



0000088044

Transcript Exhibit(s)

Docket #(s): W-01392A-07-0679

AZ CORP COMMISSION
DOCKET CONTROL

2008 AUG 21 P 4: 48

RECEIVED

Exhibit #: A1, B1, B2

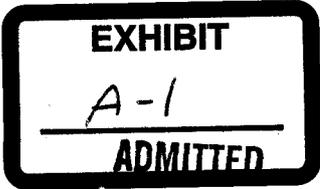
Arizona Corporation Commission

DOCKETED

AUG 21 2008

| | |
|-------------|---|
| DOCKETED BY |  |
|-------------|---|

1 Richard L. Sallquist
Sallquist, Drummond & O'Connor, P.C.
2 4500 South Lakeshore Drive
Suite 339
3 Tempe, Arizona 85282
Phone: (480) 839-5202
4 Fax: (480) 345-0412



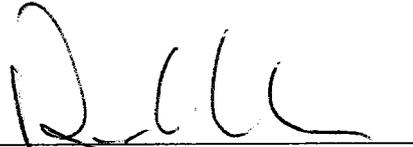
5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7 _____)
8 IN THE MATTER OF THE APPLICATION) DOCKET NO. W-01392A-07-0679
9 OF OAK CREEK WATER COMPANY NO.)
1 FOR A RATE INCREASE.) **NOTICE OF FILING TESTIMONY**
_____)

10
11 Oak Creek Water Company No. 1, by and through its undersigned counsel, hereby
12 provides this Notice of Filing on behalf of the Company of the Rebuttal Testimony of Thomas J.
13 Bourassa in this proceeding.

14 Respectfully submitted this 24th day of July 2008.

15
16 SALLQUIST, DRUMMOND & O'CONNOR, P.C.

17
18 By: 
Richard L. Sallquist
19 SALLQUIST, DRUMMOND & O'CONNOR, P.C.
4500 S. Lakeshore Drive, Suite 339
20 Tempe, AZ 85282

1 Original and fifteen copies of the
2 foregoing filed this 24th day
of July, 2008:

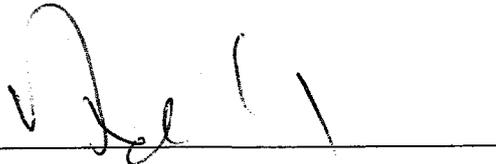
3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

7 Copies of the foregoing Hand Delivered this 24th
8 day of July, 2008 to:

9 Hearing Division
10 Arizona Corporation Commission
11 1200 West Washington
12 Phoenix, Arizona 85007

13 Legal Division
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007

17 Utilities Division
18 Arizona Corporation Commission
19 1200 West Washington
20 Phoenix, Arizona 85007

21
22
23


1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF OAK CREEK
WATER NO. 1 FOR A
DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR
INCREASES IN ITS RATES AND
CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO: W-01392A-07-0679

**REBUTTAL TESTIMONY OF
THOMAS J. BOURASSA**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1
II. RATE BASE.....6
 A. Plant-in-Service.7
 B. Accumulated Depreciation.7
 C. Working Capital.....9
III. INCOME STATEMENT.....9
IV. RATE DESIGN. 17
V. SCHEDULES27

1 I. **INTRODUCTION AND QUALIFICATIONS.**

2 Q. **PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona 85029.

5 Q. **WHAT IS YOUR PROFESSION AND BACKGROUND?**

6 A. I am a Certified Public Accountant and am self-employed, providing consulting
7 services to utility companies as well as general accounting services. I have a B.S.
8 in Chemistry and Accounting from Northern Arizona University (1980) and an
9 M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

10 Q. **COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND
11 REGULATORY EXPERIENCE?**

12 A. Yes. Prior to becoming a private consultant, I was employed by High-Tech
13 Institute, Inc., and served as controller and chief financial officer. Prior to
14 working for High-Tech Institute, I worked as a division controller for the Apollo
15 Group, Inc. Before joining the Apollo Group, I was employed at Kozoman &
16 Kermode, CPAs. In that position, I prepared compilations and other write-up work
17 for water and wastewater utilities, as well as tax returns.

18 In my consulting practice, and for the past 15 years, I have prepared and/or
19 assisted in the preparation of numerous water and wastewater rate applications and
20 testified on behalf of numerous water and wastewater utilities before the Arizona
21 Corporation Commission ("Commission").

22 Q. **HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE
23 INSTANT CASE?**

24 A. No. I assisted Oak Creek Water Company No. 1 ("Oak Creek Water" or
25 "Company") in preparing its initial application. The Company had prepared and
26 submitted a short-form application without testimony which is normally restricted

1 to Class D (gross revenues < \$250,000) and Class E utilities (gross revenues <
2 \$50,000). A short-form application was submitted in an effort to keep rate case
3 expense low - avoiding a more protracted Class C rate case with several rounds of
4 testimony and a hearing. This combined with the fact that the Company is a non-
5 profit corporation and the requested revenues in the case were less than \$350,000,
6 the Company appealed to the Arizona Corporation Commission Staff ("Staff") to
7 accept the short-form and treat the case as a Class D filing. However, while Staff
8 accepted the short-form filing, Staff notified the Company that its case would be
9 treated as a Class C utility filing and a procedural order setting the requirements
10 and time table of a Class C utility was imposed. The Company appreciates Staff's
11 cooperation in working with the Company and accepting its initial short-form
12 application and does not disagree with being treated as a Class C utility.
13 Obviously, some rate case expense savings were realized by the Company.
14 However, as I will discuss later, the estimated rate case expense proposed in the
15 Company's initial application contemplated a Class D rate proceeding and was
16 therefore grossly understated. The Company's rebuttal filing reflects an updated
17 estimate of rate case expense.

18 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

19 A. The Company has asked me to provide rebuttal testimony in response to the direct
20 filings by Arizona Corporation Commission Utilities Division Staff ("Staff") with
21 respect to rate base, revenues and expenses, and rate design.

22 **Q. WHAT IS THE REVENUE INCREASE THAT THE COMPANY IS**
23 **PROPOSING IN THIS REBUTTAL TESTIMONY?**

24 A. The Company is proposing a total revenue requirement of \$339,654, which
25 constitutes an increase in revenues of \$68,057, or 25.10 percent over adjusted Test
26 Year revenues.

1 **Q. HOW DOES THIS COMPARE WITH THE COMPANY'S DIRECT**
2 **FILING?**

3 A. In the direct filing, the Company requested a total revenue requirement of
4 \$343,506, an increase in revenues of \$72,384, or 27.26 percent.

5 **Q. WHY IS THE REQUESTED REVENUE INCREASE LOWER IN THE**
6 **COMPANY'S REBUTTAL FILING?**

7 A. The Company's rebuttal filing reflects the adoption of a number of rate base and
8 operating expense adjustments recommended by Staff. However, the Company is
9 not in agreement with Staff on a number of expense adjustments and has proposed
10 adjustments of its own. Despite some disagreements with Staff, the requested rate
11 base, revenue requirement and rate increase is lower than those in its initial
12 application. Original Cost Rate Base ("OCRB") and Fair Value Rate Base
13 ("FVRB") are reduced by \$41,683 from the direct filing. The adjusted Test Year
14 level of operating expense has been reduced by \$5,276 compared to the Company's
15 direct adjusted Test Year level of operating expense.

16 **Q. PLEASE SUMMARIZE THE PROPOSED REVENUE REQUIREMENTS**
17 **AND RATE INCREASES FOR THE COMPANY AND STAFF AT THIS**
18 **STAGE OF THE PROCEEDING?**

19 A. The proposed revenue requirements and proposed rate increases are as follows:

| | <u>Revenue Requirement</u> | <u>Revenue Incr.</u> | <u>% Increase</u> |
|---------------------|----------------------------|----------------------|-------------------|
| 21 Company-Direct | \$343,506 | \$72,384 | 27.26% |
| 22 Staff | \$316,618 | \$45,631 | 16.83% |
| 23 Company Rebuttal | \$339,654 | \$68,057 | 25.10% |

24 The computation of the gross revenue requirement and rate increase is shown on
25 Rebuttal Schedule A-1.

26 **Q. WHY IS STAFF'S REVENUE REQUIREMENT AND RECOMMENDED**

1 **INCREASE LOWER RELATIVE TO OAK CREEK WATER?**

2 A. The difference in the revenue requirement between Staff and the Company is
3 primarily due to a difference in the level of salaries and wages, repairs and
4 maintenance, office expense, worker's compensation insurance, and rate case
5 expense recommended by each of the parties. The following depicts, in summary,
6 the basis of the difference between Staff and the Company on the primary expense
7 level differences:

8 1. Salaries and Wages - Staff has failed to take into all account known
9 and measurable changes during and since the end of the Test Year and thus fails to
10 reflect an adequate level of expense on a going forward basis. These known and
11 measurable changes include the annualization the wages for an employee hired on
12 August 31, 2007 and annualization of associated health benefits.

13 2. Repairs and Maintenance – Staff averages 6 historical years for this
14 expense. While the Company does not disagree with averaging as a method of
15 normalizing in the instant case, it does believe that the use of 6 historical years
16 does not adequately reflect the going forward amount. The dollar amounts of prior
17 year expenses used by Staff are not adjusted for increases in materials and labor
18 costs which have occurred over the historical years that Staff employs in its
19 average. The Company believes that Staff is not averaging in current dollars which
20 understates the expense on a going forward basis.

21 4. Office Expense – When Staff adjusted Purchased Power expense it
22 failed to recognize that this account also included other office utilities such as gas,
23 sewer, and waste disposal totaling. The Company agrees with Staff on the
24 recommended level of purchased power. However, the Company has reclassified
25 the office utilities cost from purchased power to office expense. While the
26 Company acknowledges that these costs should not have been classified as

1 purchased power, they are never-the-less necessary for the provision of service and
2 should be included in operating expenses.

3 3. Insurance- Health and Life – Staff removed the entire expense
4 amount of \$11,000 from Insurance – Health and Life and subsequently included
5 \$9,000 for employee health insurance in Salaries and Wages. However, Staff
6 failed to recognize that this account also included worker’s compensation insurance
7 costs. Under Staff’s proposed operating expense, workers compensation insurance
8 costs are excluded. The Company believes these cost are necessary for the
9 provision of service and should be included.

10 4. Rate Case Expense - The initial estimate of rate case expense
11 contemplated at short-form Class D rate proceeding. However, the instant case is
12 now a Class C proceeding. Consequently, the Company has increased its request
13 for rate case expense to reflect a longer, more protracted proceeding. Further, the
14 Company does not agree with Staff on a 5 year amortization period. The newly
15 elected Board of Directors expects to file new cases every 3 years. The Company’s
16 direct application recommended a 3 year amortization period. However, as a
17 compromise with Staff the Company proposes a 4 year amortization period.

18 5. Miscellaneous Expense - Staff reduces miscellaneous expense from
19 \$2,189 to \$125. While the Company agrees with Staff that certain disallowed
20 items excluded from miscellaneous expense, the Company believes that other
21 items, including phone book listing fees, dues and fees to utility associations to
22 which the Company is a member, and blue staking fees, are supportable and should
23 be allowed.

24 **Q. THE COMPANY IS STILL SEEKING AN INCREASE IN ITS RATES IN**
25 **THIS PROCEEDING?**

26 A. Yes, and it remains primarily operating expense driven. The Company’s direct

1 filing recommended a 10 percent operating margin. Since the Company is a non-
2 profit, the Company is seeking a 10 percent operating margin rather than a return
3 on rate base. 10 percent is considered the minimum for non-profits before
4 consideration of expected capital improvements and/or related debt service and/or
5 other significant cash expenditures.

6 **Q. WHAT OPERATING MARGIN HAS STAFF RECOMMENDED?**

7 A. 11 percent. Direct Testimony of Darron W. Carlson ("Carlson DT") at 5.

8 **II. RATE BASE.**

9 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**
10 **BASE RECOMMENDATIONS?**

11 A. The rate bases proposed by all parties in the case are as follows:

| | <u>OCRB</u> | <u>FVRB</u> |
|---------------------|-------------|-------------|
| 12 Company-Direct | \$ 507,283 | \$ 507,283 |
| 13 Staff | \$ 461,977 | \$ 461,977 |
| 14 Company Rebuttal | \$ 465,600 | \$ 465,600 |

15
16
17 The Company's rebuttal rate base is shown on rebuttal schedules B-1 and B-2,
18 page 1.

19 **Q. TO WHAT DO YOU ATTRIBUTE THE DECREASE IN RATE BASE**
20 **FROM THE DIRECT FILING TO THE REBUTTAL FILING?**

21 A. The Company has accepted Staff's adjustments to reduce plant-in-service totaling
22 \$5,153. The Company also agrees with Staff to reduce the cash working capital
23 allowance by \$42,335 to zero. The Company is now in agreement with Staff on
24 the balance of plant-in-service and working capital. However, as I will explain
25 later in my testimony, the Company disagrees with Staff's level of accumulated
26 depreciation. The Company's rebuttal rate base adjustments are shown on Rebuttal

1 Schedule B-2, pages 2 through 5.

2 **A. Plant-in-Service.**

3 **Q. PLEASE EXPLAIN THE COMPANY'S REBUTTAL ADJUSTMENTS TO**
4 **PLANT-IN-SERVICE.**

5 A. B-2 adjustment number 1 reduces plant-in-service based on the recommended
6 adjustments by Staff. Staff recommended 7 adjustments¹ to plant-in-service
7 resulting in a net decrease to plant-in-service of \$5,153. *Id.* at 5-8. The Company
8 has accepted all of Staff's recommended adjustments to plant-in-service and as a
9 result both the Company and Staff are in agreement on the adjusted plant-in-service
10 balance of \$1,389,738.

11 **B. Accumulated Depreciation.**

12 **Q. PLEASE EXPLAIN THE COMPANY'S REBUTTAL ADJUSTMENT TO**
13 **ACCUMULATED DEPRECIATION?**

14 A. B-2 rebuttal adjustment number 2 reflects a decrease to accumulated depreciation
15 for \$5,805. The Company's recommended rebuttal accumulated depreciation
16 balance is \$886,569 and is based on the Company's re-computation of accumulated
17 depreciation from the last case through the end of the Test Year as shown on
18 Rebuttal Schedule B-2, pages 4.1 through 4.8. The Company's schedule starts
19 with the plant balance and accumulated depreciation balance adopted in the prior
20 case (Decision 64198). For all subsequent years, the schedule shows all additions
21 and retirements as well as the adjustments, reclassifications and capitalizations
22 recommended by Staff. The appropriate depreciation rates were applied to
23 compute depreciation for each year and the accumulated totals for each year
24 through the end of the Test Year were computed.

25
26 ¹ Staff recommended adjustments A though G as shown on Staff schedule DWC-3. The details of the adjustments are shown on Staff schedules DWC-3A through DWC-3G.

1 **Q. DO THE COMPANY AND STAFF AGREE WITH RESPECT TO THE**
2 **APPROPRIATE DEPRECIATION RATES?**

3 Q. Yes. The rates adopted in the prior case were plant account specific. Staff and the
4 Company continue to propose account specific depreciation rates approved in the
5 prior decision.

6 **Q. WHAT IS STAFF'S RECOMMENDED ADJUSTMENT TO**
7 **ACCUMULATED DEPRECIATION AND THE RESULTING**
8 **ACCUMULATED DEPRECIATION BALANCE?**

9 A. Staff recommends a downward adjustment of \$2,182 with a resulting accumulated
10 depreciation balance of \$890,191.

11 **Q. WHY DOES THE COMPANY'S ACCUMULATED DEPRECIATION**
12 **BALANCE DIFFER FROM STAFF'S RECOMMENDED ACCUMULATED**
13 **DEPRECIATION BALANCE?**

14 A. I have compared Staff's accumulated depreciation balance for each plant account,
15 as shown on Staff Schedule DWC-3H, with the Company's accumulated
16 depreciation balance by plant account, as shown on Company Rebuttal Schedule B-
17 2, page 4.8. The comparison reveals that Staff and the Company are in agreement
18 on all accumulated depreciation balances except for plant account 340.1 Computer
19 Equipment. The Company schedule shows an accumulated depreciation balance
20 of \$6,508 whereas Staff's schedule shows an accumulated depreciation balance of
21 \$10,130 – a difference of 3,622. I believe Staff's balance to be incorrect because
22 Staff has not properly accounted for computer equipment retirements occurring in
23 2003 which would have produced a net reduction to accumulated depreciation of
24 approximately \$3,600. This is due to the fact that the computer equipment was
25 only partially depreciated at the time the plant was retired.

26

1 **C. Working Capital.**

2 **Q. HAVE YOU MADE A REBUTTAL ADJUSTMENT CONCERNING**
3 **WORKING CAPITAL?**

4 A. Yes. While the Company does not agree with Staff's rationale that Class A, B, and
5 C utilities should not be allowed to use the formula method and instead must
6 prepare lead-lag studies to request working capital, it has accepted Staff's
7 adjustment to eliminate issues between the parties. *Id* at 8. Rebuttal Schedule B-2
8 adjustment number 3 reduces working capital to zero.

9 **III. INCOME STATEMENT.**

10 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
11 **ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY**
12 **ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?**

13 A. Yes. The Company rebuttal adjustments are detailed on Rebuttal Schedule C-2,
14 pages 1-17. The rebuttal income statement with adjustments is shown on Rebuttal
15 Schedule C-1, pages 1-2.

16 Rebuttal adjustment 1 annualizes depreciation expense taking into account
17 the changes to plant-in-service from adoption of Staff's plant-in-service
18 adjustments, as discussed above.

19 Rebuttal adjustment 2 annualizes salaries and wages as well as payroll taxes
20 based on known and measurable changes to the Test Year salaries and wages.

21 **Q. WHAT CHANGES HAVE OCCURRED DURING AND SINCE THE END**
22 **OF TEST YEAR?**

23 A. First, an operations manager for the utility was replaced in October 2006. Second,
24 an officer who had some office duties retired at the end of August of 2007. Third,
25 an office manager/bookkeeper was hired at the end of August 2007.

26 **Q. PLEASE EXPLAIN THE COMPANY'S ANNUALIZATION OF SALARIES**

1 **AND WAGES.**

2 A. The Company's annualization starts with the actual wages page in 2007. The
3 operations manager who was replaced in 2006 had no 2007 wages. Thus, only the
4 new operations manager's wages are included in the annualization. The 2007
5 wages of the retired officer, who was paid wages in 2007, was excluded from the
6 annualization. Finally, a full year of wages for the office manager/bookkeeper
7 hired at the end of August of 2007 was included in the annualization. The full year
8 annualization for this employee is required since actual 2007 wages for the office
9 manager/bookkeeper reflected only 4 months of wages.

10 **Q. DID THE COMPANY REQUEST THAT WAGES AND SALARIES BE**
11 **BASED ON ACTUAL 2007 WAGES AND SALARIES AND NOT**
12 **ANNUALIZED WAGES?**

13 A. No, although Staff seems to think so. *Id.* at 10. The initial application of the
14 Company included the annualization of wages and salaries reflecting the changes
15 described above. *See* Company Direct Filing Page 19G.

16 **Q. PLEASE EXPLAIN WHY THE COMPANY'S PROPOSED SALARIES AND**
17 **WAGES EXPENSE IS HIGHER THAN IN ITS INITIAL FILING?**

18 A. Salaries and wages expense is higher by approximately \$13,910. The primary
19 reason for the increase is due to the fact that in the rebuttal filing the Company
20 includes health insurance in salaries and wages to be consistent with Staff. Staff
21 includes \$9,250 of employee health insurance costs. *Id.* at 10. The Company now
22 proposes \$11,400 of employee health insurance costs.

23 **Q. WHAT IS THE DIFFERENCE IN HEALTH INSURANCE COSTS?**

24 A. I believe the difference is primarily due to the fact that the Company's rebuttal
25 proposed amount includes \$2,400 for its office manager/bookkeeper whereas Staff
26 does not.

1 **Q. DID THE COMPANY'S DIRECT FILING INCLUDE HEALTH**
2 **INSURANCE COSTS FOR THE OFFICE MANAGER/BOOKKEEPER?**

3 A. No. In June 2008, the Board of Directors approved health insurance for this
4 employee. While this occurred well after the end of the Test Year it is a known
5 and measurable change and the costs should be included in operating expense. A
6 copy of the Board minutes approving the health insurance benefits will be provided
7 to Staff upon request so it can confirm the change.

8 **Q. ARE THERE ANY OTHER MAJOR REASONS WHY SALARIES AND**
9 **WAGES EXPENSE IS HIGHER?**

10 A. Yes. The annualized wages for the office manager/bookkeeper is higher in the
11 Company's rebuttal filing than in the Company's direct filing by approximately
12 \$2,000. The reason for this is that at the time the Company filed its initial
13 application the individual had worked for a very short period of time and an annual
14 estimate of wages had to be made. The initial estimate was based on the actual
15 hourly wage and an estimate of the number of work hours per week and annualized
16 to a full year. In the rebuttal filing, the annual estimate is based on the 4 months of
17 wages paid in 2007 annualized to a full 12 months. The Company believes the
18 rebuttal amount is a better reflection of the wages for this individual.

19 **Q. BASED ON THE FOUR MONTH OF WAGES IN 2007, HOW MANY**
20 **HOURS PER WEEK DID THE OFFICE MANAGER/BOOKKEEPER WORK**
21 **ON AVERAGE?**

22 A. A little over 27 hours per week. The Company's direct filing estimate
23 contemplated 25 hours per week.

24 **Q. PLEASE CONTINUE YOUR TESTIMONY ON THE COMPANY'S**
25 **PROPOSED OPERATING INCOME ADJUSTMENTS.**

26 A. Rebuttal adjustment number 3 reclassifies \$619 of purchase power expense to

1 office expense. In the Company's initial filing, office utilities such as gas, sewer,
2 and trash removal were classified as purchased power expenses. This adjustment
3 has a net zero impact on operating expenses.

4 **Q. DOES STAFF'S RECOMMENDED OPERATING EXPENSE INCLUDE**
5 **THE COSTS OF OFFICE UTILITIES SUCH AS GAS, SEWER, AND**
6 **TRASH REMOVAL?**

7 A. No. Staff does not propose a similar adjustment. Consequently, Staff's purchased
8 power adjustment, as described above, over adjusts operating expenses.

9 **Q. PLEASE CONTINUE.**

10 A. Rebuttal adjustment number 4 adjusts purchased power to the actual amounts
11 incurred during the Test Year. Staff and the Company are in agreement on the
12 level of purchased power. However, Staff has over adjusted operating expenses
13 because its adjustment did not take into account that expenses for office utilities
14 were included in the purchase power expense. *See* Rebuttal adjustment 3, above.

15 Rebuttal adjustment number 5 reduces repairs and maintenance expense by
16 \$6,997 to an annual level of \$18,721. The Company's proposed level of repairs
17 and maintenance is based on a three year average (2005 to 2007) of cost adjusted
18 expenses. Staff proposes an annual level of \$14,280 based on a six year average
19 (2002 to 2007) of expenses not adjusted for materials and labor cost increases. The
20 Company disagrees with Staff's utilization of a six year average for two reasons.
21 First, Staff averages historical expenses without consideration of increased labor,
22 materials and equipment costs. Thus Staff is averaging apples with oranges, so to
23 speak. If averaging of historical years is used as a method of normalizing an
24 expense, the historical expense should be restated in current dollars otherwise the
25 average result will have a downward bias. If, for example, the six historical years
26 were restated in current dollars and averaged, the result would be \$15,670 rather

1 than the \$14,280 recommended by Staff. Second, the use of six historical years
2 reaches too far into the past and may not reflect more current conditions. While
3 the Company's repairs and maintenance expense has fluctuated over the past few
4 years, the general trend is upward. If, for example, one computes the 6, 5, 4, 3, and
5 2 year averages of the cost adjusted annual expense the results would be \$15,670,
6 \$14,686, \$18,415, and \$20,784, respectively, illustrating this upward trend. This
7 makes sense because the Company's system is aging and is requiring greater
8 amounts of repair and maintenance.

9 **Q. ON WHAT BASIS DID YOU ADJUST HISTORICAL EXPENSES?**

10 A. I developed an annual rate of increase in costs using the Handy-Whitman Index of
11 Public Utility Construction Costs ("Handy-Whitman Index"). An index is a
12 percentage ratio between the cost of an item at any stated time and its cost at a base
13 period. The index numbers include the cost of wages, cost-of-living, material and
14 equipment costs. In the Handy-Whitman Index, index numbers have been
15 developed for water utility construction and are arranged to follow the National
16 Association of Regulatory Commissioners ("NARUC") classifications for plant.
17 The use of index numbers provides a reliable guide to changes in cost. To develop
18 an annual rate of change in costs, I base the computation on a "basket" of NARUC
19 classifications for which cost indices are provided in the Handy-Whitman Index.
20 These include those for the NARUC classifications Structures and Improvement
21 (NARUC 304), Pumping Equipment (NARUC 311), Small Water Treatment
22 Equipment (NARUC 311), Mains - Average All Types (NARUC 331), Meters
23 (NARUC 334), Services (NARUC 333), and Meter installations (NARUC 334).
24 A cost increase factor is computed by dividing the 2007 Handy-Whitman index for
25 each account by the 2004 Handy-Whitman index for each classification. This
26 factor represents the change in costs that have since the end of 2004. The cost

1 increase factor is then converted to an annual compound rate of change (increase)
2 for each classification.

3 As shown on Rebuttal Schedule C-2, page 6.1, for the 2005 to the 2007
4 time-frame, the average rate of increase for the "basket" was slightly over six
5 percent. As shown on Rebuttal Schedule C-2, page 6, the six percent annual rate
6 was then used to restate the repairs and maintenance expense for the years 2005
7 and 2006. Since 2007 was the base period, the repairs and maintenance cost for
8 2007 was left unchanged.

9 **Q. WHY NOT JUST USE THE ANNUAL RATE OF INFLATION AS**
10 **MEASURED BY THE CONSUMER PRICE INDEX OR CPI?**

11 A. Because repairs and maintenance involve "construction-like" costs and annual cost
12 increases are not related to the CPI - which includes prices changes in consumer
13 goods and services. The use of the Handy-Whitman Index as the basis of labor,
14 material, and equipment costs increases is more related to the types of costs
15 recorded in the repairs and maintenance account.

16 **Q. PLEASE CONTINUE WITH YOUR TESTIMONY ON THE OPERATING**
17 **INCOME ADJUSTMENTS.**

18 A. Rebuttal adjustment 6 reduces office expense for capitalized software costs. The
19 Company agrees with Staff's operating income adjustment D. *See* Carlson DT at
20 11.

21 Rebuttal adjustment 7 reduces outside services for capitalized system
22 mapping costs. The Company agrees with Staff's operating income adjustment E.
23 *Id.* at 11.

24 Rebuttal adjustment 8 increases water testing expense to the level of
25 expense recommended by Staff. The Company agrees with Staff's operating
26 income adjustment F. *Id.* at 11.

1 Rebuttal adjustment 9 reduces rents to the level of expense recommended by
2 Staff. The Company agrees with Staff's operating income adjustment G. *Id.* DT at
3 12.

4 Rebuttal adjustment 10 increases transportation expense to reflect the
5 annualized 2006 expense. The Company agrees with Staff to amortize the cost of
6 tires over 3 years, to amortize an auto registration over two years, and to reclassify
7 a travel expense to miscellaneous expense. *Id.* at 12; *See* also Staff Schedule
8 DWC-5H. However, because the cost of gasoline to fuel its vehicles has risen
9 significantly since 2006, the Company proposed to annualize the gallons of
10 gasoline purchased during 2006 to reflect the current price of gasoline. The
11 weighted average cost of a gallon of gasoline in 2006 was \$2.68. A recent inquiry
12 of the least costly gas prices in Sedona showed the lowest prices ranged from \$3.97
13 per gallon to \$4.11 per gallon. The Company's annualization uses \$4.00 per
14 gallon. The Company believes its adjusted Test Year operating expenses should
15 reflect this significant known and measurable cost change.

16 Rebuttal adjustment 11 adjusts general insurance expense to level
17 recommended by Staff. The Company and Staff agree on the level of general
18 insurance expense. *Id.* at 12

19 Rebuttal adjustment 12 reduces insurance – health and life from \$11,000 to
20 \$1,507 – a reduction of \$9,493. The Company's proposed adjustment brings the
21 level of expense down to the annualized cost of worker's compensation insurance.
22 Staff recommended removing the entire \$11,000 the Company proposed in its
23 direct filing and reducing this expense to zero. By not including worker's
24 compensation insurance, a necessary expense, Staff's level of this operating
25 expense is understated.

26 Rebuttal adjustment 13 increases estimated rate case expense. The

1 Company estimated rate case expense in its direct filing was \$10,000. This has
2 been revised to \$25,000. The amortization period has been increased from 3 to 4
3 years. Staff recommends a 5 year amortization period. The Company believes
4 this is too long. The newly elected Board of Directors intends to file every three
5 years. As a compromise, the Company proposes 4 years.

6 **Q. WHY HAS THE COMPANY'S ESTIMATE OF RATE CASE EXPENSE**
7 **INCREASED?**

8 A. The Company's original estimate of rate case expense contemplated a Class D
9 proceeding. In an effort to keep rate case expense low, the Company prepared and
10 requested to be treated as Class D utility for purposes of this rate case. Class D
11 utility rate proceedings are considerably shorter and there is no rebuttal phase and
12 hearing. The Company has engaged an attorney to represent the Company to
13 represent the Company particularly at hearing, to prepare post-hearing briefs and
14 exceptions, if necessary, and to represent the Company at the Open Meeting.

15 **Q. WHAT ARE THE ACTUAL COSTS OF RATE CASE EXPENSE TO**
16 **DATE?**

17 A. Prior to preparation of rebuttal, the Company has incurred approximately \$9,600.
18 With the preparation of the rebuttal filing cost not included in this figure, a hearing,
19 preparation of post hearing brief and ROO exceptions, as well as an open meeting
20 yet to be completed, the Company is on track to meet, and possibly exceed, its
21 rebuttal estimate.

22 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE COMPANY'S**
23 **OPERATING INCOME ADJUSTMENTS.**

24 A. Rebuttal adjustment 14 reduces bad debt expense to the level of expense
25 recommended by Staff. The Company agrees with Staff's operating income
26 adjustment N. *Id.* at 14.

1 Rebuttal adjustment 15 reduces miscellaneous expense. The Company
2 accepts the removal the cost of a Board of Directors dinner, retirement gift, and
3 credit card fees. However, the Company disagrees with Staff to remove
4 “unsubstantiated” costs. See Staff Schedule DWC-50. The Company has
5 provided documentation of costs for telephone book listing fee, want ads,
6 membership dues, and blue stake fees which were part of its proposed
7 miscellaneous expense level in its direct filing. See Rebuttal Schedule C-2, pages
8 16.1 to 16.8.

9 Rebuttal adjustment number 16 reduces property tax expense and reflects
10 the rebuttal proposed revenues. The Company and Staff are in agreement on the
11 method of computing property taxes. This method utilized the ADOR formula and
12 inputs two years of adjusted revenues plus one year of proposed revenues. I
13 computed the property taxes based on the Company’s proposed revenues, and then
14 used the property tax rate that was used in the direct filing. The difference between
15 Staff and the Company on the proposed level of property taxes is due to differences
16 in the party’s respective proposed revenue.

17 **IV. RATE DESIGN.**

18 **Q. PLEASE DESCRIBE THE COMPANY’S CURRENT RATE DESIGN.**

19 **A.** The current design includes an inverted three tier design for all meter sizes and
20 classes. The break-over points for meters are the same regardless of meter size.
21 Multi-unit customers are charged a multiple of the ¾ inch meter monthly minimum
22 for their monthly minimum based on the number of units but subject to the same
23 break-over points as single unit customers. In the Company’s direct filing, the
24 Company did not propose any change to its current rate design.

25
26

1 **Q. DOES THE COMPANY RECOMMEND ANY CHANGES TO THE RATE**
2 **DESIGN AT THIS STAGE OF THE PROCEEDING?**

3 A. Yes. The Company continues to propose an inverted three tier design for the 5/8
4 inch and 3/4 inch meters. For 1 inch and larger meters, the Company now proposes
5 a two tier design. The 1 inch and larger meters break over points are scaled on the
6 flow of a 5/8 inch meter. As I will discuss, the scaling is at half-scale rather than
7 full-scale to make a step towards full-scaling for the next rate case. Half-scaling is
8 used to adhere to the principle of gradualism and to avoid disproportionately
9 impacting the larger meters in the instant case. The present monthly minimums are
10 not scaled which makes an attempt at full-scaling as having a overly heavy impact
11 on the larger metered customers. The Company also proposes a two tier design for
12 Multi-unit customers.

13 The Company continues to propose that the multi-unit customer monthly
14 minimums be a multiple of the 3/4 inch meter monthly minimum. However, the
15 Company also proposes that the break-over points be set by multiplying the
16 number of units times the second tier of the 3/4 inch meter. For example, the
17 proposed 3/4 inch meter break-over points are 4,000 gallons and 10,000 gallons.
18 For six unit multi-unit customer, the break-over point would be 60,000 gallons (6
19 times 10,000 gallons).

20 The Company's present and proposed rates are shown on Rebuttal Schedule
21 H-3, pages 1 and 2.

22 **Q. PLEASE SUMMARIZE THE POSITIONS OF THE PARTIES WITH**
23 **RESPECT TO THE RATE DESIGN.**

24 A. Both Staff and the Company propose the same three tier design as Staff with the
25 same break-over points for residential 5/8 inch and 3/4 inch meters. The three tiers
26 are 1 to 4,000 gallons, 4,001 gallons to 10,000 gallons, and over 10,000 gallons.

1 The Company also proposes this same design for the commercial class 5/8 and 3/4
2 whereas Staff does not. Staff proposes a two tier design for the commercial class.

3 The Company proposes break-over points based on the meter size for 1 inch
4 and larger meters (both residential and commercial) while Staff proposes the same
5 break-over point regardless of meter size (commercial only).

6 **Q. WHY DOES THE COMPANY BELIEVE ITS RATE DESIGN FOR THE 1**
7 **INCH AND LARGER METER SIZES IS MORE APPROPRIATE THAN**
8 **STAFF'S?**

9 A. Staff design is a one size fits all design. Setting break-over points by meter size is
10 more technically correct and this type of rate design has been commonly adopted
11 by this Commission in the past. The principle of setting the break-over points by
12 meter size rests in the fact that the larger meter customers pay higher minimums
13 and should be granted more gallons in the first tier compared to the smaller 5/8 and
14 3/4 inch meters – particularly when the commodity rate is set at the second tier
15 commodity rate of the smaller meters. A one size fits all approach is inherently
16 unfair and rate increases can have disproportionately larger increase on the larger
17 meters.

18 Another reason why the Company believes its rate design is more
19 appropriate is that the design moves the Company gradually towards full-scaling of
20 the monthly minimums and break-over points – a more technically correct way of
21 setting the monthly minimums and break-over points.

22 **Q. PLEASE CONTINUE WITH YOUR SUMMARY OF THE POSITIONS OF**
23 **THE PARTIES WITH RESPECT TO RATE DESIGN.**

24 A. For the multi-unit customers (residential and commercial), both Staff and the
25 Company propose that the monthly minimum be a multiple of the 3/4 inch monthly
26 minimum based on the number of units. Additionally, both Staff and the

1 Company propose two tier rate designs for the multi-unit customers. Where the
2 Company and Staff differ is that Staff sets one break-over point (25,000 gallons)
3 regardless on the number of units – again, a “one size fits all” approach. The
4 Company proposes the break-over points based on the number of units and that the
5 break over point be set by multiplying the number of units times the second tier
6 break-over point of the ¾ inch meter (10,000 gallons).

7 **Q. WHY DOES THE COMPANY BELIEVE THIS IS A MORE**
8 **APPROPRIATE DESIGN THAN STAFF’S?**

9 A. Because the multi-unit customers pay a multiple of the monthly minimum, these
10 customers should also be allowed more gallons in their first tier – similar to the
11 allowing more gallons for the 1 inch and larger meters because of the higher
12 monthly minimum they pay. The Company’s believes its rate design is fairer to
13 customers than Staff’s design.

14 **Q. HOW DOES THE MONTHLY MINIMUMS PROPOSED BY THE**
15 **COMPANY COMPARE TO STAFF’S?**

16 A. Both Staff and the Company propose the same monthly minimum for the 5/8 and ¾
17 inch customers. For the 1 inch and larger meters, the Company proposes to scale
18 the monthly minimum (half-scale) based on the meter flow relative to the 5/8 inch
19 meter. Again, half-scaling is used to adhere to the principle of gradualism and to
20 avoid disproportionately impacting the larger meters in the instant case. While
21 Staff’s proposed monthly minimums for 1 inch and larger meters increase with the
22 size of the meter they do not reflect any logical sense of scaling. For example, a 6
23 inch meter flows at 50 times that of a 5/8 inch meter. Staff monthly minimum for a
24 6 inch meter is only 6.8 times greater than the 5/8 inch monthly minimum.

25 **Q. HOW DID STAFF DERIVE ITS PROPOSED MONTHLY MINIMUMS?**
26

1 A. Staff increased the 5/8 inch and 3/4 inch monthly minimum by 14.29 percent while
2 increasing the 1 inch and larger meter monthly minimum by over 29 percent. This
3 only makes sense if the goal is to disproportionately shift revenues to the larger
4 meters which can imply a fundamentally unfair rate design in that the larger meters
5 end up subsidizing the smaller meters. All customers should pay a fair share of
6 the revenue requirement regardless of meter size and more in tune with the cost of
7 providing service. In Staff's rate design, smaller metered customers are sent the
8 wrong pricing signal.

9 **Q. DO YOU AGREE THAT THE 3/4 INCH METERS SHOULD HAVE THE**
10 **SAME MONTHLY MINIMUM AS THE 5/8 INCH METERS?**

11 A. Ordinarily no. The 3/4 inch meters should generally be scaled on the 5/8 inch meter
12 as are the other size meters. The 3/4 inch meters have a higher potential demand on
13 the water system due to higher flow capacity and accordingly should have a higher
14 minimum charge. However, since the Company does not have any 5/8 inch
15 metered customers and does not anticipate any in the future, there is no reason to
16 set the monthly minimums differently.

17 **Q. DOES STAFF'S DESIGN PROVIDE FOR MORE OR LESS REVENUE**
18 **STABILTY THAN THE COMPANY'S RATE DESIGN?**

19 A. Less. Under Staff's rate design, a much higher proportion of the revenue
20 requirement is generated from the commodity charges. Approximately 34 percent
21 of the Company's revenue requirement (excluding depreciation) is recovered from
22 the monthly minimums under Staff's rate design (66 percent from the commodity
23 charges). The Company's proposed rate design provides for approximately 41
24 percent of the revenue requirement (excluding depreciation) is recovered from the
25 monthly minimums (59 percent from the commodity charges). Less revenue from
26 the monthly minimums (or more revenue from the commodity charges) means less

1 revenue stability and more risk to the Company. In my opinion, the percentage of
2 revenues recovered from the monthly minimums should be at least 40 percent and
3 preferably much higher – particularly for a small utility.

4 **Q. WHY COULDN'T YOU HAVE DESIGNED RATES TO INCREASE THAT**
5 **PERCENTAGE?**

6 A. I could have. However, that would have required increasing the monthly
7 minimums even higher than that proposed and reducing the first tier commodity
8 charge below the current first tier commodity charge. In doing this, the wrong
9 pricing signal would be sent to customers – water is cheaper per 1,000 gallons. I
10 choose to avoid sending the wrong pricing signal particularly in an environment of
11 promoting conservation.

12 **Q. WHAT ARE THE COMPANY'S PRESENT RATES?**

13 A. The present rates for customers (residential, commercial) with a water meter size
14 of:

| | <u>Meter Size</u> | <u>Monthly Minimum</u> | <u>Gallons included in Monthly Minimum</u> |
|----|-----------------------|----------------------------|--|
| 17 | 5/8 | \$ 7.00 | 0 |
| 18 | 3/4 | \$ 7.00 | 0 |
| 19 | 1 | \$ 9.50 | 0 |
| 20 | 1 1/2 | \$ 12.25 | 0 |
| 21 | 2 | \$ 16.00 | 0 |
| 22 | 3 | \$ 22.75 | 0 |
| 23 | 4 | \$ 36.00 | 0 |
| 24 | 6 | \$ 48.00 | 0 |

25
26 For multi-unit customers the monthly minimum is the 3/4 inch monthly

1 minimum times the number of units

2

3 The commodity charges and tiers by meter size are:

| 4 | <u>Meter Size</u> | <u>Tier (gallons)</u> | <u>Charge per 1,000 gallons</u> |
|---|-------------------|-----------------------|---------------------------------|
| 5 | All meters, | 1 to 4,000 | \$ 1.73 |
| 6 | and sizes | 4,001 to 50,000 | \$ 2.12 |
| 7 | | Over 50,000 | \$ 2.39 |

8 The construction meter and standpipe rate is \$2.39 per 1,000 gallons with no
9 minimum monthly charge.

10 **Q. WHAT ARE THE COMPANY'S REBUTTAL PROPOSED RATES?**

11 A. The rebuttal proposed rates for single unit customers (residential, commercial,
12 and irrigation) with a water meter size of:

| 13 | <u>Meter Size</u> | <u>Monthly Minimum</u> | <u>Gallons included in Monthly Minimum</u> |
|----|-------------------|------------------------|--|
| 15 | 5/8 | \$ 9.50 | 0 |
| 16 | 3/4 | \$ 9.50 | 0 |
| 17 | 1 | \$ 11.88 | 0 |
| 18 | 1 1/2 | \$ 23.75 | 0 |
| 19 | 2 | \$ 38.00 | 0 |
| 20 | 3 | \$ 76.00 | 0 |
| 21 | 4 | \$ 118.75 | 0 |
| 22 | 6 | \$ 237.50 | 0 |

23

24 For multi-unit customers the monthly minimum is the 3/4 inch monthly
25 minimum times the number of units

26

1 The commodity charges and tiers by meter size (both residential and
2 commercial) are:

| <u>Meter Size</u> | <u>Tier (gallons)</u> | <u>Charge per 1,000 gallons</u> |
|-------------------|-----------------------|---------------------------------|
| 5/8 and 3/4 Inch | 1 to 4,000 | \$ 1.79 |
| | 4,001 to 10,000 | \$ 2.24 |
| | Over 10,000 | \$ 2.74 |
| 1 Inch | 1 to 12,500 | \$ 2.24 |
| | Over 12,500 | \$ 2.74 |
| 1 1/2 Inch | 1 to 25,000 | \$ 2.24 |
| | Over 25,000 | \$ 2.74 |
| 2 Inch | 1 to 40,000 | \$ 2.24 |
| | Over 40,000 | \$ 2.74 |
| 3 Inch | 1 to 80,000 | \$ 2.24 |
| | Over 80,000 | \$ 2.74 |
| 4 Inch | 1 to 125,000 | \$ 2.24 |
| | Over 125,000 | \$ 2.74 |
| 6 Inch | 1 to 250,000 | \$ 2.24 |
| | Over 250,000 | \$ 2.74 |

20 For proposed multi-unit the break-over point is the second tier of the 3/4 inch
21 meter (10,000 gallons) times the number of units. The multi-unit
22 commodity rate for the first tier is \$2.24 per 1,000 gallons. The multi-unit
23 commodity rate for the second tier is \$2.74 per 1,000 gallons.

24 The proposed construction meter and standpipe rate is \$2.74 per
25 1,000 gallons with minimum monthly charge based on the meter size.

26 **Q. WHAT IS THE IMPACT OF THE RATE INCREASE ON AN**

1 **AVERAGE RESIDENTIAL AND COMMERCIAL ¾ INCH METER**
2 **MONTHLY BILL UNDER THE COMPANY'S RATE DESIGN?**

3 A. The impact of the rate increases under the Company's rates for average
4 users by meter size can be found on Rebuttal Schedule H-2, page 2. A ¾
5 inch metered residential customer using an average of 7,994 gallons per
6 month will experience a rate increase of \$3.26, or 14.55 percent. A ¾ inch
7 metered commercial customer using an average of 12,040 gallons per month
8 will experience a rate increase of \$4.78, or 15.45 percent.

9 **Q. HOW DOES THIS COMPARE TO STAFF'S RATES?**

10 A. The impact of the rate increases under Staff rates for average users by meter
11 size can be found on Rebuttal Schedule H-2, page 3. Under Staff's rates, a
12 ¾ inch metered residential customer using an average of 7,994 gallons per
13 month will experience a rate increase of \$2.10, or 9.4 percent. *See Staff*
14 *Schedule DWC-7.* A ¾ inch metered commercial customer using an
15 average of 12,040 gallons per month will experience a rate increase of
16 \$5.93, or 19.2 percent.

17 **Q. WHAT IS THE IMPACT OF THE RATE INCREASE ON AN**
18 **AVERAGE RESIDENTIAL AND COMMERCIAL 1 INCH AND 1 ½**
19 **INCH METER MONTHLY BILLS UNDER THE COMPANY'S**
20 **RATE DESIGN?**

21 A. A 1 inch metered residential customer using an average of 7,131 gallons per
22 month will experience a rate increase of \$4.83, or 20.93 percent. A 1 1/2
23 inch metered residential customer using an average of 43,348 gallons per
24 month will experience a rate increase of \$27.65, or 26.95 percent.

25 A 1 inch metered commercial customer using an average of 27,283
26 gallons per month will experience a rate increase of \$14.73, or 22.40

1 percent. A 1 1/2 inch metered commercial customer using an average of
2 19,611 gallons per month will experience a rate increase of \$15.51, or 29.67
3 percent.

4 To a certain extent, the higher average monthly bill for the larger
5 meters is a function of scaling the monthly minimum and is unavoidable.

6 **Q. HOW DOES THIS COMPARE TO STAFF'S RATES?**

7 A. Under Staff's rates, a 1 inch metered residential customer using an average
8 of 7,131 gallons per month will experience a rate increase of \$3.50, or 15.2
9 percent. A 1 1/2 inch metered residential customer using an average of
10 43,348 gallons per month will experience a rate increase of \$30.39, or 29.67
11 percent.

