
506	3	1,518	1,772	230,700	364,790
508	4	2,032	1,776	232,732	365,320
511	2	1,022	1,778	233,754	366,103
512	3	1,536	1,781	235,290	366,362
515	1	515	1,782	235,805	367,130
516	1	516	1,783	236,321	367,385
517	1	517	1,784	236,838	367,639
518	1	518	1,785	237,356	367,892
520	5	2,600	1,790	239,956	368,396
525	1	525	1,791	240,481	369,631
526	1	526	1,792	241,007	369,877

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
527	1	527	1,793	241,534	370,122
528	1	528	1,794	242,062	370,366
529	3	1,587	1,797	243,649	370,609
535	2	1,070	1,799	244,719	372,049
536	3	1,608	1,802	246,327	372,287
540	1	540	1,803	246,867	373,227
541	3	1,623	1,806	248,490	373,461
542	2	1,084	1,808	249,574	373,692
544	1	544	1,809	250,118	374,150
548	2	1,096	1,811	251,214	375,062
549	4	2,196	1,815	253,410	375,288
550	3	1,650	1,818	255,060	375,510
551	3	1,653	1,821	256,713	375,729
552	1	552	1,822	257,265	375,945
553	2	1,106	1,824	258,371	376,160
555	1	555	1,825	258,926	376,586
556	2	1,112	1,827	260,038	376,798
559	1	559	1,828	260,597	377,428
560	1	560	1,829	261,157	377,637
561	2	1,122	1,831	262,279	377,845
562	1	562	1,832	262,841	378,051
563	2	1,126	1,834	263,967	378,256
564	2	1,128	1,836	265,095	378,459
565	1	565	1,837	265,660	378,660
568	2	1,136	1,839	266,796	379,260
571	2	1,142	1,841	267,938	379,854
572	1	572	1,842	268,510	380,050
573	2	1,146	1,844	269,656	380,245
575	3	1,725	1,847	271,381	380,631
578	1	578	1,848	271,959	381,201
581	1	581	1,849	272,540	381,768
584	2	1,168	1,851	273,708	382,332
587	1	587	1,852	274,295	382,890
588	1	588	1,853	274,883	383,075
592	1	592	1,854	275,475	383,811
595	3	1,785	1,857	277,260	384,360
596	2	1,192	1,859	278,452	384,540
598	1	598	1,860	279,050	384,896
599	1	599	1,861	279,649	385,073
601	1	601	1,862	280,250	385,425
603	1	603	1,863	280,853	385,775
606	1	606	1,864	281,459	386,297
607	1	607	1,865	282,066	386,470
609	1	609	1,866	282,675	386,814
611	1	611	1,867	283,286	387,156
612	1	612	1,868	283,898	387,326
619	2	1,238	1,870	285,136	388,509
621	1	621	1,871	285,757	388,843
622	1	622	1,872	286,379	389,009
624	1	624	1,873	287,003	389,339
626	1	626	1,874	287,629	389,667
627	2	1,254	1,876	288,883	389,830
628	1	628	1,877	289,511	389,991
629	3	1,887	1,880	291,398	390,151
631	1	631	1,881	292,029	390,465
632	1	632	1,882	292,661	390,621
633	1	633	1,883	293,294	390,776
635	2	1,270	1,885	294,564	391,084
636	1	636	1,886	295,200	391,236
638	1	638	1,887	295,838	391,538
640	1	640	1,888	296,478	391,838
644	1	644	1,889	297,122	392,434
647	1	647	1,890	297,769	392,878
655	3	1,965	1,893	299,734	394,054
656	1	656	1,894	300,390	394,198
660	1	660	1,895	301,050	394,770

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
662	1	662	1,896	301,712	395,054
663	1	663	1,897	302,375	395,195
665	1	665	1,898	303,040	395,475
666	1	666	1,899	303,706	395,614
668	2	1,336	1,901	305,042	395,890
669	1	669	1,902	305,711	396,026
672	1	672	1,903	306,383	396,431
673	1	673	1,904	307,056	396,565
674	1	674	1,905	307,730	396,698
675	1	675	1,906	308,405	396,830
678	1	678	1,907	309,083	397,223
679	2	1,358	1,909	310,441	397,353
681	1	681	1,910	311,122	397,609
682	1	682	1,911	311,804	397,736
686	3	2,058	1,914	313,862	398,240
687	1	687	1,915	314,549	398,363
688	1	688	1,916	315,237	398,485
692	1	692	1,917	315,929	398,969
695	1	695	1,918	316,624	399,329
696	1	696	1,919	317,320	399,448
699	1	699	1,920	318,019	399,802
701	1	701	1,921	318,720	400,036
703	1	703	1,922	319,423	400,268
704	1	704	1,923	320,127	400,383
708	1	708	1,924	320,835	400,839
710	1	710	1,925	321,545	401,065
714	1	714	1,926	322,259	401,513
719	1	719	1,927	322,978	402,068
720	1	720	1,928	323,698	402,178
722	3	2,166	1,931	325,864	402,396
724	1	724	1,932	326,588	402,608
727	1	727	1,933	327,315	402,923
730	1	730	1,934	328,045	403,235
731	1	731	1,935	328,776	403,338
732	1	732	1,936	329,508	403,440
734	1	734	1,937	330,242	403,642
737	1	737	1,938	330,979	403,942
739	1	739	1,939	331,718	404,140
743	1	743	1,940	332,461	404,532
746	2	1,492	1,942	333,953	404,823
750	1	750	1,943	334,703	405,203
751	2	1,502	1,945	336,205	405,297
755	1	755	1,946	336,960	405,665
757	1	757	1,947	337,717	405,847
758	1	758	1,948	338,475	405,937
759	1	759	1,949	339,234	406,026
760	1	760	1,950	339,994	406,114
762	1	762	1,951	340,756	406,288
764	1	764	1,952	341,520	406,460
770	1	770	1,953	342,290	406,970
771	1	771	1,954	343,061	407,054
772	3	2,316	1,957	345,377	407,137
773	1	773	1,958	346,150	407,217
775	1	775	1,959	346,925	407,375
779	1	779	1,960	347,704	407,687
780	1	780	1,961	348,484	407,764
782	1	782	1,962	349,266	407,916
785	2	1,570	1,964	350,836	408,141
788	1	788	1,965	351,624	408,360
791	1	791	1,966	352,415	408,576
792	1	792	1,967	353,207	408,647
793	2	1,586	1,969	354,793	408,717
794	1	794	1,970	355,587	408,785
798	1	798	1,971	356,385	409,053
803	2	1,606	1,973	357,991	409,383
806	1	806	1,974	358,797	409,575

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
807	1	807	1,975	359,604	409,638
809	2	1,618	1,977	361,222	409,762
833	1	833	1,978	362,055	411,202
837	1	837	1,979	362,892	411,438
841	2	1,682	1,981	364,574	411,670
845	1	845	1,982	365,419	411,894
852	1	852	1,983	366,271	412,279
854	1	854	1,984	367,125	412,387
857	1	857	1,985	367,982	412,546
859	2	1,718	1,987	369,700	412,650
863	1	863	1,988	370,563	412,850
865	1	865	1,989	371,428	412,948
869	1	869	1,990	372,297	413,140
874	1	874	1,991	373,171	413,375
876	1	876	1,992	374,047	413,467
878	1	878	1,993	374,925	413,557
880	1	880	1,994	375,805	413,645
883	1	883	1,995	376,688	413,774
889	1	889	1,996	377,577	414,026
895	1	895	1,997	378,472	414,272
908	1	908	1,998	379,380	414,792
913	1	913	1,999	380,293	414,987
914	1	914	2,000	381,207	415,025
925	1	925	2,001	382,132	415,432
936	1	936	2,002	383,068	415,828
943	1	943	2,003	384,011	416,073
948	1	948	2,004	384,959	416,243
961	1	961	2,005	385,920	416,672
967	2	1,934	2,007	387,854	416,864
973	1	973	2,008	388,827	417,044
976	1	976	2,009	389,803	417,131
981	1	981	2,010	390,784	417,271
983	1	983	2,011	391,767	417,325
990	1	990	2,012	392,757	417,507
995	1	995	2,013	393,752	417,632
1006	1	1,006	2,014	394,758	417,896
1016	1	1,016	2,015	395,774	418,126
1022	1	1,022	2,016	396,796	418,258
1040	1	1,040	2,017	397,836	418,636
1049	1	1,049	2,018	398,885	418,816
1069	1	1,069	2,019	399,954	419,196
1080	1	1,080	2,020	401,034	419,394
1092	1	1,092	2,021	402,126	419,598
1162	2	2,324	2,023	404,450	420,718
1167	1	1,167	2,024	405,617	420,788
1244	1	1,244	2,025	406,861	421,789
1246	1	1,246	2,026	408,107	421,813
1257	1	1,257	2,027	409,364	421,934
1288	1	1,288	2,028	410,652	422,244
1375	1	1,375	2,029	412,027	423,027
1395	1	1,395	2,030	413,422	423,187

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
1399	1	1,399	2,031	414,821	423,215
1427	1	1,427	2,032	416,248	423,383
1436	1	1,436	2,033	417,684	423,428
1494	1	1,494	2,034	419,178	423,660
1754	1	1,754	2,035	420,932	424,440
8055	1	8,055	2,036	428,987	437,042
9209	1	9,209	2,037	438,196	438,196

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	2,037	179,861	258,335
Prorated Bills	202.77	29,572	22,241
	2,239.77	209,433	280,576

				Total	
Revenue Full	$187,782.32	$ 464,899.68	$ 742,629.46	$1,395,311.46	
Misc Adjustments				$ 94.55	
				$1,395,406.01	
PMTUSGRVNR Report				1,395,121.70	
Difference				$ (284.31)	-0.0204%
			C1M1D	1,395,121.70	
Average Customers	187			1,395,121.70	
Average Consumption	218,777				
			True Variance	-	
			H-Schedule Variance	$284.31	

Arizona American Water Company
Aqua Fria Water - C1M1E incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C1M1E					
Description:	Aqua Fria Residential 3"					
Monthly Customer Charge:		$164.02				
Tier One	Break Over:	300,000	Gallons	Rate:	$	2.2198
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$	2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	1	0	1	0	0
1	3	3	4	3	18
2	1	2	5	5	33
4	1	4	6	9	61
9	1	9	7	18	126
11	1	11	8	29	150
12	2	24	10	53	161
14	1	14	11	67	179
21	1	21	12	88	235
23	1	23	13	111	249
24	1	24	14	135	255
29	1	29	15	164	280
33	1	33	16	197	296
37	1	37	17	234	308
66	1	66	18	300	366
242	1	242	19	542	542

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	19	542	0
Prorated Bills	3.03	340	0
	22.03	882	0

				Total	
Revenue Full	$3,613.36	$ 1,956.91	$ -	$5,570.27	
Misc Adjustments				$ (834.31)	
				$4,735.96	
PMTUSGRVNR Report				4,680.91	
Difference				$ (55.05)	-1.1760%
			C1M1E	4,680.91	
Average Customers	2			4,680.91	
Average Consumption	40,017				
			True Variance	-	
			H-Schedule Variance	$55.05	

Arizona American Water Company
Aqua Fria Water - C1M1G incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C1M1G					
Description:	Aqua Fria Residential 6"					
Monthly Customer Charge:		$425.22				
Tier One	Break Over:	800,000	Gallons	Rate:	$	2.2198
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$	2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	1	0	1	0	0

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	1	0	0
Prorated Bills	-	0	0
	1.00	0	0

				Total
Revenue Full	$425.22	$ -	$ -	$425.22
Misc Adjustments				$ -
				$425.22
PMTUSGRVNR Report				425.22
Difference				$ -
			C1M1G	425.22
Average Customers	-			425.22
Average Consumption	-			
			True Variance	-
			H-Schedule Variance	$0.00

Arizona American Water Company
Aqua Fria Water - C2M1A incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C2M1A					
Description:	Aqua Fria Commercial 5/8 & 3/4"					
Monthly Customer Charge:		$10.45				
Tier One	Break Over:	13,000	Gallons	Rate:	$	2.2198
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$	2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	271	0	271	0	0
1	95	95	366	95	528
2	85	170	451	265	961
3	59	177	510	442	1,309
4	69	276	579	718	1,598
5	30	150	609	868	1,818
6	16	96	625	964	2,008
7	20	140	645	1,104	2,182
8	23	184	668	1,288	2,336
9	20	180	688	1,468	2,467
10	8	80	696	1,548	2,578
11	9	99	705	1,647	2,681
12	12	144	717	1,791	2,775
13	9	117	726	1,908	2,857
14	5	70	731	1,978	2,930
15	4	60	735	2,038	2,998
16	2	32	737	2,070	3,062
17	8	136	745	2,206	3,124
18	2	36	747	2,242	3,178
19	3	57	750	2,299	3,230
20	3	60	753	2,359	3,279
21	4	84	757	2,443	3,325
22	3	66	760	2,509	3,367
23	1	23	761	2,532	3,406
24	3	72	764	2,604	3,444
25	3	75	767	2,679	3,479
26	5	130	772	2,809	3,511
27	3	81	775	2,890	3,538
28	3	84	778	2,974	3,562
30	1	30	779	3,004	3,604
31	1	31	780	3,035	3,624
33	1	33	781	3,068	3,662
39	1	39	782	3,107	3,770
44	4	176	786	3,283	3,855
45	1	45	787	3,328	3,868
53	1	53	788	3,381	3,964
65	1	65	789	3,446	4,096
71	1	71	790	3,517	4,156
72	1	72	791	3,589	4,165
89	1	89	792	3,678	4,301
127	1	127	793	3,805	4,567
142	1	142	794	3,947	4,657
144	1	144	795	4,091	4,667
169	1	169	796	4,260	4,767

188	1	188	797	4,448	4,824
530	1	530	798	4,978	5,508
540	1	540	799	5,518	5,518

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	799	2,857	2,661
Prorated Bills	32.70	(260)	(255)
	831.70	2,597	2,406

				Total	
Revenue Full	$8,691.27	$ 5,764.82	$ 6,368.20	$20,824.29	
Misc Adjustments				$ (1,946.09)	
				$18,878.20	
PMTUSGRVNR Report				18,772.46	
Difference				$ (105.74)	-0.5633%
			C2M1A	18,772.46	
Average Customers	69			18,772.46	
Average Consumption	6,015				
			True Variance	-	
			H-Schedule Variance	$105.74	

Arizona American Water Company
Aqua Fria Water - C2M1B incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C2M1B					
Description:	Aqua Fria Commercial 1"					
Monthly Customer Charge:		$26.74				
Tier One	Break Over:	45,000	Gallons		Rate: $	2.2198
Tier Two	Break Over:	999,999,999	Gallons		Rate: $	2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	112	0	112	0	0
1	67	67	179	67	1,194
2	51	102	230	169	2,321
3	54	162	284	331	3,397
4	45	180	329	511	4,419
5	43	215	372	726	5,396
6	34	204	406	930	6,330
7	44	308	450	1,238	7,230
8	35	280	485	1,518	8,086
9	32	288	517	1,806	8,907
10	31	310	548	2,116	9,696
11	21	231	569	2,347	10,454
12	32	384	601	2,731	11,191
13	24	312	625	3,043	11,896
14	19	266	644	3,309	12,577
15	21	315	665	3,624	13,239
16	6	96	671	3,720	13,880
17	22	374	693	4,094	14,515
18	21	378	714	4,472	15,128
19	19	361	733	4,833	15,720
20	12	240	745	5,073	16,293
21	19	399	764	5,472	16,854
22	18	396	782	5,868	17,396
23	11	253	793	6,121	17,920
24	15	360	808	6,481	18,433
25	10	250	818	6,731	18,931
26	14	364	832	7,095	19,419
27	11	297	843	7,392	19,893
28	9	252	852	7,644	20,356
29	15	435	867	8,079	20,810
30	18	540	885	8,619	21,249
31	11	341	896	8,960	21,670
32	11	352	907	9,312	22,080
33	16	528	923	9,840	22,479
34	3	102	926	9,942	22,862
35	10	350	936	10,292	23,242
36	12	432	948	10,724	23,612
37	9	333	957	11,057	23,970
38	11	418	968	11,475	24,319
39	6	234	974	11,709	24,657
40	8	320	982	12,029	24,989
41	11	451	993	12,480	25,313
42	3	126	996	12,606	25,626
43	8	344	1,004	12,950	25,936
44	3	132	1,007	13,082	26,238
45	12	540	1,019	13,622	26,537
46	8	368	1,027	13,990	26,824
47	7	329	1,034	14,319	27,103
48	8	384	1,042	14,703	27,375
49	6	294	1,048	14,997	27,639
50	3	150	1,051	15,147	27,897

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
51	7	357	1,058	15,504	28,152
52	6	312	1,064	15,816	28,400
53	4	212	1,068	16,028	28,642
54	4	216	1,072	16,244	28,880
55	4	220	1,076	16,464	29,114
56	4	224	1,080	16,688	29,344
57	3	171	1,083	16,859	29,570
58	7	406	1,090	17,265	29,793
59	1	59	1,091	17,324	30,009
60	2	120	1,093	17,444	30,224
61	2	122	1,095	17,566	30,437
62	4	248	1,099	17,814	30,648
63	3	189	1,102	18,003	30,855
64	4	256	1,106	18,259	31,059
65	5	325	1,111	18,584	31,259
66	3	198	1,114	18,782	31,454
67	1	67	1,115	18,849	31,646
68	1	68	1,116	18,917	31,837
69	5	345	1,121	19,262	32,027
70	1	70	1,122	19,332	32,212
73	1	73	1,123	19,405	32,764
74	2	148	1,125	19,553	32,947
76	1	76	1,126	19,629	33,309
77	2	154	1,128	19,783	33,489
78	5	390	1,133	20,173	33,667
79	4	316	1,137	20,489	33,840
80	2	160	1,139	20,649	34,009
81	2	162	1,141	20,811	34,176
82	5	410	1,146	21,221	34,341
83	4	332	1,150	21,553	34,501
84	4	336	1,154	21,889	34,657
85	1	85	1,155	21,974	34,809
86	2	172	1,157	22,146	34,960
87	3	261	1,160	22,407	35,109
88	1	88	1,161	22,495	35,255
89	2	178	1,163	22,673	35,400
91	3	273	1,166	22,946	35,686
92	3	276	1,169	23,222	35,826
93	4	372	1,173	23,594	35,963
94	1	94	1,174	23,688	36,096
95	3	285	1,177	23,973	36,228
96	3	288	1,180	24,261	36,357
97	1	97	1,181	24,358	36,483
98	1	98	1,182	24,456	36,608
99	2	198	1,184	24,654	36,732
100	1	100	1,185	24,754	36,854
101	2	202	1,187	24,956	36,975
102	2	204	1,189	25,160	37,094
103	2	206	1,191	25,366	37,211
104	1	104	1,192	25,470	37,326
105	2	210	1,194	25,680	37,440
106	2	212	1,196	25,892	37,552
107	2	214	1,198	26,106	37,662
108	2	216	1,200	26,322	37,770
109	1	109	1,201	26,431	37,876
110	3	330	1,204	26,761	37,981
111	2	222	1,206	26,983	38,083
113	3	339	1,209	27,322	38,283
114	2	228	1,211	27,550	38,380
115	3	345	1,214	27,895	38,475
116	5	580	1,219	28,475	38,567
117	1	117	1,220	28,592	38,654
118	1	118	1,221	28,710	38,740
119	2	238	1,223	28,948	38,825
120	1	120	1,224	29,068	38,908
121	4	484	1,228	29,552	38,990

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
123	1	123	1,229	29,675	39,146
124	1	124	1,230	29,799	39,223
125	3	375	1,233	30,174	39,299
126	1	126	1,234	30,300	39,372
127	1	127	1,235	30,427	39,444
132	1	132	1,236	30,559	39,799
136	1	136	1,237	30,695	40,079
137	2	274	1,239	30,969	40,148
141	2	282	1,241	31,251	40,416
142	1	142	1,242	31,393	40,481
144	2	288	1,244	31,681	40,609
145	1	145	1,245	31,826	40,671
146	1	146	1,246	31,972	40,732
147	3	441	1,249	32,413	40,792
151	1	151	1,250	32,564	41,020
153	1	153	1,251	32,717	41,132
157	1	157	1,252	32,874	41,352
159	1	159	1,253	33,033	41,460
160	1	160	1,254	33,193	41,513
163	1	163	1,255	33,356	41,669
167	1	167	1,256	33,523	41,873
169	1	169	1,257	33,692	41,973
171	1	171	1,258	33,863	42,071
174	1	174	1,259	34,037	42,215
177	1	177	1,260	34,214	42,356
180	2	360	1,262	34,574	42,494
181	2	362	1,264	34,936	42,538
183	1	183	1,265	35,119	42,622
185	1	185	1,266	35,304	42,704
186	1	186	1,267	35,490	42,744

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
190	1	190	1,268	35,680	42,900
192	1	192	1,269	35,872	42,976
194	1	194	1,270	36,066	43,050
196	1	196	1,271	36,262	43,122
197	2	394	1,273	36,656	43,157
198	2	396	1,275	37,052	43,190
199	1	199	1,276	37,251	43,221
200	1	200	1,277	37,451	43,251
201	1	201	1,278	37,652	43,280
205	1	205	1,279	37,857	43,392
210	1	210	1,280	38,067	43,527
213	1	213	1,281	38,280	43,605
217	1	217	1,282	38,497	43,705
220	1	220	1,283	38,717	43,777
243	1	243	1,284	38,960	44,306
248	1	248	1,285	39,208	44,416
250	1	250	1,286	39,458	44,458
263	1	263	1,287	39,721	44,718
264	1	264	1,288	39,985	44,737
277	2	554	1,290	40,539	44,971
295	1	295	1,291	40,834	45,259
297	1	297	1,292	41,131	45,289
299	1	299	1,293	41,430	45,317
306	1	306	1,294	41,736	45,408
316	1	316	1,295	42,052	45,528
336	1	336	1,296	42,388	45,748
349	1	349	1,297	42,737	45,878
355	1	355	1,298	43,092	45,932
363	1	363	1,299	43,455	45,996
438	1	438	1,300	43,893	46,521
500	1	500	1,301	44,393	46,893
514	1	514	1,302	44,907	46,963
549	1	549	1,303	45,456	47,103
606	1	606	1,304	46,062	47,274
614	1	614	1,305	46,676	47,290
655	1	655	1,306	47,331	47,331

Add Customer Annualization from Schedule C-2, Adjustment LJG-5 as Full Bills below:

7	264.39	

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	1,313	26,801	20,794
Prorated Bills	169.17	4,046	4,340
	1,482.17	30,848	25,134

				Total	
Revenue Full	$39,633.23	$ 68,475.28	$ 66,524.67	$174,633.18	
Misc Adjustments				$ (1,333.28)	
				$173,299.90	
PMTUSGRVNR Report + Customer Annualization				$171,422.35	
Difference				$ (1,877.55)	-1.0953%
			C2M1B	(1,346.45)	
			C2M1B	158,103.83	
			ACRM	13,912.51	
			Cust Ann'l	$752.46	
Average Customers	123			171,422.35	
Average Consumption	37,770				
			True Variance	-	
			H-Schedule Variance	$1,877.55	

Arizona American Water Company
Aqua Fria Water - C2M1C incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C2M1C					
Description:	Aqua Fria Commercial 1-1/2"					
Monthly Customer Charge:		$55.90				
Tier One	Break Over:	100,000	Gallons		Rate:	$ 2.2198
Tier Two	Break Over:	999,999,999	Gallons		Rate:	$ 2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	110	0	110	0	0
1	81	81	191	81	1,880
2	84	168	275	249	3,679
3	54	162	329	411	5,394
4	57	228	386	639	7,055
5	59	295	445	934	8,659
6	51	306	496	1,240	10,204
7	46	322	542	1,562	11,698
8	48	384	590	1,946	13,146
9	34	306	624	2,252	14,546
10	15	150	639	2,402	15,912
11	18	198	657	2,600	17,263
12	35	420	692	3,020	18,596
13	31	403	723	3,423	19,894
14	22	308	745	3,731	21,161
15	21	315	766	4,046	22,406
16	16	256	782	4,302	23,630
17	22	374	804	4,676	24,838
18	23	414	827	5,090	26,024
19	12	228	839	5,318	27,187
20	21	420	860	5,738	28,338
21	11	231	871	5,969	29,468
22	15	330	886	6,299	30,587
23	8	184	894	6,483	31,691
24	9	216	903	6,699	32,787
25	15	375	918	7,074	33,874
26	12	312	930	7,386	34,946
27	13	351	943	7,737	36,006
28	16	448	959	8,185	37,053
29	11	319	970	8,504	38,084
30	9	270	979	8,774	39,104
31	9	279	988	9,053	40,115
32	9	288	997	9,341	41,117
33	12	396	1,009	9,737	42,110
34	6	204	1,015	9,941	43,091
35	7	245	1,022	10,186	44,066
36	3	108	1,025	10,294	45,034
37	7	259	1,032	10,553	45,999
38	14	532	1,046	11,085	46,957
39	8	312	1,054	11,397	47,901
40	11	440	1,065	11,837	48,837
41	9	369	1,074	12,206	49,762
42	15	630	1,089	12,836	50,678
43	11	473	1,100	13,309	51,579
44	8	352	1,108	13,661	52,469
45	5	225	1,113	13,886	53,351
46	6	276	1,119	14,162	54,228
47	5	235	1,124	14,397	55,099
48	5	240	1,129	14,637	55,965
49	7	343	1,136	14,980	56,826
50	2	100	1,138	15,080	57,680

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
51	6	306	1,144	15,386	58,532
52	7	364	1,151	15,750	59,378
53	9	477	1,160	16,227	60,217
54	5	270	1,165	16,497	61,047
55	9	495	1,174	16,992	61,872
56	10	560	1,184	17,552	62,688
57	8	456	1,192	18,008	63,494
58	4	232	1,196	18,240	64,292
59	10	590	1,206	18,830	65,086
60	6	360	1,212	19,190	65,870
61	3	183	1,215	19,373	66,648
62	8	496	1,223	19,869	67,423
63	8	504	1,231	20,373	68,190
64	5	320	1,236	20,693	68,949
65	5	325	1,241	21,018	69,703
66	7	462	1,248	21,480	70,452
67	6	402	1,254	21,882	71,194
68	6	408	1,260	22,290	71,930
69	5	345	1,265	22,635	72,660
70	8	560	1,273	23,195	73,385
71	4	284	1,277	23,479	74,102
72	10	720	1,287	24,199	74,815
73	1	73	1,288	24,272	75,518
74	8	592	1,296	24,864	76,220
75	5	375	1,301	25,239	76,914
76	3	228	1,304	25,467	77,603
77	5	385	1,309	25,852	78,289
78	7	546	1,316	26,398	78,970
79	7	553	1,323	26,951	79,644
80	5	400	1,328	27,351	80,311
81	4	324	1,332	27,675	80,973
82	3	246	1,335	27,921	81,631
83	7	581	1,342	28,502	82,286
84	7	588	1,349	29,090	82,934
85	8	680	1,357	29,770	83,575
86	5	430	1,362	30,200	84,208
87	4	348	1,366	30,548	84,836
88	2	176	1,368	30,724	85,460
89	8	712	1,376	31,436	86,082
90	10	900	1,386	32,336	86,696
91	5	455	1,391	32,791	87,300
92	4	368	1,395	33,159	87,899
93	4	372	1,399	33,531	88,494
94	4	376	1,403	33,907	89,085
95	1	95	1,404	34,002	89,672
96	6	576	1,410	34,578	90,258
97	2	194	1,412	34,772	90,838
98	3	294	1,415	35,066	91,416
99	3	297	1,418	35,363	91,991
100	3	300	1,421	35,663	92,563
101	3	303	1,424	35,966	93,132
102	3	306	1,427	36,272	93,698
103	6	618	1,433	36,890	94,261
104	3	312	1,436	37,202	94,818
105	4	420	1,440	37,622	95,372
106	4	424	1,444	38,046	95,922
107	2	214	1,446	38,260	96,468
108	3	324	1,449	38,584	97,012
109	5	545	1,454	39,129	97,553
110	1	110	1,455	39,239	98,089
111	4	444	1,459	39,683	98,624
113	3	339	1,462	40,022	99,686
114	2	228	1,464	40,250	100,214
115	2	230	1,466	40,480	100,740
117	2	234	1,468	40,714	101,788
118	5	590	1,473	41,304	102,310

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
119	2	238	1,475	41,542	102,827
120	2	240	1,477	41,782	103,342
121	2	242	1,479	42,024	103,855
123	5	615	1,484	42,639	104,877
124	4	496	1,488	43,135	105,383
125	3	375	1,491	43,510	105,885
126	2	252	1,493	43,762	106,384
127	1	127	1,494	43,889	106,881
128	1	128	1,495	44,017	107,377
130	5	650	1,500	44,667	108,367
131	1	131	1,501	44,798	108,857
132	6	792	1,507	45,590	109,346
133	1	133	1,508	45,723	109,829
134	4	536	1,512	46,259	110,311
135	4	540	1,516	46,799	110,789
137	2	274	1,518	47,073	111,737
138	2	276	1,520	47,349	112,209
139	3	417	1,523	47,766	112,679
140	3	420	1,526	48,186	113,146
141	1	141	1,527	48,327	113,610
142	1	142	1,528	48,469	114,073
143	2	286	1,530	48,755	114,535
145	2	290	1,532	49,045	115,455
146	1	146	1,533	49,191	115,913
147	4	588	1,537	49,779	116,370
148	1	148	1,538	49,927	116,823
149	2	298	1,540	50,225	117,275
150	2	300	1,542	50,525	117,725
151	3	453	1,545	50,978	118,173
152	4	608	1,549	51,586	118,618
154	2	308	1,551	51,894	119,500
155	2	310	1,553	52,204	119,939
156	3	468	1,556	52,672	120,376
158	5	790	1,561	53,462	121,244
159	3	477	1,564	53,939	121,673
160	2	320	1,566	54,259	122,099
161	3	483	1,569	54,742	122,523
162	1	162	1,570	54,904	122,944
163	1	163	1,571	55,067	123,364
164	4	656	1,575	55,723	123,783
165	2	330	1,577	56,053	124,198
167	1	167	1,578	56,220	125,024
169	2	338	1,580	56,558	125,848
170	1	170	1,581	56,728	126,258
171	1	171	1,582	56,899	126,667
172	2	344	1,584	57,243	127,075
173	3	519	1,587	57,762	127,481
174	1	174	1,588	57,936	127,884
175	2	350	1,590	58,286	128,286
176	2	352	1,592	58,638	128,686
177	1	177	1,593	58,815	129,084
178	1	178	1,594	58,993	129,481
179	3	537	1,597	59,530	129,877
180	2	360	1,599	59,890	130,270
181	2	362	1,601	60,252	130,661
182	3	546	1,604	60,798	131,050
183	1	183	1,605	60,981	131,436
184	3	552	1,608	61,533	131,821
185	3	555	1,611	62,088	132,203
186	3	558	1,614	62,646	132,582
187	2	374	1,616	63,020	132,958
188	1	188	1,617	63,208	133,332
189	3	567	1,620	63,775	133,705
190	1	190	1,621	63,965	134,075
192	3	576	1,624	64,541	134,813
193	3	579	1,627	65,120	135,179

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
194	3	582	1,630	65,702	135,542
195	2	390	1,632	66,092	135,902
196	1	196	1,633	66,288	136,260
197	1	197	1,634	66,485	136,617
198	2	396	1,636	66,881	136,973
199	3	597	1,639	67,478	137,327
200	1	200	1,640	67,678	137,678
201	1	201	1,641	67,879	138,028
203	4	812	1,645	68,691	138,726
205	1	205	1,646	68,896	139,416
206	2	412	1,648	69,308	139,760
207	3	621	1,651	69,929	140,102
208	2	416	1,653	70,345	140,441
209	2	418	1,655	70,763	140,778
210	1	210	1,656	70,973	141,113
211	2	422	1,658	71,395	141,447
212	3	636	1,661	72,031	141,779
213	2	426	1,663	72,457	142,108
214	1	214	1,664	72,671	142,435
215	6	1,290	1,670	73,961	142,761
216	2	432	1,672	74,393	143,081
217	2	434	1,674	74,827	143,399
218	4	872	1,678	75,699	143,715
219	1	219	1,679	75,918	144,027
220	6	1,320	1,685	77,238	144,338
222	2	444	1,687	77,682	144,948
223	3	669	1,690	78,351	145,251
224	1	224	1,691	78,575	145,551
225	2	450	1,693	79,025	145,850
226	2	452	1,695	79,477	146,147
227	2	454	1,697	79,931	146,442
228	2	456	1,699	80,387	146,735
229	2	458	1,701	80,845	147,026
230	1	230	1,702	81,075	147,315
231	3	693	1,705	81,768	147,603
232	1	232	1,706	82,000	147,888
234	1	234	1,707	82,234	148,456
235	3	705	1,710	82,939	148,739
236	1	236	1,711	83,175	149,019
237	2	474	1,713	83,649	149,298
239	5	1,195	1,718	84,844	149,852
242	2	484	1,720	85,328	150,668
243	1	243	1,721	85,571	150,938
244	2	488	1,723	86,059	151,207
245	1	245	1,724	86,304	151,474
246	1	246	1,725	86,550	151,740
248	1	248	1,726	86,798	152,270
250	2	500	1,728	87,298	152,798
251	1	251	1,729	87,549	153,060
253	1	253	1,730	87,802	153,582
254	3	762	1,733	88,564	153,842
255	1	255	1,734	88,819	154,099
256	3	768	1,737	89,587	154,355
257	1	257	1,738	89,844	154,608
258	2	516	1,740	90,360	154,860
260	1	260	1,741	90,620	155,360
262	1	262	1,742	90,882	155,858
264	2	528	1,744	91,410	156,354
267	2	534	1,746	91,944	157,092
268	1	268	1,747	92,212	157,336
270	1	270	1,748	92,482	157,822
271	1	271	1,749	92,753	158,064
273	2	546	1,751	93,299	158,546
274	1	274	1,752	93,573	158,785
275	1	275	1,753	93,848	159,023
277	3	831	1,756	94,679	159,497

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
278	1	278	1,757	94,957	159,731
279	1	279	1,758	95,236	159,964
280	1	280	1,759	95,516	160,196
282	1	282	1,760	95,798	160,658
284	1	284	1,761	96,082	161,118
286	1	286	1,762	96,368	161,576
287	1	287	1,763	96,655	161,804
288	2	576	1,765	97,231	162,031
289	1	289	1,766	97,520	162,256
291	2	582	1,768	98,102	162,704
292	1	292	1,769	98,394	162,926
294	2	588	1,771	98,982	163,368
295	2	590	1,773	99,572	163,587
297	1	297	1,774	99,869	164,021
299	2	598	1,776	100,467	164,453
300	1	300	1,777	100,767	164,667
301	1	301	1,778	101,068	164,880
302	2	604	1,780	101,672	165,092
306	1	306	1,781	101,978	165,932
308	2	616	1,783	102,594	166,350
309	1	309	1,784	102,903	166,557
311	3	933	1,787	103,836	166,969
312	2	624	1,789	104,460	167,172
314	1	314	1,790	104,774	167,574
318	1	318	1,791	105,092	168,374
319	1	319	1,792	105,411	168,573
320	1	320	1,793	105,731	168,771
321	3	963	1,796	106,694	168,968
323	1	323	1,797	107,017	169,356
324	1	324	1,798	107,341	169,549
325	2	650	1,800	107,991	169,741
327	2	654	1,802	108,645	170,121
330	1	330	1,803	108,975	170,685
331	2	662	1,805	109,637	170,872
333	2	666	1,807	110,303	171,242
335	1	335	1,808	110,638	171,608
338	3	1,014	1,811	111,652	172,154
339	1	339	1,812	111,991	172,333
340	1	340	1,813	112,331	172,511
341	3	1,023	1,816	113,354	172,688
342	1	342	1,817	113,696	172,862
344	1	344	1,818	114,040	173,208
345	2	690	1,820	114,730	173,380
347	1	347	1,821	115,077	173,720
350	1	350	1,822	115,427	174,227
353	2	706	1,824	116,133	174,731
354	3	1,062	1,827	117,195	174,897
356	1	356	1,828	117,551	175,223
357	2	714	1,830	118,265	175,385
360	2	720	1,832	118,985	175,865
362	2	724	1,834	119,709	176,181
363	1	363	1,835	120,072	176,337
368	1	368	1,836	120,440	177,112
371	1	371	1,837	120,811	177,574
372	1	372	1,838	121,183	177,727
373	2	746	1,840	121,929	177,879
375	1	375	1,841	122,304	178,179
377	1	377	1,842	122,681	178,477
382	1	382	1,843	123,063	179,217
386	1	386	1,844	123,449	179,805
394	1	394	1,845	123,843	180,973
396	1	396	1,846	124,239	181,263
397	1	397	1,847	124,636	181,407
399	1	399	1,848	125,035	181,693
400	2	800	1,850	125,835	181,835
402	1	402	1,851	126,237	182,115

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
404	1	404	1,852	126,641	182,393
405	2	810	1,854	127,451	182,531
406	1	406	1,855	127,857	182,667
409	1	409	1,856	128,266	183,072
411	1	411	1,857	128,677	183,340
412	1	412	1,858	129,089	183,473
413	1	413	1,859	129,502	183,605
414	1	414	1,860	129,916	183,736
415	1	415	1,861	130,331	183,866
416	2	832	1,863	131,163	183,995
417	1	417	1,864	131,580	184,122
422	1	422	1,865	132,002	184,752
424	2	848	1,867	132,850	185,002
425	2	850	1,869	133,700	185,125
426	2	852	1,871	134,552	185,246
428	4	1,712	1,875	136,264	185,484
429	1	429	1,876	136,693	185,599
431	1	431	1,877	137,124	185,827
432	1	432	1,878	137,556	185,940
434	1	434	1,879	137,990	186,164
436	3	1,308	1,882	139,298	186,386
437	3	1,311	1,885	140,609	186,494
440	1	440	1,886	141,049	186,809
441	1	441	1,887	141,490	186,913
443	1	443	1,888	141,933	187,119
444	1	444	1,889	142,377	187,221
447	1	447	1,890	142,824	187,524
451	1	451	1,891	143,275	187,924
452	1	452	1,892	143,727	188,023
460	1	460	1,893	144,187	188,807
467	1	467	1,894	144,654	189,486
469	1	469	1,895	145,123	189,678
473	1	473	1,896	145,596	190,058
477	1	477	1,897	146,073	190,434
479	1	479	1,898	146,552	190,620
481	2	962	1,900	147,514	190,804
482	2	964	1,902	148,478	190,894
483	1	483	1,903	148,961	190,982
488	1	488	1,904	149,449	191,417
489	1	489	1,905	149,938	191,503
494	1	494	1,906	150,432	191,928
497	1	497	1,907	150,929	192,180
506	1	506	1,908	151,435	192,927
511	1	511	1,909	151,946	193,337
515	1	515	1,910	152,461	193,661
517	1	517	1,911	152,978	193,821
521	1	521	1,912	153,499	194,137
523	1	523	1,913	154,022	194,293
530	1	530	1,914	154,552	194,832
532	1	532	1,915	155,084	194,984
533	2	1,066	1,917	156,150	195,059
534	1	534	1,918	156,684	195,132
538	1	538	1,919	157,222	195,420
539	2	1,078	1,921	158,300	195,491
540	1	540	1,922	158,840	195,560
546	2	1,092	1,924	159,932	195,968
550	1	550	1,925	160,482	196,232
552	1	552	1,926	161,034	196,362
554	1	554	1,927	161,588	196,490
562	1	562	1,928	162,150	196,994
565	2	1,130	1,930	163,280	197,180
568	1	568	1,931	163,848	197,360
570	1	570	1,932	164,418	197,478
579	1	579	1,933	164,997	198,000
580	1	580	1,934	165,577	198,057
582	1	582	1,935	166,159	198,169

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
583	1	583	1,936	166,742	198,224
586	1	586	1,937	167,328	198,386
589	1	589	1,938	167,917	198,545
591	1	591	1,939	168,508	198,649
595	1	595	1,940	169,103	198,853
600	1	600	1,941	169,703	199,103
608	1	608	1,942	170,311	199,495
610	1	610	1,943	170,921	199,591
618	1	618	1,944	171,539	199,967
624	1	624	1,945	172,163	200,243
625	1	625	1,946	172,788	200,288
627	1	627	1,947	173,415	200,376
630	1	630	1,948	174,045	200,505
634	2	1,268	1,950	175,313	200,673
646	1	646	1,951	175,959	201,153
658	1	658	1,952	176,617	201,621
672	1	672	1,953	177,289	202,153
679	1	679	1,954	177,968	202,412
680	1	680	1,955	178,648	202,448
691	3	2,073	1,958	180,721	202,833
710	1	710	1,959	181,431	203,441
712	1	712	1,960	182,143	203,503
722	2	1,444	1,962	183,587	203,803
726	1	726	1,963	184,313	203,915
728	1	728	1,964	185,041	203,969
749	1	749	1,965	185,790	204,515
761	1	761	1,966	186,551	204,815
771	2	1,542	1,968	188,093	205,055
775	1	775	1,969	188,868	205,143
783	1	783	1,970	189,651	205,311
784	1	784	1,971	190,435	205,331
785	1	785	1,972	191,220	205,350
786	1	786	1,973	192,006	205,368
787	1	787	1,974	192,793	205,385
819	1	819	1,975	193,612	205,897
824	1	824	1,976	194,436	205,972
852	1	852	1,977	195,288	206,364
858	1	858	1,978	196,146	206,442
871	1	871	1,979	197,017	206,598
921	1	921	1,980	197,938	207,148
1018	1	1,018	1,981	198,956	208,118
1021	1	1,021	1,982	199,977	208,145
1041	1	1,041	1,983	201,018	208,305
1088	1	1,088	1,984	202,106	208,634

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
1161	1	1,161	1,985	203,267	209,072
1200	1	1,200	1,986	204,467	209,267
1280	1	1,280	1,987	205,747	209,587
1458	1	1,458	1,988	207,205	210,121
1656	1	1,656	1,989	208,861	210,517
1833	1	1,833	1,990	210,694	210,694

Add Customer Annualization from Schedule C-2, Adjustment LJG-5 as Full Bills below:

	20	2,000	267.34	2,267.34

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	2,010	94,563	118,398
Prorated Bills	207.83	17,889	20,579
	2,217.83	112,452	138,977

				Total	
Revenue Full	$123,976.88	$ 249,620.97	$ 367,845.12	$741,442.97	
Misc Adjustments				$ (2,643.53)	
				$738,799.44	
PMTUSGRVNR Report + Customer Annualization				$738,622.78	
Difference				$ (176.67)	-0.0239%

		C2M1C	732,357.58
		Cust Annual	$6,265.20
Average Customers	183		738,622.78
Average Consumption	113,367		
		True Variance	-
		H-Schedule Variance	$176.67

Arizona American Water Company
Aqua Fria Water - C2M1D incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C2M1D					
Description:	Aqua Fria Commercial 2"					
Monthly Customer Charge:		$83.84				
Tier One	Break Over:	150,000	Gallons		Rate: $	2.2198
Tier Two	Break Over:	999,999,999	Gallons		Rate: $	2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	162	0	162	0	0
1	99	99	261	99	3,029
2	84	168	345	267	5,959
3	92	276	437	543	8,805
4	103	412	540	955	11,559
5	92	460	632	1,415	14,210
6	82	492	714	1,907	16,769
7	67	469	781	2,376	19,246
8	68	544	849	2,920	21,656
9	45	405	894	3,325	23,998
10	47	470	941	3,795	26,295
11	43	473	984	4,268	28,545
12	39	468	1,023	4,736	30,752
13	27	351	1,050	5,087	32,920
14	29	406	1,079	5,493	35,061
15	16	240	1,095	5,733	37,173
16	21	336	1,116	6,069	39,269
17	22	374	1,138	6,443	41,344
18	28	504	1,166	6,947	43,397
19	18	342	1,184	7,289	45,422
20	15	300	1,199	7,589	47,429
21	7	147	1,206	7,736	49,421
22	15	330	1,221	8,066	51,406
23	14	322	1,235	8,388	53,376
24	8	192	1,243	8,580	55,332
25	16	400	1,259	8,980	57,280
26	11	286	1,270	9,266	59,212
27	13	351	1,283	9,617	61,133
28	12	336	1,295	9,953	63,041
29	11	319	1,306	10,272	64,937
30	12	360	1,318	10,632	66,822
31	10	310	1,328	10,942	68,695
32	14	448	1,342	11,390	70,558
33	19	627	1,361	12,017	72,407
34	12	408	1,373	12,425	74,237
35	11	385	1,384	12,810	76,055
36	14	504	1,398	13,314	77,862
37	16	592	1,414	13,906	79,655
38	11	418	1,425	14,324	81,432
39	18	702	1,443	15,026	83,198
40	8	320	1,451	15,346	84,946
41	11	451	1,462	15,797	86,686
42	19	798	1,481	16,595	88,415
43	11	473	1,492	17,068	90,125
44	18	792	1,510	17,860	91,824
45	17	765	1,527	18,625	93,505
46	19	874	1,546	19,499	95,169
47	10	470	1,556	19,969	96,814

48	10	480	1,566	20,449	98,449
49	9	441	1,575	20,890	100,074
50	13	650	1,588	21,540	101,690
51	14	714	1,602	22,254	103,293
52	15	780	1,617	23,034	104,882
53	5	265	1,622	23,299	106,456
54	9	486	1,631	23,785	108,025
55	12	660	1,643	24,445	109,585
56	10	560	1,653	25,005	111,133
57	13	741	1,666	25,746	112,671
58	9	522	1,675	26,268	114,196
59	9	531	1,684	26,799	115,712
60	10	600	1,694	27,399	117,219
61	3	183	1,697	27,582	118,716
62	4	248	1,701	27,830	120,210
63	12	756	1,713	28,586	121,700
64	7	448	1,720	29,034	123,178
65	5	325	1,725	29,359	124,649
66	4	264	1,729	29,623	126,115
67	10	670	1,739	30,293	127,577
68	4	272	1,743	30,565	129,029
69	10	690	1,753	31,255	130,477
70	3	210	1,756	31,465	131,915
71	13	923	1,769	32,388	133,350
72	9	648	1,778	33,036	134,772
73	5	365	1,783	33,401	136,185
74	4	296	1,787	33,697	137,593
75	5	375	1,792	34,072	138,997
76	6	456	1,798	34,528	140,396
77	7	539	1,805	35,067	141,789
78	7	546	1,812	35,613	143,175
79	5	395	1,817	36,008	144,554
80	3	240	1,820	36,248	145,928
81	3	243	1,823	36,491	147,299
82	9	738	1,832	37,229	148,667
83	3	249	1,835	37,478	150,026
84	5	420	1,840	37,898	151,382
85	5	425	1,845	38,323	152,733
86	5	430	1,850	38,753	154,079
87	4	348	1,854	39,101	155,420
88	4	352	1,858	39,453	156,757
89	6	534	1,864	39,987	158,090
90	4	360	1,868	40,347	159,417
91	2	182	1,870	40,529	160,740
92	10	920	1,880	41,449	162,061
93	5	465	1,885	41,914	163,372
94	5	470	1,890	42,384	164,678
95	8	760	1,898	43,144	165,979
96	6	576	1,904	43,720	167,272
97	7	679	1,911	44,399	168,559
98	2	196	1,913	44,595	169,839
99	11	1,089	1,924	45,684	171,117
100	8	800	1,932	46,484	172,384
101	4	404	1,936	46,888	173,643
102	9	918	1,945	47,806	174,898
103	3	309	1,948	48,115	176,144
104	4	416	1,952	48,531	177,387
105	8	840	1,960	49,371	178,626
106	9	954	1,969	50,325	179,857
107	2	214	1,971	50,539	181,079
108	6	648	1,977	51,187	182,299
109	6	654	1,983	51,841	183,513
110	7	770	1,990	52,611	184,721
111	2	222	1,992	52,833	185,922
112	7	784	1,999	53,617	187,121
113	8	904	2,007	54,521	188,313

114	4	456	2,011	54,977	189,497
115	7	805	2,018	55,782	190,677
116	4	464	2,022	56,246	191,850
117	7	819	2,029	57,065	193,019
118	3	354	2,032	57,419	194,181
119	1	119	2,033	57,538	195,340
120	7	840	2,040	58,378	196,498
121	4	484	2,044	58,862	197,649
122	12	1,464	2,056	60,326	198,796
123	8	984	2,064	61,310	199,931
124	3	372	2,067	61,682	201,058
125	4	500	2,071	62,182	202,182
126	2	252	2,073	62,434	203,302
127	8	1,016	2,081	63,450	204,420
128	5	640	2,086	64,090	205,530
129	6	774	2,092	64,864	206,635
130	9	1,170	2,101	66,034	207,734
131	7	917	2,108	66,951	208,824
132	6	792	2,114	67,743	209,907
133	6	798	2,120	68,541	210,984
134	6	804	2,126	69,345	212,055
135	5	675	2,131	70,020	213,120
136	2	272	2,133	70,292	214,180
137	6	822	2,139	71,114	215,238
138	7	966	2,146	72,080	216,290
140	2	280	2,148	72,360	218,380
141	5	705	2,153	73,065	219,423
142	5	710	2,158	73,775	220,461
143	7	1,001	2,165	74,776	221,494
144	5	720	2,170	75,496	222,520
145	2	290	2,172	75,786	223,541
146	8	1,168	2,180	76,954	224,560
147	4	588	2,184	77,542	225,571
148	3	444	2,187	77,986	226,578
149	5	745	2,192	78,731	227,582
150	5	750	2,197	79,481	228,581
151	7	1,057	2,204	80,538	229,575
152	4	608	2,208	81,146	230,562
153	1	153	2,209	81,299	231,545
154	2	308	2,211	81,607	232,527
155	2	310	2,213	81,917	233,507
156	4	624	2,217	82,541	234,485
157	4	628	2,221	83,169	235,459
158	4	632	2,225	83,801	236,429
159	6	954	2,231	84,755	237,395
160	6	960	2,237	85,715	238,355
161	9	1,449	2,246	87,164	239,309
163	3	489	2,249	87,653	241,199
164	3	492	2,252	88,145	242,141
165	1	165	2,253	88,310	243,080
166	2	332	2,255	88,642	244,018
167	2	334	2,257	88,976	244,954
168	1	168	2,258	89,144	245,888
169	5	845	2,263	89,989	246,821
170	2	340	2,265	90,329	247,749
171	6	1,026	2,271	91,355	248,675
172	3	516	2,274	91,871	249,595
173	2	346	2,276	92,217	250,512
174	3	522	2,279	92,739	251,427
175	1	175	2,280	92,914	252,339
176	8	1,408	2,288	94,322	253,250
177	1	177	2,289	94,499	254,153
178	1	178	2,290	94,677	255,055
179	3	537	2,293	95,214	255,956
180	7	1,260	2,300	96,474	256,854
182	3	546	2,303	97,020	258,636

183	3	549	2,306	97,569	259,524
184	5	920	2,311	98,489	260,409
185	1	185	2,312	98,674	261,289
186	2	372	2,314	99,046	262,168
187	3	561	2,317	99,607	263,045
188	3	564	2,320	100,171	263,919
189	4	756	2,324	100,927	264,790
190	3	570	2,327	101,497	265,657
191	2	382	2,329	101,879	266,521
192	2	384	2,331	102,263	267,383
193	2	386	2,333	102,649	268,243
194	3	582	2,336	103,231	269,101
195	4	780	2,340	104,011	269,956
196	5	980	2,345	104,991	270,807
197	1	197	2,346	105,188	271,653
198	1	198	2,347	105,386	272,498
199	2	398	2,349	105,784	273,342
200	4	800	2,353	106,584	274,184
201	4	804	2,357	107,388	275,022
202	4	808	2,361	108,196	275,856
203	6	1,218	2,367	109,414	276,686
204	3	612	2,370	110,026	277,510
205	6	1,230	2,376	111,256	278,331
206	2	412	2,378	111,668	279,146
207	4	828	2,382	112,496	279,959
208	3	624	2,385	113,120	280,768
209	3	627	2,388	113,747	281,574
210	3	630	2,391	114,377	282,377
211	2	422	2,393	114,799	283,177
212	3	636	2,396	115,435	283,975
213	1	213	2,397	115,648	284,770
214	1	214	2,398	115,862	285,564
215	5	1,075	2,403	116,937	286,357
216	1	216	2,404	117,153	287,145
217	3	651	2,407	117,804	287,932
218	3	654	2,410	118,458	288,716
219	3	657	2,413	119,115	289,497
220	2	440	2,415	119,555	290,275
221	5	1,105	2,420	120,660	291,051
222	3	666	2,423	121,326	291,822
223	4	892	2,427	122,218	292,590
224	2	448	2,429	122,666	293,354
225	1	225	2,430	122,891	294,116
226	1	226	2,431	123,117	294,877
227	2	454	2,433	123,571	295,637
228	3	684	2,436	124,255	296,395
229	1	229	2,437	124,484	297,150
230	5	1,150	2,442	125,634	297,904
231	3	693	2,445	126,327	298,653
232	1	232	2,446	126,559	299,399
234	1	234	2,447	126,793	300,889
235	2	470	2,449	127,263	301,633
236	2	472	2,451	127,735	302,375
237	2	474	2,453	128,209	303,115
238	4	952	2,457	129,161	303,853
239	3	717	2,460	129,878	304,587
240	2	480	2,462	130,358	305,318
241	6	1,446	2,468	131,804	306,047
242	2	484	2,470	132,288	306,770
243	3	729	2,473	133,017	307,491
244	3	732	2,476	133,749	308,209
245	2	490	2,478	134,239	308,924
246	1	246	2,479	134,485	309,637
248	4	992	2,483	135,477	311,061
250	3	750	2,486	136,227	312,477
251	4	1,004	2,490	137,231	313,182

252	1	252	2,491	137,483	313,883
253	3	759	2,494	138,242	314,583
254	1	254	2,495	138,496	315,280
255	2	510	2,497	139,006	315,976
256	3	768	2,500	139,774	316,670
257	3	771	2,503	140,545	317,361
258	3	774	2,506	141,319	318,049
259	2	518	2,508	141,837	318,734
260	3	780	2,511	142,617	319,417
264	2	528	2,513	143,145	322,137
265	1	265	2,514	143,410	322,815
266	3	798	2,517	144,208	323,492
267	1	267	2,518	144,475	324,166
268	2	536	2,520	145,011	324,839
269	4	1,076	2,524	146,087	325,510
270	2	540	2,526	146,627	326,177
271	2	542	2,528	147,169	326,842
272	1	272	2,529	147,441	327,505
273	1	273	2,530	147,714	328,167
274	2	548	2,532	148,262	328,828
275	4	1,100	2,536	149,362	329,487
276	2	552	2,538	149,914	330,142
277	3	831	2,541	150,745	330,795
278	6	1,668	2,547	152,413	331,445
279	3	837	2,550	153,250	332,089
280	4	1,120	2,554	154,370	332,730
281	3	843	2,557	155,213	333,367
282	4	1,128	2,561	156,341	334,001
283	3	849	2,564	157,190	334,631
284	4	1,136	2,568	158,326	335,258
286	1	286	2,569	158,612	336,504
287	5	1,435	2,574	160,047	337,126
288	6	1,728	2,580	161,775	337,743
289	2	578	2,582	162,353	338,354
290	3	870	2,585	163,223	338,963
291	1	291	2,586	163,514	339,569
292	2	584	2,588	164,098	340,174
293	1	293	2,589	164,391	340,777
295	1	295	2,590	164,686	341,981
297	1	297	2,591	164,983	343,183
299	2	598	2,593	165,581	344,383
300	2	600	2,595	166,181	344,981
301	1	301	2,596	166,482	345,577
302	3	906	2,599	167,388	346,172
303	1	303	2,600	167,691	346,764
305	4	1,220	2,604	168,911	347,946
306	2	612	2,606	169,523	348,533
307	1	307	2,607	169,830	349,118
308	1	308	2,608	170,138	349,702
310	1	310	2,609	170,448	350,868
311	5	1,555	2,614	172,003	351,450
313	1	313	2,615	172,316	352,604
314	1	314	2,616	172,630	353,180
315	4	1,260	2,620	173,890	353,755
316	3	948	2,623	174,838	354,326
317	2	634	2,625	175,472	354,894
318	3	954	2,628	176,426	355,460
319	2	638	2,630	177,064	356,023
321	1	321	2,631	177,385	357,145
322	1	322	2,632	177,707	357,705
323	1	323	2,633	178,030	358,264
324	1	324	2,634	178,354	358,822
325	3	975	2,637	179,329	359,379
326	2	652	2,639	179,981	359,933
327	3	981	2,642	180,962	360,485
328	2	656	2,644	181,618	361,034