12 A 1 inch metered commercial customer using an average of 27,283
13 gallons per month will experience a rate increase of \$12.92, or 19.63
14 percent. A 1 1/2 inch metered commercial customer using an average of
15 19,611 gallons per month will experience a rate increase of \$10.42, or 19.94
16 percent.

17 **Q. ARE STAFF AND THE COMPANY AGREEMENT ON THE COMPANY'S**
18 **PROPOSED MISCELLANEOUS SERVICE CHARGES?**

19 A. Yes.

20 **Q. ARE STAFF AND THE COMPANY IN AGREEMENT ON THE**
21 **COMPANY'S PROPOSED METER AND SERVICE LINE INSTALLATION**
22 **CHARGES?**

23 A. Yes.

24 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY**
25 **REGARDING THE WATER APPLICATION?**

26 A. Yes.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

V. SCHEDULES

Computation of Gross Revenue Increase.....A-1
Summary of Rate Base.....B-1
Original Cost Rate Base Proforma Adjustments.....B-2
Computation of Working Capital.....B-5
Income Statement.....C-1
Adjustments to Revenues and Expenses.....C-2
Computation of Gross Revenue Conversion Factor.....C-3
Revenue Summary.....H-1
Analysis of Revenue By Detailed Class.....H-2
Present and Proposed Rates.....H-3
Bill Comparison – Present and Proposed Rates.....H-4

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Rebuttal Schedule A-1
 Page 1
 Witness: Bourassa

Line
 No.

| | | | | | |
|----|--|--------------------|--------|--|------------|
| 1 | Fair Value Rate Base | | | | \$ 465,600 |
| 2 | | | | | |
| 3 | Adjusted Operating Income | | | | (34,139) |
| 4 | | | | | |
| 5 | Current Rate of Return | | | | N/A |
| 6 | | | | | |
| 7 | Required Operating Income | Operating Margin = | 10.00% | | \$ 33,918 |
| 8 | | | | | |
| 9 | Required Rate of Return on Fair Value Rate Base | | | | N/A |
| 10 | | | | | |
| 11 | Operating Income Deficiency | | | | \$ 68,057 |
| 12 | | | | | |
| 13 | Gross Revenue Conversion Factor | | | | 1.0000 |
| 14 | | | | | |
| 15 | Increase in Gross Revenue | | | | |
| 16 | Requirement | | | | \$ 68,057 |
| 17 | | | | | |
| 18 | Adjusted Test Year Revenues | | | | \$ 271,122 |
| 19 | Revenue Requirement | | | | \$ 339,179 |
| 20 | Proposed % Increase over adjusted Test Year revenues | | | | 25.10% |

| 22 | Customer | | Present | Proposed | Dollar | Percent |
|----|---|-----------|----------------|-------------------|------------------|---------------|
| 23 | Classification | | Rates | Rates | Increase | Increase |
| 24 | <u>(Residential Commercial, Irrigation)</u> | | | | | |
| 26 | 3/4 Inch Residential | \$ | 149,928 | \$ 179,106 | \$ 29,179 | 19.46% |
| 27 | 1 Inch Residential | | 1,067 | 1,290 | 223 | 20.88% |
| 28 | 1 1/2 Inch Residential | | 10,198 | 12,788 | 2,590 | 25.40% |
| 29 | 3/4 Inch Multi-Unit 2 | | 8,950 | 10,915 | 1,965 | 21.95% |
| 30 | 3/4 Inch Multi-Unit 3 | | 2,816 | 3,369 | 553 | 19.63% |
| 31 | 3/4 Inch Multi-Unit 4 | | 6,748 | 8,224 | 1,475 | 21.86% |
| 32 | 3/4 Inch Multi-Unit 5 | | 8,991 | 11,237 | 2,246 | 24.98% |
| 33 | 3/4 Inch Multi-Unit 6 | | 870 | 1,091 | 221 | 25.44% |
| 34 | 3/4 Inch Multi-Unit 7 | | 11,419 | 12,847 | 1,429 | 12.51% |
| 35 | 3/4 Inch Multi-Unit 13 | | 3,310 | 3,733 | 424 | 12.80% |
| 36 | 3/4 Inch Multi-Unit 16 | | 3,974 | 4,464 | 490 | 12.33% |
| 37 | 3/4 Inch Multi-Unit 24 | | 4,267 | 5,020 | 753 | 17.65% |
| 38 | 3/4 Inch Commercial | | 16,089 | 19,474 | 3,384 | 21.03% |
| 39 | 1 Inch Commercial | | 11,208 | 13,730 | 2,522 | 22.50% |
| 40 | 1 1/2 Inch Commercial | | 6,440 | 8,651 | 2,211 | 34.33% |
| 41 | 2 Inch Commercial | | 12,704 | 16,396 | 3,692 | 29.07% |
| 42 | 4 Inch Commercial | | 4,321 | 14,251 | 9,930 | 229.82% |
| 43 | 6 Inch Commercial | | 1,127 | 5,489 | 4,363 | 387.29% |
| 44 | Construction (Standpipe) | | 159 | 563 | 404 | 253.92% |
| 45 | Subtotal | \$ | 264,585 | \$ 332,638 | \$ 68,053 | 25.72% |
| 46 | | | | | | |
| 47 | Other Water Revenues | | 5,755 | 5,755 | - | 0.00% |
| 48 | Bill Count Reconciling Difference | | 782 | | (782) | -100.00% |
| 49 | Total of Water Revenues | \$ | 271,122 | \$ 338,393 | \$ 68,053 | 25.10% |

50
 51 SUPPORTING SCHEDULES:

- 52 Rebuttal B-1
- 53 Rebuttal C-1
- 54 Rebuttal C-3
- 55 Rebuttal H-1

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Summary of Rate Base

Exhibit
 Rebuttal Schedule B-1
 Page 1
 Witness: Bourassa

| Line No. | | <u>Original Cost</u> <u>Rate base</u> | <u>Fair Value</u> <u>Rate Base</u> |
|-------------|-----------------------------------|--|---------------------------------------|
| 1 | | | |
| 2 | Gross Utility Plant in Service | \$ 1,389,738 | \$ 1,389,738 |
| 3 | Less: Accumulated Depreciation | <u>886,569</u> | <u>886,569</u> |
| 4 | | | |
| 5 | Net Utility Plant in Service | \$ 503,170 | \$ 503,170 |
| 6 | | | |
| 7 | <u>Less:</u> | | |
| 8 | Advances in Aid of | | |
| 9 | Construction | 36,289 | 36,289 |
| 10 | Contributions in Aid of | | |
| 11 | Construction | - | - |
| 12 | Accumulated Amortization of CIAC | - | - |
| 13 | | | |
| 14 | Customer Meter Deposits | 1,281 | 1,281 |
| 15 | Deferred Income Taxes & Credits | - | - |
| 16 | Deferred Assets | - | - |
| 17 | | | |
| 18 | | | |
| 19 | <u>Plus:</u> | | |
| 20 | Unamortized Finance Charges | - | - |
| 21 | Material and Supplies Inventories | - | - |
| 22 | Prepayments | - | - |
| 23 | Allowance for Working Capital | - | - |
| 24 | | | |
| 25 | | | |
| 26 | | | |
| 27 | Total Rate Base | <u>\$ 465,600</u> | <u>\$ 465,600</u> |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | <u>SUPPORTING SCHEDULES:</u> | | |
| 32 | Rebuttal B-2 | | |
| 33 | Rebuttal B-5 | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Rebuttal Schedule B-2
 Page 1
 Witness: Bourassa

| Line No. | | Adjusted at End of <u>Test Year</u> | <u>Adjustments</u> | Rebuttal Adjusted at end of <u>Test Year</u> |
|-------------|-----------------------------------|--|--------------------|--|
| 1 | Gross Utility | | | |
| 2 | Plant in Service | \$ 1,394,891 | (5,153) | \$ 1,389,738 |
| 3 | | | | |
| 4 | Less: | | | |
| 5 | Accumulated | | | |
| 6 | Depreciation | 892,373 | (5,805) | 886,569 |
| 7 | | | | |
| 8 | | | | |
| 9 | Net Utility Plant | | | |
| 10 | in Service | \$ 502,518 | \$ 652 | \$ 503,170 |
| 11 | | | | |
| 12 | Less: | | | |
| 13 | Advances in Aid of | | | |
| 14 | Construction | 36,289 | - | 36,289 |
| 15 | | | | |
| 16 | Contributions in Aid of | | | |
| 17 | Construction (CIAC) | - | - | - |
| 18 | | | | |
| 19 | | | | |
| 20 | Accum. Amortization of CIAC | - | - | - |
| 21 | | | | |
| 22 | | | | |
| 23 | Customer Meter Deposits | 1,281 | 0 | 1,281 |
| 24 | Deferred Income Taxes | - | - | - |
| 25 | Investment Tax Credits | - | - | - |
| 26 | | | | |
| 27 | | | | |
| 28 | Plus: | | | |
| 29 | Unamortized Finance Charges | - | - | - |
| 30 | Material and Supplies Inventories | - | - | - |
| 31 | Prepayments | - | - | - |
| 32 | Allowance for Working Capital | 42,335 | (42,335) | - |
| 33 | | | | |
| 34 | | | | |
| 35 | Total | <u>\$ 507,283</u> | <u>\$ (41,683)</u> | <u>\$ 465,600</u> |

41 SUPPORTING SCHEDULES:
 42 Rebuttal B-2, pages 2
 43
 44
 45
 46
 47
 48

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Rebuttal Schedule B-2
 Page 2
 Witness: Bourassa

| Line No. | ADJUSTMENT LABEL--> | 1 | | | 2 | | 3 | | Rebuttal Adjusted at end of Test Year |
|----------|-----------------------------------|------------------------------|-------------------------|--------------------------|--------------------|-------------|-------------|-------------------|---------------------------------------|
| | | Adjusted at End of Test Year | Staff Plant Adjustments | Accumulated Depreciation | Working Capital | | | | |
| 1 | Gross Utility | | | | | | | | |
| 2 | Plant in Service | \$ 1,394,891 | (5,153) | | | | | \$ 1,389,738 | |
| 3 | | | | | | | | | |
| 4 | Less: | | | | | | | | |
| 5 | Accumulated | | | | | | | | |
| 6 | Depreciation | 892,373 | | (5,805) | | | | 886,569 | |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | Net Utility Plant | | | | | | | | |
| 10 | in Service | \$ 502,518 | \$ (5,153) | \$ 5,805 | \$ - | \$ - | \$ - | \$ 503,170 | |
| 11 | | | | | | | | | |
| 12 | Less: | | | | | | | | |
| 13 | Advances in Aid of | | | | | | | | |
| 14 | Construction | 36,289 | | | | | | 36,289 | |
| 15 | | | | | | | | | |
| 16 | Contributions in Aid of | | | | | | | | |
| 17 | Construction (CIAC) | - | | | | | | - | |
| 18 | Accum. Amortization of CIAC | - | | | | | | - | |
| 19 | | | | | | | | | |
| 20 | Customer Meter Deposits | 1,281 | | | | | | 1,281 | |
| 21 | Deferred Income Taxes | - | | | | | | - | |
| 22 | Investment Tax Credits | - | | | | | | - | |
| 23 | | | | | | | | | |
| 24 | Plus: | | | | | | | | |
| 25 | Unamortized Finance | - | | | | | | - | |
| 26 | Charges | - | | | | | | - | |
| 27 | Material and Supplies Inventories | - | | | | | | - | |
| 28 | Prepayments | - | | | | | | - | |
| 29 | Allowance for Working Capital | 42,335 | | | | (42,335) | | - | |
| 30 | | | | | | | | | |
| 31 | Total | \$ 507,283 | \$ (5,153) | \$ 5,805 | \$ (42,335) | \$ - | \$ - | \$ 465,600 | |

32
 33 SUPPORTING SCHEDULES:
 34 Rebuttal B-2, pages 3-7

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Original Cost Rate Base Proforma Adjustments
 Adjustment #1

Exhibit
 Rebuttal Schedule B-2
 Page 3
 Witness: Bourassa

Line

No.

| | | | | | |
|----|---|-----------------------------|--------------------------|-------------------|--|
| 1 | <u>Staff Plant Adjustments</u> | | | | |
| 2 | | | | | |
| 3 | <u>Acct.</u> | <u>Description</u> | <u>Comment/Reference</u> | <u>Amount</u> | |
| 4 | 303 | Land and Land Rights | Staff DWC-3A | \$ (2,073) | |
| 5 | 304 | Structures and Improvements | Staff DWC-3B | 4,358 | |
| 6 | 307 | Wells and Springs | Staff DWC-3C | (7,050) | |
| 7 | 311 | Electric Pumping Equipment | Staff DWC-3D | 959 | |
| 8 | 330 | Distr. And Trans. Mains | Staff DWC-3E | 4,888 | |
| 9 | 334 | Meters | Staff DWC-3F | 1,976 | |
| 10 | 340 | Computer Equipment | Staff DWC-3G | (8,211) | |
| 11 | | | | | |
| 12 | | | | | |
| 13 | | | | | |
| 14 | Total | | | <u>\$ (5,153)</u> | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | Increase (Decrease) to Plant-in-Service | | | <u>\$ (5,153)</u> | |
| 18 | | | | | |
| 19 | | | | | |
| 20 | | | | | |

Oak Creek Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment #2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Line
No.

1

Accumulated Depreciation

3

4

Computed Balance Per Rebuttal Filing

\$ 886,569

5

Accumulated Depreciation Per Direct Filing

892,373

6

7

Difference

\$ (5,805)

8

9

10

Increase (Decrease) to Accumulated Depreciation

\$ (5,805)

11

12

13

14

15

16

17

SUPPORTING SCHEDULES

18

Rebuttal Schedule B-2, Page 4.1 to 4.8

19

20

Oak Creek Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment #3

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Line

No.

| | | | |
|----|--|----|-----------------|
| 1 | <u>Remove Working Capital</u> | | |
| 2 | | | |
| 3 | | | |
| 4 | Working Capital per Direct Filing | \$ | 42,335 |
| 5 | Working Capital Per Rebuttal Filing | | <u>-</u> |
| 6 | | | |
| 7 | Difference | \$ | 42,335 |
| 8 | | | |
| 9 | | | |
| 10 | Increase (Decrease) to Working Capital | \$ | <u>(42,335)</u> |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

Oak Creek Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment #2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Line

No.

| | | |
|----|---|-------------------|
| 1 | | |
| 2 | <u>Accumulated Depreciation</u> | |
| 3 | | |
| 4 | Computed Balance Per Rebuttal Filing | \$ 886,569 |
| 5 | Accumulated Depreciation Per Direct Filing | <u>892,373</u> |
| 6 | | |
| 7 | Difference | <u>\$ (5,805)</u> |
| 8 | | |
| 9 | | |
| 10 | Increase (Decrease) to Accumulated Depreciation | <u>\$ (5,805)</u> |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | <u>SUPPORTING SCHEDULES</u> | |
| 18 | Rebuttal Schedule B-2, Page 4.1 to 4.8 | |
| 19 | | |
| 20 | | |

Oak Creek Water Company
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 4.2

| Account No. | Description | Deprec. Rate Before 10/2001 | Deprec. Rate After 10/2001 | 2001 Plant Additions | 2001 Plant Adjustments | Adjusted Plant Additions | 2001 Plant Retirements | 2001 Plant Balance | 2001 Deprec. |
|-------------|---|-----------------------------|----------------------------|----------------------|------------------------|--------------------------|------------------------|--------------------|--------------|
| 301 | Organization Cost | 0.00% | 0.00% | - | - | - | - | - | - |
| 302 | Franchise Cost | 0.00% | 0.00% | - | - | - | - | 4,276 | - |
| 303 | Land and Land Rights | 0.00% | 0.00% | 437 | - | 437 | - | 15,605 | - |
| 304 | Structures and Improvements | 5.00% | 3.33% | - | - | - | - | 216,622 | 10,228 |
| 307 | Wells and Springs | 5.00% | 3.33% | - | - | - | - | 120,660 | 5,697 |
| 311 | Electric Pumping Equipment | 5.00% | 12.50% | - | - | - | - | 32,359 | 2,022 |
| 320 | Water Treatment Equipment | 5.00% | 3.33% | - | - | - | - | 170,730 | 7,745 |
| 330 | Distribution Reservoirs & Standpipe | 5.00% | 2.22% | - | - | - | - | 616,500 | 27,743 |
| 331 | Transmission and Distribution Mains | 5.00% | 2.00% | - | - | - | - | 13,259 | 626 |
| 333 | Services | 5.00% | 3.33% | 903 | - | 903 | - | 28,310 | 1,548 |
| 334 | Meters | 5.00% | 8.33% | - | - | - | - | 20,337 | 915 |
| 335 | Hydrants | 5.00% | 2.00% | - | - | - | - | - | - |
| 336 | Backflow Prevention Devices | 5.00% | 6.67% | - | - | - | - | - | - |
| 339 | Other Plant and Miscellaneous Equipment | 5.00% | 6.67% | - | - | - | - | 2,491 | 131 |
| 340 | Office Furniture and Fixtures | 5.00% | 6.67% | - | - | - | - | 15,067 | 1,130 |
| 340.1 | Computer Equipment | 5.00% | 20.00% | - | - | - | - | 25,636 | 1,923 |
| 341 | Transportation Equipment | 5.00% | 20.00% | - | - | - | - | - | - |
| 342 | Stores Equipment | 5.00% | 4.00% | - | - | - | - | 2,889 | 144 |
| 343 | Tools and Work Equipment | 5.00% | 5.00% | - | - | - | - | - | - |
| 344 | Laboratory Equipment | 5.00% | 10.00% | - | - | - | - | - | - |
| 345 | Power Operated Equipment | 5.00% | 5.00% | - | - | - | - | 4,957 | 289 |
| 346 | Communications Equipment | 5.00% | 10.00% | - | - | - | - | 1,493 | 87 |
| 347 | Miscellaneous Equipment | 5.00% | 10.00% | - | - | - | - | - | - |
| 348 | Other Tangible Plant | 5.00% | 10.00% | - | - | - | - | - | - |
| | | | | | | | | | |
| | TOTAL WATER PLANT | | | 1,340 | - | 1,340 | - | 1,291,191 | 60,229 |

(a) Depreciation
Staff Accumulated Depreciation Allocated to Plant.
Retirements (excluding land)
Accumulated Depreciation Balance
Half Year Convention used on depreciation

| Account No. | Description | Deprec. Rate Before 10/2001 | Deprec. Rate After 10/2001 | 2002 Plant Additions | 2002 Plant Adjustments | Adjusted Plant Additions | 2002 Plant Retirements | 2002 Plant Balance | 2002 Deprec. |
|-------------|---|-----------------------------|----------------------------|----------------------|------------------------|--------------------------|------------------------|--------------------|--------------|
| 301 | Organization Cost | 0.00% | 0.00% | - | - | - | - | 4,276 | - |
| 302 | Franchise Cost | 0.00% | 0.00% | 935 | - | 935 | - | 16,540 | - |
| 303 | Land and Land Rights | 0.00% | 0.00% | 44 | - | 44 | - | 216,666 | 7,214 |
| 304 | Structures and Improvements | 5.00% | 3.33% | - | - | - | - | 120,660 | 4,018 |
| 307 | Wells and Springs | 5.00% | 3.33% | - | - | - | - | 32,359 | 4,045 |
| 311 | Electric Pumping Equipment | 5.00% | 12.50% | - | - | - | - | - | - |
| 320 | Water Treatment Equipment | 5.00% | 3.33% | - | - | - | - | 170,730 | 3,790 |
| 330 | Distribution Reservoirs & Standpipe | 5.00% | 2.22% | - | - | - | - | 616,500 | 12,330 |
| 331 | Transmission and Distribution Mains | 5.00% | 2.00% | - | - | - | - | 13,464 | 445 |
| 333 | Services | 5.00% | 3.33% | 205 | - | 205 | - | 29,548 | 2,410 |
| 334 | Meters | 5.00% | 8.33% | 1,238 | - | 1,238 | - | 20,337 | 407 |
| 335 | Hydrants | 5.00% | 2.00% | - | - | - | - | - | - |
| 336 | Backflow Prevention Devices | 5.00% | 6.67% | - | - | - | - | - | - |
| 339 | Other Plant and Miscellaneous Equipment | 5.00% | 6.67% | 149 | - | 149 | - | 2,640 | 171 |
| 340 | Office Furniture and Fixtures | 5.00% | 6.67% | - | - | - | - | 15,067 | 3,013 |
| 340.1 | Computer Equipment | 5.00% | 20.00% | - | - | - | - | 25,636 | 5,127 |
| 341 | Transportation Equipment | 5.00% | 20.00% | - | - | - | - | - | - |
| 342 | Stores Equipment | 5.00% | 4.00% | - | - | - | - | - | - |
| 343 | Tools and Work Equipment | 5.00% | 5.00% | 300 | - | 300 | - | 3,189 | 152 |
| 344 | Laboratory Equipment | 5.00% | 10.00% | - | - | - | - | - | - |
| 345 | Power Operated Equipment | 5.00% | 5.00% | - | - | - | - | - | - |
| 346 | Communications Equipment | 5.00% | 10.00% | - | - | - | - | 4,957 | 496 |
| 347 | Miscellaneous Equipment | 5.00% | 10.00% | - | - | - | - | 1,493 | 149 |
| 348 | Other Tangible Plant | 5.00% | 10.00% | - | - | - | - | - | - |
| | | | | 2,871 | - | 2,871 | - | 1,294,062 | 43,767 |

TOTAL WATER PLANT

| | |
|--|---------|
| Depreciation | 43,767 |
| Staff Accumulated Depreciation Allocated to Plant. | - |
| Retirements (excluding land) | - |
| Accumulated Depreciation Balance | 729,931 |
| Half Year Convention used on depreciation | - |

| Account No. | Description | Deprec. Rate Before 10/2001 | Deprec. Rate After 10/2001 | 2003 Plant | | Accepted Staff Adjmts 2003 Plant | | 2003 Plant | | 2003 Deprec. |
|-------------|---|-----------------------------|----------------------------|------------|-------------|----------------------------------|-------------|-------------|-----------|--------------|
| | | | | Additions | Adjustments | Additions | Adjustments | Retirements | Balance | |
| 301 | Organization Cost | 0.00% | 0.00% | | | | | | 4,276 | - |
| 302 | Franchise Cost | 0.00% | 0.00% | 197 | | | | | 16,737 | - |
| 303 | Land and Land Rights | 0.00% | 0.00% | | | | | | 218,858 | 7,251 |
| 304 | Structures and Improvements | 5.00% | 3.33% | 30 | 2,162 | 2,192 | | | 120,660 | 4,018 |
| 307 | Wells and Springs | 5.00% | 3.33% | 7,050 | (7,050) | | | | 46,089 | 4,903 |
| 311 | Electric Pumping Equipment | 5.00% | 12.50% | 13,730 | | 13,730 | | | | - |
| 320 | Water Treatment Equipment | 5.00% | 3.33% | | 4,888 | 4,888 | | | 175,618 | 3,844 |
| 330 | Distribution Reservoirs & Standpipe | 5.00% | 2.22% | | | | | | 616,500 | 12,330 |
| 331 | Transmission and Distribution Mains | 5.00% | 2.00% | | | | | | 15,557 | 483 |
| 333 | Services | 5.00% | 3.33% | 2,093 | | 2,093 | | | 33,424 | 2,623 |
| 334 | Meters | 5.00% | 8.33% | 3,876 | | 3,876 | | | 20,337 | 407 |
| 335 | Hydrants | 5.00% | 2.00% | | | | | | | - |
| 336 | Backflow Prevention Devices | 5.00% | 6.67% | | | | | | | - |
| 339 | Other Plant and Miscellaneous Equipment | 5.00% | 6.67% | | | | | | 2,640 | 176 |
| 340 | Office Furniture and Fixtures | 5.00% | 6.67% | | | | | | 11,391 | 2,846 |
| 340.1 | Computer Equipment | 5.00% | 20.00% | 18,826 | (7,435) | 11,391 | | (15,067) | 25,636 | 5,127 |
| 341 | Transportation Equipment | 5.00% | 20.00% | | | | | | | - |
| 342 | Stores Equipment | 5.00% | 4.00% | | | | | | 3,641 | 171 |
| 343 | Tools and Work Equipment | 5.00% | 5.00% | 452 | | 452 | | | | - |
| 344 | Laboratory Equipment | 5.00% | 10.00% | | | | | | | - |
| 345 | Power Operated Equipment | 5.00% | 5.00% | | | | | | 4,957 | 496 |
| 346 | Communications Equipment | 5.00% | 10.00% | | | | | | 1,493 | 149 |
| 347 | Miscellaneous Equipment | 5.00% | 10.00% | | | | | | | - |
| 348 | Other Tangible Plant | 5.00% | 10.00% | | | | | | | - |
| | | | | 46,254 | (7,435) | 38,819 | | (15,067) | 1,317,814 | 44,624 |

TOTAL WATER PLANT

| | | |
|-----|--|----------|
| (a) | Depreciation | 44,624 |
| | Staff Accumulated Depreciation Allocated to Plant. | (15,067) |
| | Retirements (excluding land) | 759,488 |
| | Accumulated Depreciation Balance | |
| | Half Year Convention used on depreciation | |

Oak Creek Water Company
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 4.6

| Account No. | Description | Deprec. Rate Before 10/2001 | Deprec. Rate After 10/2001 | 2005 Plant | | 2005 Plant | | 2005 Plant | | 2005 Deprec. |
|-------------|---|-----------------------------|----------------------------|------------|-------------|-------------|-------------|------------|---|--------------|
| | | | | Additions | Adjustments | Adjustments | Retirements | Balance | | |
| 301 | Organization Cost | 0.00% | 0.00% | - | - | - | - | - | - | - |
| 302 | Franchise Cost | 0.00% | 0.00% | - | - | - | - | 4,276 | - | - |
| 303 | Land and Land Rights | 0.00% | 0.00% | 138 | - | - | - | 17,068 | - | - |
| 304 | Structures and Improvements | 5.00% | 3.33% | - | - | - | - | 218,858 | - | 7,288 |
| 307 | Wells and Springs | 5.00% | 3.33% | - | - | - | - | 120,660 | - | 4,018 |
| 311 | Electric Pumping Equipment | 5.00% | 12.50% | - | - | - | - | 57,346 | - | 7,168 |
| 320 | Water Treatment Equipment | 5.00% | 3.33% | - | - | - | - | - | - | - |
| 330 | Distribution Reservoirs & Standpipe | 5.00% | 2.22% | - | - | - | - | 175,618 | - | 3,899 |
| 331 | Transmission and Distribution Mains | 5.00% | 2.00% | - | - | - | - | 616,500 | - | 12,330 |
| 333 | Services | 5.00% | 3.33% | - | - | - | - | 15,557 | - | 518 |
| 334 | Meters | 5.00% | 8.33% | 723 | - | - | - | 34,934 | - | 2,880 |
| 335 | Hydrants | 5.00% | 3.33% | - | - | - | - | 20,337 | - | 407 |
| 336 | Backflow Prevention Devices | 5.00% | 2.00% | - | - | - | - | - | - | - |
| 339 | Other Plant and Miscellaneous Equipment | 5.00% | 6.67% | - | - | - | - | 2,818 | - | 188 |
| 340 | Office Furniture and Fixtures | 5.00% | 6.67% | - | - | - | - | 12,402 | - | 2,480 |
| 340.1 | Computer Equipment | 5.00% | 20.00% | - | - | - | - | 25,636 | - | - |
| 341 | Transportation Equipment | 5.00% | 20.00% | - | - | - | - | - | - | - |
| 342 | Stores Equipment | 5.00% | 4.00% | - | - | - | - | 3,641 | - | 182 |
| 343 | Tools and Work Equipment | 5.00% | 5.00% | - | - | - | - | - | - | - |
| 344 | Laboratory Equipment | 5.00% | 10.00% | - | - | - | - | - | - | - |
| 345 | Power Operated Equipment | 5.00% | 5.00% | - | - | - | - | - | - | - |
| 346 | Communications Equipment | 5.00% | 10.00% | 81 | - | - | - | 5,038 | - | 500 |
| 347 | Miscellaneous Equipment | 5.00% | 10.00% | - | - | - | - | 1,493 | - | 149 |
| 348 | Other Tangible Plant | 5.00% | 10.00% | - | - | - | - | - | - | - |
| | | | | 942 | - | - | - | 1,332,182 | - | 42,007 |

TOTAL WATER PLANT

| | |
|--|---------|
| Depreciation | 42,007 |
| Staff Accumulated Depreciation Allocated to Plant. | - |
| Retirements (excluding land) | - |
| Accumulated Depreciation Balance | 843,455 |
| Half Year Convention used on depreciation | - |

(a)

Oak Creek Water Company
Test Year Ended December 31, 2006
Original Cost Rate Base Proforma Adjustments
Adjustment #3

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Line

No.

| | | | |
|----|--|----|-----------------|
| 1 | <u>Remove Working Capital</u> | | |
| 2 | | | |
| 3 | | | |
| 4 | Working Capital per Direct Filing | \$ | 42,335 |
| 5 | Working Capital Per Rebuttal Filing | | <u>-</u> |
| 6 | | | |
| 7 | Difference | \$ | 42,335 |
| 8 | | | |
| 9 | | | |
| 10 | Increase (Decrease) to Working Capital | \$ | <u>(42,335)</u> |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

Oak Creek Water Company
Test Year Ended December 31, 2006
Computation of Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

Line
No.

| | | | |
|----|---|----|----------|
| 1 | Cash Working Capital (1/8 of Allowance | | |
| 2 | Operation and Maintenance Expense) | \$ | 26,024 |
| 3 | Pumping Power (1/24 of Pumping Power) | | - |
| 4 | Purchased Water Treatment (1/24 of Purchased Water) | | 1,737 |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | Total Working Capital Allowance Rebuttal | \$ | 27,760 |
| 10 | | | |
| 11 | Total Working Capital Allowance Requested | \$ | - |
| 12 | | | |
| 13 | Working Capital per Direct Filing | \$ | 42,335 |
| 14 | | | |
| 15 | Increase (Decrease) in Working Capital | \$ | (42,335) |

16
17
18
19
20

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

Rebuttal B-1

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Income Statement

Exhibit
 Rebuttal Schedule C-1
 Page 1
 Witness: Bourassa

| Line No. | | Adjusted Book Results | Adjustments | Rebuttal Adjusted Results | Proposed Rate Increase | Adjusted with Rate Increase |
|----------|-------------------------------------|-----------------------|-------------------|---------------------------|------------------------|-----------------------------|
| 1 | Revenues | | | | | |
| 2 | Metered Water Revenues | \$ 265,367 | \$ - | \$ 265,367 | \$ 68,057 | \$ 333,424 |
| 3 | Unmetered Water Revenues | - | - | - | | - |
| 4 | Other Water Revenues | 5,755 | - | 5,755 | | 5,755 |
| 5 | | <u>\$ 271,122</u> | <u>\$ -</u> | <u>\$ 271,122</u> | <u>\$ 68,057</u> | <u>\$ 339,179</u> |
| 6 | Operating Expenses | | | | | |
| 7 | Salaries and Wages | \$ 126,054 | 13,910 | \$ 139,964 | | \$ 139,964 |
| 8 | Purchased Water | - | - | - | | - |
| 9 | Purchased Power | 42,391 | (713) | 41,678 | | 41,678 |
| 10 | Chemicals | - | - | - | | - |
| 11 | Water Treatment | - | - | - | | - |
| 12 | Repairs and Maintenance | 25,698 | (6,977) | 18,721 | | 18,721 |
| 13 | Office Supplies and Expense | 9,698 | 401 | 10,099 | | 10,099 |
| 14 | Outside Services | 7,116 | (2,196) | 4,920 | | 4,920 |
| 15 | Water Testing | 2,481 | 928 | 3,409 | | 3,409 |
| 16 | Rents | 75 | (75) | - | | - |
| 17 | Transportation Expenses | 5,135 | 92 | 5,227 | | 5,227 |
| 18 | Insurance - General Liability | 6,306 | (983) | 5,323 | | 5,323 |
| 19 | Insurance - Health & Life | 11,000 | (9,493) | 1,507 | | 1,507 |
| 20 | Reg. Commission Expense | 3,333 | 2,917 | 6,250 | | 6,250 |
| 21 | Miscellaneous Expense | 2,189 | (772) | 1,417 | | 1,417 |
| 22 | Depreciation | 45,266 | (1,339) | 43,928 | | 43,928 |
| 23 | Taxes Other Than Income | 11,442 | (598) | 10,844 | | 10,844 |
| 24 | Property Taxes | 11,540 | (76) | 11,464 | | 11,464 |
| 25 | Bad Debt Expense | 811 | (302) | 509 | | 509 |
| 26 | Income Tax | - | - | - | | - |
| 27 | | | | | | |
| 28 | Total Operating Expenses | <u>\$ 310,537</u> | <u>\$ (5,276)</u> | <u>\$ 305,261</u> | <u>\$ -</u> | <u>\$ 305,261</u> |
| 29 | Operating Income | <u>\$ (39,414)</u> | <u>\$ 5,276</u> | <u>\$ (34,139)</u> | <u>\$ 68,057</u> | <u>\$ 33,918</u> |
| 30 | Other Income (Expense) | | | | | |
| 31 | Interest Income | 16,501 | | 16,501 | | 16,501 |
| 32 | Other income | - | | - | | - |
| 33 | Interest Expense | - | | - | | - |
| 34 | Other Expense | (91) | | (91) | | (91) |
| 35 | | | | | | |
| 36 | Total Other Income (Expense) | <u>\$ 16,410</u> | <u>\$ -</u> | <u>\$ 16,410</u> | <u>\$ -</u> | <u>\$ 16,410</u> |
| 37 | Net Profit (Loss) | <u>\$ (23,004)</u> | <u>\$ 5,276</u> | <u>\$ (17,729)</u> | <u>\$ 68,057</u> | <u>\$ 50,328</u> |

41 SUPPORTING SCHEDULES:
 42 Rebuttal C-1, Page 2
 43 Rebuttal C-2

RECAP SCHEDULES:
 Rebuttal A-1

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Income Statement

Exhibit
 Rebuttal Schedule C-1
 Page 2
 Witness: Bourassa

| Line No. | ADJUSTMENT LABEL--> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | Rebuttal Adjusted Results |
|----------|-------------------------------|-------------|------------------|-----------------|-------------------------|-------------------------|----------------------------|----------------------------|---------------|---------|-------------|-------------------|---------------|-------------------|-----------|-------------|----------------|---------------------------|
| | | Depr. | Salaries & Wages | Reclass Expense | Purchased Power Expense | Repairs and Maintenance | Capitalize Office Supplies | Capitalize Mapping Expense | Water Testing | Rents | Trans. Exp. | General Insurance | W/C Insurance | Rate Case Expense | Bad Debts | Misc. Taxes | Property Taxes | |
| 1 | Revenues | | | | | | | | | | | | | | | | | \$ 265,367 |
| 2 | Metered Water Revenues | | | | | | | | | | | | | | | | | - |
| 3 | Unmetered Water Revenues | | 13,910 | | | | | | | | | | | | | | | - |
| 4 | Other Water Revenues | | | | | | | | | | | | | | | | | 5,755 |
| 5 | | \$ 271,122 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 271,122 |
| 6 | Operating Expenses | | | | | | | | | | | | | | | | | \$ 139,964 |
| 7 | Salaries and Wages | | | | | | | | | | | | | | | | | - |
| 8 | Purchased Water | | | | (619) | | | | | | | | | | | | | 41,678 |
| 9 | Purchased Power | | | | | | | | | | | | | | | | | - |
| 10 | Chemicals | | | | | | | | | | | | | | | | | - |
| 11 | Water Treatment | | | | | | | | | | | | | | | | | - |
| 12 | Repairs and Maintenance | | | | | (6,977) | | | | | | | | | | | | 18,721 |
| 13 | Office Supplies and Expense | | | 619 | | | (218) | | | | | | | | | | | 10,099 |
| 14 | Outside Services | | | | | | | | | | | | | | | | | 4,920 |
| 15 | Water Testing | | | | | | | | 928 | | | | | | | | | 3,409 |
| 16 | Rents | | | | | | | | | (75) | | | | | | | | - |
| 17 | Transportation Expenses | | | | | | | | | | 92 | | | | | | | 5,227 |
| 18 | Insurance - General Liability | | | | | | | | | | | (983) | | | | | | 5,323 |
| 19 | Insurance - Health & Life | | | | | | | | | | | | (9,493) | | | | | 1,507 |
| 20 | Reg. Commission Expense | | | | | | | | | | | | | 2,917 | | | | 6,250 |
| 21 | Miscellaneous Expense | | | | | | | | | | | | | | | | | 1,417 |
| 22 | Depreciation | (1,339) | | | | | | | | | | | | | | | | 43,928 |
| 23 | Taxes Other Than Income | | (598) | | | | | | | | | | | | | | | 10,844 |
| 24 | Property Taxes | | | | | | | | | | | | | | | | | 11,464 |
| 25 | Bad Debt Expense | | | | | | | | | | | | | | (302) | | (76) | 509 |
| 26 | Income Tax | | | | | | | | | | | | | | | | | - |
| 27 | | | | | | | | | | | | | | | | | | - |
| 28 | Total Operating Expenses | \$ 310,537 | \$ 13,313 | \$ - | \$ (94) | \$ (6,977) | \$ (218) | \$ (2,196) | \$ 928 | \$ (75) | \$ 92 | \$ (983) | \$ (9,493) | \$ 2,917 | \$ (302) | \$ (772) | \$ (76) | \$ 305,261 |
| 29 | Operating Income | \$ (39,414) | \$ 1,339 | \$ - | \$ 94 | \$ 6,977 | \$ 218 | \$ 2,196 | \$ (928) | \$ 75 | \$ (92) | \$ 983 | \$ 9,493 | \$ (2,917) | \$ 302 | \$ 772 | \$ 76 | \$ (34,139) |
| 30 | Other Income (Expense) | | | | | | | | | | | | | | | | | 16,501 |
| 31 | Interest Income | | | | | | | | | | | | | | | | | - |
| 32 | Other Income | | | | | | | | | | | | | | | | | - |
| 33 | Interest Expense | | | | | | | | | | | | | | | | | - |
| 34 | Other Expense | | | | | | | | | | | | | | | | | (91) |
| 35 | | | | | | | | | | | | | | | | | | - |
| 36 | Total Other Income (Expense) | \$ 16,410 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 16,410 |
| 37 | Net Profit (Loss) | \$ (23,004) | \$ (13,313) | \$ - | \$ 94 | \$ 6,977 | \$ 218 | \$ 2,196 | \$ (928) | \$ 75 | \$ (92) | \$ 983 | \$ 9,493 | \$ (2,917) | \$ 302 | \$ 772 | \$ 76 | \$ (17,729) |

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Adjustments to Revenues and Expenses

Exhibit
 Rebuttal Schedule C-2
 Page 1
 Witness: Bourassa

| Line No. | Adjustments to Revenues and Expenses | | | | | | Subtotal | |
|----------|--------------------------------------|--------------------------------------|-------------------------|------------------------|--------------------------------|---------------------------------|------------------------------------|-----------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | | |
| 1 | | | | | | | | |
| 2 | <u>Depreciation</u> | <u>Salaries & Wages</u> | <u>Reclass Expense</u> | <u>Purchased Power</u> | <u>Repairs and Maintenance</u> | <u>Office Expense</u> | | |
| 3 | Revenues | | | | | | - | |
| 4 | | | | | | | | |
| 5 | Expenses | (1,339) | 13,313 | - | (94) | (6,977) | 4,685 | |
| 6 | | | | | | | | |
| 7 | Operating | | | | | | | |
| 8 | Income | 1,339 | (13,313) | - | 94 | 6,977 | (4,685) | |
| 9 | | | | | | | | |
| 10 | Interest | | | | | | - | |
| 11 | Expense | | | | | | - | |
| 12 | Other | | | | | | - | |
| 13 | Income / | | | | | | - | |
| 14 | Expense | | | | | | - | |
| 15 | | | | | | | | |
| 16 | Net Income | 1,339 | (13,313) | - | 94 | 6,977 | (4,685) | |
| 17 | | | | | | | | |
| 18 | | Adjustments to Revenues and Expenses | | | | | | |
| 19 | | 7 | 8 | 9 | 10 | 11 | 12 | |
| 20 | | <u>Mapping Invoice</u> | <u>Water Testing</u> | <u>Rents</u> | <u>Transportation Expense</u> | <u>General Insurance</u> | <u>Insurance Health & Life</u> | <u>Subtotal</u> |
| 21 | | | | | | | | |
| 22 | Revenues | | | | | | - | |
| 23 | | | | | | | | |
| 24 | Expenses | (2,196) | 928 | (75) | 92 | (983) | (7,042) | |
| 25 | | | | | | | | |
| 26 | Operating | | | | | | | |
| 27 | Income | 2,196 | (928) | 75 | (92) | 983 | 7,042 | |
| 28 | | | | | | | | |
| 29 | Interest | | | | | | - | |
| 30 | Expense | | | | | | - | |
| 31 | Other | | | | | | - | |
| 32 | Income / | | | | | | - | |
| 33 | Expense | | | | | | - | |
| 34 | | | | | | | | |
| 35 | Net Income | 2,196 | (928) | 75 | (92) | 983 | 7,042 | |
| 36 | | | | | | | | |
| 37 | | Adjustments to Revenues and Expenses | | | | | | |
| 38 | | 13 | 14 | 15 | 16 | 17 | 18 | |
| 39 | | <u>Rate Case Expense</u> | <u>Bad Debt Expense</u> | <u>Misc. Expense</u> | <u>Property Taxes</u> | <u>Intentionally Left Blank</u> | <u>Intentionally Left Blank</u> | <u>Total</u> |
| 40 | | | | | | | | |
| 41 | Revenues | | | | | | - | |
| 42 | | | | | | | | |
| 43 | Expenses | 2,917 | (302) | (772) | (76) | | (5,276) | |
| 44 | | | | | | | | |
| 45 | Operating | | | | | | | |
| 46 | Income | (2,917) | 302 | 772 | 76 | - | 5,276 | |
| 47 | | | | | | | | |
| 48 | Interest | | | | | | - | |
| 49 | Expense | | | | | | - | |
| 50 | Other | | | | | | - | |
| 51 | Income / | | | | | | - | |
| 52 | Expense | | | | | | - | |
| 53 | | | | | | | | |
| 54 | Net Income | (2,917) | 302 | 772 | 76 | - | 5,276 | |

| Line No. | Account No. | Description | Direct Adjusted Original Cost | Staff Adjustments | Rebuttal Adjusted Original Cost | Proposed Rates | Depreciation Expense |
|----------|-------------|---|-------------------------------|-------------------|---------------------------------|----------------|----------------------|
| 1 | | <u>Depreciation Expense</u> | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | 301 | Organization | 4,276 | | 4,276 | 0.00% | - |
| 5 | 302 | Franchises | 17,241 | | 15,168 | 0.00% | - |
| 6 | 303 | Land and Land Rights | 266,594 | (2,073) | 270,952 | 3.33% | 9,023 |
| 7 | 304 | Structures and Improvements | 127,710 | (7,050) | 120,660 | 3.33% | 4,018 |
| 8 | 307 | Wells and Springs | 60,497 | 959 | 61,456 | 12.50% | 7,682 |
| 9 | 311 | Pumping Equipment | - | | - | 3.33% | - |
| 10 | 320 | Water Treatment Equipment | 170,730 | 4,888 | 175,618 | 2.22% | 3,899 |
| 11 | 330 | Distribution Reservoirs and Standpipes | 616,500 | | 616,500 | 2.00% | 12,330 |
| 12 | 331 | Transmission and Distrib. Mains | 15,557 | | 15,557 | 3.33% | 518 |
| 13 | 333 | Services | 35,927 | 1,976 | 37,903 | 8.33% | 3,157 |
| 14 | 334 | Meters and Meter Installations | 20,337 | | 20,337 | 2.00% | 407 |
| 15 | 335 | Hydrants | - | | - | 6.67% | - |
| 16 | 336 | Backflow Prevention Devices | - | | - | 6.67% | - |
| 17 | 339 | Other Plant and Misc. Equipment | 2,818 | | 2,818 | 6.67% | 188 |
| 18 | 340 | Office Furniture and Equipment | 20,831 | | 12,620 | 20.00% | 2,524 |
| 19 | 340.1 | Computer Equipment | 25,636 | (8,211) | 25,636 | 20.00% | - |
| 20 | 341 | Transportation Equipment | - | | - | 4.00% | - |
| 21 | 342 | Stores Equipment | 3,641 | | 3,641 | 5.00% | 182 |
| 22 | 343 | Tools, Shop and Garage Equipment | - | | - | 10.00% | - |
| 23 | 344 | Laboratory Equipment | - | | - | 5.00% | - |
| 24 | 345 | Power Operated Equipment | 5,103 | | 5,103 | 10.00% | - |
| 25 | 346 | Communication Equipment | 1,493 | | 1,493 | 10.00% | - |
| 26 | 347 | Miscellaneous Equipment | - | | - | 10.00% | - |
| 27 | 348 | Other Tangible Plant | - | | - | - | - |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |
| 31 | | | | | | | |
| 32 | | | | | | | |
| 33 | | | | | | | |
| 34 | | TOTALS | \$ 1,394,891 | \$ (5,153) | \$ 1,389,738 | | \$ 43,928 |
| 35 | | | | | | | |
| 36 | | | | | | | |
| 37 | | Adjusted Test Year Depreciation Expense Rebuttal Filing | | | | | \$ 43,928 |
| 38 | | Adjusted Test Year Depreciation Expense Direct Filing | | | | | 45,266 |
| 39 | | | | | | | |
| 40 | | Increase (decrease) in Depreciation Expense | | | | | \$ (1,339) |
| 41 | | | | | | | |
| 42 | | Adjustment to Revenues and/or Expenses | | | | | \$ (1,339) |

Oak Creek Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

| Line No. | | | |
|-------------|---|-----------|------------------|
| 1 | <u>Salaries and Wages</u> | | |
| 2 | | | |
| 3 | | | |
| 4 | Annualized Salaries and Wages per Rebuttal Filing | \$ | 139,964 |
| 5 | Annualized Salaries and Wages Per Direct Filing | | <u>126,054</u> |
| 6 | | | |
| 7 | Adjustment to Salaries and Wages | <u>\$</u> | <u>13,910</u> 2a |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | <u>Payroll Taxes</u> | | |
| 12 | | | |
| 13 | Annualized Payroll Taxes per Rebuttal Filing | \$ | 10,844 |
| 14 | Annualized Payroll Taxes Per Direct Filing | | <u>11,442</u> |
| 15 | | | |
| 16 | Adjustment to Payroll Taxes | <u>\$</u> | <u>(598)</u> 2b |
| 17 | | | |
| 18 | | | |
| 19 | Increase (Decrease) to Revenues/Expenses | <u>\$</u> | <u>13,313</u> |
| 20 | | | |
| 21 | <u>SUPPORTING SCHEDULE</u> | | |
| 22 | C-2, page 3.1 | | |
| 23 | | | |
| 24 | | | |

| Line No. | Annualized Wages and Salaries | | | | | | | | | |
|----------|-------------------------------|----------------|-------------------|-----------------------|------------------------------|------------------|----------------|---------------|----------|------------|
| | Name | Position | Hire/Term | Annualized Base Wages | Annualized Hourly - Overtime | Health Insurance | IRA Retirement | Co Match 401k | Bonus | Total |
| 1 | Steven Yerrich | Manager | | 49,899 | 198 | 6,000 | 2,000 | 283 | 2,000 | 60,380 |
| 2 | Dick B Sitts | Officer | | 12,000 | | | | 132 | | 12,132 |
| 3 | Cynthia N Rovey | Officer | Term Aug-31-2007 | - | | | | | | - |
| 4 | John Mazdlik | Manager | Term October-2006 | 35,000 | 376 | 3,000 | | | | 38,376 |
| 5 | Mark Fenech | Water Tech | | 26,420 | | 2,400 | | | | 29,076 |
| 6 | Kristin Wakeman | Office Manager | Hire Aug-31-2007 | | | | | 256 | | |
| 7 | Totals | | | \$ 123,318 | \$ 574 | \$ 11,400 | \$ 2,000 | \$ 671 | \$ 2,000 | \$ 139,964 |

Adjusted Salaries and Wages Direct Filing
 Increase (decrease) to Salaries and Wages
 \$ 126,054
 \$ 13,910

| Annualized Payroll Taxes | | | | | | | | | |
|--------------------------|-----------------|----------------|-------------------|---------------|----------------|-----------------------|-------------|--------------|---------------------|
| | Name | Position | Hire/Term | Taxable Wages | 1.45% Medicare | 6.20% Social Security | AZ Unemploy | Fed Unemploy | Total Payroll Taxes |
| 18 | Steven Yerrich | Manager | | 58,097 | 842 | 3,602 | 29.4 | 56 | 4,530 |
| 19 | Dick B Sitts | Officer | | 12,000 | 174 | 744 | 29.4 | 56 | 1,003 |
| 20 | Cynthia N Rovey | Officer | Term Aug-31-2007 | - | | | | | - |
| 21 | John Mazdlik | Manager | Term October-2006 | 38,376 | 556 | 2,379 | 29.4 | 56 | 3,021 |
| 22 | Mark Fenech | Water Tech | | 28,820 | 418 | 1,787 | 29.4 | 56 | 2,290 |
| 23 | Kristin Wakeman | Office Manager | Hire Aug-31-2007 | 137,293 | 1,991 | 8,512 | 118 | 224 | 10,844 |
| 24 | Totals | | | \$ 137,293 | \$ 1,991 | \$ 8,512 | \$ 118 | \$ 224 | \$ 10,844 |

Adjusted Payroll Taxes Direct Filing
 Increase (decrease) to Salaries and Wages
 \$ 11,442
 \$ (598)

| 2007 Wages Summary for Comparative Purposes | | | | | | | | | | |
|---|-----------------|----------------|-------------------|-----------------|------------------------|------------------|----------------|--------|----------|------------|
| | Name | Position | Hire/Term | 2007 Base Wages | 2007 Hourly - Overtime | Health Insurance | IRA Retirement | 401k | Bonus | Total |
| 37 | Steven Yerrich | Manager | | 49,899 | 198 | 6,000 | 2,000 | 283 | 2,000 | 60,380 |
| 38 | Dick B Sitts | Officer | | 12,000 | | | | 132 | | 12,132 |
| 39 | Cynthia N Rovey | Officer | Term Aug-31-2007 | - | | | | | | - |
| 40 | John Mazdlik | Manager | Term October-2006 | 35,000 | 376 | 3,000 | | | | 38,376 |
| 41 | Mark Fenech | Water Tech | | 8,807 | | | | | | 9,063 |
| 42 | Kristin Wakeman | Office Manager | Hire Aug-31-2007 | | | | | 256 | | |
| 43 | Totals | | | \$ 110,478 | \$ 574 | \$ 9,000 | \$ 2,000 | \$ 671 | \$ 2,000 | \$ 124,724 |

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Adjustment to Revenues and Expenses
 Adjustment Number 3

Exhibit
 Rebuttal Schedule C-2
 Page 4
 Witness: Bourassa

| Line No. | | | | | |
|-------------|--|---------------------------|-------------|---------------|----|
| 1 | <u>Reclass Office Utilities (Gas, Sewer, and Trash) from Purchased Power</u> | | | | |
| 2 | | | | | |
| 3 | <u>Date</u> | <u>Vendor</u> | <u>Type</u> | <u>Amount</u> | |
| 4 | 1/24/2006 | UniSource Energy Services | Gas | \$ 99 | |
| 5 | 2/13/2006 | City of Sedona | Sewer | 26 | |
| 6 | 2/23/2006 | UniSource Energy Services | Gas | 90 | |
| 7 | 3/27/2006 | UniSource Energy Services | Gas | 100 | |
| 8 | 4/25/2006 | UniSource Energy Services | Gas | 47 | |
| 9 | 5/9/2006 | City of Sedona | Sewer | 26 | |
| 10 | 5/26/2006 | UniSource Energy Services | Gas | 40 | |
| 11 | 8/9/2006 | City of Sedona | Sewer | 26 | |
| 12 | 8/21/2006 | Waste Management | Trash | 62 | |
| 13 | 10/30/2006 | UniSource Energy Services | Gas | 6 | |
| 14 | 11/13/2006 | City of Sedona | Sewer | 26 | |
| 15 | 11/29/2006 | Waste Management | Trash | 60 | |
| 16 | 11/29/2006 | UniSource Energy Services | Gas | 13 | |
| 17 | TOTAL | | | \$ 619 | |
| 18 | | | | | |
| 19 | Increase(Decrease) Purchased Power | | | (619) | 3a |
| 20 | Increase(Decrease) Office Expense | | | \$ 619 | 3b |
| 21 | | | | | |
| 22 | | | | | |
| 23 | Adjustment to Revenues/Expenses | | | - | |
| 24 | | | | | |

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Adjustment to Revenues and Expenses
 Adjustment Number 4

Exhibit
 Rebuttal Schedule C-2
 Page 5
 Witness: Bourassa

| Line No. | | | <u>Well Power</u> | <u>Office Power</u> | <u>Total</u> |
|-------------|--|----------------|-------------------|---------------------|------------------|
| 1 | <u>Purchased Power</u> | | | | |
| 2 | | | | | |
| 3 | <u>Date</u> | <u>Account</u> | | | |
| 4 | 1/11/2006 | 180920284 | \$ 2,517 | \$ 65 | \$ 2,581 |
| 5 | 3/10/2006 | 180920284 | 2,180 | 60 | 2,240 |
| 6 | 3/10/2006 | 180920284 | 2,766 | 66 | 2,833 |
| 7 | 4/10/2006 | 180920284 | 1,586 | 58 | 1,644 |
| 8 | 5/9/2006 | 180920284 | 4,341 | 67 | 4,408 |
| 9 | 6/8/2006 | 180920284 | 4,033 | 85 | 4,119 |
| 10 | 7/10/2006 | 180920284 | 5,144 | 143 | 5,286 |
| 11 | 8/8/2006 | 180920284 | 3,756 | 125 | 3,881 |
| 12 | 9/7/2006 | 180920284 | 3,610 | 104 | 3,713 |
| 13 | 10/6/2006 | 180920284 | 4,231 | 119 | 4,350 |
| 14 | 11/6/2006 | 180920284 | 3,179 | 72 | 3,251 |
| 15 | 12/8/2006 | 180920284 | 3,299 | 73 | 3,372 |
| 16 | TOTALS | | <u>\$ 40,643</u> | <u>\$ 1,035</u> | <u>\$ 41,678</u> |
| 17 | | | | | |
| 18 | Purchased Power per Direct Filing | | | | |
| 19 | after reclass of other utility costs (See C-2 Adjustment #3) | | | | 41,772 |
| 20 | | | | | |
| 21 | Increase (Decrease) to Purchased Power | | | | <u>\$ (94)</u> |
| 22 | | | | | |
| 23 | Adjustment to Revenues/Expenses | | | | <u>\$ (94)</u> |
| 24 | | | | | |

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Adjustment to Revenues and Expenses
 Adjustment Number 5

Exhibit
 Rebuttal Schedule C-2
 Page 6
 Witness: Bourassa

| Line No. | | | | | | | <u>Adjusted Amount</u> |
|-------------|---|------------------|--|-------------------------------------|--------------|---------------|------------------------|
| 1 | <u>Repairs and Maintenance</u> | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | <u>Year</u> | <u>Amount</u> | | <u>HW Indicated Annual Rate</u> | <u>Years</u> | <u>Factor</u> | |
| 5 | 2005 | 12,574 | | 6% | 2 | 1.125 | \$ 14,141 |
| 6 | 2006 | 25,698 | | 6% | 1 | 1.061 | 27,253 |
| 7 | 2007 | 14,768 | | 6% | 0 | 1.000 | 14,768 |
| 8 | | | | | | | |
| 9 | TOTAL | <u>\$ 40,466</u> | | | | | <u>\$ 42,021</u> |
| 10 | | | | | | | |
| 11 | Avg Yearly | \$ 20,233 | | | | Avg Yearly | \$ 18,721 |
| 12 | | | | | | | |
| 13 | Repairs and Maintenance per Direct Filing | | | | | | \$ 25,698 |
| 14 | | | | | | | |
| 15 | Adjustment to Repairs and Maintenance | | | | | | <u>\$ (6,977)</u> |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | Adjustment to Revenues/Expenses | | | | | | <u>\$ (6,977)</u> |
| 19 | | | | | | | |
| 20 | <u>SUPPORTING SCHEDULE</u> | | | | | | |
| 21 | C-2, page 6.1 | | | | | | |
| 22 | | | | | | | |
| 23 | | | | | | | |

Oak Creek Water Company No. 1
 Analysis of Construction Cost Increases Using Handy-Whitman
 Adjustment 5

Exhibit
 Rebuttal Schedule C-2
 Page 6.1
 Witness: Bourassa

| Line No. | Category | NARUC | 2002 (2001-2) HW Index | 2007 (2007-2) HW Index | Years 6 Factor | Compound Annual Rate |
|----------|---------------------------|-------|------------------------------|------------------------------|----------------------|-------------------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | Structures - Pumping | 304 | 375 | 478 | 1.274666667 | 4.13% |
| 4 | Small Water Treatment | 320 | 434 | 548.1 | 1.262903226 | 3.97% |
| 5 | Pumping - Equipment | 311 | 531 | 628 | 1.1826742 | 2.84% |
| 6 | Mains - Average all types | 331 | 359 | 486.2 | 1.354317549 | 5.18% |
| 7 | Services | 333 | 349 | 474.4 | 1.359312321 | 5.25% |
| 8 | Meters | 334 | 206 | 262.1 | 1.272330097 | 4.10% |
| 9 | Meter Installations | 334 | 395 | 516.8 | 1.30835443 | 4.58% |
| 10 | | | | | | |
| 11 | | | | | Average Rate | 4.29% |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | Structures - Pumping | 304 | 416 | 478 | 1.149038462 | 4.74% |
| 17 | Small Water Treatment | 320 | 470 | 548.1 | 1.166170213 | 5.26% |
| 18 | Pumping - Equipment | 311 | 569 | 628 | 1.103690685 | 3.34% |
| 19 | Mains - Average all types | 331 | 394 | 486.2 | 1.234010152 | 7.26% |
| 20 | Services | 333 | 382 | 474.4 | 1.241884817 | 7.49% |
| 21 | Meters | 334 | 207 | 262.1 | 1.266183575 | 8.18% |
| 22 | Meter Installations | 334 | 429 | 516.8 | 1.204662005 | 3.15% |
| 23 | | | | | | |
| 24 | | | | | Average Rate | 6.05% |
| 25 | | | | | | |
| 26 | | | | | Requested Rate | |

Oak Creek Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Line
No.

| | | | |
|----|--|-----------|--------------|
| 1 | <u>Reclass Office Expense</u> | | |
| 2 | | | |
| 3 | | | |
| 4 | Capitalize Software per Staff Adjustment D (Staff Schedule DWC-5D) | \$ | 218 |
| 5 | | | |
| 6 | | | |
| 7 | Increase (Decrease) in Office Expense | <u>\$</u> | <u>(218)</u> |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | Adjustment to Revenues/Expenses | <u>\$</u> | <u>(218)</u> |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

Oak Creek Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

| Line No. | | |
|-------------|---|-------------------|
| 1 | <u>Outside Services</u> | |
| 2 | | |
| 3 | | |
| 4 | Remove mapping Invoive Amount fro Outside Servives per Staff Adjustment E | \$ 2,196 |
| 5 | (Staff Schedule DWC5-E) | |
| 6 | | |
| 7 | Increase (Decrease) in Outside Servies | <u>\$ (2,196)</u> |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | Adjustment to Revenues/Expenses | <u>\$ (2,196)</u> |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |

Oak Creek Water Company
Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

| | | | |
|------------|--|-----------|------------|
| Line | | | |
| <u>No.</u> | | | |
| 1 | <u>Water Testing Expense</u> | | |
| 2 | | | |
| 3 | | | |
| 4 | Water Testing Expense per Staff Adjustment F (Staff Schedule DWC-5F) | \$ | 3,409 |
| 5 | Water Testing Expense per Direct Filing | | 2,481 |
| 6 | | | |
| 7 | Increase (Decrease) in Water Testing Expense | <u>\$</u> | <u>928</u> |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | Adjustment to Revenues/Expenses | <u>\$</u> | <u>928</u> |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 9

Rebuttal Schedule C-2
Page 10
Witness: Bourassa

| <u>Line</u> <u>No.</u> | | | |
|---------------------------|--|-----------|-------------|
| 1 | <u>Rents</u> | | |
| 2 | | | |
| 3 | | | |
| 4 | Rents per Staff Adjustment G (Staff Schedule DWC-5G) | \$ | - |
| 5 | Rents per Direct Filing | | 75 |
| 6 | | | |
| 7 | Increase (Decrease) in Rents | <u>\$</u> | <u>(75)</u> |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | Adjustment to Revenues/Expenses | <u>\$</u> | <u>(75)</u> |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |

Test Year Ended December 31, 2006
 Adjustment to Revenues and Expenses
 Adjustment Number 10

Rebuttal Schedule C-2
 Page 11
 Witness: Bourassa

| Line No. | | | Date | Amount | Annualized Amount | |
|----------|--|--------------------|-------------|-----------------|--------------------------|-----------------------------|
| 1 | <u>Transportation Expense</u> | | | | | |
| 2 | | | | | | |
| 3 | <u>Invoice</u> | <u>Type</u> | <u>Date</u> | <u>Amount</u> | <u>Annualized Amount</u> | |
| 4 | 2042 | Visa | 1/28/2006 | \$ 489 | \$ 489 | |
| 5 | 374 | Gas | 1/6/2006 | 158 | 273 | |
| 6 | 2042 | Visa | 2/28/2006 | 260 | 260 | |
| 7 | 374 | Gas | 2/3/2006 | 179 | 294 | |
| 8 | 374 | Gas | 3/3/2006 | 203 | 333 | |
| 9 | 2042 | Visa | 4/28/2006 | 955 | 955 | |
| 10 | 374 | Gas | 3/31/2006 | 258 | 377 | |
| 11 | none | cas wash | 5/4/2006 | 5 | 5 | |
| 12 | none | car wash | 8/1/2006 | 5 | 5 | |
| 13 | none | DMV | 5/31/2006 | 150 | 75 | Auto reg. Amort. over 2 yrs |
| 14 | 374 | Gas | 5/4/2006 | 174 | 221 | |
| 15 | 374 | Gas | 6/2/2006 | 173 | 225 | |
| 16 | 1679 | Repair Desert Auto | 6/2/2006 | 196 | 196 | |
| 17 | 374 | Gas | 7/15/2006 | 150 | 202 | |
| 18 | 374 | Gas | 8/2/2006 | 158 | 211 | |
| 19 | 374 | Gas | 8/31/2006 | 158 | 219 | |
| 20 | 1681 | Repair Desert Auto | 9/26/2006 | 99 | 99 | |
| 21 | 374 | Gas | 10/6/2006 | 141 | 228 | |
| 22 | Visa | Big O Tires | 10/23/2006 | 949 | 316 | Tires amortized over 3 yrs |
| 23 | none | travel/meal | 10/31/2006 | 125 | - | Reclass to Misc Exp. |
| 24 | 374 | Gas | 11/5/2006 | 130 | 224 | |
| 25 | | Checker Auto | 11/27/2006 | 20 | 20 | |
| 26 | | | | <u>\$ 5,135</u> | <u>\$ 5,227</u> | |
| 27 | | | | | | |
| 28 | | | | | | |
| 29 | Annualized Transportation Expense | | | | | \$ 5,227 |
| 30 | Transportation Expense per Direct Filing | | | | | 5,135 |
| 31 | | | | | | |
| 32 | Increase (Decrease) in Rents | | | | | <u>\$ 92</u> |
| 33 | | | | | | |
| 34 | | | | | | |
| 35 | | | | | | |
| 36 | | | | | | |
| 37 | | | | | | |
| 38 | | | | | | |
| 39 | Adjustment to Revenues/Expenses | | | | | <u>\$ 92</u> |
| 40 | | | | | | |
| 41 | | | | | | |
| 42 | <u>SUPPORTING SCHEDULES</u> | | | | | |
| 43 | C-2, page 11.1 to 11.13 | | | | | |
| 44 | | | | | | |
| 45 | | | | | | |

Oak Creek Water Company No. 1
 Miscellaneous Expenses
 Annualization of Fuel Costs

Rebuttal Schedule C-2
 Page 11.1
 Witness: Bourassa

| Line No. | Invoice | Type | Date | Gallons | Amount | Actual Cost Per Gal | Current Cost Per gal | Annualized Amount |
|----------|---------|------|-----------|---------------|-----------------|---------------------|----------------------|-------------------|
| 1 | 374 | Gas | 1/6/2006 | 68.30 | \$ 158 | \$ 2.31 | 4.00 | \$ 273 |
| 2 | 374 | Gas | 2/3/2006 | 73.40 | 179 | 2.44 | 4.00 | 294 |
| 3 | 374 | Gas | 3/3/2006 | 83.20 | 203 | 2.44 | 4.00 | 333 |
| 4 | 374 | Gas | 3/31/2006 | 94.20 | 258 | 2.74 | 4.00 | 377 |
| 5 | 374 | Gas | 5/4/2006 | 55.20 | 174 | 3.15 | 4.00 | 221 |
| 6 | 374 | Gas | 6/2/2006 | 56.20 | 173 | 3.08 | 4.00 | 225 |
| 7 | 374 | Gas | 7/15/2006 | 50.50 | 150 | 2.97 | 4.00 | 202 |
| 8 | 374 | Gas | 8/2/2006 | 52.80 | 158 | 2.99 | 4.00 | 211 |
| 9 | 374 | Gas | 8/31/2006 | 54.80 | 158 | 2.88 | 4.00 | 219 |
| 10 | 374 | Gas | 10/6/2006 | 57.00 | 141 | 2.47 | 4.00 | 228 |
| 11 | 374 | Gas | 11/5/2006 | 56.00 | 130 | 2.32 | 4.00 | 224 |
| 12 | | | | <u>701.60</u> | <u>\$ 1,882</u> | | | <u>\$ 2,806</u> |

Weighted Cost per gallon \$ 2.68

SUPPORTING SCHEDULES
 C-2, page 11.2 to 11.14

13
14
15
16
17
18
19
20

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 601 | PURCHASE LINE 650 |
| TOTAL TRANSACTIONS 3 | PURCHASE AVAILABILITY 492 |

ACCOUNT NUMBER
500-657-374

| CARD NUMBER | TRANSACTION DATE | TRANSACTION TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|---|------------------|------------------|------|--------------------|--|--------------|
| | 01-06 | | | | PAYMENT - THANK YOU | 204.93CR |
| 7003 | 12-21 | 10:23 | UNL | 0102359 | PO BOX 3983 SEDONA AZ 16.0 GAL UNLEADED \$36.78 | 36.78 |
| 7003 | 01-05 | 08:30 | UNL | 0083039 | PO BOX 3983 SEDONA AZ 26.0 GAL UNLEADED \$59.00 | 59.00 |
| 7003 | 01-14 | 11:18 | UNL | 0111801 | PO BOX 3983 SEDONA AZ 26.3 GAL UNLEADED \$61.95 | 61.95 |
| TOTAL CARD 7003 | | | | | | 157.73** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$157.73 | | | | | | |

PAID
 ✓ # 6550
 1-31-06

LOG ONTO WWW.PHILLIPS66CONOC076COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|-----------------------------------|--|---|----------------|------------------------|-------------------------------------|
| PREVIOUS BALANCE 204.93 | PAYMENTS/CREDITS 204.93CR | PURCHASES/DEBITS 157.73 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 157.73 |
| CLOSING DATE 01-20-06 | ANNUAL PERCENTAGE RATE 22.24 % | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 02-11-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| PURCHASE | .06093% | 22.24% | 2.00 | .00 | .00 | 31 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000831 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7800
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 602 | PURCHASE LINE 650 |
| TOTAL TRANSACTIONS 3 | PURCHASE AVAILABILITY 470 |

ACCOUNT NUMBER
500-657-374

| CARD NUMBER | TRANSACTION DATE | TIME | PRD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|---|------------------|-------|-----|--------------------|--|--------------|
| | 02-03 | | | | PAYMENT - THANK YOU | 157.73CR |
| 7003 | 01-24 | 08:47 | UNL | 0084739 | PO BOX 3983 SEDONA AZ 26.7 GAL UNLEADED \$65.25 | 65.25 |
| 7003 | 01-30 | 08:43 | UNL | 0084338 | PO BOX 3983 SEDONA AZ 21.3 GAL UNLEADED \$52.00 | 52.00 |
| 7003 | 02-08 | 09:43 | UNL | 0094335 | PO BOX 3983 SEDONA AZ 25.4 GAL UNLEADED \$62.00 | 62.00 |
| TOTAL CARD 7003 | | | | | | 179.25** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$336.98 | | | | | | |

PAID
 ✓ #6576
 2-28-06

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|----------------------------|----------------------------------|--|----------------|------------------|------------------------------|
| PREVIOUS BALANCE 157.73 | PAYMENTS/CREDITS 157.73CR | PURCHASES/DEBITS 179.25 | FINANCE CHARGE | LATE FEE 00 | NEW BALANCE 179.25 |
| CLOSING DATE 02-20-06 | ANNUAL PERCENTAGE RATE 22.49% | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 03-14-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| PURCHASE | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| | .06161% | 22.49% | 2.00 | .00 | .00 | 31 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000778 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 603 | PURCHASE LINE 650 |
| TOTAL TRANSACTIONS 3 | PURCHASE AVAILABILITY 447 |

ACCOUNT NUMBER
500-657-374

| CARD NUMBER | DATE | TRANSACTION TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|---|-------|------------------|------|--------------------|--|--------------|
| | 03-03 | | | | PAYMENT - THANK YOU | 179.25CR |
| 7003 | 02-21 | 08:37 | UNL | 0083710 | PO BOX 3983 SEDONA AZ 29.0 GAL UNLEADED \$68.43 | 68.43 |
| 7003 | 03-02 | 14:32 | UNL | 0143220 | PO BOX 3983 SEDONA AZ 26.5 GAL UNLEADED \$62.57 | 62.57 |
| 7003 | 03-17 | 13:07 | UNL | 0130719 | PO BOX 3983 SEDONA AZ 27.7 GAL UNLEADED \$72.00 | 72.00 |
| TOTAL CARD 7003 | | | | | | 203.00** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$539.98 | | | | | | |

PAID
 ✓ # 6598
 3.28.06

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|----------------------------|----------------------------------|--|----------------|------------------|------------------------------|
| PREVIOUS BALANCE 179.25 | PAYMENTS/CREDITS 179.25CR | PURCHASES/DEBITS 203.00 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 203.00 |
| CLOSING DATE 03-20-06 | ANNUAL PERCENTAGE RATE 22.49% | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 04-11-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| PURCHASE | .06161% | 22.49% | 2.00 | .00 | .00 | 28 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000775 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 669141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 604 | PURCHASE LINE 650 |
| TOTAL TRANSACTIONS 4 | PURCHASE AVAILABILITY 392 |

ACCOUNT NUMBER
500-657-374

| CARD NUMBER | TRANSACTION DATE | TRANSACTION TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|--|------------------|------------------|------|--------------------|--|-----------------|
| | 03-31 | | | | PAYMENT - THANK YOU | 203.00CR |
| 7003 | 03-27 | 15:06 | UNL | 0150623 | PO BOX 3983 SEDONA AZ 28.1 GAL UNLEADED \$76.00 | 76.00 |
| 7003 | 03-31 | 14:19 | UNL | 0141953 | PO BOX 3983 SEDONA AZ 10.0 GAL UNLEADED \$27.00 | 27.00 |
| 7003 | 04-07 | 09:04 | UNL | 0090436 | PO BOX 3983 SEDONA AZ 27.7 GAL UNLEADED \$75.00 | 75.00 |
| 7003 | 04-17 | 10:39 | UNL | 0103932 | PO BOX 3983 SEDONA AZ 28.4 GAL UNLEADED \$79.50 | 79.50 |
| TOTAL CARD 7003 | | | | | | 257.50** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$797.48 | | | | | | |

PAID
 ✓ # 6627
 4.28.06

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|-----------------------------------|--|---|----------------|------------------------|-------------------------------------|
| PREVIOUS BALANCE 203.00 | PAYMENTS/CREDITS 203.00CR | PURCHASES/DEBITS 257.50 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 257.50 |
| CLOSING DATE 04-20-06 | ANNUAL PERCENTAGE RATE 22.74 % | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 05-12-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| PURCHASE | .06250 % | 22.74 % | 2.00 | .00 | .00 | 31 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000739 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 605 | PURCHASE LINE 650 |
| TOTAL TRANSACTIONS 2 | PURCHASE AVAILABILITY 476 |

ACCOUNT NUMBER
500-657-374

| CARD NUMBER | TRANSACTION DATE | TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|---|------------------|-------|------|--------------------|--|--------------|
| | 05-04 | | | | PAYMENT - THANK YOU | 257.50CR |
| 7003 | 05-02 | 10:10 | UNL | 0101046 | PO BOX 3983 SEDONA AZ 28.0 GAL UNLEADED \$87.00 | 87.00 |
| 7003 | 05-16 | 08:50 | UNL | 0085040 | PO BOX 3983 SEDONA AZ 27.2 GAL UNLEADED \$87.00 | 87.00 |
| TOTAL CARD 7003 | | | | | | 174.00** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$971.48 | | | | | | |

PAID

✓ # 60654
5-31-06

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|----------------------------|----------------------------------|--|----------------|------------------|------------------------------|
| PREVIOUS BALANCE 257.50 | PAYMENTS/CREDITS 257.50CR | PURCHASES/DEBITS 174.00 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 174.00 |
| CLOSING DATE 05-20-06 | ANNUAL PERCENTAGE RATE 22.99% | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 06-11-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| PURCHASE | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| | .06298% | 22.99% | 2.00 | .00 | .00 | 30 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000724 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 606 | PURCHASE LINE 650 |
| TOTAL TRANSACTIONS 3 | PURCHASE AVAILABILITY 477 |

| ACCOUNT NUMBER 500-657-374 | | | | | | | |
|--|------------------|--------------|------------|--------------------|------------------------------------|----------------------------------|--|
| CARD NUMBER | TRANSACTION DATE | TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT | |
| | 06-02 | | | | PAYMENT - THANK YOU | 174.00CR | |
| 7003 | 05-23 | 09:06 | UNL | 0090608 | PO BOX 3983 SEDONA AZ | 8.27 | |
| 7003 | 05-30 | 08:54 | UNL | 0085454 | 2.6 GAL UNLEADED \$8.27 | 82.00 | |
| 7003 | 06-13 | 14:04 | UNL | 0140437 | 26.4 GAL UNLEADED \$82.00 | 82.25 | |
| | | | | | PO BOX 3983 SEDONA AZ | 27.2 GAL UNLEADED \$82.25 | |
| TOTAL CARD 7003 | | | | | | 172.52** | |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$1,144.00 | | | | | | | |

PAID
 ✓ # 12688
 7.11.06

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|-----------------------------------|---|---|----------------|------------------------|-------------------------------------|
| PREVIOUS BALANCE 174.00 | PAYMENTS/CREDITS 174.00CR | PURCHASES/DEBITS 172.52 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 172.52 |
| CLOSING DATE 06-20-06 | ANNUAL PERCENTAGE RATE 22.99% | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 07-12-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| PURCHASE | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| | 06298% | 22.99% | 2.00 | .00 | .00 | 31 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION. PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000732 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 607 | PURCHASE LINE 650 |
| TOTAL TRANSACTIONS 2 | PURCHASE AVAILABILITY 494 |

| ACCOUNT NUMBER 500-657-374 | | CARD NUMBER | | TRANSACTION DATE | TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|--------------------------------------|--|-------------|-------|------------------|------|---------|-----------------------|--|--------------|
| | | | | 07-15 | | | | PAYMENT - THANK YOU | 172.52CR |
| 7003 | | 06-26 | 14:29 | UNL | | 0142956 | PO BOX 3983 SEDONA AZ | 26.0 GAL UNLEADED \$77.45 | 77.45 |
| 7003 | | 07-10 | 08:54 | UNL | | 0085447 | PO BOX 3983 SEDONA AZ | 24.5 GAL UNLEADED \$73.00 | 73.00 |
| | | | | | | | | TOTAL CARD 7003 | 150.45** |
| | | | | | | | | TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT | \$1,294.45 |

PAID
 ✓ 6705 \$150⁴⁵
 7-31-06
 ✓ # 6710 \$5⁰⁰
 7-31-06

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|-----------------------------------|--|---|----------------|-------------------------|-------------------------------------|
| PREVIOUS BALANCE 172.52 | PAYMENTS/CREDITS 172.52CR | PURCHASES/DEBITS 150.45 | FINANCE CHARGE | LATE FEE 5.00 | NEW BALANCE 155.45 |
| CLOSING DATE 07-20-06 | ANNUAL PERCENTAGE RATE 23.24 % | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 08-11-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| PURCHASE | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| | .06367% | 23.24% | 2.00 | .00 | .00 | 30 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000725 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50366-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 608 | PURCHASE LINE 650 |
| TOTAL TRANSACTIONS 2 | PURCHASE AVAILABILITY 492 |

| |
|--------------------------------------|
| ACCOUNT NUMBER 500-657-374 |
|--------------------------------------|

| CARD NUMBER | TRANSACTION DATE | TIME | PRD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|---|------------------|-------|-----|--------------------|--|--------------|
| | 08-02 | | | | PAYMENT - THANK YOU | 150.45CR |
| | 08-02 | | | | PAYMENT - THANK YOU | 5.00CR |
| 7003 | 07-20 | 14:45 | UNL | 0144520 | PO BOX 3983 SEDONA AZ 26.9 GAL UNLEADED \$80.70 | 80.70 |
| 7003 | 08-03 | 15:06 | UNL | 0150641 | PO BOX 3983 SEDONA AZ 25.9 GAL UNLEADED \$77.04 | 77.04 |
| TOTAL CARD 7003 | | | | | | 157.74** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$1,452.19 | | | | | | |

PAID
 ✓ #16736
 8-29-06

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|-----------------------------------|--|---|----------------|------------------------|-------------------------------------|
| PREVIOUS BALANCE 155.45 | PAYMENTS/CREDITS 155.45CR | PURCHASES/DEBITS 157.74 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 157.74 |
| CLOSING DATE 08-20-06 | ANNUAL PERCENTAGE RATE 23.24 % | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 09-11-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

| SCHEDULE OF FINANCE CHARGES/LATE FEE | | | | | | |
|--------------------------------------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| PURCHASE | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
| PURCHASE | .06367% | 23.24% | 2.00 | .00 | .00 | 31 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000699 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 609 | PURCHASE LINE 650 |
| TOTAL TRANSACTIONS 3 | PURCHASE AVAILABILITY 491 |

ACCOUNT NUMBER
500-657-374

| CARD NUMBER | TRANSACTION DATE | TRANSACTION TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|---|------------------|------------------|------|--------------------|--|--------------|
| | 08-31 | | | | PAYMENT - THANK YOU | 157.74CR |
| 7003 | 08-22 | 10:46 | UNL | 0104636 | PO BOX 3983 SEDONA AZ 24.8 GAL UNLEADED \$72.00 | 72.00 |
| 7003 | 09-05 | 08:41 | UNL | 0084159 | PO BOX 3983 SEDONA AZ 26.8 GAL UNLEADED \$77.13 | 77.13 |
| 7003 | 09-12 | 08:31 | UNL | 0083151 | PO BOX 3983 SEDONA AZ 3.2 GAL UNLEADED \$9.10 | 9.10 |
| TOTAL CARD 7003 | | | | | | 158.23** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$1,610.42 | | | | | | |

PAID
10/4/06
#1119

AS OF OCTOBER 1, 2006, CITIBANK (SOUTH DAKOTA), N.A. WILL BE THE ISSUER OF YOUR ACCOUNT, AND "WE, US, AND OUR" IN YOUR CARD AGREEMENT WILL MEAN CITIBANK (SOUTH DAKOTA), N.A.

| | | | | | |
|----------------------------|----------------------------------|--|----------------|------------------|------------------------------|
| PREVIOUS BALANCE 157.74 | PAYMENTS/CREDITS 157.74CR | PURCHASES/DEBITS 158.23 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 158.23 |
| CLOSING DATE 09-20-06 | ANNUAL PERCENTAGE RATE 23.24% | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 10-12-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| PURCHASE | .06367% | 23.24% | 2.00 | .00 | .00 | 31 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000718 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 610 | PURCHASE LINE 750 |
| TOTAL TRANSACTIONS 2 | PURCHASE AVAILABILITY 608 |

ACCOUNT NUMBER
500-657-374

| CARD NUMBER | TRANSACTION DATE | TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|---|------------------|-------|------|--------------------|--|--------------|
| | 10-06 | | | | PAYMENT - THANK YOU | 158.23CR |
| 7003 | 09-22 | 10:20 | UNL | 0102010 | PO BOX 3983 SEDONA AZ 27.4 GAL UNLEADED \$71.34 | 71.34 ✓ |
| 7003 | 10-13 | 11:46 | UNL | 0114647 | PO BOX 3983 SEDONA AZ 29.6 GAL UNLEADED \$69.90 | 69.90 ✓ |
| TOTAL CARD 7003 | | | | | | 141.24** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$1,751.66 | | | | | | |

PAID \$202.99
 11/2/06
 ✓ #1125

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|-----------------------------------|--|---|----------------|------------------------|-------------------------------------|
| PREVIOUS BALANCE 158.23 | PAYMENTS/CREDITS 158.23CR | PURCHASES/DEBITS 141.24 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 141.24 |
| CLOSING DATE 10-20-06 | ANNUAL PERCENTAGE RATE 23.24 % | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 11-11-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| PURCHASE | .06367% | 23.24% | 2.00 | .00 | .00 | 30 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000718 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

ACCOUNT NUMBER
500-657-374

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 611 | PURCHASE LINE 750 |
| TOTAL TRANSACTIONS 2 | PURCHASE AVAILABILITY 681 |

| CARD NUMBER | TRANSACTION DATE | TRANSACTION TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|--|------------------|------------------|------|--------------------|--|--------------|
| | 11-05 | | | | PAYMENT - THANK YOU | 202.99CR |
| 7003 | 10-30 | 15:13 | UNL | 0151302 | 2035 W HWY 89 SEDONA AZ 26.8 GAL UNLEADED \$61.75 | 61.75 |
| 7003 | 11-14 | 15:19 | UNL | 0151913 | 2035 W HWY 89 SEDONA AZ 29.2 GAL UNLEADED \$68.39 | 68.39 |
| TOTAL CARD 7003 | | | | | | 130.14** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT | | | | | | \$1,881.80 |

PAID

✓ #6819
11-29-06

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|----------------------------|-----------------------------------|--|----------------|------------------|------------------------------|
| PREVIOUS BALANCE 141.24 | PAYMENTS/CREDITS 202.99CR | PURCHASES/DEBITS 130.14 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 68.39 |
| CLOSING DATE 11-20-06 | ANNUAL PERCENTAGE RATE 23.24 % | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 12-12-06 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| PURCHASE | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| | .06367% | 23.24% | 2.00 | .00 | .00 | 31 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION. PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000692 1

SEND INQUIRIES TO:
 CREDIT CARD CENTER
 P. O. BOX 689141
 DES MOINES IA 50368-9141
 OR TELEPHONE: 1-800-435-7802
 FAX: 1-515-226-4120

| | |
|--|-------------------------------------|
| INVOICE NUMBER 500657374 612 | PURCHASE LINE 750 |
| TOTAL TRANSACTIONS 2 | PURCHASE AVAILABILITY 599 |

| |
|--------------------------------------|
| ACCOUNT NUMBER 500-657-374 |
|--------------------------------------|

| CARD NUMBER | TRANSACTION DATE | TRANSACTION TIME | PROD | TRANSACTION NUMBER | TRANSACTION DESCRIPTION / LOCATION | TOTAL AMOUNT |
|---|------------------|------------------|------|--------------------|--|--------------|
| | 12-01 | | | | PAYMENT - THANK YOU | 68.39CR |
| 7003 | 12-05 | 13:36 | UNL | 0133635 | 2035 W HWY 89 SEDONA AZ 31.3 GAL UNLEADED \$73.40 | 73.40 |
| 7003 | 12-18 | 14:16 | UNL | 0141618 | 2035 W HWY 89 SEDONA AZ 32.1 GAL UNLEADED \$77.09 | 77.09 |
| TOTAL CARD 7003 | | | | | | 150.49** |
| TOTAL YEAR TO DATE CHGS BILLED TO YOUR ACCOUNT \$2,032.29 | | | | | | |

PAID
 1/9/07
 # 1135

LOG ONTO WWW.PHILLIPS66CONOCO76COMMERCIALCARD.COM 24/7 TO SECURELY VIEW YOUR STATEMENT, SEE IF A PAYMENT HAS BEEN APPLIED, REQUEST ADDITIONAL CARDS OR MAKE A PAYMENT.

| | | | | | |
|----------------------------------|---|---|----------------|------------------------|-------------------------------------|
| PREVIOUS BALANCE 68.39 | PAYMENTS/CREDITS 68.39CR | PURCHASES/DEBITS 150.49 | FINANCE CHARGE | LATE FEE .00 | NEW BALANCE 150.49 |
| CLOSING DATE 12-24-06 | ANNUAL PERCENTAGE RATE 23.24% | TO AVOID ADDITIONAL FINANCE CHARGE, PAYMENT OF NEW BALANCE MUST BE RECEIVED BY: 01-15-07 | | OVERLIMIT AMOUNT | MINIMUM PAYMENT DUE 10.00 |

SCHEDULE OF FINANCE CHARGES/LATE FEE

| PURCHASE | PERIODIC RATE (DAILY) | CORRESPONDING APR | MIN. PERIODIC FINANCE CHARGE | BALANCE SUBJECT TO FINANCE CHARGE | PERIODIC FINANCE CHARGE | DAYS IN CYCLE |
|----------|-----------------------|-------------------|------------------------------|-----------------------------------|-------------------------|---------------|
| | .06367% | 23.24% | 2.00 | .00 | .00 | 34 |

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

PLEASE KEEP THIS PORTION FOR YOUR RECORDS

A000649 1

Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 11

Rebuttal Schedule C-2
Page 12
Witness: Bourassa

Line
No.

1 Gen. Liability and Auto Insurance

2

3 Gen Liability Insurance per Staff Adjustment I (Staff Schedule DWC-5I)

\$ 5,323

4 Insurance per Direct Filing

6,306

5

6 Increase (Decrease) in Insurance

\$ (983)

7

8

9

10

11

12

13 Adjustment to Revenues/Expenses

\$ (983)

14

15

16 SUPPORTING SCHEDULES

17 See Attached Policies

18

19

20

Test Year Ended December 31, 2006
 Adjustment to Revenues and Expenses
 Adjustment Number 12

Rebuttal Schedule C-2
 Page 13
 Witness: Bourassa

| Line No. | | | | |
|-------------|--|----|--------|----------------|
| 1 | <u>Insurance -Health and Life</u> ¹ | | | |
| 2 | | | | |
| 3 | Annualized Worker's Compensation Insurance | | | |
| 4 | 1. 2007 Actual Worker's Compensation Paid | | \$ | 1,462 |
| 5 | 2. Additional Wages from Annualized Wages Subject to WC ² | \$ | 17,613 | |
| 6 | 3. Rate per \$100 | | 0.26 | |
| 7 | 4. Additonal WC insurance cost | | | <u>46</u> |
| 8 | Annualized Worker's Compensation Insurance | | \$ | 1,507 |
| 9 | | | | |
| 10 | Insurance - Health and Life per Direct Filing | | | 11,000 |
| 11 | | | | |
| 12 | | | | |
| 13 | Increase (Decrease) in Insurance | | \$ | <u>(9,493)</u> |
| 14 | | | | |
| 15 | | | | |
| 16 | Adjustment to Revenues/Expenses | | \$ | <u>(9,493)</u> |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | ¹ Employee Health Insurance costs of \$9,000 included in Wages and Salaries. See C-2, page 3.1. | | | |
| 21 | ² Office Manager 2007 wages were \$8,807 and annualized wages are \$26,420. See C-2, page 3.1. | | | |
| 22 | | | | |
| 23 | | | | |
| 24 | | | | |

Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 13

Rebuttal Schedule C-2
Page 14
Witness: Bourassa

| <u>Line</u> <u>No.</u> | | | |
|---------------------------|--|----|---------------|
| 1 | <u>Rate Case Expense</u> | | |
| 2 | | | |
| 3 | Rate Case Expense through June 2008 | \$ | 9,605 |
| 4 | Estimated Costs to Complete | | |
| 5 | Preparation of Rebuttal Schedules and Filing | \$ | 7,650 |
| 6 | Printing and Copying | | 500 |
| 7 | Prehearing Conference (1 hr) | | 420 |
| 8 | Hearing (1 day) | | 3,360 |
| 9 | Post-Hearing briefs and exceptions | | 2,100 |
| 10 | Open Meeting | | 1,260 |
| 11 | Subtotal | | <u>15,290</u> |
| 12 | Total Estimated Costs to Complete | \$ | <u>24,895</u> |
| 13 | | | |
| 14 | Total Estimated Costs (rounded) | \$ | 25,000 |
| 15 | | | |
| 16 | Amortization Period (years) | | 4 |
| 17 | | | |
| 18 | Annual Amortization | \$ | 6,250 |
| 19 | | | |
| 20 | Rate case Expense per Direct Filing | \$ | <u>3,333</u> |
| 21 | | | |
| 22 | Increase (Decrease) in Insurance | \$ | <u>2,917</u> |
| 23 | | | |
| 24 | Adjustment to Revenues/Expenses | \$ | <u>2,917</u> |
| 25 | | | |

Test Year Ended December 31, 2006
Adjustment to Revenues and Expenses
Adjustment Number 14

Rebuttal Schedule C-2
Page 15
Witness: Bourassa

Line
No.

1 Bad Debt Expense

2

3

4 Bad Debt Expense per Staff Adjustment N (Staff Schedule DWC-5N)

\$ 509

5 Bad Debt Expense per Direct Filing

811

6

7 Increase (Decrease) in Bad Debt Expense

\$ (302)

8

9

10

11

12

13

14 Adjustment to Revenues/Expenses

\$ (302)

15

16

17

18

19

20

Test Year Ended December 31, 2006
 Adjustment to Revenues and Expenses
 Adjustment Number 15

Rebuttal Schedule C-2
 Page 16
 Witness: Bourassa

Line
 No.