329	3	987	2,647	182,605	361,581
330	4	1,320	2,651	183,925	362,125
331	4	1,324	2,655	185,249	362,665
332	1	332	2,656	185,581	363,201
333	1	333	2,657	185,914	363,736
334	2	668	2,659	186,582	364,270
335	3	1,005	2,662	187,587	364,802
337	1	337	2,663	187,924	365,860
339	2	678	2,665	188,602	366,916
341	5	1,705	2,670	190,307	367,968
343	2	686	2,672	190,993	369,010
344	2	688	2,674	191,681	369,529
345	1	345	2,675	192,026	370,046
346	2	692	2,677	192,718	370,562
347	3	1,041	2,680	193,759	371,076
349	3	1,047	2,683	194,806	372,098
350	2	700	2,685	195,506	372,606
351	2	702	2,687	196,208	373,112
354	3	1,062	2,690	197,270	374,624
355	2	710	2,692	197,980	375,125
356	1	356	2,693	198,336	375,624
357	1	357	2,694	198,693	376,122
358	3	1,074	2,697	199,767	376,619
359	1	359	2,698	200,126	377,113
360	1	360	2,699	200,486	377,606
361	1	361	2,700	200,847	378,098
363	1	363	2,701	201,210	379,080
364	1	364	2,702	201,574	379,570
366	1	366	2,703	201,940	380,548
367	1	367	2,704	202,307	381,036
371	2	742	2,706	203,049	382,984
372	2	744	2,708	203,793	383,469
375	3	1,125	2,711	204,918	384,918
376	1	376	2,712	205,294	385,398
378	1	378	2,713	205,672	386,356
379	1	379	2,714	206,051	386,834
380	1	380	2,715	206,431	387,311
381	1	381	2,716	206,812	387,787
382	1	382	2,717	207,194	388,262
383	1	383	2,718	207,577	388,736
385	1	385	2,719	207,962	389,682
386	2	772	2,721	208,734	390,154
387	1	387	2,722	209,121	390,624
388	1	388	2,723	209,509	391,093
389	2	778	2,725	210,287	391,561
390	1	390	2,726	210,677	392,027
392	1	392	2,727	211,069	392,957
393	2	786	2,729	211,855	393,421
394	2	788	2,731	212,643	393,883
395	3	1,185	2,734	213,828	394,343
396	2	792	2,736	214,620	394,800
397	2	794	2,738	215,414	395,255
398	3	1,194	2,741	216,608	395,708
399	1	399	2,742	217,007	396,158
401	3	1,203	2,745	218,210	397,056
403	1	403	2,746	218,613	397,948
404	2	808	2,748	219,421	398,393
405	6	2,430	2,754	221,851	398,836
406	2	812	2,756	222,663	399,273
407	1	407	2,757	223,070	399,708
408	2	816	2,759	223,886	400,142
409	1	409	2,760	224,295	400,574
410	3	1,230	2,763	225,525	401,005
411	3	1,233	2,766	226,758	401,433
413	2	826	2,768	227,584	402,283
417	1	417	2,769	228,001	403,975

418	2	836	2,771	228,837	404,397
420	1	420	2,772	229,257	405,237
421	1	421	2,773	229,678	405,656
422	3	1,266	2,776	230,944	406,074
423	3	1,269	2,779	232,213	406,489
425	1	425	2,780	232,638	407,313
426	1	426	2,781	233,064	407,724
427	1	427	2,782	233,491	408,134
428	5	2,140	2,787	235,631	408,543
429	2	858	2,789	236,489	408,947
430	1	430	2,790	236,919	409,349
432	1	432	2,791	237,351	410,151
433	1	433	2,792	237,784	410,551
435	2	870	2,794	238,654	411,349
436	2	872	2,796	239,526	411,746
437	1	437	2,797	239,963	412,141
438	2	876	2,799	240,839	412,535
440	1	440	2,800	241,279	413,319
441	1	441	2,801	241,720	413,710
445	1	445	2,802	242,165	415,270
446	1	446	2,803	242,611	415,659
449	2	898	2,805	243,509	416,823
451	1	451	2,806	243,960	417,595
452	4	1,808	2,810	245,768	417,980
454	1	454	2,811	246,222	418,742
455	1	455	2,812	246,677	419,122
456	1	456	2,813	247,133	419,501
457	2	914	2,815	248,047	419,879
458	1	458	2,816	248,505	420,255
459	1	459	2,817	248,964	420,630
465	1	465	2,818	249,429	422,874
467	2	934	2,820	250,363	423,620
468	1	468	2,821	250,831	423,991
469	2	938	2,823	251,769	424,361
470	2	940	2,825	252,709	424,729
474	1	474	2,826	253,183	426,193
475	1	475	2,827	253,658	426,558
476	1	476	2,828	254,134	426,922
480	2	960	2,830	255,094	428,374
482	1	482	2,831	255,576	429,096
483	2	966	2,833	256,542	429,456
484	1	484	2,834	257,026	429,814
487	1	487	2,835	257,513	430,885
488	2	976	2,837	258,489	431,241
491	2	982	2,839	259,471	432,303
492	1	492	2,840	259,963	432,655
495	2	990	2,842	260,953	433,708
496	2	992	2,844	261,945	434,057
497	1	497	2,845	262,442	434,404
498	2	996	2,847	263,438	434,750
500	2	1,000	2,849	264,438	435,438
501	2	1,002	2,851	265,440	435,780
505	1	505	2,852	265,945	437,140
506	1	506	2,853	266,451	437,479
509	2	1,018	2,855	267,469	438,493
510	2	1,020	2,857	268,489	438,829
514	1	514	2,858	269,003	440,165
516	2	1,032	2,860	270,035	440,831
518	1	518	2,861	270,553	441,493
520	3	1,560	2,864	272,113	442,153
521	1	521	2,865	272,634	442,480
522	1	522	2,866	273,156	442,806
523	1	523	2,867	273,679	443,131
525	1	525	2,868	274,204	443,779
527	1	527	2,869	274,731	444,425
530	1	530	2,870	275,261	445,391

533	2	1,066	2,872	276,327	446,354
535	2	1,070	2,874	277,397	446,992
536	2	1,072	2,876	278,469	447,309
537	1	537	2,877	279,006	447,624
538	1	538	2,878	279,544	447,938
542	1	542	2,879	280,086	449,190
543	1	543	2,880	280,629	449,502
545	2	1,090	2,882	281,719	450,124
546	1	546	2,883	282,265	450,433
547	1	547	2,884	282,812	450,741
548	2	1,096	2,886	283,908	451,048
550	1	550	2,887	284,458	451,658
551	1	551	2,888	285,009	451,962
553	1	553	2,889	285,562	452,568
556	1	556	2,890	286,118	453,474
557	2	1,114	2,892	287,232	453,775
559	2	1,118	2,894	288,350	454,373
560	2	1,120	2,896	289,470	454,670
562	3	1,686	2,899	291,156	455,260
564	1	564	2,900	291,720	455,844
565	1	565	2,901	292,285	456,135
566	1	566	2,902	292,851	456,425
567	2	1,134	2,904	293,985	456,714
568	3	1,704	2,907	295,689	457,001
569	1	569	2,908	296,258	457,285
570	1	570	2,909	296,828	457,568
571	1	571	2,910	297,399	457,850
572	1	572	2,911	297,971	458,131
573	1	573	2,912	298,544	458,411
575	1	575	2,913	299,119	458,969
577	1	577	2,914	299,696	459,525
578	1	578	2,915	300,274	459,802
579	1	579	2,916	300,853	460,078
580	1	580	2,917	301,433	460,353
581	2	1,162	2,919	302,595	460,627
583	3	1,749	2,922	304,344	461,171
587	1	587	2,923	304,931	462,247
588	1	588	2,924	305,519	462,515
589	1	589	2,925	306,108	462,782
590	2	1,180	2,927	307,288	463,048
592	3	1,776	2,930	309,064	463,576
595	1	595	2,931	309,659	464,359
596	1	596	2,932	310,255	464,619
599	1	599	2,933	310,854	465,396
601	1	601	2,934	311,455	465,912
603	1	603	2,935	312,058	466,426
604	1	604	2,936	312,662	466,682
606	1	606	2,937	313,268	467,192
607	1	607	2,938	313,875	467,446
608	1	608	2,939	314,483	467,699
609	1	609	2,940	315,092	467,951
610	1	610	2,941	315,702	468,202
614	1	614	2,942	316,316	469,202
615	1	615	2,943	316,931	469,451
616	1	616	2,944	317,547	469,699
617	1	617	2,945	318,164	469,946
618	1	618	2,946	318,782	470,192
619	1	619	2,947	319,401	470,437
620	1	620	2,948	320,021	470,681
625	1	625	2,949	320,646	471,896
627	2	1,254	2,951	321,900	472,380
630	2	1,260	2,953	323,160	473,100
634	2	1,268	2,955	324,428	474,052
635	1	635	2,956	325,063	474,288
636	1	636	2,957	325,699	474,523
638	1	638	2,958	326,337	474,991

639	1	639	2,959	326,976	475,224
641	1	641	2,960	327,617	475,688
642	1	642	2,961	328,259	475,919
651	1	651	2,962	328,910	477,989
655	2	1,310	2,964	330,220	478,905
658	1	658	2,965	330,878	479,586
660	1	660	2,966	331,538	480,038
662	1	662	2,967	332,200	480,488
665	1	665	2,968	332,865	481,160
667	1	667	2,969	333,532	481,606
668	3	2,004	2,972	335,536	481,828
671	2	1,342	2,974	336,878	482,485
672	1	672	2,975	337,550	482,702
673	2	1,346	2,977	338,896	482,918
674	1	674	2,978	339,570	483,132
678	1	678	2,979	340,248	483,984
679	1	679	2,980	340,927	484,196
681	2	1,362	2,982	342,289	484,618
682	1	682	2,983	342,971	484,827
688	2	1,376	2,985	344,347	486,075
689	2	1,378	2,987	345,725	486,281
690	1	690	2,988	346,415	486,485
691	1	691	2,989	347,106	486,688
692	2	1,384	2,991	348,490	486,890
693	1	693	2,992	349,183	487,090
694	2	1,388	2,994	350,571	487,289
695	1	695	2,995	351,266	487,486
696	1	696	2,996	351,962	487,682
697	2	1,394	2,998	353,356	487,877
698	1	698	2,999	354,054	488,070
699	2	1,398	3,001	355,452	488,262
701	1	701	3,002	356,153	488,642
704	1	704	3,003	356,857	489,209
706	2	1,412	3,005	358,269	489,585
709	2	1,418	3,007	359,687	490,143
715	1	715	3,008	360,402	491,247
717	1	717	3,009	361,119	491,613
718	1	718	3,010	361,837	491,795
721	1	721	3,011	362,558	492,338
724	1	724	3,012	363,282	492,878
729	1	729	3,013	364,011	493,773
731	1	731	3,014	364,742	494,129
735	1	735	3,015	365,477	494,837
737	2	1,474	3,017	366,951	495,189
742	1	742	3,018	367,693	496,059
743	3	2,229	3,021	369,922	496,232
745	1	745	3,022	370,667	496,572
746	1	746	3,023	371,413	496,741
751	1	751	3,024	372,164	497,581
752	1	752	3,025	372,916	497,748
753	2	1,506	3,027	374,422	497,914
772	1	772	3,028	375,194	501,030
773	2	1,546	3,030	376,740	501,193
776	1	776	3,031	377,516	501,676
781	1	781	3,032	378,297	502,476
786	1	786	3,033	379,083	503,271
787	2	1,574	3,035	380,657	503,429
791	1	791	3,036	381,448	504,053
799	1	799	3,037	382,247	505,293
805	2	1,610	3,039	383,857	506,217
809	1	809	3,040	384,666	506,825
810	1	810	3,041	385,476	506,976
812	1	812	3,042	386,288	507,276
816	2	1,632	3,044	387,920	507,872
822	1	822	3,045	388,742	508,754
827	1	827	3,046	389,569	509,484

830	1	830	3,047	390,399	509,919
831	1	831	3,048	391,230	510,063
841	1	841	3,049	392,071	511,493
843	1	843	3,050	392,914	511,777
846	1	846	3,051	393,760	512,200
847	1	847	3,052	394,607	512,340
848	1	848	3,053	395,455	512,479
850	1	850	3,054	396,305	512,755
851	2	1,702	3,056	398,007	512,892
852	1	852	3,057	398,859	513,027
854	2	1,708	3,059	400,567	513,295
856	1	856	3,060	401,423	513,559
857	1	857	3,061	402,280	513,690
859	2	1,718	3,063	403,998	513,950
861	1	861	3,064	404,859	514,206
863	1	863	3,065	405,722	514,460
867	1	867	3,066	406,589	514,964
870	1	870	3,067	407,459	515,339
878	1	878	3,068	408,337	516,331
883	2	1,766	3,070	410,103	516,946
894	1	894	3,071	410,997	518,277
895	1	895	3,072	411,892	518,397
901	1	901	3,073	412,793	519,111
905	1	905	3,074	413,698	519,583
910	1	910	3,075	414,608	520,168
914	1	914	3,076	415,522	520,632
921	1	921	3,077	416,443	521,437
923	1	923	3,078	417,366	521,665
933	1	933	3,079	418,299	522,795
938	2	1,876	3,081	420,175	523,355
943	1	943	3,082	421,118	523,905
955	1	955	3,083	422,073	525,213
956	1	956	3,084	423,029	525,321
965	1	965	3,085	423,994	526,284
966	1	966	3,086	424,960	526,390
984	2	1,968	3,088	426,928	528,280
986	1	986	3,089	427,914	528,486
987	1	987	3,090	428,901	528,588
988	2	1,976	3,092	430,877	528,689
989	1	989	3,093	431,866	528,788
992	1	992	3,094	432,858	529,082
996	1	996	3,095	433,854	529,470
1000	1	1,000	3,096	434,854	529,854
1003	2	2,006	3,098	436,860	530,139
1005	1	1,005	3,099	437,865	530,325
1008	1	1,008	3,100	438,873	530,601
1017	1	1,017	3,101	439,890	531,420
1021	1	1,021	3,102	440,911	531,780
1036	2	2,072	3,104	442,983	533,115
1083	1	1,083	3,105	444,066	537,204
1102	2	2,204	3,107	446,270	538,838
1105	1	1,105	3,108	447,375	539,090
1118	2	2,236	3,110	449,611	540,169
1128	1	1,128	3,111	450,739	540,979
1155	1	1,155	3,112	451,894	543,139
1165	1	1,165	3,113	453,059	543,929
1168	1	1,168	3,114	454,227	544,163
1181	1	1,181	3,115	455,408	545,164
1183	2	2,366	3,117	457,774	545,316
1189	1	1,189	3,118	458,963	545,760
1213	1	1,213	3,119	460,176	547,512
1223	1	1,223	3,120	461,399	548,232
1235	1	1,235	3,121	462,634	549,084
1236	1	1,236	3,122	463,870	549,154
1241	1	1,241	3,123	465,111	549,499
1245	1	1,245	3,124	466,356	549,771

1254	1	1,254	3,125	467,610	550,374
1256	1	1,256	3,126	468,866	550,506
1265	2	2,530	3,128	471,396	551,091
1275	1	1,275	3,129	472,671	551,721
1281	1	1,281	3,130	473,952	552,093
1318	1	1,318	3,131	475,270	554,350
1320	1	1,320	3,132	476,590	554,470
1336	1	1,336	3,133	477,926	555,414
1338	1	1,338	3,134	479,264	555,530
1339	1	1,339	3,135	480,603	555,587
1348	1	1,348	3,136	481,951	556,091
1349	2	2,698	3,138	484,649	556,146
1354	1	1,354	3,139	486,003	556,411
1359	1	1,359	3,140	487,362	556,671
1367	1	1,367	3,141	488,729	557,079
1373	1	1,373	3,142	490,102	557,379
1383	1	1,383	3,143	491,485	557,869
1388	1	1,388	3,144	492,873	558,109
1397	1	1,397	3,145	494,270	558,532
1401	1	1,401	3,146	495,671	558,716
1408	1	1,408	3,147	497,079	559,031
1411	1	1,411	3,148	498,490	559,163
1429	1	1,429	3,149	499,919	559,937
1443	1	1,443	3,150	501,362	560,525
1445	1	1,445	3,151	502,807	560,607
1454	1	1,454	3,152	504,261	560,967
1456	1	1,456	3,153	505,717	561,045
1457	1	1,457	3,154	507,174	561,083
1465	1	1,465	3,155	508,639	561,379
1481	1	1,481	3,156	510,120	561,955
1483	1	1,483	3,157	511,603	562,025
1487	1	1,487	3,158	513,090	562,161
1500	2	3,000	3,160	516,090	562,590
1505	1	1,505	3,161	517,595	562,745
1510	1	1,510	3,162	519,105	562,895
1513	1	1,513	3,163	520,618	562,982
1522	1	1,522	3,164	522,140	563,234
1534	2	3,068	3,166	525,208	563,558
1540	1	1,540	3,167	526,748	563,708
1576	1	1,576	3,168	528,324	564,572
1592	1	1,592	3,169	529,916	564,940
1612	1	1,612	3,170	531,528	565,380
1615	1	1,615	3,171	533,143	565,443
1647	1	1,647	3,172	534,790	566,083
1711	1	1,711	3,173	536,501	567,299
1718	1	1,718	3,174	538,219	567,425
1777	1	1,777	3,175	539,996	568,428
1843	1	1,843	3,176	541,839	569,484
1905	1	1,905	3,177	543,744	570,414
1933	1	1,933	3,178	545,677	570,806
1941	1	1,941	3,179	547,618	570,910
1947	1	1,947	3,180	549,565	570,982
1968	1	1,968	3,181	551,533	571,213
1998	1	1,998	3,182	553,531	571,513
2019	1	2,019	3,183	555,550	571,702
2046	1	2,046	3,184	557,596	571,918
2089	1	2,089	3,185	559,685	572,219

2174	1	2,174	3,186	561,859	572,729
2180	1	2,180	3,187	564,039	572,759
2195	1	2,195	3,188	566,234	572,819
2232	1	2,232	3,189	568,466	572,930
3185	1	3,185	3,190	571,651	574,836
6611	1	6,611	3,191	578,262	578,262

Add Customer Annualization from Schedule C-2, Adjustment LJG-5 as Full Bills below:

	5	750	207.93	957.93

	Meter Count	Tier 1 Usage	Tier 2 Usage	
Full Bill	3,196	229,331	349,889	579,220
Prorated Bills	543.57	58,844	78,382	137,226
	3,739.57	288,175	428,270	716,446

				Total	
Revenue Full	$313,525.27	$ 639,691.84	$ 1,133,546.29	$2,086,763.40	716,446
Misc Adjustments				$ (8,462.78)	(2,223)
				$2,078,300.62	714,223
PMTUSGRVNR Report + Customer Annualization				$2,081,513.23	713,475
Difference				$ 3,212.60	0.1543%

		C2M1D	(22.87)
		C2M1D	1,923,760.71
		acrm	155,141.00
		Cust Annual	$2,634.39
Average Customers	311		2,081,513.23
Average Consumption	191,585		
		True Variance	-
		H-Schedule Variance	($3,212.60)

Arizona American Water Company
Aqua Fria Water - C2M1E incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C2M1E					
Description:	Aqua Fria Commercial 3"					
Monthly Customer Charge:		$164.02				
Tier One	Break Over:	300,000	Gallons	Rate:	$	2.2198
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$	2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	131	0	131	0	0
1	31	31	162	31	558
2	26	52	188	83	1,085
3	20	60	208	143	1,586
4	12	48	220	191	2,067
5	19	95	239	286	2,536
6	17	102	256	388	2,986
7	21	147	277	535	3,419
8	10	80	287	615	3,831
9	14	126	301	741	4,233
10	13	130	314	871	4,621
11	7	77	321	948	4,996
12	5	60	326	1,008	5,364
13	3	39	329	1,047	5,727
14	5	70	334	1,117	6,087
15	7	105	341	1,222	6,442
16	7	112	348	1,334	6,790
17	3	51	351	1,385	7,131
18	6	108	357	1,493	7,469
21	3	63	360	1,556	8,465
22	3	66	363	1,622	8,794
23	1	23	364	1,645	9,120
24	2	48	366	1,693	9,445
25	1	25	367	1,718	9,768
26	7	182	374	1,900	10,090
27	2	54	376	1,954	10,405
28	3	84	379	2,038	10,718
29	2	58	381	2,096	11,028
30	3	90	384	2,186	11,336
31	4	124	388	2,310	11,641
32	4	128	392	2,438	11,942
33	3	99	395	2,537	12,239
34	1	34	396	2,571	12,533
35	5	175	401	2,746	12,826
37	3	111	404	2,857	13,402
38	1	38	405	2,895	13,687
39	2	78	407	2,973	13,971
40	2	80	409	3,053	14,253
41	4	164	413	3,217	14,533
42	2	84	415	3,301	14,809
43	2	86	417	3,387	15,083
44	4	176	421	3,563	15,355
46	2	92	423	3,655	15,891
48	1	48	424	3,703	16,423
49	1	49	425	3,752	16,688
50	3	150	428	3,902	16,952
52	2	104	430	4,006	17,474
53	1	53	431	4,059	17,733
54	1	54	432	4,113	17,991
56	2	112	434	4,225	18,505
57	2	114	436	4,339	18,760

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
59	1	59	437	4,398	19,266
60	1	60	438	4,458	19,518
61	3	183	441	4,641	19,769
62	3	186	444	4,827	20,017
63	2	126	446	4,953	20,262
64	1	64	447	5,017	20,505
66	1	66	448	5,083	20,989
68	3	204	451	5,287	21,471
69	3	207	454	5,494	21,709
70	1	70	455	5,564	21,944
71	1	71	456	5,635	22,178
72	4	288	460	5,923	22,411
73	1	73	461	5,996	22,640
74	1	74	462	6,070	22,868
75	2	150	464	6,220	23,095
76	3	228	467	6,448	23,320
77	3	231	470	6,679	23,542
78	2	156	472	6,835	23,761
79	2	158	474	6,993	23,978
80	2	160	476	7,153	24,193
81	2	162	478	7,315	24,406
82	1	82	479	7,397	24,617
83	3	249	482	7,646	24,827
85	2	170	484	7,816	25,241
87	1	87	485	7,903	25,651
88	1	88	486	7,991	25,855
89	1	89	487	8,080	26,058
90	1	90	488	8,170	26,260
92	2	184	490	8,354	26,662
93	1	93	491	8,447	26,861
96	1	96	492	8,543	27,455
98	2	196	494	8,739	27,849
99	1	99	495	8,838	28,044
101	1	101	496	8,939	28,432
102	1	102	497	9,041	28,625
103	1	103	498	9,144	28,817
105	4	420	502	9,564	29,199
106	1	106	503	9,670	29,386
110	2	220	505	9,890	30,130
111	1	111	506	10,001	30,314
112	1	112	507	10,113	30,497
113	2	226	509	10,339	30,679
115	1	115	510	10,454	31,039
116	1	116	511	10,570	31,218
117	2	234	513	10,804	31,396
118	2	236	515	11,040	31,572
121	3	363	518	11,403	32,094
122	3	366	521	11,769	32,265
123	1	123	522	11,892	32,433
124	2	248	524	12,140	32,600
125	36	4,500	560	16,640	32,765
126	2	252	562	16,892	32,894
127	1	127	563	17,019	33,021
129	1	129	564	17,148	33,273
131	1	131	565	17,279	33,523
135	1	135	566	17,414	34,019
136	2	272	568	17,686	34,142
137	1	137	569	17,823	34,263
138	3	414	572	18,237	34,383
140	1	140	573	18,377	34,617
142	1	142	574	18,519	34,849
144	1	144	575	18,663	35,079
145	1	145	576	18,808	35,193
146	1	146	577	18,954	35,306
147	1	147	578	19,101	35,418
148	1	148	579	19,249	35,529

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
152	1	152	580	19,401	35,969
153	1	153	581	19,554	36,078
157	1	157	582	19,711	36,510
161	2	322	584	20,033	36,938
162	1	162	585	20,195	37,043
163	1	163	586	20,358	37,147
169	1	169	587	20,527	37,765
170	2	340	589	20,867	37,867
172	1	172	590	21,039	38,067
181	1	181	591	21,220	38,958
183	1	183	592	21,403	39,154
195	1	195	593	21,598	40,318
196	1	196	594	21,794	40,414
199	1	199	595	21,993	40,699
202	1	202	596	22,195	40,981
211	1	211	597	22,406	41,818
212	1	212	598	22,618	41,910
213	1	213	599	22,831	42,001
225	2	450	601	23,281	43,081
230	1	230	602	23,511	43,521
231	1	231	603	23,742	43,608
235	1	235	604	23,977	43,952
240	1	240	605	24,217	44,377
241	1	241	606	24,458	44,461
247	1	247	607	24,705	44,959
249	1	249	608	24,954	45,123
253	1	253	609	25,207	45,447
255	1	255	610	25,462	45,607
260	1	260	611	25,722	46,002
261	1	261	612	25,983	46,080
262	1	262	613	26,245	46,157
264	1	264	614	26,509	46,309
269	1	269	615	26,778	46,684
271	1	271	616	27,049	46,832
282	2	564	618	27,613	47,635
286	2	572	620	28,185	47,919
287	1	287	621	28,472	47,988
295	1	295	622	28,767	48,532
298	1	298	623	29,065	48,733
299	1	299	624	29,364	48,799
304	1	304	625	29,668	49,124
306	1	306	626	29,974	49,252
309	1	309	627	30,283	49,441
312	1	312	628	30,595	49,627
314	2	628	630	31,223	49,749
321	1	321	631	31,544	50,162
322	1	322	632	31,866	50,220
326	2	652	634	32,518	50,448
343	1	343	635	32,861	51,383
351	1	351	636	33,212	51,815
356	1	356	637	33,568	52,080
358	1	358	638	33,926	52,184
361	1	361	639	34,287	52,337
369	1	369	640	34,656	52,737
371	1	371	641	35,027	52,835
373	1	373	642	35,400	52,931
390	1	390	643	35,790	53,730
397	1	397	644	36,187	54,052
400	1	400	645	36,587	54,187
405	1	405	646	36,992	54,407
406	1	406	647	37,398	54,450
410	1	410	648	37,808	54,618
418	1	418	649	38,226	54,946
419	1	419	650	38,645	54,986
425	1	425	651	39,070	55,220
440	1	440	652	39,510	55,790

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor	
456	1	456	653	39,966	56,382	
461	1	461	654	40,427	56,562	
471	1	471	655	40,898	56,912	
488	1	488	656	41,386	57,490	
496	1	496	657	41,882	57,754	
521	1	521	658	42,403	58,554	
579	1	579	659	42,982	60,352	
609	1	609	660	43,591	61,252	
631	1	631	661	44,222	61,890	
638	1	638	662	44,860	62,086	
642	1	642	663	45,502	62,194	
660	1	660	664	46,162	62,662	
671	1	671	665	46,833	62,937	
681	1	681	666	47,514	63,177	
731	1	731	667	48,245	64,327	
774	1	774	668	49,019	65,273	
822	1	822	669	49,841	66,281	
899	1	899	670	50,740	67,821	
921	2	1,842	672	52,582	68,239	
937	1	937	673	53,519	68,511	
938	2	1,876	675	55,395	68,527	
957	1	957	676	56,352	68,793	
977	1	977	677	57,329	69,053	
997	1	997	678	58,326	69,293	
1008	1	1,008	679	59,334	69,414	
1035	1	1,035	680	60,369	69,684	
1379	1	1,379	681	61,748	72,780	
1428	1	1,428	682	63,176	73,172	
1621	1	1,621	683	64,797	74,523	
1651	1	1,651	684	66,448	74,703	
1907	1	1,907	685	68,355	75,983	
2462	1	2,462	686	70,817	78,203	
2636	1	2,636	687	73,453	78,725	AZ Water
3548	1	3,548	688	77,001	80,549	
14009	1	14,009	689	91,010	91,010	AZ Water

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	689	48,799	42,211
Prorated Bills	217.60	21,633	33,949
	906.60	70,432	76,160

				Total	
Revenue Full	$148,700.53	$ 156,346.04	$ 201,579.23	$506,625.80	
Misc Adjustments				($48,776.83)	without any back billing for AZ Water
				$457,848.97	
PMTUSGRVNR Report				472,018.02	without any back billing for AZ Water
Difference				$ 14,169.05	3.0018%
			C2M1E	(515.50)	
			C2M1E	431,556.36	
			ACRM	40,977.16	
Average Customers	76			472,018.02	
Average Consumption	161,694				
			True Variance	-	
			H-Schedule Variance	($14,169.05)	

Arizona American Water Company
Aqua Fria Water - C2M1F incl ACRM
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 C2M1F
Page 63
Witness: Gutowski

Rate Schedule:	C2M1F				
Description:	Aqua Fria Commercial 4"				
Monthly Customer Charge:		$220.63			
Tier One	Break Over:	400,000	Gallons	Rate:	$ 2.2198
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
57	1	57	1	57	57
125	2	250	3	307	557
446	1	446	4	753	1,199
1853	1	1,853	5	2,606	2,606

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	5	187	2,419
Prorated Bills	4.17	2,097	2,162
	9.17	2,284	4,581

				Total
Revenue Full	$2,022.44	$ 5,070.76	$ 12,124.12	$19,217.31
Misc Adjustments				$ -
				$19,217.31
PMTUSGRVNR Report				19,217.32
Difference				$ 0.01
			C2M1F	19,217.32
Average Customers	1			19,217.32
Average Consumption	748,909			
			True Variance	-
			H-Schedule Variance	($0.01)

Arizona American Water Company
Aqua Fria Water - C2M1G incl ACRM
Unit of Measure = 1000 Gals.

Rate Schedule:	C2M1G				
Description:	Aqua Fria Commercial 6"				
Monthly Customer Charge:		$425.22			
Tier One	Break Over:	800,000	Gallons	Rate:	$ 2.2198
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 2.6468

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	6	0	6	0	0
3	1	3	7	3	84
4	2	8	9	11	111
5	1	5	10	16	136
6	1	6	11	22	160
8	1	8	12	30	206
15	1	15	13	45	360
25	1	25	14	70	570
200	1	200	15	270	4,070
460	1	460	16	730	9,010
625	1	625	17	1,355	11,980
695	1	695	18	2,050	13,170
1010	1	1,010	19	3,060	18,210
1110	1	1,110	20	4,170	19,710
1305	1	1,305	21	5,475	22,440
1880	1	1,880	22	7,355	29,915
2449	1	2,449	23	9,804	36,743
2501	1	2,501	24	12,305	37,315
2560	1	2,560	25	14,865	37,905
2812	1	2,812	26	17,677	40,173
2946	1	2,946	27	20,623	41,245
3043	1	3,043	28	23,666	41,924
3206	1	3,206	29	26,872	42,902
3280	1	3,280	30	30,152	43,272
3596	1	3,596	31	33,748	44,536
3795	1	3,795	32	37,543	45,133
4380	1	4,380	33	41,923	46,303
4860	1	4,860	34	46,783	46,783

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	34	13,170	33,613
Prorated Bills	0.80	4,499	8,154
	34.80	17,669	41,767

				Total	
Revenue Full	$14,797.66	$ 39,221.65	$ 110,548.90	$164,568.20	
Misc Adjustments				$ (8.24)	
				$164,559.96	
PMTUSGRVNR Report				164,551.41	
Difference				$ (8.55)	-0.01%

		C2M1G	142,459.42	
		C2MIG	10,657.90	typo
Average Customers	3	ACRM	11,434.09	
Average Consumption	1,707,931		164,551.41	

True Variance	-
H-Schedule Variance	$8.55

Arizona American Water Company
Aqua Fria Water - C2M3
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 C2M3
Page 66
Witness: Gutowski

Rate Schedule:	C2M3				
Description:	Arizona Water Contract				
Monthly Customer Charge:		$0.00			
Tier One	Break Over:	8,000	Gallons	Rate:	$ 1.7800
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 2.2400

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	6	0	6	0	0
1992	1	1,992	7	1,992	1,992

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	7	8	1,984
Prorated Bills	-	9	0
	7.00	17	1,984

				Total	
Revenue Full	$0.00	$ 30.26	$ 4,444.16	$4,474.42	
Misc Adjustments				$ (16.11)	
				$4,458.31	
PMTUSGRVNR Report				$4,458.31	
Difference				$ -	0.0000%
			C2M3	4,458.31	
Average Customers	1			4,458.31	
Average Consumption	285,857				
			True Variance	-	
			H-Schedule Variance	$0.00	

Arizona American Water Company
Aqua Fria Water - C4M2
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 C4M2
Page 67
Witness: Gutowski

Rate Schedule:	C4M2			
Description:	Aqua Fria OPA - State Prison			
Monthly Customer Charge:		$191.75		
Tier One	Break Over:	999,999,999	Gallons	Rate: $ 1.9300

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
6	1	6	1	6	6
41	1	41	2	47	129
1201	1	1,201	3	1,248	2,449
1405	1	1,405	4	2,653	2,653

	Meter Count	Tier 1 Usage
Full Bill	4	2,653
Prorated Bills	12.60	11,777
	16.60	14,430

			Total	
Revenue Full	$3,182.21	$ 27,849.90	$31,032.11	
Misc Adjustments			$ -	
			$31,032.11	
PMTUSGRVNR Report			$31,032.11	
Difference			$ 0.00	0.0000%
		C4M2	$31,032.11	
Average Customers	1		31,032.11	
Average Consumption	869,508			
		True Variance	-	
		H-Schedule Variance	($0.00)	

Arizona American Water Company
Aqua Fria Water - C5M1
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 C5M1
Page 68
Witness: Gutowski

Rate Schedule: C5M1
Description: Aqua Fria - OWU Pl Surprise
Monthly Customer Charge: $0.00
Tier One Break Over: 999,999,999 Gallons Rate: $ 1.0000

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	4	0	4	0	0
1	1	1	5	1	40
5	1	5	6	6	196
6	1	6	7	12	234
14	1	14	8	26	530
16	1	16	9	42	602
125	1	125	10	167	4,417
235	2	470	12	637	8,157
325	1	325	13	962	11,037
420	1	420	14	1,382	13,982
425	1	425	15	1,807	14,132
485	1	485	16	2,292	15,872
515	1	515	17	2,807	16,712
655	1	655	18	3,462	20,492
730	1	730	19	4,192	22,442
770	1	770	20	4,962	23,442
905	1	905	21	5,867	26,682
1210	1	1,210	22	7,077	33,697
1375	1	1,375	23	8,452	37,327
1425	1	1,425	24	9,877	38,377
1500	1	1,500	25	11,377	39,877
1680	1	1,680	26	13,057	43,297
2030	1	2,030	27	15,087	49,597
2235	1	2,235	28	17,322	53,082
2535	1	2,535	29	19,857	57,882
2835	1	2,835	30	22,692	62,382
2930	1	2,930	31	25,622	63,712
3015	1	3,015	32	28,637	64,817
3115	1	3,115	33	31,752	66,017
3500	1	3,500	34	35,252	70,252
3520	1	3,520	35	38,772	70,452
3918	1	3,918	36	42,690	74,034
4150	1	4,150	37	46,840	75,890
5155	1	5,155	38	51,995	82,925
5467	1	5,467	39	57,462	84,797
6830	1	6,830	40	64,292	91,612
7060	1	7,060	41	71,352	92,532
7090	1	7,090	42	78,442	92,622
9390	1	9,390	43	87,832	97,222
9720	1	9,720	44	97,552	97,552

	Meter Count	Tier 1 Usage
Full Bill	44	97,552
Prorated Bills	-	25,888
	44.00	123,440

			Total
Revenue Full	$0.00	$ 123,440.00	$123,440.00
Misc Adjustments			$ -
			$123,440.00
PMTUSGRVNR Report			$123,440.00
Difference			$ -

0.0000%

Average Customers	4
Average Consumption	2,805,455

Arizona American Water Company
Aqua Fria Water - C7M2
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 C7M2
Page 70
Witness: Gutowski

Rate Schedule: C7M2
Description: Aqua Fria Irrigation - Raw
Monthly Customer Charge: $0.00
Tier One Break Over: 999,999,999 Gallons Rate: $ 0.5000

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	22	0	22	0	0
1	4	4	26	4	24
9	1	9	27	13	184
10	1	10	28	23	203
12	1	12	29	35	239
88	1	88	30	123	1,531
99	1	99	31	222	1,707
113	1	113	32	335	1,917
115	1	115	33	450	1,945
165	1	165	34	615	2,595
169	1	169	35	784	2,643
251	1	251	36	1,035	3,545
259	1	259	37	1,294	3,625
282	1	282	38	1,576	3,832
308	1	308	39	1,884	4,040
315	1	315	40	2,199	4,089
323	1	323	41	2,522	4,137
361	1	361	42	2,883	4,327
370	1	370	43	3,253	4,363
375	1	375	44	3,628	4,378
383	1	383	45	4,011	4,394
507	1	507	46	4,518	4,518

	Meter Cou	Tier 1 Usage
Full Bill	46	4,518
Prorated Bills	-	(54)
	46.00	4,464

			Total
Revenue Full	$0.00	$ 2,232.00	$2,232.00
Misc Adjustments			$ -
			$2,232.00
PMTUSGRVNR Report			$2,232.00
Difference			$ -

Average Customers	4
Average Consumption	97,043

Arizona American Water Company
Aqua Fria Water - C8M2
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 C8M2
Page 71
Witness: Gutowski

Rate Schedule: C8M2
Description: Aqua Fria Non-Potable Unrestricted Source
Monthly Customer Charge: $0.00
Tier One Break Over: 999,999,999 Gallons Rate: $ 0.6200

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	1	0	1	0	0
1,985	1	1,985	2	1,985	21,835
2,425	1	2,425	3	4,410	26,235
9,727	1	9,727	4	14,137	91,953
10,157	1	10,157	5	24,294	95,393
10,492	1	10,492	6	34,786	97,738
11,414	1	11,414	7	46,200	103,270
12,354	1	12,354	8	58,554	107,970
17,988	1	17,988	9	76,542	130,506
21,461	1	21,461	10	98,003	140,925
25,029	1	25,029	11	123,032	148,061
29,789	1	29,789	12	152,821	152,821

	Meter Count	Tier 1 Usage
Full Bill	12	152,821
Prorated Bills	-	0
	12.00	152,821

			Total
Revenue Full	$0.00	$ 94,749.02	$94,749.02
Misc Adjustments			$ -
			$94,749.02
JE to Books			$94,747.77
Difference			$ (1.25)

Average Customers 1
Average Consumption 12,735,083

Arizona American Water Company
Aqua Fria Water - B6M04
Unit of Measure = 1000 Gals.

Rate Schedule:	B6M04			
Description:	Private Fire 4"			
Monthly Customer Charge:		$35.22		
Tier One	Break Over:		Gallons	Rate:

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	12	0	12	0	0

	Meter Count	Tier 1 Usage
Full Bill	12	0
Prorated Bills	-	-
	12.00	0

			Total
Revenue Full	$422.64	$ -	$422.64
Misc Adjustments			$ -
			$422.64
PMTUSGRVNR Report			$422.64
Difference			$ -

Average Customers	1
Average Consumption	-

Arizona American Water Company
Aqua Fria Water - C6M04
Unit of Measure = 1000 Gals.

Rate Schedule:	C6M04			
Description:	Private Fire 4"			
Monthly Customer Charge:		$27.25		
Tier One	Break Over:		Gallons	Rate:

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	932	0	932	0	0

	Meter Count	Tier 1 Usage
Full Bill	932	0
Prorated Bills	56.49	-
	988.49	0

			Total
Revenue Full	$26,936.35	$ -	$26,936.35
Misc Adjustments			$ -
			$26,936.35
PMTUSGRVNR Report			$26,936.37
Difference			$ 0.02

Average Customers	82
Average Consumption	-

Arizona American Water Company
Aqua Fria Water - C6M06
Unit of Measure = 1000 Gals.

Rate Schedule:	C6M06			
Description:	Private Fire 6"			
Monthly Customer Charge:		$40.86		
Tier One	Break Over:		Gallons	Rate:

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	1273	0	1,273	0	0

	Meter Count	Tier 1 Usage
Full Bill	1,273	0
Prorated Bills	56.00	-
	1,329.00	0

			Total
Revenue Full	$54,302.94	$ -	$54,302.94
Misc Adjustments			$ 1,307.50
			$55,610.44
PMTUSGRVNR Report			$55,610.44
Difference			$ -

Average Customers	111
Average Consumption	-

Arizona American Water Company
Aqua Fria Water - C6M08
Unit of Measure = 1000 Gals.

Rate Schedule:	C6M08			
Description:	Private Fire 8"			
Monthly Customer Charge:		$54.48		
Tier One	Break Over:		Gallons	Rate:

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	422	0	422	0	0

	Meter Count	Tier 1 Usage
Full Bill	422	0
Prorated Bills	13.37	-
	435.37	0

			Total
Revenue Full	$23,718.96	$ -	$23,718.96
Misc Adjustments			$ (1,307.50)
			$22,411.46
PMTUSGRVNR Report			$22,411.47
Difference			$ 0.01

Average Customers	36
Average Consumption	-

Arizona American Water Company
Aqua Fria Water - C6M12
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 C6M12
Page 76
Witness: Gutowski

Rate Schedule:	C6M12			
Description:	Private Fire 12"			
Monthly Customer Charge:		$163.44		
Tier One	Break Over:		Gallons	Rate:

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	12	0	12	0	0

	Meter Count	Tier 1 Usage
Full Bill	12	0
Prorated Bills	-	-
	12.00	0

			Total
Revenue Full	$1,961.28	$ -	$1,961.28
Misc Adjustments			$ -
			$1,961.28
PMTUSGRVNR Report			$1,961.28
Difference			$ -

Average Customers	1
Average Consumption	-

Arizona American Water Company
Aqua Fria Water - E6M06
Unit of Measure = 1000 Gals.

Rate Schedule:	E6M06			
Description:	Private Fire 6"			
Monthly Customer Charge:		$126.60		
Tier One	Break Over:		Gallons	Rate:

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	7	0	7	0	0

	Meter Count	Tier 1 Usage
Full Bill	7	0
Prorated Bills	-	-
	7.00	0

			Total
Revenue Full	$886.20	$ -	$886.20
Misc Adjustments			$ -
			$886.20
PMTUSGRVNR Report			$886.20
Difference			$ -

Average Customers	1
Average Consumption	-

Anthem Water

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Index of Standard Filing Schedules for Class A Water/Wastewater Utilities

Schedule No.	Title	Witness
Schedule A-1	Computation of Increase in Gross Revenue Requirement	Witness: Broderick
Schedule A-2	Summary of Results of Operations	Witness: Hubbard
Schedule A-3	Summary of Capital Structure	Witness: Broderick
Schedule A-4	Construction Expenditures and Gross Utility Plant in Service	Witness: Hubbard
Schedule A-5	Summary Statements of Cash Flows	Witness: Hubbard
Schedule B-1	Summary of Fair Value Rate Base	Witness: Gutowski
Schedule B-2	Original Cost Rate Base Proforma Adjustments	Witness: Gutowski
Schedule B-3	RCND Rate Base Proforma Adjustments	Witness: Gutowski
Schedule B-4	RCND Detail of Plant Accounts	Witness: Gutowski
Schedule B-5	Computation of Working Capital	Witness: Gutowski
Schedule C-1	Adjusted Test Year Income Statement	Witness: Hubbard
Schedule C-2	Income Statement Pro Forma Adjustments	Witness: Hubbard
Schedule C-3	Computation of Gross Revenue Conversion Factor	Witness: Hubbard
Schedule D-1	Summary of Cost of Capital	Witness: Broderick
Schedule D-2	Cost of Long Term Debt	Witness: Broderick
Schedule D-3	Cost of Preferred Stock	Witness: Broderick
Schedule D-4	Cost of Common Equity	Witness: Broderick
Schedule E-1	Comparative Balance Sheets	Witness: Gutowski
Schedule E-2	Comparative Income Statements	Witness: Hubbard
Schedule E-3	Comparative Statement of Changes in Financial Position	Witness: Hubbard
Schedule E-4	Statement of Changes in Stockholder's Equity	Witness: Broderick
Schedule E-5	Detail of Plant in Service	Witness: Gutowski
Schedule E-6	Comparative Departmental Statements of Operating Income	Witness: Hubbard
Schedule E-7	Operating Statistics	Witness: Hubbard
Schedule E-8	Taxes Charged to Operations	Witness: Hubbard
Schedule E-9	Notes To Financial Statements	Witness: Broderick
Schedule F-1	Projected Income Statements - Present & Proposed Rates	Witness: Hubbard
Schedule F-2	Projected Statements of Changes in Financial Position	Witness: Hubbard
Schedule F-3	Projected Construction Requirements	Witness: Hubbard
Schedule F-4	Assumptions Used in Rate Filing	Witness: Hubbard
Schedule G-1	Rates of Return by Customer Classification - Existing Rates	Witness: Herbert
Schedule G-2	Rates of Return by Customer Classification - Proposed Rates	Witness: Herbert
Schedule G-3	Rate Base Allocation to Classes	Witness: Herbert
Schedule G-4	Operating Expenses Allocation to Classes	Witness: Herbert
Schedule G-5	Distribution of Rate Base by Function	Witness: Herbert
Schedule G-6	Distribution of Expenses by Function	Witness: Herbert
Schedule G-7	Development of Allocation Factors	Witness: Herbert
Schedule H-1	Summary of Revenues by Customer	Witness: Gutowski
Schedule H-2	Analysis of Revenues by Detailed Class	Witness: Gutowski
Schedule H-3	Changes In Representative Rate Schedules	Witness: Gutowski
Schedule H-4	Typical Bill Analysis	Witness: Gutowski
Schedule H-5	Bill Count	Witness: Gutowski

A Schedules
Anthem
Water

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Computation of Increase in Gross Revenue Requirement

Exhibit
Schedule A-1
Page 1
Witness: Broderick

Line No.		
1	Original Cost Rate Base	$ 69,535,470
2		
3	Adjusted Operating Income	2,142,295
4		
5	Current Rate of Return	3.08%
6		
7	Required Operating Income	$ 5,840,979
8		
9	Required Rate of Return	8.40%
10		
11	Operating Income Deficiency	$ 3,698,685
12		
13	Gross Revenue Conversion Factor	1.6693
14		
15	Increase in Gross Revenue	
16	Requirement	$ 6,174,183
17		

18 Customer	Present	Proposed	Dollar	Percent
19 Classification	Rates	Rates	Increase	Increase
20				
21 Residential	$5,942,281	$9,886,997	$3,944,717	66.38%
22 Commercial	1,062,382	1,792,796	730,414	68.75%
23 Sale for Resale	708,220	1,330,946	622,726	87.93%
24 Private Fire	80,554	80,554	-	0.00%
25 Misc Irrigation Sales	1,094,931	1,970,935	876,004	80.01%
26				
27 Total Water Revenues	$8,888,368	$15,062,228	$ 6,173,860	69.46%
28				
29 Other Revenues	468,983	468,983	-	0.00%
30				
31 Total Water Revenues	$9,357,351	$15,531,211	$ 6,173,860	65.98%

32
33
34
35
36
37
38
39
40 Supporting Schedules:
41 B-1
42 C-1
43 H-1
44
45
46
47
48
49
50 \Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Hubbard

Line No.	Description	Prior Years Ended 12/9/2005	Prior Years Ended 12/31/2006	Test Year Actual 12/31/2007	Test Year Adjusted 12/31/2007	Projected Year Present Rates 12/31/2008	Projected Year Proposed Rates 12/31/2008
1	Gross Revenues	$ 6,116,554	$ 6,024,643	$ 5,618,428	$ 9,357,346	$ 9,357,346	$ 15,531,530
2							
3	Revenue Deductions and	5,982,826	7,404,019	5,806,826	7,215,051	7,229,155	9,690,594
4	Operating Expenses						
5							
6	Operating Income	$ 133,728	$ (1,379,376)	$ (188,398)	$ 2,142,295	$ 2,128,191	$ 5,840,936
7							
8	Other Income and	(118,557)	(127,312)	161,525	-	-	-
9	Deductions						
10							
11	Interest Expense	1,154,241	1,236,321	1,134,273	2,023,482	2,023,482	2,023,482
12							
13	Net Income	$ (1,139,070)	$ (2,743,009)	$ (1,161,146)	$ 118,813	$ 104,709	$ 3,817,454
14							
15	Earned Per Average						
16	Common Share	(61.71)	(158.90)	(76.37)	8.28	7.30	266.18
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	-2.18%	-5.32%	-2.40%	0.25%	0.22%	8.11%
25							
26	Return on Year End						
27	Capital	-2.20%	-5.35%	-2.56%	0.26%	0.21%	7.83%
28							
29	Return on Average						
30	Common Equity	-7.33%	-15.19%	-6.11%	0.63%	0.51%	11.74%
31							
32	Return on Year End						
33	Common Equity	-6.78%	-14.20%	-6.22%	0.64%	0.46%	11.74%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	2.52	3.22	(0.86)	1.15	1.15	4.13
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	10.61	7.00	(6.19)	1.06	1.05	2.89
41							
42							
43	Supporting Schedules:						
44	E-2 F-1						
45	C-1						
46	Workpapers & Supporting Documents:						
47	\Work Papers\Rate Base\Anth Wtr Rate Base.xls						
48							
49							
50	\Schedules\2007 Anthem Water Sch. A-F.xls\						

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Broderick

Line No.	Description:	Prior Years Ended 12/9/2005	Prior Years Ended 12/31/2006	Test Year 12/31/2007	Projected Year 12/31/2008
1					
2					
3	Long-Term Debt	198,757,395	207,839,822	194,768,140	189,208,140
4					
5	Total Debt	$ 198,757,395	$ 207,839,822	$ 194,768,140	$ 189,208,140
6					
7					
8	Preferred Stock	-	-	-	-
9					
10	Common Equity	95,198,212	125,757,912	136,123,326	166,123,326
11					
12					
13	Total Capital & Debt	$ 293,955,607	$ 333,597,734	$ 330,891,466	$ 355,331,466
14					
15					
16	Capitalization Ratios:				
17					
18	Long-Term Debt	67.61%	62.30%	58.86%	53.25%
19					
20	Total Debt	67.61%	62.30%	58.86%	53.25%
21					
22					
23	Preferred Stock	-	-	-	-
24					
25	Common Equity	32.39%	37.70%	41.14%	46.75%
26					
27					
28	Total Capital	100.00%	100.00%	100.00%	100.00%
29					
30	Weighted Cost of				
31	Short-term Debt	2.90%	5.73%	5.73%	5.73%
32					
33	Weighted Cost of				
34	Long-term Debt	4.90%	5.39%	5.47%	5.46%
35					
36	Weighted Cost of				
37	Senior Capital	4.90%	5.39%	5.47%	5.46%
38					
39					
40					
41					
42					
43	Supporting Schedules:				
44	E-1 D-1				
45	Workpapers & Supporting Documents:				
46					
47					
48					
49					
50	\Schedules\2007 Anthem Water Sch. A-F.xls\				

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Construction Expenditures and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Hubbard

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2	Prior Year Ended 12/9/2005	4,138,472	6,528,583	79,631,970
3				
4	Prior Year Ended 12/31/2006	2,290,869	4,907,684	84,539,654
5				
6	Test Year Ended December 31, 2007	1,651,148	4,943,747	89,483,401
7				
8	Projected Year Ended December 31, 2008	375,358	840,044	90,323,445
9				
10	Projected Year Ended December 31, 2009	467,899	1,047,149	91,370,594
11				
12	Projected Year Ended December 31, 2010	513,883	1,150,060	92,520,654
13				
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41				
42	Supporting Schedules:			
43	F-3			
44	E-5			
45				
46				
47				
48				
49				
50	\Schedules\2007 Anthem Water Sch. A-F.xls\			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Hubbard

Line No.		Prior Year Ended 12/9/2005	Prior Year Ended 12/31/2006	Test Year Ended 12/31/2007	Projected Year Present Rates 12/31/2008	Projected Year Proposed Rates 12/31/2008
1						
2						
3						
4						
5	Source of Funds					
6	From Operations					
7	Net Income	(3,851)	(295)	(36,540)	141,249	3,853,994
8	Depreciation and Amortization	2,162,277	2,283,773	1,659,481	1,979,583	1,979,583
9	Def. Investment Tax Credits	-	-	-	-	-
10	Deferred income Taxes	161,389	(808,894)	(164,793)	(164,793)	(164,793)
11	Amort. Of Regulatory Expense	21,131	30,387	11,030	11,030	11,030
12	Total From Operations	2,340,946	1,504,971	1,469,178	1,967,068	5,679,814
13	From Financing					
14	Advances in Aid of Construction	(538,696)	1,328,079	(1,677,699)	(1,677,699)	(1,677,699)
15	Contributions in Aid of Construction	48,924	995,007	1,267,621	1,267,621	1,267,621
16	Issuance of Long-term Debt	523,802	2,434,273	(752,368)	(752,368)	(752,368)
17	(Decrease) Increase in Net Amounts due to					
18	Parent and Affilitates	-	5,377,268	2,057,073	4,114,146	4,114,146
19	Total From Financing	34,030	10,134,626	894,627	2,951,700	2,951,700
20						
21	Total Funds Provided	$ 2,374,975	$ 11,639,597	$ 2,363,804	$ 4,918,768	$ 8,631,513
22	Application of Funds					
23	Construction Expenditures	4,138,472	2,290,869	1,651,148	375,358	375,358
24	Rate Case Expenses	21,131	30,387	11,030	$ 11,030	11,030
25	Dividends Paid	-	-	-	-	-
26	Other Deferred Debits and Credits	(126,263)	5,581,592	19,244	19,244	19,244
27	Total Funds Applied	$ 4,033,340	$ 7,902,848	$ 1,681,422	$ 405,632	$ 405,632
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42	Supporting Schedules:					
43	E-3					
44	F-2					
45						
46						
47						
48						
49						
50	\Schedules\2007 Anthem Water Sch. A-F.xls\					

B Schedules
Anthem
Water

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Summary of Fair Value Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Gutowski

Line No.		Original Cost Rate base
1		
2	Gross Utility Plant in Service	$ 85,096,054
3	Phoenix Interconnection	3,000,000
4	Less:	
5	Amortization of Phx Interconnect	500,000
6	Accumulated Depreciation	7,670,488
7		
8	Net Utility Plant in Service	$ 79,925,566
9		
10	Less:	
11	Advances in Aid of	
12	Construction	14,877,111
13	Contributions in Aid of	
14	Construction - Net of amortization	2,334,558
15	Imputed Regulatory Advances	-
16	Imputed Regulatory Contributions	434,306
17	Customer Meter Deposits	2,880
18	Deferred Income Taxes & Credits	(740,503)
19	Investment tax Credits	-
20	Plus:	
21	Unamortized Finance	
22	Charges	-
23	Deferred Debits	5,884,153
24	Allowance for Working Capital	634,103
25	Utility Plant Acquisition Adjustment	-
26		
27	Total Rate Base	$ 69,535,470
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Supporting Schedules:	Recap Schedules:
42	B-2 B-5	A-1
43	B-3	
44	E-1	
45		
46		
47		
48		
49		
50	\Schedules\2007 Anthem Water Sch. A-F.xls\	

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Gutowski

Line No.		[A] Actual End of Test Year	[B] ADJ LJG-1 Adjust Acc Deprec per Last Case	[F] ADJ LJG-2 Phoenix Interconnection	[C] ADJ LJG-3 Spread Dec '07 Corporate JE to Districts	[D] ADJ LJG-4 Allocate Corporate to Districts	[E] ADJ LJG-5 Spread Dec '07 Corp JE to Districts	[G] ADJ LJG-6 Decrease CIAC for CWIP
1	Gross Utility							
2	Plant in Service	$84,843,264	-		34,816	260,264	(42,290)	
3	Phoenix Interconnection			3,000,000				
4	**Less:**							
5	Amortization of Phx Interconnect			500,000				
6	Accumulated Depreciation	7,255,584	215,890		-	199,050	(36)	
7								
8	Net Utility Plant							
9	in Service	$77,587,680	$ (215,890)	$ 2,500,000	$ 34,816	$ 61,214	$ (42,254)	$ -
10								
11	**Less:**							
12	Advances in Aid of							
13	Construction	29,035,396						
14	Contributions in Aid of							
15	Construction - Net	2,375,518						(40,960)
16	Imputed Regulatory Advances	-						
17	Imputed Regulatory Contributions	-						
18	Customer Meter Deposits	2,880						
19	Deferred Income Taxes	(740,503)						
20	Investment Tax Credits	-						
21								
22								
23	**Plus:**							
24	Deferred Debits	5,884,153						
25	Working capital	634,103						
26	Utility Plant Acquisition Adjustment	1,588,350						
27								
28	Total	$55,020,996	$ (215,890)	$ 2,500,000	$ 34,816	$ 61,214	$ (42,254)	$ 40,960
29								
30								
31								
32								
33								
34								
35								
36								
37								
38	Supporting Schedules:							
39	B-5							
40	E-1							
41	08 AZ MEGA\08 Anthem Water\Work Papers\Rate Base\UPIS Anthem Water.xls							
42	08 AZ MEGA\08 Anthem Water\Work Papers\Rate Base\ACCUM DEP Anthem Water.xls							
43	08 AZ MEGA\Common\Workpapers\Corp Rate Base\UPIS Corporate.xls					Recap Schedules:		
44	08 AZ MEGA\Common\Workpapers\Corp Rate Base\DEP Corporate.xls					B-1		
45	08 AZ MEGA\Common\Workpapers\CWIP Balances AZ Report 12-31-07.xls							
46								
47								
48								
49								
50	\Schedules\2007 Anthem Water Sch. A-F.xls\							