1 Miscellaneous Expense

2
 3

| <u>Date</u> | <u>Vendor</u> | <u>Description</u> | <u>Amount</u> |
|-------------|-------------------------------|--------------------|---------------|
| 6/26/2006 | Larson Newspapers | Want Ads | \$ 146.00 |
| 12/13/2006 | PDC Phone Directories | Phone Directory | 85.00 |
| 2/1/2006 | Arizona Blue Stake | Constr. Staking | 72.34 |
| 7/27/2006 | Water Utilities Assoc of AZ | Dues | 500.00 |
| 10/23/2006 | Water Utilities Assoc of AZ | Conference Fee | 70.00 |
| | Reclass from Trans Expense | Travel Expense | 125.00 |
| 11/17/2006 | Arizona Small Utilities Assoc | Dues | <u>418.75</u> |

11 Total Miscellaneous Expenses \$ 1,417
 12 Miscellaneous Expense per Direct Filing 2,189

13
 14 Increase (Decrease) in Miscellaneous Expense \$ (772)

15
 16
 17
 18
 19
 20

21 Adjustment to Revenues/Expenses \$ (772)

22
 23

24 SUPPORTING DOCUMENTS

25 See attached invoices C-2 pages 16.1 - 16.

26

Oak Creek Water Company No. 1, Inc.
Find Report

January through December 2006

| Type | Date | Num | Name | Memo | Account | Clr | Split | Amount | Balance |
|-------------|------------|------|--------------------------|--------------------|--------------------|-----|--------------------|-----------------|-----------------|
| an - Dec 06 | | | | | | | | | |
| Check | 11/17/2006 | 6817 | AZ Small Utilities | thru Nov 2007 | 6655 · Dues & Subs | | 1005 · Bank of ... | 418.75 | 418.75 |
| Check | 10/23/2006 | 6783 | W.U.A.A. | Oct '06 registr... | 6655 · Dues & Subs | | 1005 · Bank of ... | 70.00 | 488.75 |
| Check | 7/27/2006 | 6701 | Water Utilities Assoc... | 2006 dues | 6655 · Dues & Subs | | 1005 · Bank of ... | 500.00 | 988.75 |
| Check | 2/13/2006 | 6558 | Arizona Blue Stake, I... | 2005 assess... | 6655 · Dues & Subs | | 1005 · Bank of ... | 72.34 | 1,061.09 |
| Check | 2/1/2006 | 1085 | City of Sedona | 4th quarter pa... | 6655 · Dues & Subs | X | 1005 · Bank of ... | 0.00 | 1,061.09 |
| an - Dec 06 | | | | | | | | <u>1,061.09</u> | <u>1,061.09</u> |



ARIZONA SMALL UTILITIES
ASSOCIATION
1955 W. GRANT RD., STE 190
TUCSON, AZ 85745

Invoice

| Date | Invoice # |
|-----------|-----------|
| 11/7/2006 | 563 |

| |
|---|
| Bill To |
| OAK CREEK WATER CO JOHN MADZIK STEVE YERICH 90 OAK CREEK BLVD SEDONA, AZ 86336 |

| P.O. No. | Terms | Project |
|----------|-------|---------|
| | | |

| Quantity | Description | Rate | Amount |
|--|--|--------|-----------------------|
| 1 | Membership Dues for Nov 2006 - Nov 2007 (based on 625 connections) | 418.75 | 418.75 |
| <p>PAID ✓ # 6817 \$418.75 11.17.06</p> | | | |
| Thank you for your business. | | | Total \$418.75 |

| Phone # | Fax # | E-mail |
|--------------|--------------|-------------------|
| 520-620-0230 | 520-620-0601 | ssaddler@asua.org |

PAUL T. GARDNER
PRESIDENT - SECRETARY
22713 S. ELLSWORTH RD., BLDG. A
QUEEN CREEK, ARIZONA 85242

BILL GARFIELD
VICE PRESIDENT-TREASURER
P.O. BOX 29006
PHOENIX, ARIZONA 85038



22713 S. ELLSWORTH RD., BLDG. A
QUEEN CREEK, AZ 85242

PHONE (480) 987-3240 EXT. 11
FAX (480) 987-9326

DIRECTORS
ANDY BONNET
STANLEY BULLARD
MARVIN COLLINS
TROY DAY
PAUL T. GARDNER
BILL GARFIELD
STEVE GUDOVIC
ROBERT HANFORD
MICHAEL KLEMINSKI
JOHN MIHLIK SR.
DOUGLAS NELSON
ROBERT L. PRINCE

REGISTRATION FORM

Name _____
Organization Oak Creek Water Co.
Address 90 Oak Creek Blvd., Sedona, AZ 86336
Telephone Number (928) 282-3404
Names of Attendees Dick Pitts
Paul Stevin

Make checks payable to:
W.U.A.A.
22713 S. Ellsworth Rd., Bldg. A
Queen Creek, AZ 85242

Member

Registration Fee - \$35.00 per person
Number of Attendees - 2
X \$35.00
Total Registration Fee Due 70-

PAID
V# 6783
\$70
10.13.06

Non-Member

Registration Fee - \$50.00 per person
Number of Attendees - _____
X \$50.00
Total Registration Fee Due _____

Registration fee includes the luncheon.

Please return this registration or contact Connie Harris at (480) 987-3240 Ext. 11 by Tuesday, October 24th in order to guarantee a seat. You can also register on-line at www.WUAAonline.com.



22713 S. Ellsworth Rd., Bldg. A
Queen Creek, AZ 85242

PHONE (480) 987-3240 Ext. 11
FAX (480) 987-9326

PAID
5/22/06

CR # 6701
\$ 500.00

May 22, 2006

W.U.A.A'S FEDERAL TAX I.D. #86-0459419

OAK CREEK WATER CO.
90 OAK CREEK BLVD.
SEDONA AZ 86336

2006 MEMBERSHIP DUES

| <u>REVENUE</u> | <u>CURRENT DUES</u> |
|-------------------------------|---------------------|
| LESS THAN - 50,000..... | \$ 75 |
| \$ 50,000 - 250,000..... | 125 |
| \$ 250,001 - 500,000..... | 500 |
| \$ 500,001 - 1,000,000..... | 900 |
| \$ 1,000,001 - 2,000,000..... | 1,400 |
| \$ 2,000,001 - 3,000,000..... | 1,700 |
| \$ 3,000,001 - 5,000,000..... | 2,100 |
| MORE THAN \$5,000,000..... | 3,500 |
| ASSOCIATE MEMBER..... | 150 |
| REVENUE FOR 2005..... | \$ <u>290,507</u> - |
| AMOUNT OF DUES..... | \$ <u>500</u> |

NOTE: PLEASE LIST ANY CHANGES BELOW:

Company Name _____ Phone _____

Represented by _____ FAX _____

Mailing Address _____

_____ Zip _____

PLEASE RETURN THIS FORM WITH YOUR REMITTANCE FOR PROPER CREDIT

Statement



Arizona Blue Stake, Inc.
 4415 S Wendler Dr., Ste. 105
 Tempe AZ 85282-6411

BILL TO:

Oak Creek Water Co.
Attn: Steve Yerich
90 Oak Creek Blvd
Sedona AZ 86336

| DATE | | DESCRIPTION | | AMOUNT | BALANCE |
|--------------------------|-------------------------------|---|---------------------|-----------------------|------------|
| 01/31/2006 | | INV #45858. Due 02/22/2006. Orig. Amount \$72.34. | | 72.34 | 72.34 |
| | | <div data-bbox="645 1093 893 1172" data-label="Text"> <p>PAID</p> </div> <div data-bbox="695 1176 897 1215" data-label="Text"> <p>✓ #6558</p> </div> <div data-bbox="688 1223 882 1264" data-label="Text"> <p>2.13.06</p> </div> | | | |
| CURRENT | 1-30 DAYS PAST DUE | 31-60 DAYS PAST DUE | 61-90 DAYS PAST DUE | OVER 90 DAYS PAST DUE | AMOUNT DUE |
| 72.34 | 0.00 | 0.00 | 0.00 | 0.00 | (72.34) |
| Phone # | E-mail | Web Site | | Fax # | |
| (602) 659-7500 Ext. 2226 | l.isa.Kennedy@azbluestake.com | www.azbluestake.com | | (602) 659-7520 | |

Oak Creek Water Company No. 1, Inc.
Find Report

January through December 2006

| Type | Date | Num | Name | Memo | Account | Clr | Split | Amount | Balance |
|-------------|------------|------|-------------------|-----------------|--------------------|-----|--------------------|---------------|---------------|
| an - Dec 06 | | | | | | | | | |
| Check | 12/13/2006 | 6839 | Phone Directories | SED 07 | 6600 - Advertising | | 1005 - Bank of ... | 85.00 | 85.00 |
| Check | 6/26/2006 | 6671 | Richard Fishel | Larson Newsp... | 6600 - Advertising | | 1005 - Bank of ... | 61.00 | 146.00 |
| an - Dec 06 | | | | | | | | <u>146.00</u> | <u>146.00</u> |

LARSON NEWSPAPERS



P. O. Box 619
Sedona, AZ 86339
Phone: 928-282-7795
Fax: 928-282-6011



JOURNAL

P. O. Box 2048
Camp Verde, AZ 86322
Phone: 928-567-3341
Fax: 928-567-2373



P. O. Box 2266
Cottonwood, AZ 86326
Phone: 928-634-8551
Fax: 928-634-0823

CLASSIFIED ADS

DATE 6/21

Please Check Your Ad Its First Run. If We Have Made an Error,
Please Contact Us Immediately and We Will Make The Correction —
You Will Receive One Additional Run Only at No Charge.

PAID

✓ # 6671 6-26-06
\$ 61.00 NEWSPAPER AD 6/21/06

Water Service Technician
ad to run ~~with~~.

Fri. 6/23 & Wed 6/29.

Paid by credit card of
Richard Fishley - Board Member
Oak Creek Water Co.

105 Rock Ridge Dr. 86336

CANCELLATION POLICY: No Refunds. Credit Toward Future Ads Only.

NAME: OAK CREEK WATER CO.

PHONE: 282-3404

RUN DATES: 6/23, 6/28

CARD # 5424 1805 6548 7146 207

| CLASSIFICATION | PAYMENT | WORDS | TIMES | AMT. |
|----------------|---------|-------|-------|-------|
| 700 | MC | 191 | 11/21 | 61.00 |



Toll Free: 1-800-443-0801



To have a salesperson contact you, please call:
(801) 225-0801 • Fax (801) 225-0991

Advertising Contract

Publication Sedona / Verde Valley

Issue SE087 Salesperson NICHOLE BANCROFT

Multiple Directories _____

Issue

Customer

Physical Address (as it should appear in ad and listing)

Name Oak Creek Water Co

Address 90 Oak Creek Blvd

City Sedona State AZ Zip 86336

Phone 928-282-3404

Billing Address (811-1-430874)

Name Oak Creek Water Co

Address 90 Oak Creek Blvd

City Sedona State AZ Zip 86336

Phone 928-282-3404 Fax _____

CRL
CRL

Water Companies-Utility
ZZZ White Pages

PAID
V. # 6039
\$ 95.00
12.13.06

**ANY QUESTIONS CALL
NICHOLE BANCROFT
1-800-454-0801 EXT: 1629**

*Thank you
Nichole*

Contact Phone 928-282-3404 Area SED

Verification #:

| | |
|-----------------|----------|
| Check # | |
| Check Amt | |
| Contact Address | Zip Code |

Paid In Full
 Installments
 Pre-authorized Credit Card Payments
 Transfer Payments Via Electronic Funds
 Invoices

Advance 30 Day Payment Amt. 85.00 Number of Months _____
 Proof Payment Amt. _____ Monthly Payment Amount _____

Publication Payment Amt. _____

Sub Total _____
 Trade _____
 Cash Disc. _____
 Net Cash (Contract Total) 85.00
 Tax _____
 Total 85.00
 Deposit (Advance / 30 Day) _____

TEL SIG
 Authorized Signature CINDY ROVEY Date 11/16/06
 Please Print Signer's Name CINDY ROVEY Title SECRETARY Fed ID# / SS# 0224 DDB

For DAK CREEK WATER CO
 (Company Name)

The applicant hereby acknowledges that this agreement includes the Terms and Conditions on the reverse side including limitations on the company's liability as therein stated.

NOT A TELEPHONE COMPANY PUBLICATION

SALES

Paid

Test Year Ended December 31, 2006
 Adjustment to Revenues and Expenses
 Adjustment Number 16

Rebuttal Schedule C-2
 Page 17
 Witness: Bourassa

Line
No.

1 Adjust Property Taxes to Reflect Proposed Revenues:

| | | | | |
|----|---|----|---------|--|
| 2 | | | | |
| 3 | Adjusted Revenues in year ended 12/31/2006 | \$ | 271,122 | |
| 4 | Adjusted Revenues in year ended 12/31/2006 | | 271,122 | |
| 5 | Proposed Revenues | | 339,179 | |
| 6 | | | | |
| 7 | Average of three year's of revenue | \$ | 293,808 | |
| 8 | Average of three year's of revenue, times 2 | \$ | 587,615 | |
| 9 | Add: | | | |
| 10 | Construction Work in Progress at 10% | \$ | - | |
| 11 | Deduct: | | | |
| 12 | Book Value of Transportation Equipment | | - | |
| 13 | | | | |
| 14 | Full Cash Value | \$ | 587,615 | |
| 15 | Assessment Ratio | | 24.00% | |
| 16 | Assessed Value | | 141,028 | |
| 17 | Property Tax Rate | | 8.1290% | |
| 18 | | | | |
| 19 | Property Tax | | 11,464 | |
| 20 | Tax on Parcels | | 0 | |
| 21 | | | | |
| 22 | Total Property Tax at Proposed Rates Rebuttal | \$ | 11,464 | |
| 23 | Property Taxes per Direct Filing | | 11,540 | |
| 24 | Change in Property Taxes | \$ | (76) | |
| 25 | | | | |
| 26 | | | | |
| 27 | Adjustment to Revenues and/or Expenses | \$ | (76) | |
| 28 | | | | |

Oak Creek Water Company
 Test Year Ended December 31, 2006
 Computation of Gross Revenue Conversion Factor

Exhibit
 Rebuttal Schedule C-3
 Page 1
 Witness: Bourassa

| Line No. | <u>Description</u> | Percentage of Incremental Gross <u>Revenues</u> |
|-------------|--|---|
| 1 | Federal Income Taxes | 0.00% |
| 2 | | |
| 3 | State Income Taxes | 0.00% |
| 4 | | |
| 5 | Other Taxes and Expenses | 0.00% |
| 6 | | |
| 7 | | |
| 8 | Total Tax Percentage | 0.00% |
| 9 | | |
| 10 | Operating Income % = 100% - Tax Percentage | 100.00% |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | <u>1</u> = Gross Revenue Conversion Factor | |
| 16 | Operating Income % | 1.0000 |
| 17 | | |
| 18 | <u>SUPPORTING SCHEDULES:</u> | <u>RECAP SCHEDULES:</u> |
| 19 | | Rebuttal A-1 |
| 20 | | |

Oak Creek Water Company

Revenue Summary

With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2006

Exhibit
Schedule H-1
Page 1
Bourassa

| Line No. | Meter Size | Customer Classification | Present Revenues | Proposed Revenues | Dollar Change | Percent Change | Present Water Revenues | Proposed Water Revenues | Percent of Proposed Water Revenues |
|----------|--|--------------------------|-------------------|-------------------|------------------|----------------|------------------------|-------------------------|------------------------------------|
| 1 | 3/4 Inch | Residential | \$ 149,928 | \$ 179,106 | \$ 29,179 | 19.46% | 55.49% | 52.93% | |
| 2 | | | | | | | | | |
| 3 | 1 Inch | Residential | 1,067 | 1,290 | 223 | 20.88% | 0.39% | 0.38% | |
| 4 | 1 1/2 Inch | Residential | 10,198 | 12,788 | 2,590 | 25.40% | 3.77% | 3.78% | |
| 5 | | | | | | | | | |
| 6 | 3/4 Inch | Multi-Unit 2 | \$ 8,950 | \$ 10,915 | \$ 1,965 | 21.95% | 3.31% | 3.23% | |
| 7 | 3/4 Inch | Multi-Unit 3 | \$ 2,816 | \$ 3,369 | \$ 553 | 19.63% | 1.04% | 1.00% | |
| 8 | 3/4 Inch | Multi-Unit 4 | \$ 6,748 | \$ 8,224 | \$ 1,475 | 21.86% | 2.50% | 2.43% | |
| 9 | 3/4 Inch | Multi-Unit 5 | \$ 8,991 | \$ 11,237 | \$ 2,246 | 24.98% | 3.33% | 3.32% | |
| 10 | 3/4 Inch | Multi-Unit 6 | \$ 870 | \$ 1,091 | \$ 221 | 25.44% | 0.32% | 0.32% | |
| 11 | 3/4 Inch | Multi-Unit 7 | \$ 11,419 | \$ 12,847 | \$ 1,429 | 12.51% | 4.23% | 3.80% | |
| 12 | 3/4 Inch | Multi-Unit 13 | \$ 3,310 | \$ 3,733 | \$ 424 | 12.80% | 1.22% | 1.10% | |
| 13 | 3/4 Inch | Multi-Unit 16 | \$ 3,974 | \$ 4,464 | \$ 490 | 12.33% | 1.47% | 1.32% | |
| 14 | 3/4 Inch | Multi-Unit 24 | \$ 4,267 | \$ 5,020 | \$ 753 | 17.65% | 1.58% | 1.48% | |
| 15 | | | | | | | | | |
| 16 | | | | | | | | | |
| 17 | 3/4 Inch | Commercial | 16,089 | 19,474 | 3,384 | 21.03% | 5.95% | 5.75% | |
| 18 | 1 Inch | Commercial | 11,208 | 13,730 | 2,522 | 22.50% | 4.15% | 4.06% | |
| 19 | 1 1/2 Inch | Commercial | 6,440 | 8,651 | 2,211 | 34.33% | 2.38% | 2.56% | |
| 20 | 2 Inch | Commercial | 12,704 | 16,396 | 3,692 | 29.07% | 4.70% | 4.85% | |
| 21 | 4 Inch | Commercial | 4,321 | 14,251 | 9,930 | 229.82% | 1.60% | 4.21% | |
| 22 | 6 Inch | Commercial | 1,127 | 5,489 | 4,363 | 387.29% | 0.42% | 1.62% | |
| 23 | | Construction (Standpipe) | 159 | 563 | 404 | 253.92% | 0.06% | 0.17% | |
| 24 | | | | | | | | | |
| 25 | Total Water Revenues | | \$ 264,426 | \$ 332,638 | \$ 68,053 | 25.74% | 97.93% | 98.30% | |
| 26 | | | | | | | | | |
| 27 | | | | | | | | | |
| 28 | | | | | | | | | |
| 29 | | | | | | | | | |
| 30 | | | | | | | | | |
| 31 | | | | | | | | | |
| 32 | | Misc Water Revenues | 5,755 | 5,755 | - | 0.00% | 2.13% | 1.70% | |
| 33 | | | | | | | | | |
| 34 | Total Revenue Annualization | | \$ 5,755 | \$ 5,755 | \$ - | 0.00% | 2.13% | 1.70% | |
| 35 | Total Water Revenues with Revenue Annualization | | \$ 270,181 | \$ 338,393 | \$ 68,053 | 0.00% | 100.06% | 100.00% | |
| 36 | | | | | | | | | |
| 37 | | | | | | | | | |
| 38 | | | | | | | | | |
| 39 | (a) See page 19g Adjustment 6 | | | | | | | | |

Oak Creek Water Company
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2006

Exhibit
 Schedule H-2
 Page 1
 Bourassa

| Line No. | Customer Classification and/or Meter Size | (a) Average Number of Customers at 12/31/2006 | Average Consumption | Revenues | | Proposed Increase | |
|----------|---|--|---------------------|------------------|-------------------|-------------------|----------------|
| | | | | Present Rates \$ | Proposed Rates \$ | Dollar Amount | Percent Amount |
| 1 | 3/4 Inch Residential | 550 | 7,994 | 149,928 | 179,106 | 29,179 | 19.46% |
| 2 | | | | | | | |
| 3 | 1 Inch Residential | 4 | 7,131 | 1,067 | 1,290 | 222.79 | 20.88% |
| 4 | 1 1/2 Inch Residential | 8 | 43,348 | 10,198 | 12,788 | 2,590.07 | 25.40% |
| 5 | | | | | | | |
| 6 | 3/4 Inch Multi-Unit 2 | 15 | 16,752 | 8,950 | 10,915 | 1,964.68 | 21.95% |
| 7 | 3/4 Inch Multi-Unit 3 | 2 | 44,271 | 2,816 | 3,369 | 552.69 | 19.63% |
| 8 | 3/4 Inch Multi-Unit 4 | 9 | 16,940 | 6,748 | 8,224 | 1,475.45 | 21.86% |
| 9 | 3/4 Inch Multi-Unit 5 | 12 | 13,601 | 8,991 | 11,237 | 2,245.63 | 24.98% |
| 10 | 3/4 Inch Multi-Unit 6 | 1 | 15,126 | 870 | 1,091 | 221.39 | 25.44% |
| 11 | 3/4 Inch Multi-Unit 7 | 3 | 118,511 | 11,419 | 12,847 | 1,428.70 | 12.51% |
| 12 | 3/4 Inch Multi-Unit 13 | 1 | 83,550 | 3,310 | 3,733 | 423.69 | 12.80% |
| 13 | 3/4 Inch Multi-Unit 16 | 1 | 97,992 | 3,974 | 4,464 | 490.07 | 12.33% |
| 14 | 3/4 Inch Multi-Unit 24 | 1 | 84,775 | 4,267 | 5,020 | 753.08 | 17.65% |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | 3/4 Inch Commercial | 41 | 12,040 | 16,089 | 19,474 | 3,384.34 | 21.03% |
| 18 | 1 Inch Commercial | 14 | 27,283 | 11,208 | 11,208 | - | 0.00% |
| 19 | 1 1/2 Inch Commercial | 10 | 19,611 | 6,440 | 8,651 | 2,211.05 | 34.33% |
| 20 | 2 Inch Commercial | 8 | 50,426 | 12,704 | 16,396 | 3,692.44 | 29.07% |
| 21 | 4 Inch Commercial | - | 4 | 4,321 | 14,251 | 9,930.26 | 229.82% |
| 22 | 6 Inch Commercial | 2 | 522 | 1,127 | 5,489 | 4,362.92 | 387.29% |
| 23 | Bulk Commercial | 1 | 6,651 | 159 | 563 | 403.60 | 253.92% |
| 24 | | | | | | | |
| 25 | Totals | 683 | | 264,585 | 330,116 | | |
| 26 | | | | | | | |
| 27 | Actual Year End Number of Customers: | 646 | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Oak Creek Water Company
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2006

Exhibit
 Schedule H-2
 Page 2
 Bourassa

| Line No. | Customer Classification and/or Meter Size | (a) Average Number of Customers at 12/31/2006 | Average Bill | | Proposed Increase Dollar Amount | Percent Amount |
|----------|---|--|---------------|----------------|---------------------------------|----------------|
| | | | Present Rates | Proposed Rates | | |
| 1 | 3/4 Inch Residential | 550 | 7,994 \$ | 22.39 \$ | 3.26 | 14.55% |
| 2 | | | | | | |
| 3 | 1 Inch Residential | 4 | 7,131 \$ | 23.06 \$ | 4.83 | 20.93% |
| 4 | 1 1/2 Inch Residential | 8 | 43,348 \$ | 102.59 \$ | 27.65 | 26.95% |
| 5 | | | | | | |
| 6 | 3/4 Inch Multi-Unit 2 | 15 | 16,752 \$ | 47.95 \$ | 8.65 | 18.04% |
| 7 | 3/4 Inch Multi-Unit 3 | 2 | 44,271 \$ | 113.30 \$ | 21.72 | 19.17% |
| 8 | 3/4 Inch Multi-Unit 4 | 9 | 16,940 \$ | 62.35 \$ | 13.68 | 21.93% |
| 9 | 3/4 Inch Multi-Unit 5 | 12 | 13,601 \$ | 62.27 \$ | 15.76 | 25.30% |
| 10 | 3/4 Inch Multi-Unit 6 | 1 | 15,126 \$ | 72.51 \$ | 18.45 | 25.44% |
| 11 | 3/4 Inch Multi-Unit 7 | 3 | 118,511 \$ | 317.18 \$ | 39.62 | 12.49% |
| 12 | 3/4 Inch Multi-Unit 13 | 1 | 83,550 \$ | 275.63 \$ | 35.43 | 12.86% |
| 13 | 3/4 Inch Multi-Unit 16 | 1 | 97,992 \$ | 331.14 \$ | 40.84 | 12.33% |
| 14 | 3/4 Inch Multi-Unit 24 | 1 | 84,775 \$ | 355.55 \$ | 62.76 | 17.65% |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | 3/4 Inch Commercial | 41 | 12,040 \$ | 30.97 \$ | 4.78 | 15.45% |
| 18 | 1 Inch Commercial | 14 | 27,283 \$ | 65.78 \$ | 14.73 | 22.40% |
| 19 | 1 1/2 Inch Commercial | 10 | 19,611 \$ | 52.27 \$ | 15.51 | 29.67% |
| 20 | 2 Inch Commercial | 8 | 50,426 \$ | 121.46 \$ | 34.96 | 28.78% |
| 21 | 4 Inch Commercial | 4 | 4 \$ | 36.01 \$ | 82.75 | 229.82% |
| 22 | 6 Inch Commercial | 2 | 522 \$ | 48.90 \$ | 189.77 | 388.05% |
| 23 | Bulk Commercial | 1 | 6,651 \$ | 15.89 \$ | 40.36 | 253.92% |
| 24 | | | | | | |
| 25 | Totals | 683 | | 2,157 | 2,833 | |
| 26 | | | | | | |
| 27 | Actual Year End Number of Customers: | 646 | | | | |
| 28 | | | | | | |
| 29 | | | | | | |

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2006
 BASED ON STAFF PROPOSED RATES

| Line No. | Customer Classification and/or Meter Size | (a) Average Number of Customers at 12/31/2006 | Average Consumption | | Average Bill | | Proposed Increase | |
|----------|---|--|---------------------|---------------|----------------|---------------|-------------------|--|
| | | | Average | Present Rates | Proposed Rates | Dollar Amount | Percent Amount | |
| 1 | 3/4 Inch Residential | 550 | 7,994 | \$ 22.39 | \$ 24.51 | 2.12 | 9.46% | |
| 2 | | | | | | | | |
| 3 | 1 Inch Residential | 4 | 7,131 | \$ 23.06 | \$ 26.55 | 3.50 | 15.16% | |
| 4 | 1 1/2 Inch Residential | 8 | 43,348 | \$ 102.59 | \$ 132.98 | 30.39 | 29.63% | |
| 5 | | | | | | | | |
| 6 | 3/4 Inch Multi-Unit 2 | 15 | 16,752 | \$ 47.95 | \$ 56.20 | 8.25 | 17.21% | |
| 7 | 3/4 Inch Multi-Unit 3 | 2 | 44,271 | \$ 113.30 | \$ 139.50 | 26.21 | 23.13% | |
| 8 | 3/4 Inch Multi-Unit 4 | 9 | 16,940 | \$ 62.35 | \$ 72.66 | 10.30 | 16.52% | |
| 9 | 3/4 Inch Multi-Unit 5 | 12 | 13,601 | \$ 62.27 | \$ 72.64 | 10.37 | 16.65% | |
| 10 | 3/4 Inch Multi-Unit 6 | 1 | 15,126 | \$ 72.51 | \$ 84.30 | 11.80 | 16.27% | |
| 11 | 3/4 Inch Multi-Unit 7 | 3 | 118,511 | \$ 317.18 | \$ 385.31 | 68.13 | 21.48% | |
| 12 | 3/4 Inch Multi-Unit 13 | 1 | 83,550 | \$ 275.63 | \$ 332.63 | 57.00 | 20.68% | |
| 13 | 3/4 Inch Multi-Unit 16 | 1 | 97,992 | \$ 331.14 | \$ 398.22 | 67.08 | 20.26% | |
| 14 | 3/4 Inch Multi-Unit 24 | 1 | 84,775 | \$ 355.55 | \$ 424.15 | 68.60 | 19.29% | |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | 3/4 Inch Commercial | 41 | 12,040 | \$ 30.97 | \$ 36.90 | 5.93 | 19.15% | |
| 18 | 1 Inch Commercial | 14 | 27,283 | \$ 65.78 | \$ 78.70 | 12.92 | 19.63% | |
| 19 | 1 1/2 Inch Commercial | 10 | 19,611 | \$ 52.27 | \$ 62.69 | 10.42 | 19.94% | |
| 20 | 2 Inch Commercial | 8 | 50,426 | \$ 121.46 | \$ 153.64 | 32.18 | 26.49% | |
| 21 | 4 Inch Commercial | 10 | 4 | \$ 36.01 | \$ 45.93 | 9.92 | 27.56% | |
| 22 | 6 Inch Commercial | 2 | 522 | \$ 48.90 | \$ 62.47 | 13.57 | 27.75% | |
| 23 | Bulk Commercial | 1 | 6,651 | \$ 15.89 | \$ 19.15 | 3.26 | 20.50% | |
| 24 | | | | | | | | |
| 25 | Totals | 693 | | 2,157 | 2,609 | | | |
| 26 | | | | | | | | |
| 27 | Actual Year End Number of Customers: | 646 | | | | | | |
| 28 | | | | | | | | |
| 29 | | | | | | | | |
| 30 | | | | | | | | |
| 31 | | | | | | | | |
| 32 | | | | | | | | |

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Oak Creek Water Company
Present and Proposed Rates
 Test Year Ended December 31, 2006

Exhibit
 Schedule H-3
 Page 1
 Bourassa

| Line No. | Customer Classification and Meter Size | Present Rates | Proposed Rates | Percent Change |
|----------|--|----------------------|-----------------------|----------------|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | Monthly Usage Charge for: | | | |
| 6 | <u>Residential, Commercial</u> | | | |
| 7 | 5/8 x 3/4 Inch | \$ 7.00 | \$ 9.50 | 35.71% |
| 8 | 3/4 Inch | 7.00 | 9.50 | 35.71% |
| 9 | 1 Inch | 9.50 | 11.88 | 25.00% |
| 10 | 1 1/2 Inch | 12.25 | 23.75 | 93.88% |
| 11 | 2 Inch | 16.00 | 38.00 | 137.50% |
| 12 | 3 Inch | 22.75 | 76.00 | 234.07% |
| 13 | 4 Inch | 36.00 | 118.75 | 229.86% |
| 14 | 6 Inch | 48.00 | 237.50 | 394.79% |
| 15 | | | | |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | Present Rates | Proposed Rates | |
| 21 | | | | |
| 22 | | | | |
| 23 | <u>Gallons In Minimum</u> | | | |
| 24 | All meter sizes | - | - | |
| 25 | | | | |
| 26 | | Present Rates | Proposed Rates | |
| 27 | <u>Commodity Charge in Excess of Minimum</u> | | | |
| 28 | All meter sizes, except construction | | | |
| 29 | up to 4,000 gallons | \$ 1.73 | N/A | |
| 30 | 4,001 to 50,000 gallons | 2.12 | N/A | |
| 31 | over 50,000 gallons | 2.39 | N/A | |
| 32 | | | | |
| 33 | Construction (bulk): per 1,000 gallons | \$ 2.39 | 2.74 | |
| 34 | | | | |
| 35 | | Present Rates | Proposed Rates | |
| 36 | <u>Commodity Charge in Excess of Minimum</u> | | | |
| 37 | <u>Residential and Commercial</u> | | | |
| 38 | 5/8 Inch and 3/4 Inch | | | |
| 39 | Tier 1 up to 4,000 | N/A | \$ 1.79 | |
| 40 | Tier 2 4,001 to 10,000 | N/A | 2.24 | |
| 41 | Tier 3 over 10,000 | N/A | 2.74 | |
| 42 | | | | |
| 43 | 1 Inch | | | |
| 44 | Tier 1 up to 12,500 | N/A | \$ 2.24 | |
| 45 | Tier 2 over 12,500 | N/A | 2.74 | |
| 46 | | | | |
| 47 | 1 1/2 Inch | | | |
| 48 | Tier 1 up to 25,000 | N/A | \$ 2.24 | |
| 49 | Tier 2 over 25,000 | N/A | 2.74 | |
| 50 | | | | |

Oak Creek Water Company
 Present and Proposed Rates
 Test Year Ended December 31, 2006

Exhibit
 Schedule H-3
 Page 2
 Bourassa

| | | | | | | |
|------------|--|--|---|---------|-----|---------|
| Line | | | | | | |
| <u>No.</u> | | | | | | |
| 1 | <u>Commodity Charge in Excess of Minimum</u> | | | | | |
| 2 | <u>Residential and Commercial (continued)</u> | | | | | |
| 3 | | | | | | |
| 4 | 2 Inch | | | | | |
| 5 | Tier 1 | | up to | 40,000 | N/A | \$ 2.24 |
| 6 | Tier 2 | | over | 40,000 | N/A | 2.74 |
| 7 | | | | | | |
| 8 | 3 Inch | | | | | |
| 9 | Tier 1 | | up to | 80,000 | N/A | \$ 2.24 |
| 10 | Tier 2 | | over | 80,000 | N/A | 2.74 |
| 11 | | | | | | |
| 12 | 4 Inch | | | | | |
| 13 | Tier 1 | | up to | 125,000 | N/A | \$ 2.24 |
| 14 | Tier 2 | | over | 125,000 | N/A | 2.74 |
| 15 | | | | | | |
| 16 | 6 Inch | | | | | |
| 17 | Tier 1 | | up to | 250,000 | N/A | \$ 2.24 |
| 18 | Tier 2 | | over | 250,000 | N/A | 2.74 |
| 19 | | | | | | |
| 20 | | | | | | |
| 21 | Residential Class (Multi-unit) | | | | | |
| 22 | Tier 1 | | Tier 2 of 3/4 inch meter size times number of units | | N/A | \$ 2.24 |
| 23 | Tier 2 | | Over Tier 1, above. | | N/A | 2.74 |
| 24 | | | | | | |
| 25 | | | | | | |
| 26 | Commercial Class (Multi-unit) | | | | | |
| 27 | Tier 1 | | Tier 2 of 3/4 inch meter size times number of units | | N/A | \$ 2.24 |
| 28 | Tier 2 | | Over Tier 1, above. | | N/A | 2.74 |
| 29 | | | | | | |
| 30 | | | | | | |
| 31 | | | | | | |
| 32 | | | | | | |
| 33 | | | | | | |
| 34 | | | | | | |
| 35 | | | | | | |
| 36 | | | | | | |
| 37 | | | | | | |
| 38 | | | | | | |
| 39 | | | | | | |
| 40 | | | | | | |
| 41 | | | | | | |
| 42 | | | | | | |
| 43 | | | | | | |
| 44 | | | | | | |
| 45 | | | | | | |
| 46 | | | | | | |
| 47 | | | | | | |
| 48 | | | | | | |
| 49 | | | | | | |

Oak Creek Water Company
Present and Proposed Rates
Test Year Ended December 31, 2006

Exhibit
Schedule H-3
Page 3
Bourassa

Line
No.

| Line No. | <u>SERVICE LINE AND METER INSTALLATION CHARGES</u> | <u>CURRENT RATES</u> | <u>PROPOSED RATES</u> |
|----------|--|--------------------------|---------------------------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | 5/8" x 3/4" Meter | \$ 415 | \$ 415 |
| 6 | 3/4" Meter | \$ 475 | \$ 475 |
| 7 | 1" Meter | \$ 550 | \$ 550 |
| 8 | 1-1/2" Meter | \$ 785 | \$ 785 |
| 9 | 2" Meter | \$ 1,375 | \$ 1,375 |
| 10 | 3" Meter | \$ 1,975 | \$ 1,975 |
| 11 | 4" Meter | \$ 3,040 | \$ 3,040 |
| 12 | 6" Meter | \$ 5,635 | \$ 5,635 |
| 13 | | | |
| 14 | | | |
| 15 | Establishment | \$ 35.00 | \$ 35.00 |
| 16 | Establishment (After Hours) | \$ 50.00 | \$ 50.00 |
| 17 | Reconnection (Delinquent) | \$ 50.00 | \$ 50.00 |
| 18 | Meter Test (if correct) | \$ 30.00 | \$ 30.00 |
| 19 | Deposit | * | * |
| 20 | Deposit Interest | * | * |
| 21 | Re-establishment (Within 12 Months) | ** | ** |
| 22 | Re-establishment (Within 12 Months After Hrs) | N/A | ** |
| 23 | NSF Check | \$ 25.00 | \$ 25.00 |
| 24 | Deferred Payment - per month | 1.50% | 1.50% |
| 25 | Meter Re-read | N/A | \$ 20.00 |
| 26 | Late Payment Penalty | \$ 5.00 | \$ 5.00 |
| 27 | Moving Customer Meter (Customer Request) | N/A | *** |
| 28 | After Hours Service Charge (Rule R14-2-403.D) | N/A | Cost |

29 *Note: If rates and charges vary across customer classes, duplicate the form and complete one for each*
30 *rate class. (e.g., residential, commercial) unless "ALL" is checked.*

31
32 * Per Commission rule AAC R14-2-403.B
33 ** Number of months off system times the monthly minimum per Commission rule AAC R14-2-403(D).
34 *** Per Commission rule R14-2-405
35
36

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Residential

Exhibit
 Schedule H-4
 Page 1
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|----------------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 7.00 | \$ 9.50 | \$ 2.50 | 35.71% |
| 1,000 | 8.73 | 11.29 | \$ 2.56 | 29.38% |
| 2,000 | 10.46 | 13.09 | \$ 2.63 | 25.14% |
| 3,000 | 12.19 | 14.88 | \$ 2.69 | 22.11% |
| 4,000 | 13.92 | 16.68 | \$ 2.76 | 19.82% |
| 5,000 | 16.04 | 18.92 | \$ 2.88 | 17.98% |
| 6,000 | 18.16 | 21.17 | \$ 3.01 | 16.57% |
| 7,000 | 20.28 | 23.41 | \$ 3.13 | 15.45% |
| 8,000 | 22.40 | 25.66 | \$ 3.26 | 14.55% |
| 9,000 | 24.52 | 27.90 | \$ 3.38 | 13.80% |
| 10,000 | 26.64 | 30.15 | \$ 3.51 | 13.17% |
| 12,000 | 30.88 | 35.64 | \$ 4.76 | 15.41% |
| 14,000 | 35.12 | 41.13 | \$ 6.01 | 17.11% |
| 16,000 | 39.36 | 46.62 | \$ 7.26 | 18.44% |
| 18,000 | 43.60 | 52.11 | \$ 8.51 | 19.51% |
| 20,000 | 47.84 | 57.60 | \$ 9.76 | 20.40% |
| 25,000 | 58.44 | 71.32 | \$ 12.88 | 22.04% |
| 30,000 | 69.04 | 85.05 | \$ 16.01 | 23.18% |
| 35,000 | 79.64 | 98.77 | \$ 19.13 | 24.02% |
| 40,000 | 90.24 | 112.50 | \$ 22.26 | 24.66% |
| 45,000 | 100.84 | 126.22 | \$ 25.38 | 25.17% |
| 50,000 | 111.44 | 139.94 | \$ 28.50 | 25.58% |
| 60,000 | 135.34 | 167.39 | \$ 32.05 | 23.68% |
| 70,000 | 159.24 | 194.84 | \$ 35.60 | 22.36% |
| 80,000 | 183.14 | 222.29 | \$ 39.15 | 21.38% |
| 90,000 | 207.04 | 249.74 | \$ 42.70 | 20.62% |
| 100,000 | 230.94 | 277.19 | \$ 46.25 | 20.03% |
| - | 7.00 | 9.50 | \$ 2.50 | 35.71% |
| Average Usage | | | | |
| 7,994 | \$ 22.39 | \$ 25.65 | \$ 3.26 | 14.55% |
| Median Usage | | | | |
| 5,500 | \$ 17.10 | \$ 20.05 | \$ 2.95 | 17.23% |

Present Rates:

| | |
|--------------------------|---------|
| Monthly Minimum: | \$ 7.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|---------|
| Monthly Minimum: | \$ 9.50 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.79 |
| Up to 10,000 | \$ 2.24 |
| Over 10,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Multi-Unit 2

Exhibit
 Schedule H-4
 Page 2
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|----------------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 14.00 | \$ 19.00 | \$ 5.00 | 35.71% |
| 1,000 | 15.73 | 21.24 | \$ 5.51 | 35.06% |
| 2,000 | 17.46 | 23.49 | \$ 6.03 | 34.53% |
| 3,000 | 19.19 | 25.73 | \$ 6.54 | 34.10% |
| 4,000 | 20.92 | 27.98 | \$ 7.06 | 33.75% |
| 5,000 | 23.04 | 30.22 | \$ 7.18 | 31.18% |
| 6,000 | 25.16 | 32.47 | \$ 7.31 | 29.05% |
| 7,000 | 27.28 | 34.71 | \$ 7.43 | 27.25% |
| 8,000 | 29.40 | 36.96 | \$ 7.56 | 25.71% |
| 9,000 | 31.52 | 39.20 | \$ 7.68 | 24.38% |
| 10,000 | 33.64 | 41.45 | \$ 7.81 | 23.21% |
| 12,000 | 37.88 | 45.94 | \$ 8.06 | 21.27% |
| 14,000 | 42.12 | 50.43 | \$ 8.31 | 19.73% |
| 16,000 | 46.36 | 54.92 | \$ 8.56 | 18.46% |
| 18,000 | 50.60 | 59.41 | \$ 8.81 | 17.41% |
| 20,000 | 54.84 | 63.90 | \$ 9.06 | 16.52% |
| 25,000 | 65.44 | 77.62 | \$ 12.18 | 18.62% |
| 30,000 | 76.04 | 91.35 | \$ 15.31 | 20.13% |
| 35,000 | 86.64 | 105.07 | \$ 18.43 | 21.27% |
| 40,000 | 97.24 | 118.80 | \$ 21.56 | 22.17% |
| 45,000 | 107.84 | 132.52 | \$ 24.68 | 22.89% |
| 50,000 | 118.44 | 146.24 | \$ 27.80 | 23.47% |
| 60,000 | 142.34 | 173.69 | \$ 31.35 | 22.03% |
| 70,000 | 166.24 | 201.14 | \$ 34.90 | 20.99% |
| 80,000 | 190.14 | 228.59 | \$ 38.45 | 20.22% |
| 90,000 | 214.04 | 256.04 | \$ 42.00 | 19.62% |
| 100,000 | 237.94 | 283.49 | \$ 45.55 | 19.14% |
| - | 14.00 | 19.00 | \$ 5.00 | 35.71% |
| Average Usage | | | | |
| 16,752 | \$ 47.95 | \$ 56.61 | \$ 8.65 | 18.04% |
| Median Usage | | | | |
| 12,500 | \$ 38.94 | \$ 47.06 | \$ 8.12 | 20.86% |

| | |
|--------------------------|----------|
| # Units | 2 |
| Present Rates: | |
| Monthly Minimum: | \$ 14.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

| | |
|--------------------------|----------|
| Proposed Rates: | |
| Monthly Minimum: | \$ 19.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 20,000 | \$ 2.24 |
| Over 20,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Multi-Unit 3

Exhibit
 Schedule H-4
 Page 3
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|--------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 21.00 | \$ 28.50 | \$ 7.50 | 35.71% |
| 1,000 | 22.73 | 30.74 | \$ 8.01 | 35.26% |
| 2,000 | 24.46 | 32.99 | \$ 8.53 | 34.87% |
| 3,000 | 26.19 | 35.23 | \$ 9.04 | 34.53% |
| 4,000 | 27.92 | 37.48 | \$ 9.56 | 34.24% |
| 5,000 | 30.04 | 39.72 | \$ 9.68 | 32.24% |
| 6,000 | 32.16 | 41.97 | \$ 9.81 | 30.50% |
| 7,000 | 34.28 | 44.21 | \$ 9.93 | 28.98% |
| 8,000 | 36.40 | 46.46 | \$ 10.06 | 27.63% |
| 9,000 | 38.52 | 48.70 | \$ 10.18 | 26.44% |
| 10,000 | 40.64 | 50.95 | \$ 10.31 | 25.37% |
| 12,000 | 44.88 | 55.44 | \$ 10.56 | 23.53% |
| 14,000 | 49.12 | 59.93 | \$ 10.81 | 22.00% |
| 16,000 | 53.36 | 64.42 | \$ 11.06 | 20.72% |
| 18,000 | 57.60 | 68.91 | \$ 11.31 | 19.63% |
| 20,000 | 61.84 | 73.40 | \$ 11.56 | 18.69% |
| 25,000 | 72.44 | 84.62 | \$ 12.18 | 16.82% |
| 30,000 | 83.04 | 95.85 | \$ 12.81 | 15.42% |
| 35,000 | 93.64 | 109.57 | \$ 15.93 | 17.01% |
| 40,000 | 104.24 | 123.30 | \$ 19.06 | 18.28% |
| 45,000 | 114.84 | 137.02 | \$ 22.18 | 19.31% |
| 50,000 | 125.44 | 150.74 | \$ 25.30 | 20.17% |
| 60,000 | 149.34 | 178.19 | \$ 28.85 | 19.32% |
| 70,000 | 173.24 | 205.64 | \$ 32.40 | 18.70% |
| 80,000 | 197.14 | 233.09 | \$ 35.95 | 18.24% |
| 90,000 | 221.04 | 260.54 | \$ 39.50 | 17.87% |
| 100,000 | 244.94 | 287.99 | \$ 43.05 | 17.57% |
| - | 21.00 | 28.50 | \$ 7.50 | 35.71% |

| | | | | | |
|---------------|--------|-----------|-----------|----------|--------|
| Average Usage | 44,271 | \$ 113.30 | \$ 135.02 | \$ 21.72 | 19.17% |
| Median Usage | 25,000 | \$ 72.44 | \$ 84.62 | \$ 12.18 | 16.82% |

Units 3

Present Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 21.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 28.50 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 30,000 | \$ 2.24 |
| Over 30,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Multi-Unit 4

Exhibit
 Schedule H-4
 Page 4
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|----------------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 28.00 | \$ 38.00 | \$ 10.00 | 35.71% |
| 1,000 | 29.73 | 40.24 | \$ 10.51 | 35.37% |
| 2,000 | 31.46 | 42.49 | \$ 11.03 | 35.06% |
| 3,000 | 33.19 | 44.73 | \$ 11.54 | 34.78% |
| 4,000 | 34.92 | 46.98 | \$ 12.06 | 34.53% |
| 5,000 | 37.04 | 49.22 | \$ 12.18 | 32.90% |
| 6,000 | 39.16 | 51.47 | \$ 12.31 | 31.43% |
| 7,000 | 41.28 | 53.71 | \$ 12.43 | 30.12% |
| 8,000 | 43.40 | 55.96 | \$ 12.56 | 28.94% |
| 9,000 | 45.52 | 58.20 | \$ 12.68 | 27.86% |
| 10,000 | 47.64 | 60.45 | \$ 12.81 | 26.89% |
| 12,000 | 51.88 | 64.94 | \$ 13.06 | 25.17% |
| 14,000 | 56.12 | 69.43 | \$ 13.31 | 23.71% |
| 16,000 | 60.36 | 73.92 | \$ 13.56 | 22.46% |
| 18,000 | 64.60 | 78.41 | \$ 13.81 | 21.37% |
| 20,000 | 68.84 | 82.90 | \$ 14.06 | 20.42% |
| 25,000 | 79.44 | 94.12 | \$ 14.68 | 18.48% |
| 30,000 | 90.04 | 105.35 | \$ 15.31 | 17.00% |
| 35,000 | 100.64 | 116.57 | \$ 15.93 | 15.83% |
| 40,000 | 111.24 | 127.80 | \$ 16.56 | 14.88% |
| 45,000 | 121.84 | 141.52 | \$ 19.68 | 16.15% |
| 50,000 | 132.44 | 155.24 | \$ 22.80 | 17.22% |
| 60,000 | 156.34 | 182.69 | \$ 26.35 | 16.86% |
| 70,000 | 180.24 | 210.14 | \$ 29.90 | 16.59% |
| 80,000 | 204.14 | 237.59 | \$ 33.45 | 16.39% |
| 90,000 | 228.04 | 265.04 | \$ 37.00 | 16.22% |
| 100,000 | 251.94 | 292.49 | \$ 40.55 | 16.09% |
| - | 28.00 | 38.00 | \$ 10.00 | 35.71% |
| Average Usage | | | | |
| 16,940 | \$ 62.35 | \$ 76.03 | \$ 13.68 | 21.93% |
| Median Usage | | | | |
| 16,500 | \$ 61.42 | \$ 75.04 | \$ 13.62 | 22.18% |

Units 4

Present Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 28.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 38.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 40,000 | \$ 2.24 |
| Over 40,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Multi-Unit 5

Exhibit
 Schedule H-4
 Page 5
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|---------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 35.00 | \$ 47.50 | \$ 12.50 | 35.71% |
| 1,000 | 36.73 | 49.74 | \$ 13.01 | 35.43% |
| 2,000 | 38.46 | 51.99 | \$ 13.53 | 35.18% |
| 3,000 | 40.19 | 54.23 | \$ 14.04 | 34.95% |
| 4,000 | 41.92 | 56.48 | \$ 14.56 | 34.73% |
| 5,000 | 44.04 | 58.72 | \$ 14.68 | 33.34% |
| 6,000 | 46.16 | 60.97 | \$ 14.81 | 32.08% |
| 7,000 | 48.28 | 63.21 | \$ 14.93 | 30.93% |
| 8,000 | 50.40 | 65.46 | \$ 15.06 | 29.88% |
| 9,000 | 52.52 | 67.70 | \$ 15.18 | 28.91% |
| 10,000 | 54.64 | 69.95 | \$ 15.31 | 28.02% |
| 12,000 | 58.88 | 74.44 | \$ 15.56 | 26.42% |
| 14,000 | 63.12 | 78.93 | \$ 15.81 | 25.04% |
| 16,000 | 67.36 | 83.42 | \$ 16.06 | 23.84% |
| 18,000 | 71.60 | 87.91 | \$ 16.31 | 22.78% |
| 20,000 | 75.84 | 92.40 | \$ 16.56 | 21.83% |
| 25,000 | 86.44 | 103.62 | \$ 17.18 | 19.88% |
| 30,000 | 97.04 | 114.85 | \$ 17.81 | 18.35% |
| 35,000 | 107.64 | 126.07 | \$ 18.43 | 17.12% |
| 40,000 | 118.24 | 137.30 | \$ 19.06 | 16.12% |
| 45,000 | 128.84 | 148.52 | \$ 19.68 | 15.27% |
| 50,000 | 139.44 | 159.74 | \$ 20.30 | 14.56% |
| 60,000 | 163.34 | 187.19 | \$ 23.85 | 14.60% |
| 70,000 | 187.24 | 214.64 | \$ 27.40 | 14.63% |
| 80,000 | 211.14 | 242.09 | \$ 30.95 | 14.66% |
| 90,000 | 235.04 | 269.54 | \$ 34.50 | 14.68% |
| 100,000 | 258.94 | 296.99 | \$ 38.05 | 14.69% |
| - | 35.00 | 47.50 | \$ 12.50 | 35.71% |
| Average Usage | | | | |
| 13,601 | \$ 62.27 | \$ 78.03 | \$ 15.76 | 25.30% |
| Median Usage | | | | |
| 14,500 | \$ 64.18 | \$ 80.05 | \$ 15.87 | 24.73% |

| | |
|--------------------------|----------|
| # Units | 5 |
| Present Rates: | |
| Monthly Minimum: | \$ 35.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

| | |
|--------------------------|----------|
| Proposed Rates: | |
| Monthly Minimum: | \$ 47.50 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 50,000 | \$ 2.24 |
| Over 50,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Multi-Unit 6

Exhibit
 Schedule H-4
 Page 6
 Bourassa

| <u>Usage</u> | <u>Present</u> <u>Bill</u> | <u>Proposed</u> <u>Bill</u> | <u>Dollar</u> <u>Increase</u> | <u>Percent</u> <u>Increase</u> |
|--------------|-------------------------------|--------------------------------|----------------------------------|-----------------------------------|
| - | \$ 42.00 | \$ 57.00 | \$ 15.00 | 35.71% |
| 1,000 | 43.73 | 59.24 | \$ 15.51 | 35.48% |
| 2,000 | 45.46 | 61.49 | \$ 16.03 | 35.26% |
| 3,000 | 47.19 | 63.73 | \$ 16.54 | 35.06% |
| 4,000 | 48.92 | 65.98 | \$ 17.06 | 34.87% |
| 5,000 | 51.04 | 68.22 | \$ 17.18 | 33.67% |
| 6,000 | 53.16 | 70.47 | \$ 17.31 | 32.56% |
| 7,000 | 55.28 | 72.71 | \$ 17.43 | 31.54% |
| 8,000 | 57.40 | 74.96 | \$ 17.56 | 30.59% |
| 9,000 | 59.52 | 77.20 | \$ 17.68 | 29.71% |
| 10,000 | 61.64 | 79.45 | \$ 17.81 | 28.89% |
| 12,000 | 65.88 | 83.94 | \$ 18.06 | 27.41% |
| 14,000 | 70.12 | 88.43 | \$ 18.31 | 26.11% |
| 16,000 | 74.36 | 92.92 | \$ 18.56 | 24.96% |
| 18,000 | 78.60 | 97.41 | \$ 18.81 | 23.93% |
| 20,000 | 82.84 | 101.90 | \$ 19.06 | 23.01% |
| 25,000 | 93.44 | 113.12 | \$ 19.68 | 21.06% |
| 30,000 | 104.04 | 124.35 | \$ 20.31 | 19.52% |
| 35,000 | 114.64 | 135.57 | \$ 20.93 | 18.26% |
| 40,000 | 125.24 | 146.80 | \$ 21.56 | 17.21% |
| 45,000 | 135.84 | 158.02 | \$ 22.18 | 16.33% |
| 50,000 | 146.44 | 169.24 | \$ 22.80 | 15.57% |
| 60,000 | 170.34 | 191.69 | \$ 21.35 | 12.54% |
| 70,000 | 194.24 | 219.14 | \$ 24.90 | 12.82% |
| 80,000 | 218.14 | 246.59 | \$ 28.45 | 13.04% |
| 90,000 | 242.04 | 274.04 | \$ 32.00 | 13.22% |
| 100,000 | 265.94 | 301.49 | \$ 35.55 | 13.37% |
| - | 42.00 | 57.00 | \$ 15.00 | 35.71% |

| | | | | | |
|---------------|--------|----------|----------|----------|--------|
| Average Usage | 15,126 | \$ 72.51 | \$ 90.95 | \$ 18.45 | 25.44% |
| Median Usage | 14,000 | \$ 70.12 | \$ 88.43 | \$ 18.31 | 26.11% |

Units 6

Present Rates:

| | | |
|--------------------------|--------|---------|
| Monthly Minimum: | \$ | 42.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to | 4,000 | \$ 1.73 |
| Up to | 50,000 | \$ 2.12 |
| Over | 50,000 | \$ 2.39 |

Proposed Rates:

| | | |
|--------------------------|--------|---------|
| Monthly Minimum: | \$ | 57.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to | 60,000 | \$ 2.24 |
| Over | 60,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Multi-Unit 7

Exhibit
 Schedule H-4
 Page 7
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|---------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 49.00 | \$ 66.50 | \$ 17.50 | 35.71% |
| 1,000 | 50.73 | 68.74 | \$ 18.01 | 35.51% |
| 2,000 | 52.46 | 70.99 | \$ 18.53 | 35.32% |
| 3,000 | 54.19 | 73.23 | \$ 19.04 | 35.14% |
| 4,000 | 55.92 | 75.48 | \$ 19.56 | 34.98% |
| 5,000 | 58.04 | 77.72 | \$ 19.68 | 33.92% |
| 6,000 | 60.16 | 79.97 | \$ 19.81 | 32.93% |
| 7,000 | 62.28 | 82.21 | \$ 19.93 | 32.01% |
| 8,000 | 64.40 | 84.46 | \$ 20.06 | 31.15% |
| 9,000 | 66.52 | 86.70 | \$ 20.18 | 30.34% |
| 10,000 | 68.64 | 88.95 | \$ 20.31 | 29.59% |
| 12,000 | 72.88 | 93.44 | \$ 20.56 | 28.21% |
| 14,000 | 77.12 | 97.93 | \$ 20.81 | 26.98% |
| 16,000 | 81.36 | 102.42 | \$ 21.06 | 25.88% |
| 18,000 | 85.60 | 106.91 | \$ 21.31 | 24.89% |
| 20,000 | 89.84 | 111.40 | \$ 21.56 | 24.00% |
| 25,000 | 100.44 | 122.62 | \$ 22.18 | 22.08% |
| 30,000 | 111.04 | 133.85 | \$ 22.81 | 20.54% |
| 35,000 | 121.64 | 145.07 | \$ 23.43 | 19.26% |
| 40,000 | 132.24 | 156.30 | \$ 24.06 | 18.19% |
| 45,000 | 142.84 | 167.52 | \$ 24.68 | 17.28% |
| 50,000 | 153.44 | 178.74 | \$ 25.30 | 16.49% |
| 60,000 | 177.34 | 201.19 | \$ 23.85 | 13.45% |
| 70,000 | 201.24 | 223.64 | \$ 22.40 | 11.13% |
| 80,000 | 225.14 | 251.09 | \$ 25.95 | 11.53% |
| 90,000 | 249.04 | 278.54 | \$ 29.50 | 11.84% |
| 100,000 | 272.94 | 305.99 | \$ 33.05 | 12.11% |
| - | 49.00 | 66.50 | \$ 17.50 | 35.71% |
| Average Usage | | | | |
| 118,511 | \$ 317.18 | \$ 356.80 | \$ 39.62 | 12.49% |
| Median Usage | | | | |
| 95,000 | \$ 260.99 | \$ 292.26 | \$ 31.27 | 11.98% |

Units 7

Present Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 49.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 66.50 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 70,000 | \$ 2.24 |
| Over 70,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Multi-Unit 13

Exhibit
 Schedule H-4
 Page 8
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|--------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 91.00 | \$ 123.50 | \$ 32.50 | 35.71% |
| 1,000 | 92.73 | 125.74 | \$ 33.01 | 35.60% |
| 2,000 | 94.46 | 127.99 | \$ 33.53 | 35.50% |
| 3,000 | 96.19 | 130.23 | \$ 34.04 | 35.39% |
| 4,000 | 97.92 | 132.48 | \$ 34.56 | 35.29% |
| 5,000 | 100.04 | 134.72 | \$ 34.68 | 34.67% |
| 6,000 | 102.16 | 136.97 | \$ 34.81 | 34.07% |
| 7,000 | 104.28 | 139.21 | \$ 34.93 | 33.50% |
| 8,000 | 106.40 | 141.46 | \$ 35.06 | 32.95% |
| 9,000 | 108.52 | 143.70 | \$ 35.18 | 32.42% |
| 10,000 | 110.64 | 145.95 | \$ 35.31 | 31.91% |
| 12,000 | 114.88 | 150.44 | \$ 35.56 | 30.95% |
| 14,000 | 119.12 | 154.93 | \$ 35.81 | 30.06% |
| 16,000 | 123.36 | 159.42 | \$ 36.06 | 29.23% |
| 18,000 | 127.60 | 163.91 | \$ 36.31 | 28.45% |
| 20,000 | 131.84 | 168.40 | \$ 36.56 | 27.73% |
| 25,000 | 142.44 | 179.62 | \$ 37.18 | 26.10% |
| 30,000 | 153.04 | 190.85 | \$ 37.81 | 24.70% |
| 35,000 | 163.64 | 202.07 | \$ 38.43 | 23.48% |
| 40,000 | 174.24 | 213.30 | \$ 39.06 | 22.41% |
| 45,000 | 184.84 | 224.52 | \$ 39.68 | 21.47% |
| 50,000 | 195.44 | 235.74 | \$ 40.30 | 20.62% |
| 60,000 | 219.34 | 258.19 | \$ 38.85 | 17.71% |
| 70,000 | 243.24 | 280.64 | \$ 37.40 | 15.38% |
| 80,000 | 267.14 | 303.09 | \$ 35.95 | 13.46% |
| 90,000 | 291.04 | 325.54 | \$ 34.50 | 11.85% |
| 100,000 | 314.94 | 347.99 | \$ 33.05 | 10.49% |
| - | 91.00 | 123.50 | \$ 32.50 | 35.71% |

Units 13

Present Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 91.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|-----------|
| Monthly Minimum: | \$ 123.50 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 130,000 | \$ 2.24 |
| Over 130,000 | \$ 2.74 |

| | | | | | |
|---------------|-----------|-----------|----------|--------|--|
| Average Usage | | | | | |
| 83,550 | \$ 275.63 | \$ 311.06 | \$ 35.43 | 12.86% | |
| Median Usage | | | | | |
| 95,000 | \$ 302.99 | \$ 336.76 | \$ 33.77 | 11.15% | |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Multi-Unit 26

Exhibit
 Schedule H-4
 Page 9
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|--------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 112.00 | \$ 152.00 | \$ 40.00 | 35.71% |
| 1,000 | 113.73 | 154.24 | \$ 40.51 | 35.62% |
| 2,000 | 115.46 | 156.49 | \$ 41.03 | 35.54% |
| 3,000 | 117.19 | 158.73 | \$ 41.54 | 35.45% |
| 4,000 | 118.92 | 160.98 | \$ 42.06 | 35.37% |
| 5,000 | 121.04 | 163.22 | \$ 42.18 | 34.85% |
| 6,000 | 123.16 | 165.47 | \$ 42.31 | 34.35% |
| 7,000 | 125.28 | 167.71 | \$ 42.43 | 33.87% |
| 8,000 | 127.40 | 169.96 | \$ 42.56 | 33.41% |
| 9,000 | 129.52 | 172.20 | \$ 42.68 | 32.96% |
| 10,000 | 131.64 | 174.45 | \$ 42.81 | 32.52% |
| 12,000 | 135.88 | 178.94 | \$ 43.06 | 31.69% |
| 14,000 | 140.12 | 183.43 | \$ 43.31 | 30.91% |
| 16,000 | 144.36 | 187.92 | \$ 43.56 | 30.17% |
| 18,000 | 148.60 | 192.41 | \$ 43.81 | 29.48% |
| 20,000 | 152.84 | 196.90 | \$ 44.06 | 28.83% |
| 25,000 | 163.44 | 208.12 | \$ 44.68 | 27.34% |
| 30,000 | 174.04 | 219.35 | \$ 45.31 | 26.03% |
| 35,000 | 184.64 | 230.57 | \$ 45.93 | 24.88% |
| 40,000 | 195.24 | 241.80 | \$ 46.56 | 23.85% |
| 45,000 | 205.84 | 253.02 | \$ 47.18 | 22.92% |
| 50,000 | 216.44 | 264.24 | \$ 47.80 | 22.09% |
| 60,000 | 240.34 | 286.69 | \$ 46.35 | 19.29% |
| 70,000 | 264.24 | 309.14 | \$ 44.90 | 16.99% |
| 80,000 | 288.14 | 331.59 | \$ 43.45 | 15.08% |
| 90,000 | 312.04 | 354.04 | \$ 42.00 | 13.46% |
| 100,000 | 335.94 | 376.49 | \$ 40.55 | 12.07% |
| - | 112.00 | 152.00 | \$ 40.00 | 35.71% |

Units 16

Present Rates:

| | |
|--------------------------|-----------|
| Monthly Minimum: | \$ 112.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|-----------|
| Monthly Minimum: | \$ 152.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 160,000 | \$ 2.24 |
| Over 160,000 | \$ 2.74 |

| | | | | | |
|---------------|-----------|-----------|----------|--------|--|
| Average Usage | | | | | |
| 97,992 | \$ 331.14 | \$ 371.98 | \$ 40.84 | 12.33% | |
| Median Usage | | | | | |
| 95,000 | \$ 323.99 | \$ 365.26 | \$ 41.27 | 12.74% | |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Present and Proposed

3/4 Inch Multi-Unit 24

Exhibit
 Schedule H-4
 Page 10
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|--------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 168.00 | \$ 228.00 | \$ 60.00 | 35.71% |
| 1,000 | 169.73 | 230.24 | \$ 60.51 | 35.65% |
| 2,000 | 171.46 | 232.49 | \$ 61.03 | 35.59% |
| 3,000 | 173.19 | 234.73 | \$ 61.54 | 35.54% |
| 4,000 | 174.92 | 236.98 | \$ 62.06 | 35.48% |
| 5,000 | 177.04 | 239.22 | \$ 62.18 | 35.12% |
| 6,000 | 179.16 | 241.47 | \$ 62.31 | 34.78% |
| 7,000 | 181.28 | 243.71 | \$ 62.43 | 34.44% |
| 8,000 | 183.40 | 245.96 | \$ 62.56 | 34.11% |
| 9,000 | 185.52 | 248.20 | \$ 62.68 | 33.79% |
| 10,000 | 187.64 | 250.45 | \$ 62.81 | 33.47% |
| 12,000 | 191.88 | 254.94 | \$ 63.06 | 32.86% |
| 14,000 | 196.12 | 259.43 | \$ 63.31 | 32.28% |
| 16,000 | 200.36 | 263.92 | \$ 63.56 | 31.72% |
| 18,000 | 204.60 | 268.41 | \$ 63.81 | 31.19% |
| 20,000 | 208.84 | 272.90 | \$ 64.06 | 30.67% |
| 25,000 | 219.44 | 284.12 | \$ 64.68 | 29.48% |
| 30,000 | 230.04 | 295.35 | \$ 65.31 | 28.39% |
| 35,000 | 240.64 | 306.57 | \$ 65.93 | 27.40% |
| 40,000 | 251.24 | 317.80 | \$ 66.56 | 26.49% |
| 45,000 | 261.84 | 329.02 | \$ 67.18 | 25.66% |
| 50,000 | 272.44 | 340.24 | \$ 67.80 | 24.89% |
| 60,000 | 296.34 | 362.69 | \$ 66.35 | 22.39% |
| 70,000 | 320.24 | 385.14 | \$ 64.90 | 20.27% |
| 80,000 | 344.14 | 407.59 | \$ 63.45 | 18.44% |
| 90,000 | 368.04 | 430.04 | \$ 62.00 | 16.85% |
| 100,000 | 391.94 | 452.49 | \$ 60.55 | 15.45% |
| - | 168.00 | 228.00 | \$ 60.00 | 35.71% |

| | | | | |
|---------------|-----------|-----------|----------|--------|
| Average Usage | | | | |
| 84,775 | \$ 355.55 | \$ 418.31 | \$ 62.76 | 17.65% |
| Median Usage | | | | |
| 65,000 | \$ 308.29 | \$ 373.92 | \$ 65.63 | 21.29% |

| | | |
|--------------------------|----|--------|
| # Units | | 24 |
| Present Rates: | | |
| Monthly Minimum: | \$ | 168.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to 4,000 | \$ | 1.73 |
| Up to 50,000 | \$ | 2.12 |
| Over 50,000 | \$ | 2.39 |

| | | |
|--------------------------|----|--------|
| Proposed Rates: | | |
| Monthly Minimum: | \$ | 228.00 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to 240,000 | \$ | 2.24 |
| Over 240,000 | \$ | 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Summer Present and Proposed

1 Inch Residential

Exhibit
 Schedule H-4
 Page 11
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|---------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 9.50 | \$ 11.88 | \$ 2.38 | 25.00% |
| 1,000 | 11.23 | 14.12 | \$ 2.89 | 25.73% |
| 2,000 | 12.96 | 16.36 | \$ 3.40 | 26.27% |
| 3,000 | 14.69 | 18.61 | \$ 3.92 | 26.68% |
| 4,000 | 16.42 | 20.85 | \$ 4.43 | 27.01% |
| 5,000 | 18.54 | 23.10 | \$ 4.56 | 24.59% |
| 6,000 | 20.66 | 25.34 | \$ 4.68 | 22.67% |
| 7,000 | 22.78 | 27.59 | \$ 4.81 | 21.11% |
| 8,000 | 24.90 | 29.83 | \$ 4.93 | 19.82% |
| 9,000 | 27.02 | 32.08 | \$ 5.06 | 18.72% |
| 10,000 | 29.14 | 34.32 | \$ 5.18 | 17.79% |
| 12,000 | 33.38 | 38.81 | \$ 5.43 | 16.28% |
| 14,000 | 37.62 | 44.05 | \$ 6.43 | 17.10% |
| 16,000 | 41.86 | 49.54 | \$ 7.68 | 18.35% |
| 18,000 | 46.10 | 55.03 | \$ 8.93 | 19.38% |
| 20,000 | 50.34 | 60.52 | \$ 10.18 | 20.23% |
| 25,000 | 60.94 | 74.25 | \$ 13.31 | 21.84% |
| 30,000 | 71.54 | 87.97 | \$ 16.43 | 22.97% |
| 35,000 | 82.14 | 101.70 | \$ 19.56 | 23.81% |
| 40,000 | 92.74 | 115.42 | \$ 22.68 | 24.46% |
| 45,000 | 103.34 | 129.14 | \$ 25.80 | 24.97% |
| 50,000 | 113.94 | 142.87 | \$ 28.93 | 25.39% |
| 60,000 | 137.84 | 170.32 | \$ 32.48 | 23.56% |
| 70,000 | 161.74 | 197.77 | \$ 36.03 | 22.27% |
| 80,000 | 185.64 | 225.22 | \$ 39.58 | 21.32% |
| 90,000 | 209.54 | 252.66 | \$ 43.12 | 20.58% |
| 100,000 | 233.44 | 280.11 | \$ 46.67 | 19.99% |
| - | 9.50 | 11.88 | \$ 2.38 | 25.00% |
| Average Usage | | | | |
| 7,131 | \$ 23.06 | \$ 27.88 | \$ 4.83 | 20.93% |
| Median Usage | | | | |
| 5,500 | \$ 19.60 | \$ 24.22 | \$ 4.62 | 23.58% |

Present Rates:

| | | |
|--------------------------|----|------|
| Monthly Minimum: | \$ | 9.50 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to 4,000 | \$ | 1.73 |
| Up to 50,000 | \$ | 2.12 |
| Over 50,000 | \$ | 2.39 |

Proposed Rates:

| | | |
|--------------------------|----|-------|
| Monthly Minimum: | \$ | 11.88 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to 12,500 | \$ | 2.24 |
| Over 12,500 | \$ | 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Summer Present and Proposed

1.5 Inch Residential

Exhibit
 Schedule H-4
 Page 12
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|--------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 12.25 | \$ 23.75 | \$ 11.50 | 93.88% |
| 1,000 | 13.98 | 25.99 | \$ 12.01 | 85.94% |
| 2,000 | 15.71 | 28.24 | \$ 12.53 | 79.76% |
| 3,000 | 17.44 | 30.48 | \$ 13.04 | 74.80% |
| 4,000 | 19.17 | 32.73 | \$ 13.56 | 70.73% |
| 5,000 | 21.29 | 34.97 | \$ 13.68 | 64.28% |
| 6,000 | 23.41 | 37.22 | \$ 13.81 | 58.99% |
| 7,000 | 25.53 | 39.46 | \$ 13.93 | 54.58% |
| 8,000 | 27.65 | 41.71 | \$ 14.06 | 50.85% |
| 9,000 | 29.77 | 43.95 | \$ 14.18 | 47.64% |
| 10,000 | 31.89 | 46.20 | \$ 14.31 | 44.87% |
| 12,000 | 36.13 | 50.69 | \$ 14.56 | 40.29% |
| 14,000 | 40.37 | 55.18 | \$ 14.81 | 36.68% |
| 16,000 | 44.61 | 59.67 | \$ 15.06 | 33.75% |
| 18,000 | 48.85 | 64.16 | \$ 15.31 | 31.34% |
| 20,000 | 53.09 | 68.65 | \$ 15.56 | 29.30% |
| 25,000 | 63.69 | 79.87 | \$ 16.18 | 25.41% |
| 30,000 | 74.29 | 93.60 | \$ 19.31 | 25.99% |
| 35,000 | 84.89 | 107.32 | \$ 22.43 | 26.42% |
| 40,000 | 95.49 | 121.05 | \$ 25.56 | 26.76% |
| 45,000 | 106.09 | 134.77 | \$ 28.68 | 27.03% |
| 50,000 | 116.69 | 148.49 | \$ 31.80 | 27.25% |
| 60,000 | 140.59 | 175.94 | \$ 35.35 | 25.15% |
| 70,000 | 164.49 | 203.39 | \$ 38.90 | 23.65% |
| 80,000 | 188.39 | 230.84 | \$ 42.45 | 22.53% |
| 90,000 | 212.29 | 258.29 | \$ 46.00 | 21.67% |
| 100,000 | 236.19 | 285.74 | \$ 49.55 | 20.98% |

| | | | | | |
|---------------|-----------|-----------|----------|--------|--|
| Average Usage | | | | | |
| 43,348 | \$ 102.59 | \$ 130.24 | \$ 27.65 | 26.95% | |
| Median Usage | | | | | |
| 32,500 | \$ 79.59 | \$ 100.46 | \$ 20.87 | 26.22% | |

Present Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 12.25 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 23.75 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 25,000 | \$ 2.24 |
| Over 25,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Summer Present and Proposed

3/4 Inch Commercial

Exhibit
 Schedule H-4
 Page 13
 Bourassa

| <u>Usage</u> | <u>Present</u> <u>Bill</u> | <u>Proposed</u> <u>Bill</u> | <u>Dollar</u> <u>Increase</u> | <u>Percent</u> <u>Increase</u> |
|---------------|-------------------------------|--------------------------------|----------------------------------|-----------------------------------|
| - | \$ 7.00 | \$ 9.50 | \$ 2.50 | 35.71% |
| 1,000 | 8.73 | 11.29 | \$ 2.56 | 29.38% |
| 2,000 | 10.46 | 13.09 | \$ 2.63 | 25.14% |
| 3,000 | 12.19 | 14.88 | \$ 2.69 | 22.11% |
| 4,000 | 13.92 | 16.68 | \$ 2.76 | 19.82% |
| 5,000 | 16.04 | 18.92 | \$ 2.88 | 17.98% |
| 6,000 | 18.16 | 21.17 | \$ 3.01 | 16.57% |
| 7,000 | 20.28 | 23.41 | \$ 3.13 | 15.45% |
| 8,000 | 22.40 | 25.66 | \$ 3.26 | 14.55% |
| 9,000 | 24.52 | 27.90 | \$ 3.38 | 13.80% |
| 10,000 | 26.64 | 30.15 | \$ 3.51 | 13.17% |
| 12,000 | 30.88 | 35.64 | \$ 4.76 | 15.41% |
| 14,000 | 35.12 | 41.13 | \$ 6.01 | 17.11% |
| 16,000 | 39.36 | 46.62 | \$ 7.26 | 18.44% |
| 18,000 | 43.60 | 52.11 | \$ 8.51 | 19.51% |
| 20,000 | 47.84 | 57.60 | \$ 9.76 | 20.40% |
| 25,000 | 58.44 | 71.32 | \$ 12.88 | 22.04% |
| 30,000 | 69.04 | 85.05 | \$ 16.01 | 23.18% |
| 35,000 | 79.64 | 98.77 | \$ 19.13 | 24.02% |
| 40,000 | 90.24 | 112.50 | \$ 22.26 | 24.66% |
| 45,000 | 100.84 | 126.22 | \$ 25.38 | 25.17% |
| 50,000 | 111.44 | 139.94 | \$ 28.50 | 25.58% |
| 55,000 | 123.39 | 153.67 | \$ 30.28 | 24.54% |
| 60,000 | 135.34 | 167.39 | \$ 32.05 | 23.68% |
| 65,000 | 147.29 | 181.12 | \$ 33.83 | 22.97% |
| 70,000 | 159.24 | 194.84 | \$ 35.60 | 22.36% |
| 75,000 | 171.19 | 208.57 | \$ 37.38 | 21.83% |
| 80,000 | 183.14 | 222.29 | \$ 39.15 | 21.38% |
| 85,000 | 195.09 | 236.01 | \$ 40.92 | 20.98% |
| 90,000 | 207.04 | 249.74 | \$ 42.70 | 20.62% |
| 95,000 | 218.99 | 263.46 | \$ 44.47 | 20.31% |
| 100,000 | 230.94 | 277.19 | \$ 46.25 | 20.03% |
| Average Usage | | | | |
| 12,040 | \$ 30.97 | \$ 35.75 | \$ 4.78 | 15.45% |
| Median Usage | | | | |
| 3,500 | \$ 13.06 | \$ 15.78 | \$ 2.73 | 20.89% |

Present Rates:

| | |
|--------------------------|---------|
| Monthly Minimum: | \$ 7.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|---------|
| Monthly Minimum: | \$ 9.50 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.79 |
| Up to 10,000 | \$ 2.24 |
| Over 10,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Summer Present and Proposed

1 Inch Commercial

Exhibit
 Schedule H-4
 Page 14
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|---------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 9.50 | \$ 11.88 | \$ 2.38 | 25.00% |
| 1,000 | 11.23 | 14.12 | \$ 2.89 | 25.73% |
| 2,000 | 12.96 | 16.36 | \$ 3.40 | 26.27% |
| 3,000 | 14.69 | 18.61 | \$ 3.92 | 26.68% |
| 4,000 | 16.42 | 20.85 | \$ 4.43 | 27.01% |
| 5,000 | 18.54 | 23.10 | \$ 4.56 | 24.59% |
| 6,000 | 20.66 | 25.34 | \$ 4.68 | 22.67% |
| 7,000 | 22.78 | 27.59 | \$ 4.81 | 21.11% |
| 8,000 | 24.90 | 29.83 | \$ 4.93 | 19.82% |
| 9,000 | 27.02 | 32.08 | \$ 5.06 | 18.72% |
| 10,000 | 29.14 | 34.32 | \$ 5.18 | 17.79% |
| 12,000 | 33.38 | 38.81 | \$ 5.43 | 16.28% |
| 14,000 | 37.62 | 44.05 | \$ 6.43 | 17.10% |
| 16,000 | 41.86 | 49.54 | \$ 7.68 | 18.35% |
| 18,000 | 46.10 | 55.03 | \$ 8.93 | 19.38% |
| 20,000 | 50.34 | 60.52 | \$ 10.18 | 20.23% |
| 25,000 | 60.94 | 74.25 | \$ 13.31 | 21.84% |
| 30,000 | 71.54 | 87.97 | \$ 16.43 | 22.97% |
| 35,000 | 82.14 | 101.70 | \$ 19.56 | 23.81% |
| 40,000 | 92.74 | 115.42 | \$ 22.68 | 24.46% |
| 45,000 | 103.34 | 129.14 | \$ 25.80 | 24.97% |
| 50,000 | 113.94 | 142.87 | \$ 28.93 | 25.39% |
| 60,000 | 137.84 | 170.32 | \$ 32.48 | 23.56% |
| 70,000 | 161.74 | 197.77 | \$ 36.03 | 22.27% |
| 80,000 | 185.64 | 225.22 | \$ 39.58 | 21.32% |
| 90,000 | 209.54 | 252.66 | \$ 43.12 | 20.58% |
| 100,000 | 233.44 | 280.11 | \$ 46.67 | 19.99% |
| Average Usage | | | | |
| 27,283 | \$ 65.78 | \$ 80.51 | \$ 14.73 | 22.40% |
| Median Usage | | | | |
| 22,500 | \$ 55.64 | \$ 67.38 | \$ 11.74 | 21.11% |

Present Rates:

| | | |
|--------------------------|----|------|
| Monthly Minimum: | \$ | 9.50 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to 4,000 | \$ | 1.73 |
| Up to 50,000 | \$ | 2.12 |
| Over 50,000 | \$ | 2.39 |

Proposed Rates:

| | | |
|--------------------------|----|-------|
| Monthly Minimum: | \$ | 11.88 |
| Gallons in Minimum | | - |
| Charge Per 1,000 Gallons | | |
| Up to 12,500 | \$ | 2.24 |
| Over 12,500 | \$ | 2.74 |

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|---------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 12.25 | \$ 23.75 | \$ 11.50 | 93.88% |
| 1,000 | 13.98 | 25.99 | 12.01 | 85.94% |
| 2,000 | 15.71 | 28.24 | 12.53 | 79.76% |
| 3,000 | 17.44 | 30.48 | 13.04 | 74.80% |
| 4,000 | 19.17 | 32.73 | 13.56 | 70.73% |
| 5,000 | 21.29 | 34.97 | 13.68 | 64.28% |
| 6,000 | 23.41 | 37.22 | 13.81 | 58.99% |
| 7,000 | 25.53 | 39.46 | 13.93 | 54.58% |
| 8,000 | 27.65 | 41.71 | 14.06 | 50.85% |
| 9,000 | 29.77 | 43.95 | 14.18 | 47.64% |
| 10,000 | 31.89 | 46.20 | 14.31 | 44.87% |
| 12,000 | 36.13 | 50.69 | 14.56 | 40.29% |
| 14,000 | 40.37 | 55.18 | 14.81 | 36.68% |
| 16,000 | 44.61 | 59.67 | 15.06 | 33.75% |
| 18,000 | 48.85 | 64.16 | 15.31 | 31.34% |
| 20,000 | 53.09 | 68.65 | 15.56 | 29.30% |
| 25,000 | 63.69 | 79.87 | 16.18 | 25.41% |
| 30,000 | 74.29 | 93.60 | 19.31 | 25.99% |
| 35,000 | 84.89 | 107.32 | 22.43 | 26.42% |
| 40,000 | 95.49 | 121.05 | 25.56 | 26.76% |
| 45,000 | 106.09 | 134.77 | 28.68 | 27.03% |
| 50,000 | 116.69 | 148.49 | 31.80 | 27.25% |
| 60,000 | 140.59 | 175.94 | 35.35 | 25.15% |
| 70,000 | 164.49 | 203.39 | 38.90 | 23.65% |
| 80,000 | 188.39 | 230.84 | 42.45 | 22.53% |
| 90,000 | 212.29 | 258.29 | 46.00 | 21.67% |
| 100,000 | 236.19 | 285.74 | 49.55 | 20.98% |
| Average Usage | | | | |
| 19,611 | \$ 52.27 | \$ 67.77 | \$ 15.51 | 29.67% |
| Median Usage | | | | |
| 4,500 | \$ 20.23 | \$ 33.85 | \$ 13.62 | 67.34% |

Present Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 12.25 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 23.75 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 25,000 | \$ 2.24 |
| Over 25,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Summer Present and Proposed

2 Inch Commercial

Exhibit
 Schedule H-4
 Page 16
 Bourassa

| <u>Usage</u> | <u>Present</u> <u>Bill</u> | <u>Proposed</u> <u>Bill</u> | <u>Dollar</u> <u>Increase</u> | <u>Percent</u> <u>Increase</u> |
|--------------|-------------------------------|--------------------------------|----------------------------------|-----------------------------------|
| - | \$ 16.00 | \$ 38.00 | \$ 22.00 | 137.50% |
| 1,000 | 17.73 | 40.24 | \$ 22.51 | 126.99% |
| 2,000 | 19.46 | 42.49 | \$ 23.03 | 118.34% |
| 3,000 | 21.19 | 44.73 | \$ 23.54 | 111.11% |
| 4,000 | 22.92 | 46.98 | \$ 24.06 | 104.97% |
| 5,000 | 25.04 | 49.22 | \$ 24.18 | 96.58% |
| 6,000 | 27.16 | 51.47 | \$ 24.31 | 89.50% |
| 7,000 | 29.28 | 53.71 | \$ 24.43 | 83.45% |
| 8,000 | 31.40 | 55.96 | \$ 24.56 | 78.21% |
| 9,000 | 33.52 | 58.20 | \$ 24.68 | 73.64% |
| 10,000 | 35.64 | 60.45 | \$ 24.81 | 69.61% |
| 12,000 | 39.88 | 64.94 | \$ 25.06 | 62.83% |
| 14,000 | 44.12 | 69.43 | \$ 25.31 | 57.36% |
| 16,000 | 48.36 | 73.92 | \$ 25.56 | 52.85% |
| 18,000 | 52.60 | 78.41 | \$ 25.81 | 49.06% |
| 20,000 | 56.84 | 82.90 | \$ 26.06 | 45.84% |
| 25,000 | 67.44 | 94.12 | \$ 26.68 | 39.56% |
| 30,000 | 78.04 | 105.35 | \$ 27.31 | 34.99% |
| 35,000 | 88.64 | 116.57 | \$ 27.93 | 31.51% |
| 40,000 | 99.24 | 127.80 | \$ 28.56 | 28.77% |
| 45,000 | 109.84 | 141.52 | \$ 31.68 | 28.84% |
| 50,000 | 120.44 | 155.24 | \$ 34.80 | 28.90% |
| 60,000 | 144.34 | 182.69 | \$ 38.35 | 26.57% |
| 70,000 | 168.24 | 210.14 | \$ 41.90 | 24.91% |
| 80,000 | 192.14 | 237.59 | \$ 45.45 | 23.65% |
| 90,000 | 216.04 | 265.04 | \$ 49.00 | 22.68% |
| 100,000 | 239.94 | 292.49 | \$ 52.55 | 21.90% |

Present Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 16.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 38.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 40,000 | \$ 2.24 |
| Over 40,000 | \$ 2.74 |

| | | | | | |
|---------------|-----------|-----------|----------|---------|--|
| Average Usage | | | | | |
| 50,426 | \$ 121.46 | \$ 156.41 | \$ 34.96 | 28.78% | |
| Median Usage | | | | | |
| 1,500 | \$ 18.60 | \$ 41.37 | \$ 22.77 | 122.46% | |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Summer Present and Proposed

4 Inch Commercial

Exhibit
 Schedule H-4
 Page 17
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|---------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 36.00 | \$ 118.75 | \$ 82.75 | 229.86% |
| 1,000 | 37.73 | 120.99 | \$ 83.26 | 220.69% |
| 2,000 | 39.46 | 123.24 | \$ 83.78 | 212.32% |
| 3,000 | 41.19 | 125.48 | \$ 84.29 | 204.65% |
| 4,000 | 42.92 | 127.73 | \$ 84.81 | 197.60% |
| 5,000 | 45.04 | 129.97 | \$ 84.93 | 188.58% |
| 6,000 | 47.16 | 132.22 | \$ 85.06 | 180.36% |
| 7,000 | 49.28 | 134.46 | \$ 85.18 | 172.86% |
| 8,000 | 51.40 | 136.71 | \$ 85.31 | 165.97% |
| 9,000 | 53.52 | 138.95 | \$ 85.43 | 159.63% |
| 10,000 | 55.64 | 141.20 | \$ 85.56 | 153.77% |
| 12,000 | 59.88 | 145.69 | \$ 85.81 | 143.30% |
| 14,000 | 64.12 | 150.18 | \$ 86.06 | 134.21% |
| 16,000 | 68.36 | 154.67 | \$ 86.31 | 126.26% |
| 18,000 | 72.60 | 159.16 | \$ 86.56 | 119.23% |
| 20,000 | 76.84 | 163.65 | \$ 86.81 | 112.97% |
| 25,000 | 87.44 | 174.87 | \$ 87.43 | 99.99% |
| 30,000 | 98.04 | 186.10 | \$ 88.06 | 89.82% |
| 35,000 | 108.64 | 197.32 | \$ 88.68 | 81.63% |
| 40,000 | 119.24 | 208.55 | \$ 89.31 | 74.90% |
| 45,000 | 129.84 | 219.77 | \$ 89.93 | 69.26% |
| 50,000 | 140.44 | 230.99 | \$ 90.55 | 64.48% |
| 60,000 | 164.34 | 253.44 | \$ 89.10 | 54.22% |
| 70,000 | 188.24 | 275.89 | \$ 87.65 | 46.56% |
| 80,000 | 212.14 | 298.34 | \$ 86.20 | 40.63% |
| 90,000 | 236.04 | 320.79 | \$ 84.75 | 35.90% |
| 100,000 | 259.94 | 343.24 | \$ 83.30 | 32.04% |
| Average Usage | | | | |
| 4 | \$ 36.01 | \$ 118.76 | \$ 82.75 | 229.82% |
| Median Usage | | | | |
| 2,500 | \$ 40.33 | \$ 124.36 | \$ 84.04 | 208.40% |

Present Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 36.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$118.75 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 125,000 | \$ 2.24 |
| Over 125,000 | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification
 Summer Present and Proposed

6 Inch Fire Protection

Exhibit
 Schedule H-4
 Page 17
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|---------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ 48.00 | \$ 237.50 | \$ 189.50 | 394.79% |
| 1,000 | 49.73 | 239.74 | \$ 190.01 | 382.09% |
| 2,000 | 51.46 | 241.99 | \$ 190.53 | 370.25% |
| 3,000 | 53.19 | 244.23 | \$ 191.04 | 359.17% |
| 4,000 | 54.92 | 246.48 | \$ 191.56 | 348.80% |
| 5,000 | 57.04 | 248.72 | \$ 191.68 | 336.05% |
| 6,000 | 59.16 | 250.97 | \$ 191.81 | 324.22% |
| 7,000 | 61.28 | 253.21 | \$ 191.93 | 313.21% |
| 8,000 | 63.40 | 255.46 | \$ 192.06 | 302.93% |
| 9,000 | 65.52 | 257.70 | \$ 192.18 | 293.32% |
| 10,000 | 67.64 | 259.95 | \$ 192.31 | 284.31% |
| 12,000 | 71.88 | 264.44 | \$ 192.56 | 267.89% |
| 14,000 | 76.12 | 268.93 | \$ 192.81 | 253.30% |
| 16,000 | 80.36 | 273.42 | \$ 193.06 | 240.24% |
| 18,000 | 84.60 | 277.91 | \$ 193.31 | 228.50% |
| 20,000 | 88.84 | 282.40 | \$ 193.56 | 217.87% |
| 25,000 | 99.44 | 293.62 | \$ 194.18 | 195.28% |
| 30,000 | 110.04 | 304.85 | \$ 194.81 | 177.03% |
| 35,000 | 120.64 | 316.07 | \$ 195.43 | 161.99% |
| 40,000 | 131.24 | 327.30 | \$ 196.06 | 149.39% |
| 45,000 | 141.84 | 338.52 | \$ 196.68 | 138.66% |
| 50,000 | 152.44 | 349.74 | \$ 197.30 | 129.43% |
| 60,000 | 176.34 | 372.19 | \$ 195.85 | 111.07% |
| 70,000 | 200.24 | 394.64 | \$ 194.40 | 97.08% |
| 80,000 | 224.14 | 417.09 | \$ 192.95 | 86.08% |
| 90,000 | 248.04 | 439.54 | \$ 191.50 | 77.20% |
| 100,000 | 271.94 | 461.99 | \$ 190.05 | 69.89% |
| Average Usage | | | | |
| 522 | \$ 48.90 | \$ 238.67 | \$ 189.77 | 388.05% |
| Median Usage | | | | |
| - | \$ 48.00 | \$ 237.50 | \$ 189.50 | 394.79% |

Present Rates:

| | |
|--------------------------|----------|
| Monthly Minimum: | \$ 48.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 4,000 | \$ 1.73 |
| Up to 50,000 | \$ 2.12 |
| Over 50,000 | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|-----------|
| Monthly Minimum: | \$ 237.50 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| Up to 250,000 | \$ 2.24 |
| Up to 250,000 | \$ 2.74 |
| | \$ 2.74 |

Oak Creek Water Company
 Bill Comparison
 Customer Classification

Construction

Exhibit
 Schedule H-4
 Page 18
 Bourassa

| <u>Usage</u> | <u>Present Bill</u> | <u>Proposed Bill</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|--------------|---------------------|----------------------|------------------------|-------------------------|
| - | \$ - | \$ 38.00 | \$ 38.00 | |
| 1,000 | 2.39 | 40.74 | \$ 38.35 | 1604.81% |
| 2,000 | 4.78 | 43.49 | \$ 38.71 | 809.83% |
| 3,000 | 7.17 | 46.23 | \$ 39.06 | 544.83% |
| 4,000 | 9.56 | 48.98 | \$ 39.42 | 412.34% |
| 5,000 | 11.95 | 51.72 | \$ 39.77 | 332.84% |
| 6,000 | 14.34 | 54.47 | \$ 40.13 | 279.84% |
| 7,000 | 16.73 | 57.21 | \$ 40.48 | 241.99% |
| 8,000 | 19.12 | 59.96 | \$ 40.84 | 213.59% |
| 9,000 | 21.51 | 62.70 | \$ 41.19 | 191.51% |
| 10,000 | 23.90 | 65.45 | \$ 41.55 | 173.84% |
| 12,000 | 28.68 | 70.94 | \$ 42.26 | 147.34% |
| 14,000 | 33.46 | 76.43 | \$ 42.97 | 128.42% |
| 16,000 | 38.24 | 81.92 | \$ 43.68 | 114.22% |
| 18,000 | 43.02 | 87.41 | \$ 44.39 | 103.18% |
| 20,000 | 47.80 | 92.90 | \$ 45.10 | 94.35% |
| 25,000 | 59.75 | 106.62 | \$ 46.87 | 78.45% |
| 30,000 | 71.70 | 120.35 | \$ 48.65 | 67.85% |
| 35,000 | 83.65 | 134.07 | \$ 50.42 | 60.28% |
| 40,000 | 95.60 | 147.80 | \$ 52.20 | 54.60% |
| 50,000 | 119.50 | 175.24 | \$ 55.74 | 46.65% |
| 60,000 | 143.40 | 202.69 | \$ 59.29 | 41.35% |
| 70,000 | 167.30 | 230.14 | \$ 62.84 | 37.56% |
| 80,000 | 191.20 | 257.59 | \$ 66.39 | 34.72% |
| 90,000 | 215.10 | 285.04 | \$ 69.94 | 32.51% |
| 100,000 | 239.00 | 312.49 | \$ 73.49 | 30.75% |

Present Rates:

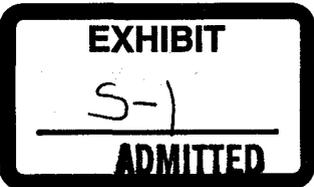
| | |
|--------------------------|---------|
| Monthly Minimum: | \$ - |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| All gallons | \$ 2.39 |

Proposed Rates:

| | |
|--------------------------|----------|
| Monthly Minimum*: | \$ 38.00 |
| Gallons in Minimum | - |
| Charge Per 1,000 Gallons | |
| All gallons | \$ 2.74 |

*Assumes 2 Inch Meter

| | | | | | |
|---------------|----------|----------|----------|---------|--|
| Average Usage | | | | | |
| 6,651 | \$ 15.89 | \$ 56.25 | \$ 40.36 | 253.92% | |
| Median Usage | | | | | |
| 3,500 | \$ 8.37 | \$ 47.61 | \$ 39.24 | 469.12% | |



BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF)
OAK CREEK WATER COMPANY NO. 1)
FOR INCREASES IN ITS RATES)

)

DOCKET NO. W-01392A-07-0679

DIRECT
TESTIMONY
OF
DOROTHY HAINS, P. E.
UTILITIES ENGINEER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JUNE 19, 2008

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTION..... | 1 |
| PURPOSE OF TESTIMONY | 2 |
| ENGINEERING REPORT | 3 |
| RECOMMENDATIONS AND CONCLUSIONS..... | 3 |

EXHIBITS

| | |
|---|--------------|
| Engineering Report for Oak Creek Water Company No. 1 | DMH-1 |
|---|--------------|

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street,
4 Phoenix, Arizona 85007.