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 2
Witness: Gutowski

Line No.		[H] ADJ TMB-7 Imputed Regulatory AIAC	[I] ADJ TMB-8 Imputed Regulatory CIAC	[J] ADJ TMB-9 Remove Acquisition Adjustment	[K] ADJ LJG-10 True Up to Del Webb for Advances	[L] ADJ BLANK	[M] Total Pro Forma Adjustments	[N] Adjusted End of Test Year
1	Gross Utility							
2	Plant in Service						$ 252,790	$85,096,054
3	Phoenix Interconnection						3,000,000	3,000,000
4	**Less:**						-	-
5	Amortization of Phx Interconnect						500,000	500,000
6	Accumulated Depreciation						414,904	7,670,488
7								
8	Net Utility Plant							
9	in Service	$ -	$ -	$ -	$ -	$ -	$ 2,337,886	$79,925,566
10								
11	**Less:**							
12	Advances in Aid of							
13	Construction				(14,158,285)		(14,158,285)	14,877,111
14	Contributions in Aid of							
15	Construction - Net						(40,960)	2,334,558
16	Imputed Regulatory Advances	-					-	-
17	Imputed Regulatory Contributions		434,306				434,306	434,306
18	Customer Meter Deposits						-	2,880
19	Deferred Income Taxes						-	(740,503)
20	Investment Tax Credits						-	-
21								
22								
23	**Plus:**							
24	Deferred Debits						-	5,884,153
25	Working capital						-	634,103
26	Utility Plant Acquisition Adjustment			(1,588,350)			(1,588,350)	-
27								
28	Total	$ -	$ (434,306)	$ (1,588,350)	$ 14,158,285	$ -	$ 14,514,474	$69,535,470
29								
30								
31								
32								
33								
34								
35								
36								
37								
38	Supporting Schedules:							
39	B-5							
40	E-1							
41	08 AZ MEGA\08 Anthem Water\Work Papers\Ra							
42	08 AZ MEGA\08 Anthem Water\Work Papers\Ra							
43	08 AZ MEGA\Common\Workpapers\Corp Rate B						Recap Schedules:	
44	08 AZ MEGA\Common\Workpapers\Corp Rate B						B-1	
45	08 AZ MEGA\Common\Workpapers\CWIP Balan							
46								
47								
48								
49								
50	\Schedules\2007 Anthem Water Sch. A-F.xls\							

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-1 and LJG-3

Exhibit
Schedule B-2
Page 3
Witness: Gutowski

Reconcile Anthem Water Plant & Accum. Depr.
to Amounts Previously Approved

Line No.	Object Account	Sub. Account	Description	Annual Depr. Rate	Monthly Depr. Rate	Company Filed in WS-01303A-06-0403 December 2005	Additions, 2006	Retirements 2006	Adjustments 2006	Accum Depr. Expense 2006	Ending Balance December 2006
6	101000	301000	Organization	0.00%	0.00%	-	-	-	-	-	-
7	101000	302000	Franchises	0.00%	0.00%	4,719,239	-	-	-	-	4,719,239
8	101000	303200	Land & Land Rights SS	0.00%	0.00%	3,852,989	1,081,059	-	-	-	4,934,048
9	101000	303300	Land & Land Rights P	0.00%	0.00%	20,000	-	-	-	-	20,000
10	101000	303500	Land & Land Rights TD	0.00%	0.00%	-	-	-	-		-
11	101000	303600	Land & Land Rights AG	0.00%	0.00%	-	-	-	-		-
12	101000	304100	Struct & Imp SS	2.50%	0.21%	4,769,951	-	-	-	119,249	4,769,951
13	101000	304200	Struct & Imp P	1.67%	0.14%	2,741,794	91,217	-	-	47,017	2,833,010
14	101000	304300	Struct & Imp WT	1.67%	0.14%	1,044,916	(170,012)	-	-	17,578	874,904
15	101000	304400	Struct & Imp TD	1.67%	0.14%	18,469	-	-	-	308	18,469
16	101000	304600	Struct & Imp Offices	1.68%	0.14%	110,668	-	-	-	1,859	110,668
17	101000	304800	Struct & Imp Misc	1.67%	0.14%	-	-	-	-		-
18	101000	305000	Collect & Impounding	1.67%	0.14%	370,979	-	-	-	6,195	370,979
19	101000	306000	Lake, River & Other Intakes	2.50%	0.21%	394,971	-	-	-	9,874	394,971
20	101000	307000	Wells & Springs	2.52%	0.21%	461,497	-	-	-	11,630	461,497
21	101000	310100	Power Generation Equip Other	4.42%	0.37%	-	(1,083,445)	-	-	-	(1,083,445)
22	101000	311200	Pump Equip Electric	4.42%	0.37%	12,077,054	(5,450)	-	-	533,621	12,071,604
23	101000	311300	Pump Equip Diesel	4.42%	0.37%	-	-	-	-	-	-
24	101000	311500	Pump Equip Other	4.42%	0.37%	4,822	-	-	-	213	4,822
25	101000	320100	WT Equip Non-Media	4.00%	0.33%	10,531,009	(207,150)	(275,000)	-	148,426	10,048,860
26	101000	330000	Dist Reservoirs & Standpipe	1.67%	0.14%	4,109,882	-	-	-	68,635	4,109,882
27	101000	331001	TD Mains Not Classified by Size	1.53%	0.13%	3,289,837	-	-	-	50,335	3,289,837
28	101000	331100	TD Mains 4in & Less	1.53%	0.13%	15,463,957	-	-	-	236,599	15,463,957
29	101000	331200	TD Mains 6in to 8in	1.53%	0.13%	5,972,278	959,257	-	-	97,328	6,931,535
30	101000	331300	TD Mains 10in to 16in	1.53%	0.13%	3,850,351	534,030	-	-	62,267	4,384,381
31	101000	333000	Services	2.48%	0.21%	1,728,090	150,901	-	-	44,383	1,878,991
32	101000	334100	Meters	2.51%	0.21%	730,370	58,588	(2,229)	-	16,839	786,728
33	101000	334200	Meter Installations	2.51%	0.21%	235,674	46,415	-	-	6,394	282,089
34	101000	335000	Hydrants	1.99%	0.17%	1,670,378	155,291	-	-	34,620	1,825,669
35	101000	339100	Othber P/E Intangible	0.00%	0.00%	-	-	-	-		-
36	101000	339500	Other P/E TD	0.00%	0.00%	-	-	-	-		-
37	101000	340100	Office Furniture & Equip	4.59%	0.38%	160,631	-	-	-	7,373	160,631
38	101000	340200	Comp & Periph Equip	4.59%	0.38%	2,848	13,548	-	-	702	16,396
39	101000	341100	Trans Equip Lt Duty Trks	25.00%	2.08%	108,501	17,218	-	-	30,532	125,719
40	101000	341200	Trans Equip Hvy Duty Trks	25.00%	2.08%	60,212	3,244	-	-	15,120	63,456
41	101000	341400	Trans Equip Other	25.00%	2.08%	17,286	-	-	-	4,322	17,286
42	101000	342000	Stores Equipment	3.91%	0.33%	-	-	-	-		-
43	101000	343000	Tools,Shop,Garage Equip	1.53%	0.13%	14,945	-	-	-	229	14,945
44	101000	344000	Laboratory Equipment	3.71%	0.31%	118,788	-	-	-	4,407	118,788
45	101000	345000	Power Operated Equipment	1.53%	0.13%	4,719	-	-	-	72	4,719
46	101000	346100	Comm Equip Non-Telephone	9.76%	0.81%	747,774	(631,026)	-	-	72,414	116,748
47	101000	346200	Comm Equip Telephone	9.76%	0.81%	22,846	-	-	-	2,230	22,846
48	101000	346300	Comm Equip Other	7.91%	0.66%	8,440	-	-	-	668	8,440
49											
50		Utility Plant				79,436,164	1,013,686	(277,229)	-		80,172,621
51											
52		Total Plant				79,436,164					80,172,621
53											
54		Monthly Depreciation Expense								1,651,437	
55		Retirements					-		-		-
56		Accum. Depr. - Apprvd'/Calculated - see RUCO DR 1.17 last case				7,471,474				1,651,437	9,122,911
57		Total Salvage									
58		Total Approved/Calculated									
59		Total Per Books (\Trial Balance\Column DE\)				(7,255,584)				(1,738,697)	(8,994,281)
60		Total Over/(Under) Depreciated				(215,890)				87,260	(128,630)

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-1 and LJG-3

Exhibit
Schedule B-2
Page 4
Witness: Gutowski

Line No.	Object Account	Sub. Account	Description	Additions, 2007	Retirements 2007	Adjustments 2007	Accum Depr. Expense 2007	Ending Balance December 2007	LJG-3 Spread Corp JE to Districts Dec-07
1	Reconcile Anthem Water Plant & Accum. Depr.								
2	to Amounts Previously Approved								
3									
6	101000	301000	Organization	-	-	-	-	-	
7	101000	302000	Franchises	-	-	-	-	4,719,239	
8	101000	303200	Land & Land Rights SS	1,085,941	-	(5,000)	(5,000)	6,014,990	
9	101000	303300	Land & Land Rights P	-	-	-	-	20,000	
10	101000	303500	Land & Land Rights TD	-	-	-	-	-	
11	101000	303600	Land & Land Rights AG	-	-	-	-	-	
12	101000	304100	Struct & Imp SS	-	-	(45,114)	74,041	4,724,837	
13	101000	304200	Struct & Imp P	45,315	-	-	47,377	2,878,325	
14	101000	304300	Struct & Imp WT	208,677	-	(19,469)	(3,864)	1,064,113	
15	101000	304400	Struct & Imp TD	-	-	-	308	18,469	
16	101000	304600	Struct & Imp Offices	-	-	-	1,859	110,668	
17	101000	304800	Struct & Imp Misc	-	-	-	-	-	
18	101000	305000	Collect & Impounding	-	-	-	6,195	370,979	
19	101000	306000	Lake, River & Other Intakes	10,250	-	-	10,131	405,221	
20	101000	307000	Wells & Springs	-	-	(460,731)	(450,069)	766	
21	101000	310100	Power Generation Equip Other	1,083,445	-	-	-	-	
22	101000	311200	Pump Equip Electric	49,867	-	(377,764)	154,507	11,743,707	
23	101000	311300	Pump Equip Diesel	-	-	-	-	-	
24	101000	311500	Pump Equip Other	5,505	-	-	254	10,327	
25	101000	320100	WT Equip Non-Media	265,789	-	(42,293)	332,749	10,272,355	28,660
26	101000	330000	Dist Reservoirs & Standpipe	429,040	-	-	70,022	4,538,922	
27	101000	331001	TD Mains Not Classified by Size	545,378	-	-	52,484	3,835,215	
28	101000	331100	TD Mains 4in & Less	-	(34,316)	-	202,285	15,429,641	
29	101000	331200	TD Mains 6in to 8in	675,198	-	-	115,586	7,606,733	
30	101000	331300	TD Mains 10in to 16in	25,289	-	-	67,277	4,409,670	
31	101000	333000	Services	208,700	-	-	49,786	2,087,691	
32	101000	334100	Meters	44,827	(1,692)	(890)	17,339	828,973	
33	101000	334200	Meter Installations	43,734	-	-	8,132	325,823	
34	101000	335000	Hydrants	129,185	-	-	38,623	1,954,854	
35	101000	339100	Othber P/E Intangible	-	-	-	-	-	
36	101000	339500	Other P/E TD	-	-	-	-	-	
37	101000	340100	Office Furniture & Equip	-	-	-	7,373	160,631	
38	101000	340200	Comp & Periph Equip	27	-	-	754	16,424	6,156
39	101000	341100	Trans Equip Lt Duty Trks	35	-	-	31,438	125,754	
40	101000	341200	Trans Equip Hvy Duty Trks	(3,237)	-	-	15,055	60,218	
41	101000	341400	Trans Equip Other	-	-	-	4,322	17,286	
42	101000	342000	Stores Equipment	-	-	-	-	-	
43	101000	343000	Tools,Shop,Garage Equip	17,987	-	-	252	32,932	
44	101000	344000	Laboratory Equipment	-	-	-	4,407	118,788	
45	101000	345000	Power Operated Equipment	-	-	-	72	4,719	
46	101000	346100	Comm Equip Non-Telephone	783,293	-	-	37,454	900,041	
47	101000	346200	Comm Equip Telephone	-	-	-	2,230	22,846	
48	101000	346300	Comm Equip Other	8,624	-	(4,957)	(3,640)	12,107	
49									
50		Utility Plant		5,662,870	(36,008)	(956,219)		84,843,264	34,816
51									
52		Total Plant						84,843,264	
53									
54		Monthly Depreciation Expense					889,738		
55		Retirements							
56		Accum. Depr. - Apprvd'/Calculated - see RUCO DF					889,738	10,012,648	
57		Total Salvage							
58		Total Approved/Calculated							
59		Total Per Books (\Trial Balance\Column DE\)					(1,465,943)	(10,460,224)	
60		Total Over/(Under) Depreciated					576,205	447,576	

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-4 and LJG-5

Exhibit
Schedule B-2
Page 5
Witness: Gutowski

Reconcile AZCorp. Plant & Accumulated Depreciation to Amounts Previously Audited

Line No.	Object Account	Sub. Account	Description	Annual Depr. Rate	Monthly Depr. Rate	Audited W-01303A-07-0209 December 2006	Additions, 2007	Retirements 2007	Adjustments 2007	Depr. Expense 2007	LJG-4 Ending Balance December 2007	LJG-5 Spread Corp JE to Districts Dec-07	Annual Depreciation Expense times TYE UPIS Col [E] * [L+M]
6	101000	303600	Land & Land Rights AG	0.00%	0.00%	30,722	(30,722)	-	-		-		-
7	101000	304510	Struct & Imp AG Cap Lease	5.63%	0.47%	-	-	-	-		-		-
8	101000	304600	Struct & Imp Offices	4.63%	0.39%	18,209	(18,209)	-	-	-	-		-
9	101000	304800	Struct & Imp Misc	4.63%	0.39%	-	-	-	-	-	-		-
10	101000	304620	Struct & Imp Leasehold	14.20%	1.1833%	197,755	-	-	-	28,081	197,755	29,431	32,260
11	101000	331001	Mains	1.53%	0.1275%	-	783,397	-	-	999	783,397	(783,397)	-
12	101000	340100	Office Furniture & Equip	4.04%	0.34%	1,090,182	34,725	-	-	44,162	1,124,906		45,446
13	101000	340200	Comp & Periph Equip	15.89%	1.32%	395,932	61,597	-	-	63,685	457,529		72,701
14	101000	340300	Computer Software	37.71%	3.14%	1,800,584	(233)	-	-	677,128	1,800,350		678,912
15	101000	340330	Comp Software Other	37.71%	3.14%	36,811	9,951	-	-	14,194	46,763		17,634
16	101000	340500	Other Office Equipment	7.13%	0.59%	-	-	-	-	-	-		-
17	101000	341100	Trans Equip Lt Duty Trks	28.05%	2.34%	469,000	(469,000)	-	-	-	-		-
18	101000	343000	Tools,Shop,Garage Equip	3.61%	0.30%	18,131	20,324	-	-	382	38,455		1,388
19	101000	344000	Laboratory Equipment	3.71%	0.31%	-	-	-	-	-	-		-
20	101000	345000	Power Operated Equipment	4.64%	0.39%	47,923	(47,923)	-	-	-	-		-
21	101000	346100	Comm Equip Non-Telephone	9.76%	0.81%	199,220	(13,140)	-	-	16,648	186,080		18,161
22	101000	346200	Comm Equip Telephone	9.76%	0.81%	49,678	(49,678)	-	-	-	-		-
23	101000	346300	Comm Equip Other	7.91%	0.66%	12,887	(7,985)	-	-	355	4,902		388
24	101000	347000	Misc Equipment	5.10%	0.43%	-	-	-	-	-	-		-
25	101000	380400	WW TD Equip Aux Effl Trmt	5.00%	0.42%	-	-	-	-	-	-		-
26	101000	393000	WW Tool Shop & Garage Equip	4.74%	0.40%	-	-	-	-	-	-		-
48			Utility Plant			4,367,033	273,104	-	-	845,634	4,640,137	(753,965)	
49			Anthem Water Allocation Factor			5.7397%				5.6090%	5.6090%	5.6090%	
50			Anthem Water Allocation			250,655				47,431	260,264	(42,290)	
52			Monthly Depreciation Expense										
53			Retirements										
54			Accum. Deprec. - Apprvd'/Calculated			2,824,120				845,634	3,669,754	(651)	866,892
55			Total Removal Cost			(221,543)				576	(220,968)		5.6090%
56			Total Salvage			100,000					100,000		48,624
57			Total Approved/Calculated			2,702,577				846,210	3,548,787	(651)	
58			Total Per Books (\Trial Balance\Column BU\)			(2,790,931)				(764,613)	(3,555,544)		
59			Total Over/(Under) Depreciated			88,354				(81,597)	6,757		
60			Anthem Water Allocation Factor			5.7397%					5.6090%	5.6090%	
			Anthem Water Allocation								199,050	(36)	
											(199,429)		
											379		

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-2

Exhibit
Schedule B-2
Page 6
Witness: Gutowski

Line No.

1 Addition of the City of Phoenix Interconnection and Amortization of Same:

2

3 Commission Order No. 64897 dated June 7, 2002, approved the Accounting Treatment of the
4 contract payments as a regulatory asset for the contract between Anthem Water and City of
5 Phoenix for an interconnection for emergency and peak water service in the amount of $5,000,000
6 to be paid over several years beginning in 2005. The agreement states that the amounts would be
7 considered as a regulatory assets. The amortization period and the method of recovery of such
8 payments will be determined in the context of the next rate case filing, which is Docket No. 01303A-06-
9 0403, Staff has included the $5,000,000 in Rate Base with a reduction of the payments. They have
10 also included an amortization of the contract over the 25 year term beginning July 1, 2005.

11

12

13	The Company made the first payment December 19, 2005		($1,000,000)
14	Second payment was made 9/12/06		($1,000,000)
15			
16	Reduction to Rate Base		($2,000,000)
17			
18	Amortization of the Contract for the Phoenix Interconnection		
19	Amount of Contract to be added to Rate Base		$5,000,000
20			
21	Contract start date 9/22/2000		
22	Contract end date 9/21/2025		
23	# of months	300	
24	Monthly Amortization		$16,666.67
25			
26	Amortization from July 1, 2005 through December 31, 2007		
27	# of months	30	$500,000

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45 Workpapers & Supporting Documents:

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50 \Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Rate Base Adjustment LJG-6

Exhibit
Schedule B-2
Page 7
Witness: Gutowski

Line No.

1 Remove Contributions for Plant Not in Service

4 An adjustment is being made to Contributions in Aid of Construction for the amounts associated
5 with projects that are in CWIP as of the end of the test year. Since these project amounts had not been
6 transferred to Utility Plant in Service as of 12/31/07 and, therefore, are not part of Rate Base,
7 the reduction for Contributions should also not be a part of Rate Base.

9	Contributions in Aid of Construction at 12/31/07	$ 2,402,968
10	Less Amortization of CIAC	(27,450)
12	Net Contributions	2,375,518
14	Amount of Contributions in CWIP	$ (40,960)
16	Pro forma Net Contributions in Aid of Construction	$ 2,334,558
18	Increase/ (Decrease) to Contributions	$ (40,960)

45 Workpapers & Supporting Documents:
46 08 AZ MEGA\Common\Workpapers\CWIP Balances AZ Report 12-31-07.xls

50 \Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Rate Base Adjustment TMB-7

Exhibit
Schedule B-2
Page 8
Witness: Gutowski

Line No.		
1	Impute Regulatory Advances Per Dec. 63584	
2		
3	Regulatory Advances - Per Decision 67093	$ 29,093,642
4		
5	Amortization 01/15/02 to 12/31/02	(4,303,793)
6		
7	Amortization 01/01/03 to 12/31/03	(4,475,945)
8		
9	Amortization 01/01/04 to 12/31/04	(4,475,945)
10		
11	Amortization 01/01/05 to 12/31/05	(4,475,945)
12		
13	Amortization 01/01/06 to 12/31/06	(4,475,945)
14		
15	Amortization 01/01/07 to 12/31/07	(4,475,945)
16		
17	Balance at 12/31/07	$ 2,410,124
18		
19	Amortization 01/01/08 to 7/14/08	(2,410,124)
20		
21	Increase (decrease) in Regulatory AIAC	$ -
22		
23	Pro Forma Adjustment to Rate Base	$ -
24		
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45	Workpapers & Supporting Documents:	
46	08 AZ MEGA\08 Anthem Water\Work Papers\Rate Base\Imputed AIAC and CIAC.xls	
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\	

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Rate Base Adjustment TMB-8

Exhibit
Schedule B-2
Page 9
Witness: Gutowski

Line No.			
1	Impute Regulatory Contributions Per Dec. 63584		
2			
3	Regulatory Contributions - Per Decision 67093	$	1,075,425
4			
5	Amortization 01/15/02 to 12/31/02		(103,406)
6			
7	Amortization 01/01/03 to 12/31/03		(107,543)
8			
9	Amortization 01/01/04 to 12/31/04		(107,543)
10			
11	Amortization 01/01/05 to 12/31/05		(107,543)
12			
13	Amortization 01/01/06 to 12/31/06		(107,543)
14			
15	Amortization 01/01/07 to 12/31/07		(107,543)
16			
17	Balance at 12/31/07	$	434,306
18			
19	Increase (decrease) in Regulatory AIAC	$	434,306
20			
21	Adjustment to Rate Base	$	434,306
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45	Workpapers & Supporting Documents:		
46	08 AZ MEGA\08 Anthem Water\Work Papers\Rate Base\Imputed AIAC and CIAC.xls		
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\		

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Rate Base Adjustment TMB-9

Exhibit
Schedule B-2
Page 10
Witness: Broderick

Line No.		
1	Remove Utility Plant Acquisition Adjustment	
2		
3	Pro Forma Utility Plant Acquisition Adjustment	$ -
4		
5	Test Year Utility Plant Acquisition Adjustment Balance	1,588,350
6		
7	Increase (decrease) in Utility Plant Acquisition Adjustment	$ (1,588,350)
8		
9	Adjustment to Rate Base	(1,588,350)
10		
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45	Workpapers & Supporting Documents:	
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\	

Line No.

1 2008 True Up Payment to Del Webb through 4th Amendment to the Infrastructure Agreement:

In 2007, the parties to the Anthem Water/Wastewater Infrastructure Agreement signed a Fourth Amendment agreeing to make the Build-out true up payment in two installments. 75% will be paid on March 31, 2008 and 25% will be paid 2 years later. This reduction to Advances represents the 75 % payment to be made March 31, 2008.

Reduction to Advances in Aid of Construction	$20,226,122
70% to Anthem Water	**$14,158,285**
30% to Anthem Sewer	$6,067,837

Workpapers & Supporting Documents:

\Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
RCND Rate Base Proforma Adjustments

Exhibit
Schedule B-3
Page 1
Witness: Gutowski

Line No.		Actual at End of Test Year	Proforma Adjustments Label	Proforma Adjustments Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	$ -			$ -
3					
4	**Less:**				
5					
6	Accumulated				
7	Depreciation				-
8					
9	Net Utility Plant				
10	in Service	$ -			$ -
11					
12	**Less:**				
13	Advances in Aid of				
14	Construction				-
15	Contributions in Aid of				
16	Construction - Net				-
17	Imputed Regulatory Advances				
18	Imputed Regulatory Contributions				-
19	Customer Meter Deposits				-
20	Deferred Income Taxes				-
21	Investment Tax Credits				
22	**Plus:**				
23	Unamortized Finance				
24	Charges				-
25	Deferred Tax Assets				-
26	Working capital				-
27	Utility Plant Acquisition Adjustment				-
28					
29	Total	$ -			$ -
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43	Supporting Schedules:				
44	B-4				
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\				

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
RCND Detail of Plant Accounts

Exhibit
Schedule B-4
Page 1
Witness: Gutowski

Line No.	
1	The Company did not conduct an RCND study.
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Gutowski

Line No.		
1		
2	Working Cash Requirement	$ 552,083
3	Material and Supplies Inventories	56,344 [1]
4	Prepayments	25,677
5		
6		
7	Total Working Capital Allowance	$ 634,103
8		
9		
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43	Supporting Schedules:	Recap Schedules:
44	E-1	B-1
45	Workpapers & Supporting Documents:	
46	[1]Thirteen-month average	
47		
48		
49		
50	\Schedules\2007 Anthem Water Sch. A-F.xls\	

Arizona American Water Company
Test Year Ended December 31, 2007
Lead/Lag Study - Working Cash Requirement

Exhibit
Schedule B-6
Page 1
Witness: Hubbard

ANTHEM WATER

Line No.		Test Year Adjusted Results	Revenue Lag Days	Expense Lag Days	Net Lag Days	Lead/ Lag Factor	Cash Working Capital Required
1	OPERATING EXPENSES						
2	Labor	$ 801,914	46.64385	12.0000	34.6439	0.0949	$ 76,113
3	Purchased Water	444,337	46.64385	40.8349	5.8090	0.0159	7,072
4	Fuel & Power	965,412	46.64385	25.0495	21.5944	0.0592	57,116
5	Chemicals	90,637	46.64385	26.4173	20.2266	0.0554	5,023
6	Waste Disposal	162	46.64385	29.0000	17.6439	0.0483	8
7	Management Fees	1,132,699	46.64385	10.4000	36.2439	0.0993	112,475
8	Group Insurance	240,221	46.64385	(14.0819)	60.7258	0.1664	39,966
9	Pensions	94,122	46.64385	45.0000	1.6439	0.0045	424
10	Insurance Other Than Group	61,231	46.64385	(68.2707)	114.9146	0.3148	19,278
11	Customer Accounting	154,085	46.64385	20.2006	26.4432	0.0724	11,163
12	Rents	14,739	46.64385	27.0000	19.6439	0.0538	793
13	Depreciation & Amortization	1,979,583	46.64385	-	46.6439	0.1278	252,974
14	Other Operating Expenses[1]	676,805	46.64385	30.0000	16.6439	0.0456	30,862
15	TAXES						
16	Taxes Other than Income	69,910	46.64385	15.4062	31.2377	0.0856	5,983
17	Property Taxes	414,503	46.64385	201.7500	(155.1061)	(0.4249)	(176,142)
18	Income Tax[2]	2,408,651	46.64385	30.1300	16.5139	0.0452	108,976
19							
20							
21							
22							
23							
24							
25							
26							
27	WORKING CASH REQUIREMENT						$ 552,083
28							
29							

30 [1]All other Operating Expenses are assumed to be paid by the 15th of the month following the receipt of goods and services.

31 [2]At proposed rates.

C Schedules
Anthem
Water

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Adjusted Test Year Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Hubbard

Line No.		[A] Test Year Book Results	[B] Total Pro Forma Adjustments	[C] Test Year Adjusted Results	[D] Proposed Rate Increase	[E] Adjusted with Rate Increase
1	**Revenues**					
2	Water Revenues	$ 5,149,445	$ 3,738,918	$ 8,888,363	6,174,183	$ 15,062,547
3	Other Revenues	468,983	-	468,983		468,983
4						
5		$ 5,618,428	$ 3,738,918	$ 9,357,346	$ 6,174,183	$ 15,531,530
6	**Operating Expenses**					
7	Labor	$ 671,375	$ 130,539	$ 801,914		$ 801,914
8	Purchased Water	443,925	412	444,337		444,337
9	Fuel & Power	913,454	51,958	965,412		965,412
10	Chemicals	82,539	8,098	90,637		90,637
11	Waste Disposal	162	-	162		162
12	Management Fees	1,128,922	3,777	1,132,699		1,132,699
13	Group Insurance	125,408	114,813	240,221		240,221
14	Pensions	66,635	27,487	94,122		94,122
15	Regulatory Expense	11,030	64,762	75,792		75,792
16	Insurance Other Than Group	61,231	-	61,231		61,231
17	Customer Accounting	151,683	2,402	154,085	36,428	190,513
18	Rents	14,739	-	14,739		14,739
19	General Office Expense	64,824	-	64,824		64,824
20	Miscellaneous	270,716	28	270,744		270,744
21	Maintenance Expense	146,420	119,025	265,445		265,445
22	Depreciation & Amortization	1,659,481	320,102	1,979,583		1,979,583
23	General Taxes-Property	203,422	211,081	414,503		505,553
24	General Taxes-Other	55,402	14,508	69,910	91,050	69,910
25	Income Taxes	(264,542)	339,232	74,690	2,333,961	2,408,651
26						
27	**Total Operating Expenses**	$ 5,806,826	$ 1,408,225	$ 7,215,051	$ 2,461,438	$ 9,676,490
28	**Utility Operating Income**	$ (188,398)	$ 2,330,693	$ 2,142,295	$ 3,712,745	$ 5,855,040
29	**Other Income & Deductions**					
30	Other Income & Deductions	58,267	(58,267)	-		-
31	Interest Expense	1,134,273	889,209	2,023,482		2,023,482
32	Other Expense	(422)	-	(422)		(422)
33	Gain/Loss Sale of Fixed Assets	102,836	-	102,836		102,836
34	**Total Other Income & Deductions**	$ (972,748)	$ (947,476)	$ (1,920,224)	$ -	$ (1,920,224)
35	**Net Profit (Loss)**	$ (1,161,146)	$ 1,383,217	$ 222,071	$ 3,712,745	$ 3,934,816
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44	Supporting Schedules:				Recap Schedules:	
45	E-2 C-2				A-1	
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49						
50	\Schedules\2007 Anthem Water Sch. A-F.xls\					

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Pro Forma Adjustments

Exhibit
Schedule C-2
Page 1
Witness: Hubbard

Line No.		[A] Test Year Book Results	[B] ADJ LJG-1 Unbilled Revenue	[C] ADJ LJG-2 Eliminate Customer	[D] ADJ LJG-3 Misc. Revenue Adjustments	[E] ADJ LJG-4 Annualize ACRM Surcharge	[F] ADJ LJG-5 Annualize YE Customers	[G] ADJ. SLH-1 Annualize Payroll Exp	[H] ADJ SLH-2 Annualize Power Exp	[I] ADJ SLH-3 Annualize Purchased Water	[J] ADJ SLH-4 Annualize Chemicals Exp	[K] ADJ SLH-6 Annualize Management Fees
1	**Revenues**											
2	**P02** Water Revenues	$ 5,149,445	$ (67,568)	$ (157,936)	$ 3,956,102	$ -	$ 8,320					
3	**P04** Other Revenues	468,983										
4												
5		$ 5,618,428	$ (67,568)	$ (157,936)	$ 3,956,102	$ -	$ 8,320	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**											
7	**P08** Labor	$ 671,375						$ 130,539				
8	**P09** Purchased Water	443,925					$ 412					
9	**P10** Fuel & Power	913,454		(20,912)			915		71,955			
10	**P11** Chemicals	82,539		(1,963)			86				9,975	
11	**P12** Waste Disposal	162										
12	**P13** Management Fees	1,128,922										30,302
13	**P14** Group Insurance	125,408										
14	**P15** Pensions	66,635										
15	**P16** Regulatory Expense	11,030										
16	**P17** Insurance Other Than Group	61,231										
17	**P18** Customer Accounting	151,683					111					
18	**P19** Rents	14,739										
19	**P20** General Office Expense	64,824										
20	**P21** Miscellaneous	270,716										
21	**P25** Maintenance Expense	146,420										
22	**P27-2** Depreciation & Amortization	1,659,481										
23	**P29** General Taxes-Property	203,422										
24	**P29** General Taxes-Other	55,402						14,508				
25	**P30-3** Income Taxes	(264,542)										
26												
27	**Total Operating Expenses**	$ 5,806,826	$ -	$ (22,875)	$ -	$ -	$ 1,525	$ 145,047	$ 71,955	$ -	$ 9,975	$ 30,302
28	**Utility Operating Income**	$ (188,398)	$ (67,568)	$ (135,061)	$ 3,956,102	$ -	$ 6,795	$ (145,047)	$ (71,955)	$ -	$ (9,975)	$ (30,302)
29	**Other Income & Deductions**											
30	**P39-4** Other Income & Deductions	58,267	(58,267)									
31	**P56-6** Interest Expense	1,134,273										
32	**P48-5** Other Expense	(422)										
33	**P43** Gain/Loss Sale of Fixed Assets	102,836										
34	**Total Other Income & Deductions**	$ (972,748)	$ (58,267)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
35	**Net Profit (Loss)**	$(1,161,146)	$ (125,835)	$ (135,061)	$ 3,956,102	$ -	$ 6,795	$ (145,047)	$ (71,955)	$ -	$ (9,975)	$ (30,302)
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42												
43	Supporting Schedules:					Recap Schedules:						
44						C-1						
45	Workpapers & Supporting Documents:											
46	\Schedules\2007 Anthem Water Sch. A-F.xls\											
47												
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Pro Forma Adjustments

Exhibit
Schedule C-2
Page 2
Witness: Hubbard

Line No.		[L] ADJ SLH-7 Annualize Pensions Exp	[M] ADJ SLH-8 Amortize Rate Case Exp	[N] ADJ SLH-9 Annualize Insurance Exp	[O] ADJ SLH-10 Tank Maintenance Accrual	[P] ADJ SLH-11 Annualize Depreciation /CIAC	[Q] ADJ SLH-12 Annualize Property Taxes	[R] ADJ SLH-15 Annualize 401K Expense	[S] ADJ SLH-16 Line 21 Clean-up	[T] ADJ SLH-17 Remove CAP Rev & Exp	[U] ADJ SLH-18 Interest Synchronization
1	**Revenues**										
2	**P02** Water Revenues										
3	**P04** Other Revenues										
4											
5		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**										
7	**P08** Labor										
8	**P09** Purchased Water										
9	**P10** Fuel & Power										
10	**P11** Chemicals										
11	**P12** Waste Disposal										
12	**P13** Management Fees										
13	**P14** Group Insurance			114,813							
14	**P15** Pensions	27,487									
15	**P16** Regulatory Expense		64,762								
16	**P17** Insurance Other Than Group										
17	**P18** Customer Accounting										
18	**P19** Rents										
19	**P20** General Office Expense										
20	**P21** Miscellaneous							(5,051)	($2,385)		
21	**P25** Maintenance Expense				119,025						
22	**P27-2** Depreciation & Amortization					320,102					
23	**P29** General Taxes-Property						211,081				
24	**P29** General Taxes-Other										
25	**P30-3** Income Taxes										
26											
27	**Total Operating Expenses**	$ 27,487	$ 64,762	$ 114,813	$ 119,025	$ 320,102	$ 211,081	$ (5,051)	$ (2,385)	$ -	$ -
28	**Utility Operating Income**	$ (27,487)	$ (64,762)	$ (114,813)	$ (119,025)	$ (320,102)	$ (211,081)	$ 5,051	$ 2,385	$ -	$ -
29	**Other Income & Deductions**										
30	**P39-4** Other Income & Deductions										889,209
31	**P56-6** Interest Expense										
32	**P48-5** Other Expense										
33	**P43** Gain/Loss Sale of Fixed Assets										
34	**Total Other Income & Deductions**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (889,209)
35	**Net Profit (Loss)**	$ (27,487)	$ (64,762)	$ (114,813)	$ (119,025)	$ (320,102)	$ (211,081)	$ 5,051	$ 2,385	$ -	$ (889,209)
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43	Supporting Schedules:			Recap Schedules:							
44				C-1							
45	Workpapers & Supporting Documents:										
46	\Schedules\2007 Anthem Water Sch. A-F.xls\										
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Pro Forma Adjustments

Exhibit
Schedule C-2
Page 3
Witness: Hubbard

Line No.		[V] ADJ SLH-19 Federal and State Income Taxes	[W] ADJ SLH-20 Annualize Postage Increase	[X] ADJ SLH-21 One-Time SC Charges	[Y] ADJ SLH-22 Adjust Conservation Expense	[Z] ADJ SLH-23 Adj to Remove Prior Period Labor Adj	[AA] Total Pro Forma Adjustments	[AB] Test Year Adjusted Results	[AC] Proposed Rate Increase	[AD] Adjusted with Rate Increase
1	**Revenues**									
2	**P02** Water Revenues						$ 3,738,918	$ 8,888,363	$ 6,174,183	$15,062,547
3	**P04** Other Revenues						-	468,983		468,983
4							-	-		-
5		$ -	$ -	$ -	$ -	$ -	$ 3,738,918	$ 9,357,346	$ 6,174,183	$15,531,530
6	**Operating Expenses**									
7	**P08** Labor						130,539	$ 801,914		$ 801,914
8	**P09** Purchased Water						412	$ 444,337		$ 444,337
9	**P10** Fuel & Power						51,958	965,412		$ 965,412
10	**P11** Chemicals						8,098	90,637		$ 90,637
11	**P12** Waste Disposal						-	162		$ 162
12	**P13** Management Fees			(26,525)			3,777	1,132,699		$ 1,132,699
13	**P14** Group Insurance						114,813	240,221		$ 240,221
14	**P15** Pensions						27,487	94,122		$ 94,122
15	**P16** Regulatory Expense						64,762	75,792		$ 75,792
16	**P17** Insurance Other Than Group						-	61,231		$ 61,231
17	**P18** Customer Accounting		2,291				2,402	154,085	36,428	$ 190,513
18	**P19** Rents						-	14,739		$ 14,739
19	**P20** General Office Expense						-	64,824		$ 64,824
20	**P21** Miscellaneous				7,465		28	270,744		$ 270,744
21	**P25** Maintenance Expense						119,025	265,445		$ 265,445
22	**P27-2** Depreciation & Amortization						320,102	1,979,583		$ 1,979,583
23	**P29** General Taxes-Property						211,081	414,503	91,050	$ 505,553
24	**P29** General Taxes-Other						14,508	69,910		$ 69,910
25	**P30-3** Income Taxes	339,232					339,232	74,690	2,333,961	$ 2,408,651
26										
27	**Total Operating Expenses**	$ 339,232	$ 2,291	$ (26,525)	$ 7,465	$ -	$ 1,408,225	$ 7,215,051	$ 2,461,438	$ 9,676,490
28	**Utility Operating Income**	$ (339,232)	$ (2,291)	$ 26,525	$ (7,465)	$ -	$ 2,330,693	$ 2,142,295	$ 3,712,745	$ 5,855,040
29	**Other Income & Deductions**									
30	**P39-4** Other Income & Deductions						(58,267)	-		-
31	**P56-6** Interest Expense						889,209	2,023,482		2,023,482
32	**P48-5** Other Expense						-	(422)		(422)
33	**P43** Gain/Loss Sale of Fixed Assets							102,836		102,836
34	**Total Other Income & Deductions**	$ -	$ -	$ -	$ -	$ -	$ (947,476)	$ (1,920,224)	$ -	$ (1,920,224)
35	**Net Profit (Loss)**	$ (339,232)	$ (2,291)	$ 26,525	$ (7,465)	$ -	$ 1,383,217	$ 222,071	$ 3,712,745	$ 3,934,816
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43	Supporting Schedules:			Recap Schedules:						
44				C-1						
45	Workpapers & Supporting Documents:									
46	\Schedules\2007 Anthem Water Sch. A-F.xls\									
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-1

Exhibit
Schedule C-2
Page 4
Witness: Gutowski

Line No.	Remove Net Unbilled Revenue Accrual	Residential	Commercial	SFR
6	January	$ (21,740)	$ (6,425)	$ (11,155)
7	February	$ 18,332	$ 1,136	$ (22,295)
8	March	$ (9,671)	$ (6,679)	$ 18,637
9	April	$ (1,065)	$ (4,681)	$ 2,160
10	May	$ (43,754)	$ (19,647)	$ (4,276)
11	June	$ 4,738	$ (21,504)	$ 2,829
12	July	$ (15,315)	$ 2,992	$ 7,642
13	August	$ (19,068)	$ (23,499)	$ (3,675)
14	September	$ 23,688	$ 15,481	$ 3,167
15	October	$ (17,945)	$ (12,915)	$ (5,059)
16	November	$ 12,401	$ 12,042	$ 1,359
17	December	$ 34,357	$ 37,543	$ 4,299
20	Net Unbilled Revenues	$ (35,042)	$ (26,157)	$ (6,368)
24	Subtotal			$ (67,568)
26	Test Year Adjusted Balance			-
28	Increase/(Decrease) in Unbilled Revenues			$ (67,568)
30	Adjustment to Revenues and/or Expense			$ (67,568)

Workpapers & Supporting Documents:
\Schedules\2007 Anthem Water Sch. A-F.xls\
08 AZ MEGA\Common\Workpapers\2007 Unbilled Revenue.XLs

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-2

Exhibit
Schedule C-2
Page 5
Witness: Gutowski

Line No.

1 Eliminate Customer

2

3 Arizona-American agreed to serve Desert Hills Water Company on an emergency basis. That contract has come to a close.
4 The revenue during the test year was billed on Rate Schedule E6M2 at $3.10 per 1,000 gallons and the pro forma rate
5 in the rate case awaiting a decision is $3.3614 per 1,000 gallons. The total 1,000 gallons sold during the test year to
6 Desert Hills was 46,985.20. The unit expense for Fuel & Power in ADJ LJG - 5 is $0.4451 and the unit expense for
7 Chemicals in ADJ LJG-5 is $0.0418. This adjustment eliminates both the Revenue and the Expense for Desert Hills
8 Water Company.

9

10

Line No.						
11	Revenue Adjustment					
12		Sales =	46,985.2	times	$3.3614	=	($157,936)
13						
14	Increase / (Decrease) to Water Sales Revenue					($157,936)
15						
16						
17	Expense Adjustment					
18		Sales =	46,985.2	times		
19		Fuel & Power Costs			$0.4451	=	($20,912)
20		Chemical Costs			$0.0418	=	($1,963)
21						
22	Increase / (Decrease) to Operating Expenses					($22,875)

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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-3

Exhibit
Schedule C-2
Page 6
Witness: Gutowski

Line No.				
1	Adjust Booked Revenues to Reflect Annualized Rate Increase Adjustments			
2				
3	Rate			Revenue
4	Schedule	Description		Increase
5	E1M1A	Anthem Distco Res 5/8 & 3/4"	$ 753,032.42	
6	E1M1B	Anthem Distco Residential 1"	$ 1,308,963.85	
7	E1M1C	Anthem Distco Residential 1.5"	$ 40,336.73	
8	E1M1D	Anthem Distco Residential 2"	$ 61,169.93	
9				
10			Total Residential	$ 2,163,502.93
11				
12	E1M2A	Anthem Distco Com 5/8 & 3/4"	$ 1,429.30	
13	E1M2B	Anthem Distco Com 1"	$ 10,024.48	
14	E1M2C	Anthem Distco Com 1.5"	$ 15,131.17	
15	E1M2D	Anthem Distco Com 2"	$ 51,681.13	
16	E1M2E	Anthem Distco Com 3"	$ 42,789.30	
17	E2M1A	Anthem Distco Com 5/8 & 3/4"	$ 4,644.47	
18	E2M1B	Anthem Distco Com 1"	$ 20,209.69	
19	E2M1C	Anthem Distco Com 1.5"	$ 51,253.64	
20	E2M1D	Anthem Distco Com 2"	$ 215,416.03	
21	E2M1E	Anthem Distco Com 3"	$ 18,188.84	
22	E2M1G	Anthem Distco Com 6"	$ 158.09	
23				
24			Total Commercial	$ 430,926.13
25				
26	E5M2	Anthem Wholesale (Phoenix) OWU	$ 17,851.60	
27	E6M2	Anthem Wholesale (Phoenix) OWU	$ 12,281.88	
28	E7M2	Anthem Wholesale (Phoenix) OWU	$ 599,523.15	
29				
30			Total Sale for Resale	$ 629,656.63
31				
32	C6M06	Private Fire 6"	$ -	
33	E6M04	Private Fire 4"	$ -	
34	E6M06	Private Fire 6"	$ -	
35	E6M08	Private Fire 8"	$ -	
36				
37			Total Private Fire	$ -
38				
39	D7M1	Anthem Treatco NP Irrig - Genl	$ 609,943.75	
40	D7M2	Anthem Treatco Non Pot - Const	$ 122,072.50	
41				
42			Total Misc Irrigation	$ 732,016.25
43				
44			Total Revenue Adjustment	$ 3,956,101.95
45				
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47	Workpapers & Schedules			
48	\Schedules\Anthem Water H Schedule Proposed Rate.xls			
49				
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-4

Exhibit
Schedule C-2
Page 7
Witness: Gutowski

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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment LJG-5

Exhibit
Schedule C-2
Page 8
Witness: Gutowski

Line No.

1 Customer Growth Annualization of Test Year Revenue:

Line No.		Residential 5/8 x 3/4"	Residential 1"	Commercial 5/8 x 3/4"	Commercial 1"	Commercial 1-1/2"	Commercial 2"
6	*Customer Growth Statistics*						
7	From the H-2's						
8	Average Customers	4,929	3,409	25	37	42	93
9	Average Monthly Gallons	10,056	11,919	12,876	14,523	85,771	144,315
10							
11	Actual TYE Bills	4,977	3,418	26	42	48	99
12	Customer Growth Bills	48	9	1	5	6	6
13	(Line 11 - Line 8)						
14							
15	Cust Growth Volumes (1,000 gals)	482.69	107.27	12.88	72.61	514.62	865.89
16	(Line 12 x Line 9 / 1,000)						
17							
18							
19							
20	*Customer Growth Revenue:*						
21	Meter Charge	$19.48	$48.70	$19.48	$48.70	$97.39	$155.83
22	Volumetric - 1st block limit	4,000	4,000	10,000	40,000	109,000	175,000
23	1st block rate	$1.6696	$1.6696	$2.6157	$2.6157	$2.6157	$2.6157
24	2nd block rate	$2.6157	$2.6157	$3.3614	$3.3614	$3.3614	$3.3614
25							
26	Revenue per Additional Bill	$42.00	$76.09	$55.30	$86.69	$321.74	$533.31
27	times Customer Growth Bills (Line 12)	$2,016.00	$684.81	$55.30	$433.45	$1,930.44	$3,199.86
28							
29	Total Residential		$2,701		Total Commercial		$5,619
30							
31							
32	*Increase / (Decrease) in Operating Expenses:*						

Line No.		Purchased Water	Fuel & Power	Chemicals	Postage	Other Cust Accounting	Total
35	Test Year Adjusted Expense from Sch C-2	$ 443,925	$ 985,409	$ 92,514	$ 50,524	$ 103,450	$ 1,675,822
36	Test Year 1,000 Gals Sold	2,214,002	2,214,002	2,214,002			
37	Avg Customers times 12 bills				103,644	103,644	
38	Cost per Unit	$0.2005	$0.4451	$0.0418	$0.4875	$0.9981	
39	Sum of Cust Growth Volumes (Line 16)	2,055.96	2,055.96	2,055.96			
40	Sum of Cust Growth Bills (Line 12)				75	75	
41	Additional Expense	$412	$915	$86	$37	$75	$1,525
42							
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46	Workpapers & Schedules						
47	08 Anthem Water\Schedules\[Anthem Water H Schedule Proposed Rate.xls						
48	\08 Anthem Water\Work Papers\Revenue\2360, 2361 Anthem Water.XLs						
49							
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-1

Exhibit
Schedule C-2
Page 9
Witness: Hubbard

Line No.			
1	Normalize test year Labor expense		
2			
3	Total normalized Test Year Labor expense (Workpaper) - Anthem Water		$ 756,371
4			
5	Test Year Incentive Plan - Anthem Water		45,543
6			
7	Total Pro Forma Test Year Labor expense - Anthem Water		$ 801,914
8			
9	Fiscal Year Booked Labor Expense	$ 671,375	
10			
11	Adjusted Test Year Labor - Booked		$ 671,375
12			
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14			
15	Increase/(decrease) in Labor Expense		$ 130,539
16			
17	Adjustment to Revenue and/or Expense		$ 130,539
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
48	08 Anthem Water\Work Papers\Expenses\A of I - Anthem Water.xls		
49			
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-1

Exhibit
Schedule C-2
Page 10
Witness: Hubbard

Line No.			
1	Adjust Payroll Taxes to Reflect Adjusted Labor Expense		
2			
3	Adjusted FICA Expense (work paper) - Anthem Water	$ 57,862	
4			
5	Adjusted FUTA Expense (work paper) - Anthem Water	2,720	
6			
7	Adjusted SUTA Expense (work paper) - Anthem Water	5,270	
8			
9	Total Adjusted Payroll Taxes		$ 65,852
10			
11			
12	Test year FICA Expense (General Taxes) - Anthem Water	$ 48,568	
13			
14	Test year FUTA Expense (General Taxes) - Anthem Water	999	
15			
16	Test year SUTA Expense (General Taxes) - Anthem Water	1,777	
17			
18	Total Adjusted Test Year Payroll Taxes		$ 51,344
19			
20			
21	Increase/(Decrease) in Payroll Taxes (General Taxes)		$ 14,508
22			
23	Adjustment to Revenue and/or Expense		$ 14,508
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
48	08 Anthem Water\Work Papers\Expenses\A of I - Anthem Water.xls		
49			
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-2

Exhibit
Schedule C-2
Page 11
Witness: Hubbard

Line No.		
1	Normalize Fuel & Power	
2		
3	Test Year Power Expense - Anthem Water District	$ 913,454
4		
5	Adjustment to Annualize APS Increase Effective July 2007	71,955
6		
7	Total Adjusted Test Year Fuel & Power Expense	$ 985,409
8		
9		
10		
11	Increase/(Decrease) in Fuel & Power Expense	$ 71,955
12		
13	Adjustment to Revenue and/or Expense	$ 71,955
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45	Workpapers & Supporting Documents:	
46	\Schedules\2007 Anthem Water Sch. A-F.xls\	
47	\Common\Workpapers\Power\Arizona power accts Itron.xls	
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-3

Exhibit
Schedule C-2
Page 12
Witness: Hubbard

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50	\Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-4

Exhibit
Schedule C-2
Page 13
Witness: Hubbard

Line No.			
1	Normalize & Adjust Chemicals Expense		
2			
3	Pro Forma Chemicals Expense (work paper) - Anthem Water	$	92,514
4			
5	T.Y. 2007 Chemicals Expense - Anthem Water		82,539
6			
7			
8			
9	Test Year Chemicals Expense - Anthem Water		82,539
10			
11	Increase/(Decrease) in Chemicals Expense		9,975
12			
13	Adjustment to Revenue and/or Expense		9,975
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Workpapers\Chemicals\Pro Forma Adj-Chemicals.xls		
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-6

Exhibit
Schedule C-2
Page 14
Witness: Hubbard

Line No.			
1	Adjust Management Fees for Labor Increases		
2			
3	Test Year Management Fees		$ 1,128,922
4			
5			
6	Adjusted Test Year Management Fees		$ 1,128,922
7			
8	Increase in Labor Expense	$321,515	
9	4 Factor Allocation to Anthem Water	9.4247%	
10			
11	Pro forma Adjustment to Management Fees		30,302
12			
13	Pro forma adjusted test year Management Fees		$ 1,159,224
14			
15			
16	Increase/(Decrease) in Management Fees		$ 30,302
17			
18	Adjustment to Revenue and/or Expense		$ 30,302
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Workpapers\Service Company Expenses\[Labor Adj-Management Fees.xls		
48	\Common\Workpapers\[2007 4 Factor.xls		
49			
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-7

Exhibit
Schedule C-2
Page 15
Witness: Hubbard

Line No.			
1	Adjust Pension Expense to Reflect Labor Expense at District Level		
2			
3	Total Pro Forma Pension expense (work paper) - Anthem Water		$ 105,549
4			
5	Test Year Pension Expense - Anthem Water	$ 66,635	
6	Test Year Defined Contrib Plan Expense - Anthem Water	11,427	
7			
8	Adjusted Test Year Pension Expense		$ 78,062
9			
10			
11	Increase/(Decrease) in Pension Expense		$ 27,487
12			
13	Adjustment to Revenue and/or Expense		$ 27,487
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
48	08 Anthem Water\Work Papers\Expenses\A of I - Anthem Water.xls		
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-8

Exhibit
Schedule C-2
Page 16
Witness: Hubbard

Line No.			
1	Regulatory Expense		
2			
3	Estimated Rate Case Expense	$	612,000
4			
5	Estimated Amortization Period in Years		3
6			
7	Annual Rate Case Expense	$	204,000
8			
9	4 Factor - Anthem Water		0.12643
10			
11	Allocated Rate Case Expense	$	25,792
12			
13	Authorized Rate Case Expense Decision No.69440 (4/10)	$	50,000
14			
15	Pro Forma Rate Case Expense	$	75,792
16			
17	Test Year Rate Case Expense	$	11,030
18			
19	Increase/(Decrease) Rate Case Expense	$	64,762
20			
21	Adjustment to Revenue and/or Expense	$	64,762
22			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Workpapers\Expenses\EXHIBIT TMB-3 Rate Case Expense.xls		
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-9

Exhibit
Schedule C-2
Page 17
Witness: Hubbard

Line No.			
1	Normalize Group Insurance		
2			
3	Total normalized Group Insurance Expense (work paper) - Anthem Water		$ 240,221
4			
5	Test Year Group Insurance Expense - Anthem Water	$ 125,408	
6			
7	Adjusted Test Year Group Insurance Expense		$ 125,408
8			
9			
10	Increase/(Decrease) in Group Insurance Expense		$ 114,813
11			
12	Adjustment to Revenue and/or Expense		$ 114,813
13			
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46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-10

Exhibit
Schedule C-2
Page 18
Witness: Hubbard

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50	\Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-11

Exhibit
Schedule C-2
Page 19
Witness: Hubbard

Line No.			
1	Adjust Depreciation Expense to Reflect Test Year Adjusted Plant:		
2			
3	Annualized Depreciation Expense on Test Year UPIS	$	2,011,968
4	Depreciation Expense on Post-Test Year Plant Additions		-
5	Depreciation Expense on Acquisition Adjustment		94,258
6	Amortization of Regulatory Asset		-
7			
8			
9	Less: Amortization of Contributions (at 1.52%/yr)		19,101
10	Amortization of Imputed Regulatory CIAC		107,543
11			-
12	Total Depreciation Expense	$	1,979,583
13			
14	Test Year Depreciation Expense		1,659,481
15			
16	Increase (Decrease) in Depreciation Expense		320,102
17			
18	Adjustment to Revenues and/or Expenses	$	320,102
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	08 Anthem Water\Work Papers\Expenses\A of I - Anthem Water.xls		
48	08 Anthem Water\Work Papers\Rate Base\Imputed AIAC and CIAC.xls		
49			
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-12

Exhibit
Schedule C-2
Page 20
Witness: Hubbard

Line No.		[A] Property Tax Expense	[B] Property Tax Expense For Conversion Factor
1	Adjust Property Taxes to Reflect Proposed Revenues:		
2			
3	Adjusted Revenues in year ended Dec. 2007	$ 9,357,346	$ 9,357,346
4	Adjusted Revenues in year ended Dec. 2007	9,357,346	9,357,346
5	Proposed Revenues	$ 9,357,346	$ 15,531,530
6	Average of three year's of revenue	$ 9,357,346	$ 11,415,407
7	Average of three year's of revenue, times 2	$18,714,692	$22,830,814
8	Add:		
9	Construction Work in Progress at 10%	23,939	23,939
10	Deduct:		
11	Net Book Value of Transportation Equipment	$ -	$ -
12			
13	Full Cash Value	$ 18,738,631	$ 22,854,753
14	Assessment Ratio	23%	23%
15	Assessed Value	4,309,885	5,256,593
16	Property Tax Rate	9.617500%	9.617500%
17			
18	Property Tax	414,503	505,553
19	Tax on Parcels	-	-
20			
21	Total Property Tax at Proposed Rates	$ 414,503	$ 505,553
22	Property Taxes in the test year	203,422	414,503
23	Adjustment to Revenues and/or Expenses	$ 211,081	$ 91,050
24			
25			
26			
27			
28	Increase in Property Tax Due to Increase in Revenue Requirement (Col [A] - Col [B]()		$ 91,050
29			
30	Federal and State Tax (Ln 28 X 38.6%)		$ 35,144
31			
32	Increase in Property Tax (net of tax) (Ln 28-Ln30)		$ 55,906
33			
34	Increase in Revenue Requirement (From Sch. A1)		$ 6,174,183
35			
36	Increase in Property Tax Per Dollar Increase in Revenue (Line 32/Line 34)		0.91%
37			
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43	Workpapers & Supporting Documents:		
44	\Schedules\2007 Anthem Water Sch. A-F.xls\		
45	\Common\Workpapers\Property Taxes\2007 pd in 07-08 AZ Tax Payment .xls		
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-15

Exhibit
Schedule C-2
Page 21
Witness: Hubbard

Line No.			
1	Adjust 401k Expense to Reflect Adjusted Labor Expense		
2			
3	Adjusted 401k Expense (work paper) - Anthem Water		$ 4,309
4			
5	Test year 401k Expense (Miscellaneous Expense)	$ 9,360	
6			
7	Adjusted Test Year 401k Expense		$ 9,360
8			
9	Increase/(Decrease) in 401k Expense (Miscellaneous Expense)		$ (5,051)
10			
11	Adjustment to Revenue and/or Expense		$ (5,051)
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Workpapers\Labor\AZ 2007 Labor with Annualizations.xls		
48	08 Anthem Water\Work Papers\Expenses\A of I - Anthem Water.xls		
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-16

Exhibit
Schedule C-2
Page 22
Witness: Hubbard

Line No.