5

6 **Q. By whom and in what position are you employed?**

7 A. I am employed by the Arizona Corporation Commission ("Commission" or "ACC") as a
8 Utilities Engineer - Water/Wastewater in the Utilities Division.

9

10 **Q. How long have you been employed by the Commission?**

11 A. I have been employed by the Commission since January 1998.

12

13 **Q. What are your responsibilities as a Utilities Engineer - Water/Wastewater?**

14 A. My main responsibilities are to inspect, investigate and evaluate water and wastewater
15 systems. This includes obtaining data, preparing reconstruction cost new and/or original
16 cost studies, cost of service studies and investigative reports, interpreting rules and
17 regulations, and to suggest corrective action and provide technical recommendations on
18 water and wastewater system deficiencies. I also provide written and oral testimony in
19 rate cases and other cases before the Commission.

20

21 **Q. How many companies have you analyzed for the Utilities Division?**

22 A. I have analyzed more than 90 companies covering these various responsibilities for
23 Utilities Division Staff ("Staff").

24

25 **Q. Have you previously testified before this Commission?**

26 A. Yes, I have testified on numerous occasions before this Commission.

1 **Q. What is your educational background?**

2 A. I graduated from the University of Alabama in Birmingham in 1987 with a Bachelor of
3 Science degree in Civil Engineering.

4
5 **Q. Briefly describe your pertinent work experience.**

6 A. Before my employment with the Commission, I was an Environmental Engineer for the
7 Arizona Department of Environmental Quality ("ADEQ") for ten years. Prior to that time,
8 I was an Engineering Technician with C. F. Hains, Hydrology in Northport, Alabama for
9 approximately five years.

10

11 **Q. Please state your professional membership, registrations, and licenses.**

12 A. I am a registered Civil Engineer in Arizona since 1990. I am a member of the American
13 Society of Civil Engineering ("ASCE"), American Water Works Association ("AWWA")
14 and Arizona Water & Pollution Control Association ("AWPCA").

15

16 **PURPOSE OF TESTIMONY**

17 **Q. What was your assignment in this rate proceeding?**

18 A. My assignment was to provide Staff's engineering evaluation of the subject Oak Creek
19 Water Co. No. 1 ("Company") rate proceeding.

20

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. To present the findings of Staff's engineering evaluation of operations in the Company's
23 water system. The findings are contained in the Engineering Report that I have prepared
24 for this proceeding. The report is included as Exhibit DMH-1 in this pre-filed testimony.

1 **ENGINEERING REPORT**

2 **Q. Would you briefly describe what was involved in preparing the Engineering Report**
3 **for the water operation in this rate proceeding?**

4 A. After reviewing the application, I physically inspected the Company's water system to
5 evaluate its operations and to determine which plant items were or were not used and
6 useful. I contacted ADEQ to determine if the system was in compliance with the Safe
7 Drinking Water Act water quality requirements. After I obtained information from the
8 Company regarding plant improvements, chemical testing expense, and water usage data,
9 I analyzed that information. Based on the data, I made my evaluations and prepared the
10 Engineering Report included as Exhibit DMH-1.

11
12 **Q. Please describe the information contained in Exhibit DMH-1.**

13 A. Exhibit DMH-1 is the Engineering Report for the operations for the Company's Sun City
14 District. The Report is divided into three general sections: 1) *Executive Summary*; 2)
15 *Engineering Report Discussion*, and 3) *Engineering Report Exhibits*. The *Discussions*
16 section can be further divided into twelve subsections: B) Location of System; C)
17 Description of System; D) Water Usage, E) Growth Projection; F) ADEQ Compliance G)
18 Arizona Department of Water Resources ("ADWR") compliance, H) ACC Compliance; I)
19 Water Testing Expenses, J) Depreciation Rates, and K) Other Issues. These subsections
20 provide information about the water system serving the Company.

21
22 **RECOMMENDATIONS AND CONCLUSIONS**

23 **Q. What are Staff's recommendations regarding the Company's operations?**

24 A. 1) Staff recommends that the depreciation rates presented in Figure 6 of Exhibit
25 DMH-1 be used for purposes of this proceeding and on a going forward basis for the
26 Company's water system.

1 2) Staff recommends the adoption of the Company's proposed Service Line and
2 Meter Installation Charges as shown under the columns titled "Staff Recommended" in
3 Table 9 of Exhibit 1.

4
5 3) Water testing expenses are based upon participation in ADEQ Monitoring
6 Assistance Program ("MAP"). Annual testing expenses should be adjusted to \$3,409.

7
8 4) Staff recommends that the Company monitor the water system closely and take
9 action to ensure the water loss remains 10 percent or less in the future. If water loss
10 exceeds 10 percent, calculated on an annual basis, the Company shall, prior to filing its
11 next rate case, come up with a plan to reduce water loss to 10 percent or less, or prepare a
12 report containing a detailed analysis and explanation demonstrating why a water loss
13 reduction to 10 percent or less is not feasible or cost effective.

14
15 5) Staff recommends that \$2,162 be reclassified from NARUC account #307 to
16 NARUC account #304.

17
18 6) Staff recommends that \$4,888 be reclassified from NARUC account #307 to
19 NARUC account #330.

20
21 **Q. What are Staff's conclusions regarding the Company's operations?**

22 **A.** Staff concludes the following regarding the Company's operations:

23 1) The Company has adequate production and storage capacity to serve the existing
24 base of customers and reasonable growth.

25
26 2) The Company has no outstanding Arizona Corporation Commission compliance
27 issues.

1 3) The Company is in compliance with ADEQ requirements and is delivering water
2 that meets water quality standards required by Arizona Administrative Code, Title 18,
3 Chapter 4.

4
5 4) Non-account water for the Company water system was calculated to be 9.54
6 percent during the test year, which is within acceptable limits.

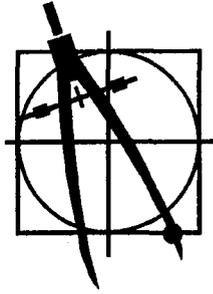
7
8 5) The Company is not located in any ADWR Active Management Area and
9 consequently is not subject to reporting and conservation rules.

10
11 6) Based on a preliminary review of the work to be done, Staff concludes that the
12 proposed plant improvements and O&M are generally appropriate and reasonable. (*See*
13 *§K of Exhibit 1 for discussion and details.*) However with regard to Project No. 7, for
14 which the Company seeks a \$10,400 financing to install a canopy at its business office,
15 Staff does not believe that adequate justification exists to support this expenditure; the
16 project does not benefit customers. With regard to Project No. 10, the Company seeks a
17 \$45,000 financing to complete its Airport Road Pump Station Improvements. Staff can
18 not determine if the project is appropriate because the Company failed to provide a list of
19 the specific improvements needed. With regard to Project No. 11, Staff believes that
20 \$46,000 for a utility truck is excessive; Staff considers \$35,000 to be a more reasonable
21 cost estimate.

22
23 7) The Company has an approved curtailment tariff.

24
25 **Q. Does this conclude your Direct Testimony?**

26 **A. Yes, it does.**
27



Engineering Report
For Oak Creek Water Co. No. 1
Docket # W-01392A-07-0679 (Rates)

By Dorothy Hains, P. E. DH

June 12, 2008

EXECUTIVE SUMMARY

RECOMMENDATIONS:

1. Staff recommends approval of the depreciation rates listed in Exhibit 6. (See §J of report for discussion and details.)
2. Staff recommends that Oak Creek Water Co. No. 1 ("Company", or "Oak Creek") proposed separate service line and meter charges be approved. Staff further recommends approval of the separate meter and service line installation charges developed by the Company as shown under the Staff Recommended columns in Table 9. (See §K of report for discussion and details.)
3. Water testing expenses are based upon participation in the Arizona Department of Environmental Quality Monitoring Assistance Program ("MAP"). Annual testing expenses should be adjusted to \$3,409. (See §I and Table 7 for discussion and details.)
4. Staff recommends that the Company monitor the water system closely and take action to ensure that water loss remains 10 percent or less in the future. If water loss exceeds 10 percent, calculated on an annual basis, then the Company shall, prior to filing its next rate case, develop a plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. (See §D for discussion and details.)
5. Staff recommends that fencing expense of \$2,162 be reclassified from NARUC account #307 (wells and springs) to NARUC account # 304 (structure improvements). (See § K the report for discussion and details.)
6. Staff recommends that tank upgrade cost of \$4,888 be reclassified from NARUC account #307 (wells and springs) to NARUC account # 330 (distribution reservoirs and standpipes). (See § K the report for discussion and details.)

CONCLUSIONS:

1. Staff concludes that the Company has adequate production and storage capacity to serve the existing customer base and reasonable growth. (See §C for discussion and details.)
2. According to the Utilities Division Compliance Section, Oak Creek has no outstanding Arizona Corporation Commission compliance issues. (See §H of report for discussion and details.)
3. Oak Creek is in compliance with ADEQ requirements and is delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See §F of report for discussion and details.)
4. Non-account water for Oak Creek was calculated to be 9.54 percent during the test year, which is within acceptable limits. (See §D of report for discussion and details.)
5. Oak Creek is not located in any Arizona Department of Water Resources ("ADWR") Active Management Area and consequently is not subject to reporting and conservation rules. (See §G of report for discussion and details.)
6. Based on a preliminary review of the work to be done, Staff concludes that the proposed plant improvements and O&M are generally appropriate and reasonable. However with regard to the work identified as Project No. 10, Staff can not determine if the project is appropriate because the Company failed to provide a list of the specific improvements needed. With regard to Project 11, Staff believes that \$46,000 for a utility truck is excessive; Staff considers \$35,000 to be a more reasonable cost estimate. (See §K of report for discussion and details.)
7. Oak Creek has an approved curtailment tariff. (See §K of report for discussion and details.)

TABLE OF CONTENTS

| | PAGE |
|--|-------------|
| A. PURPOSE OF REPORT..... | 1 |
| B. LOCATION OF SYSTEM | 1 |
| C. DESCRIPTION OF SYSTEM..... | 1 |
| I. System Description..... | 1 |
| II. System Analysis | 2 |
| D. WATER USAGE | 3 |
| I. Water Sold..... | 3 |
| II. Non-account Water..... | 3 |
| E. GROWTH PROJECTION | 4 |
| F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE..... | 4 |
| G. ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE.... | 4 |
| H. ACC COMPLIANCE | 4 |
| I. WATER TESTING EXPENSES | 5 |
| J. DEPRECIATION RATES..... | 6 |
| K. OTHER ISSUES | 6 |
| I. Service Line and Meter Installation Charges..... | 6 |
| II. Curtailment Tariff..... | 7 |
| III. Reclassification | 7 |
| IV. Engineering Analysis and Review of Proposed Plant Improvements and O&M | 7 |

EXHIBITS

| | <u>PAGE</u> |
|--|--------------------|
| EXHIBIT 1: Oak Creek Water Co. No.1 Certificate Service Area | 9 |
| EXHIBIT 2: Location of Oak Creek Water Company No. 1 Service Area..... | 10 |
| EXHIBIT 3A: Systematic Drawing | 11 |
| EXHIBIT 3B: Systematic Drawing | 12 |
| EXHIBIT 4: Water Usage on the Oak Creek Water Company No. 1 Service Area..... | 13 |
| EXHIBIT 5: Actual and Projected Growth in Oak Creek Water Company No. 1 Service Area | 14 |
| EXHIBIT 6: Water Depreciation Rates | 15 |

A. PURPOSE OF REPORT

This report was prepared in response to the application of Oak Creek Water Company No. 1 ("Oak Creek" or "Company") that was filed with the Arizona Corporation Commission ("ACC" or "Commission") for a rate increase. An inspection and evaluation of the Company's water system was conducted on February 26, 2008, by Dorothy Hains, Utilities Engineer, in the accompaniment of ACC Staff members Freddie Malapit and Kiana Sears, and Company office manager and operator Steve Yerich.

B. LOCATION OF SYSTEM

The Company is located west of the City of Sedona ("City") near Sedona Airport in Yavapai County. Attached are Exhibits 1 and 2 which detail the location of the service area in relation to other Commission regulated utilities in Yavapai County and in the immediate area. The Company serves an area approximately 1 square mile in size that includes all or a portion of Sections 12 and 13 of Township 17 North and Range 5 East.

C. DESCRIPTION OF SYSTEM

I. System Description

The Company owns and operates a water system that consists of three wells with a total capacity of 507 gallons per minute ("GPM"), four storage tanks with a combined 354,000 gallon storage capacity, three pressure tanks, and three booster pump stations. The system is also interconnected to Arizona Water Company's Sedona system. Exhibit 3A and 3B are schematic drawings of the Company system. The Company served approximately 690 metered customers during the test year. The Public Water System ("PWS") number for this facility is PWS #13-041. A detailed listing of the Company's water system facilities are as follows:

Table 1 Well Data

| Well #- | ADWR ID No. | Pump (HP) | Yield (GPM) | Casing Size (in inches) & Depth (in ft) | (Meter Size inches) | Year drilled |
|---------|-------------|-----------|-------------|---|---------------------|--------------|
| 2 | 55-603919 | 30 | 115 | 8" x 600' | 3 | 1964 |
| 3 | 55-603920 | 30 | 89 | 10" x 600' | 3 | 1978 |
| 4 | 55-562092 | 75 | 303 | 10" x 630' | 4 | 1998 |
| | | TOTAL: | 507 | | | |

Table 2 Storage Tank

| Capacity (Gallons) | Quantity | Location |
|------------------------|----------|--------------------|
| 150,000 | 1 | Panorama Tank Site |
| 60,000 | 2 | Panorama Tank Site |
| 84,000 | 1 | Airport Site |
| Total: 354,000 gallons | | |

Table 3 Distribution Mains

| Diameter (inches) | Material | Length (feet) |
|-------------------|----------------------------|---------------|
| 1½ | galvanized-iron pipe | 700 |
| 2 | polyvinyl chloride ("PVC") | 820 |
| 2 | galvanized-iron pipe | 650 |
| 4 | PVC | 6,104 |
| 6 | PVC | 42,913 |
| 8 | PVC | 30,455 |
| 8 | Ductile Iron pipe ("DIP") | 303 |

Table 4 Meters

| Size (inches) | Quantity |
|---------------|----------|
| ¾ x ¾ | 0 |
| ¾ | 635 |
| 1 | 18 |
| 1½ | 18 |
| 2 | 8 |
| 4 (comp) | 10 |
| 6 (comp) | 2 |
| Total | 691 |

II. System Analysis

Staff concludes that the Company has adequate production and storage capacity to serve the existing customer base and reasonable growth.

D. WATER USAGE

Table 5 summarizes water usage in the Company's CC&N area. Exhibit 4 is a graph that shows water consumption data in gallons per day ("GPD") per customer for the system for the test year period of January 2006 through December 2006.

Table 5 Water Usage in the System

| Month | Number of Customers | Water Sold (in gallons) | Water pumped (in gallons) | Water purchased (in gallons) | Daily Average (in gpd/customer) |
|---------|---------------------|-------------------------|---------------------------|------------------------------|---------------------------------|
| Jan 06 | 692 | 5,950,000 | 6,760,000 | 0 | 277 |
| Feb 06 | 692 | 5,274,000 | 5,882,000 | 0 | 272 |
| Mar 06 | 696 | 5,554,000 | 6,079,000 | 0 | 257 |
| Apr 06 | 683 | 6,503,000 | 7,232,000 | 0 | 317 |
| May 06 | 685 | 10,338,000 | 11,480,000 | 0 | 487 |
| Jun 06 | 692 | 10,169,000 | 11,214,000 | 0 | 490 |
| Jul 06 | 690 | 8,957,000 | 10,052,000 | 0 | 419 |
| Aug 06 | 697 | 9,712,000 | 10,875,000 | 0 | 449 |
| Sep 06 | 696 | 7,874,000 | 7,860,000 | 0 | 377 |
| Oct 06 | 698 | 7,662,000 | 8,458,000 | 0 | 354 |
| Nov 06 | 694 | 7,311,000 | 8,073,000 | 0 | 351 |
| Dec 06 | 690 | 4,987,000 | 5,852,000 | 0 | 233 |
| Average | | | | | 357 |

I. Water Sold

Based on information provided by the Company, during the test year the Company experienced an overall daily average use of 357 GPD per customer, a high use of 490 GPD per customer, and a low use of 233 GPD per customer. The highest total monthly use occurred in May, when a total of 10,338,000 gallons were sold to 685 customers. The lowest total monthly use occurred in December, when 4,987,000 gallons were sold to 690 customers.

II. Non-account Water

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing. Non-account water for Oak Creek was calculated to be 9.54 percent which is within acceptable limits. Staff recommends that the Company monitor the water system closely and take action to ensure the water loss remains 10 percent or less in the future. If water loss exceeds 10 percent, calculated on an annual basis, the Company shall, prior to filing its next rate case, come up with a plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective.

E. GROWTH PROJECTION

Based on the service meter data contained in the Company's annual reports, the number of customers increased from 657 at the end of 1999 to 694 by the end of 2006, with an average growth rate of approximately 6 customers per year during this period. Based on the linear regression analysis, the Company could have approximately 735 customers by the end of 2012. The following table summarizes actual and projected growth in the Company's existing certificated service area.

Table 6 Actual and Projected Growth

| Year | Nos. of Customers | |
|------|-------------------|-----------|
| 1999 | 657 | Reported |
| 2000 | 666 | Reported |
| 2001 | 676 | Reported |
| 2002 | 673 | Reported |
| 2003 | 688 | Reported |
| 2004 | 694 | Reported |
| 2005 | 696 | Reported |
| 2006 | 694 | Reported |
| 2007 | 706 | Estimated |
| 2008 | 712 | Estimated |
| 2009 | 717 | Estimated |
| 2010 | 723 | Estimated |
| 2011 | 729 | Estimated |
| 2012 | 735 | Estimated |

F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Staff received a compliance status report from ADEQ dated January 8, 2008, in which ADEQ stated that the system has no major deficiencies. ADEQ has determined that the system is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

G. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

Oak Creek Water Company No. 1 is not within an Active Management Area, and consequently is not subject to reporting and conservation rules.

H. ACC COMPLIANCE

According to the Utilities Division Compliance Section, the Company has no outstanding ACC compliance issues.

I. WATER TESTING EXPENSES

Oak Creek Water Company No. 1 is subject to mandatory participation in the ADEQ Monitoring Assistance Program ("MAP"). Staff calculated the testing costs based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, and bacteria.
2. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented as a pro forma expense on an annualized basis.
3. MAP fees were calculated from the ADEQ MAP rules.
4. All monitoring expenses are based on Staff's best knowledge of lab costs and methodology and one point of entry.
5. The estimated water testing expenses represent a minimum cost based on no "hits" other than lead and copper, and assume compositing of well samples. If any constituents were found, then the testing costs would dramatically increase.

Table 7 shows the estimated annual monitoring expense, assuming participation in the MAP program. Water testing expenses should be adjusted to the annual expense amount shown in Table 7 = \$ 3,409.

Table 7 Water Testing Cost

| Monitoring – 3 wells (Tests per 3 years, unless noted.) | Cost per test | No. of tests per three year period | Total cost per three year period | Annual Cost |
|---|------------------|---|---|----------------|
| Bacteriological – monthly | \$25 | 108 | \$2,700 | \$900 |
| Inorganics (& secondary) | \$300 | 3 | \$900 | \$300 |
| Radiochemical – (1/ 4 yr) | \$60 | MAP | MAP | MAP |
| IOC's, SOC's, VOC's | \$2,805 | MAP | MAP | MAP |
| Nitrites | \$20 | MAP | MAP | MAP |
| Nitrates – annual | \$40 | MAP | MAP | MAP |
| Asbestos – per 9 years | \$180 | 2½ | MAP | MAP |
| Lead & Copper – annual | \$17 | 30 | \$510 | \$170 |
| TTHM/HH5 – per 3 years | \$470 | 0 | \$0 | \$0 |
| Maximum chlorine residual levels | \$20 | 0 | \$0 | \$0 |
| MAP fees (annual) | | | | \$2,038.72 |
| Total | | | | \$3,409 |

J. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates are presented in Exhibit 6 and should be used to calculate the annual depreciation expense for the Company in this application. It is also recommended that the Company use depreciation rates by individual National Association of Regulatory Utility Commissioners (“NARUC”) category, as delineated in Exhibit 6, in the future.

K. OTHER ISSUES

I. Service Line and Meter Installation Charges

The Company has requested no change from its existing total cost of its service line and meter installation charges. These charges are refundable advances and the Company's existing charges are within the range of charges typically recommended by Staff. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, Staff recommends that the Company's proposed separate service line and meter charges be approved. Staff further recommends approval of the separate meter and service line installation charges developed by the Company as shown under the Staff Recommended columns in Table 9.

Table 9 Service Line and Meter Installation Charges

| Meter Size (in inch) | Current Charges (in \$) | Company's Proposed Service Line Charges (in \$) | Company's Proposed Meter Charges (in \$) | Company's Proposed Charges (in \$) | Staff Recommended Service Line Charges (in \$) | Staff Recommended Meter Charges (in \$) | Staff Recommended Total Charges (in \$) |
|----------------------|-------------------------|---|--|------------------------------------|--|---|---|
| 5/8 x 3/4 | 415 | 340 | 75 | 415 | 340 | 75 | 415 |
| 3/4 | 475 | 340 | 135 | 475 | 340 | 135 | 475 |
| 1 | 550 | 390 | 160 | 550 | 390 | 160 | 550 |
| 1½ | 785 | 420 | 365 | 785 | 420 | 365 | 785 |
| 2 | 1,375 | 550 | 825 | 1,375 | 550 | 825 | 1,375 |
| 3 | 1,975 | 715 | 1,260 | 1,975 | 715 | 1,260 | 1,975 |
| 4 | 3,040 | 1,030 | 2,010 | 3,040 | 1,030 | 2,010 | 3,040 |
| 6 | 5,635 | 1,550 | 4,085 | 5,635 | 1,550 | 4,085 | 5,635 |

II. Curtailment Tariff

The Company has an approved curtailment tariff on file with the Commission.

III. Reclassification

The Company paid \$2,162 for a fencing installation¹ in 2003 and recorded it in Well Account (NARUC Account 307). Staff recommends and the Company agrees that this expense should be reclassified to Structures and Improvements account (NARUC Account 304).

The Company paid \$4,888 for cathodic protection installation² in 2003 and recorded it in Well Account (NARUC Account 307). Staff recommends and the Company agrees that this expense should be reclassified to Distribution Reservoirs and Standpipes Account (NARUC Account 330).

IV. Engineering Analysis and Review of Proposed Plant Improvements and O&M

The Company submitted a three year construction work plan proposal in its application. The Company has requested that Staff include the cost of these plant improvements and O&M in its analysis of the application. The specific plant additions included in the plan are listed in the table below:

¹ The fence was installed at the Panorama Tank Site.

² The cathodic protection devices were installed inside the storage tanks at the Panorama Tank and Airport Tank Sites.

| Year (to Implement the project) | Project No. | Project Description | Company Estimated Costs (\$) |
|---------------------------------|-------------|--|------------------------------|
| 2007 | 1 | Replace damaged electrical boxes for Well #2 and Well #3 | 4,800 |
| | 2 | Install a new roof and air vent on the existing pump house at the Airport pump station | 4,500 |
| | 3 | Install 3 phase power to serve Well #s 2 & 3 | 22,000 |
| | | Subtotal | 31,300 |
| 2008 | 4 | Install new fence at Well site #2 & #3 | 4,800 |
| | 5 | Install wireless communications system at well site to control pump operation | 11,500 |
| | 6 | Install adapter and 6" PVC pipe to connect Well #2 with Inspirational Dr. water main | 16,200 |
| | 7 | Install canopy at business office | 10,400 |
| | | subtotal | 42,900 |
| 2009 | 8 | Install SCADA system (or equivalent) | 18,500 |
| | 9 | Paint storage tanks at Panorama tank site | 11,200 |
| | 10 | Complete Airport Road Pump Station Improvements | 45,000 |
| | 11 | Purchase new service truck equipped with utility box | 46,000 |
| | | subtotal | 120,700 |

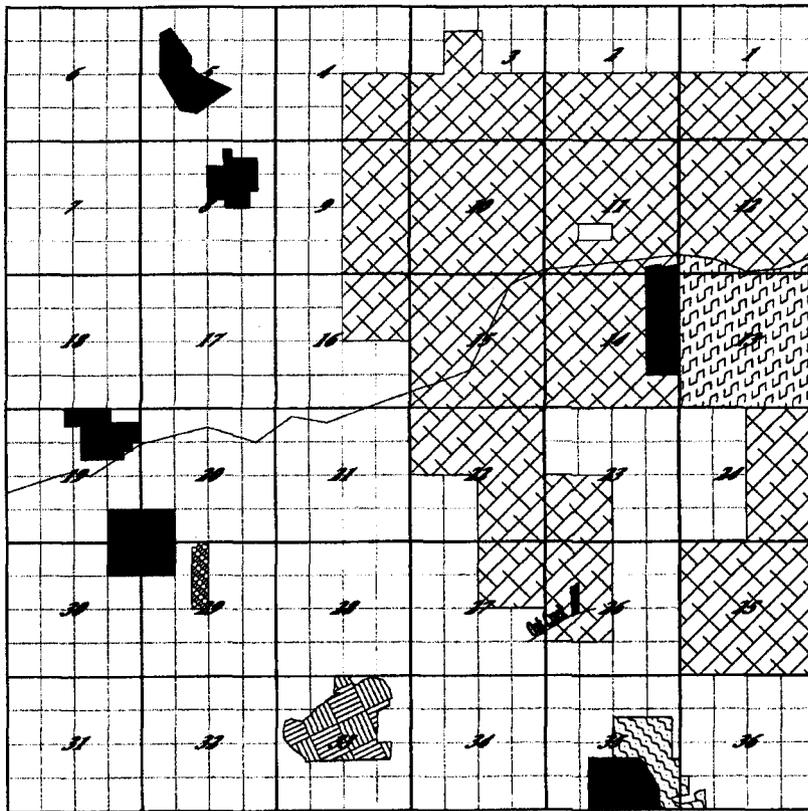
Based on a preliminary review of the work to be done, Staff concludes that the proposed plant improvements and O&M are generally appropriate and reasonable. However with regard to the work identified as Project No. 10, Staff can not determine if the project is appropriate because the Company failed to provide a list of the specific improvements needed. With regard to Project No. 11, Staff believes that \$46,000 for a utility truck is excessive; Staff considers \$35,000 to be a more reasonable cost estimate. With regard to Project No. 7, Staff does not believe that adequate justification exists to support this expenditure, this project does not benefit customers. At the time of Staff's field inspection only the improvements listed under Project No. 2 were complete. The other projects listed were either partially complete or still in the planning stage.

EXHIBIT 1 Oak Creek Water Co. No.1 Certificate Service Area

COUNTY: *Yavapai*

RANGE 5 East

TOWNSHIP 17 North



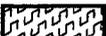
-  W-1445 (5)(3)
 Arizona Water Company (Sedona)
-  W-4131 (1)
 Cross Creek Ranch Water Company
-  W-2192 (2)
 Little Park Water Company
-  W-2624 (1)
 Michaels Ranch Water Users' Assoc.
-  W-1392 (1)
 Oak Creek Water Company No. 1
-  WS-3449 (1) 
 MHC Operating Limited Partnership
 dba Sedona Venture Water & Sewer Company
-  W-4291 (1)
 Aerie Conservancy
 Adjudicated 'Not a Public Service Corporation'
-  (1)
 City of Sedona (Nonjurisdictional)
-  (1)
 Red Rock Crossing Mobile Village, Inc.
 (Nonjurisdictional)
-  (1)
 Red Rock Water Cooperative, Inc.
 Adjudicated 'Not a Public Service Corporation'
-  (2)
 Little Park Water Company
 Docket No. W-02192A-07-0326
 Application for Extension

EXHIBIT 2

LOCATION OF OAK CREEK WATER COMPANY NO. 1 SERVICE AREA

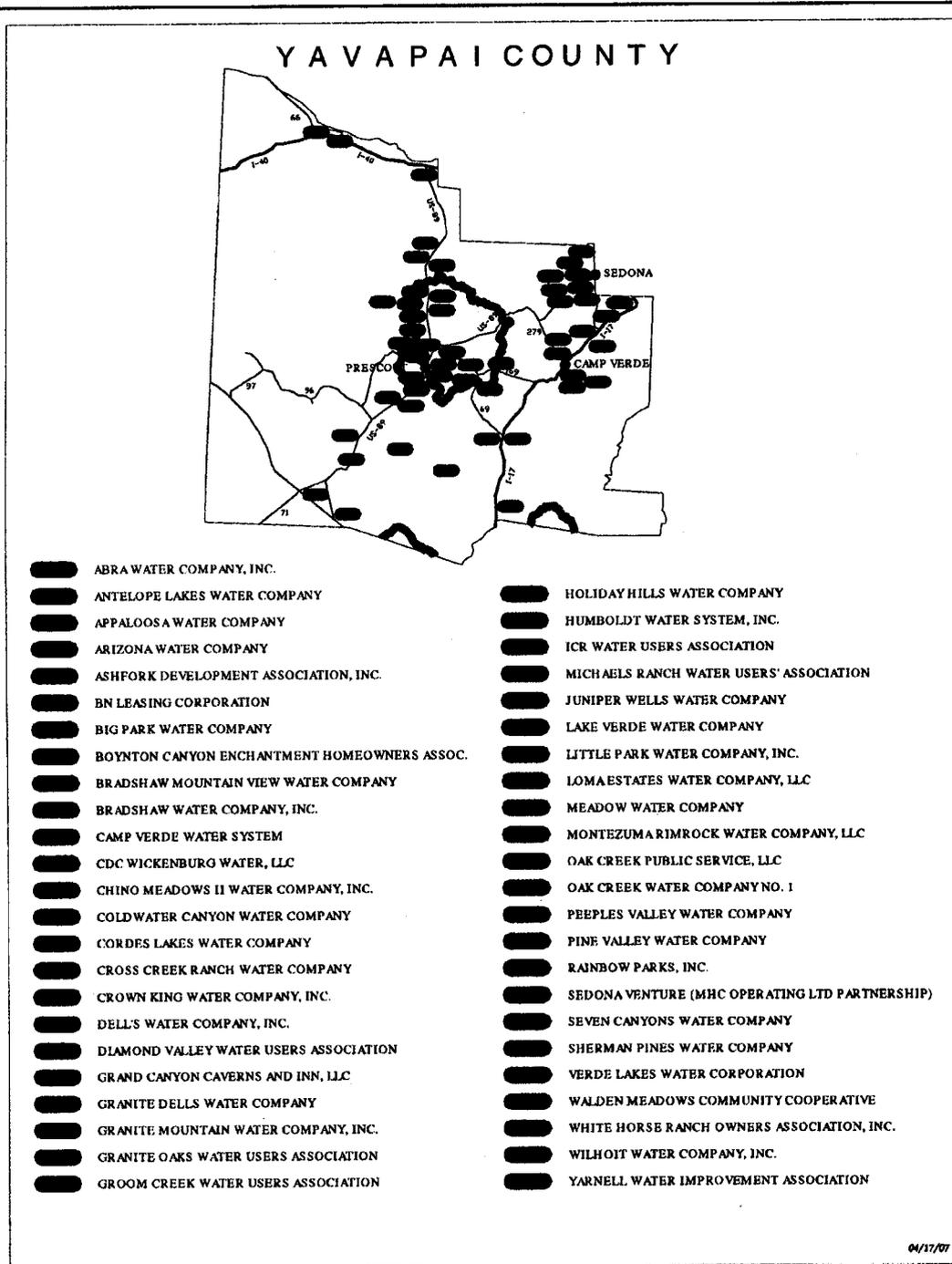


EXHIBIT 3A SYSTEMATIC DRAWING

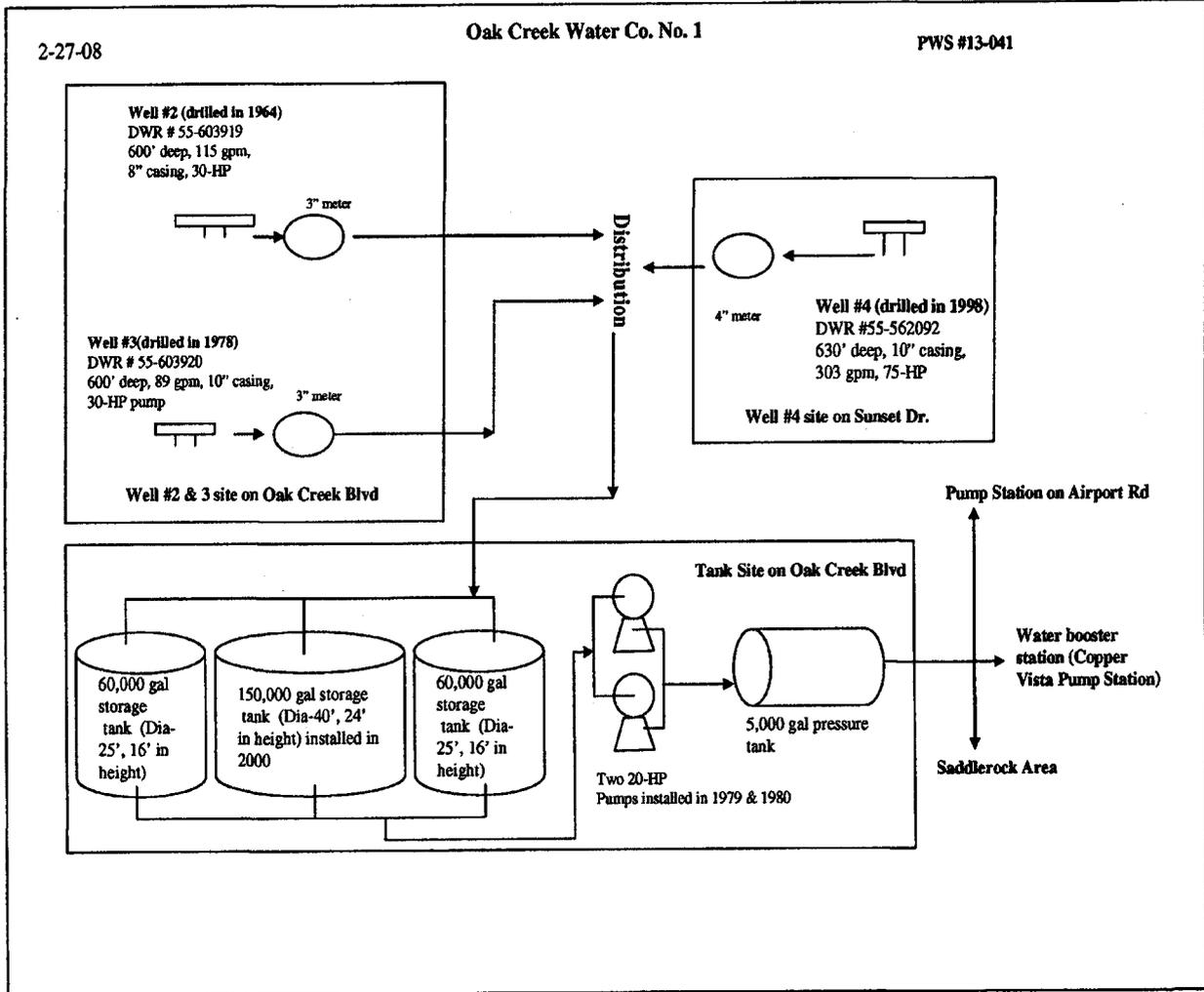


EXHIBIT 3B SYSTEMATIC DRAWING

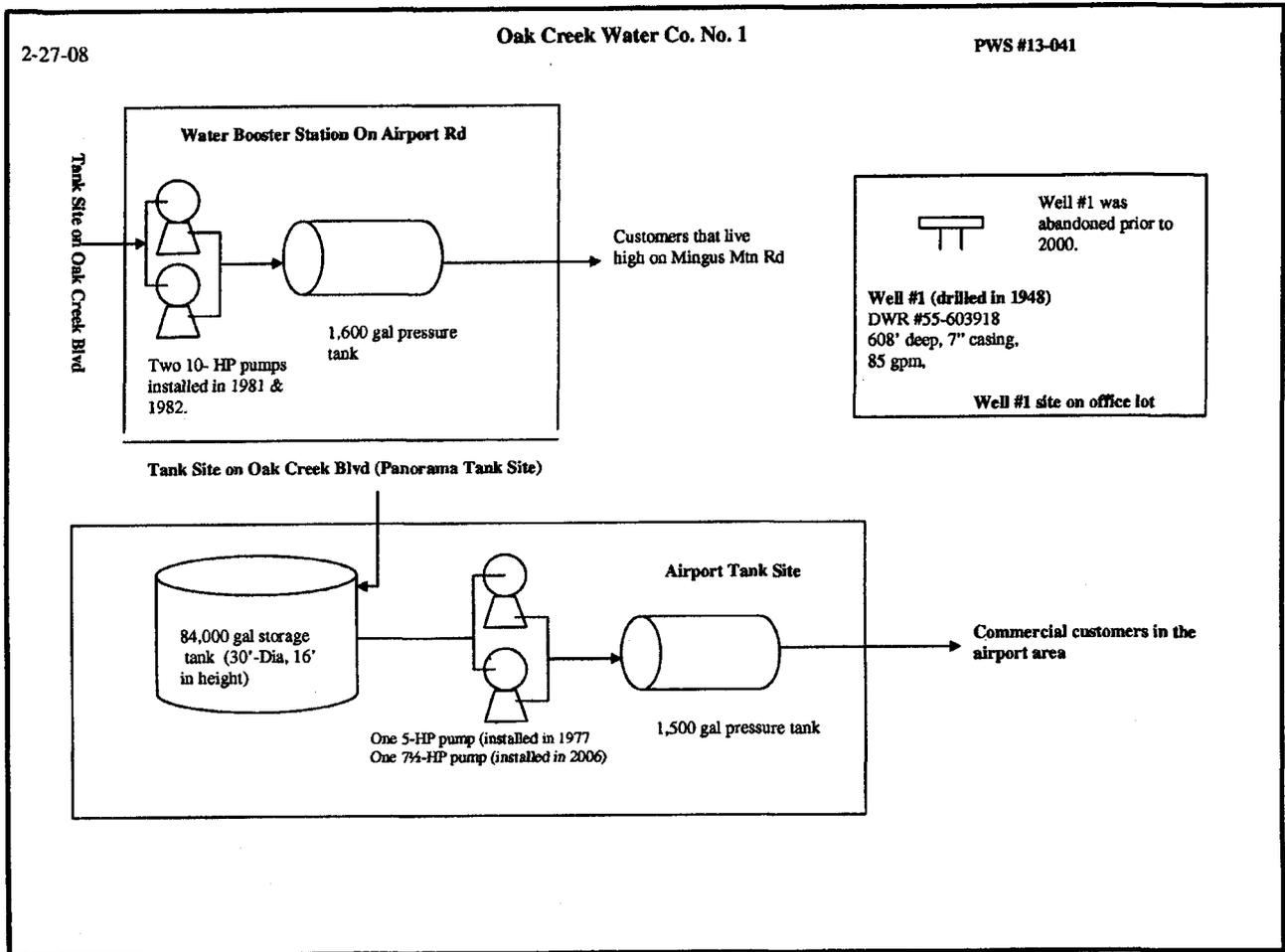


EXHIBIT 4

WATER USAGE ON THE OAK CREEK WATER COMPANY NO. 1 SERVICE AREA

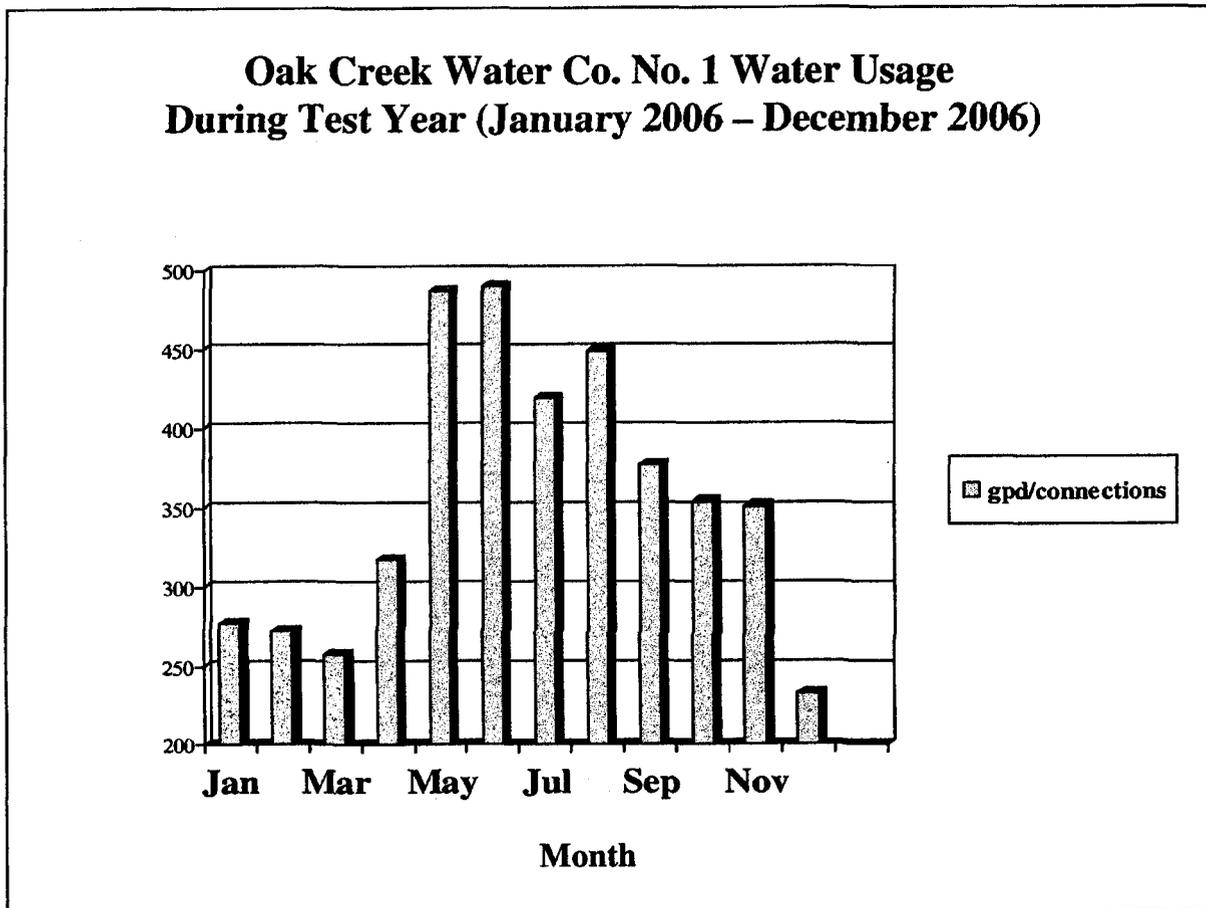


EXHIBIT 5

**ACTUAL AND PROJECTED GROWTH IN OAK CREEK WATER COMPANY NO. 1
SERVICE AREA**

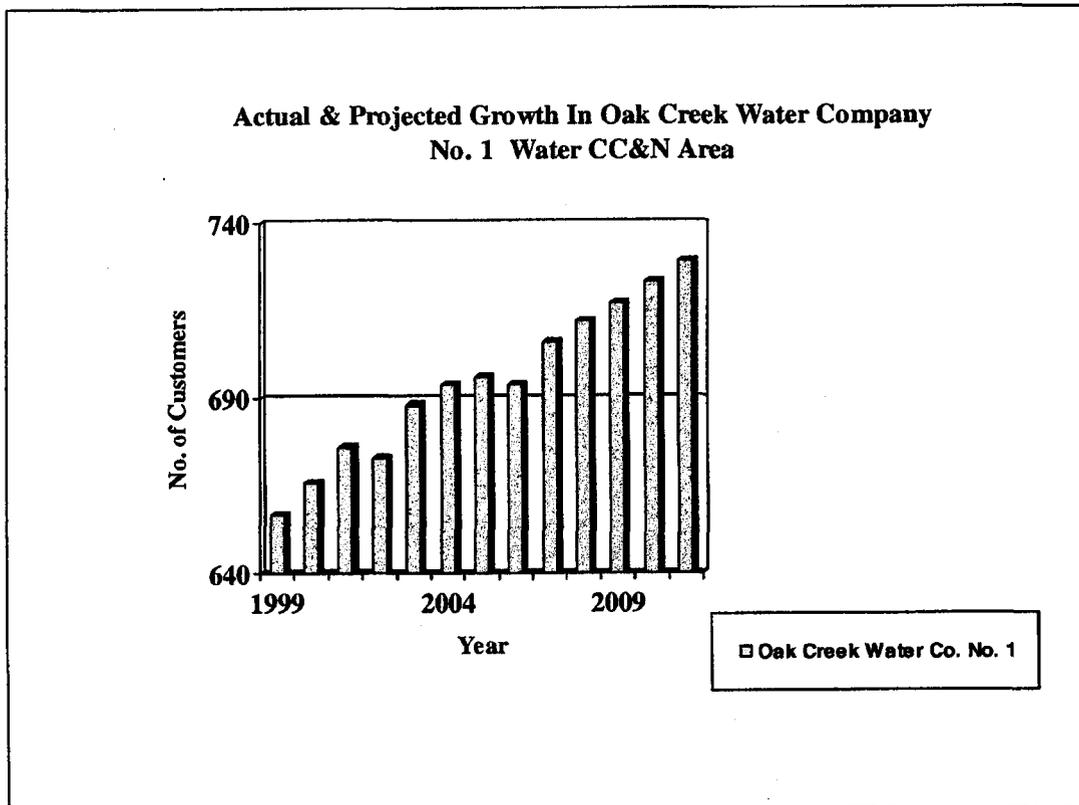
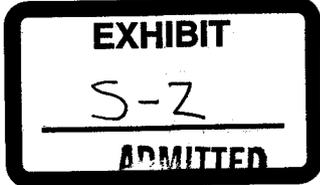