1 Adjust for Line21 Miscellaneous Expense Clean Up

2

3 The Company went through the Corporate Miscellaneous General Expense account and removed
4 those items which it anticipated the Commission would likely disallow for ratemaking purposes,
5 such as Community Relations expense and membership dues. The Company performed the
6 same study of the Anthem Water account.

7

8

9	Pro forma adjustment to Line 21 Miscellaneous Expense:		
10	Anthem Water		$ (797)
11			
12	Corporate Office amount	$ (16,849)	
13		($16,849)	
14			
15	4 Factor Allocation to Anthem Water	9.4247%	
16			
17	Total Corporate disallowance		($1,588)
18			
19	Pro forma disallowance to Miscellaneous Expense		($2,385)
20			
21	Adjustment to Revenue and/or Expense		($2,385)
22			

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45 Workpapers & Supporting Documents:
46 \Schedules\2007 Anthem Water Sch. A-F.xls\
47 \Common\Workpapers\Line21.xls
48 \Common\Workpapers\2007 4 Factor.xls
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-17

Exhibit
Schedule C-2
Page 23
Witness: Hubbard

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45	Workpapers & Supporting Documents:
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-18

Exhibit
Schedule C-2
Page 24
Witness: Hubbard

Line No.			
1	Interest Synchronization with Rate Base		
2			
3	Original Cost Rate Base (Sch. B-1, Ln. 24)		$69,535,470
4	Weighted Cost of Debt from Schedule D-1		2.91%
5	Synchronized Interest Expense		2,023,482
6			
7	Test Year Interest Expense	1,134,273	
8			
9	Adjusted Test Year Interest Expense		1,134,273
10			
11	Increase Decrease) in Interest Expense		$ 889,209
12			
13	Adjustment to Revenues and/or Expense		889,209
14			
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-19

Exhibit
Schedule C-2
Page 25
Witness: Hubbard

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1	Calculation of Income Taxes at Proposed Rates			
2				
3				
4	Operating Income Before Inc. Taxes		$ 2,216,985	$ 8,263,691
5	Interest Expense		$ 2,023,482	$ 2,023,482
6	Arizona Taxable Income		193,502	6,240,209
7				
8	Less Arizona Income Tax		$ 13,483	$ 434,818
9	Arizona Income Tax Rate =	6.968%		
10				
11	Federal Income Before Taxes		$ 193,502	$ 6,240,209
12	Less Arizona Income Taxes		13,483	434,818
13	Federal Taxable Income		$ 180,019	$ 5,805,391
14				
15	Federal Income Taxes:	34.000%	$ 61,207	$ 1,973,833
16				
17				
18	Total Income Tax		$ 74,690	$ 2,408,651
19				
20	Tax Rate		38.60%	38.60%
21				
22	Effective Income Tax Rates			
23	State		6.968%	6.968%
24	Federal		31.63%	31.63%
25				
26				
27	Test Year Income Taxes, Per Books		$ (264,542)	
28	Increase in Income Taxes		339,232	
29				
30	Adjustment to Revenues and/or Expense		$ 339,232	
31				
32	Test Year Income Taxes, Adjusted			$ 74,690
33	Increase in Income Taxes			2,333,961
34				
35	Adjustment to Revenues and/or Expense			2,333,961
36				
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45	Workpapers & Supporting Documents:			
46	\Schedules\2007 Anthem Water Sch. A-F.xls\			
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-20

Exhibit
Schedule C-2
Page 26
Witness: Hubbard

Line No.			
1	Adjust Postage Expense for 2007 and 2008 Postage Increases		
2			
3	2006 Total Corporate Postage Expense		$ 494,284
4			
5	2007 Postage Increase (5/14/07)	5.4%	
6			
7	Annualize 2007 Postage Increase	$ 26,691	
8			
9	Estimated 2007 Total Corporate Postage Expense Annualized		$ 520,975
10			
11	2008 Postage Increase (5/14/08)	2.90%	
12			
13	Annualize 2008 Postage Increase	$ 15,108	
14			
15	Test Year 2007 Pro Forma Total Company Postage Expense		$ 536,083
16			
17	4 Factor - Anthem Water		9.4247%
18			
19	Test Year 2007 Pro Forma Postage Expense-Anthem Water		$ 50,524
20			
21	2007 Test year Postage Expense (CA - 575660.15)		$ 48,233
22			
23	Increase/(Decrease) in Postage Expense		$ 2,291
24			
25	Adjustment to Revenue and/or Expense		$ 2,291
26			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	08 Anthem Water\Work Papers\Expenses\A of I - Anthem Water.xls		
48	Common\Workpapers\2007 4 Factor.xls		
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-21

Exhibit
Schedule C-2
Page 27
Witness: Hubbard

Line No.			
1	Remove One-Time Service Company Charges		
2			
3			
4	Test Year Management Fees-Anthem Water		$ 1,128,922
5			
6			
7	Adjusted Test Year Management Fees		$ 1,128,922
8			
9	Write-off One-Time Service Company Charges	$281,437	
10	4 Factor Allocation to Anthem Water	9.4247%	
11			
12	Adjustment to Write-off One-Time Service Company Charges		(26,525)
13			
14	Pro forma Adjusted Test Year Management Fees		$ 1,102,397
15			
16	Increase/(Decrease) in Management Fees Expense		$ (26,525)
17			
18	Adjustment to Revenue and/or Expense		$ (26,525)
19			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Workpapers\Service Company Expenses\Mgt Fee Adj-One-Time Charges.xls		
48	\Common\Workpapers\2007 4 Factor.xls		
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-22

Exhibit
Schedule C-2
Page 28
Witness: Hubbard

Line No.			
1	Conservation Expense Adjustment		
2			
3	Pro Forma Conservation Expense (work paper) - Anthem Water		$ 7,500
4			
5	T.Y. 2007 Conservation Expense - Anthem Water	35	
6			
7			
8			
9	Test Year Conservation Expense - Anthem Water		35
10			
11	Increase/(Decrease) in Conservation Expense		7,465
12			
13	Adjustment to Revenue and/or Expense		7,465
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45	Workpapers & Supporting Documents:		
46	\Schedules\2007 Anthem Water Sch. A-F.xls\		
47	\Common\Water Conservation Program Expenditures 2007.xls		
48	08 Anthem Water\Work Papers\Expenses\A of I - Anthem Water.xls		
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Income Statement Adjustment SLH-23

Exhibit
Schedule C-2
Page 29
Witness: Hubbard

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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Hubbard

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Property Taxes	0.91%
6		
7	Bad Debt Expense	0.59%
8		
9	Total Tax Percentage	40.09%
10		
11	Operating Income % = 100% - Tax Percentage	59.91%
12		
13		
14		
15	1 = Gross Revenue Conversion Factor	
16	Operating Income %	1.6693
17		
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43	Supporting Schedules:	Recap Schedules:
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D Schedules
Anthem
Water

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Summary of Cost of Capital
Total Company - Arizona American Water - Actual

Exhibit
Schedule D-1
Page 1
Witness: Broderick

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt	$ 194,768,140	55.65%	5.47%	3.04%	$ 189,208,140	53.25%	5.46%	2.91%
2									
3	Short-Term Debt	19,065,498	5.45%	5.37%	0.29%	-	0.00%	0.00%	0.00%
4									
5	Stockholder's Equity	136,123,326	38.90%	11.75%	4.57%	166,123,326	46.75%	11.75%	5.49%
6									
7	Totals	349,956,964	100.00%		7.9%	355,331,466	100.00%		8.40%

40 Supporting Schedules:
41 D-2
42 D-3
43 D-4
44 E-1

Recap Schedules:
A-3

50 \Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Summary of Cost of Capital
Total Company - Arizona American Water - Proposed

Exhibit
Schedule D-1
Page 2
Witness: Broderick

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	189,208,140	53.25%	5.47%	2.91%	$ 189,208,140	53.25%	5.46%	2.91%
2									
3	Stockholder's Equity	166,123,326	46.75%	11.75%	5.49%	166,123,326	46.75%	11.75%	5.49%
4									
5	Totals	355,331,466	100.00%		8.40%	355,331,466	100.00%		8.40%
6									
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40	Supporting Schedules:						Recap Schedules:		
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Summary of Cost of Capital
District Level - Anthem Water - Proposed

Exhibit
Schedule D-1
Page 3
Witness: Broderick

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	$ 37,026,490	53.25%	5.47%	2.91%	$ 37,026,490	53.25%	5.46%	2.91%
2									
3	Stockholder's Equity	32,508,980	46.75%	11.75%	5.49%	32,508,980	46.75%	11.75%	5.49%
4									
5	Totals	69,535,470	100.00%		8.40%	69,535,470	100.00%		8.40%
6									
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Cost of Long Term Debt
Test Year - Arizona American Water Actual

Exhibit
Schedule D-2
Page 1
Witness: Broderick

Line No.	Long-Term Debt	End of Test Year Amount Outstanding	End of Test Year Annual Cost	End of Test Year Interest Rate	End of Projected Year Amount Outstanding	End of Projected Year Annual Cost	End of Projected Year Interest Rate
1	Sep '28 L-T Note - Maricopa	10,635,000	386,051	3.630%	10,635,000	386,051	3.630%
2	Dec '13 L-T Promissory Note	24,700,000	1,331,330	5.390%	24,700,000	1,331,330	5.390%
3	Dec '16 L-T Promissory Note	11,200,000	618,240	5.520%	11,200,000	618,240	5.520%
4	Dec '18 L-T Promissory Note	123,100,000	6,918,220	5.620%	123,100,000	6,918,220	5.620%
5	Oct '37 L-T Promissory Note (1)	16,450,000	1,084,549	6.593%	10,000,000	650,000	6.500%
6	Oct '37 L-T Promissory Note (1)				6,450,000	425,249	6.593%
7	Sep '13 PILR - Monterey	32,726	2,049	6.260%	32,726	2,049	6.260%
8	Aug '15 PILR Rosalee	38,347	2,753	7.180%	38,347	2,753	7.180%
9	Aug '15 PILR - T.O. Development	32,847	2,358	7.180%	32,847	2,358	7.180%
10	Aug '13 PILR - Montex/Lincoln	19,220	1,107	5.760%	19,220	1,107	5.760%
11	Tolleson Obligation (3)	0	-	0.000%	-	-	0.000%
12	Phoenix Interconnect Agreement (2)	3,000,000	-	0.000%	3,000,000	-	0.000%
13							
14	Totals	189,208,140	10,346,656	5.468%	189,208,140	10,337,356	5.463%
15							
16							
17	Common Equity						
18	Common Stock	$ 522,880			$ 522,880		
19	Paid in Capital	164,468,228			164,468,228		
20	Retained Earnings	(28,867,782)			(28,867,782)		
21	Equity Infusion (4)				30,000,000		
22		136,123,326		11.75%	166,123,326		11.75%
23							
24							
25							
26	Short-Term Debt						
27	AWCC Bank Debt	$ 19,065,498	$ 984,733	5.165%	$ 19,065,498	$ 984,733	5.165%
28	Aug '08 L-T Senior Notes	4,519,474	321,877	7.122%	4,519,474	321,877	7.122%
29	2008 Anthem Refund Payment (5)	20,226,122	1,044,679	5.165%	20,226,122	1,044,679	5.165%
30	Totals	$ 43,811,094	$ 2,351,289	5.367%	$ 43,811,094	$ 2,351,289	5.367%
31							
32							

33 (1) The actual rate for this note if 6.593%, but the ACC authorized ceiling is 6.5%.
34 (2) $1M payments were made December 19, 2005 and September 12, 2006, leaving a balance due thereafter of $3M.
35 (3) Exclude the Tolleson obligation for ratemaking purposes as per ACC precedent.
36 (4) Additional equity infusions are planned for March 2008 ($20M) and August 2008 ($10M).
37 (5) The 2008 Anthem refund payment was paid as per the 4th Amendment to the Anthem Agreement.
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43 Supporting Schedules:
44 E-1
45 \Schedules\2007 Anthem Water Sch. A-F.xls\

Recap Schedules:
D-1

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Cost of Long Term Debt
Test Year - Anthem Water - Proposed

Exhibit
Schedule D-2
Page 2
Witness: Broderick

Line No.	Long-Term Debt	End of Test Year Amount Outstanding	End of Test Year Annual Cost	End of Test Year Interest Rate	End of Projected Year Amount Outstanding	End of Projected Year Annual Cost	End of Projected Year Interest Rate
1	Sep '28 L-T Note - Maricopa	10,635,000	386,051	3.630%	10,635,000	386,051	3.630%
2	Dec '13 L-T Promissory Note	24,700,000	1,331,330	5.390%	24,700,000	1,331,330	5.390%
3	Dec '16 L-T Promissory Note	11,200,000	618,240	5.520%	11,200,000	618,240	5.520%
4	Dec '18 L-T Promissory Note	123,100,000	6,918,220	5.620%	123,100,000	6,918,220	5.620%
5	Oct '37 L-T Promissory Note (1)	16,450,000	1,084,549	6.593%	10,000,000	650,000	6.500%
6	Oct '37 L-T Promissory Note (1)				6,450,000	425,249	6.593%
7	Sep '13 PILR - Monterey	32,726	2,049	6.260%	32,726	2,049	6.260%
8	Aug '15 PILR Rosalee	38,347	2,753	7.180%	38,347	2,753	7.180%
9	Aug '15 PILR - T.O. Development	32,847	2,358	7.180%	32,847	2,358	7.180%
10	Aug '13 PILR - Montex/Lincoln	19,220	1,107	5.760%	19,220	1,107	5.760%
11	Tolleson Obligation (3)	0	-	0.000%	-	-	0.000%
12	Phoenix Interconnect Agreement (2)	3,000,000	-	0.000%	3,000,000	-	0.000%
13							
14	Totals	189,208,140	10,346,656	5.468%	189,208,140	10,337,356	5.463%
15							
16							
17	Common Equity						
18	Common Stock	$ 522,880			$ 522,880		
19	Paid in Capital	164,468,228			164,468,228		
20	Retained Earnings	(28,867,782)			(28,867,782)		
21	Equity Infusion (4)				30,000,000		
22		136,123,326		11.75%	166,123,326		11.75%
23							
24							
25							
26	Short-Term Debt						
27	AWCC Bank Debt	$ 19,065,498	$ 984,733	5.165%	$ 19,065,498	$ 984,733	5.165%
28	Aug '08 L-T Senior Notes	4,519,474	321,877	7.122%	4,519,474	321,877	7.122%
29	2008 Anthem Refund Payment (5)	20,226,122	1,044,679	5.165%	20,226,122	1,044,679	5.165%
30	Totals	$ 43,811,094	$ 2,351,289	5.367%	$ 43,811,094	$ 2,351,289	5.367%
31							
32							

33 (1) The actual rate for this note if 6.593%, but the ACC authorized ceiling is 6.5%.
34 (2) $1M payments were made December 19, 2005 and September 12, 2006, leaving a balance due thereafter of $3M.
35 (3) Exclude the Tolleson obligation for ratemaking purposes as per ACC precedent.
36 (4) Additional equity infusions are planned for March 2008 ($20M) and August 2008 ($10M).
37 (5) The 2008 Anthem refund payment was paid as per the 4th Amendment to the Anthem Agreement.
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43 Supporting Schedules:
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Recap Schedules:
D-1

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Broderick

Line No.	Description of Issue	End of Test Year Shares Outstanding	End of Test Year Amount	End of Test Year Dividend Requirement	End of Projected Year Shares Outstanding	End of Projected Year Amount	End of Projected Year Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
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43	Supporting Schedules:				Recap Schedules:		
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\						

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Broderick

Line No.	
1	The Company's rate application reflects an 11.75% return on common equity. See the direct testimony
2	of Bente Villadsen.
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43	Supporting Schedules: Recap Schedules:
44	D-1
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E Schedules
Anthem
Water

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Comparative Balance Sheets
Total Company - Arizona American Water

Exhibit
Schedule E-1
Page 1
Witness: Gutowski

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	ASSETS			
2	Utility Plant	$ 678,007,460	$ 596,042,749	$ 521,206,065
4	Construction Work in Progress	19,474,380	39,764,025	53,320,402
5	Utility Plant Acquisition Adjustment	28,318,082	29,318,193	30,318,303
6	Less: Accumulated Depreciation	134,403,856	116,181,448	106,107,261
7	Net Plant	$ 591,396,066	$ 548,943,519	$ 498,737,509
8				
9	Non-Utility Property	138,301	138,301	111,151
10	Other Investments	235,473	1,106,535	3,986,237
11				
12	CURRENT ASSETS			
13	Cash and Equivalents	$ 503,022	$ 342,472	$ 1,932,319
14	Customer Accounts Receivable	4,188,775	4,235,735	3,838,527
15	Allowance for Uncollectible Accounts	(564,386)	(281,254)	(446,466)
16	Unbilled Revenues	3,841,077	2,800,566	3,985,400
17	FIT Refund Due from Assoc. Companies	2,831,051	5,000,194	4,554,302
18	Miscellaneous Receivables	2,445,842	698,059	6,020,640
19	Materials and Supplies	531,287	438,847	247,594
20	Other Current Assets	757,732	754,825	404,310
21	Total Current Assets	$ 14,534,400	$ 13,989,444	$ 20,536,626
22				
23	Deferred Debits	$ 23,053,695	$ 22,450,968	$ 12,193,236
24				
25	TOTAL ASSETS	$ 629,357,935	$ 586,628,767	$ 535,564,759
26				
27	LIABILITIES AND STOCKHOLDERS' EQUITY			
28				
29	Common Equity	$ 136,123,326	$ 125,757,912	$ 95,198,212
30				
31	Long-Term Debt	$ 194,768,140	$ 207,839,822	$ 198,757,395
32				
33	CURRENT LIABILITIES			
34	Bank Debt	$ 19,065,498	$ 14,526,117	$ 30,003,138
35	Current Portion of Long-Term Debt	4,519,474	16,050	16,050
36	Accounts Payable	5,726,344	11,459,490	15,195,593
37	Taxes Accrued	746,302	3,249,639	(11,338,335)
38	Interest Accrued	602,989	704,774	1,280,593
39	Customer Deposits	46,872	76,267	67,683
40	Other Current Liabilities	4,885,338	3,643,609	10,688,567
41	Total Current Liabilities	$ 35,592,817	$ 33,675,946	$ 45,913,289
42	DEFERRED CREDITS			
43	Advances in Aid of Construction	$ 207,062,871	$ 180,481,909	$ 160,474,919
44	Accumulated Deferred Income Taxes	(11,193,103)	(8,021,246)	6,890,093
45	Deferred Investment Tax Credits	60,106	63,826	67,546
46	Reg. Liab. - Income Tax Refund Thru Rates	229,560	263,113	241,674
47	Other Deferred Credits	12,063,286	10,919,590	7,561,755
48	Total Deferred Credits	$ 208,222,720	$ 183,707,192	$ 175,235,987
49				
50	Contributions in Aid of Construction	$ 54,650,930	$ 35,647,896	$ 20,459,874
51				
52	Total Liabilities & Common Equity	$ 629,357,933	$ 586,628,768	$ 535,564,757
53				
54	Supporting Schedules:	Recap Schedules:		
55				
56	\Schedules\2007 Anthem Water Sch. A-F.xls\			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Comparative Balance Sheets
District Level - Tubac Water

Exhibit
Schedule E-1
Page 2
Witness: Gutowski

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	ASSETS			
2	Utility Plant Original Cost	$ 85,122,950	$ 80,423,276	$ 79,631,971
4	CWIP	239,390	3,287,916	1,788,352
5	Utility Plant Acquisition Adjustment	1,588,350	1,682,781	1,448,405
6	Accumulated Depreciation	10,652,628	9,154,252	7,339,449
7	Net Plant	$ 76,298,062	$ 76,239,720	$ 75,529,278
8				
9	Non-Utility Property	-	-	-
10	Other Investments	11,940	59,403	190,436
11				
12	CURRENT ASSETS			
13	Cash & Cash Equivalents	$ 27,942	$ 19,645	$ 92,304
14	Customer Accounts Receivable	234,947	243,119	183,379
15	Allowance for Uncollectible Acctounts	(31,656)	(16,143)	(21,329)
16	Accrued Utility Revenue	317,513	189,164	349,629
17	FIT Refund Due From Assoc Co	158,793	86,885	48,629
18	Miscellaneous Receivables	129,558	40,067	294,559
19	Materials & Supplies	10,493	15,914	20,581
20	Prepayments	25,677	26,625	3,926
21	Total Current Assets	$ 873,267	$ 605,276	$ 971,677
22				
23	Deferred Debits	$ 5,884,153	$ 5,852,178	$ 482,068
24				
25	TOTAL ASSETS	$ 83,067,421	$ 82,756,576	$ 77,173,459
26				
27	LIABILITIES AND STOCKHOLDERS' EQUITY			
28				
29	Common Equity	$ 38,831,079	$ 37,463,565	$ 35,933,608
30				
31	Long-Term Debt	$ 10,924,471	$ 11,929,413	$ 9,495,295
32				
33	CURRENT LIABILITIES			
34	Bank Debt	$ 1,069,377	$ 833,758	$ 1,433,349
35	Current Portion of Long-Term Debt	253,496	921	767
36	Accounts Payable	165,367	202,694	382,238
37	Taxes Accrued	301,714	254,588	(696,971)
38	Interest Accrued	33,821	40,452	61,178
39	Customer Deposits	2,880	5,760	2,880
40	Other Current Liabilities	247,374	197,754	462,675
41	Total Current Liabilities	$ 2,074,029	$ 1,535,927	$ 1,646,115
42	DEFERRED CREDITS			
43	Advances in Aid of Construction	$ 29,035,396	$ 30,713,095	$ 29,385,017
44	Accumulated Deferred Income Taxes	(740,503)	(575,709)	233,184
45	Deferred Investment Tax Credits	-	-	-
46	Deferred Regulatory Liability	12,876	15,102	11,546
47	Other Deferred Credits	554,555	567,287	355,805
48	Total Deferred Credits	$ 28,862,324	$ 30,719,774	$ 29,985,551
49				
50	Contributions in Aid of Construction	$ 2,375,518	$ 1,107,897	$ 112,890
51				
52	Total Liabilities & Common Equity	$ 83,067,421	$ 82,756,576	$ 77,173,459
53				
54	Supporting Schedules:	Recap Schedules:		
55	E-5	A-3		
56	\Schedules\2007 Anthem Water Sch. A-F.xls\			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	Operating Revenues	$ 5,618,428	$ 6,024,643	$ 6,116,554
2				
3	Operation & Maintenance Expense	$ 4,153,063	$ 5,176,561	$ 3,771,707
4	Depreciation & Amortization	1,659,481	2,283,773	2,162,277
5	Other Taxes	258,824	226,091	225,269
6	Income Taxes	(264,542)	(282,406)	(176,427)
7	Total Operating Expense	$ 5,806,826	$ 7,404,019	$ 5,982,826
8	Operating Income	$ (188,398)	$ (1,379,376)	$ 133,728
9				
10	Other Income - Net	161,525	(127,312)	(118,557)
11				
12	Long-Term Interest	1,170,813	1,236,616	1,158,092
13				
14	AFUDC	($36,540)	(295)	(3,851)
15	Net Income	$ (1,161,146)	$ (2,743,009)	$ (1,139,070)
16				
17				
18	Preferred Dividends	$ -	$ -	$ -
19				
20	Earnings Available for Common Stock	$ (1,161,146)	$ (2,743,009)	$ (1,139,070)
21				
22	Earnings Per Share of Average			
23	Common Stock Outstanding	$ (76.37)	$ (158.90)	$ (61.71)
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43	Supporting Schedules:			Recap Schedules:
44	E-6			A-2
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Comparative Statement of Changes in Financial Position

Exhibit
Schedule E-3
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1				
2				
3	Source of Funds			
4	From Operations			
5	Net Income	(36,540)	(295)	(3,851)
6	Depreciation and Amortization	1,659,481	2,283,773	2,162,277
7	Def. Investment Tax Credits	-	-	-
8	Deferred income Taxes	(164,793)	(808,894)	161,389
9	Amort. Of Regulatory Expense	11,030	30,387	21,131
10	Total From Operations	1,469,178	1,504,971	2,340,946
11	From Financing	-		
12	Advances in Aid of Construction	(1,677,699)	1,328,079	(538,696)
13	Contributions in Aid of Construction	1,267,621	995,007	48,924
14	Issuance of Long-term Debt	(752,368)	2,434,273	523,802
15	(Decrease) Increase in Net Amounts due to			
16	Parent and Affilitates	2,057,073	5,377,268	-
17	Total From Financing	894,627	10,134,626	34,030
18				
19	Total Funds Provided	$ 2,363,804	$11,639,597	$ 2,374,975
20	Application of Funds			
21	Construction Expenditures	1,651,148	2,290,869	4,138,472
22	Rate Case Expenses	11,030	30,387	21,131
23	Dividends Paid	-	-	-
24	Other Deferred Debits and Credits	19,244	5,581,592	(126,263)
25	Total Funds Applied	$ 1,681,422	$ 7,902,848	$ 4,033,340
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43			Recap Schedules:	
44			A-5	
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Statement of Changes in Stockholder's Equity
Total Company

Exhibit
Schedule E-4
Page 1
Witness: Broderick

Line No.		Shares Outstanding	Common Stock	Additional Paid-In-Capital	Retained Earnings	Total
1						
2						
3						
4						
5	Balance, December 10, 2004	104,576	522,880	114,468,228	(18,388,896)	96,602,212
6						
7	Net Income				(1,404,000)	(1,404,000)
8						
9	Dividends Paid					
10						
11	Other/Reclass					
12						
13	Balance, December 9, 2005	104,576	522,880	114,468,228	(19,792,896)	95,198,212
14						
15	Net Income				(4,440,300)	(4,440,300)
16						
17	Dividends Paid					
18						
19	Other/Reclass			35,000,000		35,000,000
20						
21	Balance, December 31, 2006	104,576	522,880	149,468,228	(24,233,196)	125,757,912
22						
23	Net Income		-	-	(4,634,586)	(4,634,586)
24						
25	Dividends Paid					
26						
27	Other/Reclass			15,000,000		15,000,000
28						
29	Balance, December 31, 2007	104,576	$ 522,880	164,468,228	(28,867,782)	136,123,326
30						
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44	Supporting Schedules:				Recap Schedules:	
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\					

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Gutowski

Line No.	Obj. Acct.	Sub. Acct.	Description	Plant Balance at 12/31/2006	Plant Additions, Reclass-ifications or Retirements	Plant Balance at 12/31/2007
1	101000	301000	Organization	-	-	-
2	101000	302000	Franchises	4,719,239	-	4,719,239
3	101000	303200	Land & Land Rights SS	4,934,048	1,080,941	6,014,990
4	101000	303300	Land & Land Rights P	20,000	-	20,000
5	101000	303500	Land & Land Rights TD	-	-	-
6	101000	303600	Land & Land Rights AG	-	-	-
7	101000	304100	Struct & Imp SS	4,769,951	(45,114)	4,724,837
8	101000	304200	Struct & Imp P	2,833,010	45,315	2,878,325
9	101000	304300	Struct & Imp WT	874,904	189,209	1,064,113
10	101000	304400	Struct & Imp TD	18,469	-	18,469
11	101000	304600	Struct & Imp Offices	110,668	-	110,668
12	101000	304800	Struct & Imp Misc	-	-	-
13	101000	305000	Collect & Impounding	370,979	-	370,979
14	101000	306000	Lake, River & Other Intakes	394,971	10,250	405,221
15	101000	307000	Wells & Springs	461,497	(460,731)	766
16	101000	310100	Power Generation Equip Other	(1,083,445)	1,083,445	-
17	101000	311200	Pump Equip Electric	12,071,604	(327,897)	11,743,707
18	101000	311300	Pump Equip Diesel	-	-	-
19	101000	311500	Pump Equip Other	4,822	5,505	10,327
20	101000	320100	WT Equip Non-Media	10,048,860	223,496	10,272,355
21	101000	330000	Dist Reservoirs & Standpipe	4,109,882	429,040	4,538,922
22	101000	331001	TD Mains Not Classified by Size	3,289,837	545,378	3,835,215
23	101000	331100	TD Mains 4in & Less	15,463,957	(34,316)	15,429,641
24	101000	331200	TD Mains 6in to 8in	6,931,535	675,198	7,606,733
25	101000	331300	TD Mains 10in to 16in	4,384,381	25,289	4,409,670
26	101000	333000	Services	1,878,991	208,700	2,087,691
27	101000	334100	Meters	786,728	42,244	828,973
28	101000	334200	Meter Installations	282,089	43,734	325,823
29	101000	335000	Hydrants	1,825,669	129,185	1,954,854
30	101000	339100	Othber P/E Intangible	-	-	-
31	101000	339500	Other P/E TD	-	-	-
32	101000	340100	Office Furniture & Equip	160,631	-	160,631
33	101000	340200	Comp & Periph Equip	16,396	27	16,424
34	101000	341100	Trans Equip Lt Duty Trks	125,719	35	125,754
35	101000	341200	Trans Equip Hvy Duty Trks	63,456	(3,237)	60,218
36	101000	341400	Trans Equip Other	17,286	-	17,286
37	101000	342000	Stores Equipment	-	-	-
38	101000	343000	Tools,Shop,Garage Equip	14,945	17,987	32,932
39	101000	344000	Laboratory Equipment	118,788	-	118,788
40	101000	345000	Power Operated Equipment	4,719	-	4,719
41	101000	346100	Comm Equip Non-Telephone	116,748	783,293	900,041
42	101000	346200	Comm Equip Telephone	22,846	-	22,846
43	101000	346300	Comm Equip Other	8,440	3,667	12,107
44						
45			District Totals	80,172,621	4,670,644	84,843,264
46						
47						
48						
49						
50						

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Detail of Plant in Service

Exhibit
Schedule E-5
Page 2
Witness: Gutowski

Line No.	Obj. Acct.	Sub. Acct.	Description	Plant Balance at 12/31/2006	Plant Additions, Reclass-ifications or Retirements	Plant Balance at 12/31/2007
1	101000	303600	Land & Land Rights AG	30,722	(30,722)	-
2	101000	304510	Struct & Imp AG Cap Lease	-	-	-
3	101000	304600	Struct & Imp Offices	18,209	(18,209)	-
4	101000	304800	Struct & Imp Misc	-	-	-
5	101000	304620	Struct & Imp Leasehold	197,755	-	197,755
6	101000	331001	Mains	-	783,397	783,397
7	101000	340100	Office Furniture & Equip	1,090,182	34,725	1,124,906
8	101000	340200	Comp & Periph Equip	395,932	61,597	457,529
9	101000	340300	Computer Software	1,800,584	(233)	1,800,350
10	101000	340330	Comp Software Other	36,811	9,951	46,763
11	101000	340500	Other Office Equipment	-	-	-
12	101000	341100	Trans Equip Lt Duty Trks	469,000	(469,000)	-
13	101000	343000	Tools,Shop,Garage Equip	18,131	20,324	38,455
14	101000	344000	Laboratory Equipment	-	-	-
15	101000	345000	Power Operated Equipment	47,923	(47,923)	-
16	101000	346100	Comm Equip Non-Telephone	199,220	(13,140)	186,080
17	101000	346200	Comm Equip Telephone	49,678	(49,678)	-
18	101000	346300	Comm Equip Other	12,887	(7,985)	4,902
19	101000	347000	Misc Equipment	-	-	-
20						
21			Corporate Totals	4,367,033	273,104	4,640,137
22						
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24						
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33						
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36						
37						
38						
39			TOTAL PLANT IN SERVICE	$ 84,539,654	$ 4,943,747	$ 89,483,401
40						
41			Accumulated Depreciation	$ (9,154,252)	$ (1,498,376)	$ (10,652,628)
42			NET PLANT IN SERVICE	$ 75,385,402	$ 3,445,371	$ 78,830,773
43			CWIP	$ 3,287,916	$ (3,048,526)	$ 239,390
44			TOTAL NET PLANT	$ 78,673,317	$ 396,845	$ 79,070,163
45						
46						
47	Supporting Schedules:				Recap Schedules:	
48					E-1	
49					A-4	
50	\Schedules\2007 Anthem Water Sch. A-F.xls\					

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Comparative Departmental Statements of Operating Income

Exhibit
Schedule E-6
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	**Water Revenues**			
2	Residential	$ 3,811,118	$ 3,623,007	$ 3,102,512
3	Commercial	651,990	773,670	826,923
4	Industrial	-	-	-
5	Public Fire	-	-	-
6	Private Fire	80,555	71,691	60,904
7	Public Authority	-	-	-
8	Sales For Resale	242,866	579,430	269,437
9	Miscellaneous	362,916	393,915	425,502
10		$ 5,149,445	$ 5,441,713	$ 4,685,278
11	**Other Revenues**			
12	Other Revenues	$ 468,983	$ 582,930	$ 1,431,276
13	**Total Operating Revenues**	$ 5,618,428	$ 6,024,643	$ 6,116,554
14				
15	**Operations Expenses**			
16	Source of Supply Expense	1,374,710	2,335,603	708,162
17	Pumping Expense	12	(20,212)	58,585
18	Water Treatment Expense	416,464	316,748	776,402
19	Transmission & Distribution Expense	65,789	48,684	44,881
20	Customer Accounting Expense	184,772	195,404	198,305
21	Administrative & General Expense	1,879,313	2,077,178	1,719,152
22	**Total Operations Expense**	3,921,060	4,953,405	3,505,487
23				
24	**Maintenance Expenses**			
25	Source of Supply Expense	37	4,181	1,990
26	Pumping Expense	-	-	-
27	Water Treatment Expense	196,998	178,879	233,176
28	Transmission & Distribution Expense	19,469	20,055	23,569
29	Customer Accounting Expense	-	-	-
30	Administrative & General Expense	15,499	20,041	7,485
31	**Total Maintenance Expense**	232,003	223,156	266,220
32	**Total Operations & Maintenance Expense**	4,153,063	5,176,561	3,771,707
33				
34	**Depreciation Expense**	1,659,481	2,311,543	2,133,948
35	**Amortization**	-	(27,770)	28,329
36				
37	**Taxes**			
38	Property Taxes	203,422	183,988	182,367
39	Other Taxes	55,402	42,103	42,902
40	State Income Taxes	(22,883)	(44,768)	(42,443)
41	Federal Income Taxes	(241,659)	(237,638)	(133,984)
42	**Total Taxes**	(5,718)	(56,315)	48,842
43				
44	**Total Operating Expenses**	$ 5,806,826	$ 7,404,019	$ 5,982,826
45	**Operating Income**	$ (188,398)	$ (1,379,376)	$ 133,728
46				
47				
48	Supporting Schedules:		Recap Schedules:	
49			E-2	
50	\Schedules\2007 Anthem Water Sch. A-F.xls\			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	WATER STATISTICS:			
2				
3	Total Gallons Sold (Kgal)			
4	Residential	1,129,196	1,119,331	901,667
5	Commerical	241,697	309,328	349,848
6	Other/Miscellaneous	843,108	886,199	775,430
7	Total Gallons Sold (Kgal)	2,214,002	2,314,858	2,026,945
8				
9	Average No. Customers			
10	Residential	8,333	7,427	6,052
11	Commerical	234	211	177
12	Other/Miscellaneous	70	72	87
13				
14				
15	Average Annual Gallons Per Residential Customer (Kgal)			
16	Residential	136	151	149
17				
18	Average Annual Revenue Per Residential Customer			
19	Residential	$ 713.74	$ 512.60	$ 523.79
20				
21	Pumping Cost Per Kgal	$ 0.0000	$ (0.0087)	$ 0.0289
22				
23				
24				
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45	Workpapers & Supporting Documents:			
46	\Common\Workpapers\Operating Statistics-Avg. Customers.xls			
47				
48				
49				
50	\Schedules\2007 Anthem Water Sch. A-F.xls\			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Hubbard

Line No.	Description	Test Year Ended 12/31/2007	Prior Year Ended 12/31/2006	Prior Year Ended 12/9/2005
1	Description			
2				
3	Federal Taxes:			
4	Federal Income	$ (241,659)	$ (237,638)	$ (133,984)
5	FICA (Employer's)	48,568	40,004	41,075
6	Federal Unemployment	999	1,609	626
7	Total Federal Taxes	$ (192,092)	$ (196,025)	$ (92,283)
8				
9	State Taxes:			
10	State Income	(22,883)	(44,768)	(42,443)
11	Ad Valorem (Property)	203,422	183,988	182,367
12	State Sales and Water Use	4,053	-	-
13	State Unemployment	1,777	1,287	1,200
14	Total State Taxes	$ 186,369	$ 140,507	$ 141,124
15				
16	Local Taxes	$ 5	$ (797)	$ 1
17				
18	Total Taxes to Operations	$ (5,718)	$ (56,315)	$ 48,842
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43	Supporting Schedules and Workpapers:		Recap Schedules:	
44	\08 Anthem Water\Work Papers\Expenses\A of I - Anthem Water.xls			
45				
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49				
50	\Schedules\2007 Anthem Water Sch. A-F.xls\			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Broderick

Line No.	
1	Anthem Water is an operating district within Arizona-American Water Company, and
2	does not have a separate capital structure and balance sheet.
3	
4	Projected capital expenditures reflect the Company's 2008 - 2012 business plan.
5	
6	Electronic workpapers are indicated at the bottom of each page.
7	
8	The Company proposes that its fair value rate base equals its original cost rate base in this case.
9	
10	Test year book results include corporate allocations.
11	
12	2007 audited financials for Arizona-American are included in the workpapers.
13	
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50	\Schedules\2007 Anthem Water Sch. A-F.xls\

F Schedules
Anthem
Water

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Hubbard

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2008	At Proposed Rates Year Ended 12/31/2008
1				
2	Operating Revenues	$ 5,618,428	$ 9,357,346	$ 15,531,530
3				
4	Operation & Maintenance Expense	4,153,063	4,676,365	4,712,793
5	Depreciation & Amortization	$ 1,659,481	$ 1,979,583	$ 1,979,583
6	Other Taxes	258,824	484,414	575,463
7	Income Taxes	$ (264,542)	$ 88,794	$ 2,422,755
8	Total Expense	5,806,826	7,229,155	9,690,594
9	Operating Income	(188,398)	2,128,191	5,840,936
10				
11	Other Income Net	161,525	-	-
12				
13	Long-Term Interest	1,170,813	2,023,482	2,023,482
14				
15	AFUDC	(36,540)	(36,540)	(36,540)
16	Net Income	(1,161,146)	141,249	3,853,994
17				
18				
19	Earnings Per Share	(76.37)	9.85	268.73
20				
21	Return on Common Equity	-6.22%	0.46%	16.76%
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23				
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43	Supporting Schedules:		Recap Schedules:	
44	E-2		A-2	
45				
46				
47				
48				
49				
50	\Schedules\2007 Anthem Water Sch. A-F.xls\			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Hubbard

Line No.		Test Year Ended 12/31/2007	At Present Rates Year Ended 12/31/2008	At Proposed Rates Year Ended 12/31/2008
5	Source of Funds			
6	From Operations			
7	Net Income	$ (36,540)	$ 141,249	$ 3,853,994
8	Depreciation and Amortization	1,659,481	1,979,583	1,979,583
9	Def. Investment Tax Credits	-	-	-
10	Deferred income Taxes	(164,793)	(164,793)	(164,793)
11	Amort. Of Regualtory Expense	11,030	75,792	75,792
12	Total From Operations	1,469,178	2,031,830	5,744,576
13	From Financing			
14	Advances in Aid of Construction	(1,677,699)	(1,677,699)	(1,677,699)
15	Contributions in Aid of Construction	1,267,621	1,267,621	1,267,621
16	Issuance of Long-term Debt	(752,368)	(752,368)	(752,368)
17	(Decrease) Increase in Net Amounts due to			
18	Parent and Affilitates	2,057,073	4,114,146	4,114,146
19	Total From Financing	894,627	2,951,700	2,951,700
20				
21	Total Funds Provided	$ 2,363,804	$ 4,983,530	$ 8,696,275
22	Application of Funds			
23	Construction Expenditures	1,651,148	375,358	375,358
24	Rate Case Expenses	11,030	11,030	11,030
25	Dividends Paid	-	-	-
26	Other Deferred Debits and Credits	19,244	19,244	19,244
27	Total Funds Applied	$ 1,681,422	$ 405,632	$ 405,632
28				
29	Details of Financing			
30	Changes in Short-term Debt	235,619	-	-
31	Changes in Long-term Debt	(1,004,942)	-	-
32	Changes in Preferred Stock	-	-	-
33	Changes in Common Equity	1,367,515	141,249	3,853,994

42	Supporting Schedules	Recap Schedules:
43	E-3	A-5
44	F-3	

50 \Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Hubbard

Line No.	Property Classification	Actual Test Year 12/31/2007	Projected Thru 12/31/2008	Projected Thru 12/31/2009	Projected Thru 12/31/2010
5	Improvement Projects	$ 169,857	$ 217,653	$ 242,293	$ 268,253
7	Recurring Projects	290,426	157,705	225,606	245,630
15	Total Plant	$ 460,283	$ 375,358	$ 467,899	$ 513,883

Supporting Schedules:

Recap Schedules:
F-2
A-4

\Schedules\2007 Anthem Water Sch. A-F.xls\

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Hubbard

Line No.

1 Customer growth

3 -Revenues annualized for customer growth or loss. See Schedule C-2.

6 Growth in consumption and customer demand

8 -Expenses have been adjusted to reflect annualization of customer growth or loss. See Schedule C-2.

11 Changes in expenses

13 -See Schedule C-2 and testimony of Sheryl L. Hubbard and Linda J. Gutowski.

16 Construction requirements, including production reserves and changes in plant capacity

18 -Construction requirements reflect the Company's 2008 - 2012 business plan.

21 Capital structure changes

23 See Schedule D-1 and the testimony of Thomas M. Broderick.

26 Financing costs, interest rates

28 See Schedule D-2, page 2 and the testimony of Thomas M. Broderick.

44 Supporting Schedules: Recap Schedules:

50 \Schedules\2007 Anthem Water Sch. A-F.xls\

G Schedules
Anthem
Water

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

DEVELOPMENT OF RATE OF RETURN BY RATE CLASSES UNDER PRESENT RATES

Description	Cost of Service	Residential	Commercial	Sales for Resale	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)
1. Revenues From Sales of Water - Present Rates	$7,793,437	$5,942,281	$1,062,382	$708,220	$80,554
2. Other Revenues	1,563,914	$1,172,071	$196,042	$190,096	$5,705
3. Total Operating Revenues	9,357,351	7,114,352	1,258,424	898,316	86,259
4. Less: Operating Expenses	7,140,361	5,374,691	884,602	856,598	24,470
5. Return and Income Taxes	2,216,990	1,739,661	373,822	41,718	61,789
6. Less: Interest Expense	2,023,482	1,494,948	263,255	256,375	8,701
7. Taxable Income	193,508	244,713	110,567	(214,657)	53,088
8. Less: Income Taxes	74,690	94,453	42,678	(82,853)	20,487
9. Net Return (Ln 5 - Ln 8)	2,142,300	1,645,208	331,144	124,571	41,302
10. Original Cost Measure of Value	$69,535,466	$51,376,238	$9,047,314	$8,810,004	$301,910
11. Rate of Return, Percent	3.08%	3.20%	3.66%	1.41%	13.68%
12. Relative Rate of Return	1.00	1.04	1.19	0.46	4.44

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

DEVELOPMENT OF RATE OF RETURN BY RATE CLASSES UNDER PROPOSED RATES

Description	Cost of Service	Residential	Commercial	Sales for Resale	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)
1. Revenues From Sales of Water - Proposed Rates	$13,091,293	$9,886,997	$1,792,796	$1,330,946	$80,554
2. Other Revenues	2,439,919	$1,821,841	$308,848	$299,628	$9,602
3. Total Operating Revenues	15,531,212	11,708,838	2,101,644	1,630,574	90,156
4. Less: Operating Expenses	7,267,836	5,489,831	891,510	861,149	25,346
5. Return and Income Taxes	8,263,376	6,219,007	1,210,134	769,425	64,810
6. Less: Interest Expense	2,023,482	1,495,555	263,053	256,173	8,701
7. Taxable Income	6,239,894	4,723,452	947,081	513,252	56,109
8. Less: Income Taxes	2,408,651	1,823,589	365,633	198,232	21,678
9. Net Return (Ln 5 - Ln 8)	5,854,726	4,395,418	844,501	571,193	43,132
10. Original Cost Measure of Value	$69,535,467	$51,390,318	$9,040,804	$8,802,164	$302,181
11. Rate of Return, Percent	8.42%	8.55%	9.34%	6.49%	14.27%
12. Relative Rate of Return	1.00	1.02	1.11	0.77	1.70

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

ALLOCATION OF TOTAL RATE BASE BY COST FUNCTION TO CUSTOMER CLASSIFICATIONS

Cost Function	Factor Ref.	Rate Base	Residential	Commercial	Sales for Resale	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commodity	A	$22,593	$15,612	$3,430	$3,552	
Demand - Maximum Day	B	43,661,180	31,134,786	6,151,860	6,374,532	
Demand - Maximum Hour	C	20,610,861	15,656,010	2,458,876	2,347,577	148,398
Customer Facilities - Meters	D	3,773,590	3,372,457	338,868	62,264	0
Customer Facilities - Services	E	996,900	756,348	75,964	13,957	150,632
Billing and Collecting	F	470,344	455,105	11,806	282	3,151
Total		$69,535,468	$51,390,318	$9,040,804	$8,802,164	$302,181

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT
ALLOCATION OF TOTAL EXPENSES BY COST FUNCTION TO CUSTOMER CLASSIFICATIONS

Cost Function	Factor Ref.	Cost of Service	Residential	Commercial	Sales for Resale	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commodity	A	$1,553,691	$1,073,601	$235,850	$244,240	
Demand - Maximum Day	B	3,346,655	2,386,499	471,544	488,612	
Demand - Maximum Hour	C	1,066,781	810,327	127,267	121,506	7,681
Customer Facilities - Meters	D	313,604	280,268	28,162	5,174	0
Customer Facilities - Services	E	76,530	58,063	5,832	1,071	11,564
Billing and Collecting	F	910,577	881,073	22,855	546	6,101
Total		$7,267,838	$5,489,831	$891,510	$861,149	$25,346

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
RATE BASE								
Organization	11	0	0	0	0	0	0	0
Franchises	11	4,718,823	1,416	2,962,949	1,398,659	256,232	67,479	32,088
Land & Land Rights SS	2	5,998,752	0	5,998,752	0	0	0	0
Land & Land Rights P	2	19,998	0	19,998	0	0	0	0
Land & Land Rights WT	2	0	0	0	0	0	0	0
Land & Land Rights TD	3	0	0	0	0	0	0	0
Land & Land Rights AG	9	0	0	0	0	0	0	0
Struct & Imp SS	2	4,323,649	0	4,323,649	0	0	0	0
Struct & Imp P	2	2,531,389	0	2,531,389	0	0	0	0
Struct & Imp WT	2	976,119	0	976,119	0	0	0	0
Struct & Imp TD	3	16,193	0	0	16,193	0	0	0
Struct & Imp Offices	9	104,627	1,120	59,690	13,790	6,518	555	22,955
Struct & Imp Misc	9	0	0	0	0	0	0	0
Collect & Impounding	2	313,626	0	313,626	0	0	0	0
Lake, River & Other Intakes	2	313,241	0	313,241	0	0	0	0
Wells and Springs	2	435,971	0	435,971	0	0	0	0
Supply Mains	2	0	0	0	0	0	0	0
Power Generation Equip Other	2	0	0	0	0	0	0	0
Pump Equip Electric	2	7,993,788	0	7,993,788	0	0	0	0
Pump Equip Diesel	2	0	0	0	0	0	0	0
Pump Equip Other	2	9,198	0	9,198	0	0	0	0
WT Equip Non-Media	2	8,171,294	0	8,171,294	0	0	0	0
Distrib. Reservoirs & Standpipes	3	4,117,296	0	0	4,117,296	0	0	0
TD Mains Not Classified by Size	3	1,898,481	0	0	1,898,481	0	0	0
TD Mains 4in & Less	3	7,377,706	0	0	7,377,706	0	0	0
TD Mains 6in to 8in	3	3,730,561	0	0	3,730,561	0	0	0
TD Mains 10in to 16in	2	2,099,216	0	2,099,216	0	0	0	0
TD Mains 18in and Grtr.	2	2,500,000	0	2,500,000	0	0	0	0
Fire Mains	3	0	0	0	0	0	0	0
Services	4A	831,370	0	0	0	0	831,370	0
Meters	4	789,839	0	0	0	789,839	0	0
Meter Installations	4	325,696	0	0	0	325,696	0	0
Hydrants	4	1,953,346	0	0	0	1,953,346	0	0
Office Furniture & Equip	9	190,024	2,033	108,409	25,045	11,839	1,007	41,691
Comp & Periph Equip	9	40,222	430	22,947	5,301	2,506	213	8,825
Computer Software	9	103,604	1,109	59,106	13,655	6,455	549	22,731

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Faciities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Trans Equip Lt Duty Trks	9	(66,084)	(707)	(37,701)	(8,710)	(4,117)	(350)	(14,499)
Trans Equip Hvy Duty Trks	9	77,498	829	44,212	10,214	4,828	411	17,003
Stores Equipment	9	0	0	0	0	0	0	0
Tools,Shop,Garage Equip	9	34,010	364	19,403	4,483	2,119	180	7,462
Laboratory Equipment	2	96,697	0	96,697	0	0	0	0
Power Operated Equipment	9	3,960	42	2,259	522	247	21	869
Comm Equip Non-Telephone	9	659,877	7,061	376,460	86,972	41,110	3,497	144,777
Comm Equip Non-Telephone	9	9,962	107	5,683	1,313	621	53	2,186
Comm Equip Other	9	13,947	149	7,957	1,838	869	74	3,060
Total Plant in Service		62,713,896	13,952	39,414,312	18,693,320	3,398,106	905,059	289,147
OTHER RATE BASE ELEMENTS								
Construction Work in Progress	11	0	0	0	0	0	0	0
Cash Working Capital Allowance	9	634,103	6,785	361,756	83,575	39,505	3,361	139,122
Materials and Supplies	9	0	0	0	0	0	0	0
Imputed Regulatory Advances and Contributions	11	(437,186)	(131)	(274,509)	(129,582)	(23,739)	(6,252)	(2,973)
Deferred Income Taxes	11	740,503	222	464,962	219,485	40,209	10,589	5,035
Deferred Charges	11	5,884,153	1,765	3,694,660	1,744,063	319,510	84,143	40,012
Customer Deposits	5	0	0	0	0	0	0	0
Total Other Rate Base Elements		6,821,573	8,641	4,246,868	1,917,541	375,484	91,842	181,197
Total Original Cost Measure of Value		69,535,469	22,593	43,661,180	20,610,861	3,773,590	996,900	470,344

Exhibit
Schedule G-5
Page 2 of 2
Witness: Herbert

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Faciities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
OPERATION AND MAINTENANCE EXPENSES								
SOURCE OF SUPPLY EXPENSES								
-OPERATION-								
Supervision & Engineering	2	0	0	0	0	0	0	0
Operation Expense and Labor	2	0	0	0	0	0	0	0
Purchased Water	1	444,337	444,337	0	0	0	0	0
Miscellaneous Expenses	2	38	0	38	0	0	0	0
Rents	2	0	0	0	0	0	0	0
Trans Oper	2	30	0	30	0	0	0	0
Heating - Oil/Gas	2	0	0	0	0	0	0	0
Security Service	2	216	0	216	0	0	0	0
Telemetering and Telephone	2	6,141	0	6,141	0	0	0	0
Contract Services	2	653	0	653	0	0	0	0
Total Operation		451,415	444,337	7,078	0	0	0	0
-MAINTENANCE-								
Supervision & Engineering	2	0	0	0	0	0	0	0
Maintenance Labor	2	0	0	0	0	0	0	0
Wells and Springs Maint	2	0	0	0	0	0	0	0
Maint Supply Mains Mat	2	0	0	0	0	0	0	0
Maint Struct. & Improvements	2	0	0	0	0	0	0	0
Misc. Maintenance	2	28	0	28	0	0	0	0
Materials and Supplies	2	9	0	9	0	0	0	0
Total Maintenance		37	0	37	0	0	0	0
Total Source of Supply		451,452	444,337	7,115	0	0	0	0
POWER AND PUMPING EXPENSES								
Pumping Supervision & Eng Electric	2	0	0	0	0	0	0	0
Pump Fuel and Power Purchase	1	965,412	965,412	0	0	0	0	0
Pump Labor and Expenses	2	14	0	14	0	0	0	0
Misc Pumping Expenses	2	0	0	0	0	0	0	0
Total Operation		965,426	965,412	14	0	0	0	0

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
-MAINTENANCE-								
Supervision & Engineering	2	0	0	0	0	0	0	0
Pump Maint Power Prod Equipment	2	0	0	0	0	0	0	0
Pump Maint Power Prod Equipment - Labor	2	0	0	0	0	0	0	0
Misc. Maintenance	2	0	0	0	0	0	0	0
Pump Maint Pumping Equipment	2	0	0	0	0	0	0	0
Total Maintenance		0	0	0	0	0	0	0
Total Power and Pumping		965,426	965,412	14	0	0	0	0
WATER TREATMENT								
-OPERATION-								
Supervision and Engineering	2	0	0	0	0	0	0	0
Chemicals	1	90,637	90,637	0	0	0	0	0
Chemical Feed	1	0	0	0	0	0	0	0
Waste Disposal	1	162	162	0	0	0	0	0
Labor and Expenses	2	379,973	0	379,973	0	0	0	0
Misc Water Treatment Exp	2	77,782	0	77,782	0	0	0	0
Contract Services - Lab Testing	1	10,376	10,376	0	0	0	0	0
Lab Supplies	1	840	840	0	0	0	0	0
Security Service	2	4,286	0	4,286	0	0	0	0
Materials and Supplies	2	44,623	0	44,623	0	0	0	0
Rents	2	0	0	0	0	0	0	0
Total Operation		608,679	102,015	506,664	0	0	0	0

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
-MAINTENANCE-								
Supervision and Engineering	2	0	0	0	0	0	0	0
General Water Equip	2	1,830	0	1,830	0	0	0	0
Contract Services - Maintenance	2	70,023	0	70,023	0	0	0	0
Misc. Maintenance	2	10,021	0	10,021	0	0	0	0
Janitorial	2	2,741	0	2,741	0	0	0	0
Total Maintenance		84,615	0	84,615	0	0	0	0
Total Water Treatment Expenses		693,294	102,015	591,279	0	0	0	0
TRANSMISSION AND DISTRIBUTION EXPENSES								
-OPERATION-								
Supervision and Engineering	7	0	0	0	0	0	0	0
Storage Facilities Expense	3	0	0	0	0	0	0	0
Labor Operation TD	7	1	0	0	0	0	0	0
Labor Operation Lines	6	9,956	0	3,926	6,029	0	0	0
Lines Expense	6	0	0	0	0	0	0	0
Contract Service - Other Operating	7	1,184	0	70	108	1,005	0	0
Meter Expense	4	(6)	0	0	0	(6)	0	0
Labor Operation Meters	4	56,067	0	0	0	56,067	0	0
Customer Installation Expenses	4	0	0	0	0	0	0	0
Maps and Records	7	0	0	0	0	0	0	0
Materials and Supplies	7	1,302	0	77	119	1,106	0	0
Misc Operating	7	1,945	0	116	178	1,652	0	0
Uniforms	7	5,866	0	349	536	4,981	0	0
Trans Oper	7	167	0	10	15	142	0	0
Rents	7	0	0	0	0	0	0	0
Total Operation		76,482	0	4,549	6,985	64,947	0	0

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
-MAINTENANCE-								
Supervision and Engineering	8	0	0	0	0	0	0	0
T & D Structures & Improve Maint	8	0	0	0	0	0	0	0
Reservoirs and Standpipes	3	0	0	0	0	0	0	0
T & D Mains	6	0	0	0	0	0	0	0
T & D Mains - Labor	6	1,853	0	731	1,122	0	0	0
Services	4A	0	0	0	0	0	0	0
Services - Labor	4A	5,073	0	0	0	0	5,073	0
Meters	4	(2)	0	0	0	(2)	0	0
Meters - Labor	4	245	0	0	0	245	0	0
Hydrants	4	(7)	0	0	0	(7)	0	0
Hydrants - Labor	4	318	0	0	0	318	0	0
Fire Mains - Labor	4	368	0	0	0	368	0	0
Tank Maintenace Accrual	3	119,025	0	0	119,025	0	0	0
Transport Maint	8	6,042	0	35	5,753	11	243	0
Materials and Supplies	8	2,043	0	12	1,945	4	82	0
Misc. Maintenance	8	4,868	0	28	4,635	9	196	0
Miscellaneous Plant	8	(3)	0	(0)	(3)	(0)	(0)	0
Total Maintenance		139,822	0	806	132,477	946	5,593	0
Total Transmission and Distribution Expenses		216,303	0	5,355	139,461	65,893	5,593	0
CUSTOMER ACCOUNTS								
Supervision	5	0	0	0	0	0	0	0
Meter Reading Expenses	5	0	0	0	0	0	0	0
Meter Reading Labor	5	20,696	0	0	0	0	0	20,696
Recording and Collecting Expenses	5	0	0	0	0	0	0	0
Customer Records Labor	5	19,310	0	0	0	0	0	19,310
Uncollectible Accounts	5	86,800	0	0	0	0	0	86,800
Misc Customer Accounting Expenses	5	0	0	0	0	0	0	0
Customer Service Expenses	5	0	0	0	0	0	0	0
Customer Service Expenses Labor	5	172	0	0	0	0	0	172

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Materials and Supplies Oper	5	4,732	0	0	0	0	0	4,732
Misc. Operating	5	722	0	0	0	0	0	722
Bank Service Charges	5	18,094	0	0	0	0	0	18,094
Bill Inserts	5	3,011	0	0	0	0	0	3,011
Collection Agencies	5	2,832	0	0	0	0	0	2,832
Forms	5	17,372	0	0	0	0	0	17,372
Office and Admin Supplies	5	1,602	0	0	0	0	0	1,602
Postage	5	50,524	0	0	0	0	0	50,524
Telephone	5	517	0	0	0	0	0	517
Cell Phone and Wireless	5	5,187	0	0	0	0	0	5,187
Contract Services - Operation	5	0	0	0	0	0	0	0
Uniforms	5	601	0	0	0	0	0	601
Total Customers' Accounting & Collecting		232,173	0	0	0	0	0	232,173
ADMINISTRATIVE AND GENERAL EXPENSES								
Administrative & General Salaries	9	246,961	2,642	140,891	32,550	15,386	1,309	54,183
Administrative & General Salaries - Dir/Off	9	6,510	70	3,714	858	406	35	1,428
Director Expenses	9	1,945	21	1,110	256	121	10	427
Management Fees - Water Quality	1	21,048	21,048	0	0	0	0	0
Management Fees - Cust. Billing/Service	5	222,971	0	0	0	0	0	222,971
Management Fees - Administration	9	888,680	9,509	506,992	117,128	55,365	4,710	194,976
Management Fees - Empl. Service	10	0	0	0	0	0	0	0
General Office Expense	9	64,824	694	36,982	8,544	4,039	344	14,222
Outside Services	9	61,541	658	35,109	8,111	3,834	326	13,502
Insurance other than Group	9	61,231	655	34,932	8,070	3,815	325	13,434
Workers Compensation	10	0	0	0	0	0	0	0
Employee Pensions and Benefits	10	433,044	1,559	306,595	23,514	42,178	3,724	55,473
Regulatory Expenses	9	75,792	811	43,239	9,989	4,722	402	16,629
Miscellaneous General Expense	9	(47,579)	(509)	(27,144)	(6,271)	(2,964)	(252)	(10,439)
Trans Oper	9	55,645	595	31,745	7,334	3,467	295	12,209
Insurance Vehicle	9	5,133	55	2,928	677	320	27	1,126
Discount Available	9	(216)	(2)	(123)	(28)	(13)	(1)	(47)
Advertising	9	1,386	15	791	183	86	7	304
Overnight Shipping	9	2,448	26	1,397	323	153	13	537
Community Relations and Dues	9	7,998	86	4,563	1,054	498	42	1,755

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Water Res Conservation	9	35	0	20	5	2	0	8
Penalties Nondeduct	9	1,353	14	772	178	84	7	297
Research and Development	9	1,707	18	974	225	106	9	375
Security Service	9	1,680	18	958	221	105	9	369
Software Licenses and Support	9	10,849	116	6,189	1,430	676	57	2,380
Computer Equipment	9	229	2	131	30	14	1	50
Pcard	9	(171)	(2)	(98)	(23)	(11)	(1)	(38)
Materials and Supplies	9	1,468	16	837	193	91	8	322
Misc. Maintenance	9	12,894	138	7,356	1,699	803	68	2,829
Administrative and General Rents	9	14,739	158	8,409	1,943	918	78	3,234
Total Administrative and General Expenses		2,154,145	38,412	1,149,270	218,194	134,201	11,553	602,516
Total Operation and Maintenance Expenses		4,712,793	1,550,176	1,753,033	357,655	200,094	17,146	834,688
503 DEPRECIATION EXPENSE								
Struct & Imp SS	2	118,121	0	118,121	0	0	0	0
Struct & Imp P	3	48,068	0	0	48,068	0	0	0
Struct & Imp WT	3	17,771	0	0	17,771	0	0	0
Struct & Imp TD	3	308	0	0	308	0	0	0
Struct & Imp Offices	9	3,669	39	2,093	484	229	19	805
Struct & Imp Store, Shop, Garage	9	0	0	0	0	0	0	0
Collect & Impounding	2	6,195	0	6,195	0	0	0	0
Lake, River & Other Intakes	2	10,131	0	10,131	0	0	0	0
Wells and Springs	2	19	0	19	0	0	0	0
Supply Mains	2	0	0	0	0	0	0	0
Power Generation Equip Other	2	0	0	0	0	0	0	0
Pump Equip Electric	2	0	0	0	0	0	0	0
Pump Equip Diesel	2	519,072	0	519,072	0	0	0	0
Pump Equip Other	2	456	0	456	0	0	0	0
WT Equip Non-Media	2	412,041	0	412,041	0	0	0	0
Distrib. Reservoirs & Standpipes	3	75,800	0	0	75,800	0	0	0
TD Mains Not Classified by Size	3	58,679	0	0	58,679	0	0	0

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TD Mains 4in & Less	3	236,074	0	0	236,074	0	0	0
TD Mains 6in to 8in	3	116,383	0	0	116,383	0	0	0
TD Mains 10in to 16in	2	67,468	0	67,468	0	0	0	0
TD Mains 18in and Grtr.	2	0	0	0	0	0	0	0
Fire Mains	3	0	0	0	0	0	0	0
Services	4A	51,775	0	0	0	0	51,775	0
Meters	4	20,807	0	0	0	20,807	0	0
Meter Installations	4	8,178	0	0	0	8,178	0	0
Hydrants	4	38,902	0	0	0	38,902	0	0
Office Furniture & Equip	9	9,922	106	5,661	1,308	618	53	2,177
Comp & Periph Equip	9	5,114	55	2,918	674	319	27	1,122
Computer Software	9	38,080	407	21,725	5,019	2,372	202	8,355
Comp Software Other	9	989	11	564	130	62	5	217
Trans Equip Lt Duty Trks	9	31,438	336	17,936	4,144	1,959	167	6,898
Trans Equip Hvy Duty Trks	9	19,376	207	11,054	2,554	1,207	103	4,251
Stores Equipment	9	0	0	0	0	0	0	0
Tools,Shop,Garage Equip	9	582	6	332	77	36	3	128
Laboratory Equipment	2	4,407	0	4,407	0	0	0	0
Power Operated Equipment	9	72	1	41	10	4	0	16
Comm Equip Non-Telephone	9	88,863	951	50,696	11,712	5,536	471	19,496
Comm Equip Telephone	9	2,230	24	1,272	294	139	12	489
Comm Equip Other	9	979	10	559	129	61	5	215
Acquistion Adjustment	9	94,258	1,009	53,774	12,423	5,872	500	20,680
Total Depreciation Expense		2,106,226	3,163	1,306,534	592,039	86,301	53,341	64,849

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COST OF SERVICE BY FUNCTION FOR THE BASE PERIOD, TWELVE MONTHS ENDED DECEMBER 31, 2007, ALLOCATED TO COMMODITY, DEMAND, CUSTOMER FACILITIES AND CUSTOMER ACCOUNTING CLASSIFICATIONS

Account	Factor Ref.	Test Period Cost of Service By Function	Commodity	Demand		Customer Facilities		Customer Accounting
				Max Day	Max Hour	Meters	Services	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
AMORTIZATION EXPENSE								
Amortization of Contributions	12	(19,101)	(6)	(11,994)	(5,662)	(1,037)	(273)	(130)
Amortization of Imputed Regulatory CIAC	12	(107,543)	(32)	(67,526)	(31,876)	(5,840)	(1,538)	(731)
Total Amortizations		(126,644)	(38)	(79,519)	(37,537)	(6,877)	(1,811)	(861)
507.1 TAXES, OTHER THAN INCOME								
Federal and State Payroll Taxes	10	65,852	237	46,623	3,576	6,414	566	8,436
Property Taxes	12	505,553	152	317,437	149,846	27,452	7,229	3,438
Gross Receipt Tax and Misc.	12	4,058	1	2,548	1,203	220	58	28
Total Taxes, Other Than Income		575,463	390	366,608	154,624	34,086	7,854	11,901
Total O & M, Depreciation and Other Taxes		7,267,839	1,553,691	3,346,655	1,066,781	313,604	76,530	910,577
507.2 INCOME TAXES	12	2,408,651	723	1,512,392	713,924	130,790	34,444	16,379
Utility Operating Income Available for Return	12	5,855,040	1,757	3,676,380	1,735,434	317,929	83,727	39,814
Total Cost of Service		15,531,530	1,556,170	8,535,427	3,516,139	762,322	194,701	966,770
Less: Other Water Revenues	13	2,439,918	244,480	1,340,979	552,397	119,800	30,499	151,763
Total Cost of Service Related to Sales of Water		$ 13,091,612	$ 1,311,690	$ 7,194,448	$ 2,963,742	$ 642,522	$ 164,202	$ 815,007

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

Reference	Commodity	Max Day	Max Hour	Customer Facilities Meters	Customer Facilities Services	Customer Accounting	Total
Factor 1 - Commodity	1.0000						1.0000
Factor 2 - Maximum Day		1.0000					1.0000
Factor 3 - Maximum Hour			1.0000				1.0000
Factor 4 - Customer Facilities - Meters				1.0000			1.0000
Factor 4A - Customer Facilites - Services					1.0000		
Factor 5 - Customer Accounting						1.0000	1.0000
Factor 6 - Max Day and Max Hour based on Mains		0.3944	0.6056				1.0000
Factor 7 - Transmission & Distirbution Operation Expenses							
Cost	0	3,926	6,029	56,061	0	0	66,016
Factor	0.0000	0.0595	0.0913	0.8492	0.0000	0.0000	1.0000
Factor 8 - Rate Transmission & Distribution Maintenance Expenses							
Cost	0	731	120,147	243	5,073	0	126,193
Factor	0.0000	0.0058	0.9521	0.0019	0.0402	0.0000	1.0000
Factor 9 - Total Cost of Service							
Cost	11,378	603,762	139,461	65,893	5,593	232,173	1,058,261
Factor	0.0107	0.5705	0.1318	0.0623	0.0053	0.2194	1.0000
Factor 10 - Labor Related Expenses							
Cost	2,712	529,249	40,559	72,789	6,416	95,790	747,515
Factor	0.0036	0.708	0.0543	0.0974	0.0086	0.1281	1.0000
Factor 11 - Rate Base Less Costs Allocated							
Cost	19,322	36,813,119	17,378,236	3,181,379	840,940	396,181	58,629,176
Factor	0.0003	0.6279	0.2964	0.0543	0.0143	0.0068	1.0000
Factor 12 - Rate Base							
Cost	22,593	43,661,180	20,610,861	3,773,590	996,900	470,344	69,535,469
Factor	0.0003	0.6279	0.2964	0.0543	0.0143	0.0068	1.0000
Factor 13 - Cost of Service							
Cost	1,556,170	8,535,427	3,516,139	762,322	194,701	966,770	15,531,529
Factor	0.1002	0.5496	0.2264	0.0491	0.0125	0.0622	1.0000

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

FACTORS FOR ALLOCATING COSTS BY FUNCTION TO CUSTOMER CLASSIFICATIONS

FACTOR A. ALLOCATION OF COMMODITY COSTS.

Factors are based on the pro forma test year average daily consumption for each customer classification.

Classification	Average Daily Consumption, Gallons	Allocation Factor
(1)	(2)	(3)
Residential	3,104	0.6910
Commercial/Pubic	682	0.1518
Other Water Utility	706	0.1572
Total	4,491	1.0000

FACTOR B. ALLOCATION OF MAXIMUM DAY DEMAND COSTS.

Factors are based on the maximum day demand for each customer classification.

Customer Classification	Average Daily Consumption, 1000 Gallons	Peak Day Factor*	Rate of Flow, 1000 Gallons Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	3,104	2.00	6,208	0.7131
Commercial/Pubic	682	1.80	1,227	0.1409
Other Water Utility	706	1.80	1,271	0.1460
Total	4,491		8,706	1.0000

* Ratio of Maximum Day To Average Day.

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT
FACTORS FOR ALLOCATING COST OF SERVICE TO COST FUNCTIONS

FACTOR C. ALLOCATION OF MAXIMUM HOUR DEMAND COSTS.

Factors are based on the maximum hour demand for each customer classification.

Customer Classification	Average Hourly Consumption, 1000 Gallons	Factor	Rate of Flow, 1000 Gallons Per Hour	Maximum Hour Demand		Fire Protection		Total Allocation
				Allocation Factor	Allocation Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)	(4)=(2)x(3)	(5)	(6)=(5)X 0.8920	(7)	(8)=(7)X 0.1080	(9)
Residential	129.3	4.00	517.2	0.7489	0.6680	0.8483	0.0916	0.7596
Commercial/Pubic	28.4	3.00	85.2	0.1234	0.1101	0.0852	0.0092	0.1193
Other Water Utility	29.4	3.00	88.2	0.1277	0.1139	0.0000	0.0000	0.1139
	187.1		690.6	1.0000	0.8920	0.9335	0.1008	0.9928
Private Fire				-	-	0.0665	0.0072	0.0072
Total				1.0000	0.8920	1.0000	0.1080	1.0000

Exhibit
Schedule G-7
Page 3 of 9
Witness: Herbert

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER OPERATIONS

BASIS FOR ALLOCATING DEMAND RELATED COSTS OF FIRE SERVICE TO PRIVATE AND PUBLIC FIRE PROTECTION CUSTOMER CLASSIFICATIONS

Description (1)		Restrictive Diameters Squared (2)	Quantity (3)	Relative Demand* (4)=(2)x(3)	Allocation Factor (5)
PRIVATE FIRE PROTECTION					
Fire Lines					
2 -inch		4.00		0	
3 -inch		9.00		0	
4 -inch		16.00	10	160	
6 -inch		36.00	41	1,476	
8 -inch		64.00	7	448	
10 -inch		100.00		0	
12 -inch		144.00		0	
Private Hydrants		28.50		0	
Total Private Fire Protection			58	2,084	0.0665
PUBLIC FIRE PROTECTION					
Hydrant	Nozzle Sizes				
6" Valve	2- 2-1/2" & 1 - 4"	28.5	1,026	29,241	
Total Public Fire Protection			1,026	29,241	0.9335
Total Fire Protection			1,084	31,325	1.0000

REALLOCATE PUBLIC FIRE

	Meter Equivalents	Allocation of Public Fire	Allocation of Public Fire Using Factor
Residential	13,941	0.9087	0.8483
Commercial/Pubic	1,401	0.0913	0.0852
Other Water Utility	0	0.0000	0.0000
	15,342	1.0000	0.9335

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER OPERATIONS

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum hour ratio of 2.50 and the average daily system sendout for 2007 of 5.36MGD. The system demand for fire protection is 2000

	Ratio	Rate of Flow, (GPM)	Weight
Average Hour	1.00	6,610	
Maximum Hour Capacity	2.50	16,526	0.8920
Fire Protection		2,000	0.1080
Total		18,526	1.0000

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

FACTORS FOR ALLOCATING COSTS BY FUNCTION TO CUSTOMER CLASSIFICATIONS

FACTOR D. ALLOCATION OF COSTS ASSOCIATED WITH METERS.

Factors are based on the relative cost of meters by size and customer classification, as developed on the following page and summarized below.

Customer Classification	5/8" Dollar Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	13,941	0.8937
Commercial/Pubic	1,401	0.0898
Other Water Utility	258	0.0165
Private Fire Protection	0	0.0000
Total	15,600	1.0000

FACTOR E. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the relative cost of services by size and customer classification, as developed on the following page and summarized below.

Customer Classification	3/4" Dollar Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	13,941	0.7587
Commercial/Pubic	1,401	0.0762
Other Water Utility	258	0.0140
Private Fire Protection	2,776	0.1511
Total	18,376	1.0000

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

FACTORS FOR ALLOCATING COSTS BY FUNCTION TO CUSTOMER CLASSIFICATIONS

FACTOR F. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

Customer Classification	Total Customers	Allocation Factor
(1)	(2)	(3)
Residential	8,426	0.9676
Commercial/Pubic	219	0.0251
Other Water Utility	5	0.0006
Private Fire Protection	58	0.0067
Total	8,708	1.0000

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT
BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size	5/8" Dollar Equivalent	Residential		Commercial		Irrigation		Other Water Utility		Private Fire Protection		Total	
		Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(13)	(14)=(2)X(11)	(15)	(16)
5/8	1.0	4,929	4,929	25	25	0	0	0	0	0	0	4,954	4,954
1	2.5	3,409	8,523	37	92	0	0	0	0	0	0	3,446	8,615
1-1/2	5.0	71	353	42	209	9	45	0	0	0	0	121	607
2	8.0	17	136	93	746	27	216	0	0	0	0	137	1,098
3	15.0	0	0	20	304	0	0	0	0	0	0	20	304
4	25.0	0	0	1	25	4	100	0	0	0	0	5	125
6	50.0	0	0	0	0	0	0	5	258	0	0	5	258
8	80.0	0	0	0	0	1	80	0	0	0	0	1	80
12	115.0	0	0	0	0	1	115	0	0	0	0	1	115
Total		8,426	13,941	219	1,401	42	556	5	258	0	0	8,692	16,156

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT
BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size	3/4" Dollar Equivalent	Residential		Commercial		Irrigation		Other Water Utility		Private Fire Protection		Total	
		Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(13)	(14)=(2)X(11)	(15)	(16)
3/4	1.0	4,929	4,929	25	25	0	0	0	0	0	0	4,954	4,954
1	2.5	3,409	8,523	37	92	0	0	0	0	0	0	3,446	8,615
1-1/2	5.0	71	353	42	209	9	45	0	0	0	0	121	607
2	8.0	17	136	93	746	27	216	0	0	2	16	139	1,114
3	15.0	0	0	20	304	0	0	0	0	0	0	20	304
4	25.0	0	0	1	25	4	100	0	0	10	250	15	375
6	50.0	0	0	0	0	0	0	5	258	39	1,950	44	2,208
8	80.0	0	0	0	0	1	80	0	0	7	560	8	640
12	115.0	0	0	0	0	1	115	0	0	0	0	1	115
Total		8,426	13,941	219	1,401	42	556	5	258	58	2,776	8,750	18,932

Exhibit
Schedule G-7
Page 9 of 9
Witness: Herbert

ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2007

Customer Classification	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent Increase
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	$ 9,775,399	74.6%	$ 5,942,281	76.3%	$ 9,886,997	75.5%	$ 3,944,717	66.4%
Commercial	1,657,054	12.7%	$ 1,062,382	13.6%	1,792,796	13.7%	730,414	68.8%
Sales for Resale	1,607,547	12.3%	708,220	9.1%	1,330,946	10.2%	622,726	87.9%
Private Fire Service	51,611	0.4%	80,554	1.0%	80,554	0.6%	-	0.0%
Total Sales	13,091,611	100.0%	7,793,437	100.0%	13,091,293	100.0%	5,297,856	68.0%
Other Revenues (a)	2,439,918		1,563,914		2,439,918		876,004	56.0%
Total	$ 15,531,529		$ 9,357,351		$ 15,531,211		$ 6,173,860	66.0%

Exhibit
Schedule G-8
Page 1of 1
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ARIZONA AMERICAN WATER COMPANY
ANTHEM WATER DISTRICT
ALLOCATION OF TOTAL COST OF SERVICE BY COST FUNCTION TO CUSTOMER CLASSIFICATIONS

Cost Function	Factor Ref.	Total Cost of Service	Residential	Commercial	Sales for Resale	Private Fire
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commodity	A	$1,311,690	$906,377	$199,115	$206,198	
Demand - Maximum Day	B	7,194,448	5,130,361	1,013,698	1,050,389	
Demand - Maximum Hour	C	2,963,742	2,251,258	353,574	337,570	21,339
Customer Facilities - Meters	D	642,522	574,223	57,698	10,602	0
Customer Facilities - Services	E	164,202	124,579	12,512	2,299	24,811
Billing and Collecting	F	815,007	788,601	20,457	489	5,461
Total		$13,091,611	$9,775,399	$1,657,054	$1,607,547	$51,611

H Schedules
Anthem
Water

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Summary of Revenues by Customer Classification - Present & Proposed Rates

Line No.	Customer Classification	Revenues in Test Year Present Rates	Revenues in Test Year Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	Residential	$ 5,942,281	$ 9,886,997	$ 3,944,717	66.38%
2					
3	Commercial	1,062,382	$ 1,792,796	730,414	68.75%
4					
5	Sale For Resale	$ 708,220	$ 1,330,946	622,726	87.93%
6					
7	Private Fire	$ 80,554	$ 80,554	-	0.00%
8					
9	Misc Irrigation Sales	$ 1,094,931	$ 1,970,935	876,004	80.01%
10					
11					
12					
13	Total Revenues	$ 8,888,368	$ 15,062,228	$ 6,173,860.05	69.46%
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
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44					

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Analysis of Revenue by Detailed Class

Line No.	Rate Schedule	Description	Average Number of Customers	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	E1M1A	Anthem Distco Res 5/8 & 3/4"	4,929	10,056	$ 2,545,656.61	$ 4,323,166.85	$ 1,777,510.24	41.12%
2	E1M1B	Anthem Distco Residential 1"	3,409	11,919	$ 3,138,285.99	$ 5,134,654.95	$ 1,996,368.96	38.88%
3	E1M1C	Anthem Distco Residential 1.5"	71	11,593	$ 108,827.16	$ 172,039.43	$ 63,212.27	36.74%
4	E1M1D	Anthem Distco Residential 2"	17	199,070	$ 153,456.46	$ 262,652.06	$ 109,195.60	41.57%
5	E1M2A	Anthem Distco Com 5/8 & 3/4"	6	13,598	$ 4,307.53	$ 7,302.95	$ 2,995.42	41.02%
6	E1M2B	Anthem Distco Com 1"	9	57,556	$ 25,306.93	$ 43,494.58	$ 18,187.65	41.82%
7	E1M2C	Anthem Distco Com 1.5"	15	44,095	$ 40,807.69	$ 67,427.14	$ 26,619.45	39.48%
8	E1M2D	Anthem Distco Com 2"	18	145,475	$ 127,437.40	$ 216,713.04	$ 89,275.64	41.20%
9	E1M2E	Anthem Distco Com 3"	12	133,725	$ 99,320.98	$ 163,259.61	$ 63,938.64	39.16%
10	E2M1A	Anthem Distco Com 5/8 & 3/4"	19	12,446	$ 13,806.48	$ 23,486.48	$ 9,680.00	41.22%
11	E2M1B	Anthem Distco Com 1"	28	33,254	$ 48,938.92	$ 82,431.21	$ 33,492.28	40.63%
12	E2M1C	Anthem Distco Com 1.5"	27	110,152	$ 133,954.59	$ 227,623.58	$ 93,668.99	41.15%
13	E2M1D	Anthem Distco Com 2"	75	143,444	$ 527,093.97	$ 894,566.08	$ 367,472.12	41.08%
14	E2M1E	Anthem Distco Com 3"	8	27,469	$ 37,735.65	$ 59,260.15	$ 21,524.50	36.32%
15	E2M1G	Anthem Distco Com 6"	-	250,773	$ 7,644.29	$ 12,407.24	$ 4,762.95	38.39%
16	E5M2	Anthem Wholesale (Phoenix) OWU	3	450,273	$ 49,947.04	$ 89,904.38	$ 39,957.34	44.44%
17	E6M2	Anthem Wholesale (Phoenix) OWU	1	4,271,364	$ 157,935.38	$ 284,282.74	$ 126,347.36	44.44%
18	E7M2	Anthem Wholesale (Phoenix) OWU	2	6,752,862	$658,273.05	$ 1,184,887.57	$ 526,614.52	44.44%
19	C6M06	Private Fire 6"	2	-	$ 980.64	$ 980.64	$ -	0.00%
20	E6M04	Private Fire 4"	10	-	$ 10,136.44	$ 10,136.44	$ -	0.00%
21	E6M06	Private Fire 6"	39	-	$ 58,708.22	$ 58,708.22	$ -	0.00%
22	E6M08	Private Fire 8"	7	-	$ 10,728.48	$ 10,728.48	$ -	0.00%
23	D7M1	Anthem Treatco NP Irrig - Genl	52	789,571	$ 912,475.85	$ 1,642,456.53	$ 729,980.68	44.44%
24	D7M2	Anthem Treatco Non Pot - Const	5	1,627,633	$ 182,620.46	$ 328,716.83	$ 146,096.37	44.44%
25								
26								
27		Total Anthem Water - Billed Revenues	8,764	15,096,328	$ 9,054,386.21	$ 15,301,287.19	$ 6,246,900.98	40.83%
28								
29		Total Residential	8,426	232,638	$ 5,946,226.21	$ 9,892,513.29	$ 3,946,287.08	39.89%
30		Total Commercial	217	971,987	$ 1,066,354.44	$ 1,797,972.07	$ 731,617.63	40.69%
31		Total Sale For Resale	6	11,474,499	$ 866,155.47	$ 1,559,074.69	$ 692,919.22	44.44%
32		Total Private Fire	58	-	$ 80,553.78	$ 80,553.78	$ -	0.00%
33		Misc Irrigation Sales	57	2,417,204	$ 1,095,096.31	$ 1,971,173.36	$ 876,077.05	44.44%
34								
35		Total Anthem Water - Billed Revenues	8,764	15,096,328	$ 9,054,386.21	$ 15,301,287.19	$ 6,246,900.98	40.83%
36		Less: Miscellaneous Adjustments						
37								
38								
39					Misc. Adjustments		Annualized Difference	Customer Annualization
40		E1M1A			$ (5,672.88)	(8,005.34)	$ 753,032.42	$ 2,016.00
41		E1M1B			$ (2,234.18)	(3,102.84)	$ 1,308,963.85	$ 684.81
42		E1M1C			$ (132.60)	(181.32)	$ 40,336.73	
43		E1M1D			$ (3.40)	(4.81)	$ 61,169.93	
44		Unexplained Variance			$ 4,097.58	5,778.27		
45				Subtotal	$ (3,945.48)	$ (5,516.04)	$ 2,163,502.93	PMT (Booked Revenue)
46								
47		Residential Billed Revenues			**$ 3,778,777.80**	**$ 9,886,997.25**		**$ 3,778,777.80**
48								
49		E1M2A			$ -	-	$ 1,429.30	
50		E1M2B			$ -	-	$ 10,024.48	
51		E1M2C			$ (304.30)	(424.43)	$ 15,131.17	
52		E1M2D			$ (81.76)	(115.44)	$ 51,681.13	
53		E1M2E			$ (4,383.66)	(6,100.47)	$ 42,789.30	
54		E2M1A			$ (108.84)	(153.70)	$ 4,644.47	$ 55.30
55		E2M1B			$ (291.04)	(409.29)	$ 20,209.69	$ 433.45
56		E2M1C			$ (1,634.04)	(2,306.46)	$ 51,253.64	$ 1,930.44
57		E2M1D			$ 314.81	444.13	$ 215,416.03	$ 3,199.86
58		E2M1E			$ (1,882.39)	(2,566.11)	$ 18,188.84	
59		E2M1G			$ (1,677.90)	(2,322.02)	$ 158.09	
60		Unexplained Variance			$ 6,077.12	8,778.05		
61				Subtotal	$ (3,972.00)	$ (5,175.75)	$ 430,926.13	PMT (Booked Revenue)
62								
63		Commercial Billed Revenues			**$ 631,456.30**	**$ 1,792,796.32**		**$ 631,456.30**
64								
65		E5M2			$ -	-	$ 17,851.60	
66		E6M2			$ -	-	$ 12,281.88	
67		Remove Desert Hills			$ (157,935.38)	(228,128.59)	$ (12,281.88)	(145,654.12)
68		E7M2			$ -	-	$ 599,523.15	
69				Subtotal	$ (157,935.38)	$ (228,128.59)	$ 617,374.75	PMT (Booked Revenue)
70								
71		Sale For Resale Billed Revenues			**$ 90,845.34**	**$ 1,330,946.10**		**90,845.34**
72								
73		C6M06			$ -	-	$ -	
74		E6M04			$ -	-	$ -	
75		E6M06			$ -	-	$ -	
76		E6M08			$ -	-	$ -	
77				Subtotal	$ -	$ -	$ -	PMT (Booked Revenue)
78								
79		Private Fire Billed Revenues			**$ 80,553.78**	**$ 80,553.78**		**$80,553.78**

80							
81	D7M1		$ (165.17)	(238.58)	$ 609,943.75		
82	D7M2		$ -	-	$ 122,072.50		
83		Subtotal	$ (165.17)	$ (238.58)	$ 732,016.25	PMT (Booked Revenue)	
84							
85	Misc. Irrigation Billed Revenues		**$ 362,914.89**	**$ 1,970,934.78**			**$362,915.04**
86							
87							
88	Billed Revenues		$ 4,944,548.11	$ 15,062,228.23	$ 3,943,820.07		
89							
90	Total Booked Revenues Per G.L.- F.Y. 2007						$4,944,548.26
91							
92	Unreconciled Difference vs. Billed Revenues		$ (0.15)				
93	%		0.0000%				

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Changes in Representative Rate Schedules

Line No.	Rate Schedule	Description	Block	Base Charge Present Rate	Base Charge Proposed Rate	Base Charge Change	Volume Charge Present Rate	Volume Charge Proposed Rate	Volume Charge Change
1	E1M1A	Anthem Distco Res 5/8 & 3/4"	First 4,000 gals.	$19.48	$30.00	$ 10.52	$ 1.6696	$ 3.5763	$ 1.9067
2			Next 14,000 gals.				$ 2.6157	$ 4.4467	$ 1.8310
3			Over 18,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
4	E1M1B	Anthem Distco Residential 1"	First 4,000 gals.	$48.70	$75.00	$ 26.30	$ 1.6696	$ 3.5763	$ 1.9067
5			Next 36,000 gals.				$ 2.6157	$ 4.4467	$ 1.8310
6			Over 40,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
7	E1M1C	Anthem Distco Residential 1.5"	First 125,000 gals.	$97.39	$149.98	$ 52.59	$ 2.6157	$ 4.4467	$ 1.8310
8			Over 125,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
9	E1M1D	Anthem Distco Residential 2"	First 175,000 gals.	$155.83	$239.98	$ 84.15	$ 2.6157	$ 4.4467	$ 1.8310
10			Over 175,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
11	E1M2A	Anthem Distco Com 5/8 & 3/4"	First 18,000 gals.	$19.48	$30.00	$ 10.52	$ 2.6157	$ 4.4467	$ 1.8310
12			Over 18,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
13	E1M2B	Anthem Distco Com 1"	First 40,000 gals.	$48.70	$75.00	$ 26.30	$ 2.6157	$ 4.4467	$ 1.8310
14			Over 40,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
15	E1M2C	Anthem Distco Com 1.5"	First 125,000 gals.	$97.39	$149.98	$ 52.59	$ 2.6157	$ 4.4467	$ 1.8310
16			Over 125,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
17	E1M2D	Anthem Distco Com 2"	First 175,000 gals.	$155.83	$239.98	$ 84.15	$ 2.6157	$ 4.4467	$ 1.8310
18			Over 175,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
19	E1M2E	Anthem Distco Com 3"	First 375,000 gals.	$311.65	$479.95	$ 168.30	$ 2.6157	$ 4.4467	$ 1.8310
20			Over 375,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
21	E2M1A	Anthem Distco Com 5/8 & 3/4"	First 18,000 gals.	$19.48	$30.00	$ 10.52	$ 2.6157	$ 4.4467	$ 1.8310
22			Over 18,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
23	E2M1B	Anthem Distco Com 1"	First 40,000 gals.	$48.70	$75.00	$ 26.30	$ 2.6157	$ 4.4467	$ 1.8310
24			Over 40,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
25	E2M1C	Anthem Distco Com 1.5"	First 125,000 gals.	$97.39	$149.98	$ 52.59	$ 2.6157	$ 4.4467	$ 1.8310
26			Over 125,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
27	E2M1D	Anthem Distco Com 2"	First 175,000 gals.	$155.83	$239.98	$ 84.15	$ 2.6157	$ 4.4467	$ 1.8310
28			Over 175,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
29	E2M1E	Anthem Distco Com 3"	First 375,000 gals.	$311.65	$479.95	$ 168.30	$ 2.6157	$ 4.4467	$ 1.8310
30			Over 375,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
31	E2M1G	Anthem Distco Com 6"	First 600,000 gals.	$973.92	$1,499.88	$ 525.96	$ 2.6157	$ 4.4467	$ 1.8310
32			Over 600,000 gals.				$ 3.3614	$ 6.0505	$ 2.6891
33	E5M2	Anthem Wholesale (Phoenix) OWU	All Usage	$0.00	$0.00	$ -	$ 3.3614	$ 6.0505	$ 2.6891
34	E6M2	Anthem Wholesale (Phoenix) OWU	All Usage	$0.00	$0.00	$ -	$ 3.3614	$ 6.0505	$ 2.6891
35	E7M2	Anthem Wholesale (Phoenix) OWU	All Usage	$0.00	$0.00	$ -	$ 3.3614	$ 6.0505	$ 2.6891
36	C6M06	Private Fire 6"		$40.86	$40.86	$ -	$ -	$ -	$ -
37	E6M04	Private Fire 4"		$84.40	$84.40	$ -	$ -	$ -	$ -
38	E6M06	Private Fire 6"		$126.60	$126.60	$ -	$ -	$ -	$ -
39	E6M08	Private Fire 8"		$127.72	$127.72	$ -	$ -	$ -	$ -
40	D7M1	Anthem Treatco NP Irrig - Genl	All Usage	$0.00	$0.00	$ -	$ 1.8700	$ 3.3660	$ 1.4960
41	D7M2	Anthem Treatco Non Pot - Const	All Usage	$0.00	$0.00	$ -	$ 1.8700	$ 3.3660	$ 1.4960
42									

43	Miscellaneous					
44	Establishment, Re-establishment and/or Reconnection - Business Hours	$ 60.00	$ 60.00	$ -		
45	Establishment, Re-establishment and/or Reconnection - Non Business Hc	$ 90.00	$ 90.00	$ -		
46	Insufficient Funds (NSF) Check Charge	$ 20.00	$ 20.00	$ -		
47	Customer Requested Meter Reread Charge	$ 10.00	$ 10.00	$ -		
48	Meter Test Charge	$ 30.00	$ 81.00	$ 51.00		
49						
50	Service & Meter Installation Charges					
51	Service Installations:					
52		Meter Size				
53		5/8-inch	$ 370		An apllicant for water service shall pay to the	
54		3/4-inch	$ 370		Company, as a refundable advance in aid of	
55		1-inch	$ 420		construction, the full cost to provide the new	
56		1.5-inch	$ 450		service line and meter.	
57		2-inch Turbine	$ 580			
58		2-inch Compound	$ 580			
59		3-inch Turbine	$ 745			
60		3-inch Compound	$ 765			
61		4-inch Turbine	$ 1,090			
62		4-inch Compound	$ 1,120			
63		6-inch Turbine	$ 1,610			
64		6-inch Compound	$ 1,630			
65		Over 6-inch	actual cost			
66	Meter Installations					
67		Meter Size				
68		5/8-inch	$ 130			
69		3/4-inch	$ 205			
70		1-inch	$ 240			
71		1.5-inch	$ 450			
72		2-inch Turbine	$ 945			
73		2-inch Compound	$ 1,640			
74		3-inch Turbine	$ 1,420			
75		3-inch Compound	$ 2,195			
76		4-inch Turbine	$ 2,270			
77		4-inch Compound	$ 3,145			
78		6-inch Turbine	$ 4,425			
79		6-inch Compound	$ 6,120			
80		Over 6-inch	actual cost			

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	D7M1	Anthem Treatco NP Irrig - Genl		50,000	$93.50	$ 168.30	$ 74.80	80.00%
2	D7M1	Anthem Treatco NP Irrig - Genl		75,000	$140.25	$ 252.45	$ 112.20	80.00%
3	D7M1	Anthem Treatco NP Irrig - Genl		100,000	$187.00	$ 336.60	$ 149.60	80.00%
4	D7M1	Anthem Treatco NP Irrig - Genl		125,000	$233.75	$ 420.75	$ 187.00	80.00%
5	D7M1	Anthem Treatco NP Irrig - Genl		150,000	$280.50	$ 504.90	$ 224.40	80.00%
6	D7M1	Anthem Treatco NP Irrig - Genl		175,000	$327.25	$ 589.05	$ 261.80	80.00%
7	D7M1	Anthem Treatco NP Irrig - Genl		200,000	$374.00	$ 673.20	$ 299.20	80.00%
8	D7M1	Anthem Treatco NP Irrig - Genl		225,000	$420.75	$ 757.35	$ 336.60	80.00%
9	D7M1	Anthem Treatco NP Irrig - Genl		250,000	$467.50	$ 841.50	$ 374.00	80.00%
10	D7M1	Anthem Treatco NP Irrig - Genl		275,000	$514.25	$ 925.65	$ 411.40	80.00%
11	D7M1	Anthem Treatco NP Irrig - Genl		300,000	$561.00	$ 1,009.80	$ 448.80	80.00%
12	D7M1	Anthem Treatco NP Irrig - Genl		325,000	$607.75	$ 1,093.95	$ 486.20	80.00%
13	D7M1	Anthem Treatco NP Irrig - Genl		350,000	$654.50	$ 1,178.10	$ 523.60	80.00%
14	D7M1	Anthem Treatco NP Irrig - Genl		375,000	$701.25	$ 1,262.25	$ 561.00	80.00%
15	D7M1	Anthem Treatco NP Irrig - Genl		400,000	$748.00	$ 1,346.40	$ 598.40	80.00%
16	D7M1	Anthem Treatco NP Irrig - Genl		425,000	$794.75	$ 1,430.55	$ 635.80	80.00%
17	D7M1	Anthem Treatco NP Irrig - Genl		450,000	$841.50	$ 1,514.70	$ 673.20	80.00%
18	D7M1	Anthem Treatco NP Irrig - Genl		475,000	$888.25	$ 1,598.85	$ 710.60	80.00%
19	D7M1	Anthem Treatco NP Irrig - Genl		500,000	$935.00	$ 1,683.00	$ 748.00	80.00%
20	D7M1	Anthem Treatco NP Irrig - Genl		525,000	$981.75	$ 1,767.15	$ 785.40	80.00%
21	D7M1	Anthem Treatco NP Irrig - Genl		550,000	$1,028.50	$ 1,851.30	$ 822.80	80.00%
22	D7M1	Anthem Treatco NP Irrig - Genl		575,000	$1,075.25	$ 1,935.45	$ 860.20	80.00%
23	D7M1	Anthem Treatco NP Irrig - Genl		600,000	$1,122.00	$ 2,019.60	$ 897.60	80.00%
24	D7M1	Anthem Treatco NP Irrig - Genl		625,000	$1,168.75	$ 2,103.75	$ 935.00	80.00%
25	D7M1	Anthem Treatco NP Irrig - Genl		650,000	$1,215.50	$ 2,187.90	$ 972.40	80.00%
26	D7M1	Anthem Treatco NP Irrig - Genl		675,000	$1,262.25	$ 2,272.05	$ 1,009.80	80.00%
27	D7M1	Anthem Treatco NP Irrig - Genl		700,000	$1,309.00	$ 2,356.20	$ 1,047.20	80.00%
28	D7M1	Anthem Treatco NP Irrig - Genl		725,000	$1,355.75	$ 2,440.35	$ 1,084.60	80.00%
29	D7M1	Anthem Treatco NP Irrig - Genl		750,000	$1,402.50	$ 2,524.50	$ 1,122.00	80.00%
30	D7M1	Anthem Treatco NP Irrig - Genl		775,000	$1,449.25	$ 2,608.65	$ 1,159.40	80.00%
31	D7M1	Anthem Treatco NP Irrig - Genl		800,000	$1,496.00	$ 2,692.80	$ 1,196.80	80.00%
32	D7M1	Anthem Treatco NP Irrig - Genl		825,000	$1,542.75	$ 2,776.95	$ 1,234.20	80.00%
33	D7M1	Anthem Treatco NP Irrig - Genl		850,000	$1,589.50	$ 2,861.10	$ 1,271.60	80.00%
34	D7M1	Anthem Treatco NP Irrig - Genl		875,000	$1,636.25	$ 2,945.25	$ 1,309.00	80.00%
35	D7M1	Anthem Treatco NP Irrig - Genl		900,000	$1,683.00	$ 3,029.40	$ 1,346.40	80.00%
36	D7M1	Anthem Treatco NP Irrig - Genl		925,000	$1,729.75	$ 3,113.55	$ 1,383.80	80.00%
37	D7M1	Anthem Treatco NP Irrig - Genl		950,000	$1,776.50	$ 3,197.70	$ 1,421.20	80.00%
38	D7M1	Anthem Treatco NP Irrig - Genl		975,000	$1,823.25	$ 3,281.85	$ 1,458.60	80.00%
39	D7M1	Anthem Treatco NP Irrig - Genl		1,000,000	$1,870.00	$ 3,366.00	$ 1,496.00	80.00%
40	D7M1	Anthem Treatco NP Irrig - Genl		1,025,000	$1,916.75	$ 3,450.15	$ 1,533.40	80.00%
41	D7M1	Anthem Treatco NP Irrig - Genl		1,050,000	$1,963.50	$ 3,534.30	$ 1,570.80	80.00%
42	D7M1	Anthem Treatco NP Irrig - Genl		1,075,000	$2,010.25	$ 3,618.45	$ 1,608.20	80.00%
43	D7M1	Anthem Treatco NP Irrig - Genl		1,100,000	$2,057.00	$ 3,702.60	$ 1,645.60	80.00%
44	D7M1	Anthem Treatco NP Irrig - Genl		1,125,000	$2,103.75	$ 3,786.75	$ 1,683.00	80.00%
45	D7M1	Anthem Treatco NP Irrig - Genl		1,150,000	$2,150.50	$ 3,870.90	$ 1,720.40	80.00%
46	D7M1	Anthem Treatco NP Irrig - Genl		1,175,000	$2,197.25	$ 3,955.05	$ 1,757.80	80.00%
47	D7M1	Anthem Treatco NP Irrig - Genl		1,200,000	$2,244.00	$ 4,039.20	$ 1,795.20	80.00%
48	D7M1	Anthem Treatco NP Irrig - Genl		1,225,000	$2,290.75	$ 4,123.35	$ 1,832.60	80.00%
49	D7M1	Anthem Treatco NP Irrig - Genl		1,250,000	$2,337.50	$ 4,207.50	$ 1,870.00	80.00%
50	D7M1	Anthem Treatco NP Irrig - Genl		1,275,000	$2,384.25	$ 4,291.65	$ 1,907.40	80.00%
51	D7M1	Anthem Treatco NP Irrig - Genl		1,300,000	$2,431.00	$ 4,375.80	$ 1,944.80	80.00%
52	D7M1	Anthem Treatco NP Irrig - Genl		1,325,000	$2,477.75	$ 4,459.95	$ 1,982.20	80.00%
53	D7M1	Anthem Treatco NP Irrig - Genl		1,350,000	$2,524.50	$ 4,544.10	$ 2,019.60	80.00%
54	D7M1	Anthem Treatco NP Irrig - Genl		1,375,000	$2,571.25	$ 4,628.25	$ 2,057.00	80.00%
55	D7M1	Anthem Treatco NP Irrig - Genl		1,400,000	$2,618.00	$ 4,712.40	$ 2,094.40	80.00%
56								
57	D7M1	Anthem Treatco NP Irrig - Genl	Average:	789,571	$1,476.50	$ 2,657.70	$ 1,181.20	80.00%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	D7M2	Anthem Treatco Non Pot - Const		50,000	$93.50	$ 168.30	$ 74.80	80.00%
2	D7M2	Anthem Treatco Non Pot - Const		100,000	$140.25	$ 252.45	$ 112.20	80.00%
3	D7M2	Anthem Treatco Non Pot - Const		150,000	$187.00	$ 336.60	$ 149.60	80.00%
4	D7M2	Anthem Treatco Non Pot - Const		200,000	$233.75	$ 420.75	$ 187.00	80.00%
5	D7M2	Anthem Treatco Non Pot - Const		250,000	$280.50	$ 504.90	$ 224.40	80.00%
6	D7M2	Anthem Treatco Non Pot - Const		300,000	$327.25	$ 589.05	$ 261.80	80.00%
7	D7M2	Anthem Treatco Non Pot - Const		350,000	$374.00	$ 673.20	$ 299.20	80.00%
8	D7M2	Anthem Treatco Non Pot - Const		400,000	$420.75	$ 757.35	$ 336.60	80.00%
9	D7M2	Anthem Treatco Non Pot - Const		450,000	$467.50	$ 841.50	$ 374.00	80.00%
10	D7M2	Anthem Treatco Non Pot - Const		500,000	$514.25	$ 925.65	$ 411.40	80.00%
11	D7M2	Anthem Treatco Non Pot - Const		550,000	$561.00	$ 1,009.80	$ 448.80	80.00%
12	D7M2	Anthem Treatco Non Pot - Const		600,000	$607.75	$ 1,093.95	$ 486.20	80.00%
13	D7M2	Anthem Treatco Non Pot - Const		650,000	$654.50	$ 1,178.10	$ 523.60	80.00%
14	D7M2	Anthem Treatco Non Pot - Const		700,000	$701.25	$ 1,262.25	$ 561.00	80.00%
15	D7M2	Anthem Treatco Non Pot - Const		750,000	$748.00	$ 1,346.40	$ 598.40	80.00%
16	D7M2	Anthem Treatco Non Pot - Const		800,000	$794.75	$ 1,430.55	$ 635.80	80.00%
17	D7M2	Anthem Treatco Non Pot - Const		850,000	$841.50	$ 1,514.70	$ 673.20	80.00%
18	D7M2	Anthem Treatco Non Pot - Const		900,000	$888.25	$ 1,598.85	$ 710.60	80.00%
19	D7M2	Anthem Treatco Non Pot - Const		950,000	$935.00	$ 1,683.00	$ 748.00	80.00%
20	D7M2	Anthem Treatco Non Pot - Const		1,000,000	$981.75	$ 1,767.15	$ 785.40	80.00%
21	D7M2	Anthem Treatco Non Pot - Const		1,050,000	$1,028.50	$ 1,851.30	$ 822.80	80.00%
22	D7M2	Anthem Treatco Non Pot - Const		1,100,000	$1,075.25	$ 1,935.45	$ 860.20	80.00%
23	D7M2	Anthem Treatco Non Pot - Const		1,150,000	$1,122.00	$ 2,019.60	$ 897.60	80.00%
24	D7M2	Anthem Treatco Non Pot - Const		1,200,000	$1,168.75	$ 2,103.75	$ 935.00	80.00%
25	D7M2	Anthem Treatco Non Pot - Const		1,250,000	$1,215.50	$ 2,187.90	$ 972.40	80.00%
26	D7M2	Anthem Treatco Non Pot - Const		1,300,000	$1,262.25	$ 2,272.05	$ 1,009.80	80.00%
27	D7M2	Anthem Treatco Non Pot - Const		1,350,000	$1,309.00	$ 2,356.20	$ 1,047.20	80.00%
28	D7M2	Anthem Treatco Non Pot - Const		1,400,000	$1,355.75	$ 2,440.35	$ 1,084.60	80.00%
29	D7M2	Anthem Treatco Non Pot - Const		1,450,000	$1,402.50	$ 2,524.50	$ 1,122.00	80.00%
30	D7M2	Anthem Treatco Non Pot - Const		1,500,000	$1,449.25	$ 2,608.65	$ 1,159.40	80.00%
31	D7M2	Anthem Treatco Non Pot - Const		1,550,000	$1,496.00	$ 2,692.80	$ 1,196.80	80.00%
32	D7M2	Anthem Treatco Non Pot - Const		1,600,000	$1,542.75	$ 2,776.95	$ 1,234.20	80.00%
33	D7M2	Anthem Treatco Non Pot - Const		1,650,000	$1,589.50	$ 2,861.10	$ 1,271.60	80.00%
34	D7M2	Anthem Treatco Non Pot - Const		1,700,000	$1,636.25	$ 2,945.25	$ 1,309.00	80.00%
35	D7M2	Anthem Treatco Non Pot - Const		1,750,000	$1,683.00	$ 3,029.40	$ 1,346.40	80.00%
36	D7M2	Anthem Treatco Non Pot - Const		1,800,000	$1,729.75	$ 3,113.55	$ 1,383.80	80.00%
37	D7M2	Anthem Treatco Non Pot - Const		1,850,000	$1,776.50	$ 3,197.70	$ 1,421.20	80.00%
38	D7M2	Anthem Treatco Non Pot - Const		1,900,000	$1,823.25	$ 3,281.85	$ 1,458.60	80.00%
39	D7M2	Anthem Treatco Non Pot - Const		1,950,000	$1,870.00	$ 3,366.00	$ 1,496.00	80.00%
40	D7M2	Anthem Treatco Non Pot - Const		2,000,000	$1,916.75	$ 3,450.15	$ 1,533.40	80.00%
41	D7M2	Anthem Treatco Non Pot - Const		2,050,000	$1,963.50	$ 3,534.30	$ 1,570.80	80.00%
42	D7M2	Anthem Treatco Non Pot - Const		2,100,000	$2,010.25	$ 3,618.45	$ 1,608.20	80.00%
43	D7M2	Anthem Treatco Non Pot - Const		2,150,000	$2,057.00	$ 3,702.60	$ 1,645.60	80.00%
44	D7M2	Anthem Treatco Non Pot - Const		2,200,000	$2,103.75	$ 3,786.75	$ 1,683.00	80.00%
45	D7M2	Anthem Treatco Non Pot - Const		2,250,000	$2,150.50	$ 3,870.90	$ 1,720.40	80.00%
46	D7M2	Anthem Treatco Non Pot - Const		2,300,000	$2,197.25	$ 3,955.05	$ 1,757.80	80.00%
47	D7M2	Anthem Treatco Non Pot - Const		2,350,000	$2,244.00	$ 4,039.20	$ 1,795.20	80.00%
48	D7M2	Anthem Treatco Non Pot - Const		2,400,000	$2,290.75	$ 4,123.35	$ 1,832.60	80.00%
49	D7M2	Anthem Treatco Non Pot - Const		2,450,000	$2,337.50	$ 4,207.50	$ 1,870.00	80.00%
50	D7M2	Anthem Treatco Non Pot - Const		2,500,000	$2,384.25	$ 4,291.65	$ 1,907.40	80.00%
51	D7M2	Anthem Treatco Non Pot - Const		2,550,000	$2,431.00	$ 4,375.80	$ 1,944.80	80.00%
52	D7M2	Anthem Treatco Non Pot - Const		2,600,000	$2,477.75	$ 4,459.95	$ 1,982.20	80.00%
53	D7M2	Anthem Treatco Non Pot - Const		2,650,000	$2,524.50	$ 4,544.10	$ 2,019.60	80.00%
54	D7M2	Anthem Treatco Non Pot - Const		2,700,000	$2,571.25	$ 4,628.25	$ 2,057.00	80.00%
55	D7M2	Anthem Treatco Non Pot - Const		2,750,000	$2,618.00	$ 4,712.40	$ 2,094.40	80.00%
56								
57	D7M2	Anthem Treatco Non Pot - Const	Average:	1,627,633	$3,043.67	$ 5,478.61	$ 2,434.94	80.00%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates		Typical Bills Proposed Rates		Proposed Increase Amount	Proposed Increase %
1	E1M1A	Anthem Distco Res 5/8 & 3/4"		1,000	$21.15	$	33.58	$	12.43	58.76%
2	E1M1A	Anthem Distco Res 5/8 & 3/4"		2,000	$22.82	$	37.15	$	14.33	62.81%
3	E1M1A	Anthem Distco Res 5/8 & 3/4"		3,000	$24.49	$	40.73	$	16.24	66.32%
4	E1M1A	Anthem Distco Res 5/8 & 3/4"		4,000	$26.16	$	44.31	$	18.15	69.37%
5	E1M1A	Anthem Distco Res 5/8 & 3/4"		5,000	$28.77	$	48.75	$	19.98	69.43%
6	E1M1A	Anthem Distco Res 5/8 & 3/4"		6,000	$31.39	$	53.20	$	21.81	69.48%
7	E1M1A	Anthem Distco Res 5/8 & 3/4"		7,000	$34.01	$	57.65	$	23.64	69.52%
8	E1M1A	Anthem Distco Res 5/8 & 3/4"		8,000	$36.62	$	62.09	$	25.47	69.55%
9	E1M1A	Anthem Distco Res 5/8 & 3/4"		9,000	$39.24	$	66.54	$	27.30	69.58%
10	E1M1A	Anthem Distco Res 5/8 & 3/4"		10,000	$41.85	$	70.99	$	29.13	69.61%
11	E1M1A	Anthem Distco Res 5/8 & 3/4"		11,000	$44.47	$	75.43	$	30.96	69.63%
12	E1M1A	Anthem Distco Res 5/8 & 3/4"		12,000	$47.08	$	79.88	$	32.79	69.65%
13	E1M1A	Anthem Distco Res 5/8 & 3/4"		13,000	$49.70	$	84.33	$	34.63	69.67%
14	E1M1A	Anthem Distco Res 5/8 & 3/4"		14,000	$52.32	$	88.77	$	36.46	69.69%
15	E1M1A	Anthem Distco Res 5/8 & 3/4"		15,000	$55.68	$	94.82	$	39.15	70.31%
16	E1M1A	Anthem Distco Res 5/8 & 3/4"		16,000	$59.04	$	100.87	$	41.84	70.86%
17	E1M1A	Anthem Distco Res 5/8 & 3/4"		17,000	$62.40	$	106.92	$	44.52	71.35%
18	E1M1A	Anthem Distco Res 5/8 & 3/4"		18,000	$65.76	$	112.97	$	47.21	71.80%
19	E1M1A	Anthem Distco Res 5/8 & 3/4"		19,000	$69.12	$	119.02	$	49.90	72.19%
20	E1M1A	Anthem Distco Res 5/8 & 3/4"		20,000	$72.48	$	125.08	$	52.59	72.56%
21	E1M1A	Anthem Distco Res 5/8 & 3/4"		21,000	$75.85	$	131.13	$	55.28	72.89%
22	E1M1A	Anthem Distco Res 5/8 & 3/4"		22,000	$79.21	$	137.18	$	57.97	73.19%
23	E1M1A	Anthem Distco Res 5/8 & 3/4"		23,000	$82.57	$	143.23	$	60.66	73.47%
24	E1M1A	Anthem Distco Res 5/8 & 3/4"		24,000	$85.93	$	149.28	$	63.35	73.72%
25	E1M1A	Anthem Distco Res 5/8 & 3/4"		25,000	$89.29	$	155.33	$	66.04	73.96%
26	E1M1A	Anthem Distco Res 5/8 & 3/4"		26,000	$92.65	$	161.38	$	68.73	74.18%
27	E1M1A	Anthem Distco Res 5/8 & 3/4"		27,000	$96.01	$	167.43	$	71.42	74.38%
28	E1M1A	Anthem Distco Res 5/8 & 3/4"		28,000	$99.38	$	173.48	$	74.10	74.57%
29	E1M1A	Anthem Distco Res 5/8 & 3/4"		29,000	$102.74	$	179.53	$	76.79	74.75%
30	E1M1A	Anthem Distco Res 5/8 & 3/4"		30,000	$106.10	$	185.58	$	79.48	74.91%
31	E1M1A	Anthem Distco Res 5/8 & 3/4"		31,000	$109.46	$	191.63	$	82.17	75.07%
32	E1M1A	Anthem Distco Res 5/8 & 3/4"		32,000	$112.82	$	197.68	$	84.86	75.22%
33	E1M1A	Anthem Distco Res 5/8 & 3/4"		33,000	$116.18	$	203.73	$	87.55	75.36%
34	E1M1A	Anthem Distco Res 5/8 & 3/4"		34,000	$119.54	$	209.78	$	90.24	75.49%
35	E1M1A	Anthem Distco Res 5/8 & 3/4"		35,000	$122.90	$	215.83	$	92.93	75.61%
36	E1M1A	Anthem Distco Res 5/8 & 3/4"		36,000	$126.27	$	221.88	$	95.62	75.73%
37	E1M1A	Anthem Distco Res 5/8 & 3/4"		37,000	$129.63	$	227.93	$	98.31	75.84%
38	E1M1A	Anthem Distco Res 5/8 & 3/4"		38,000	$132.99	$	233.98	$	101.00	75.94%
39	E1M1A	Anthem Distco Res 5/8 & 3/4"		39,000	$136.35	$	240.03	$	103.68	76.04%
40	E1M1A	Anthem Distco Res 5/8 & 3/4"		40,000	$139.71	$	246.09	$	106.37	76.14%
41	E1M1A	Anthem Distco Res 5/8 & 3/4"		41,000	$143.07	$	252.14	$	109.06	76.23%
42	E1M1A	Anthem Distco Res 5/8 & 3/4"		42,000	$146.43	$	258.19	$	111.75	76.32%
43	E1M1A	Anthem Distco Res 5/8 & 3/4"		43,000	$149.80	$	264.24	$	114.44	76.40%
44	E1M1A	Anthem Distco Res 5/8 & 3/4"		44,000	$153.16	$	270.29	$	117.13	76.48%
45	E1M1A	Anthem Distco Res 5/8 & 3/4"		45,000	$156.52	$	276.34	$	119.82	76.55%
46	E1M1A	Anthem Distco Res 5/8 & 3/4"		46,000	$159.88	$	282.39	$	122.51	76.62%
47	E1M1A	Anthem Distco Res 5/8 & 3/4"		47,000	$163.24	$	288.44	$	125.20	76.69%
48	E1M1A	Anthem Distco Res 5/8 & 3/4"		48,000	$166.60	$	294.49	$	127.89	76.76%
49	E1M1A	Anthem Distco Res 5/8 & 3/4"		49,000	$169.96	$	300.54	$	130.58	76.83%
50	E1M1A	Anthem Distco Res 5/8 & 3/4"		50,000	$173.33	$	306.59	$	133.26	76.89%
51	E1M1A	Anthem Distco Res 5/8 & 3/4"		51,000	$176.69	$	312.64	$	135.95	76.95%
52	E1M1A	Anthem Distco Res 5/8 & 3/4"		52,000	$180.05	$	318.69	$	138.64	77.00%
53	E1M1A	Anthem Distco Res 5/8 & 3/4"		53,000	$183.41	$	324.74	$	141.33	77.06%
54	E1M1A	Anthem Distco Res 5/8 & 3/4"		54,000	$186.77	$	330.79	$	144.02	77.11%
55	E1M1A	Anthem Distco Res 5/8 & 3/4"		55,000	$190.13	$	336.84	$	146.71	77.16%
56										
57	E1M1A	Anthem Distco Res 5/8 & 3/4"	Average:	10,056	$42.00	$	71.23	$	29.24	69.61%
58										
59										
60										