EXHIBIT 6

WATER DEPRECIATION RATES

| Acct. No. | Depreciable Plant | Average Service Life (Years) | Annual Accrual Rate (%) |
|-----------|--------------------------------------|------------------------------|-------------------------|
| 304 | Structures & Improvements | 30 | 3.33 |
| 305 | Collecting & Impounding Reservoirs | 40 | 2.50 |
| 306 | Lake, River, Canal Intakes | 40 | 2.50 |
| 307 | Wells & Springs | 30 | 3.33 |
| 308 | Infiltration Galleries | 15 | 6.67 |
| 309 | Raw Water Supply Mains | 50 | 2.00 |
| 310 | Power Generation Equipment | 20 | 5.00 |
| 311 | Pumping Equipment | 8 | 12.5 |
| 320 | Water Treatment Equipment | | |
| 320.1 | Water Treatment Plants | 30 | 3.33 |
| 320.2 | Solution Chemical Feeders | 5 | 20.0 |
| 330 | Distribution Reservoirs & Standpipes | | |
| 330.1 | Storage Tanks | 45 | 2.22 |
| 330.2 | Pressure Tanks | 20 | 5.00 |
| 331 | Transmission & Distribution Mains | 50 | 2.00 |
| 333 | Services | 30 | 3.33 |
| 334 | Meters | 12 | 8.33 |
| 335 | Hydrants | 50 | 2.00 |
| 336 | Backflow Prevention Devices | 15 | 6.67 |
| 339 | Other Plant & Misc Equipment | 15 | 6.67 |
| 340 | Office Furniture & Equipment | 15 | 6.67 |
| 340.1 | Computers & Software | 5 | 20.00 |
| 341 | Transportation Equipment | 5 | 20.00 |
| 342 | Stores Equipment | 25 | 4.00 |
| 343 | Tools, Shop & Garage Equipment | 20 | 5.00 |
| 344 | Laboratory Equipment | 10 | 10.00 |
| 345 | Power Operated Equipment | 20 | 5.00 |
| 346 | Communication Equipment | 10 | 10.00 |
| 347 | Miscellaneous Equipment | 10 | 10.00 |
| 348 | Other Tangible Plant | ---- | ---- |



BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF)
OAK CREEK WATER CO. NO. 1 FOR AN)
INCREASE IN ITS RATES AND CHARGES)
FOR WATER UTILITY SERVICE)
_____)

DOCKET NO. W-01392A-07-0679

DIRECT
TESTIMONY
OF
DARRON W. CARLSON
PUBLIC UTILITIES ANALYST MANAGER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JUNE 19, 2008

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| I. INTRODUCTION | 1 |
| II. BACKGROUND | 3 |
| III. CONSUMER SERVICES | 4 |
| IV. REVENUE REQUIREMENT | 4 |
| V. RATE BASE..... | 5 |
| Original Cost Rate Base..... | 5 |
| Rate Base Summary..... | 5 |
| Rate Base Adjustment A – Land and Land Rights..... | 6 |
| Rate Base Adjustment B – Structures and Improvements..... | 6 |
| Rate Base Adjustment C – Wells and Springs | 6 |
| Rate Base Adjustment D – Pumping Equipment | 7 |
| Rate Base Adjustment E – Distribution Reservoirs and Standpipes | 7 |
| Rate Base Adjustment F - Meters | 7 |
| Rate Base Adjustment G – Computers and Software..... | 7 |
| Rate Base Adjustment H – Accumulated Depreciation | 8 |
| Rate Base Adjustment I – Working Capital Allowance..... | 8 |
| Rate Base Adjustment J – Pumping Power Allowance..... | 8 |
| Rate Base Adjustment K – Materials and Supplies..... | 9 |
| VI. OPERATING INCOME | 9 |
| Operating Income Summary | 9 |
| Operating Income Adjustment A – Salaries and Wages | 10 |
| Operating Income Adjustment B – Purchased Power | 10 |
| Operating Income Adjustment C – Repairs and Maintenance | 10 |
| Operating Income Adjustment D – Office Supplies and Expense | 11 |
| Operating Income Adjustment E – Outside Services | 11 |
| Operating Income Adjustment F – Water Testing | 11 |
| Operating Income Adjustment G - Rents..... | 12 |
| Operating Income Adjustment H – Transportation Expense | 12 |
| Operating Income Adjustment I – Insurance – General Liability | 12 |
| Operating Income Adjustment J – Insurance – Health and Life | 12 |
| Operating Income Adjustment K – Regulatory Commission Expense – Rate Case | 13 |
| Operating Income Adjustment L – Depreciation Expense..... | 13 |
| Operating Income Adjustment M – Property Taxes | 13 |
| Operating Income Adjustment N – Bad Debt Expense..... | 14 |
| Operating Income Adjustment O – Miscellaneous Expense..... | 14 |
| VII. RATE DESIGN | 14 |
| Present Rate Design | 14 |
| Company’s Proposed Rate Design..... | 15 |
| Staff’s Recommended Rate Design | 16 |

SCHEDULES

| | |
|--|--------|
| Revenue Requirement..... | DWC-1 |
| Rate Base – Original Cost..... | DWC-2 |
| Rate Base – Summary of Adjustments..... | DWC-3 |
| Rate Base Adjustment A – Land and Land Rights..... | DWC-3A |
| Rate Base Adjustment B – Structures and Improvements..... | DWC-3B |
| Rate Base Adjustment C – Wells and Springs..... | DWC-3C |
| Rate Base Adjustment D – Pumping Equipment..... | DWC-3D |
| Rate Base Adjustment E – Distribution Reservoirs and Standpipes..... | DWC-3E |
| Rate Base Adjustment F – Meters..... | DWC-3F |
| Rate Base Adjustment G – Computers and Software..... | DWC-3G |
| Rate Base Adjustment H – Accumulated Depreciation..... | DWC-3H |
| Rate Base Adjustment I – Working Capital..... | DWC-3I |
| Rate Base Adjustment J – Pumping Power..... | DWC-3J |
| Rate Base Adjustment K – Materials and Supplies..... | DWC-3K |
| Operating Income Statement – Test Year and Staff Recommended..... | DWC-4 |
| Operating Income – Summary of Adjustments..... | DWC-5 |
| Operating Income Adjustment A – Salaries and Wages..... | DWC-5A |
| Operating Income Adjustment B – Purchased Power..... | DWC-5B |
| Operating Income Adjustment C – Repairs and Maintenance..... | DWC-5C |
| Operating Income Adjustment D – Office Supplies and Expense..... | DWC-5D |
| Operating Income Adjustment E – Outside Services..... | DWC-5E |
| Operating Income Adjustment F – Water Testing..... | DWC-5F |
| Operating Income Adjustment G – Rents..... | DWC-5G |
| Operating Income Adjustment H – Transportation Expenses..... | DWC-5H |
| Operating Income Adjustment I – Insurance-General Liability..... | DWC-5I |
| Operating Income Adjustment J – Insurance-Health and Life..... | DWC-5J |
| Operating Income Adjustment K – Regulatory Commission Expense - Rate Case..... | DWC-5K |
| Operating Income Adjustment L – Depreciation Expense..... | DWC-5L |
| Operating Income Adjustment M – Property Taxes..... | DWC-5M |
| Operating Income Adjustment N – Bad Debt Expense..... | DWC-5N |
| Operating Income Adjustment O – Miscellaneous Expense..... | DWC-5O |
| Rate Design – Monthly Minimum and Commodity Rates..... | DWC-6 |
| Rate Design – Service Line and Meter Installation Charges & Other Service Charges..... | DWC-6A |
| Typical Bill Analysis – Residential ¾-inch Meter..... | DWC-7 |

**EXECUTIVE SUMMARY
OAK CREEK WATER CO. NO. 1
DOCKET NO. W-01392A-07-0679**

Oak Creek Water Co. No. 1 ("Oak Creek" or "Company") is an Arizona member-owned, non-profit Class C public service corporation providing water service to approximately 695 customers in Sedona, Arizona.

On December 7, 2007, Oak Creek filed a rate application. The application reflects that Oak Creek incurred a \$39,414 operating loss for the test year ended December 31, 2006. Oak Creek requests a revenue increase of \$73,918, or a 27.26 percent increase from \$271,122 to \$345,040. This requested increase results in a \$34,504 operating income, representing a 10 percent operating margin. The Company's proposal would increase the typical 3/4-inch meter residential bill with median usage of 5,417 gallons by \$4.68, or 27.7 percent, from \$16.92 to \$21.60.

Staff recommends a revenue increase of \$45,496 (not including a negative \$135 property tax adjustment), or a 16.78 percent increase from \$271,122 to \$316,618. This recommended increase results in a \$34,822 operating income, representing an 11 percent operating margin. Staff's recommendation would increase the typical 3/4-inch meter residential bill with median usage of 5,417 gallons by \$1.40, or 8.3 percent, from \$16.92 to \$18.32.

Staff recommends:

Approval of Staff's recommended rates and charges as depicted on Schedules DWC-6 and DWC-6A.

Approval of Staff's recommended depreciation rates as depicted in Exhibit 6 of the Engineering Report.

1 **I. INTRODUCTION**

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

3 A. My name is Darron W. Carlson. I am a Public Utilities Analyst Manager employed by the
4 Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division
5 ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Please describe your educational background and professional experience.**

8 A. I hold a Bachelor of Arts degree in both Accounting and Business Management from
9 Northeastern Illinois University in Chicago, Illinois.

10
11 I have participated in quite a number of seminars and workshops related to utility rate-
12 making, cost of capital, and similar issues. These have been sponsored by organizations
13 such as the National Association of Regulatory Utility Commissioners ("NARUC"), Duke
14 University, Florida State University, Michigan State University, New Mexico State
15 University, and various other organizations.

16
17 I have led or participated in more than 125 cases before this Commission over the last
18 seventeen years. Since my promotion to management, I have supervised analysts involved
19 in more than 150 additional cases before this Commission.

20
21 **Q. Briefly describe your responsibilities as a Public Utilities Analyst Manager.**

22 A. In my capacity as a Public Utilities Analyst Manager, I supervise analysts who examine,
23 verify, and analyze utilities' statistical, financial, and other information. These analysts
24 write reports and/or testimonies analyzing proposed mergers, acquisitions, asset sales,
25 financings, rate cases, and other matters in which they make recommendations to the
26 Commission. I provide support and guidance along with reviewing and editing the work

1 products. I also perform analysis as needed on special projects. Additionally, I provide
2 expert testimony at formal hearings. Finally, I assist Staff members during formal
3 hearings and supervise responsive testimonies, as needed, during the hearing process.
4

5 **Q. What is the purpose of your testimony in this case?**

6 A. The purpose of my testimony in this case is to present Staff's analysis and
7 recommendations regarding Oak Creek Water Co. No. 1's ("Oak Creek" or "Company")
8 application for a permanent rate increase. I will present recommendations in the areas of
9 rate base, operating income, revenue requirement, and rate design. Staff witness Dorothy
10 Hains will present the engineering analysis and recommendations.
11

12 **Q. What is the basis of Staff's recommendations?**

13 A. Staff performed a regulatory audit of the Company's records to determine whether
14 sufficient, relevant, and reliable evidence exists to support the proposals in Oak Creek's
15 rate application. Staff's regulatory audit consisted of the following: (1) examining and
16 testing Oak Creek's accounting ledgers, reports and supporting documents; (2) checking
17 the accumulation of amounts in the records; (3) tracing recorded amounts to source
18 documents; and (4) verifying that the Company applied accounting principles that were in
19 accordance with the NARUC Uniform System of Accounts ("USOA").
20

21 **Q. How is Staff's testimony organized?**

22 A. Staff's testimony is presented in seven sections. Section I is this introduction. Section II
23 provides a background of the Company. Section III is a summary of consumer service
24 issues. Section IV is a summary of proposed revenues. Section V is a summary of Staff's
25 rate base recommendations. Section VI presents Staff's operating income
26 recommendations. Section VII discusses rate design.

1 **II. BACKGROUND**

2 **Q. Please review the pertinent background information associated with the Company's**
3 **application for a permanent rate increase.**

4 A. Oak Creek is a class C water utility servicing approximately 695 residential and
5 commercial customers in Sedona, Arizona. The Company is a member-owned, non-profit
6 association.

7
8 **Q. Did the Company file the correct type of application for its rate increase request?**

9 A. No, since the Company is a Class C utility, it should have filed direct testimony and the
10 Schedules A through H as depicted in Arizona Administrative Code R14-2-103 Appendix.
11 Instead, the Company filed the Small Water Utility Rate Application, which is reserved
12 for Class D and Class E utilities only. Because the Company is a non-profit association,
13 the Company's last rate filing was as a Class D utility, and because a rejection of the
14 application might cause undue hardship to the Company, Staff made a one-time exception
15 in accepting the Company's application. However, Staff will process the case as a Class C
16 utility requiring a hearing and the appropriate time clock rules for Class C utilities.

17
18 **Q. What test year did Oak Creek use in its filing?**

19 A. Oak Creek's rate filing is based on the twelve months that ended December 31, 2006.
20 This is the test year chosen by the Company and a more current test year could not be
21 produced by the Company in a timely manner.

1 **III. CONSUMER SERVICES**

2 **Q. Please provide a brief summary of customer complaints received by the Commission**
3 **regarding Oak Creek.**

4 A. Staff reviewed the Commission's records for the period January 1, 2005, through May 5,
5 2008, and found no complaints or inquiries were filed. One opinion was filed in 2007 and
6 one in 2008; both are opposed to the rate increase.

7
8 **Q. Did the Company provide evidence of customer notification regarding the rate**
9 **increase request?**

10 A. Yes. The Company provided Staff with an affidavit showing that notice was mailed to
11 customers on December 7, 2007.

12
13 **IV. REVENUE REQUIREMENT**

14 **Q. What revenue requirement is Oak Creek proposing?**

15 A. Oak Creek proposes total annual operating revenues of \$345,040, a 27.26 percent, or
16 \$73,918 increase over test year revenues of \$271,122.

17
18 **Q. Is the Company's requested revenue requirement based on rate base?**

19 A. No. Because Oak Creek is a non-profit entity it calculated its revenue requirement on an
20 operating margin of 10 percent instead of a return on rate base.

21
22 **Q. What is Staff's revenue requirement recommendation?**

23 A. Staff's recommended revenue requirement is \$316,618, a 16.78 percent, or \$45,496 (not
24 including a negative \$135 property tax adjustment) increase over adjusted test year
25 revenues of \$271,122, as shown in Schedule DWC-1.

1 **Q. Does Staff concur with the Company regarding the utilization of operating margin**
2 **instead of a rate of return on rate base?**

3 A. Yes, Staff concurs with the Company. Since the Company is a non-profit entity, the
4 operating margin will produce an appropriate revenue requirement. Additionally, Staff is
5 recommending a nominally higher 11 percent operating margin to determine its revenue
6 requirement.

7

8 **V. RATE BASE**

9 **Original Cost Rate Base**

10 **Q. Does Oak Creek's application include schedules with elements of a Reconstruction**
11 **Cost New Rate Base?**

12 A. No. The Company's application does not request recognition of a Reconstruction Cost
13 New Rate Base. Accordingly, Staff has treated the Company's original cost rate base
14 ("OCRB") as its fair value rate base ("FVRB").

15

16 **Rate Base Summary**

17 **Q. What is the Company's proposed level of rate base?**

18 A. The Company's proposed rate base is \$507,283.

19

20 **Q. Please summarize Staff's rate base recommendation.**

21 A. Staff made eleven adjustments to the Company's proposed rate base. Staff recommends
22 \$461,977 for rate base, a \$45,306 reduction from the Company's proposed \$507,283 rate
23 base. Staff's recommendation results from the rate base adjustments described below and
24 summarized in Schedules DWC-2 and DWC-3.

1 Rate Base Adjustment A – Land and Land Rights

2 **Q. Please describe Staff's adjustment to land and land rights.**

3 A. Staff recommends removing \$2,073 from the Company's land and land rights account,
4 reducing it from \$17,241 to \$15,168. The Company entered into an agreement with a
5 customer to drill a well site on the customer's property. The Company recorded the
6 customer's yearly water usage bill since the prior rate case as a plant addition. Staff
7 recommends removal of this item from rate base, as the payment scheme is an
8 unauthorized long term debt. Additionally, the Company actually purchased the land after
9 the end of the test year, so it may be eligible for inclusion in rate base in the Company's
10 next rate case. See Schedule DWC-3A.

11
12 Rate Base Adjustment B – Structures and Improvements

13 **Q. Please describe Staff's adjustment to structures and improvements.**

14 A. Staff recommends adding \$4,358 to the Company's structures and improvements account
15 increasing it from \$266,594 to \$270,952. The increase results from a reclassification of
16 \$2,162 from the 2003 wells addition (also discussed in Staff Engineering testimony) and
17 the capitalizing of \$2,196 of repairs and maintenance expense for water system mapping
18 in the test year. See Schedule DWC-3B.

19
20 Rate Base Adjustment C – Wells and Springs

21 **Q. Please describe Staff's adjustment to wells and springs.**

22 A. Staff recommends removing \$7,050 from the Company's wells and springs account,
23 reducing it from \$127,710 to \$120,660. The total amount of the reduction is reclassified
24 to structures and improvements for \$2,162, as discussed in the structures and
25 improvements adjustment, and to distribution reservoirs for \$4,888, as discussed below.
26 This adjustment is also discussed in Staff Engineering testimony. See Schedule DWC-3C.

1 Rate Base Adjustment D – Pumping Equipment

2 **Q. Please describe Staff's adjustment to pumping equipment.**

3 A. Staff recommends adding \$959 to the Company's pumping equipment account, increasing
4 it from \$60,497 to \$61,456. The increase results from the capitalization of \$959 from
5 repairs and maintenance expense in the test year to rebuild a pump which was then put
6 back into service. See Schedule DWC-3D.

7

8 Rate Base Adjustment E – Distribution Reservoirs and Standpipes

9 **Q. Please describe Staff's adjustment to distribution reservoirs and standpipes.**

10 A. Staff recommends adding \$4,888 to the Company's distribution reservoirs and standpipes
11 account, increasing it from \$170,730 to \$175,618. The increase results from the
12 reclassification from wells and springs for \$4,888, as discussed above and also in Staff
13 Engineering testimony. See Schedule DWC-3E.

14

15 Rate Base Adjustment F - Meters

16 **Q. Please describe Staff's adjustment to meters.**

17 A. Staff recommends adding \$1,976 to the Company's meters account, increasing it from
18 \$35,927 to \$37,903. The increase results from capitalizing two purchase invoices for
19 meters that the Company claimed as repairs and maintenance expense in the test year. See
20 Schedule DWC-3F.

21

22 Rate Base Adjustment G – Computers and Software

23 **Q. Please describe Staff's adjustment to computers and software.**

24 A. Staff recommends removing \$8,211 from the Company's computers and software account,
25 decreasing it from \$20,831 to \$12,620. Staff removed duplicate invoices that were
26 double-counted. Refer to Schedule DWC-3G for a detailed description of the invoices and

1 amounts that were duplicated. Staff also capitalized \$218 in computer software from
2 office expense.

3
4 Rate Base Adjustment H – Accumulated Depreciation

5 **Q. Please describe Staff's adjustment to accumulated depreciation.**

6 A. Staff recommends removing \$2,182 from the Company's accumulated depreciation
7 account decreasing it from \$892,373 to \$890,191. Staff started with the plant balance and
8 accumulated depreciation balance adopted by the Commission in the prior rate case. For
9 all subsequent years, Staff made adjustments for documented plant additions, retirements,
10 reclassifications, and capitalizations. Staff applied the appropriate depreciation rates and
11 calculated the accumulated depreciation in those years to arrive at the accumulated
12 depreciation at the end of the test year. See Schedule DWC-3H.

13
14 Rate Base Adjustment I – Working Capital Allowance

15 **Q. Please describe Staff's adjustment to working capital allowance.**

16 A. Staff recommends removing \$31,987 from the Company's working capital allowance,
17 decreasing it from \$31,987 to -0-. The Company utilized the formula method for
18 calculating cash working capital, but that methodology is reserved only for Class D and
19 Class E utilities. As described earlier in this testimony, the Company is a Class C utility
20 and would need to provide another basis, such as a lead/lag study to determine its cash
21 working capital needs. See Schedule DWC-3I.

22
23 Rate Base Adjustment J – Pumping Power Allowance

24 **Q. Please describe Staff's adjustment to pumping power allowance.**

25 A. Staff recommends removing \$1,766 from the Company's pumping power allowance,
26 decreasing it from \$1,766 to -0-. The Company is proposing to add a pumping power

1 allowance of \$1,766, separately from the working capital allowance proposed above. The
2 Company derived the amount by using the formula method of one-twenty-fourth of
3 electric power expense in the test year. As already explained, the formula method is not
4 appropriate for this Company. See Schedule DWC-3J.

5
6 Rate Base Adjustment K – Materials and Supplies

7 **Q. Please describe Staff's adjustment to materials and supplies.**

8 A. Staff recommends removing \$8,582 from the Company's materials and supplies account,
9 decreasing it from \$8,582 to -0-. Staff recommends removal of this item as another
10 component of working capital allowance. Since the other components cannot be
11 considered, this component should also be removed. See Schedule DWC-3K.

12
13 **VI. OPERATING INCOME**

14 Operating Income Summary

15 **Q. What are the Company's proposed operating revenue, expenses, and resulting**
16 **income/(loss) for the test year?**

17 A. The Company proposes test year operating revenue of \$271,122, expenses of \$310,536,
18 and a resulting operating loss of \$39,414, for no rate of return and no operating margin.

19
20 **Q. What are Staff's recommended operating revenue, expenses, and resulting**
21 **income/(loss) for the test year?**

22 A. Staff recommends test year operating revenue of \$271,122, expenses of \$281,931, and a
23 resulting operating loss of \$10,809, for no rate of return and no operating margin.

1 **Q. Please summarize Staff's operating income adjustments.**

2 A. Staff made fifteen operating income adjustments. The specific adjustments are described
3 below and summarized on Schedules DWC-4 and DWC-5.

4

5 Operating Income Adjustment A – Salaries and Wages

6 **Q. Please describe Staff's adjustment to salaries and wages.**

7 A. Staff recommends adding \$3,210 to the Company's salaries and wages account, increasing
8 it from \$126,054 to \$129,264. Staff requested the actual 2007 salaries and wages amount
9 from the Company and this is the amount that Staff recommends. The total amount
10 includes \$9,250 in general-health insurance (see adjustment and discussion below)
11 benefits that the Company pays directly to the covered employee. The employee has the
12 option to purchase health insurance or not. Salaries and wages also include yearly bonus
13 (manager only), 401k matching contributions for all paid employees, and pager allowance
14 for the manager. See Schedule DWC-5A.

15

16 Operating Income Adjustment B – Purchased Power

17 **Q. Please describe Staff's adjustment to purchased power.**

18 A. Staff recommends removing \$713 from the Company's purchased power account,
19 reducing it from \$42,391 to \$41,678. Staff totaled all the invoices for the test year power
20 expenses which amounted to \$41,678. The total amount for the well power is \$40,643,
21 and the office power is \$1,035. Refer to Schedule DWC-5B for the invoiced amounts.

22

23 Operating Income Adjustment C – Repairs and Maintenance

24 **Q. Please describe Staff's adjustment to repairs and maintenance.**

25 A. Staff recommends removing \$11,418 from the Company's repairs and maintenance
26 account, reducing it from \$25,698 to \$14,280. Staff found two major repairs that cost

1 \$10,576 in the test year which caused the repairs and maintenance account to more than
2 double from the previous year. The Company's reported repairs and maintenance
3 expenditure for 2002, 2003, 2004, 2005, 2006, and 2007 are \$16,030, \$3,169, \$13,443,
4 \$12,574, \$25,698, and \$14,768 respectively.

5
6 Staff recommends that repairs and maintenance be normalized to the average of the six
7 years of expenditures from 2002 to 2007. The result of that average is \$14,280, an
8 \$11,418 reduction from the Company's proposed amount, and is more indicative of a
9 normalized annual expense, as shown on Schedule DWC-5C.

10
11 Operating Income Adjustment D – Office Supplies and Expense

12 **Q. Please describe Staff's adjustment to office supplies and expense.**

13 A. Staff recommends removing \$218 from the Company's office supplies and expense
14 account, decreasing it from \$9,698 to \$9,480. Staff recommends that the \$218 software
15 item be capitalized. See Schedule DWC-5D.

16
17 Operating Income Adjustment E – Outside Services

18 **Q. Please describe Staff's adjustment to outside services.**

19 A. Staff recommends removing \$2,196 from the Company's outside services account,
20 decreasing it from \$7,116 to \$4,920. Staff recommends that the \$2,196 mapping items be
21 capitalized. See Schedule DWC-5E.

22
23 Operating Income Adjustment F – Water Testing

24 **Q. Please describe Staff's adjustment to water testing.**

25 A. Staff recommends adding \$928 to the Company's water testing account, increasing it from
26 \$2,481 to \$3,409. See Staff Engineering testimony and see Schedule DWC-5F.

1 Operating Income Adjustment G - Rents

2 **Q. Please describe Staff's adjustment to rents.**

3 A. Staff recommends removing \$75 from the Company's rent account, decreasing it from \$75
4 to -0-. This expense is for a one-time rental fee for a hall to hold a Company meeting and
5 will not be recurring since future Company meetings will be held at the Company's office
6 building. See Schedule DWC-5G.

7

8 Operating Income Adjustment H – Transportation Expense

9 **Q. Please describe Staff's adjustment to transportation expense.**

10 A. Staff recommends removing \$833 from the Company's transportation expense account,
11 decreasing it from \$5,135 to \$4,302. The reduction of \$833 is due to the three-year
12 normalization of a set of tires for \$633, \$125 reclassification of a director's travel mileage
13 reimbursement to miscellaneous expense, and \$75 for one year motor vehicle registration.
14 See Schedule DWC-5H.

15

16 Operating Income Adjustment I – Insurance – General Liability

17 **Q. Please describe Staff's adjustment to insurance – general liability.**

18 A. Staff recommends removing \$983 from the Company's insurance – general liability
19 account, decreasing it from \$6,306 to \$5,323. This expense is decreased by \$983 to adjust
20 for updated costs. Refer to Schedule DWC-5I for the breakdown of those costs.

21

22 Operating Income Adjustment J – Insurance – Health and Life

23 **Q. Please describe Staff's adjustment to insurance – health and life.**

24 A. Staff recommends removing \$11,000 from the Company's insurance – health and life
25 account, decreasing it from \$11,000 to -0-. Staff included the health insurance benefit

1 with the salaries and wages due to the fact that this is a direct payment to the employee,
2 and the policy is not purchased by the Company. See Schedule DWC-5J.

3
4 Operating Income Adjustment K – Regulatory Commission Expense – Rate Case

5 **Q. Please describe Staff's adjustment to regulatory commission expense – rate case.**

6 A. Staff recommends removing \$1,333 from the Company's regulatory commission expense
7 – rate case account, decreasing it from \$3,333 to \$2,000. The Company chose a three-year
8 amortization of its \$10,000 rate case expense. Staff recommends a five-year
9 normalization of the \$10,000 rate case expense. It has been six years since the Company's
10 last rate case. See Schedule DWC-5K.

11
12 Operating Income Adjustment L – Depreciation Expense

13 **Q. Please describe Staff's adjustment to depreciation expense.**

14 A. Staff recommends removing \$1,373 from the Company's depreciation expense account,
15 decreasing it from \$45,266 to \$43,893. Please refer to Schedule DWC-5L for the
16 calculation of depreciation expense.

17
18 Operating Income Adjustment M – Property Taxes

19 **Q. Please describe Staff's adjustment to property taxes.**

20 A. Staff recommends removing \$1,112 from the Company's property tax account, decreasing
21 it from \$12,418 to \$11,306. Staff corrected the account to reflect the actual test year
22 property taxes. See Schedule DWC-5M.

1 Operating Income Adjustment N – Bad Debt Expense

2 **Q. Please describe Staff's adjustment to bad debt expense.**

3 A. Staff recommends removing \$302 from the Company's bad debt expense account,
4 decreasing it from \$811 to \$509. Staff normalized this expense using the average from
5 2002 to 2007 as submitted by the Company from a Staff data request, as shown in
6 Schedule DWC-5N.

7

8 Operating Income Adjustment O – Miscellaneous Expense

9 **Q. Please describe Staff's adjustment to miscellaneous expense.**

10 A. Staff recommends removing \$2,064 from the Company's miscellaneous expense account,
11 decreasing it from \$2,189 to 125. Staff recommends disallowance of various items as
12 depicted on Schedule DWC-5O.

13

14 **VII. RATE DESIGN**

15 Present Rate Design

16 **Q. Please provide an overview of the Company's present rates.**

17 A. The Company has several types of customer classes such as residential, commercial,
18 multi-unit residential, and multi-unit commercial. The present rate design treats all
19 customer classes as one. The current minimum charges and commodity charges are the
20 same for a residential or commercial customer with the same meter size. The monthly
21 minimum charge ranges from \$7.00 per customer for the 3/4-inch meter to \$48.00 for a 6-
22 inch meter. The Company does not use 5/8 x 3/4-inch meters. The Company bills the
23 multi-unit residential and commercial customers the monthly minimum charge for the 3/4-
24 inch rate of \$7.00 multiplied by the number of units. The commodity rates are an inverted
25 tier rate design. The first tier, 0 to 4,000 gallons, costs \$1.73 per 1,000 gallons. The
26 second tier, 4,001 to 50,000 gallons, costs \$2.12 per 1,000 gallons. The third tier, over

1 50,000 gallons, costs \$2.39 per 1,000 gallons. The Company also has a construction or
2 bulk commodity rate of \$2.39 per 1,000 gallons. Details of the rate designs are presented
3 on Schedule DWC-6.
4

5 **Company's Proposed Rate Design**

6 **Q. Please provide an overview of the Company's proposed rate design.**

7 A. The Company is proposing to maintain its current rate design structure with no distinction
8 between classes of customers and no changes to its commodity tier break-over points. The
9 only change the Company is proposing is an across-the-board 27.6 percent rate increase in
10 monthly minimum charges and commodity rates. The Company's inverted three-tier
11 commodity break-over points remain at 0 to 4,000; 4,001 to 50,000; and over 50,000
12 gallons. The bulk or construction rate is the same as the third tier rate. The first tier, 0 to
13 4,000 gallons, will increase to \$2.21 per 1,000 gallons. The second tier, 4,001 to 50,000
14 gallons, will increase to \$2.70 per 1,000 gallons. The third tier, over 50,000 gallons, will
15 increase to \$3.05 per 1,000 gallons. The construction or bulk commodity rate will
16 increase to \$3.05 per 1,000 gallons.
17

18 **Q. Has the Company proposed any changes to its service charges?**

19 A. No. The Company proposes to maintain its current service line and meter installation
20 charges. The Company, however, proposed to add re-establishment (within 12 months),
21 meter re-read, moving customer meter (customer request), and after hours service charges
22 to its tariff. The Company's proposed new service charges are reflected on Schedule
23 DWC-6A. The Company's proposed rates for service charges are in line with the service
24 charges of other water utilities and Staff concurs with the Company's proposed new
25 service charges.

1 Staff's Recommended Rate Design

2 **Q. In addition to maintaining non-discriminatory rates that provide Staff's**
3 **recommended revenue requirement and other issues such as gradualism, revenue**
4 **stability, and customer affordability, what policy objectives are reflected in Staff's**
5 **recommended rates?**

6 A. Staff's rate design takes into consideration both the growing importance of managing
7 water as a finite resource and the resulting increases in delivery cost. The quantity of
8 water resources available to Arizona generally, and in the Company's service area
9 specifically, does not grow with population and customer base, and the cost of developing,
10 treating, and delivering water increases with diminishing supply and increased health and
11 safety regulations. Staff recommends a rate design that encourages efficient use of water.

12

13 **Q. Please provide a description of Staff's recommended rate structure for the water**
14 **system.**

15 A. Staff recommends separate residential and commercial customer classes, however the
16 basic monthly minimum charge by meter size will be the same for all customer classes.
17 The difference is in Staff's commodity rates, which will distinguish between the
18 residential and commercial classes, with a three-tiered rate for residential and a two-tiered
19 rate for commercial customers. Further, Staff has recommended different, more
20 appropriate, tier break-over points.

21

22 **Q. Please discuss Staff's recommendation on the commodity charges and tier rate**
23 **structure for the residential class.**

24 A. Staff recommends a three-tier inverted block rate structure for residential customers. Staff
25 recommends that the residential class commodity charges be \$1.73 per 1,000 for usage
26 from 0 to 4,000 gallons, \$2.40 per 1,000 gallons for usage from 4,001 up to 10,000

1 gallons, and \$2.88 per 1,000 gallons for usage over 10,000 gallons. Staff's recommended
2 commodity rates and break-over points are illustrated in Schedule DWC-6.

3
4 **Q. Please discuss Staff's recommendations on the commodity charges and tier rate**
5 **structure for the commercial class and multiple unit residential or commercial class.**

6 A. Staff recommends a two-tier inverted block rate structure for all commercial and multiple
7 unit customers. Staff recommends that the rates be \$2.40 per 1,000 gallons for usage from
8 0 to 25,000 gallons and \$2.88 per 1,000 gallons for usage over 25,000 gallons. Staff's
9 recommended commodity rates and break-over points are illustrated in Schedule DWC-6.
10 Staff also recommends a bulk or construction rate of \$2.88 per 1,000 gallons.

11
12 **Q. Did Staff prepare schedules showing the present, Company - proposed, and Staff**
13 **recommended monthly minimums and commodity rates for each rate class?**

14 A. Yes. Staff Schedule DWC-6 reflects the present monthly minimum charges and
15 commodity rates, the Company's proposed monthly minimum charges and commodity
16 rates and Staff's recommended monthly minimum charges and commodity rates.

17
18 **Q. Did Staff prepare a schedule showing the typical residential average and median**
19 **monthly bill under present rates, the Company's proposed rates, and Staff's**
20 **recommended rates?**

21 A. Yes. Staff Schedule DWC-7 presents the average and median monthly 3/4-inch meter
22 residential bill using present rates, the Company's proposed rates, and Staff's
23 recommended rates.

1 **Q. What is the impact of Staff's recommended rates on the median customer bill?**

2 A. The typical residential 3/4-inch meter bill with median usage of 5,417 gallons would
3 increase by \$1.40, or 8.3 percent, from \$16.92 to \$18.32.

4

5 **Q. What service charges does Staff recommend?**

6 A. Staff concurs with the Company's proposed service line and meter installation charges and
7 service charges as reflected on Schedule DWC-6A. These charges are consistent with
8 other similarly sized companies.

9

10 **Q. Will Staff's recommended rate design generate Staff's recommended revenue
11 requirement?**

12 A. Yes it will. Staff's recommended rate design would generate Staff's recommended
13 revenue requirement of \$316,618, including \$310,863 from metered water sales.

14

15 **Q. Does this conclude your direct testimony?**

16 A. Yes, it does.

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

TABLE OF CONTENTS TO SCHEDULES

| <u>SCHEDULE</u> | <u>TITLE</u> |
|-----------------|--|
| DWC-1 | REVENUE REQUIREMENT |
| DWC-2 | RATE BASE - ORIGINAL COST |
| DWC-3 | RATE BASE - SUMMARY OF ADJUSTMENTS |
| DWC-3A | ADJUSTMENT A LAND AND LAND RIGHTS |
| DWC-3B | ADJUSTMENT B STRUCTURES AND IMPROVEMENTS |
| DWC-3C | ADJUSTMENT C WELLS AND SPRINGS |
| DWC-3D | ADJUSTMENT D PUMPING EQUIPMENT |
| DWC-3E | ADJUSTMENT E DISTRIBUTION RESERVOIRS AND STANDPIPES |
| DWC-3F | ADJUSTMENT F METERS |
| DWC-3G | ADJUSTMENT G COMPUTERS AND SOFTWARE |
| DWC-3H | ADJUSTMENT H ACCUMULATED DEPRECIATION |
| DWC-3I | ADJUSTMENT I WORKING CAPITAL ALLOWANCE |
| DWC-3J | ADJUSTMENT J PUMPING POWER |
| DWC-3K | ADJUSTMENT K MATERIALS AND SUPPLIES |
| DWC-4 | OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED |
| DWC-5 | OPERATING INCOME - SUMMARY OF ADJUSTMENTS |
| DWC-5A | ADJUSTMENT A SALARIES AND WAGES |
| DWC-5B | ADJUSTMENT B PURCHASED POWER |
| DWC-5C | ADJUSTMENT C REPAIRS AND MAINTENANCE |
| DWC-5D | ADJUSTMENT D OFFICE SUPPLIES AND EXPENSE |
| DWC-5E | ADJUSTMENT E OUTSIDE SERVICES |
| DWC-5F | ADJUSTMENT F WATER TESTING |
| DWC-5G | ADJUSTMENT G RENTS |
| DWC-5H | ADJUSTMENT H TRANSPORTATION EXPENSES |
| DWC-5I | ADJUSTMENT I INSURANCE - GENERAL LIABILITY |
| DWC-5J | ADJUSTMENT J INSURANCE - HEALTH AND LIFE |
| DWC-5K | ADJUSTMENT K REGULATORY COMMISSION EXPENSE |
| DWC-5L | ADJUSTMENT L DEPRECIATION EXPENSE |
| DWC-5M | ADJUSTMENT M PROPERTY TAXES |
| DWC-5N | ADJUSTMENT N BAD DEBT EXPENSE |
| DWC-5O | ADJUSTMENT O MISCELLANEOUS EXPENSE |
| DWC-6 | RATE DESIGN MONTHLY MINIMUM AND COMMODITY RATES |
| DWC-6A | RATE DESIGN SERVICE LINE & OTHER SERVICE CHARGES |
| DWC-7 | TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS |

Oak Creek Water Co. No.1
Docket No. W-01392A-07-0679
Test Year ended December 31, 2006

Schedule DWC-1

REVENUE REQUIREMENT

| LINE NO. | DESCRIPTION | [A] | [B] |
|-------------|--|-----------------------------|---------------------------|
| | | COMPANY ORIGINAL COST | STAFF ORIGINAL COST |
| 1 | Adjusted Rate Base | \$ 507,283 | \$ 461,977 |
| 2 | Adjusted Operating Income / (Loss) | \$ (39,414) | \$ (10,809) |
| 3 | Current Rate of Return (L2 / L1) | -7.77% | -2.34% |
| 4a | Required Rate of Return on Rate Base | N/A | N/A |
| 4b | Required Operating Margin | 10.00% | 11.00% |
| 5 | Required Operating Income - (L4b * L10) | \$ 34,504 | \$ 34,822 |
| 6 | Operating Income Deficiency (L5 - L2) | \$ 73,918 | \$ 45,631 |
| 7 | Gross Revenue Conversion Factor | 1.0000 | 1.00000 |
| 8 | Required Revenue Increase (L6 * L7) | \$ 73,918 | \$ 45,631 |
| 9 | Adjusted Test Year Revenues | \$ 271,122 | \$ 271,122 |
| 10 | Proposed Annual Revenue (L8 + L9) | \$ 345,040 | \$ 316,618 |
| 11 | Required Increase in Revenue (%) (L8/L9) | 27.26% | 16.83% |

References:

- Column [A]: Company application package revenue increase tab
- Line 4a: Company is not requesting a rate of return on rate base
- Line 2: Reflects application amount, Schedule DWC-4 reflects \$(40,292), \$878 difference from unrecognized property tax adjustment.

Column [B]:

- Line 1: Schedule DWC-2
- Line 2: Schedule DWC-4

RATE BASE - ORIGINAL COST

| LINE NO. | | [A] COMPANY AS FILED | [B] STAFF ADJUSTMENTS | [C] STAFF AS ADJUSTED |
|--------------|---|-------------------------------|-----------------------------|--------------------------------|
| 1 | Plant in Service | \$ 1,394,891 | \$ (5,153) | \$ 1,389,738 |
| 2 | Less: Accumulated Depreciation | (892,373) | (2,182) | \$ 890,191 |
| 3 | Net Plant in Service | <u>\$ 502,518</u> | <u>(2,971)</u> | <u>\$ 499,547</u> |
| LESS: | | | | |
| 4 | Contributions in Aid of Construction (CIAC) | \$ 327,704 | \$ - | \$ 327,704 |
| 5 | Less: Accumulated Amortization | 327,704 | - | 327,704 |
| 6 | Net CIAC | - | - | - |
| 7 | Advances in Aid of Construction (AIAC) | 36,289 | - | 36,289 |
| 8 | Customer Meter Deposits | 1,281 | - | 1,281 |
| 9 | ADD: | | | |
| 10 | Working Capital | 31,987 | (31,987) | - |
| 11 | Pumping Power | 1,766 | (1,766) | - |
| 12 | Materials and Supplies | 8,582 | (8,582) | - |
| 13 | Original Cost Rate Base | <u>\$ 507,283</u> | <u>\$ (45,306)</u> | <u>\$ 461,977</u> |

References:

Column [A]: Oak Creek Water Schedule short form revised 2006, rate base tab
Column [B]: Column C minus Column A
Column [C]: Schedule DWC-3

RATE BASE - SUMMARY OF ADJUSTMENTS

| LINE NO. | ACCT. NO. | DESCRIPTION | COMPANY AS FILED | Adjustment A | Adjustment B | Adjustment C | Adjustment D | Adjustment E | Adjustment F | Adjustment G | Adjustment H | Adjustment I | Adjustment J | Adjustment K | STAFF ADJUSTED |
|----------|-----------|---|------------------|----------------------|--------------|--------------|-------------------|-------------------------|--------------|--------------|--------------------------|-----------------|---------------|------------------------|----------------|
| | | | | Land and Land Rights | Structures | Wells | Pumping Equipment | Distribution Reservoirs | Meters | Computers | Accumulated Depreciation | Working Capital | Pumping Power | Materials and Supplies | Total |
| 1 | 301 | PLANT IN SERVICE: | | | | | | | | | | | | | |
| 2 | 302 | Organization Cost | 4,276 | | | | | | | | | | | | 4,276 |
| 3 | 303 | Franchise Cost | 17,241 | (2,073) | | | | | | | | | | | 15,168 |
| 4 | 304 | Land and Land Rights | 266,594 | | 4,358 | | | | | | | | | | 270,952 |
| 5 | 307 | Structures and Improvements | 127,710 | | | (7,050) | | | | | | | | | 120,660 |
| 6 | 311 | Wells and Springs | 60,497 | | | | 959 | | | | | | | | 61,456 |
| 7 | 320 | Electric Pumping Equipment | | | | | | | | | | | | | |
| 8 | 330 | Water Treatment Equipment | 170,730 | | | | | 4,888 | | | | | | | 175,618 |
| 9 | 330 | Distribution Reservoirs & Standpipe | 616,500 | | | | | | | | | | | | 616,500 |
| 10 | 333 | Transmission and Distribution Mains | 15,557 | | | | | | | | | | | | 15,557 |
| 11 | 334 | Services | 35,927 | | | | | | 1,976 | | | | | | 37,903 |
| 12 | 335 | Meters | 20,337 | | | | | | | | | | | | 20,337 |
| 13 | 335 | Hydrants | | | | | | | | | | | | | |
| 14 | 336 | Backflow Prevention Devices | | | | | | | | | | | | | |
| 15 | 339 | Other Plant and Miscellaneous Equipment | | | | | | | | (8,211) | | | | | 2,818 |
| 16 | 340 | Office Furniture and Fixtures | 20,831 | | | | | | | | | | | | 12,620 |
| 17 | 341 | Computer Equipment | 25,636 | | | | | | | | | | | | 25,636 |
| 18 | 342 | Transportation Equipment | | | | | | | | | | | | | |
| 19 | 343 | Stores Equipment | 3,641 | | | | | | | | | | | | 3,641 |
| 20 | 344 | Tools and Work Equipment | | | | | | | | | | | | | |
| 21 | 344 | Laboratory Equipment | | | | | | | | | | | | | |
| 22 | 345 | Power Operated Equipment | | | | | | | | | | | | | |
| 23 | 346 | Communications Equipment | 5,103 | | | | | | | | | | | | 5,103 |
| 24 | 347 | Miscellaneous Equipment | 1,493 | | | | | | | | | | | | 1,493 |
| 25 | 348 | Other Tangible Plant | | | | | | | | | | | | | |
| 26 | | Plant Held for Future Use | | | | | | | | | | | | | |
| 27 | | Subtotal Water Plant | \$ 1,394,691 | (2,073) | 4,358 | (7,050) | 959 | 4,888 | 1,976 | (8,211) | | | | | 1,389,738 |
| 28 | | Total Plant in Service | \$ 1,394,691 | | | | | | | | | | | | 1,389,738 |
| 29 | | Less: Accumulated Depreciation | 892,373 | | | | | | | | (2,182) | | | | 890,191 |
| 30 | | Net Plant in Service (L32 - L33) | \$ 502,318 | | | | | | | | (2,182) | | | | 499,547 |
| 31 | | LESS: | | | | | | | | | | | | | |
| 32 | | Contributions in Aid of Construction (CIAC) | | | | | | | | | | | | | |
| 33 | | Less: Accumulated Amortization | | | | | | | | | | | | | |
| 34 | | Net CIAC (L30-L31) | | | | | | | | | | | | | |
| 35 | | Imputed Regulatory Contributions | 36,289 | | | | | | | | | | | | 36,289 |
| 36 | | Advances in Aid of Construction (AIAC) | | | | | | | | | | | | | |
| 37 | | Imputed Regulatory Advances | | | | | | | | | | | | | |
| 38 | | Customer Meter Deposits | 1,281 | | | | | | | | | | | | 1,281 |
| 39 | | ADD: | | | | | | | | | | | | | |
| 40 | | Cash Working Capital Allowance | 31,987 | | | | | | | | | (31,987) | | | |
| 41 | | Prepayments | | | | | | | | | | | | | |
| 42 | | Pumping Power | 1,765 | | | | | | | | | | (1,765) | | |
| 43 | | Materials and Supplies | 8,582 | | | | | | | | | | | (8,582) | |
| 44 | | Deferred Debits | | | | | | | | | | | | | |
| 45 | | Original Cost Rate Base | \$ 507,253 | | | | | | | | (31,987) | | (1,765) | (8,582) | 461,917 |

References:
 Column Company as Filed
 Adjustment A
 Adjustment B
 Adjustment C
 Adjustment D
 Adjustment E
 Adjustment F
 Adjustment G
 Adjustment H
 Adjustment I
 Adjustment J
 Adjustment K

Application package pages 14, 24, 25, 23 and working capital.
 Schedule DWC-3A
 Schedule DWC-3B
 Schedule DWC-3C
 Schedule DWC-3D
 Schedule DWC-3E
 Schedule DWC-3F
 Schedule DWC-3G
 Schedule DWC-3H
 Schedule DWC-3I
 Schedule DWC-3K

Oak Creek Water Co. No.1
Docket No. W-01392A-07-0679
Test Year ended December 31, 2006

Schedule DWC-3A

RATE BASE - ORIGINAL COST

ADJUSTMENT A LAND AND LAND RIGHTS

| <u>LINE NO.</u> | <u>ACCT NO.</u> | <u>DESCRIPTION</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|-----------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1 | 303 | Easement on well site | \$ 17,241 | \$ (2,073) | \$ 15,168 |

Staff disallowed accumulated expenditures for the rental of easement rights through a land parcel that the Company purchased, by contract, in April of 2007 (after the test year).