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates		Typical Bills Proposed Rates		Proposed Increase Amount	Proposed Increase %
1	E1M1B	Anthem Distco Residential 1"		1,000	$50.37	$	78.58	$	28.21	56.00%
2	E1M1B	Anthem Distco Residential 1"		2,000	$52.04	$	82.15	$	30.11	57.87%
3	E1M1B	Anthem Distco Residential 1"		3,000	$53.71	$	85.73	$	32.02	59.62%
4	E1M1B	Anthem Distco Residential 1"		4,000	$55.38	$	89.31	$	33.93	61.26%
5	E1M1B	Anthem Distco Residential 1"		5,000	$57.99	$	93.75	$	35.76	61.66%
6	E1M1B	Anthem Distco Residential 1"		6,000	$60.61	$	98.20	$	37.59	62.02%
7	E1M1B	Anthem Distco Residential 1"		7,000	$63.23	$	102.65	$	39.42	62.35%
8	E1M1B	Anthem Distco Residential 1"		8,000	$65.84	$	107.09	$	41.25	62.65%
9	E1M1B	Anthem Distco Residential 1"		9,000	$68.46	$	111.54	$	43.08	62.93%
10	E1M1B	Anthem Distco Residential 1"		10,000	$71.07	$	115.99	$	44.91	63.19%
11	E1M1B	Anthem Distco Residential 1"		11,000	$73.69	$	120.43	$	46.74	63.43%
12	E1M1B	Anthem Distco Residential 1"		12,000	$76.30	$	124.88	$	48.57	63.66%
13	E1M1B	Anthem Distco Residential 1"		13,000	$78.92	$	129.33	$	50.41	63.87%
14	E1M1B	Anthem Distco Residential 1"		14,000	$81.54	$	133.77	$	52.24	64.07%
15	E1M1B	Anthem Distco Residential 1"		15,000	$84.15	$	138.22	$	54.07	64.25%
16	E1M1B	Anthem Distco Residential 1"		16,000	$86.77	$	142.67	$	55.90	64.42%
17	E1M1B	Anthem Distco Residential 1"		17,000	$89.38	$	147.11	$	57.73	64.59%
18	E1M1B	Anthem Distco Residential 1"		18,000	$92.00	$	151.56	$	59.56	64.74%
19	E1M1B	Anthem Distco Residential 1"		19,000	$94.61	$	156.01	$	61.39	64.89%
20	E1M1B	Anthem Distco Residential 1"		20,000	$97.23	$	160.45	$	63.22	65.02%
21	E1M1B	Anthem Distco Residential 1"		21,000	$99.85	$	164.90	$	65.05	65.15%
22	E1M1B	Anthem Distco Residential 1"		22,000	$102.46	$	169.35	$	66.88	65.28%
23	E1M1B	Anthem Distco Residential 1"		23,000	$105.08	$	173.79	$	68.72	65.40%
24	E1M1B	Anthem Distco Residential 1"		24,000	$107.69	$	178.24	$	70.55	65.51%
25	E1M1B	Anthem Distco Residential 1"		25,000	$110.31	$	182.69	$	72.38	65.61%
26	E1M1B	Anthem Distco Residential 1"		26,000	$112.92	$	187.13	$	74.21	65.72%
27	E1M1B	Anthem Distco Residential 1"		27,000	$115.54	$	191.58	$	76.04	65.81%
28	E1M1B	Anthem Distco Residential 1"		28,000	$118.16	$	196.03	$	77.87	65.91%
29	E1M1B	Anthem Distco Residential 1"		29,000	$120.77	$	200.47	$	79.70	65.99%
30	E1M1B	Anthem Distco Residential 1"		30,000	$123.39	$	204.92	$	81.53	66.08%
31	E1M1B	Anthem Distco Residential 1"		31,000	$126.00	$	209.37	$	83.36	66.16%
32	E1M1B	Anthem Distco Residential 1"		32,000	$128.62	$	213.81	$	85.19	66.24%
33	E1M1B	Anthem Distco Residential 1"		33,000	$131.23	$	218.26	$	87.03	66.31%
34	E1M1B	Anthem Distco Residential 1"		34,000	$133.85	$	222.71	$	88.86	66.39%
35	E1M1B	Anthem Distco Residential 1"		35,000	$136.47	$	227.15	$	90.69	66.45%
36	E1M1B	Anthem Distco Residential 1"		36,000	$139.08	$	231.60	$	92.52	66.52%
37	E1M1B	Anthem Distco Residential 1"		37,000	$141.70	$	236.05	$	94.35	66.59%
38	E1M1B	Anthem Distco Residential 1"		38,000	$144.31	$	240.49	$	96.18	66.65%
39	E1M1B	Anthem Distco Residential 1"		39,000	$146.93	$	244.94	$	98.01	66.71%
40	E1M1B	Anthem Distco Residential 1"		40,000	$149.54	$	249.39	$	99.84	66.77%
41	E1M1B	Anthem Distco Residential 1"		41,000	$152.91	$	255.44	$	102.53	67.06%
42	E1M1B	Anthem Distco Residential 1"		42,000	$156.27	$	261.49	$	105.22	67.33%
43	E1M1B	Anthem Distco Residential 1"		43,000	$159.63	$	267.54	$	107.91	67.60%
44	E1M1B	Anthem Distco Residential 1"		44,000	$162.99	$	273.59	$	110.60	67.86%
45	E1M1B	Anthem Distco Residential 1"		45,000	$166.35	$	279.64	$	113.29	68.10%
46	E1M1B	Anthem Distco Residential 1"		46,000	$169.71	$	285.69	$	115.98	68.34%
47	E1M1B	Anthem Distco Residential 1"		47,000	$173.07	$	291.74	$	118.67	68.56%
48	E1M1B	Anthem Distco Residential 1"		48,000	$176.43	$	297.79	$	121.36	68.78%
49	E1M1B	Anthem Distco Residential 1"		49,000	$179.80	$	303.84	$	124.04	68.99%
50	E1M1B	Anthem Distco Residential 1"		50,000	$183.16	$	309.89	$	126.73	69.19%
51	E1M1B	Anthem Distco Residential 1"		51,000	$186.52	$	315.94	$	129.42	69.39%
52	E1M1B	Anthem Distco Residential 1"		52,000	$189.88	$	321.99	$	132.11	69.58%
53	E1M1B	Anthem Distco Residential 1"		53,000	$193.24	$	328.04	$	134.80	69.76%
54	E1M1B	Anthem Distco Residential 1"		54,000	$196.60	$	334.09	$	137.49	69.93%
55	E1M1B	Anthem Distco Residential 1"		55,000	$199.96	$	340.14	$	140.18	70.10%
56										
57	E1M1B	Anthem Distco Residential 1"	Average:	11,919	$76.09	$	124.52	$	48.43	63.64%
58										
59										
60										

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	E1M1C	Anthem Distco Residential 1.5"		5,000	$110.47	$ 172.21	$ 61.75	55.89%
2	E1M1C	Anthem Distco Residential 1.5"		10,000	$123.55	$ 194.45	$ 70.90	57.39%
3	E1M1C	Anthem Distco Residential 1.5"		15,000	$136.63	$ 216.68	$ 80.06	58.59%
4	E1M1C	Anthem Distco Residential 1.5"		20,000	$149.70	$ 238.91	$ 89.21	59.59%
5	E1M1C	Anthem Distco Residential 1.5"		25,000	$162.78	$ 261.15	$ 98.37	60.43%
6	E1M1C	Anthem Distco Residential 1.5"		30,000	$175.86	$ 283.38	$ 107.52	61.14%
7	E1M1C	Anthem Distco Residential 1.5"		35,000	$188.94	$ 305.61	$ 116.68	61.75%
8	E1M1C	Anthem Distco Residential 1.5"		40,000	$202.02	$ 327.85	$ 125.83	62.29%
9	E1M1C	Anthem Distco Residential 1.5"		45,000	$215.10	$ 350.08	$ 134.99	62.76%
10	E1M1C	Anthem Distco Residential 1.5"		50,000	$228.18	$ 372.32	$ 144.14	63.17%
11	E1M1C	Anthem Distco Residential 1.5"		55,000	$241.25	$ 394.55	$ 153.30	63.54%
12	E1M1C	Anthem Distco Residential 1.5"		60,000	$254.33	$ 416.78	$ 162.45	63.87%
13	E1M1C	Anthem Distco Residential 1.5"		65,000	$267.41	$ 439.02	$ 171.61	64.17%
14	E1M1C	Anthem Distco Residential 1.5"		70,000	$280.49	$ 461.25	$ 180.76	64.44%
15	E1M1C	Anthem Distco Residential 1.5"		75,000	$293.57	$ 483.48	$ 189.92	64.69%
16	E1M1C	Anthem Distco Residential 1.5"		80,000	$306.65	$ 505.72	$ 199.07	64.92%
17	E1M1C	Anthem Distco Residential 1.5"		85,000	$319.72	$ 527.95	$ 208.23	65.13%
18	E1M1C	Anthem Distco Residential 1.5"		90,000	$332.80	$ 550.18	$ 217.38	65.32%
19	E1M1C	Anthem Distco Residential 1.5"		95,000	$345.88	$ 572.42	$ 226.54	65.49%
20	E1M1C	Anthem Distco Residential 1.5"		100,000	$358.96	$ 594.65	$ 235.69	65.66%
21	E1M1C	Anthem Distco Residential 1.5"		105,000	$372.04	$ 616.88	$ 244.85	65.81%
22	E1M1C	Anthem Distco Residential 1.5"		109,000	$382.50	$ 634.67	$ 252.17	65.93%
23	E1M1C	Anthem Distco Residential 1.5"		114,000	$399.31	$ 664.92	$ 265.61	66.52%
24	E1M1C	Anthem Distco Residential 1.5"		119,000	$416.12	$ 695.18	$ 279.06	67.06%
25	E1M1C	Anthem Distco Residential 1.5"		124,000	$432.92	$ 725.43	$ 292.51	67.57%
26	E1M1C	Anthem Distco Residential 1.5"		129,000	$449.73	$ 755.68	$ 305.95	68.03%
27	E1M1C	Anthem Distco Residential 1.5"		134,000	$466.54	$ 785.93	$ 319.40	68.46%
28	E1M1C	Anthem Distco Residential 1.5"		139,000	$483.34	$ 816.19	$ 332.84	68.86%
29	E1M1C	Anthem Distco Residential 1.5"		144,000	$500.15	$ 846.44	$ 346.29	69.24%
30	E1M1C	Anthem Distco Residential 1.5"		149,000	$516.96	$ 876.69	$ 359.73	69.59%
31	E1M1C	Anthem Distco Residential 1.5"		154,000	$533.76	$ 906.94	$ 373.18	69.91%
32	E1M1C	Anthem Distco Residential 1.5"		159,000	$550.57	$ 937.20	$ 386.62	70.22%
33	E1M1C	Anthem Distco Residential 1.5"		164,000	$567.38	$ 967.45	$ 400.07	70.51%
34	E1M1C	Anthem Distco Residential 1.5"		169,000	$584.19	$ 997.70	$ 413.52	70.78%
35	E1M1C	Anthem Distco Residential 1.5"		174,000	$600.99	$ 1,027.95	$ 426.96	71.04%
36	E1M1C	Anthem Distco Residential 1.5"		179,000	$617.80	$ 1,058.21	$ 440.41	71.29%
37	E1M1C	Anthem Distco Residential 1.5"		184,000	$634.61	$ 1,088.46	$ 453.85	71.52%
38	E1M1C	Anthem Distco Residential 1.5"		189,000	$651.41	$ 1,118.71	$ 467.30	71.74%
39	E1M1C	Anthem Distco Residential 1.5"		194,000	$668.22	$ 1,148.96	$ 480.74	71.94%
40	E1M1C	Anthem Distco Residential 1.5"		199,000	$685.03	$ 1,179.22	$ 494.19	72.14%
41	E1M1C	Anthem Distco Residential 1.5"		204,000	$701.83	$ 1,209.47	$ 507.63	72.33%
42	E1M1C	Anthem Distco Residential 1.5"		209,000	$718.64	$ 1,239.72	$ 521.08	72.51%
43	E1M1C	Anthem Distco Residential 1.5"		214,000	$735.45	$ 1,269.97	$ 534.52	72.68%
44	E1M1C	Anthem Distco Residential 1.5"		219,000	$752.26	$ 1,300.23	$ 547.97	72.84%
45	E1M1C	Anthem Distco Residential 1.5"		224,000	$769.06	$ 1,330.48	$ 561.42	73.00%
46	E1M1C	Anthem Distco Residential 1.5"		229,000	$785.87	$ 1,360.73	$ 574.86	73.15%
47	E1M1C	Anthem Distco Residential 1.5"		234,000	$802.68	$ 1,390.98	$ 588.31	73.29%
48	E1M1C	Anthem Distco Residential 1.5"		239,000	$819.48	$ 1,421.24	$ 601.75	73.43%
49	E1M1C	Anthem Distco Residential 1.5"		244,000	$836.29	$ 1,451.49	$ 615.20	73.56%
50	E1M1C	Anthem Distco Residential 1.5"		249,000	$853.10	$ 1,481.74	$ 628.64	73.69%
51	E1M1C	Anthem Distco Residential 1.5"		254,000	$869.90	$ 1,511.99	$ 642.09	73.81%
52	E1M1C	Anthem Distco Residential 1.5"		259,000	$886.71	$ 1,542.25	$ 655.53	73.93%
53	E1M1C	Anthem Distco Residential 1.5"		264,000	$903.52	$ 1,572.50	$ 668.98	74.04%
54	E1M1C	Anthem Distco Residential 1.5"		269,000	$920.33	$ 1,602.75	$ 682.43	74.15%
55	E1M1C	Anthem Distco Residential 1.5"		274,000	$937.13	$ 1,633.00	$ 695.87	74.26%
56								
57	E1M1C	Anthem Distco Residential 1.5"	Average:	11,593	$127.71	$ 201.53	$ 73.82	57.80%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	E1M1D	Anthem Distco Residential 2"		5,000	$168.91	$ 262.21	$ 93.31	55.24%
2	E1M1D	Anthem Distco Residential 2"		10,000	$181.99	$ 284.45	$ 102.46	56.30%
3	E1M1D	Anthem Distco Residential 2"		15,000	$195.07	$ 306.68	$ 111.62	57.22%
4	E1M1D	Anthem Distco Residential 2"		20,000	$208.14	$ 328.91	$ 120.77	58.02%
5	E1M1D	Anthem Distco Residential 2"		25,000	$221.22	$ 351.15	$ 129.93	58.73%
6	E1M1D	Anthem Distco Residential 2"		30,000	$234.30	$ 373.38	$ 139.08	59.36%
7	E1M1D	Anthem Distco Residential 2"		35,000	$247.38	$ 395.61	$ 148.24	59.92%
8	E1M1D	Anthem Distco Residential 2"		40,000	$260.46	$ 417.85	$ 157.39	60.43%
9	E1M1D	Anthem Distco Residential 2"		45,000	$273.54	$ 440.08	$ 166.55	60.89%
10	E1M1D	Anthem Distco Residential 2"		50,000	$286.62	$ 462.32	$ 175.70	61.30%
11	E1M1D	Anthem Distco Residential 2"		55,000	$299.69	$ 484.55	$ 184.86	61.68%
12	E1M1D	Anthem Distco Residential 2"		60,000	$312.77	$ 506.78	$ 194.01	62.03%
13	E1M1D	Anthem Distco Residential 2"		65,000	$325.85	$ 529.02	$ 203.17	62.35%
14	E1M1D	Anthem Distco Residential 2"		70,000	$338.93	$ 551.25	$ 212.32	62.64%
15	E1M1D	Anthem Distco Residential 2"		75,000	$352.01	$ 573.48	$ 221.48	62.92%
16	E1M1D	Anthem Distco Residential 2"		80,000	$365.09	$ 595.72	$ 230.63	63.17%
17	E1M1D	Anthem Distco Residential 2"		85,000	$378.16	$ 617.95	$ 239.79	63.41%
18	E1M1D	Anthem Distco Residential 2"		90,000	$391.24	$ 640.18	$ 248.94	63.63%
19	E1M1D	Anthem Distco Residential 2"		95,000	$404.32	$ 662.42	$ 258.10	63.83%
20	E1M1D	Anthem Distco Residential 2"		100,000	$417.40	$ 684.65	$ 267.25	64.03%
21	E1M1D	Anthem Distco Residential 2"		105,000	$430.48	$ 706.88	$ 276.41	64.21%
22	E1M1D	Anthem Distco Residential 2"		110,000	$443.56	$ 729.12	$ 285.56	64.38%
23	E1M1D	Anthem Distco Residential 2"		115,000	$456.64	$ 751.35	$ 294.72	64.54%
24	E1M1D	Anthem Distco Residential 2"		120,000	$469.71	$ 773.58	$ 303.87	64.69%
25	E1M1D	Anthem Distco Residential 2"		125,000	$482.79	$ 795.82	$ 313.03	64.84%
26	E1M1D	Anthem Distco Residential 2"		130,000	$495.87	$ 818.05	$ 322.18	64.97%
27	E1M1D	Anthem Distco Residential 2"		135,000	$508.95	$ 840.28	$ 331.34	65.10%
28	E1M1D	Anthem Distco Residential 2"		140,000	$522.03	$ 862.52	$ 340.49	65.22%
29	E1M1D	Anthem Distco Residential 2"		145,000	$535.11	$ 884.75	$ 349.65	65.34%
30	E1M1D	Anthem Distco Residential 2"		150,000	$548.19	$ 906.99	$ 358.80	65.45%
31	E1M1D	Anthem Distco Residential 2"		155,000	$561.26	$ 929.22	$ 367.96	65.56%
32	E1M1D	Anthem Distco Residential 2"		160,000	$574.34	$ 951.45	$ 377.11	65.66%
33	E1M1D	Anthem Distco Residential 2"		165,000	$587.42	$ 973.69	$ 386.27	65.76%
34	E1M1D	Anthem Distco Residential 2"		170,000	$600.50	$ 995.92	$ 395.42	65.85%
35	E1M1D	Anthem Distco Residential 2"		175,000	$613.58	$ 1,018.15	$ 404.58	65.94%
36	E1M1D	Anthem Distco Residential 2"		180,000	$630.38	$ 1,048.41	$ 418.02	66.31%
37	E1M1D	Anthem Distco Residential 2"		185,000	$647.19	$ 1,078.66	$ 431.47	66.67%
38	E1M1D	Anthem Distco Residential 2"		190,000	$664.00	$ 1,108.91	$ 444.91	67.00%
39	E1M1D	Anthem Distco Residential 2"		195,000	$680.81	$ 1,139.16	$ 458.36	67.33%
40	E1M1D	Anthem Distco Residential 2"		200,000	$697.61	$ 1,169.42	$ 471.80	67.63%
41	E1M1D	Anthem Distco Residential 2"		205,000	$714.42	$ 1,199.67	$ 485.25	67.92%
42	E1M1D	Anthem Distco Residential 2"		210,000	$731.23	$ 1,229.92	$ 498.69	68.20%
43	E1M1D	Anthem Distco Residential 2"		215,000	$748.03	$ 1,260.17	$ 512.14	68.46%
44	E1M1D	Anthem Distco Residential 2"		220,000	$764.84	$ 1,290.43	$ 525.58	68.72%
45	E1M1D	Anthem Distco Residential 2"		225,000	$781.65	$ 1,320.68	$ 539.03	68.96%
46	E1M1D	Anthem Distco Residential 2"		230,000	$798.45	$ 1,350.93	$ 552.48	69.19%
47	E1M1D	Anthem Distco Residential 2"		235,000	$815.26	$ 1,381.18	$ 565.92	69.42%
48	E1M1D	Anthem Distco Residential 2"		240,000	$832.07	$ 1,411.44	$ 579.37	69.63%
49	E1M1D	Anthem Distco Residential 2"		245,000	$848.88	$ 1,441.69	$ 592.81	69.83%
50	E1M1D	Anthem Distco Residential 2"		250,000	$865.68	$ 1,471.94	$ 606.26	70.03%
51	E1M1D	Anthem Distco Residential 2"		255,000	$882.49	$ 1,502.19	$ 619.70	70.22%
52	E1M1D	Anthem Distco Residential 2"		260,000	$899.30	$ 1,532.45	$ 633.15	70.40%
53	E1M1D	Anthem Distco Residential 2"		265,000	$916.10	$ 1,562.70	$ 646.59	70.58%
54	E1M1D	Anthem Distco Residential 2"		270,000	$932.91	$ 1,592.95	$ 660.04	70.75%
55	E1M1D	Anthem Distco Residential 2"		275,000	$949.72	$ 1,623.20	$ 673.49	70.91%
56								
57	E1M1D	Anthem Distco Residential 2"	Average:	199,070	$694.49	$ 1,163.79	$ 469.30	67.58%
58								
59								
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Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates		Typical Bills Proposed Rates		Proposed Increase Amount	Proposed Increase %
1	E1M2A	Anthem Distco Com 5/8 & 3/4"		1,000	$22.10	$	34.45	$	12.35	55.90%
2	E1M2A	Anthem Distco Com 5/8 & 3/4"		2,000	$24.71	$	38.89	$	14.18	57.39%
3	E1M2A	Anthem Distco Com 5/8 & 3/4"		3,000	$27.33	$	43.34	$	16.01	58.60%
4	E1M2A	Anthem Distco Com 5/8 & 3/4"		4,000	$29.94	$	47.79	$	17.84	59.59%
5	E1M2A	Anthem Distco Com 5/8 & 3/4"		5,000	$32.56	$	52.23	$	19.68	60.43%
6	E1M2A	Anthem Distco Com 5/8 & 3/4"		6,000	$35.17	$	56.68	$	21.51	61.14%
7	E1M2A	Anthem Distco Com 5/8 & 3/4"		7,000	$37.79	$	61.13	$	23.34	61.75%
8	E1M2A	Anthem Distco Com 5/8 & 3/4"		8,000	$40.41	$	65.57	$	25.17	62.29%
9	E1M2A	Anthem Distco Com 5/8 & 3/4"		9,000	$43.02	$	70.02	$	27.00	62.76%
10	E1M2A	Anthem Distco Com 5/8 & 3/4"		10,000	$45.64	$	74.47	$	28.83	63.17%
11	E1M2A	Anthem Distco Com 5/8 & 3/4"		11,000	$49.00	$	80.52	$	31.52	64.33%
12	E1M2A	Anthem Distco Com 5/8 & 3/4"		12,000	$52.36	$	86.57	$	34.21	65.33%
13	E1M2A	Anthem Distco Com 5/8 & 3/4"		13,000	$55.72	$	92.62	$	36.90	66.22%
14	E1M2A	Anthem Distco Com 5/8 & 3/4"		14,000	$59.08	$	98.67	$	39.59	67.00%
15	E1M2A	Anthem Distco Com 5/8 & 3/4"		15,000	$62.44	$	104.72	$	42.28	67.70%
16	E1M2A	Anthem Distco Com 5/8 & 3/4"		16,000	$65.81	$	110.77	$	44.96	68.33%
17	E1M2A	Anthem Distco Com 5/8 & 3/4"		17,000	$69.17	$	116.82	$	47.65	68.90%
18	E1M2A	Anthem Distco Com 5/8 & 3/4"		18,000	$72.53	$	122.87	$	50.34	69.41%
19	E1M2A	Anthem Distco Com 5/8 & 3/4"		19,000	$75.89	$	128.92	$	53.03	69.88%
20	E1M2A	Anthem Distco Com 5/8 & 3/4"		20,000	$79.25	$	134.97	$	55.72	70.31%
21	E1M2A	Anthem Distco Com 5/8 & 3/4"		21,000	$82.61	$	141.02	$	58.41	70.70%
22	E1M2A	Anthem Distco Com 5/8 & 3/4"		22,000	$85.97	$	147.07	$	61.10	71.07%
23	E1M2A	Anthem Distco Com 5/8 & 3/4"		23,000	$89.34	$	153.12	$	63.79	71.40%
24	E1M2A	Anthem Distco Com 5/8 & 3/4"		24,000	$92.70	$	159.17	$	66.48	71.72%
25	E1M2A	Anthem Distco Com 5/8 & 3/4"		25,000	$96.06	$	165.22	$	69.17	72.00%
26	E1M2A	Anthem Distco Com 5/8 & 3/4"		26,000	$99.42	$	171.28	$	71.86	72.28%
27	E1M2A	Anthem Distco Com 5/8 & 3/4"		27,000	$102.78	$	177.33	$	74.54	72.53%
28	E1M2A	Anthem Distco Com 5/8 & 3/4"		28,000	$106.14	$	183.38	$	77.23	72.76%
29	E1M2A	Anthem Distco Com 5/8 & 3/4"		29,000	$109.50	$	189.43	$	79.92	72.99%
30	E1M2A	Anthem Distco Com 5/8 & 3/4"		30,000	$112.87	$	195.48	$	82.61	73.20%
31	E1M2A	Anthem Distco Com 5/8 & 3/4"		31,000	$116.23	$	201.53	$	85.30	73.39%
32	E1M2A	Anthem Distco Com 5/8 & 3/4"		32,000	$119.59	$	207.58	$	87.99	73.58%
33	E1M2A	Anthem Distco Com 5/8 & 3/4"		33,000	$122.95	$	213.63	$	90.68	73.75%
34	E1M2A	Anthem Distco Com 5/8 & 3/4"		34,000	$126.31	$	219.68	$	93.37	73.92%
35	E1M2A	Anthem Distco Com 5/8 & 3/4"		35,000	$129.67	$	225.73	$	96.06	74.08%
36	E1M2A	Anthem Distco Com 5/8 & 3/4"		36,000	$133.03	$	231.78	$	98.75	74.23%
37	E1M2A	Anthem Distco Com 5/8 & 3/4"		37,000	$136.39	$	237.83	$	101.44	74.37%
38	E1M2A	Anthem Distco Com 5/8 & 3/4"		38,000	$139.76	$	243.88	$	104.12	74.50%
39	E1M2A	Anthem Distco Com 5/8 & 3/4"		39,000	$143.12	$	249.93	$	106.81	74.63%
40	E1M2A	Anthem Distco Com 5/8 & 3/4"		40,000	$146.48	$	255.98	$	109.50	74.76%
41	E1M2A	Anthem Distco Com 5/8 & 3/4"		41,000	$149.84	$	262.03	$	112.19	74.87%
42	E1M2A	Anthem Distco Com 5/8 & 3/4"		42,000	$153.20	$	268.08	$	114.88	74.99%
43	E1M2A	Anthem Distco Com 5/8 & 3/4"		43,000	$156.56	$	274.13	$	117.57	75.09%
44	E1M2A	Anthem Distco Com 5/8 & 3/4"		44,000	$159.92	$	280.18	$	120.26	75.20%
45	E1M2A	Anthem Distco Com 5/8 & 3/4"		45,000	$163.29	$	286.23	$	122.95	75.30%
46	E1M2A	Anthem Distco Com 5/8 & 3/4"		46,000	$166.65	$	292.29	$	125.64	75.39%
47	E1M2A	Anthem Distco Com 5/8 & 3/4"		47,000	$170.01	$	298.34	$	128.33	75.48%
48	E1M2A	Anthem Distco Com 5/8 & 3/4"		48,000	$173.37	$	304.39	$	131.02	75.57%
49	E1M2A	Anthem Distco Com 5/8 & 3/4"		49,000	$176.73	$	310.44	$	133.70	75.65%
50	E1M2A	Anthem Distco Com 5/8 & 3/4"		50,000	$180.09	$	316.49	$	136.39	75.74%
51	E1M2A	Anthem Distco Com 5/8 & 3/4"		51,000	$183.45	$	322.54	$	139.08	75.81%
52	E1M2A	Anthem Distco Com 5/8 & 3/4"		52,000	$186.82	$	328.59	$	141.77	75.89%
53	E1M2A	Anthem Distco Com 5/8 & 3/4"		53,000	$190.18	$	334.64	$	144.46	75.96%
54	E1M2A	Anthem Distco Com 5/8 & 3/4"		54,000	$193.54	$	340.69	$	147.15	76.03%
55	E1M2A	Anthem Distco Com 5/8 & 3/4"		55,000	$196.90	$	346.74	$	149.84	76.10%
56										
57	E1M2A	Anthem Distco Com 5/8 & 3/4"	Average:	13,598	$57.73	$	96.24	$	38.51	66.70%
58										
59										
60										

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates		Typical Bills Proposed Rates		Proposed Increase Amount	Proposed Increase %
1	E1M2B	Anthem Distco Com 1"		5,000	$61.78	$	97.23	$	35.46	57.39%
2	E1M2B	Anthem Distco Com 1"		10,000	$74.86	$	119.47	$	44.61	59.59%
3	E1M2B	Anthem Distco Com 1"		15,000	$87.94	$	141.70	$	53.77	61.14%
4	E1M2B	Anthem Distco Com 1"		20,000	$101.01	$	163.93	$	62.92	62.29%
5	E1M2B	Anthem Distco Com 1"		25,000	$114.09	$	186.17	$	72.08	63.17%
6	E1M2B	Anthem Distco Com 1"		30,000	$127.17	$	208.40	$	81.23	63.87%
7	E1M2B	Anthem Distco Com 1"		35,000	$140.25	$	230.63	$	90.39	64.45%
8	E1M2B	Anthem Distco Com 1"		40,000	$153.33	$	252.87	$	99.54	64.92%
9	E1M2B	Anthem Distco Com 1"		45,000	$170.14	$	283.12	$	112.99	66.41%
10	E1M2B	Anthem Distco Com 1"		50,000	$186.94	$	313.37	$	126.43	67.63%
11	E1M2B	Anthem Distco Com 1"		55,000	$203.75	$	343.63	$	139.88	68.65%
12	E1M2B	Anthem Distco Com 1"		60,000	$220.56	$	373.88	$	153.32	69.52%
13	E1M2B	Anthem Distco Com 1"		65,000	$237.36	$	404.13	$	166.77	70.26%
14	E1M2B	Anthem Distco Com 1"		70,000	$254.17	$	434.38	$	180.21	70.90%
15	E1M2B	Anthem Distco Com 1"		75,000	$270.98	$	464.64	$	193.66	71.47%
16	E1M2B	Anthem Distco Com 1"		80,000	$287.78	$	494.89	$	207.10	71.97%
17	E1M2B	Anthem Distco Com 1"		85,000	$304.59	$	525.14	$	220.55	72.41%
18	E1M2B	Anthem Distco Com 1"		90,000	$321.40	$	555.39	$	234.00	72.81%
19	E1M2B	Anthem Distco Com 1"		95,000	$338.21	$	585.65	$	247.44	73.16%
20	E1M2B	Anthem Distco Com 1"		100,000	$355.01	$	615.90	$	260.89	73.49%
21	E1M2B	Anthem Distco Com 1"		105,000	$371.82	$	646.15	$	274.33	73.78%
22	E1M2B	Anthem Distco Com 1"		110,000	$388.63	$	676.40	$	287.78	74.05%
23	E1M2B	Anthem Distco Com 1"		115,000	$405.43	$	706.66	$	301.22	74.30%
24	E1M2B	Anthem Distco Com 1"		120,000	$422.24	$	736.91	$	314.67	74.52%
25	E1M2B	Anthem Distco Com 1"		125,000	$439.05	$	767.16	$	328.11	74.73%
26	E1M2B	Anthem Distco Com 1"		130,000	$455.85	$	797.41	$	341.56	74.93%
27	E1M2B	Anthem Distco Com 1"		135,000	$472.66	$	827.67	$	355.00	75.11%
28	E1M2B	Anthem Distco Com 1"		140,000	$489.47	$	857.92	$	368.45	75.28%
29	E1M2B	Anthem Distco Com 1"		145,000	$506.28	$	888.17	$	381.90	75.43%
30	E1M2B	Anthem Distco Com 1"		150,000	$523.08	$	918.42	$	395.34	75.58%
31	E1M2B	Anthem Distco Com 1"		155,000	$539.89	$	948.68	$	408.79	75.72%
32	E1M2B	Anthem Distco Com 1"		160,000	$556.70	$	978.93	$	422.23	75.85%
33	E1M2B	Anthem Distco Com 1"		165,000	$573.50	$	1,009.18	$	435.68	75.97%
34	E1M2B	Anthem Distco Com 1"		170,000	$590.31	$	1,039.43	$	449.12	76.08%
35	E1M2B	Anthem Distco Com 1"		175,000	$607.12	$	1,069.69	$	462.57	76.19%
36	E1M2B	Anthem Distco Com 1"		180,000	$623.92	$	1,099.94	$	476.01	76.29%
37	E1M2B	Anthem Distco Com 1"		185,000	$640.73	$	1,130.19	$	489.46	76.39%
38	E1M2B	Anthem Distco Com 1"		190,000	$657.54	$	1,160.44	$	502.91	76.48%
39	E1M2B	Anthem Distco Com 1"		195,000	$674.35	$	1,190.70	$	516.35	76.57%
40	E1M2B	Anthem Distco Com 1"		200,000	$691.15	$	1,220.95	$	529.80	76.65%
41	E1M2B	Anthem Distco Com 1"		205,000	$707.96	$	1,251.20	$	543.24	76.73%
42	E1M2B	Anthem Distco Com 1"		210,000	$724.77	$	1,281.45	$	556.69	76.81%
43	E1M2B	Anthem Distco Com 1"		215,000	$741.57	$	1,311.71	$	570.13	76.88%
44	E1M2B	Anthem Distco Com 1"		220,000	$758.38	$	1,341.96	$	583.58	76.95%
45	E1M2B	Anthem Distco Com 1"		225,000	$775.19	$	1,372.21	$	597.02	77.02%
46	E1M2B	Anthem Distco Com 1"		230,000	$791.99	$	1,402.46	$	610.47	77.08%
47	E1M2B	Anthem Distco Com 1"		235,000	$808.80	$	1,432.72	$	623.91	77.14%
48	E1M2B	Anthem Distco Com 1"		240,000	$825.61	$	1,462.97	$	637.36	77.20%
49	E1M2B	Anthem Distco Com 1"		245,000	$842.42	$	1,493.22	$	650.81	77.25%
50	E1M2B	Anthem Distco Com 1"		250,000	$859.22	$	1,523.47	$	664.25	77.31%
51	E1M2B	Anthem Distco Com 1"		255,000	$876.03	$	1,553.73	$	677.70	77.36%
52	E1M2B	Anthem Distco Com 1"		260,000	$892.84	$	1,583.98	$	691.14	77.41%
53	E1M2B	Anthem Distco Com 1"		265,000	$909.64	$	1,614.23	$	704.59	77.46%
54	E1M2B	Anthem Distco Com 1"		270,000	$926.45	$	1,644.48	$	718.03	77.50%
55	E1M2B	Anthem Distco Com 1"		275,000	$943.26	$	1,674.74	$	731.48	77.55%
56										
57	E1M2B	Anthem Distco Com 1"	Average:	57,556	$212.34	$	359.09	$	146.75	69.11%
58										
59										
60										

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates		Typical Bills Proposed Rates		Proposed Increase Amount	Proposed Increase %
1	E1M2C	Anthem Distco Com 1.5"		5,000	$110.47	$	172.21	$	61.75	55.89%
2	E1M2C	Anthem Distco Com 1.5"		10,000	$123.55	$	194.45	$	70.90	57.39%
3	E1M2C	Anthem Distco Com 1.5"		15,000	$136.63	$	216.68	$	80.06	58.59%
4	E1M2C	Anthem Distco Com 1.5"		20,000	$149.70	$	238.91	$	89.21	59.59%
5	E1M2C	Anthem Distco Com 1.5"		25,000	$162.78	$	261.15	$	98.37	60.43%
6	E1M2C	Anthem Distco Com 1.5"		30,000	$175.86	$	283.38	$	107.52	61.14%
7	E1M2C	Anthem Distco Com 1.5"		35,000	$188.94	$	305.61	$	116.68	61.75%
8	E1M2C	Anthem Distco Com 1.5"		40,000	$202.02	$	327.85	$	125.83	62.29%
9	E1M2C	Anthem Distco Com 1.5"		45,000	$215.10	$	350.08	$	134.99	62.76%
10	E1M2C	Anthem Distco Com 1.5"		50,000	$228.18	$	372.32	$	144.14	63.17%
11	E1M2C	Anthem Distco Com 1.5"		55,000	$241.25	$	394.55	$	153.30	63.54%
12	E1M2C	Anthem Distco Com 1.5"		60,000	$254.33	$	416.78	$	162.45	63.87%
13	E1M2C	Anthem Distco Com 1.5"		65,000	$267.41	$	439.02	$	171.61	64.17%
14	E1M2C	Anthem Distco Com 1.5"		70,000	$280.49	$	461.25	$	180.76	64.44%
15	E1M2C	Anthem Distco Com 1.5"		75,000	$293.57	$	483.48	$	189.92	64.69%
16	E1M2C	Anthem Distco Com 1.5"		80,000	$306.65	$	505.72	$	199.07	64.92%
17	E1M2C	Anthem Distco Com 1.5"		85,000	$319.72	$	527.95	$	208.23	65.13%
18	E1M2C	Anthem Distco Com 1.5"		90,000	$332.80	$	550.18	$	217.38	65.32%
19	E1M2C	Anthem Distco Com 1.5"		95,000	$345.88	$	572.42	$	226.54	65.49%
20	E1M2C	Anthem Distco Com 1.5"		100,000	$358.96	$	594.65	$	235.69	65.66%
21	E1M2C	Anthem Distco Com 1.5"		105,000	$372.04	$	616.88	$	244.85	65.81%
22	E1M2C	Anthem Distco Com 1.5"		109,000	$382.50	$	634.67	$	252.17	65.93%
23	E1M2C	Anthem Distco Com 1.5"		114,000	$399.31	$	664.92	$	265.61	66.52%
24	E1M2C	Anthem Distco Com 1.5"		119,000	$416.12	$	695.18	$	279.06	67.06%
25	E1M2C	Anthem Distco Com 1.5"		124,000	$432.92	$	725.43	$	292.51	67.57%
26	E1M2C	Anthem Distco Com 1.5"		129,000	$449.73	$	755.68	$	305.95	68.03%
27	E1M2C	Anthem Distco Com 1.5"		134,000	$466.54	$	785.93	$	319.40	68.46%
28	E1M2C	Anthem Distco Com 1.5"		139,000	$483.34	$	816.19	$	332.84	68.86%
29	E1M2C	Anthem Distco Com 1.5"		144,000	$500.15	$	846.44	$	346.29	69.24%
30	E1M2C	Anthem Distco Com 1.5"		149,000	$516.96	$	876.69	$	359.73	69.59%
31	E1M2C	Anthem Distco Com 1.5"		154,000	$533.76	$	906.94	$	373.18	69.91%
32	E1M2C	Anthem Distco Com 1.5"		159,000	$550.57	$	937.20	$	386.62	70.22%
33	E1M2C	Anthem Distco Com 1.5"		164,000	$567.38	$	967.45	$	400.07	70.51%
34	E1M2C	Anthem Distco Com 1.5"		169,000	$584.19	$	997.70	$	413.52	70.78%
35	E1M2C	Anthem Distco Com 1.5"		174,000	$600.99	$	1,027.95	$	426.96	71.04%
36	E1M2C	Anthem Distco Com 1.5"		179,000	$617.80	$	1,058.21	$	440.41	71.29%
37	E1M2C	Anthem Distco Com 1.5"		184,000	$634.61	$	1,088.46	$	453.85	71.52%
38	E1M2C	Anthem Distco Com 1.5"		189,000	$651.41	$	1,118.71	$	467.30	71.74%
39	E1M2C	Anthem Distco Com 1.5"		194,000	$668.22	$	1,148.96	$	480.74	71.94%
40	E1M2C	Anthem Distco Com 1.5"		199,000	$685.03	$	1,179.22	$	494.19	72.14%
41	E1M2C	Anthem Distco Com 1.5"		204,000	$701.83	$	1,209.47	$	507.63	72.33%
42	E1M2C	Anthem Distco Com 1.5"		209,000	$718.64	$	1,239.72	$	521.08	72.51%
43	E1M2C	Anthem Distco Com 1.5"		214,000	$735.45	$	1,269.97	$	534.52	72.68%
44	E1M2C	Anthem Distco Com 1.5"		219,000	$752.26	$	1,300.23	$	547.97	72.84%
45	E1M2C	Anthem Distco Com 1.5"		224,000	$769.06	$	1,330.48	$	561.42	73.00%
46	E1M2C	Anthem Distco Com 1.5"		229,000	$785.87	$	1,360.73	$	574.86	73.15%
47	E1M2C	Anthem Distco Com 1.5"		234,000	$802.68	$	1,390.98	$	588.31	73.29%
48	E1M2C	Anthem Distco Com 1.5"		239,000	$819.48	$	1,421.24	$	601.75	73.43%
49	E1M2C	Anthem Distco Com 1.5"		244,000	$836.29	$	1,451.49	$	615.20	73.56%
50	E1M2C	Anthem Distco Com 1.5"		249,000	$853.10	$	1,481.74	$	628.64	73.69%
51	E1M2C	Anthem Distco Com 1.5"		254,000	$869.90	$	1,511.99	$	642.09	73.81%
52	E1M2C	Anthem Distco Com 1.5"		259,000	$886.71	$	1,542.25	$	655.53	73.93%
53	E1M2C	Anthem Distco Com 1.5"		264,000	$903.52	$	1,572.50	$	668.98	74.04%
54	E1M2C	Anthem Distco Com 1.5"		269,000	$920.33	$	1,602.75	$	682.43	74.15%
55	E1M2C	Anthem Distco Com 1.5"		274,000	$937.13	$	1,633.00	$	695.87	74.26%
56										
57	E1M2C	Anthem Distco Com 1.5"	Average:	44,095	$212.73	$	346.06	$	133.33	62.67%
58										
59										
60										

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	E1M2D	Anthem Distco Com 2"		5,000	$168.91	$ 262.21	$ 93.31	55.24%
2	E1M2D	Anthem Distco Com 2"		10,000	$181.99	$ 284.45	$ 102.46	56.30%
3	E1M2D	Anthem Distco Com 2"		15,000	$195.07	$ 306.68	$ 111.62	57.22%
4	E1M2D	Anthem Distco Com 2"		20,000	$208.14	$ 328.91	$ 120.77	58.02%
5	E1M2D	Anthem Distco Com 2"		25,000	$221.22	$ 351.15	$ 129.93	58.73%
6	E1M2D	Anthem Distco Com 2"		30,000	$234.30	$ 373.38	$ 139.08	59.36%
7	E1M2D	Anthem Distco Com 2"		35,000	$247.38	$ 395.61	$ 148.24	59.92%
8	E1M2D	Anthem Distco Com 2"		40,000	$260.46	$ 417.85	$ 157.39	60.43%
9	E1M2D	Anthem Distco Com 2"		45,000	$273.54	$ 440.08	$ 166.55	60.89%
10	E1M2D	Anthem Distco Com 2"		50,000	$286.62	$ 462.32	$ 175.70	61.30%
11	E1M2D	Anthem Distco Com 2"		55,000	$299.69	$ 484.55	$ 184.86	61.68%
12	E1M2D	Anthem Distco Com 2"		60,000	$312.77	$ 506.78	$ 194.01	62.03%
13	E1M2D	Anthem Distco Com 2"		65,000	$325.85	$ 529.02	$ 203.17	62.35%
14	E1M2D	Anthem Distco Com 2"		70,000	$338.93	$ 551.25	$ 212.32	62.64%
15	E1M2D	Anthem Distco Com 2"		75,000	$352.01	$ 573.48	$ 221.48	62.92%
16	E1M2D	Anthem Distco Com 2"		80,000	$365.09	$ 595.72	$ 230.63	63.17%
17	E1M2D	Anthem Distco Com 2"		85,000	$378.16	$ 617.95	$ 239.79	63.41%
18	E1M2D	Anthem Distco Com 2"		90,000	$391.24	$ 640.18	$ 248.94	63.63%
19	E1M2D	Anthem Distco Com 2"		95,000	$404.32	$ 662.42	$ 258.10	63.83%
20	E1M2D	Anthem Distco Com 2"		100,000	$417.40	$ 684.65	$ 267.25	64.03%
21	E1M2D	Anthem Distco Com 2"		105,000	$430.48	$ 706.88	$ 276.41	64.21%
22	E1M2D	Anthem Distco Com 2"		110,000	$443.56	$ 729.12	$ 285.56	64.38%
23	E1M2D	Anthem Distco Com 2"		115,000	$456.64	$ 751.35	$ 294.72	64.54%
24	E1M2D	Anthem Distco Com 2"		120,000	$469.71	$ 773.58	$ 303.87	64.69%
25	E1M2D	Anthem Distco Com 2"		125,000	$482.79	$ 795.82	$ 313.03	64.84%
26	E1M2D	Anthem Distco Com 2"		130,000	$495.87	$ 818.05	$ 322.18	64.97%
27	E1M2D	Anthem Distco Com 2"		135,000	$508.95	$ 840.28	$ 331.34	65.10%
28	E1M2D	Anthem Distco Com 2"		140,000	$522.03	$ 862.52	$ 340.49	65.22%
29	E1M2D	Anthem Distco Com 2"		145,000	$535.11	$ 884.75	$ 349.65	65.34%
30	E1M2D	Anthem Distco Com 2"		150,000	$548.19	$ 906.99	$ 358.80	65.45%
31	E1M2D	Anthem Distco Com 2"		155,000	$561.26	$ 929.22	$ 367.96	65.56%
32	E1M2D	Anthem Distco Com 2"		160,000	$574.34	$ 951.45	$ 377.11	65.66%
33	E1M2D	Anthem Distco Com 2"		165,000	$587.42	$ 973.69	$ 386.27	65.76%
34	E1M2D	Anthem Distco Com 2"		170,000	$600.50	$ 995.92	$ 395.42	65.85%
35	E1M2D	Anthem Distco Com 2"		175,000	$613.58	$ 1,018.15	$ 404.58	65.94%
36	E1M2D	Anthem Distco Com 2"		180,000	$630.38	$ 1,048.41	$ 418.02	66.31%
37	E1M2D	Anthem Distco Com 2"		185,000	$647.19	$ 1,078.66	$ 431.47	66.67%
38	E1M2D	Anthem Distco Com 2"		190,000	$664.00	$ 1,108.91	$ 444.91	67.00%
39	E1M2D	Anthem Distco Com 2"		195,000	$680.81	$ 1,139.16	$ 458.36	67.33%
40	E1M2D	Anthem Distco Com 2"		200,000	$697.61	$ 1,169.42	$ 471.80	67.63%
41	E1M2D	Anthem Distco Com 2"		205,000	$714.42	$ 1,199.67	$ 485.25	67.92%
42	E1M2D	Anthem Distco Com 2"		210,000	$731.23	$ 1,229.92	$ 498.69	68.20%
43	E1M2D	Anthem Distco Com 2"		215,000	$748.03	$ 1,260.17	$ 512.14	68.46%
44	E1M2D	Anthem Distco Com 2"		220,000	$764.84	$ 1,290.43	$ 525.58	68.72%
45	E1M2D	Anthem Distco Com 2"		225,000	$781.65	$ 1,320.68	$ 539.03	68.96%
46	E1M2D	Anthem Distco Com 2"		230,000	$798.45	$ 1,350.93	$ 552.48	69.19%
47	E1M2D	Anthem Distco Com 2"		235,000	$815.26	$ 1,381.18	$ 565.92	69.42%
48	E1M2D	Anthem Distco Com 2"		240,000	$832.07	$ 1,411.44	$ 579.37	69.63%
49	E1M2D	Anthem Distco Com 2"		245,000	$848.88	$ 1,441.69	$ 592.81	69.83%
50	E1M2D	Anthem Distco Com 2"		250,000	$865.68	$ 1,471.94	$ 606.26	70.03%
51	E1M2D	Anthem Distco Com 2"		255,000	$882.49	$ 1,502.19	$ 619.70	70.22%
52	E1M2D	Anthem Distco Com 2"		260,000	$899.30	$ 1,532.45	$ 633.15	70.40%
53	E1M2D	Anthem Distco Com 2"		265,000	$916.10	$ 1,562.70	$ 646.59	70.58%
54	E1M2D	Anthem Distco Com 2"		270,000	$932.91	$ 1,592.95	$ 660.04	70.75%
55	E1M2D	Anthem Distco Com 2"		275,000	$949.72	$ 1,623.20	$ 673.49	70.91%
56								
57	E1M2D	Anthem Distco Com 2"	Average:	145,475	$536.35	$ 886.86	$ 350.51	65.35%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Proposed Rates	Proposed Increase Amount	%
1	E1M2E	Anthem Distco Com 3"		10,000	$337.81	$ 524.42	$ 186.61	55.24%
2	E1M2E	Anthem Distco Com 3"		20,000	$363.96	$ 568.88	$ 204.92	56.30%
3	E1M2E	Anthem Distco Com 3"		30,000	$390.12	$ 613.35	$ 223.23	57.22%
4	E1M2E	Anthem Distco Com 3"		40,000	$416.28	$ 657.82	$ 241.54	58.02%
5	E1M2E	Anthem Distco Com 3"		50,000	$442.44	$ 702.29	$ 259.85	58.73%
6	E1M2E	Anthem Distco Com 3"		60,000	$468.59	$ 746.75	$ 278.16	59.36%
7	E1M2E	Anthem Distco Com 3"		70,000	$494.75	$ 791.22	$ 296.47	59.92%
8	E1M2E	Anthem Distco Com 3"		80,000	$520.91	$ 835.69	$ 314.78	60.43%
9	E1M2E	Anthem Distco Com 3"		90,000	$547.06	$ 880.15	$ 333.09	60.89%
10	E1M2E	Anthem Distco Com 3"		100,000	$573.22	$ 924.62	$ 351.40	61.30%
11	E1M2E	Anthem Distco Com 3"		110,000	$599.38	$ 969.09	$ 369.71	61.68%
12	E1M2E	Anthem Distco Com 3"		120,000	$625.53	$ 1,013.55	$ 388.02	62.03%
13	E1M2E	Anthem Distco Com 3"		130,000	$651.69	$ 1,058.02	$ 406.33	62.35%
14	E1M2E	Anthem Distco Com 3"		140,000	$677.85	$ 1,102.49	$ 424.64	62.65%
15	E1M2E	Anthem Distco Com 3"		150,000	$704.01	$ 1,146.96	$ 442.95	62.92%
16	E1M2E	Anthem Distco Com 3"		160,000	$730.16	$ 1,191.42	$ 461.26	63.17%
17	E1M2E	Anthem Distco Com 3"		170,000	$756.32	$ 1,235.89	$ 479.57	63.41%
18	E1M2E	Anthem Distco Com 3"		180,000	$782.48	$ 1,280.36	$ 497.88	63.63%
19	E1M2E	Anthem Distco Com 3"		190,000	$808.63	$ 1,324.82	$ 516.19	63.83%
20	E1M2E	Anthem Distco Com 3"		200,000	$834.79	$ 1,369.29	$ 534.50	64.03%
21	E1M2E	Anthem Distco Com 3"		210,000	$860.95	$ 1,413.76	$ 552.81	64.21%
22	E1M2E	Anthem Distco Com 3"		220,000	$887.10	$ 1,458.22	$ 571.12	64.38%
23	E1M2E	Anthem Distco Com 3"		230,000	$913.26	$ 1,502.69	$ 589.43	64.54%
24	E1M2E	Anthem Distco Com 3"		240,000	$939.42	$ 1,547.16	$ 607.74	64.69%
25	E1M2E	Anthem Distco Com 3"		250,000	$965.58	$ 1,591.63	$ 626.05	64.84%
26	E1M2E	Anthem Distco Com 3"		260,000	$991.73	$ 1,636.09	$ 644.36	64.97%
27	E1M2E	Anthem Distco Com 3"		270,000	$1,017.89	$ 1,680.56	$ 662.67	65.10%
28	E1M2E	Anthem Distco Com 3"		280,000	$1,044.05	$ 1,725.03	$ 680.98	65.23%
29	E1M2E	Anthem Distco Com 3"		290,000	$1,070.20	$ 1,769.49	$ 699.29	65.34%
30	E1M2E	Anthem Distco Com 3"		300,000	$1,096.36	$ 1,813.96	$ 717.60	65.45%
31	E1M2E	Anthem Distco Com 3"		310,000	$1,122.52	$ 1,858.43	$ 735.91	65.56%
32	E1M2E	Anthem Distco Com 3"		320,000	$1,148.67	$ 1,902.89	$ 754.22	65.66%
33	E1M2E	Anthem Distco Com 3"		330,000	$1,174.83	$ 1,947.36	$ 772.53	65.76%
34	E1M2E	Anthem Distco Com 3"		340,000	$1,200.99	$ 1,991.83	$ 790.84	65.85%
35	E1M2E	Anthem Distco Com 3"		350,000	$1,227.15	$ 2,036.30	$ 809.15	65.94%
36	E1M2E	Anthem Distco Com 3"		360,000	$1,253.30	$ 2,080.76	$ 827.46	66.02%
37	E1M2E	Anthem Distco Com 3"		370,000	$1,279.46	$ 2,125.23	$ 845.77	66.10%
38	E1M2E	Anthem Distco Com 3"		375,000	$1,292.54	$ 2,147.46	$ 854.93	66.14%
39	E1M2E	Anthem Distco Com 3"		380,000	$1,309.34	$ 2,177.72	$ 868.37	66.32%
40	E1M2E	Anthem Distco Com 3"		385,000	$1,326.15	$ 2,207.97	$ 881.82	66.49%
41	E1M2E	Anthem Distco Com 3"		390,000	$1,342.96	$ 2,238.22	$ 895.26	66.66%
42	E1M2E	Anthem Distco Com 3"		395,000	$1,359.77	$ 2,268.47	$ 908.71	66.83%
43	E1M2E	Anthem Distco Com 3"		400,000	$1,376.57	$ 2,298.73	$ 922.15	66.99%
44	E1M2E	Anthem Distco Com 3"		405,000	$1,393.38	$ 2,328.98	$ 935.60	67.15%
45	E1M2E	Anthem Distco Com 3"		410,000	$1,410.19	$ 2,359.23	$ 949.04	67.30%
46	E1M2E	Anthem Distco Com 3"		415,000	$1,426.99	$ 2,389.48	$ 962.49	67.45%
47	E1M2E	Anthem Distco Com 3"		420,000	$1,443.80	$ 2,419.74	$ 975.93	67.59%
48	E1M2E	Anthem Distco Com 3"		425,000	$1,460.61	$ 2,449.99	$ 989.38	67.74%
49	E1M2E	Anthem Distco Com 3"		430,000	$1,477.41	$ 2,480.24	$ 1,002.83	67.88%
50	E1M2E	Anthem Distco Com 3"		435,000	$1,494.22	$ 2,510.49	$ 1,016.27	68.01%
51	E1M2E	Anthem Distco Com 3"		440,000	$1,511.03	$ 2,540.75	$ 1,029.72	68.15%
52	E1M2E	Anthem Distco Com 3"		445,000	$1,527.84	$ 2,571.00	$ 1,043.16	68.28%
53	E1M2E	Anthem Distco Com 3"		450,000	$1,544.64	$ 2,601.25	$ 1,056.61	68.40%
54	E1M2E	Anthem Distco Com 3"		455,000	$1,561.45	$ 2,631.50	$ 1,070.05	68.53%
55	E1M2E	Anthem Distco Com 3"		460,000	$1,578.26	$ 2,661.76	$ 1,083.50	68.65%
56								
57	E1M2E	Anthem Distco Com 3"	Average:	133,725	$661.43	$ 1,074.58	$ 413.15	62.46%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates		Typical Bills Proposed Rates		Proposed Increase Amount	Proposed Increase %
1	E2M1A	Anthem Distco Com 5/8 & 3/4"		1,000	$22.10	$	34.45	$	12.35	55.90%
2	E2M1A	Anthem Distco Com 5/8 & 3/4"		2,000	$24.71	$	38.89	$	14.18	57.39%
3	E2M1A	Anthem Distco Com 5/8 & 3/4"		3,000	$27.33	$	43.34	$	16.01	58.60%
4	E2M1A	Anthem Distco Com 5/8 & 3/4"		4,000	$29.94	$	47.79	$	17.84	59.59%
5	E2M1A	Anthem Distco Com 5/8 & 3/4"		5,000	$32.56	$	52.23	$	19.68	60.43%
6	E2M1A	Anthem Distco Com 5/8 & 3/4"		6,000	$35.17	$	56.68	$	21.51	61.14%
7	E2M1A	Anthem Distco Com 5/8 & 3/4"		7,000	$37.79	$	61.13	$	23.34	61.75%
8	E2M1A	Anthem Distco Com 5/8 & 3/4"		8,000	$40.41	$	65.57	$	25.17	62.29%
9	E2M1A	Anthem Distco Com 5/8 & 3/4"		9,000	$43.02	$	70.02	$	27.00	62.76%
10	E2M1A	Anthem Distco Com 5/8 & 3/4"		10,000	$45.64	$	74.47	$	28.83	63.17%
11	E2M1A	Anthem Distco Com 5/8 & 3/4"		11,000	$49.00	$	80.52	$	31.52	64.33%
12	E2M1A	Anthem Distco Com 5/8 & 3/4"		12,000	$52.36	$	86.57	$	34.21	65.33%
13	E2M1A	Anthem Distco Com 5/8 & 3/4"		13,000	$55.72	$	92.62	$	36.90	66.22%
14	E2M1A	Anthem Distco Com 5/8 & 3/4"		14,000	$59.08	$	98.67	$	39.59	67.00%
15	E2M1A	Anthem Distco Com 5/8 & 3/4"		15,000	$62.44	$	104.72	$	42.28	67.70%
16	E2M1A	Anthem Distco Com 5/8 & 3/4"		16,000	$65.81	$	110.77	$	44.96	68.33%
17	E2M1A	Anthem Distco Com 5/8 & 3/4"		17,000	$69.17	$	116.82	$	47.65	68.90%
18	E2M1A	Anthem Distco Com 5/8 & 3/4"		18,000	$72.53	$	122.87	$	50.34	69.41%
19	E2M1A	Anthem Distco Com 5/8 & 3/4"		19,000	$75.89	$	128.92	$	53.03	69.88%
20	E2M1A	Anthem Distco Com 5/8 & 3/4"		20,000	$79.25	$	134.97	$	55.72	70.31%
21	E2M1A	Anthem Distco Com 5/8 & 3/4"		21,000	$82.61	$	141.02	$	58.41	70.70%
22	E2M1A	Anthem Distco Com 5/8 & 3/4"		22,000	$85.97	$	147.07	$	61.10	71.07%
23	E2M1A	Anthem Distco Com 5/8 & 3/4"		23,000	$89.34	$	153.12	$	63.79	71.40%
24	E2M1A	Anthem Distco Com 5/8 & 3/4"		24,000	$92.70	$	159.17	$	66.48	71.72%
25	E2M1A	Anthem Distco Com 5/8 & 3/4"		25,000	$96.06	$	165.22	$	69.17	72.00%
26	E2M1A	Anthem Distco Com 5/8 & 3/4"		26,000	$99.42	$	171.28	$	71.86	72.28%
27	E2M1A	Anthem Distco Com 5/8 & 3/4"		27,000	$102.78	$	177.33	$	74.54	72.53%
28	E2M1A	Anthem Distco Com 5/8 & 3/4"		28,000	$106.14	$	183.38	$	77.23	72.76%
29	E2M1A	Anthem Distco Com 5/8 & 3/4"		29,000	$109.50	$	189.43	$	79.92	72.99%
30	E2M1A	Anthem Distco Com 5/8 & 3/4"		30,000	$112.87	$	195.48	$	82.61	73.20%
31	E2M1A	Anthem Distco Com 5/8 & 3/4"		31,000	$116.23	$	201.53	$	85.30	73.39%
32	E2M1A	Anthem Distco Com 5/8 & 3/4"		32,000	$119.59	$	207.58	$	87.99	73.58%
33	E2M1A	Anthem Distco Com 5/8 & 3/4"		33,000	$122.95	$	213.63	$	90.68	73.75%
34	E2M1A	Anthem Distco Com 5/8 & 3/4"		34,000	$126.31	$	219.68	$	93.37	73.92%
35	E2M1A	Anthem Distco Com 5/8 & 3/4"		35,000	$129.67	$	225.73	$	96.06	74.08%
36	E2M1A	Anthem Distco Com 5/8 & 3/4"		36,000	$133.03	$	231.78	$	98.75	74.23%
37	E2M1A	Anthem Distco Com 5/8 & 3/4"		37,000	$136.39	$	237.83	$	101.44	74.37%
38	E2M1A	Anthem Distco Com 5/8 & 3/4"		38,000	$139.76	$	243.88	$	104.12	74.50%
39	E2M1A	Anthem Distco Com 5/8 & 3/4"		39,000	$143.12	$	249.93	$	106.81	74.63%
40	E2M1A	Anthem Distco Com 5/8 & 3/4"		40,000	$146.48	$	255.98	$	109.50	74.76%
41	E2M1A	Anthem Distco Com 5/8 & 3/4"		41,000	$149.84	$	262.03	$	112.19	74.87%
42	E2M1A	Anthem Distco Com 5/8 & 3/4"		42,000	$153.20	$	268.08	$	114.88	74.99%
43	E2M1A	Anthem Distco Com 5/8 & 3/4"		43,000	$156.56	$	274.13	$	117.57	75.09%
44	E2M1A	Anthem Distco Com 5/8 & 3/4"		44,000	$159.92	$	280.18	$	120.26	75.20%
45	E2M1A	Anthem Distco Com 5/8 & 3/4"		45,000	$163.29	$	286.23	$	122.95	75.30%
46	E2M1A	Anthem Distco Com 5/8 & 3/4"		46,000	$166.65	$	292.29	$	125.64	75.39%
47	E2M1A	Anthem Distco Com 5/8 & 3/4"		47,000	$170.01	$	298.34	$	128.33	75.48%
48	E2M1A	Anthem Distco Com 5/8 & 3/4"		48,000	$173.37	$	304.39	$	131.02	75.57%
49	E2M1A	Anthem Distco Com 5/8 & 3/4"		49,000	$176.73	$	310.44	$	133.70	75.65%
50	E2M1A	Anthem Distco Com 5/8 & 3/4"		50,000	$180.09	$	316.49	$	136.39	75.74%
51	E2M1A	Anthem Distco Com 5/8 & 3/4"		51,000	$183.45	$	322.54	$	139.08	75.81%
52	E2M1A	Anthem Distco Com 5/8 & 3/4"		52,000	$186.82	$	328.59	$	141.77	75.89%
53	E2M1A	Anthem Distco Com 5/8 & 3/4"		53,000	$190.18	$	334.64	$	144.46	75.96%
54	E2M1A	Anthem Distco Com 5/8 & 3/4"		54,000	$193.54	$	340.69	$	147.15	76.03%
55	E2M1A	Anthem Distco Com 5/8 & 3/4"		55,000	$196.90	$	346.74	$	149.84	76.10%
56										
57	E2M1A	Anthem Distco Com 5/8 & 3/4"	Average:	12,446	$53.86	$	89.27	$	35.41	65.74%
58										
59										
60										

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates		Typical Bills Proposed Rates		Proposed Increase Amount	Proposed Increase %
1	E2M1B	Anthem Distco Com 1"		1,000	$51.32	$	79.45	$	28.13	54.82%
2	E2M1B	Anthem Distco Com 1"		2,000	$53.93	$	83.89	$	29.96	55.56%
3	E2M1B	Anthem Distco Com 1"		3,000	$56.55	$	88.34	$	31.79	56.22%
4	E2M1B	Anthem Distco Com 1"		4,000	$59.16	$	92.79	$	33.62	56.83%
5	E2M1B	Anthem Distco Com 1"		5,000	$61.78	$	97.23	$	35.46	57.39%
6	E2M1B	Anthem Distco Com 1"		6,000	$64.39	$	101.68	$	37.29	57.90%
7	E2M1B	Anthem Distco Com 1"		7,000	$67.01	$	106.13	$	39.12	58.37%
8	E2M1B	Anthem Distco Com 1"		8,000	$69.63	$	110.57	$	40.95	58.81%
9	E2M1B	Anthem Distco Com 1"		9,000	$72.24	$	115.02	$	42.78	59.22%
10	E2M1B	Anthem Distco Com 1"		10,000	$74.86	$	119.47	$	44.61	59.59%
11	E2M1B	Anthem Distco Com 1"		11,000	$77.47	$	123.91	$	46.44	59.94%
12	E2M1B	Anthem Distco Com 1"		12,000	$80.09	$	128.36	$	48.27	60.27%
13	E2M1B	Anthem Distco Com 1"		13,000	$82.70	$	132.81	$	50.10	60.58%
14	E2M1B	Anthem Distco Com 1"		14,000	$85.32	$	137.25	$	51.93	60.87%
15	E2M1B	Anthem Distco Com 1"		15,000	$87.94	$	141.70	$	53.77	61.14%
16	E2M1B	Anthem Distco Com 1"		16,000	$90.55	$	146.15	$	55.60	61.40%
17	E2M1B	Anthem Distco Com 1"		17,000	$93.17	$	150.59	$	57.43	61.64%
18	E2M1B	Anthem Distco Com 1"		18,000	$95.78	$	155.04	$	59.26	61.87%
19	E2M1B	Anthem Distco Com 1"		19,000	$98.40	$	159.49	$	61.09	62.08%
20	E2M1B	Anthem Distco Com 1"		20,000	$101.01	$	163.93	$	62.92	62.29%
21	E2M1B	Anthem Distco Com 1"		21,000	$103.63	$	168.38	$	64.75	62.48%
22	E2M1B	Anthem Distco Com 1"		22,000	$106.25	$	172.83	$	66.58	62.67%
23	E2M1B	Anthem Distco Com 1"		23,000	$108.86	$	177.27	$	68.41	62.84%
24	E2M1B	Anthem Distco Com 1"		24,000	$111.48	$	181.72	$	70.24	63.01%
25	E2M1B	Anthem Distco Com 1"		25,000	$114.09	$	186.17	$	72.08	63.17%
26	E2M1B	Anthem Distco Com 1"		26,000	$116.71	$	190.61	$	73.91	63.33%
27	E2M1B	Anthem Distco Com 1"		27,000	$119.32	$	195.06	$	75.74	63.47%
28	E2M1B	Anthem Distco Com 1"		28,000	$121.94	$	199.51	$	77.57	63.61%
29	E2M1B	Anthem Distco Com 1"		29,000	$124.56	$	203.95	$	79.40	63.75%
30	E2M1B	Anthem Distco Com 1"		30,000	$127.17	$	208.40	$	81.23	63.87%
31	E2M1B	Anthem Distco Com 1"		31,000	$129.79	$	212.85	$	83.06	64.00%
32	E2M1B	Anthem Distco Com 1"		32,000	$132.40	$	217.29	$	84.89	64.12%
33	E2M1B	Anthem Distco Com 1"		33,000	$135.02	$	221.74	$	86.72	64.23%
34	E2M1B	Anthem Distco Com 1"		34,000	$137.63	$	226.19	$	88.55	64.34%
35	E2M1B	Anthem Distco Com 1"		35,000	$140.25	$	230.63	$	90.39	64.45%
36	E2M1B	Anthem Distco Com 1"		36,000	$142.87	$	235.08	$	92.22	64.55%
37	E2M1B	Anthem Distco Com 1"		37,000	$145.48	$	239.53	$	94.05	64.65%
38	E2M1B	Anthem Distco Com 1"		38,000	$148.10	$	243.97	$	95.88	64.74%
39	E2M1B	Anthem Distco Com 1"		39,000	$150.71	$	248.42	$	97.71	64.83%
40	E2M1B	Anthem Distco Com 1"		40,000	$153.33	$	252.87	$	99.54	64.92%
41	E2M1B	Anthem Distco Com 1"		41,000	$156.69	$	258.92	$	102.23	65.24%
42	E2M1B	Anthem Distco Com 1"		42,000	$160.05	$	264.97	$	104.92	65.55%
43	E2M1B	Anthem Distco Com 1"		43,000	$163.41	$	271.02	$	107.61	65.85%
44	E2M1B	Anthem Distco Com 1"		44,000	$166.77	$	277.07	$	110.30	66.14%
45	E2M1B	Anthem Distco Com 1"		45,000	$170.14	$	283.12	$	112.99	66.41%
46	E2M1B	Anthem Distco Com 1"		46,000	$173.50	$	289.17	$	115.67	66.67%
47	E2M1B	Anthem Distco Com 1"		47,000	$176.86	$	295.22	$	118.36	66.93%
48	E2M1B	Anthem Distco Com 1"		48,000	$180.22	$	301.27	$	121.05	67.17%
49	E2M1B	Anthem Distco Com 1"		49,000	$183.58	$	307.32	$	123.74	67.40%
50	E2M1B	Anthem Distco Com 1"		50,000	$186.94	$	313.37	$	126.43	67.63%
51	E2M1B	Anthem Distco Com 1"		51,000	$190.30	$	319.42	$	129.12	67.85%
52	E2M1B	Anthem Distco Com 1"		52,000	$193.66	$	325.47	$	131.81	68.06%
53	E2M1B	Anthem Distco Com 1"		53,000	$197.03	$	331.52	$	134.50	68.26%
54	E2M1B	Anthem Distco Com 1"		54,000	$200.39	$	337.58	$	137.19	68.46%
55	E2M1B	Anthem Distco Com 1"		55,000	$203.75	$	343.63	$	139.88	68.65%
56										
57	E2M1B	Anthem Distco Com 1"	Average:	33,254	$135.68	$	222.87	$	87.19	64.26%
58										
59										
60										

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	E2M1C	Anthem Distco Com 1.5"		5,000	$110.47	$ 172.21	$ 61.75	55.89%
2	E2M1C	Anthem Distco Com 1.5"		10,000	$123.55	$ 194.45	$ 70.90	57.39%
3	E2M1C	Anthem Distco Com 1.5"		15,000	$136.63	$ 216.68	$ 80.06	58.59%
4	E2M1C	Anthem Distco Com 1.5"		20,000	$149.70	$ 238.91	$ 89.21	59.59%
5	E2M1C	Anthem Distco Com 1.5"		25,000	$162.78	$ 261.15	$ 98.37	60.43%
6	E2M1C	Anthem Distco Com 1.5"		30,000	$175.86	$ 283.38	$ 107.52	61.14%
7	E2M1C	Anthem Distco Com 1.5"		35,000	$188.94	$ 305.61	$ 116.68	61.75%
8	E2M1C	Anthem Distco Com 1.5"		40,000	$202.02	$ 327.85	$ 125.83	62.29%
9	E2M1C	Anthem Distco Com 1.5"		45,000	$215.10	$ 350.08	$ 134.99	62.76%
10	E2M1C	Anthem Distco Com 1.5"		50,000	$228.18	$ 372.32	$ 144.14	63.17%
11	E2M1C	Anthem Distco Com 1.5"		55,000	$241.25	$ 394.55	$ 153.30	63.54%
12	E2M1C	Anthem Distco Com 1.5"		60,000	$254.33	$ 416.78	$ 162.45	63.87%
13	E2M1C	Anthem Distco Com 1.5"		65,000	$267.41	$ 439.02	$ 171.61	64.17%
14	E2M1C	Anthem Distco Com 1.5"		70,000	$280.49	$ 461.25	$ 180.76	64.44%
15	E2M1C	Anthem Distco Com 1.5"		75,000	$293.57	$ 483.48	$ 189.92	64.69%
16	E2M1C	Anthem Distco Com 1.5"		80,000	$306.65	$ 505.72	$ 199.07	64.92%
17	E2M1C	Anthem Distco Com 1.5"		85,000	$319.72	$ 527.95	$ 208.23	65.13%
18	E2M1C	Anthem Distco Com 1.5"		90,000	$332.80	$ 550.18	$ 217.38	65.32%
19	E2M1C	Anthem Distco Com 1.5"		95,000	$345.88	$ 572.42	$ 226.54	65.49%
20	E2M1C	Anthem Distco Com 1.5"		100,000	$358.96	$ 594.65	$ 235.69	65.66%
21	E2M1C	Anthem Distco Com 1.5"		105,000	$372.04	$ 616.88	$ 244.85	65.81%
22	E2M1C	Anthem Distco Com 1.5"		109,000	$382.50	$ 634.67	$ 252.17	65.93%
23	E2M1C	Anthem Distco Com 1.5"		114,000	$399.31	$ 664.92	$ 265.61	66.52%
24	E2M1C	Anthem Distco Com 1.5"		119,000	$416.12	$ 695.18	$ 279.06	67.06%
25	E2M1C	Anthem Distco Com 1.5"		124,000	$432.92	$ 725.43	$ 292.51	67.57%
26	E2M1C	Anthem Distco Com 1.5"		129,000	$449.73	$ 755.68	$ 305.95	68.03%
27	E2M1C	Anthem Distco Com 1.5"		134,000	$466.54	$ 785.93	$ 319.40	68.46%
28	E2M1C	Anthem Distco Com 1.5"		139,000	$483.34	$ 816.19	$ 332.84	68.86%
29	E2M1C	Anthem Distco Com 1.5"		144,000	$500.15	$ 846.44	$ 346.29	69.24%
30	E2M1C	Anthem Distco Com 1.5"		149,000	$516.96	$ 876.69	$ 359.73	69.59%
31	E2M1C	Anthem Distco Com 1.5"		154,000	$533.76	$ 906.94	$ 373.18	69.91%
32	E2M1C	Anthem Distco Com 1.5"		159,000	$550.57	$ 937.20	$ 386.62	70.22%
33	E2M1C	Anthem Distco Com 1.5"		164,000	$567.38	$ 967.45	$ 400.07	70.51%
34	E2M1C	Anthem Distco Com 1.5"		169,000	$584.19	$ 997.70	$ 413.52	70.78%
35	E2M1C	Anthem Distco Com 1.5"		174,000	$600.99	$ 1,027.95	$ 426.96	71.04%
36	E2M1C	Anthem Distco Com 1.5"		179,000	$617.80	$ 1,058.21	$ 440.41	71.29%
37	E2M1C	Anthem Distco Com 1.5"		184,000	$634.61	$ 1,088.46	$ 453.85	71.52%
38	E2M1C	Anthem Distco Com 1.5"		189,000	$651.41	$ 1,118.71	$ 467.30	71.74%
39	E2M1C	Anthem Distco Com 1.5"		194,000	$668.22	$ 1,148.96	$ 480.74	71.94%
40	E2M1C	Anthem Distco Com 1.5"		199,000	$685.03	$ 1,179.22	$ 494.19	72.14%
41	E2M1C	Anthem Distco Com 1.5"		204,000	$701.83	$ 1,209.47	$ 507.63	72.33%
42	E2M1C	Anthem Distco Com 1.5"		209,000	$718.64	$ 1,239.72	$ 521.08	72.51%
43	E2M1C	Anthem Distco Com 1.5"		214,000	$735.45	$ 1,269.97	$ 534.52	72.68%
44	E2M1C	Anthem Distco Com 1.5"		219,000	$752.26	$ 1,300.23	$ 547.97	72.84%
45	E2M1C	Anthem Distco Com 1.5"		224,000	$769.06	$ 1,330.48	$ 561.42	73.00%
46	E2M1C	Anthem Distco Com 1.5"		229,000	$785.87	$ 1,360.73	$ 574.86	73.15%
47	E2M1C	Anthem Distco Com 1.5"		234,000	$802.68	$ 1,390.98	$ 588.31	73.29%
48	E2M1C	Anthem Distco Com 1.5"		239,000	$819.48	$ 1,421.24	$ 601.75	73.43%
49	E2M1C	Anthem Distco Com 1.5"		244,000	$836.29	$ 1,451.49	$ 615.20	73.56%
50	E2M1C	Anthem Distco Com 1.5"		249,000	$853.10	$ 1,481.74	$ 628.64	73.69%
51	E2M1C	Anthem Distco Com 1.5"		254,000	$869.90	$ 1,511.99	$ 642.09	73.81%
52	E2M1C	Anthem Distco Com 1.5"		259,000	$886.71	$ 1,542.25	$ 655.53	73.93%
53	E2M1C	Anthem Distco Com 1.5"		264,000	$903.52	$ 1,572.50	$ 668.98	74.04%
54	E2M1C	Anthem Distco Com 1.5"		269,000	$920.33	$ 1,602.75	$ 682.43	74.15%
55	E2M1C	Anthem Distco Com 1.5"		274,000	$937.13	$ 1,633.00	$ 695.87	74.26%
56								
57	E2M1C	Anthem Distco Com 1.5"	Average:	110,152	$386.37	$ 641.64	$ 255.27	66.07%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Proposed Rates	Proposed Increase Amount	%
1	E2M1D	Anthem Distco Com 2"		5,000	$168.91	$ 262.21	$ 93.31	55.24%
2	E2M1D	Anthem Distco Com 2"		10,000	$181.99	$ 284.45	$ 102.46	56.30%
3	E2M1D	Anthem Distco Com 2"		15,000	$195.07	$ 306.68	$ 111.62	57.22%
4	E2M1D	Anthem Distco Com 2"		20,000	$208.14	$ 328.91	$ 120.77	58.02%
5	E2M1D	Anthem Distco Com 2"		25,000	$221.22	$ 351.15	$ 129.93	58.73%
6	E2M1D	Anthem Distco Com 2"		30,000	$234.30	$ 373.38	$ 139.08	59.36%
7	E2M1D	Anthem Distco Com 2"		35,000	$247.38	$ 395.61	$ 148.24	59.92%
8	E2M1D	Anthem Distco Com 2"		40,000	$260.46	$ 417.85	$ 157.39	60.43%
9	E2M1D	Anthem Distco Com 2"		45,000	$273.54	$ 440.08	$ 166.55	60.89%
10	E2M1D	Anthem Distco Com 2"		50,000	$286.62	$ 462.32	$ 175.70	61.30%
11	E2M1D	Anthem Distco Com 2"		55,000	$299.69	$ 484.55	$ 184.86	61.68%
12	E2M1D	Anthem Distco Com 2"		60,000	$312.77	$ 506.78	$ 194.01	62.03%
13	E2M1D	Anthem Distco Com 2"		65,000	$325.85	$ 529.02	$ 203.17	62.35%
14	E2M1D	Anthem Distco Com 2"		70,000	$338.93	$ 551.25	$ 212.32	62.64%
15	E2M1D	Anthem Distco Com 2"		75,000	$352.01	$ 573.48	$ 221.48	62.92%
16	E2M1D	Anthem Distco Com 2"		80,000	$365.09	$ 595.72	$ 230.63	63.17%
17	E2M1D	Anthem Distco Com 2"		85,000	$378.16	$ 617.95	$ 239.79	63.41%
18	E2M1D	Anthem Distco Com 2"		90,000	$391.24	$ 640.18	$ 248.94	63.63%
19	E2M1D	Anthem Distco Com 2"		95,000	$404.32	$ 662.42	$ 258.10	63.83%
20	E2M1D	Anthem Distco Com 2"		100,000	$417.40	$ 684.65	$ 267.25	64.03%
21	E2M1D	Anthem Distco Com 2"		105,000	$430.48	$ 706.88	$ 276.41	64.21%
22	E2M1D	Anthem Distco Com 2"		110,000	$443.56	$ 729.12	$ 285.56	64.38%
23	E2M1D	Anthem Distco Com 2"		115,000	$456.64	$ 751.35	$ 294.72	64.54%
24	E2M1D	Anthem Distco Com 2"		120,000	$469.71	$ 773.58	$ 303.87	64.69%
25	E2M1D	Anthem Distco Com 2"		125,000	$482.79	$ 795.82	$ 313.03	64.84%
26	E2M1D	Anthem Distco Com 2"		130,000	$495.87	$ 818.05	$ 322.18	64.97%
27	E2M1D	Anthem Distco Com 2"		135,000	$508.95	$ 840.28	$ 331.34	65.10%
28	E2M1D	Anthem Distco Com 2"		140,000	$522.03	$ 862.52	$ 340.49	65.22%
29	E2M1D	Anthem Distco Com 2"		145,000	$535.11	$ 884.75	$ 349.65	65.34%
30	E2M1D	Anthem Distco Com 2"		150,000	$548.19	$ 906.99	$ 358.80	65.45%
31	E2M1D	Anthem Distco Com 2"		155,000	$561.26	$ 929.22	$ 367.96	65.56%
32	E2M1D	Anthem Distco Com 2"		160,000	$574.34	$ 951.45	$ 377.11	65.66%
33	E2M1D	Anthem Distco Com 2"		165,000	$587.42	$ 973.69	$ 386.27	65.76%
34	E2M1D	Anthem Distco Com 2"		170,000	$600.50	$ 995.92	$ 395.42	65.85%
35	E2M1D	Anthem Distco Com 2"		175,000	$613.58	$ 1,018.15	$ 404.58	65.94%
36	E2M1D	Anthem Distco Com 2"		180,000	$630.38	$ 1,048.41	$ 418.02	66.31%
37	E2M1D	Anthem Distco Com 2"		185,000	$647.19	$ 1,078.66	$ 431.47	66.67%
38	E2M1D	Anthem Distco Com 2"		190,000	$664.00	$ 1,108.91	$ 444.91	67.00%
39	E2M1D	Anthem Distco Com 2"		195,000	$680.81	$ 1,139.16	$ 458.36	67.33%
40	E2M1D	Anthem Distco Com 2"		200,000	$697.61	$ 1,169.42	$ 471.80	67.63%
41	E2M1D	Anthem Distco Com 2"		205,000	$714.42	$ 1,199.67	$ 485.25	67.92%
42	E2M1D	Anthem Distco Com 2"		210,000	$731.23	$ 1,229.92	$ 498.69	68.20%
43	E2M1D	Anthem Distco Com 2"		215,000	$748.03	$ 1,260.17	$ 512.14	68.46%
44	E2M1D	Anthem Distco Com 2"		220,000	$764.84	$ 1,290.43	$ 525.58	68.72%
45	E2M1D	Anthem Distco Com 2"		225,000	$781.65	$ 1,320.68	$ 539.03	68.96%
46	E2M1D	Anthem Distco Com 2"		230,000	$798.45	$ 1,350.93	$ 552.48	69.19%
47	E2M1D	Anthem Distco Com 2"		235,000	$815.26	$ 1,381.18	$ 565.92	69.42%
48	E2M1D	Anthem Distco Com 2"		240,000	$832.07	$ 1,411.44	$ 579.37	69.63%
49	E2M1D	Anthem Distco Com 2"		245,000	$848.88	$ 1,441.69	$ 592.81	69.83%
50	E2M1D	Anthem Distco Com 2"		250,000	$865.68	$ 1,471.94	$ 606.26	70.03%
51	E2M1D	Anthem Distco Com 2"		255,000	$882.49	$ 1,502.19	$ 619.70	70.22%
52	E2M1D	Anthem Distco Com 2"		260,000	$899.30	$ 1,532.45	$ 633.15	70.40%
53	E2M1D	Anthem Distco Com 2"		265,000	$916.10	$ 1,562.70	$ 646.59	70.58%
54	E2M1D	Anthem Distco Com 2"		270,000	$932.91	$ 1,592.95	$ 660.04	70.75%
55	E2M1D	Anthem Distco Com 2"		275,000	$949.72	$ 1,623.20	$ 673.49	70.91%
56								
57	E2M1D	Anthem Distco Com 2"	Average:	143,444	$531.04	$ 877.83	$ 346.80	65.31%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Proposed Rates	Proposed Increase Amount	%
1	E2M1E	Anthem Distco Com 3"		10,000	$337.81	$ 524.42	$ 186.61	55.24%
2	E2M1E	Anthem Distco Com 3"		20,000	$363.96	$ 568.88	$ 204.92	56.30%
3	E2M1E	Anthem Distco Com 3"		30,000	$390.12	$ 613.35	$ 223.23	57.22%
4	E2M1E	Anthem Distco Com 3"		40,000	$416.28	$ 657.82	$ 241.54	58.02%
5	E2M1E	Anthem Distco Com 3"		50,000	$442.44	$ 702.29	$ 259.85	58.73%
6	E2M1E	Anthem Distco Com 3"		60,000	$468.59	$ 746.75	$ 278.16	59.36%
7	E2M1E	Anthem Distco Com 3"		70,000	$494.75	$ 791.22	$ 296.47	59.92%
8	E2M1E	Anthem Distco Com 3"		80,000	$520.91	$ 835.69	$ 314.78	60.43%
9	E2M1E	Anthem Distco Com 3"		90,000	$547.06	$ 880.15	$ 333.09	60.89%
10	E2M1E	Anthem Distco Com 3"		100,000	$573.22	$ 924.62	$ 351.40	61.30%
11	E2M1E	Anthem Distco Com 3"		110,000	$599.38	$ 969.09	$ 369.71	61.68%
12	E2M1E	Anthem Distco Com 3"		120,000	$625.53	$ 1,013.55	$ 388.02	62.03%
13	E2M1E	Anthem Distco Com 3"		130,000	$651.69	$ 1,058.02	$ 406.33	62.35%
14	E2M1E	Anthem Distco Com 3"		140,000	$677.85	$ 1,102.49	$ 424.64	62.65%
15	E2M1E	Anthem Distco Com 3"		150,000	$704.01	$ 1,146.96	$ 442.95	62.92%
16	E2M1E	Anthem Distco Com 3"		160,000	$730.16	$ 1,191.42	$ 461.26	63.17%
17	E2M1E	Anthem Distco Com 3"		170,000	$756.32	$ 1,235.89	$ 479.57	63.41%
18	E2M1E	Anthem Distco Com 3"		180,000	$782.48	$ 1,280.36	$ 497.88	63.63%
19	E2M1E	Anthem Distco Com 3"		190,000	$808.63	$ 1,324.82	$ 516.19	63.83%
20	E2M1E	Anthem Distco Com 3"		200,000	$834.79	$ 1,369.29	$ 534.50	64.03%
21	E2M1E	Anthem Distco Com 3"		210,000	$860.95	$ 1,413.76	$ 552.81	64.21%
22	E2M1E	Anthem Distco Com 3"		220,000	$887.10	$ 1,458.22	$ 571.12	64.38%
23	E2M1E	Anthem Distco Com 3"		230,000	$913.26	$ 1,502.69	$ 589.43	64.54%
24	E2M1E	Anthem Distco Com 3"		240,000	$939.42	$ 1,547.16	$ 607.74	64.69%
25	E2M1E	Anthem Distco Com 3"		250,000	$965.58	$ 1,591.63	$ 626.05	64.84%
26	E2M1E	Anthem Distco Com 3"		260,000	$991.73	$ 1,636.09	$ 644.36	64.97%
27	E2M1E	Anthem Distco Com 3"		270,000	$1,017.89	$ 1,680.56	$ 662.67	65.10%
28	E2M1E	Anthem Distco Com 3"		280,000	$1,044.05	$ 1,725.03	$ 680.98	65.23%
29	E2M1E	Anthem Distco Com 3"		290,000	$1,070.20	$ 1,769.49	$ 699.29	65.34%
30	E2M1E	Anthem Distco Com 3"		300,000	$1,096.36	$ 1,813.96	$ 717.60	65.45%
31	E2M1E	Anthem Distco Com 3"		310,000	$1,122.52	$ 1,858.43	$ 735.91	65.56%
32	E2M1E	Anthem Distco Com 3"		320,000	$1,148.67	$ 1,902.89	$ 754.22	65.66%
33	E2M1E	Anthem Distco Com 3"		330,000	$1,174.83	$ 1,947.36	$ 772.53	65.76%
34	E2M1E	Anthem Distco Com 3"		340,000	$1,200.99	$ 1,991.83	$ 790.84	65.85%
35	E2M1E	Anthem Distco Com 3"		350,000	$1,227.15	$ 2,036.30	$ 809.15	65.94%
36	E2M1E	Anthem Distco Com 3"		360,000	$1,253.30	$ 2,080.76	$ 827.46	66.02%
37	E2M1E	Anthem Distco Com 3"		370,000	$1,279.46	$ 2,125.23	$ 845.77	66.10%
38	E2M1E	Anthem Distco Com 3"		375,000	$1,292.54	$ 2,147.46	$ 854.93	66.14%
39	E2M1E	Anthem Distco Com 3"		380,000	$1,309.34	$ 2,177.72	$ 868.37	66.32%
40	E2M1E	Anthem Distco Com 3"		385,000	$1,326.15	$ 2,207.97	$ 881.82	66.49%
41	E2M1E	Anthem Distco Com 3"		390,000	$1,342.96	$ 2,238.22	$ 895.26	66.66%
42	E2M1E	Anthem Distco Com 3"		395,000	$1,359.77	$ 2,268.47	$ 908.71	66.83%
43	E2M1E	Anthem Distco Com 3"		400,000	$1,376.57	$ 2,298.73	$ 922.15	66.99%
44	E2M1E	Anthem Distco Com 3"		405,000	$1,393.38	$ 2,328.98	$ 935.60	67.15%
45	E2M1E	Anthem Distco Com 3"		410,000	$1,410.19	$ 2,359.23	$ 949.04	67.30%
46	E2M1E	Anthem Distco Com 3"		415,000	$1,426.99	$ 2,389.48	$ 962.49	67.45%
47	E2M1E	Anthem Distco Com 3"		420,000	$1,443.80	$ 2,419.74	$ 975.93	67.59%
48	E2M1E	Anthem Distco Com 3"		425,000	$1,460.61	$ 2,449.99	$ 989.38	67.74%
49	E2M1E	Anthem Distco Com 3"		430,000	$1,477.41	$ 2,480.24	$ 1,002.83	67.88%
50	E2M1E	Anthem Distco Com 3"		435,000	$1,494.22	$ 2,510.49	$ 1,016.27	68.01%
51	E2M1E	Anthem Distco Com 3"		440,000	$1,511.03	$ 2,540.75	$ 1,029.72	68.15%
52	E2M1E	Anthem Distco Com 3"		445,000	$1,527.84	$ 2,571.00	$ 1,043.16	68.28%
53	E2M1E	Anthem Distco Com 3"		450,000	$1,544.64	$ 2,601.25	$ 1,056.61	68.40%
54	E2M1E	Anthem Distco Com 3"		455,000	$1,561.45	$ 2,631.50	$ 1,070.05	68.53%
55	E2M1E	Anthem Distco Com 3"		460,000	$1,578.26	$ 2,661.76	$ 1,083.50	68.65%
56								
57	E2M1E	Anthem Distco Com 3"	Average:	27,469	$383.50	$ 602.10	$ 218.60	57.00%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	E2M1G	Anthem Distco Com 6"		25,000	$1,039.31	$ 1,611.05	$ 571.74	55.01%
2	E2M1G	Anthem Distco Com 6"		50,000	$1,104.71	$ 1,722.22	$ 617.51	55.90%
3	E2M1G	Anthem Distco Com 6"		75,000	$1,170.10	$ 1,833.38	$ 663.29	56.69%
4	E2M1G	Anthem Distco Com 6"		100,000	$1,235.49	$ 1,944.55	$ 709.06	57.39%
5	E2M1G	Anthem Distco Com 6"		125,000	$1,300.88	$ 2,055.72	$ 754.84	58.02%
6	E2M1G	Anthem Distco Com 6"		150,000	$1,366.28	$ 2,166.89	$ 800.61	58.60%
7	E2M1G	Anthem Distco Com 6"		175,000	$1,431.67	$ 2,278.05	$ 846.39	59.12%
8	E2M1G	Anthem Distco Com 6"		200,000	$1,497.06	$ 2,389.22	$ 892.16	59.59%
9	E2M1G	Anthem Distco Com 6"		225,000	$1,562.45	$ 2,500.39	$ 937.94	60.03%
10	E2M1G	Anthem Distco Com 6"		250,000	$1,627.85	$ 2,611.56	$ 983.71	60.43%
11	E2M1G	Anthem Distco Com 6"		275,000	$1,693.24	$ 2,722.72	$ 1,029.49	60.80%
12	E2M1G	Anthem Distco Com 6"		300,000	$1,758.63	$ 2,833.89	$ 1,075.26	61.14%
13	E2M1G	Anthem Distco Com 6"		325,000	$1,824.02	$ 2,945.06	$ 1,121.04	61.46%
14	E2M1G	Anthem Distco Com 6"		350,000	$1,889.42	$ 3,056.23	$ 1,166.81	61.76%
15	E2M1G	Anthem Distco Com 6"		375,000	$1,954.81	$ 3,167.39	$ 1,212.59	62.03%
16	E2M1G	Anthem Distco Com 6"		400,000	$2,020.20	$ 3,278.56	$ 1,258.36	62.29%
17	E2M1G	Anthem Distco Com 6"		425,000	$2,085.59	$ 3,389.73	$ 1,304.14	62.53%
18	E2M1G	Anthem Distco Com 6"		450,000	$2,150.99	$ 3,500.90	$ 1,349.91	62.76%
19	E2M1G	Anthem Distco Com 6"		475,000	$2,216.38	$ 3,612.06	$ 1,395.69	62.97%
20	E2M1G	Anthem Distco Com 6"		500,000	$2,281.77	$ 3,723.23	$ 1,441.46	63.17%
21	E2M1G	Anthem Distco Com 6"		525,000	$2,347.16	$ 3,834.40	$ 1,487.24	63.36%
22	E2M1G	Anthem Distco Com 6"		550,000	$2,412.56	$ 3,945.57	$ 1,533.01	63.54%
23	E2M1G	Anthem Distco Com 6"		575,000	$2,477.95	$ 4,056.73	$ 1,578.79	63.71%
24	E2M1G	Anthem Distco Com 6"		600,000	$2,543.34	$ 4,167.90	$ 1,624.56	63.88%
25	E2M1G	Anthem Distco Com 6"		625,000	$2,627.38	$ 4,319.16	$ 1,691.79	64.39%
26	E2M1G	Anthem Distco Com 6"		650,000	$2,711.41	$ 4,470.43	$ 1,759.02	64.87%
27	E2M1G	Anthem Distco Com 6"		675,000	$2,795.45	$ 4,621.69	$ 1,826.24	65.33%
28	E2M1G	Anthem Distco Com 6"		700,000	$2,879.48	$ 4,772.95	$ 1,893.47	65.76%
29	E2M1G	Anthem Distco Com 6"		725,000	$2,963.52	$ 4,924.21	$ 1,960.70	66.16%
30	E2M1G	Anthem Distco Com 6"		750,000	$3,047.55	$ 5,075.48	$ 2,027.93	66.54%
31	E2M1G	Anthem Distco Com 6"		775,000	$3,131.59	$ 5,226.74	$ 2,095.15	66.90%
32	E2M1G	Anthem Distco Com 6"		800,000	$3,215.62	$ 5,378.00	$ 2,162.38	67.25%
33	E2M1G	Anthem Distco Com 6"		825,000	$3,299.66	$ 5,529.26	$ 2,229.61	67.57%
34	E2M1G	Anthem Distco Com 6"		850,000	$3,383.69	$ 5,680.53	$ 2,296.84	67.88%
35	E2M1G	Anthem Distco Com 6"		875,000	$3,467.73	$ 5,831.79	$ 2,364.06	68.17%
36	E2M1G	Anthem Distco Com 6"		900,000	$3,551.76	$ 5,983.05	$ 2,431.29	68.45%
37	E2M1G	Anthem Distco Com 6"		925,000	$3,635.80	$ 6,134.31	$ 2,498.52	68.72%
38	E2M1G	Anthem Distco Com 6"		950,000	$3,719.83	$ 6,285.58	$ 2,565.75	68.97%
39	E2M1G	Anthem Distco Com 6"		975,000	$3,803.87	$ 6,436.84	$ 2,632.97	69.22%
40	E2M1G	Anthem Distco Com 6"		1,000,000	$3,887.90	$ 6,588.10	$ 2,700.20	69.45%
41	E2M1G	Anthem Distco Com 6"		1,025,000	$3,971.94	$ 6,739.36	$ 2,767.43	69.67%
42	E2M1G	Anthem Distco Com 6"		1,050,000	$4,055.97	$ 6,890.63	$ 2,834.66	69.89%
43	E2M1G	Anthem Distco Com 6"		1,075,000	$4,140.01	$ 7,041.89	$ 2,901.88	70.09%
44	E2M1G	Anthem Distco Com 6"		1,100,000	$4,224.04	$ 7,193.15	$ 2,969.11	70.29%
45	E2M1G	Anthem Distco Com 6"		1,125,000	$4,308.08	$ 7,344.41	$ 3,036.34	70.48%
46	E2M1G	Anthem Distco Com 6"		1,150,000	$4,392.11	$ 7,495.68	$ 3,103.57	70.66%
47	E2M1G	Anthem Distco Com 6"		1,175,000	$4,476.15	$ 7,646.94	$ 3,170.79	70.84%
48	E2M1G	Anthem Distco Com 6"		1,200,000	$4,560.18	$ 7,798.20	$ 3,238.02	71.01%
49	E2M1G	Anthem Distco Com 6"		1,225,000	$4,644.22	$ 7,949.46	$ 3,305.25	71.17%
50	E2M1G	Anthem Distco Com 6"		1,250,000	$4,728.25	$ 8,100.73	$ 3,372.48	71.33%
51	E2M1G	Anthem Distco Com 6"		1,275,000	$4,812.29	$ 8,251.99	$ 3,439.70	71.48%
52	E2M1G	Anthem Distco Com 6"		1,300,000	$4,896.32	$ 8,403.25	$ 3,506.93	71.62%
53	E2M1G	Anthem Distco Com 6"		1,325,000	$4,980.36	$ 8,554.51	$ 3,574.16	71.77%
54	E2M1G	Anthem Distco Com 6"		1,350,000	$5,064.39	$ 8,705.78	$ 3,641.39	71.90%
55	E2M1G	Anthem Distco Com 6"		1,375,000	$5,148.43	$ 8,857.04	$ 3,708.61	72.03%
56								
57	E2M1G	Anthem Distco Com 6"	Average:	250,773	$1,629.87	$ 2,614.99	$ 985.13	60.44%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	E5M2	Anthem Wholesale (Phoenix) OWU		25,000	$84.04	$ 151.26	$ 67.23	80.00%
2	E5M2	Anthem Wholesale (Phoenix) OWU		50,000	$168.07	$ 302.53	$ 134.46	80.00%
3	E5M2	Anthem Wholesale (Phoenix) OWU		75,000	$252.11	$ 453.79	$ 201.68	80.00%
4	E5M2	Anthem Wholesale (Phoenix) OWU		100,000	$336.14	$ 605.05	$ 268.91	80.00%
5	E5M2	Anthem Wholesale (Phoenix) OWU		125,000	$420.18	$ 756.31	$ 336.14	80.00%
6	E5M2	Anthem Wholesale (Phoenix) OWU		150,000	$504.21	$ 907.58	$ 403.37	80.00%
7	E5M2	Anthem Wholesale (Phoenix) OWU		175,000	$588.25	$ 1,058.84	$ 470.59	80.00%
8	E5M2	Anthem Wholesale (Phoenix) OWU		200,000	$672.28	$ 1,210.10	$ 537.82	80.00%
9	E5M2	Anthem Wholesale (Phoenix) OWU		225,000	$756.32	$ 1,361.36	$ 605.05	80.00%
10	E5M2	Anthem Wholesale (Phoenix) OWU		250,000	$840.35	$ 1,512.63	$ 672.28	80.00%
11	E5M2	Anthem Wholesale (Phoenix) OWU		275,000	$924.39	$ 1,663.89	$ 739.50	80.00%
12	E5M2	Anthem Wholesale (Phoenix) OWU		300,000	$1,008.42	$ 1,815.15	$ 806.73	80.00%
13	E5M2	Anthem Wholesale (Phoenix) OWU		325,000	$1,092.46	$ 1,966.41	$ 873.96	80.00%
14	E5M2	Anthem Wholesale (Phoenix) OWU		350,000	$1,176.49	$ 2,117.68	$ 941.19	80.00%
15	E5M2	Anthem Wholesale (Phoenix) OWU		375,000	$1,260.53	$ 2,268.94	$ 1,008.41	80.00%
16	E5M2	Anthem Wholesale (Phoenix) OWU		400,000	$1,344.56	$ 2,420.20	$ 1,075.64	80.00%
17	E5M2	Anthem Wholesale (Phoenix) OWU		425,000	$1,428.60	$ 2,571.46	$ 1,142.87	80.00%
18	E5M2	Anthem Wholesale (Phoenix) OWU		450,000	$1,512.63	$ 2,722.73	$ 1,210.10	80.00%
19	E5M2	Anthem Wholesale (Phoenix) OWU		475,000	$1,596.67	$ 2,873.99	$ 1,277.32	80.00%
20	E5M2	Anthem Wholesale (Phoenix) OWU		500,000	$1,680.70	$ 3,025.25	$ 1,344.55	80.00%
21	E5M2	Anthem Wholesale (Phoenix) OWU		525,000	$1,764.74	$ 3,176.51	$ 1,411.78	80.00%
22	E5M2	Anthem Wholesale (Phoenix) OWU		550,000	$1,848.77	$ 3,327.78	$ 1,479.01	80.00%
23	E5M2	Anthem Wholesale (Phoenix) OWU		575,000	$1,932.81	$ 3,479.04	$ 1,546.23	80.00%
24	E5M2	Anthem Wholesale (Phoenix) OWU		600,000	$2,016.84	$ 3,630.30	$ 1,613.46	80.00%
25	E5M2	Anthem Wholesale (Phoenix) OWU		625,000	$2,100.88	$ 3,781.56	$ 1,680.69	80.00%
26	E5M2	Anthem Wholesale (Phoenix) OWU		650,000	$2,184.91	$ 3,932.83	$ 1,747.92	80.00%
27	E5M2	Anthem Wholesale (Phoenix) OWU		675,000	$2,268.95	$ 4,084.09	$ 1,815.14	80.00%
28	E5M2	Anthem Wholesale (Phoenix) OWU		700,000	$2,352.98	$ 4,235.35	$ 1,882.37	80.00%
29	E5M2	Anthem Wholesale (Phoenix) OWU		725,000	$2,437.02	$ 4,386.61	$ 1,949.60	80.00%
30	E5M2	Anthem Wholesale (Phoenix) OWU		750,000	$2,521.05	$ 4,537.88	$ 2,016.83	80.00%
31	E5M2	Anthem Wholesale (Phoenix) OWU		775,000	$2,605.09	$ 4,689.14	$ 2,084.05	80.00%
32	E5M2	Anthem Wholesale (Phoenix) OWU		800,000	$2,689.12	$ 4,840.40	$ 2,151.28	80.00%
33	E5M2	Anthem Wholesale (Phoenix) OWU		825,000	$2,773.16	$ 4,991.66	$ 2,218.51	80.00%
34	E5M2	Anthem Wholesale (Phoenix) OWU		850,000	$2,857.19	$ 5,142.93	$ 2,285.74	80.00%
35	E5M2	Anthem Wholesale (Phoenix) OWU		875,000	$2,941.23	$ 5,294.19	$ 2,352.96	80.00%
36	E5M2	Anthem Wholesale (Phoenix) OWU		900,000	$3,025.26	$ 5,445.45	$ 2,420.19	80.00%
37	E5M2	Anthem Wholesale (Phoenix) OWU		925,000	$3,109.30	$ 5,596.71	$ 2,487.42	80.00%
38	E5M2	Anthem Wholesale (Phoenix) OWU		950,000	$3,193.33	$ 5,747.98	$ 2,554.65	80.00%
39	E5M2	Anthem Wholesale (Phoenix) OWU		975,000	$3,277.37	$ 5,899.24	$ 2,621.87	80.00%
40	E5M2	Anthem Wholesale (Phoenix) OWU		1,000,000	$3,361.40	$ 6,050.50	$ 2,689.10	80.00%
41	E5M2	Anthem Wholesale (Phoenix) OWU		1,025,000	$3,445.44	$ 6,201.76	$ 2,756.33	80.00%
42	E5M2	Anthem Wholesale (Phoenix) OWU		1,050,000	$3,529.47	$ 6,353.03	$ 2,823.56	80.00%
43	E5M2	Anthem Wholesale (Phoenix) OWU		1,075,000	$3,613.51	$ 6,504.29	$ 2,890.78	80.00%
44	E5M2	Anthem Wholesale (Phoenix) OWU		1,100,000	$3,697.54	$ 6,655.55	$ 2,958.01	80.00%
45	E5M2	Anthem Wholesale (Phoenix) OWU		1,125,000	$3,781.58	$ 6,806.81	$ 3,025.24	80.00%
46	E5M2	Anthem Wholesale (Phoenix) OWU		1,150,000	$3,865.61	$ 6,958.08	$ 3,092.47	80.00%
47	E5M2	Anthem Wholesale (Phoenix) OWU		1,175,000	$3,949.65	$ 7,109.34	$ 3,159.69	80.00%
48	E5M2	Anthem Wholesale (Phoenix) OWU		1,200,000	$4,033.68	$ 7,260.60	$ 3,226.92	80.00%
49	E5M2	Anthem Wholesale (Phoenix) OWU		1,225,000	$4,117.72	$ 7,411.86	$ 3,294.15	80.00%
50	E5M2	Anthem Wholesale (Phoenix) OWU		1,250,000	$4,201.75	$ 7,563.13	$ 3,361.38	80.00%
51	E5M2	Anthem Wholesale (Phoenix) OWU		1,275,000	$4,285.79	$ 7,714.39	$ 3,428.60	80.00%
52	E5M2	Anthem Wholesale (Phoenix) OWU		1,300,000	$4,369.82	$ 7,865.65	$ 3,495.83	80.00%
53	E5M2	Anthem Wholesale (Phoenix) OWU		1,325,000	$4,453.86	$ 8,016.91	$ 3,563.06	80.00%
54	E5M2	Anthem Wholesale (Phoenix) OWU		1,350,000	$4,537.89	$ 8,168.18	$ 3,630.29	80.00%
55	E5M2	Anthem Wholesale (Phoenix) OWU		1,375,000	$4,621.93	$ 8,319.44	$ 3,697.51	80.00%
56								
57	E5M2	Anthem Wholesale (Phoenix) OWU	Average:	450,273	$1,513.55	$ 2,724.38	$ 1,210.83	80.00%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	E6M2	Anthem Wholesale (Phoenix) OWU		100,000	$336.14	$ 605.05	$ 268.91	80.00%
2	E6M2	Anthem Wholesale (Phoenix) OWU		200,000	$672.28	$ 1,210.10	$ 537.82	80.00%
3	E6M2	Anthem Wholesale (Phoenix) OWU		300,000	$1,008.42	$ 1,815.15	$ 806.73	80.00%
4	E6M2	Anthem Wholesale (Phoenix) OWU		400,000	$1,344.56	$ 2,420.20	$ 1,075.64	80.00%
5	E6M2	Anthem Wholesale (Phoenix) OWU		500,000	$1,680.70	$ 3,025.25	$ 1,344.55	80.00%
6	E6M2	Anthem Wholesale (Phoenix) OWU		600,000	$2,016.84	$ 3,630.30	$ 1,613.46	80.00%
7	E6M2	Anthem Wholesale (Phoenix) OWU		700,000	$2,352.98	$ 4,235.35	$ 1,882.37	80.00%
8	E6M2	Anthem Wholesale (Phoenix) OWU		800,000	$2,689.12	$ 4,840.40	$ 2,151.28	80.00%
9	E6M2	Anthem Wholesale (Phoenix) OWU		900,000	$3,025.26	$ 5,445.45	$ 2,420.19	80.00%
10	E6M2	Anthem Wholesale (Phoenix) OWU		1,000,000	$3,361.40	$ 6,050.50	$ 2,689.10	80.00%
11	E6M2	Anthem Wholesale (Phoenix) OWU		1,100,000	$3,697.54	$ 6,655.55	$ 2,958.01	80.00%
12	E6M2	Anthem Wholesale (Phoenix) OWU		1,200,000	$4,033.68	$ 7,260.60	$ 3,226.92	80.00%
13	E6M2	Anthem Wholesale (Phoenix) OWU		1,300,000	$4,369.82	$ 7,865.65	$ 3,495.83	80.00%
14	E6M2	Anthem Wholesale (Phoenix) OWU		1,400,000	$4,705.96	$ 8,470.70	$ 3,764.74	80.00%
15	E6M2	Anthem Wholesale (Phoenix) OWU		1,500,000	$5,042.10	$ 9,075.75	$ 4,033.65	80.00%
16	E6M2	Anthem Wholesale (Phoenix) OWU		1,600,000	$5,378.24	$ 9,680.80	$ 4,302.56	80.00%
17	E6M2	Anthem Wholesale (Phoenix) OWU		1,700,000	$5,714.38	$ 10,285.85	$ 4,571.47	80.00%
18	E6M2	Anthem Wholesale (Phoenix) OWU		1,800,000	$6,050.52	$ 10,890.90	$ 4,840.38	80.00%
19	E6M2	Anthem Wholesale (Phoenix) OWU		1,900,000	$6,386.66	$ 11,495.95	$ 5,109.29	80.00%
20	E6M2	Anthem Wholesale (Phoenix) OWU		2,000,000	$6,722.80	$ 12,101.00	$ 5,378.20	80.00%
21	E6M2	Anthem Wholesale (Phoenix) OWU		2,100,000	$7,058.94	$ 12,706.05	$ 5,647.11	80.00%
22	E6M2	Anthem Wholesale (Phoenix) OWU		2,200,000	$7,395.08	$ 13,311.10	$ 5,916.02	80.00%
23	E6M2	Anthem Wholesale (Phoenix) OWU		2,300,000	$7,731.22	$ 13,916.15	$ 6,184.93	80.00%
24	E6M2	Anthem Wholesale (Phoenix) OWU		2,400,000	$8,067.36	$ 14,521.20	$ 6,453.84	80.00%
25	E6M2	Anthem Wholesale (Phoenix) OWU		2,500,000	$8,403.50	$ 15,126.25	$ 6,722.75	80.00%
26	E6M2	Anthem Wholesale (Phoenix) OWU		2,600,000	$8,739.64	$ 15,731.30	$ 6,991.66	80.00%
27	E6M2	Anthem Wholesale (Phoenix) OWU		2,700,000	$9,075.78	$ 16,336.35	$ 7,260.57	80.00%
28	E6M2	Anthem Wholesale (Phoenix) OWU		2,800,000	$9,411.92	$ 16,941.40	$ 7,529.48	80.00%
29	E6M2	Anthem Wholesale (Phoenix) OWU		2,900,000	$9,748.06	$ 17,546.45	$ 7,798.39	80.00%
30	E6M2	Anthem Wholesale (Phoenix) OWU		3,000,000	$10,084.20	$ 18,151.50	$ 8,067.30	80.00%
31	E6M2	Anthem Wholesale (Phoenix) OWU		3,100,000	$10,420.34	$ 18,756.55	$ 8,336.21	80.00%
32	E6M2	Anthem Wholesale (Phoenix) OWU		3,200,000	$10,756.48	$ 19,361.60	$ 8,605.12	80.00%
33	E6M2	Anthem Wholesale (Phoenix) OWU		3,300,000	$11,092.62	$ 19,966.65	$ 8,874.03	80.00%
34	E6M2	Anthem Wholesale (Phoenix) OWU		3,400,000	$11,428.76	$ 20,571.70	$ 9,142.94	80.00%
35	E6M2	Anthem Wholesale (Phoenix) OWU		3,500,000	$11,764.90	$ 21,176.75	$ 9,411.85	80.00%
36	E6M2	Anthem Wholesale (Phoenix) OWU		3,600,000	$12,101.04	$ 21,781.80	$ 9,680.76	80.00%
37	E6M2	Anthem Wholesale (Phoenix) OWU		3,700,000	$12,437.18	$ 22,386.85	$ 9,949.67	80.00%
38	E6M2	Anthem Wholesale (Phoenix) OWU		3,800,000	$12,773.32	$ 22,991.90	$ 10,218.58	80.00%
39	E6M2	Anthem Wholesale (Phoenix) OWU		3,900,000	$13,109.46	$ 23,596.95	$ 10,487.49	80.00%
40	E6M2	Anthem Wholesale (Phoenix) OWU		4,000,000	$13,445.60	$ 24,202.00	$ 10,756.40	80.00%
41	E6M2	Anthem Wholesale (Phoenix) OWU		4,100,000	$13,781.74	$ 24,807.05	$ 11,025.31	80.00%
42	E6M2	Anthem Wholesale (Phoenix) OWU		4,200,000	$14,117.88	$ 25,412.10	$ 11,294.22	80.00%
43	E6M2	Anthem Wholesale (Phoenix) OWU		4,300,000	$14,454.02	$ 26,017.15	$ 11,563.13	80.00%
44	E6M2	Anthem Wholesale (Phoenix) OWU		4,400,000	$14,790.16	$ 26,622.20	$ 11,832.04	80.00%
45	E6M2	Anthem Wholesale (Phoenix) OWU		4,500,000	$15,126.30	$ 27,227.25	$ 12,100.95	80.00%
46	E6M2	Anthem Wholesale (Phoenix) OWU		4,600,000	$15,462.44	$ 27,832.30	$ 12,369.86	80.00%
47	E6M2	Anthem Wholesale (Phoenix) OWU		4,700,000	$15,798.58	$ 28,437.35	$ 12,638.77	80.00%
48	E6M2	Anthem Wholesale (Phoenix) OWU		4,800,000	$16,134.72	$ 29,042.40	$ 12,907.68	80.00%
49	E6M2	Anthem Wholesale (Phoenix) OWU		4,900,000	$16,470.86	$ 29,647.45	$ 13,176.59	80.00%
50	E6M2	Anthem Wholesale (Phoenix) OWU		5,000,000	$16,807.00	$ 30,252.50	$ 13,445.50	80.00%
51	E6M2	Anthem Wholesale (Phoenix) OWU		5,100,000	$17,143.14	$ 30,857.55	$ 13,714.41	80.00%
52	E6M2	Anthem Wholesale (Phoenix) OWU		5,200,000	$17,479.28	$ 31,462.60	$ 13,983.32	80.00%
53	E6M2	Anthem Wholesale (Phoenix) OWU		5,300,000	$17,815.42	$ 32,067.65	$ 14,252.23	80.00%
54	E6M2	Anthem Wholesale (Phoenix) OWU		5,400,000	$18,151.56	$ 32,672.70	$ 14,521.14	80.00%
55	E6M2	Anthem Wholesale (Phoenix) OWU		5,500,000	$18,487.70	$ 33,277.75	$ 14,790.05	80.00%
56								
57	E6M2	Anthem Wholesale (Phoenix) OWU	Average:	4,271,364	$14,357.76	$ 25,843.89	$ 11,486.12	80.00%
58								
59								
60								

Arizona American Water Company - Anthem Water
Test Year Ended December 31, 2007
Typical Bill Analysis

Line No.	Rate Schedule	Description		Consumption	Typical Bills Present Rates	Typical Bills Proposed Rates	Proposed Increase Amount	Proposed Increase %
1	E7M2	Anthem Wholesale (Phoenix) OWU		150,000	$504.21	$ 907.58	$ 403.37	80.00%
2	E7M2	Anthem Wholesale (Phoenix) OWU		300,000	$1,008.42	$ 1,815.15	$ 806.73	80.00%
3	E7M2	Anthem Wholesale (Phoenix) OWU		450,000	$1,512.63	$ 2,722.73	$ 1,210.10	80.00%
4	E7M2	Anthem Wholesale (Phoenix) OWU		600,000	$2,016.84	$ 3,630.30	$ 1,613.46	80.00%
5	E7M2	Anthem Wholesale (Phoenix) OWU		750,000	$2,521.05	$ 4,537.88	$ 2,016.83	80.00%
6	E7M2	Anthem Wholesale (Phoenix) OWU		900,000	$3,025.26	$ 5,445.45	$ 2,420.19	80.00%
7	E7M2	Anthem Wholesale (Phoenix) OWU		1,050,000	$3,529.47	$ 6,353.03	$ 2,823.56	80.00%
8	E7M2	Anthem Wholesale (Phoenix) OWU		1,200,000	$4,033.68	$ 7,260.60	$ 3,226.92	80.00%
9	E7M2	Anthem Wholesale (Phoenix) OWU		1,350,000	$4,537.89	$ 8,168.18	$ 3,630.29	80.00%
10	E7M2	Anthem Wholesale (Phoenix) OWU		1,500,000	$5,042.10	$ 9,075.75	$ 4,033.65	80.00%
11	E7M2	Anthem Wholesale (Phoenix) OWU		1,650,000	$5,546.31	$ 9,983.33	$ 4,437.02	80.00%
12	E7M2	Anthem Wholesale (Phoenix) OWU		1,800,000	$6,050.52	$ 10,890.90	$ 4,840.38	80.00%
13	E7M2	Anthem Wholesale (Phoenix) OWU		1,950,000	$6,554.73	$ 11,798.48	$ 5,243.75	80.00%
14	E7M2	Anthem Wholesale (Phoenix) OWU		2,100,000	$7,058.94	$ 12,706.05	$ 5,647.11	80.00%
15	E7M2	Anthem Wholesale (Phoenix) OWU		2,250,000	$7,563.15	$ 13,613.63	$ 6,050.48	80.00%
16	E7M2	Anthem Wholesale (Phoenix) OWU		2,400,000	$8,067.36	$ 14,521.20	$ 6,453.84	80.00%
17	E7M2	Anthem Wholesale (Phoenix) OWU		2,550,000	$8,571.57	$ 15,428.78	$ 6,857.21	80.00%
18	E7M2	Anthem Wholesale (Phoenix) OWU		2,700,000	$9,075.78	$ 16,336.35	$ 7,260.57	80.00%
19	E7M2	Anthem Wholesale (Phoenix) OWU		2,850,000	$9,579.99	$ 17,243.93	$ 7,663.94	80.00%
20	E7M2	Anthem Wholesale (Phoenix) OWU		3,000,000	$10,084.20	$ 18,151.50	$ 8,067.30	80.00%
21	E7M2	Anthem Wholesale (Phoenix) OWU		3,150,000	$10,588.41	$ 19,059.08	$ 8,470.67	80.00%
22	E7M2	Anthem Wholesale (Phoenix) OWU		3,300,000	$11,092.62	$ 19,966.65	$ 8,874.03	80.00%
23	E7M2	Anthem Wholesale (Phoenix) OWU		3,450,000	$11,596.83	$ 20,874.23	$ 9,277.40	80.00%
24	E7M2	Anthem Wholesale (Phoenix) OWU		3,600,000	$12,101.04	$ 21,781.80	$ 9,680.76	80.00%
25	E7M2	Anthem Wholesale (Phoenix) OWU		3,750,000	$12,605.25	$ 22,689.38	$ 10,084.13	80.00%
26	E7M2	Anthem Wholesale (Phoenix) OWU		3,900,000	$13,109.46	$ 23,596.95	$ 10,487.49	80.00%
27	E7M2	Anthem Wholesale (Phoenix) OWU		4,050,000	$13,613.67	$ 24,504.53	$ 10,890.86	80.00%
28	E7M2	Anthem Wholesale (Phoenix) OWU		4,200,000	$14,117.88	$ 25,412.10	$ 11,294.22	80.00%
29	E7M2	Anthem Wholesale (Phoenix) OWU		4,350,000	$14,622.09	$ 26,319.68	$ 11,697.59	80.00%
30	E7M2	Anthem Wholesale (Phoenix) OWU		4,500,000	$15,126.30	$ 27,227.25	$ 12,100.95	80.00%
31	E7M2	Anthem Wholesale (Phoenix) OWU		4,650,000	$15,630.51	$ 28,134.83	$ 12,504.32	80.00%
32	E7M2	Anthem Wholesale (Phoenix) OWU		4,800,000	$16,134.72	$ 29,042.40	$ 12,907.68	80.00%
33	E7M2	Anthem Wholesale (Phoenix) OWU		4,950,000	$16,638.93	$ 29,949.98	$ 13,311.05	80.00%
34	E7M2	Anthem Wholesale (Phoenix) OWU		5,100,000	$17,143.14	$ 30,857.55	$ 13,714.41	80.00%
35	E7M2	Anthem Wholesale (Phoenix) OWU		5,250,000	$17,647.35	$ 31,765.13	$ 14,117.78	80.00%
36	E7M2	Anthem Wholesale (Phoenix) OWU		5,400,000	$18,151.56	$ 32,672.70	$ 14,521.14	80.00%
37	E7M2	Anthem Wholesale (Phoenix) OWU		5,550,000	$18,655.77	$ 33,580.28	$ 14,924.51	80.00%
38	E7M2	Anthem Wholesale (Phoenix) OWU		5,700,000	$19,159.98	$ 34,487.85	$ 15,327.87	80.00%
39	E7M2	Anthem Wholesale (Phoenix) OWU		5,850,000	$19,664.19	$ 35,395.43	$ 15,731.24	80.00%
40	E7M2	Anthem Wholesale (Phoenix) OWU		6,000,000	$20,168.40	$ 36,303.00	$ 16,134.60	80.00%
41	E7M2	Anthem Wholesale (Phoenix) OWU		6,150,000	$20,672.61	$ 37,210.58	$ 16,537.97	80.00%
42	E7M2	Anthem Wholesale (Phoenix) OWU		6,300,000	$21,176.82	$ 38,118.15	$ 16,941.33	80.00%
43	E7M2	Anthem Wholesale (Phoenix) OWU		6,450,000	$21,681.03	$ 39,025.73	$ 17,344.70	80.00%
44	E7M2	Anthem Wholesale (Phoenix) OWU		6,600,000	$22,185.24	$ 39,933.30	$ 17,748.06	80.00%
45	E7M2	Anthem Wholesale (Phoenix) OWU		6,750,000	$22,689.45	$ 40,840.88	$ 18,151.43	80.00%
46	E7M2	Anthem Wholesale (Phoenix) OWU		6,900,000	$23,193.66	$ 41,748.45	$ 18,554.79	80.00%
47	E7M2	Anthem Wholesale (Phoenix) OWU		7,050,000	$23,697.87	$ 42,656.03	$ 18,958.16	80.00%
48	E7M2	Anthem Wholesale (Phoenix) OWU		7,200,000	$24,202.08	$ 43,563.60	$ 19,361.52	80.00%
49	E7M2	Anthem Wholesale (Phoenix) OWU		7,350,000	$24,706.29	$ 44,471.18	$ 19,764.89	80.00%
50	E7M2	Anthem Wholesale (Phoenix) OWU		7,500,000	$25,210.50	$ 45,378.75	$ 20,168.25	80.00%
51	E7M2	Anthem Wholesale (Phoenix) OWU		7,650,000	$25,714.71	$ 46,286.33	$ 20,571.62	80.00%
52	E7M2	Anthem Wholesale (Phoenix) OWU		7,800,000	$26,218.92	$ 47,193.90	$ 20,974.98	80.00%
53	E7M2	Anthem Wholesale (Phoenix) OWU		7,950,000	$26,723.13	$ 48,101.48	$ 21,378.35	80.00%
54	E7M2	Anthem Wholesale (Phoenix) OWU		8,100,000	$27,227.34	$ 49,009.05	$ 21,781.71	80.00%
55	E7M2	Anthem Wholesale (Phoenix) OWU		8,250,000	$27,731.55	$ 49,916.63	$ 22,185.08	80.00%
56								
57	E7M2	Anthem Wholesale (Phoenix) OWU	Average:	6,752,862	$22,699.07	$ 40,858.19	$ 18,159.12	80.00%
58								
59								
60								

Arizona American Water Company
Anthem Water - D7M1
Unit of Measure = 1000 Gals.

Exhibit
Schedule H-5 D7M1
Page 1
Witness: Gutowski

Rate Schedule: D7M1
Description: Anthem Treatco NP Irrig - Genl
Monthly Customer Charge: $0.00
Tier One Break Over: 999,999,999 Gallons Rate: $ 1.8700

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	225	0	225	0	0
1	4	4	229	4	393
2	1	2	230	6	782
6	3	18	233	24	2,334
7	2	14	235	38	2,719
9	2	18	237	56	3,485
13	1	13	238	69	5,009
15	1	15	239	84	5,769
16	2	32	241	116	6,148
19	2	38	243	154	7,279
21	1	21	244	175	8,029
22	2	44	246	219	8,403
24	1	24	247	243	9,147
26	2	52	249	295	9,889
28	1	28	250	323	10,627
30	3	90	253	413	11,363
33	1	33	254	446	12,458
34	3	102	257	548	12,822
35	2	70	259	618	13,183
36	1	36	260	654	13,542
37	1	37	261	691	13,900
38	1	38	262	729	14,257
39	3	117	265	846	14,613
40	1	40	266	886	14,966
41	1	41	267	927	15,318
42	2	84	269	1,011	15,669
43	4	172	273	1,183	16,018
44	1	44	274	1,227	16,363
45	2	90	276	1,317	16,707
48	1	48	277	1,365	17,733
51	1	51	278	1,416	18,756
52	1	52	279	1,468	19,096
55	2	110	281	1,578	20,113
57	1	57	282	1,635	20,787
58	2	116	284	1,751	21,123
60	2	120	286	1,871	21,791
61	1	61	287	1,932	22,123
65	1	65	288	1,997	23,447
66	4	264	292	2,261	23,777
67	1	67	293	2,328	24,103
69	3	207	296	2,535	24,753
70	1	70	297	2,605	25,075
72	4	288	301	2,893	25,717
73	2	146	303	3,039	26,034
74	1	74	304	3,113	26,349
75	2	150	306	3,263	26,663
76	3	228	309	3,491	26,975
77	2	154	311	3,645	27,284
79	3	237	314	3,882	27,898
80	1	80	315	3,962	28,202
82	2	164	317	4,126	28,808

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
83	1	83	318	4,209	29,109
86	4	344	322	4,553	30,009
87	4	348	326	4,901	30,305
88	3	264	329	5,165	30,597
90	4	360	333	5,525	31,175
92	2	184	335	5,709	31,745
93	2	186	337	5,895	32,028
98	1	98	338	5,993	33,433
100	2	200	340	6,193	33,993
101	1	101	341	6,294	34,271
103	1	103	342	6,397	34,825
104	1	104	343	6,501	35,101
105	1	105	344	6,606	35,376
106	4	424	348	7,030	35,650
107	2	214	350	7,244	35,920
108	3	324	353	7,568	36,188
109	1	109	354	7,677	36,453
110	1	110	355	7,787	36,717
111	1	111	356	7,898	36,980
113	4	452	360	8,350	37,504
115	2	230	362	8,580	38,020
116	2	232	364	8,812	38,276
118	2	236	366	9,048	38,784
120	5	600	371	9,648	39,288
121	3	363	374	10,011	39,535
122	2	244	376	10,255	39,779
123	1	123	377	10,378	40,021
124	2	248	379	10,626	40,262
125	2	250	381	10,876	40,501
127	2	254	383	11,130	40,975
128	2	256	385	11,386	41,210
129	2	258	387	11,644	41,443
131	3	393	390	12,037	41,905
132	1	132	391	12,169	42,133
142	3	426	394	12,595	44,403
144	1	144	395	12,739	44,851
146	2	292	397	13,031	45,297
147	1	147	398	13,178	45,518
148	1	148	399	13,326	45,738
150	1	150	400	13,476	46,176
151	2	302	402	13,778	46,394
152	1	152	403	13,930	46,610
153	3	459	406	14,389	46,825
155	2	310	408	14,699	47,249
156	1	156	409	14,855	47,459
157	1	157	410	15,012	47,668
161	1	161	411	15,173	48,500
162	2	324	413	15,497	48,707
164	2	328	415	15,825	49,117
168	3	504	418	16,329	49,929
170	2	340	420	16,669	50,329
172	2	344	422	17,013	50,725
174	1	174	423	17,187	51,117
175	1	175	424	17,362	51,312
180	1	180	425	17,542	52,282
183	3	549	428	18,091	52,861
186	1	186	429	18,277	53,431
187	3	561	432	18,838	53,620
188	1	188	433	19,026	53,806
194	2	388	435	19,414	54,916
196	1	196	436	19,610	55,282
197	2	394	438	20,004	55,464
200	1	200	439	20,204	56,004
202	1	202	440	20,406	56,362
203	2	406	442	20,812	56,540
205	3	615	445	21,427	56,892

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
206	1	206	446	21,633	57,065
212	1	212	447	21,845	58,097
213	1	213	448	22,058	58,268
220	2	440	450	22,498	59,458
225	1	225	451	22,723	60,298
227	1	227	452	22,950	60,632
228	1	228	453	23,178	60,798
230	2	460	455	23,638	61,128
231	1	231	456	23,869	61,291
232	1	232	457	24,101	61,453
234	1	234	458	24,335	61,775
235	2	470	460	24,805	61,935
236	1	236	461	25,041	62,093
238	1	238	462	25,279	62,407
239	2	478	464	25,757	62,563
241	1	241	465	25,998	62,871
243	1	243	466	26,241	63,177
245	1	245	467	26,486	63,481
246	1	246	468	26,732	63,632
247	1	247	469	26,979	63,782
248	1	248	470	27,227	63,931
249	1	249	471	27,476	64,079
253	2	506	473	27,982	64,667
258	3	774	476	28,756	65,392
260	1	260	477	29,016	65,676
261	1	261	478	29,277	65,817
262	1	262	479	29,539	65,957
265	1	265	480	29,804	66,374
266	2	532	482	30,336	66,512
267	2	534	484	30,870	66,648
270	2	540	486	31,410	67,050
277	1	277	487	31,687	67,974
278	1	278	488	31,965	68,105
282	1	282	489	32,247	68,625
287	1	287	490	32,534	69,270
292	1	292	491	32,826	69,910
294	1	294	492	33,120	70,164
300	1	300	493	33,420	70,920
302	1	302	494	33,722	71,170
303	1	303	495	34,025	71,294
305	1	305	496	34,330	71,540
306	1	306	497	34,636	71,662
307	1	307	498	34,943	71,783
313	1	313	499	35,256	72,503
315	1	315	500	35,571	72,741
317	1	317	501	35,888	72,977
325	1	325	502	36,213	73,913
326	1	326	503	36,539	74,029
328	1	328	504	36,867	74,259
329	2	658	506	37,525	74,373
333	1	333	507	37,858	74,821
341	1	341	508	38,199	75,709
342	1	342	509	38,541	75,819
351	1	351	510	38,892	76,800
355	1	355	511	39,247	77,232
362	1	362	512	39,609	77,981
363	1	363	513	39,972	78,087
367	1	367	514	40,339	78,507
368	1	368	515	40,707	78,611
371	1	371	516	41,078	78,920
375	1	375	517	41,453	79,328
377	1	377	518	41,830	79,530
380	1	380	519	42,210	79,830
382	1	382	520	42,592	80,028
385	2	770	522	43,362	80,322
392	1	392	523	43,754	80,994

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
397	1	397	524	44,151	81,469
400	1	400	525	44,551	81,751
404	1	404	526	44,955	82,123
406	2	812	528	45,767	82,307
408	1	408	529	46,175	82,487
426	1	426	530	46,601	84,089
427	1	427	531	47,028	84,177
431	1	431	532	47,459	84,525
434	1	434	533	47,893	84,783
437	1	437	534	48,330	85,038
438	1	438	535	48,768	85,122
439	1	439	536	49,207	85,205
441	1	441	537	49,648	85,369
443	1	443	538	50,091	85,531
447	2	894	540	50,985	85,851
450	1	450	541	51,435	86,085
459	1	459	542	51,894	86,778
471	1	471	543	52,365	87,690
475	1	475	544	52,840	87,990
476	1	476	545	53,316	88,064
479	1	479	546	53,795	88,283
488	1	488	547	54,283	88,931
490	1	490	548	54,773	89,073
493	2	986	550	55,759	89,283
494	1	494	551	56,253	89,351
495	1	495	552	56,748	89,418
501	1	501	553	57,249	89,814
513	1	513	554	57,762	90,594
520	1	520	555	58,282	91,042
522	1	522	556	58,804	91,168
523	1	523	557	59,327	91,230
525	1	525	558	59,852	91,352
539	1	539	559	60,391	92,192
540	2	1,080	561	61,471	92,251
543	1	543	562	62,014	92,422
544	2	1,088	564	63,102	92,478
546	1	546	565	63,648	92,586
549	1	549	566	64,197	92,745
565	1	565	567	64,762	93,577
571	2	1,142	569	65,904	93,883
627	1	627	570	66,531	96,627
650	1	650	571	67,181	97,731
654	1	654	572	67,835	97,919
673	1	673	573	68,508	98,793
676	1	676	574	69,184	98,928
679	1	679	575	69,863	99,060
685	1	685	576	70,548	99,318
688	1	688	577	71,236	99,444
709	1	709	578	71,945	100,305
722	1	722	579	72,667	100,825
736	1	736	580	73,403	101,371
739	1	739	581	74,142	101,485
742	1	742	582	74,884	101,596
752	1	752	583	75,636	101,956
759	1	759	584	76,395	102,201
774	1	774	585	77,169	102,711
833	1	833	586	78,002	104,658
839	1	839	587	78,841	104,850
851	1	851	588	79,692	105,222
857	1	857	589	80,549	105,402
887	1	887	590	81,436	106,272
915	1	915	591	82,351	107,056
1084	1	1,084	592	83,435	111,619
1125	1	1,125	593	84,560	112,685
1193	1	1,193	594	85,753	114,385
4312	1	4,312	595	90,065	189,241

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
5634	1	5,634	596	95,699	219,647
5875	1	5,875	597	101,574	224,949
5938	1	5,938	598	107,512	226,272
6165	1	6,165	599	113,677	230,812
6636	1	6,636	600	120,313	239,761
8873	1	8,873	601	129,186	280,027
10446	1	10,446	602	139,632	306,768
12205	1	12,205	603	151,837	334,912
14897	1	14,897	604	166,734	375,292
15249	1	15,249	605	181,983	380,220
18338	1	18,338	606	200,321	420,377
18396	1	18,396	607	218,717	421,073
19174	1	19,174	608	237,891	429,631
19465	1	19,465	609	257,356	432,541
20126	1	20,126	610	277,482	438,490
20204	1	20,204	611	297,686	439,114
20228	1	20,228	612	317,914	439,282
25034	1	25,034	613	342,948	468,118
25681	1	25,681	614	368,629	471,353
26721	1	26,721	615	395,350	475,513
27615	1	27,615	616	422,965	478,195
31407	1	31,407	617	454,372	485,779
33583	1	33,583	618	487,955	487,955

	Meter Count	Tier 1 Usage
Full Bill	618	487,955
Prorated Bills		
	618.00	487,955

Revenue Full	$0.00	$ 912,475.85
Misc Adjustments		$ (165.17)
		$ 912,310.68
PMTUSGRVNR Report		$ 302,367.18
Difference		$ (609,943.50)

Average Customers	52
Average Consumption	789,571

Arizona American Water Company
Anthem Water - D7M2
Unit of Measure = 1000 Gals.

Rate Schedule: D7M2
Description: Anthem Treatco Non Pot - Const
Monthly Customer Charge: $0.00
Tier One Break Over: 999,999,999 Gallons Rate: $ 1.8700

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
101	1	101	1	101	101
120	1	120	2	221	7,181
136	1	136	3	357	8,109
162	1	162	4	519	9,591
165	1	165	5	684	9,759
166	1	166	6	850	9,814
168	1	168	7	1,018	9,922
183	1	183	8	1,201	10,717
200	1	200	9	1,401	11,601
205	1	205	10	1,606	11,856
222	1	222	11	1,828	12,706
251	1	251	12	2,079	14,127
278	1	278	13	2,357	15,423
280	1	280	14	2,637	15,517
506	1	506	15	3,143	25,913
510	1	510	16	3,653	26,093
530	1	530	17	4,183	26,973
580	1	580	18	4,763	29,123
740	1	740	19	5,503	35,843
820	1	820	20	6,323	39,123
1014	1	1,014	21	7,337	46,883
1060	1	1,060	22	8,397	48,677
1090	1	1,090	23	9,487	49,817
1105	1	1,105	24	10,592	50,372
1159	1	1,159	25	11,751	52,316
1165	1	1,165	26	12,916	52,526
1175	1	1,175	27	14,091	52,866
1190	1	1,190	28	15,281	53,361
1225	1	1,225	29	16,506	54,481
1335	1	1,335	30	17,841	57,891
1440	1	1,440	31	19,281	61,041
1545	1	1,545	32	20,826	64,086
1580	1	1,580	33	22,406	65,066
1596	1	1,596	34	24,002	65,498
1625	1	1,625	35	25,627	66,252
1897	1	1,897	36	27,524	73,052
1899	1	1,899	37	29,423	73,100
1900	1	1,900	38	31,323	73,123
1930	1	1,930	39	33,253	73,783
2075	1	2,075	40	35,328	76,828
2188	1	2,188	41	37,516	79,088
2205	1	2,205	42	39,721	79,411

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
2215	1	2,215	43	41,936	79,591
2235	1	2,235	44	44,171	79,931
2280	1	2,280	45	46,451	80,651
2301	1	2,301	46	48,752	80,966
2320	1	2,320	47	51,072	81,232
2500	1	2,500	48	53,572	83,572
2745	1	2,745	49	56,317	86,512
2755	1	2,755	50	59,072	86,622
2791	1	2,791	51	61,863	86,982
2900	2	5,800	53	67,663	87,963
3060	1	3,060	54	70,723	89,083
3286	1	3,286	55	74,009	90,439
3380	1	3,380	56	77,389	90,909
4180	1	4,180	57	81,569	94,109
5040	1	5,040	58	86,609	96,689
5490	1	5,490	59	92,099	97,589
5559	1	5,559	60	97,658	97,658

	Meter Count	Tier 1 Usage
Full Bill	60	97,658
Prorated Bills		
	60.00	97,658

Revenue Full	$0.00	$ 182,620.46
Misc Adjustments		$ -
		$ 182,620.46
PMTUSGRVNR Report		$ 60,547.96
Difference		$ (122,072.50)

Average Customers	5
Average Consumption	1,627,633

Arizona American Water Company
Anthem Water - E1M1A
Unit of Measure = 1000 Gals.

Rate Schedule:	E1M1A					
Description:	Anthem Distco Res 5/8 & 3/4"					
Monthly Customer Charge:		$19.48				
Tier One	Break Over:	4,000	Gallons	Rate:	$	1.6696
Tier Two	Break Over:	14,000	Gallons	Rate:	$	2.6157
Tier Three	Break Over:	999,999,999	Gallons	Rate:	$	3.3614

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	1471	0	1,471	0	0
1	1502	1,502	2,973	1,502	56,335
2	2218	4,436	5,191	5,938	111,168
3	3023	9,069	8,214	15,007	163,783
4	3913	15,652	12,127	30,659	213,375
5	4425	22,125	16,552	52,784	259,054
6	4531	27,186	21,083	79,970	300,308
7	4404	30,828	25,487	110,798	337,031
8	4186	33,488	29,673	144,286	369,350
9	3750	33,750	33,423	178,036	397,483
10	3346	33,460	36,769	211,496	421,866
11	2921	32,131	39,690	243,627	442,903
12	2428	29,136	42,118	272,763	461,019
13	2160	28,080	44,278	300,843	476,707
14	1906	26,684	46,184	327,527	490,235
15	1649	24,735	47,833	352,262	501,857
16	1447	23,152	49,280	375,414	511,830
17	1226	20,842	50,506	396,256	520,356
18	999	17,982	51,505	414,238	527,656
19	823	15,637	52,328	429,875	533,957
20	674	13,480	53,002	443,355	539,435
21	578	12,138	53,580	455,493	544,239
22	571	12,562	54,151	468,055	548,465
23	505	11,615	54,656	479,670	552,120
24	379	9,096	55,035	488,766	555,270
25	345	8,625	55,380	497,391	558,041
26	322	8,372	55,702	505,763	560,467
27	240	6,480	55,942	512,243	562,571
28	207	5,796	56,149	518,039	564,435
29	190	5,510	56,339	523,549	566,092
30	169	5,070	56,508	528,619	567,559
31	135	4,185	56,643	532,804	568,857
32	115	3,680	56,758	536,484	570,020
33	97	3,201	56,855	539,685	571,068
34	88	2,992	56,943	542,677	572,019
35	74	2,590	57,017	545,267	572,882
36	70	2,520	57,087	547,787	573,671
37	68	2,516	57,155	550,303	574,390
38	64	2,432	57,219	552,735	575,041
39	56	2,184	57,275	554,919	575,628
40	48	1,920	57,323	556,839	576,159
41	39	1,599	57,362	558,438	576,642
42	31	1,302	57,393	559,740	577,086
43	26	1,118	57,419	560,858	577,499
44	30	1,320	57,449	562,178	577,886
45	37	1,665	57,486	563,843	578,243
46	28	1,288	57,514	565,131	578,563
47	25	1,175	57,539	566,306	578,855
48	17	816	57,556	567,122	579,122
49	24	1,176	57,580	568,298	579,372
50	17	850	57,597	569,148	579,598
51	15	765	57,612	569,913	579,807

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
52	15	780	57,627	570,693	580,001
53	12	636	57,639	571,329	580,180
54	14	756	57,653	572,085	580,347
55	8	440	57,661	572,525	580,500
56	12	672	57,673	573,197	580,645
57	9	513	57,682	573,710	580,778
58	7	406	57,689	574,116	580,902
59	4	236	57,693	574,352	581,019
60	4	240	57,697	574,592	581,132
61	6	366	57,703	574,958	581,241
62	6	372	57,709	575,330	581,344
63	6	378	57,715	575,708	581,441
64	8	512	57,723	576,220	581,532
65	3	195	57,726	576,415	581,615
66	7	462	57,733	576,877	581,695
67	6	402	57,739	577,279	581,768
68	4	272	57,743	577,551	581,835
69	3	207	57,746	577,758	581,898
70	5	350	57,751	578,108	581,958
71	2	142	57,753	578,250	582,013
72	1	72	57,754	578,322	582,066
73	2	146	57,756	578,468	582,118
74	4	296	57,760	578,764	582,168
75	1	75	57,761	578,839	582,214
76	1	76	57,762	578,915	582,259
78	2	156	57,764	579,071	582,347
80	2	160	57,766	579,231	582,431
82	5	410	57,771	579,641	582,511
83	1	83	57,772	579,724	582,546
84	2	168	57,774	579,892	582,580
85	1	85	57,775	579,977	582,612
86	2	172	57,777	580,149	582,643
87	2	174	57,779	580,323	582,672
88	4	352	57,783	580,675	582,699
91	1	91	57,784	580,766	582,768
92	2	184	57,786	580,950	582,790
93	1	93	57,787	581,043	582,810
94	1	94	57,788	581,137	582,829
98	1	98	57,789	581,235	582,901
99	1	99	57,790	581,334	582,918
100	2	200	57,792	581,534	582,934
103	1	103	57,793	581,637	582,976
108	1	108	57,794	581,745	583,041
109	2	218	57,796	581,963	583,053
114	1	114	57,797	582,077	583,103
119	1	119	57,798	582,196	583,148
129	1	129	57,799	582,325	583,228
188	1	188	57,800	582,513	583,641
204	1	204	57,801	582,717	583,737
207	1	207	57,802	582,924	583,752
208	1	208	57,803	583,132	583,756
212	2	424	57,805	583,556	583,768
336	1	336	57,806	583,892	583,892
Add Customer Annualization		53	212	321	532.97

	Meter Count	Tier 1 Usage	Tier 2 Usage	Tier 3 Usage
Full Bill	57,859	213,587	314,602	56,236
Prorated Bills	1,287.57	3,665	4,831	1,840
	59,146.57	217,252	319,433	58,076

					Total
Revenue Full	$1,152,175.18	$ 362,723.94	$835,540.82	$ 195,216.67	$2,545,656.61
Misc Adjustments					$ (5,672.88)
					$2,539,983.73
PMTUSGRVNR Report + Customer Annualization					$ 1,791,682.55
Difference					$ (748,301.18)

Average Customers	4,929
Average Consumption	10,056

Arizona American Water Company
Anthem Water - E1M1B
Unit of Measure = 1000 Gals.

Rate Schedule:	E1M1B					
Description:	Anthem Distco Residential 1"					
Monthly Customer Charge:		$48.70				
Tier One	Break Over:	4,000	Gallons	Rate:	$	1.6696
Tier Two	Break Over:	36,000	Gallons	Rate:	$	2.6157
Tier Three	Break Over:	999,999,999	Gallons	Rate:	$	3.3614

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	763	0	763	0	0
1	1071	1,071	1,834	1,071	39,485
2	1485	2,970	3,319	4,041	77,899
3	2063	6,189	5,382	10,230	114,828
4	2623	10,492	8,005	20,722	149,694
5	2850	14,250	10,855	34,972	181,937
6	2788	16,728	13,643	51,700	211,330
7	2687	18,809	16,330	70,509	237,935
8	2522	20,176	18,852	90,685	261,853
9	2285	20,565	21,137	111,250	283,249
10	2113	21,130	23,250	132,380	302,360
11	1939	21,329	25,189	153,709	319,358
12	1685	20,220	26,874	173,929	334,417
13	1461	18,993	28,335	192,922	347,791
14	1269	17,766	29,604	210,688	359,704
15	1116	16,740	30,720	227,428	370,348
16	1022	16,352	31,742	243,780	379,876
17	869	14,773	32,611	258,553	388,382
18	760	13,680	33,371	272,233	396,019
19	638	12,122	34,009	284,355	402,896
20	598	11,960	34,607	296,315	409,135
21	551	11,571	35,158	307,886	414,776
22	486	10,692	35,644	318,578	419,866
23	422	9,706	36,066	328,284	424,470
24	380	9,120	36,446	337,404	428,652
25	357	8,925	36,803	346,329	432,454
26	283	7,358	37,086	353,687	435,899
27	280	7,560	37,366	361,247	439,061
28	234	6,552	37,600	367,799	441,943
29	237	6,873	37,837	374,672	444,591
30	208	6,240	38,045	380,912	447,002
31	180	5,580	38,225	386,492	449,205
32	153	4,896	38,378	391,388	451,228
33	138	4,554	38,516	395,942	453,098
34	146	4,964	38,662	400,906	454,830
35	113	3,955	38,775	404,861	456,416
36	102	3,672	38,877	408,533	457,889
37	105	3,885	38,982	412,418	459,260
38	87	3,306	39,069	415,724	460,526
39	81	3,159	39,150	418,883	461,705
40	78	3,120	39,228	422,003	462,803
41	81	3,321	39,309	425,324	463,823
42	54	2,268	39,363	427,592	464,762
43	72	3,096	39,435	430,688	465,647
44	58	2,552	39,493	433,240	466,460
45	39	1,755	39,532	434,995	467,215

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
46	51	2,346	39,583	437,341	467,931
47	47	2,209	39,630	439,550	468,596
48	51	2,448	39,681	441,998	469,214
49	33	1,617	39,714	443,615	469,781
50	34	1,700	39,748	445,315	470,315
51	25	1,275	39,773	446,590	470,815
52	24	1,248	39,797	447,838	471,290
53	27	1,431	39,824	449,269	471,741
54	29	1,566	39,853	450,835	472,165
55	18	990	39,871	451,825	472,560
56	23	1,288	39,894	453,113	472,937
57	23	1,311	39,917	454,424	473,291
58	16	928	39,933	455,352	473,622
59	21	1,239	39,954	456,591	473,937
60	20	1,200	39,974	457,791	474,231
61	12	732	39,986	458,523	474,505
62	13	806	39,999	459,329	474,767
63	9	567	40,008	459,896	475,016
64	14	896	40,022	460,792	475,256
65	13	845	40,035	461,637	475,482
66	8	528	40,043	462,165	475,695
67	9	603	40,052	462,768	475,900
68	17	1,156	40,069	463,924	476,096
69	13	897	40,082	464,821	476,275
70	10	700	40,092	465,521	476,441
71	7	497	40,099	466,018	476,597
72	9	648	40,108	466,666	476,746
73	2	146	40,110	466,812	476,886
74	10	740	40,120	467,552	477,024
75	8	600	40,128	468,152	477,152
76	4	304	40,132	468,456	477,272
77	5	385	40,137	468,841	477,388
78	4	312	40,141	469,153	477,499
79	2	158	40,143	469,311	477,606
80	6	480	40,149	469,791	477,711
81	6	486	40,155	470,277	477,810
82	4	328	40,159	470,605	477,903
84	7	588	40,166	471,193	478,081
85	4	340	40,170	471,533	478,163
86	4	344	40,174	471,877	478,241
87	2	174	40,176	472,051	478,315
88	4	352	40,180	472,403	478,387
89	2	178	40,182	472,581	478,455
90	3	270	40,185	472,851	478,521
91	2	182	40,187	473,033	478,584
92	2	184	40,189	473,217	478,645
94	1	94	40,190	473,311	478,763
95	2	190	40,192	473,501	478,821
96	1	96	40,193	473,597	478,877
97	3	291	40,196	473,888	478,932
98	2	196	40,198	474,084	478,984
99	2	198	40,200	474,282	479,034
100	7	700	40,207	474,982	479,082
102	1	102	40,208	475,084	479,164
103	2	206	40,210	475,290	479,204
104	1	104	40,211	475,394	479,242

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
105	3	315	40,214	475,709	479,279
107	1	107	40,215	475,816	479,347
108	4	432	40,219	476,248	479,380
109	1	109	40,220	476,357	479,409
114	1	114	40,221	476,471	479,549
115	2	230	40,223	476,701	479,576
116	1	116	40,224	476,817	479,601
117	1	117	40,225	476,934	479,625
120	2	240	40,227	477,174	479,694
121	1	121	40,228	477,295	479,715
125	1	125	40,229	477,420	479,795
133	1	133	40,230	477,553	479,947
135	1	135	40,231	477,688	479,983
140	1	140	40,232	477,828	480,068
143	2	286	40,234	478,114	480,116
148	1	148	40,235	478,262	480,186
156	1	156	40,236	478,418	480,290
158	1	158	40,237	478,576	480,314
163	1	163	40,238	478,739	480,369
165	1	165	40,239	478,904	480,389
166	1	166	40,240	479,070	480,398
168	1	168	40,241	479,238	480,414
169	1	169	40,242	479,407	480,421
173	1	173	40,243	479,580	480,445
203	1	203	40,244	479,783	480,595
209	1	209	40,245	479,992	480,619
221	1	221	40,246	480,213	480,655
223	1	223	40,247	480,436	480,659
298	1	298	40,248	480,734	480,734
Add Customer Annualization		9	36	71	107.27

	Meter Count	Tier 1 Usage	Tier 2 Usage	Tier 3 Usage
Full Bill	40,257	149,730	313,180	17,931
Prorated Bills	655.03	1,996	3,962	811
	40,912.03	151,726	317,142	18,742

					Total
Revenue Full	$1,992,415.86	$ 253,321.73	$829,549.04	$ 62,999.36	$3,138,285.99
Misc Adjustments					$ (2,234.18)
					$3,136,051.81
PMTUSGRVNR Report + Customer Annualization					$ 1,829,354.43
Difference					$ (1,306,697.38)

Average Customers	3,409
Average Consumption	11,919

Arizona American Water Company
Anthem Water - E1M1C
Unit of Measure = 1000 Gals.

Rate Schedule:	E1M1C				
Description:	Anthem Distco Residential 1.5"				
Monthly Customer Charge:		$97.39			
Tier One	Break Over:	125,000	Gallons	Rate:	$ 2.6157
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 3.3614

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	24	0	24	0	0
1	33	33	57	33	774
2	50	100	107	133	1,515
3	62	186	169	319	2,206
4	86	344	255	663	2,835
5	95	475	350	1,138	3,378
6	72	432	422	1,570	3,826
7	71	497	493	2,067	4,202
8	61	488	554	2,555	4,507
9	47	423	601	2,978	4,751
10	24	240	625	3,218	4,948
11	22	242	647	3,460	5,121
12	18	216	665	3,676	5,272
13	18	234	683	3,910	5,405
14	9	126	692	4,036	5,520
15	7	105	699	4,141	5,626
16	9	144	708	4,285	5,725
17	6	102	714	4,387	5,815
18	3	54	717	4,441	5,899
19	3	57	720	4,498	5,980
20	6	120	726	4,618	6,058
21	5	105	731	4,723	6,130
22	2	44	733	4,767	6,197
23	3	69	736	4,836	6,262
24	4	96	740	4,932	6,324
25	2	50	742	4,982	6,382
26	3	78	745	5,060	6,438
27	6	162	751	5,222	6,491
28	1	28	752	5,250	6,538
29	2	58	754	5,308	6,584
30	1	30	755	5,338	6,628
31	1	31	756	5,369	6,671
33	1	33	757	5,402	6,755
34	1	34	758	5,436	6,796
36	2	72	760	5,508	6,876
39	1	39	761	5,547	6,990
44	1	44	762	5,591	7,175
45	2	90	764	5,681	7,211
47	1	47	765	5,728	7,279
51	1	51	766	5,779	7,411

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
53	2	106	768	5,885	7,475
57	1	57	769	5,942	7,595
61	1	61	770	6,003	7,711
62	1	62	771	6,065	7,739
64	1	64	772	6,129	7,793
70	2	140	774	6,269	7,949
71	1	71	775	6,340	7,973
89	1	89	776	6,429	8,387
92	1	92	777	6,521	8,453
99	1	99	778	6,620	8,600
105	1	105	779	6,725	8,720
108	1	108	780	6,833	8,777
109	1	109	781	6,942	8,795
124	1	124	782	7,066	9,050
131	1	131	783	7,197	9,162
135	1	135	784	7,332	9,222
142	1	142	785	7,474	9,320
156	1	156	786	7,630	9,502
158	1	158	787	7,788	9,526
164	1	164	788	7,952	9,592
166	1	166	789	8,118	9,612
167	1	167	790	8,285	9,621
170	1	170	791	8,455	9,645
180	1	180	792	8,635	9,715
182	1	182	793	8,817	9,727
185	1	185	794	9,002	9,742
186	1	186	795	9,188	9,746
187	1	187	796	9,375	9,749
190	1	190	797	9,565	9,755
231	1	231	798	9,796	9,796

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	798	8,795	1,001
Prorated Bills	49.86	304	(271)
	847.86	9,099	730

				Total
Revenue Full	$82,573.09	$ 23,800.25	$ 2,453.82	$108,827.16
Misc Adjustments				$ (132.60)
				$108,694.56
PMTUSGRVNR Report				$ 68,357.70
Difference				$ (40,336.86)

Average Customers	71
Average Consumption	11,593

Arizona American Water Company
Anthem Water - E1M1D
Unit of Measure = 1000 Gals.

Rate Schedule:	E1M1D				
Description:	Anthem Distco Residential 2"				
Monthly Customer Charge:		$155.83			
Tier One	Break Over:	175,000	Gallons	Rate:	$ 2.6157
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 3.3614

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	13	0	13	0	0
1	1	1	14	1	188
2	1	2	15	3	375
3	6	18	21	21	561
4	4	16	25	37	741
5	4	20	29	57	917
6	5	30	34	87	1,089
7	3	21	37	108	1,256
8	6	48	43	156	1,420
9	2	18	45	174	1,578
10	3	30	48	204	1,734
11	2	22	50	226	1,887
12	1	12	51	238	2,038
13	2	26	53	264	2,188
14	7	98	60	362	2,336
15	7	105	67	467	2,477
16	1	16	68	483	2,611
17	1	17	69	500	2,744
19	1	19	70	519	3,008
24	2	48	72	567	3,663
27	3	81	75	648	4,050
28	1	28	76	676	4,176
34	1	34	77	710	4,926
42	1	42	78	752	5,918
43	1	43	79	795	6,041
52	1	52	80	847	7,139
56	1	56	81	903	7,623
57	1	57	82	960	7,743
62	1	62	83	1,022	8,338
64	1	64	84	1,086	8,574
69	1	69	85	1,155	9,159
75	2	150	87	1,305	9,855
80	1	80	88	1,385	10,425
81	1	81	89	1,466	10,538
82	1	82	90	1,548	10,650
83	1	83	91	1,631	10,761
88	1	88	92	1,719	11,311
89	1	89	93	1,808	11,420
92	1	92	94	1,900	11,744
99	1	99	95	1,999	12,493
100	1	100	96	2,099	12,599
102	1	102	97	2,201	12,809
105	1	105	98	2,306	13,121
107	1	107	99	2,413	13,327
114	1	114	100	2,527	14,041
125	1	125	101	2,652	15,152

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
132	2	264	103	2,916	15,852
134	1	134	104	3,050	16,048
136	1	136	105	3,186	16,242
137	1	137	106	3,323	16,338
139	1	139	107	3,462	16,528
141	1	141	108	3,603	16,716
147	1	147	109	3,750	17,274
149	1	149	110	3,899	17,458
152	1	152	111	4,051	17,731
156	1	156	112	4,207	18,091
157	1	157	113	4,364	18,180
158	1	158	114	4,522	18,268
161	1	161	115	4,683	18,529
162	3	486	118	5,169	18,615
164	1	164	119	5,333	18,781
174	1	174	120	5,507	19,601
182	1	182	121	5,689	20,249
183	1	183	122	5,872	20,329
184	1	184	123	6,056	20,408
185	1	185	124	6,241	20,486
188	2	376	126	6,617	20,717
193	1	193	127	6,810	21,092
196	1	196	128	7,006	21,314
200	1	200	129	7,206	21,606
201	1	201	130	7,407	21,678
207	1	207	131	7,614	22,104
209	1	209	132	7,823	22,244
211	1	211	133	8,034	22,382
212	1	212	134	8,246	22,450
215	1	215	135	8,461	22,651
220	1	220	136	8,681	22,981
221	1	221	137	8,902	23,046
222	1	222	138	9,124	23,110
226	1	226	139	9,350	23,362
229	1	229	140	9,579	23,548
230	1	230	141	9,809	23,609
233	1	233	142	10,042	23,789
249	1	249	143	10,291	24,733
251	1	251	144	10,542	24,849
260	1	260	145	10,802	25,362
261	2	522	147	11,324	25,418
266	1	266	148	11,590	25,688
269	1	269	149	11,859	25,847
282	2	564	151	12,423	26,523
284	1	284	152	12,707	26,623
286	1	286	153	12,993	26,721
296	1	296	154	13,289	27,201
301	1	301	155	13,590	27,436
304	1	304	156	13,894	27,574
311	1	311	157	14,205	27,889
332	1	332	158	14,537	28,813
336	1	336	159	14,873	28,985
346	1	346	160	15,219	29,405
348	1	348	161	15,567	29,487
349	1	349	162	15,916	29,527
359	1	359	163	16,275	29,917
368	1	368	164	16,643	30,259
387	1	387	165	17,030	30,962
398	1	398	166	17,428	31,358
400	1	400	167	17,828	31,428
432	1	432	168	18,260	32,516
435	1	435	169	18,695	32,615
478	1	478	170	19,173	33,991
481	1	481	171	19,654	34,084
491	1	491	172	20,145	34,384
499	1	499	173	20,644	34,616

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
517	1	517	174	21,161	35,120
519	1	519	175	21,680	35,174
524	1	524	176	22,204	35,304
536	1	536	177	22,740	35,604
545	1	545	178	23,285	35,820
550	1	550	179	23,835	35,935
571	1	571	180	24,406	36,397
580	2	1,160	182	25,566	36,586
602	1	602	183	26,168	37,004
623	1	623	184	26,791	37,382
643	1	643	185	27,434	37,722
658	1	658	186	28,092	37,962
666	1	666	187	28,758	38,082
697	1	697	188	29,455	38,516
707	1	707	189	30,162	38,646
711	1	711	190	30,873	38,694
720	1	720	191	31,593	38,793
728	1	728	192	32,321	38,873
754	1	754	193	33,075	39,107
788	1	788	194	33,863	39,379
803	1	803	195	34,666	39,484
810	1	810	196	35,476	39,526
856	1	856	197	36,332	39,756
862	1	862	198	37,194	39,780
890	1	890	199	38,084	39,864
929	1	929	200	39,013	39,942
944	1	944	201	39,957	39,957

	Meter Count	Tier 1 Usage	Tier 2 Usage
Full Bill	201	19,601	20,356
Prorated Bills	3.30	632	81
	204.30	20,233	20,437

				Total
Revenue Full	$31,836.07	$ 52,923.46	$ 68,696.93	$153,456.46
Misc Adjustments				$ (3.40)
				$153,453.06
PMTUSGRVNR Report				$ 92,283.13
Difference				$ (61,169.93)

Average Customers	17
Average Consumption	199,070

Arizona American Water Company
Anthem Water - E1M2A
Unit of Measure = 1000 Gals.

Rate Schedule:	E1M2A				
Description:	Anthem Distco Com 5/8 & 3/4"				
Monthly Customer Charge:		$19.48			
Tier One	Break Over:	10,000	Gallons	Rate:	$ 2.6157
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 3.3614

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	43	0	43	0	0
1	5	5	48	5	25
7	1	7	49	12	145
8	2	16	51	28	164
15	1	15	52	43	283
18	1	18	53	61	331
30	1	30	54	91	511
32	1	32	55	123	539
33	1	33	56	156	552
34	1	34	57	190	564
37	2	74	59	264	597
44	1	44	60	308	660
45	1	45	61	353	668
46	1	46	62	399	675
56	1	56	63	455	735
60	1	60	64	515	755
76	1	76	65	591	819
92	1	92	66	683	867
94	1	94	67	777	871
99	1	99	68	876	876

	Meter Count	Tier 1 Usage	Tier 2 Usage	
Full Bill	68	164	712	
Prorated Bills	2.23	199	(120)	
	70.23	363	592	955

				Total
Revenue Full	$1,368.08	$ 949.50	$ 1,989.95	$4,307.53
Misc Adjustments				$ -
				$4,307.53
PMTUSGRVNR Report				$ 2,878.14
Difference				$ (1,429.39)

Average Customers	6
Average Consumption	13,598

Arizona American Water Company
Anthem Water - E1M2B
Unit of Measure = 1000 Gals.

Rate Schedule:	E1M2B				
Description:	Anthem Distco Com 1"				
Monthly Customer Charge:		$48.70			
Tier One	Break Over:	40,000	Gallons	Rate:	$ 2.6157
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 3.3614

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	6	0	6	0	0
1	7	7	13	7	100
2	4	8	17	15	193
3	4	12	21	27	282
4	3	12	24	39	367
5	3	15	27	54	449
6	3	18	30	72	528
7	2	14	32	86	604
8	4	32	36	118	678
9	4	36	40	154	748
11	2	22	42	176	880
12	2	24	44	200	944
14	2	28	46	228	1,068
17	2	34	48	262	1,248
18	1	18	49	280	1,306
19	1	19	50	299	1,363
20	1	20	51	319	1,419
21	1	21	52	340	1,474
22	2	44	54	384	1,528
24	1	24	55	408	1,632
26	1	26	56	434	1,734
27	1	27	57	461	1,784
30	1	30	58	491	1,931
34	2	68	60	559	2,123
35	2	70	62	629	2,169
36	1	36	63	665	2,213
37	3	111	66	776	2,256
38	1	38	67	814	2,296
39	1	39	68	853	2,335
41	1	41	69	894	2,411
42	1	42	70	936	2,448
43	2	86	72	1,022	2,484
44	2	88	74	1,110	2,518
45	1	45	75	1,155	2,550
46	1	46	76	1,201	2,581
47	1	47	77	1,248	2,611
48	1	48	78	1,296	2,640
49	1	49	79	1,345	2,668
51	2	102	81	1,447	2,722
52	2	104	83	1,551	2,747
53	3	159	86	1,710	2,770
55	1	55	87	1,765	2,810

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
59	1	59	88	1,824	2,886
61	2	122	90	1,946	2,922
62	1	62	91	2,008	2,938
64	1	64	92	2,072	2,968
70	1	70	93	2,142	3,052
72	1	72	94	2,214	3,078
74	1	74	95	2,288	3,102
81	1	81	96	2,369	3,179
102	1	102	97	2,471	3,389
111	1	111	98	2,582	3,470
152	1	152	99	2,734	3,798
164	1	164	100	2,898	3,882
168	1	168	101	3,066	3,906
186	1	186	102	3,252	3,996
189	1	189	103	3,441	4,008
229	1	229	104	3,670	4,128
438	1	438	105	4,108	4,546
446	1	446	106	4,554	4,554

	Meter Count	Tier 1 Usage	Tier 2 Usage	
Full Bill	106	2,335	2,219	
Prorated Bills	6.03	110	1,784	
	112.03	2,445	4,003	6,448

				Total
Revenue Full	$5,455.86	$ 6,395.39	$ 13,455.68	$25,306.93
Misc Adjustments				$ -
				$25,306.93
PMTUSGRVNR Report				$ 15,282.66
Difference				$ (10,024.27)

Average Customers	9
Average Consumption	57,556

Arizona American Water Company
Anthem Water - E1M2C
Unit of Measure = 1000 Gals.

Rate Schedule:	E1M2C				
Description:	Anthem Distco Com 1.5"				
Monthly Customer Charge:		$97.39			
Tier One	Break Over:	109,000	Gallons	Rate:	$ 2.6157
Tier Two	Break Over:	999,999,999	Gallons	Rate:	$ 3.3614

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	19	0	19	0	0
1	24	24	43	24	156
2	13	26	56	50	288
3	5	15	61	65	407
4	6	24	67	89	521
5	3	15	70	104	629
6	6	36	76	140	734
7	4	28	80	168	833
8	1	8	81	176	928
9	3	27	84	203	1,022
10	4	40	88	243	1,113
11	2	22	90	265	1,200
12	5	60	95	325	1,285
13	1	13	96	338	1,365
14	3	42	99	380	1,444
15	1	15	100	395	1,520
17	2	34	102	429	1,670
18	1	18	103	447	1,743
19	1	19	104	466	1,815
24	2	48	106	514	2,170
25	1	25	107	539	2,239
26	1	26	108	565	2,307
27	2	54	110	619	2,374
29	1	29	111	648	2,504
32	1	32	112	680	2,696
33	1	33	113	713	2,759
34	2	68	115	781	2,821
35	4	140	119	921	2,881
36	5	180	124	1,101	2,937
37	2	74	126	1,175	2,988
38	4	152	130	1,327	3,037
39	2	78	132	1,405	3,082
40	1	40	133	1,445	3,125
41	1	41	134	1,486	3,167
42	5	210	139	1,696	3,208
43	2	86	141	1,782	3,244
46	3	138	144	1,920	3,346
49	1	49	145	1,969	3,439
52	1	52	146	2,021	3,529
53	1	53	147	2,074	3,558
56	2	112	149	2,186	3,642

Year 2007

Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
57	1	57	150	2,243	3,668
63	1	63	151	2,306	3,818
75	1	75	152	2,381	4,106
77	1	77	153	2,458	4,152
109	1	109	154	2,567	4,856
111	1	111	155	2,678	4,898
121	1	121	156	2,799	5,098
124	1	124	157	2,923	5,155
129	1	129	158	3,052	5,245
144	1	144	159	3,196	5,500
151	1	151	160	3,347	5,612
180	1	180	161	3,527	6,047
181	1	181	162	3,708	6,061
197	1	197	163	3,905	6,269
202	1	202	164	4,107	6,329
205	1	205	165	4,312	6,362
226	1	226	166	4,538	6,572
232	1	232	167	4,770	6,626
257	1	257	168	5,027	6,826
285	1	285	169	5,312	7,022
382	1	382	170	5,694	7,604
386	1	386	171	6,080	7,624
400	1	400	172	6,480	7,680
412	1	412	173	6,892	7,716
445	1	445	174	7,337	7,782
455	1	455	175	7,792	7,792

	Meter Count	Tier 1 Usage	Tier 2 Usage	
Full Bill	175	4,856	2,936	
Prorated Bills	7.47	520	(266)	
	182.47	5,376	2,670	8,046

				Total
Revenue Full	$17,770.75	$ 14,062.00	$ 8,974.94	$40,807.69
Misc Adjustments				$ (304.30)
				$40,503.39
PMTUSGRVNR Report				$ 25,372.02
Difference				$ (15,131.37)

Average Customers	15
Average Consumption	44,095

APPLICATION
W-01303A-08-0227
SW-01303A-08-0227

Part 1 of 3
BARCODE # 0000084446

To review Part 2 please see:

BARCODE #0000084447

To review Part 3 please see:

BARCODE #0000084448