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-3B

RATE BASE - ORIGINAL COST

ADJUSTMENT B STRUCTURES AND IMPROVEMENTS

| <u>LINE NO.</u> | <u>ACCT NO.</u> | <u>DESCRIPTION</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|--------------------|-----------------------------|------------------------------|------------------------------|
| 1 | 304 | Structures | \$ 266,594 | \$ 4,358 | \$ 270,952 |

Additional items:

| | <u>Invoice Date</u> | <u>Invoice No.</u> | | |
|---|---------------------|--------------------|---------------------------------------|----------|
| 1 | | | reclassified from 2003 Wells addition | \$ 2,162 |
| 2 | 7/19/2006 | 30823 | Shephard-Wesnitzer, Inc. (mapping) | \$ 1,681 |
| 3 | 8/24/2006 | 31109 | Shephard-Wesnitzer, Inc. (mapping) | \$ 515 |
| | | | Staff adjustment | \$ 4,358 |

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-3C

RATE BASE - ORIGINAL COST

ADJUSTMENT C

WELLS AND SPRINGS

| <u>LINE NO.</u> | <u>ACCT NO.</u> | <u>DESCRIPTION</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|--------------------|-----------------------------|------------------------------|------------------------------|
| 1 | 307 | Wells and Springs | \$ 127,710 | \$ (7,050) | \$ 120,660 |

| | |
|----------------------------------|-------------------|
| Reclassified to | |
| Acct 304 Structures | \$ (2,162) |
| Acct 330 Distribution Reservoirs | \$ (4,888) |
| Staff adjustment | <u>\$ (7,050)</u> |

Oak Creek Water Co. No.1
Docket No. W-01392A-07-0679
Test Year ended December 31, 2006

Schedule DWC-3D

RATE BASE - ORIGINAL COST

ADJUSTMENT D PUMPING EQUIPMENT

| <u>LINE NO.</u> | <u>ACCT NO.</u> | <u>DESCRIPTION</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|---------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1 | 311 | Pumping equipment | \$ 60,497 | \$ 959 | \$ 61,456 |
| | | Reclassified from repairs | \$ 959 | | |

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-3E

RATE BASE - ORIGINAL COST

ADJUSTMENT E DISTRIBUTION RESERVOIRS AND STANDPIPES

| <u>LINE NO.</u> | <u>ACCT NO.</u> | <u>DESCRIPTION</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|-------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1 | 330 | Distribution Reservoirs | 170,730 | \$ 4,888 | \$ 175,618 |

| | | |
|-------------------------------------|----|-------|
| Reclassified from Wells and Springs | \$ | 4,888 |
| Staff adjustment | \$ | 4,888 |

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-3F

RATE BASE - ORIGINAL COST

ADJUSTMENT F

METERS

| <u>LINE NO.</u> | <u>ACCT NO.</u> | <u>DESCRIPTION</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|--------------------|-----------------------------|------------------------------|------------------------------|
| 1 | 334 | Meters | \$ 35,927 | 1,976 \$ | 37,903 |

| <u>INVOICE Date</u> | <u>INVOICE NO.</u> | <u>INVOICE FROM</u> | <u>AMOUNT</u> | <u>Notes</u> |
|---------------------|--------------------|----------------------|---------------|--------------|
| 9/21/2006 | 102591 | Arizona Water Works | \$ 862 | for meters |
| 12/15/2006 | 104188 | Arizona Water Works | 1114 | for meters |
| | | Amount to capitalize | \$ 1,976 | |

RATE BASE - ORIGINAL COST

ADJUSTMENT G

COMPUTERS AND SOFTWARE

| LINE NO. | ACCT NO. | DESCRIPTION | [A] COMPANY PROPOSED | [B] STAFF ADJUSTMENTS | [C] STAFF RECOMMENDED |
|----------|----------|------------------------|----------------------------|-----------------------------|-----------------------------|
| 1 | 340.1 | Computers and Software | \$ 20,831 | (8,211) \$ | 12,620 |

| INVOICE Date | INVOICE NO. | INVOICE FROM | ALLOWABLE PORTION AMOUNT | Notes |
|---|-------------------|-----------------|--------------------------------|--------------------------|
| 10/29/2003 | 52042 | RVS Software | \$ 1,948 | Double counted |
| 10/19/2003 | 310111 | CSCO Computers | 1158 | Double counted |
| 10/19/2003 | 310112 | CSCO Computers | 1017 | Double counted |
| 10/23/2003 | 310115 | CSCO Computers | 3312 | Double counted |
| 11/25/2003 | 311105 and 311115 | CSCO Computers | 2307 | no invoice |
| 12/14/2003 | 312106 and 312111 | CSCO Computers | 789 | no invoice |
| 12/31/2003 | 52907 | RVS Software | 425 | counted in 2003 and 2004 |
| 12/31/2003 | 52966 | RVS Software | 435 | |
| 1/17/2004 | 401107 | CSCO Computers | 613 | |
| 7/15/2004 | Chk 6107 | RVS Software | 300 | no invoice |
| 3/18/2004 | Chk 6013 | CSCO Computers | 65 | no invoice |
| 11/12/2004 | Chk 6197 | CSCO Computers | 33 | no invoice |
| Additions | | | \$ 12,402 | |
| plus Capitalized from office expense | | | 218 | |
| Staff recommended total additions | | | \$ 12,620 | |
| Staff adjustment | | | (8,211) | |

RATE BASE - ORIGINAL COST

ADJUSTMENT H

ACCUMULATED DEPRECIATION

| Account | [A] Depreciation Rate | [B] Staff Adjusted Original Cost | [C] Non-depreciable or Fully Depreciated Plant | [D] Depreciable Plant | [E] Accumulated Depreciation | [F] TY Net Plant |
|---|-----------------------------|---|---|-----------------------------|------------------------------------|---------------------------|
| 301 Organization Cost | 0.00% | \$ - | \$ - | \$ - | \$ - | \$ - |
| 302 Franchise Cost | 0.00% | 4,276 | 4,276 | - | - | 4,276 |
| 303 Land and Land Rights | 0.00% | 15,168 | 15,168 | - | - | 15,168 |
| 304 Structures and Improvements | 3.33% | 270,852 | - | 270,952 | 154,156 | 116,796 |
| 307 Wells and Springs | 3.33% | 120,660 | - | 120,660 | 85,237 | 35,423 |
| 311 Electric Pumping Equipment | 12.50% | 61,456 | - | 61,456 | 47,972 | 13,484 |
| 320 Water Treatment Equipment | 3.33% | - | - | - | - | - |
| 330 Distribution Reservoirs & Standpipe | 2.22% | 175,618 | - | 175,618 | 111,196 | 64,422 |
| 331 Transmission and Distribution Mains | 2.00% | 616,500 | - | 616,500 | 393,144 | 223,356 |
| 333 Services | 3.33% | 15,557 | - | 15,557 | 9,641 | 5,916 |
| 334 Meters | 8.33% | 37,903 | - | 37,903 | 28,614 | 9,089 |
| 335 Hydrants | 2.00% | 20,337 | - | 20,337 | 12,969 | 7,368 |
| 336 Backflow Prevention Devices | 6.67% | - | - | - | - | - |
| 339 Other Plant and Miscellaneous Equipment | 6.67% | - | - | - | - | - |
| 340 Office Furniture and Fixtures | 6.67% | 2,818 | - | 2,818 | 2,264 | 554 |
| 340.1 Computer Equipment | 20.00% | 12,620 | - | 12,620 | 10,130 | 2,490 |
| 341 Transportation Equipment | 20.00% | 25,636 | 25,636 | - | 25,636 | - |
| 342 Stores Equipment | 4.00% | - | - | - | - | - |
| 343 Tools and Work Equipment | 5.00% | 3,641 | - | 3,641 | 2,437 | 1,204 |
| 344 Laboratory Equipment | 10.00% | - | - | - | - | - |
| 345 Power Operated Equipment | 5.00% | - | - | - | - | - |
| 346 Communications Equipment | 10.00% | 5,103 | 5,103 | - | 5,103 | - |
| 347 Miscellaneous Equipment | 10.00% | 1,493 | 1,493 | - | 1,493 | - |
| 348 Other Tangible Plant | 10.00% | - | - | - | - | - |
| Total Plant | | \$ 1,389,738 | \$ 51,676 | \$ 1,338,062 | \$ 890,191 | \$ 499,547 |

Accumulated Depreciation as filed \$ 892,373
Accumulated Depreciation Staff Adjusted \$ 890,191
Accumulated Depreciation adjustment \$ (2,182)

References:

- Column [A]: Staff Engineering recommended (and currently authorized) depreciation rates
- Column [B]: Staff adjusted plant balances worksheet (not part of schedules)
- Column [C]: Non-depreciable or fully depreciated plant
- Column [D]: Depreciable plant
- Column [E]: Based on Staff adjusted plant and recalculated accumulated depreciation
- Column [F]: Net plant

Oak Creek Water Co. No.1
Docket No. W-01392A-07-0679
Test Year ended December 31, 2006

Schedule DWC-31

RATE BASE - ORIGINAL COST

ADJUSTMENT I

WORKING CAPITAL ALLOWANCE

| <u>LINE NO.</u> | <u>ACCT NO.</u> | <u>DESCRIPTION</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|--------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1 | | Working Capital | \$ 31,987 | \$ (31,987) | \$ - |

Staff disallowed working capital due to lack of lead/lag study which is necessary to determine cash working capital needs.

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-3J

RATE BASE - ORIGINAL COST

ADJUSTMENT J

PUMPING POWER

| <u>LINE NO.</u> | <u>ACCT NO.</u> | <u>DESCRIPTION</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|--------------------|-----------------------------|------------------------------|------------------------------|
| 1 | | Pumping power | \$ 1,766 | \$ (1,766) | \$ - |

Staff disallowed pumping power allowance which is normally part of the working capital calculation when utilizing the formula method which is reserved for Class D and Class E utilities only.

Oak Creek Water Co. No.1
Docket No. W-01392A-07-0679
Test Year ended December 31, 2006

Schedule DWC-3K

RATE BASE - ORIGINAL COST

ADJUSTMENT K MATERIALS AND SUPPLIES

| <u>LINE</u> <u>NO.</u> | <u>ACCT</u> <u>NO.</u> | <u>DESCRIPTION</u> | <u>[A]</u> <u>COMPANY</u> <u>PROPOSED</u> | <u>[B]</u> <u>STAFF</u> <u>ADJUSTMENTS</u> | <u>[C]</u> <u>STAFF</u> <u>RECOMMENDED</u> |
|---------------------------|---------------------------|------------------------|---|--|--|
| 1 | | Materials and Supplies | \$ 8,582 | \$ (8,582) | \$ - |

Staff disallowed materials and supplies inventory since cash working capital component not available, other working capital components cannot be considered.

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

| LINE NO. | DESCRIPTION | (A) COMPANY ADJUSTED TEST YEAR | (B) STAFF TEST YEAR ADJUSTMENTS | (C) STAFF TEST YEAR AS ADJUSTED | (D) STAFF RECOMMENDED ADJUSTMENTS | (E) STAFF RECOMMENDED |
|--------------------------------|---|---|--|--|--|-----------------------------|
| REVENUES: | | | | | | |
| 1 | 481 Metered Water Sales | \$ 265,367 | \$ - | \$ 265,367 | \$ 45,498 | \$ 310,865 |
| 2 | 480 Water Sales - Unmetered | | | | | |
| 3 | 474 Other Operating Revenue | 5,755 | | 5,755 | | 5,755 |
| 4 | Total Operating Revenues | \$ 271,122 | \$ - | \$ 271,122 | \$ 45,498 | \$ 316,618 |
| OPERATING EXPENSES: | | | | | | |
| 5 | 601 Salaries and Wages | \$ 126,054 | \$ 3,210 | 129,264 | | \$ 129,264 |
| 6 | 610 Purchased Water | | | | | |
| 7 | 615 Purchased Power | 42,391 | (713) | 41,678 | | 41,678 |
| 8 | 618 Chemicals | | | | | |
| 9 | 619 Water Treatment | | | | | |
| 10 | 620 Repairs and Maintenance | 25,698 | (11,418) | 14,280 | | 14,280 |
| 11 | 621 Office Supplies and Expense | 9,698 | (218) | 9,480 | | 9,480 |
| 12 | 630 Outside Services | 7,116 | (2,196) | 4,920 | | 4,920 |
| 13 | 635 Water Testing | 2,481 | 928 | 3,409 | | 3,409 |
| 14 | 641 Rents | 75 | (75) | - | | - |
| 15 | 650 Transportation Expenses | 5,135 | (833) | 4,302 | | 4,302 |
| 16 | 657 Insurance - General Liability | 6,306 | (983) | 5,323 | | 5,323 |
| 17 | 659 Insurance - Health and Life | 11,000 | (11,000) | - | | - |
| 18 | 666 Regulatory Commission Expense - Rate Case | 3,333 | (1,333) | 2,000 | | 2,000 |
| 19 | 675 Miscellaneous Expense | 2,189 | (2,064) | 125 | | 125 |
| 20 | 403 Depreciation Expense | 45,266 | (1,373) | 43,893 | | 43,893 |
| 21 | Depreciation & Amortization | | | | | |
| 22 | Amortization of CIAC | | | | | |
| 23 | 408 Taxes Other than Income | 11,442 | | 11,442 | | 11,442 |
| 24 | 408 Property Taxes | 12,418 | (1,112) | 11,306 | (135) | 11,171 |
| 25 | 670 Bad Debts Expense | 611 | (303) | 509 | | 509 |
| 26 | 409 Income Taxes | | | | | |
| 27 | Total Operating Expenses | \$ 311,414 | \$ (29,483) | \$ 281,931 | \$ (135) | \$ 281,796 |
| 28 | OPERATING INCOME/(LOSS) | \$ (40,292) | | \$ (10,809) | \$ 45,631 | \$ 34,822 |
| OTHER INCOME/(EXPENSE): | | | | | | |
| 31 | 419 Interest and Dividend Income | \$ 16,501 | | \$ 16,501 | | \$ 16,501 |
| 32 | 421 Non-Utility Income | | | | | |
| 33 | 426 Miscellaneous Non-Utility Income | | | | | |
| 34 | 427 Interest Expense | (91) | | (91) | | (91) |
| 35 | Total Other Income/(Expenses) | \$ 16,410 | | \$ 16,410 | | \$ 16,410 |
| 36 | | | | | | |
| 37 | NET INCOME/(LOSS) | \$ (23,882) | | \$ 5,601 | | \$ 51,232 |

References:

Column [A]:

Application package income statement page 19
Line 24: Actual amount the Company expensed during TY
Line 28: Company adjusted reported operating loss of \$39,414
Line 37: Company adjusted reported net loss of \$23,004

Column [B]:

Schedule DWC-5A to 5N

Column [C]:

Schedule DWC-5 Column P

Column [D]:

Schedule DWC-1, line 8

Oak Creek Water Co. No. 1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

OPERATING INCOME - SUMMARY OF ADJUSTMENTS

| LINE NO. | DESCRIPTION | COMPANY AS PROPOSED | Adjustment A | Adjustment B | Adjustment C | Adjustment D | Adjustment E | Adjustment F | Adjustment G | Adjustment H | Adjustment I | Adjustment J | Adjustment K | Adjustment L | Adjustment M | Adjustment N | Adjustment O | STAFF ADJUSTED | |
|----------------------------|---------------------------------------|---------------------|--------------------|----------------|-------------------------|-----------------|------------------|---------------|--------------|----------------|--------------------------|------------------|--------------|--------------|----------------|--------------|---------------|----------------|--|
| | | | Salaries and Wages | Purchase Power | Repairs and Maintenance | Office Supplies | Outside Services | Water Testing | Rents | Transportation | Insurance Gen. Liability | Insurance Health | Rate Case | Depreciation | Property Taxes | Bad Debts | Miscellaneous | | |
| 1 | 461 Metered Water Sales | \$ 265,367 | | | | | | | | | | | | | | | | \$ 265,367 | |
| 2 | 460 Water Sales - Unmetered | | | | | | | | | | | | | | | | | 5,755 | |
| 3 | 471 Other Operating Revenue | 5,755 | | | | | | | | | | | | | | | | 5,755 | |
| 4 | Total Operating Revenues | \$ 271,122 | | | | | | | | | | | | | | | | \$ 271,122 | |
| OPERATING EXPENSES: | | | | | | | | | | | | | | | | | | | |
| 5 | 601 Salaries and Wages | \$ 126,054 | 3,210 | | | | | | | | | | | | | | | \$ 129,264 | |
| 6 | 610 Purchased Water | | | | | | | | | | | | | | | | | | |
| 7 | 615 Purchased Power | 42,391 | (713) | | | | | | | | | | | | | | | 41,678 | |
| 8 | 618 Chemicals | | | | | | | | | | | | | | | | | | |
| 9 | 619 Water Treatment | | | | | | | | | | | | | | | | | | |
| 10 | 620 Repairs and Maintenance | 25,698 | | | (11,418) | | | | | | | | | | | | | 14,280 | |
| 11 | 621 Office Supplies and Expense | 9,698 | | | | (218) | | | | | | | | | | | | 9,480 | |
| 12 | 630 Outside Services | 7,116 | | | | | (2,196) | | | | | | | | | | | 4,920 | |
| 13 | 635 Water Testing | 2,481 | | | | | | 928 | | | | | | | | | | 3,409 | |
| 14 | 641 Rents | 75 | | | | | | | (75) | | | | | | | | | 0 | |
| 15 | 650 Transportation Expenses | 5,135 | | | | | | | | (633) | | | | | | | | 4,502 | |
| 16 | 657 Insurance - General Liability | 8,308 | | | | | | | | | (983) | | | | | | | 5,325 | |
| 17 | 658 Insurance - Health and Life | 11,000 | | | | | | | | | | (11,000) | | | | | | 0 | |
| 18 | 666 Regulatory Commission Expense - 1 | 3,333 | | | | | | | | | | | (1,333) | | | | | 2,000 | |
| 19 | 675 Miscellaneous Expense | 2,189 | | | | | | | | | | | | (1,373) | | | | 125 | |
| 20 | 403 Depreciation Expense | 45,266 | | | | | | | | | | | | | | | | 43,893 | |
| 21 | Depreciation & Amortization | | | | | | | | | | | | | | | | | | |
| 22 | Amortization of CAC | | | | | | | | | | | | | | | | | | |
| 23 | 408 Taxes Other than Income | 11,442 | | | | | | | | | | | | | (1,112) | | | 11,442 | |
| 24 | 409 Property Taxes | 12,418 | | | | | | | | | | | | | | | | 11,308 | |
| 25 | 670 Bad Debts Expense | 811 | | | | | | | | | | | | | | | | 509 | |
| 26 | 409 Income Taxes | | | | | | | | | | | | | | | | | | |
| 27 | Total Operating Expenses | \$ 311,414 | 3,210 | (713) | (11,418) | (218) | (2,196) | 928 | (75) | (633) | (983) | (11,000) | (1,333) | (1,373) | (1,112) | (303) | (2,064) | \$ 281,932 | |
| 28 | Operating Income (Loss) | \$ (40,292) | (3,210) | 713 | 11,418 | 218 | 2,196 | (928) | 75 | 633 | 983 | 11,000 | 1,333 | 1,373 | 1,112 | 303 | 2,064 | \$ (10,810) | |

References:
 Column (A): Application package Comparative Income Statement
 Schedule DWC-5A
 Adjustment A
 Schedule DWC-5B
 Adjustment B
 Schedule DWC-5C
 Adjustment C
 Schedule DWC-5D
 Adjustment D
 Schedule DWC-5E
 Adjustment E
 Schedule DWC-5F
 Adjustment F
 Schedule DWC-5G
 Adjustment G
 Schedule DWC-5H
 Adjustment H
 Schedule DWC-5I
 Adjustment I
 Schedule DWC-5J
 Adjustment J
 Schedule DWC-5K
 Adjustment K
 Schedule DWC-5L
 Adjustment L
 Schedule DWC-5M
 Adjustment M
 Schedule DWC-5N
 Adjustment N
 Schedule DWC-5O
 Adjustment O

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-5A

OPERATING INCOME

ADJUSTMENT A SALARIES AND WAGES

| LINE NO. | ACCT NO. | DESCRIPTION | [A] COMPANY PROPOSED | [B] STAFF ADJUSTMENTS | [C] STAFF RECOMMENDED |
|----------|----------|--------------------|----------------------------|-----------------------------|-----------------------------|
| 1 | 601 | Salaries and Wages | \$ 126,054 | \$ 3,210 | \$ 129,264 |

| <u>Salaries per Company's Profit and Loss statement</u> | | 2,006 | 2007 |
|---|------------------|----------------|----------------|
| Total 5010 · Officer Salaries | | 21,660 | 16,773 |
| Total 5020 · Management Salaries | | 79,794 | 50,097 |
| Total 5023 · Water Tech | | 0 | 35,467 |
| Total 5025 · Employee Hourly | | 13,887 | 10,828 |
| Total 5030 · Employee Benefit | (Manager bonus) | 2,205 | 2,000 |
| Total 5040 · Pager Allowance | (Manager) | 600 | 600 |
| Total 5050 · IRA Contributions | | 2,000 | 2,000 |
| Total 5055 · 401(k) Contributions | | 2,315 | 2,249 |
| Total 5060 · Employee Benefits | Health Insurance | 6,831 | 9,250 |
| | <u>Total</u> | <u>129,292</u> | <u>129,264</u> |

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-5B

OPERATING INCOME

| ADJUSTMENT B | | PURCHASED POWER | | [A] | [B] | [C] |
|--------------|----------|-----------------|------------------|-------------------|-------------------|--------|
| LINE NO. | ACCT NO. | DESCRIPTION | COMPANY PROPOSED | STAFF ADJUSTMENTS | STAFF RECOMMENDED | |
| 1 | 615 | Purchased Power | 42,391 | \$ (713) | \$ | 41,678 |

Actual bills:

| Account No. | Invoice Date | Total Amount | Well Power | Office Power |
|-------------|--------------|--------------|------------|--------------|
| 180920284 | 1/11/2006 | \$ 2,581 | \$ 2,516 | \$ 65 |
| 180920284 | 2/10/2006 | 2240 | 2,180 | 60 |
| 180920284 | 3/10/2006 | 2833 | 2,767 | 66 |
| 180920284 | 4/10/2006 | 1644 | 1,586 | 58 |
| 180920284 | 5/9/2006 | 4408 | 4,341 | 67 |
| 180920284 | 6/8/2006 | 4119 | 4,034 | 85 |
| 180920284 | 7/10/2006 | 5286 | 5,143 | 143 |
| 180920284 | 8/8/2006 | 3881 | 3,756 | 125 |
| 180920284 | 9/7/2006 | 3713 | 3,609 | 104 |
| 180920284 | 10/6/2006 | 4350 | 4,231 | 119 |
| 180920284 | 11/6/2006 | 3251 | 3,179 | 72 |
| 180920284 | 12/8/2006 | 3372 | 3,299 | 73 |
| | | \$ 41,678 | \$ 40,643 | \$ 1,035 |

Staff recommended \$ 41,678

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-5C

OPERATING INCOME

| ADJUSTMENT C | | REPAIRS AND MAINTENANCE | | | | |
|--------------|----------|--------------------------------|----------------------------|-----------------------------|-----------------------------|--|
| LINE NO. | ACCT NO. | DESCRIPTION | [A] COMPANY PROPOSED | [B] STAFF ADJUSTMENTS | [C] STAFF RECOMMENDED | |
| 1 | 620 | Repairs and Maintenance | \$ 25,698 | \$ (11,418) | \$ 14,280 | |
| | | Yearly repairs and maintenance | | | | |
| | | 2002 | \$ 16,030 | | | |
| | | 2003 | \$ 3,169 | | | |
| | | 2004 | \$ 13,443 | | | |
| | | 2005 | \$ 12,574 | | | |
| | | 2006 | \$ 25,698 | | | |
| | | 2007 | \$ 14,768 | | | |
| | | Total | \$ 85,682 | | | |
| | | Average yearly expense | \$ 14,280 | | | |
| | | Staff recommended repairs | \$ 14,280 | | | |

Oak Creek Water Co. No.1
Docket No. W-01392A-07-0679
Test Year ended December 31, 2006

Schedule DWC-5D

OPERATING INCOME

| ADJUSTMENT D | | OFFICE SUPPLIES AND EXPENSE | [A] | [B] | [C] |
|---------------------|-------------|--|-----------------|--------------------|--------------------|
| Line | ACCT | | COMPANY | STAFF | STAFF |
| No. | NO. | Description | PROPOSED | ADJUSTMENTS | RECOMMENDED |
| 1 | 621 | Office Supplies and Expense | \$ 9,698 | \$ (218) | \$ 9,480 |
| | | Capitalized expense moved to Acct. No. 340.1 | \$ 218 | | |

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-5E

OPERATING INCOME

| ADJUSTMENT E | | OUTSIDE SERVICES | | [A] | [B] | [C] |
|--------------|----------|--------------------|------------------|-------------------|-------------------|-----|
| Line No. | ACCT NO. | DESCRIPTION | COMPANY PROPOSED | STAFF ADJUSTMENTS | STAFF RECOMMENDED | |
| 1 | 630 | Accounting/Mapping | \$ 7,116 | \$ (2,196) | \$ 4,920 | |

Reclassified to Acct. No. 304 - Structures and Improvements:

| Shephard Engineering | | | Amount | Service |
|----------------------|-----------|----|--------|----------------------|
| Invoice No. | Date | | | |
| 30823 | 7/19/2006 | \$ | 1,681 | water system mapping |
| 31109 | 8/24/2006 | \$ | 515 | water system mapping |
| | | \$ | 2,196 | |

Oak Creek Water Co. No.1
Docket No. W-01392A-07-0679
Test Year ended December 31, 2006

Schedule DWC-5F

OPERATING INCOME

| ADJUSTMENT F | | WATER TESTING | | | |
|-----------------|-----------------|--------------------|-----------------------------|------------------------------|------------------------------|
| <u>Line No.</u> | <u>ACCT NO.</u> | <u>Description</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
| 1 | 635 | Water Testing | \$ 2,481 | \$ 928 | \$ 3,409 |

Staff Engineering recommended water testing expense
Refer to Staff Engineering Report

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-5G

OPERATING INCOME

| ADJUSTMENT G | | RENTS | [A] COMPANY <u>PROPOSED</u> | [B] STAFF <u>ADJUSTMENTS</u> | [C] STAFF <u>RECOMMENDED</u> |
|-----------------|-----------------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| <u>Line No.</u> | <u>ACCT NO.</u> | <u>Description</u> | | | |
| 1 | 641 | Rental fee to hold annual meeting | \$ 75 | \$ (75) | \$ - |

Annual rental fee for meeting is a non-recurring expense
 as future annual meetings will be held at Company office

OPERATING INCOME

ADJUSTMENT H

TRANSPORTATION EXPENSES

| Line No. | ACCT NO. | DESCRIPTION | (A) COMPANY PROPOSED | (B) STAFF ADJUSTMENTS | (C) STAFF RECOMMENDED |
|----------|----------|---------------------------|----------------------------|-----------------------------|-----------------------------|
| 1 | 341 | Set of tires, adjustments | \$ 5,135 | \$ (833) | \$ 4,302 |

| Invoice No/Account No | Type | Date | Amount | Staff Disallowed |
|-----------------------|--------------|------------|----------------------------|---|
| 2042 | Visa | 1/28/2006 | \$ 489 | Desert Auto |
| 374 | Gas | 1/6/2006 | 158 | |
| 2042 | Visa | 2/28/06 | 260 | Desert Auto |
| 374 | Gas | 2/3/2006 | 179 | |
| 374 | Gas | 3/3/2006 | 203 | |
| 2042 | Visa | 4/28/2006 | 955 | Rental car and repair |
| 374 | Gas | 3/31/2006 | 258 | |
| | car wash | 5/4/2006 | 5 | |
| | car wash | 8/1/2006 | 5 | |
| | DMV | 5/31/2006 | 150 | 75 \$150 for a 2-year car registration |
| 374 | gas | 5/4/2006 | 174 | |
| 374 | Gas | 6/2/2006 | 173 | |
| 1679 | Desert Auto | 6/2/2006 | 198 | Repair door latch |
| 374 | gas | 7/15/2006 | 150 | |
| 374 | gas | 8/2/2006 | 158 | |
| 374 | gas | 8/31/2006 | 158 | |
| 1681 | Desert Auto | 9/28/2006 | 99 | Additional time for door latch |
| 374 | gas | 10/6/2006 | 141 | |
| visa charge | Big-O tires | 10/23/2006 | 949 | 633 Normalized new tires expense over 3 years |
| none | travel/meal | 10/31/2006 | 125 | 125 Reclassified to misc expense account |
| 374 | gas | 11/5/2006 | 130 | |
| | Checker Auto | 11/27/2006 | 20 | |
| | | | \$ 5,135 | \$ 833 |
| | | | less \$ 833 | |
| | | | Staff Recommended \$ 4,302 | |

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-5I

OPERATING INCOME

ADJUSTMENT I

INSURANCE - GENERAL LIABILITY

| <u>Line No.</u> | <u>ACCT NO.</u> | <u>Description</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|-----------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1 | 659 | Insurance-General Liability | \$ 6,306 | \$ (983) | \$ 5,323 |

| <u>Coverage</u> | <u>Premium</u> |
|-------------------------------|----------------|
| Commercial Property | \$ 1,583 |
| Commercial Inland | 99 |
| Commercial General | 1,391 |
| Additional Premium from audit | 943 |
| Commercial Auto | 1,307 |
| Staff Recommended | \$ 5,323 |

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-5J

OPERATING INCOME

| ADJUSTMENT J | | INSURANCE - HEALTH AND LIFE | | | |
|-----------------|-----------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| <u>Line No.</u> | <u>ACCT NO.</u> | <u>Description</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
| 1 | 659 | Insurance - Health and Life | \$ 11,000 | \$ (11,000) | \$ - |

From the Company's Board Meeting Minutes in June 2006 and approved in January 2007 meeting, the board approved a \$500 per month health insurance allowance for the Manager and \$250 per month for the Water Technician. This allowance is paid directly to the employee and it's the employees option to purchase insurance or not. Staff recommends including this in Salaries and Wages.

Oak Creek Water Co. No.1
Docket No. W-01392A-07-0679
Test Year ended December 31, 2006

Schedule DWC-5K

OPERATING INCOME

Adjustment K REGULATORY COMMISSION EXPENSE - RATE CASE

| <u>Line No.</u> | <u>ACCT NO.</u> | <u>Description</u> | <u>[A] COMPANY PROPOSED</u> | <u>[B] STAFF ADJUSTMENTS</u> | <u>[C] STAFF RECOMMENDED</u> |
|-----------------|-----------------|---|-------------------------------------|--------------------------------------|--------------------------------------|
| 1 | 666 | Regulatory Commission Expense - Rate Case | \$ 3,333 | \$ (1,333) | \$ 2,000 |

Company requested \$10,000 rate case expense
amortized over 3 years = \$3,333

Staff recommends \$10,000 rate case expense
normalized over 5 years = \$2,000

OPERATING INCOME

ADJUSTMENT L

DEPRECIATION EXPENSE

| Line No. | ACCT NO. | Description | [A] COMPANY PROPOSED | [B] STAFF ADJUSTMENTS | [C] STAFF RECOMMENDED |
|----------|----------|--------------|----------------------|-----------------------|-----------------------|
| 1 | 666 | Depreciation | \$ 45,266 | \$ (1,373) | \$ 43,893 |

| Acct No. | Description | STAFF ADJUSTED Original Cost | Depreciation Percentage | Depreciation Expense |
|--------------------|---|------------------------------|-------------------------|----------------------|
| 301 | Organization Cost | \$ - | 0.00% | \$ - |
| 302 | Franchise Cost | 4,276 | 0.00% | - |
| 303 | Land and Land Rights | 15,168 | 0.00% | - |
| 304 | Structures and Improvements | 270,952 | 3.33% | 9,023 |
| 307 | Wells and Springs | 120,660 | 3.33% | 4,018 |
| 311 | Pumping Equipment | 61,456 | 12.50% | 7,682 |
| 320 | Water Treatment Equipment | - | 3.33% | - |
| 330 | Distribution | 175,618 | 2.22% | 3,899 |
| 331 | Transmission and Distribution Mains | 616,500 | 2.00% | 12,330 |
| 333 | Services | 15,557 | 3.33% | 518 |
| 334 | Meters | 37,903 | 8.33% | 3,157 |
| 335 | Hydrants | 20,337 | 2.00% | 407 |
| 336 | Backflow Prevention Devices | - | 6.67% | - |
| 339 | Other Plant and Miscellaneous Equipment | - | 6.67% | - |
| 340 | Office Furniture and Fixtures | 2,818 | 6.67% | 188 |
| 340.1 | Computers and Software | 12,620 | 20.00% | 2,490 Partial |
| 341 | Transportation Equipment | 25,636 | 20.00% | - Fully depreciated |
| 342 | Stores Equipment | - | 4.00% | - |
| 343 | Tools and Work Equipment | 3,641 | 5.00% | 182 |
| 344 | Laboratory Equipment | - | 10.00% | - |
| 345 | Power Operated Equipment | - | 5.00% | - |
| 346 | Communications Equipment | 5,103 | 10.00% | - Fully depreciated |
| 347 | Miscellaneous Equipment | 1,493 | 10.00% | - Fully depreciated |
| 348 | Other Tangible Plant | - | 10.00% | - |
| TOTAL PLANT | | \$ 1,389,738 | | \$ 43,893 |

Staff recommended \$ 43,893

References:

- Column [A]: Schedule DWC-3 Column G
- Column [B]: Staff Engineering recommended depreciation rates
- Column [C]: Column A multiplied by column B

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-5M

OPERATING INCOME

ADJUSTMENT M

PROPERTY TAXES

| LINE NO. | | [A] COMPANY AS FILED | [B] STAFF RECOMMENDED | |
|----------|--|---|-----------------------------|---------------|
| 1 | Company reported property taxes in test year | \$ 12,418 | | |
| 2 | Staff Adjusted Test Year Revenues - 2006 | | \$ 271,122 | |
| 3 | Weight Factor | | <u>2</u> | |
| 4 | Subtotal (Line 1 * Line 3) | | 542,244 | |
| 5 | Staff Recommended Revenues | | <u>316,618</u> | |
| 6 | Subtotal (Line 4 + Line 5) | | \$ 858,862 | |
| 7 | Number of Years | | <u>3</u> | |
| 8 | Three Year Average (Line 6 / Line 7) | | 286,287 | |
| 9 | Department of Revenue Multiplier | | <u>2</u> | |
| 10 | Revenue Base Value (Line 7 * Line 8) | | \$ 572,575 | |
| 11 | Plus: 10% of CWIP | | - | |
| 12 | Less: Net Book Value of Licensed Vehicles | | <u>-</u> | |
| 13 | Full Cash Value (Line 10 + Line 11 - Line 12) | | 572,575 | |
| 14 | Assessment Ratio | | <u>24.0%</u> | |
| 15 | Assessment Value (Line 13 * Line 14) | | \$ 137,418 | |
| 16 | Composite Property Tax Rate - Obtained from ADOR | | <u>8.1290%</u> | |
| 17 | Property Tax Expense (Line 15 * Line 16) | | \$ 11,171 | |
| 18 | Company reported property taxes in test year | \$ 12,418 | | |
| 19 | Staff actual invoice property taxes test year | <table border="1" style="display: inline-table;"><tr><td style="text-align: center;">11,308</td></tr></table> TY | 11,308 | |
| 11,308 | | | | |
| 20 | Staff adjusted property taxes in test year | <table border="1" style="display: inline-table;"><tr><td style="text-align: center;">(1,112)</td></tr></table> TY | (1,112) | <u>11,306</u> |
| (1,112) | | | | |
| 21 | Increase (Decrease) in Property Tax (on Recommended Rates) | | \$ <u>(135)</u> | |

REFERENCES:

Column B: Line 14 - obtained from Arizona Department of Revenue

Oak Creek Water Co. No.1
 Docket No. W-01392A-07-0679
 Test Year ended December 31, 2006

Schedule DWC-5N

OPERATING INCOME

| ADJUSTMENT N | | BAD DEBT EXPENSE | | | |
|--------------|----------|------------------|----------------------------|-----------------------------|-----------------------------|
| Line No. | ACCT NO. | Description | [A] COMPANY PROPOSED | [B] STAFF ADJUSTMENTS | [C] STAFF RECOMMENDED |
| 1 | 670 | Bad Debt Expense | \$ 811 | \$ (302) | \$ 509 |

| <u>Bad Debt Expenses</u> | <u>Amount</u> |
|--------------------------|---------------|
| 2002 | 364 |
| 2003 | 372 |
| 2004 | 393 |
| 2005 | 826 |
| 2006 | 811 |
| 2007 | 286 |
| Total | 3,052 |
| Average per year | \$ 509 |
| Staff recommended | \$ 509 |

OPERATING INCOME

ADJUSTMENT O MISCELLANEOUS EXPENSE

| Line No. | ACCT NO. | Description | [A] COMPANY PROPOSED | [B] STAFF ADJUSTMENTS | [C] STAFF RECOMMENDED |
|----------|----------|-----------------------------------|----------------------------|-----------------------------|-----------------------------|
| 1 | 675 | Unnecessary directors' meals/gift | \$ 2,189 | \$ (2,064) | \$ 125 |

| Submitted Invoices | Type | Date | Amount | Staff Allowed | Staff Disallowed |
|--------------------|--------------------------------|------------|----------|---------------|--|
| missing | Director's dinner (Taste Café) | 4/11/2006 | \$ 590 | | 590 Unnecessary expense for provision of service |
| 66149 | Director's dinner (Taste Café) | 10/10/2006 | 77 | | 77 Unnecessary expense for provision of service |
| 22137713 | Retirement gift | 10/5/2006 | 250 | | 250 Unnecessary expense for provision of service |
| | credit card late fees | 8/11/2006 | 55 | | 55 Unnecessary expense for provision of service |
| | | | 1,217 | | 1,217 Unsubstantiated expenses (no Invoice) |
| | Reimbursable travel expense | 10/31/2006 | | 125 | Reclassified from Transportation expense |
| | Company submitted | | \$ 2,189 | \$ 125 | \$ 2,189 |
| | less | | | | |
| | Staff disallowed | | 2,189 | | |
| | Staff allowed | | 125 | | |
| | Staff recommended | | \$ 125 | | |

Reference:

From Company response to FBM 2.2 data request.

RATE DESIGN

| <u>Minimum or Service Charges*: All Customer Classes</u> | <u>Present Rates</u> | <u>Company Proposed</u> | <u>Staff Recommended</u> |
|--|----------------------|-------------------------|--------------------------|
| General 5/8" x 3/4" Meter | \$ 7.00 | \$ 8.93 | \$ 8.00 |
| 3/4" Meter | 7.00 | 8.93 | 8.00 |
| 1" Meter | 9.50 | 12.12 | 10.99 |
| 1½" Meter | 12.25 | 15.82 | 14.17 |
| 2" Meter | 16.00 | 20.41 | 18.31 |
| 3" Meter | 22.75 | 29.02 | 26.31 |
| 4" Meter | 36.00 | 45.92 | 41.64 |
| 6" Meter | 48.00 | 61.22 | 55.52 |

* - Multi-unit minimum is the 3/4" charge times the number of units.

| <u>Gallons Included in Minimum: All Customer Classes</u> | <u>Present Rates</u> | <u>Company Proposed</u> | <u>Staff Recommended</u> |
|--|----------------------|-------------------------|--------------------------|
| | 0 | 0 | 0 |

| <u>Commodity Charge in Excess of Minimum - per 1,000 Gallons: All Customer Classes</u> | <u>Present Rates</u> | <u>Company Proposed</u> | <u>Staff Recommended</u> |
|--|----------------------|-------------------------|--------------------------|
| All meter sizes, except construction: | | | |
| up to 4,000 Gallons | \$ 1.73 | \$ 2.21 | N/A |
| 4,001 to 50,000 Gallons | 2.12 | 2.70 | N/A |
| Over 50,000 Gallons | 2.39 | 3.05 | N/A |
| Construction: per 1,000 Gallons | \$2.39 | \$3.05 | N/A |

| <u>Commodity Charge in Excess of Minimum - per 1,000 Gallons:</u> | <u>Present Rates</u> | <u>Company Proposed</u> | <u>Staff Recommended</u> |
|---|----------------------|-------------------------|--------------------------|
| Residential Class: | | | |
| Tier 1: up to 4,000 Gallons | N/A | N/A | \$ 1.73 |
| Tier 2: 4,001 to 10,000 Gallons | N/A | N/A | 2.40 |
| Tier 3: Over 10,000 Gallons | N/A | N/A | 2.88 |
| Multi-unit: | | | |
| Tier 1: up to 25,000 Gallons | N/A | N/A | \$ 2.40 |
| Tier 2: Over 25,000 Gallons | N/A | N/A | 2.88 |
| Commercial Class: | | | |
| Tier 1: up to 25,000 Gallons | N/A | N/A | \$ 2.40 |
| Tier 2: Over 25,000 Gallons | N/A | N/A | 2.88 |
| Multi-unit: | | | |
| Tier 1: up to 25,000 Gallons | N/A | N/A | \$ 2.40 |
| Tier 2: Over 25,000 Gallons | N/A | N/A | 2.88 |
| Bulk or Construction: per 1,000 Gallons | N/A | N/A | \$ 2.88 |

RATE DESIGN

Service Line and Meter Installation Charges: All Customer Classes

| | Present Rates | Company Proposed Service Line Charges | Company Proposed Meter Charges | Company Proposed Total Charges | Staff Recommended Service Line Charges | Staff Recommended Meter Charges | Staff Recommended Total Charges |
|-------------------|------------------|--|---|---|---|--|--|
| 5/8" x 3/4" Meter | \$415.00 | \$340.00 | \$75.00 | \$415.00 | \$340.00 | \$ 75.00 | \$415.00 |
| 3/4" Meter | 475.00 | 340.00 | 135.00 | 475.00 | 340.00 | 135.00 | 475.00 |
| 1" Meter | 550.00 | 390.00 | 160.00 | 550.00 | 390.00 | 160.00 | 550.00 |
| 1½" Meter | 785.00 | 420.00 | 365.00 | 785.00 | 420.00 | 365.00 | 785.00 |
| 2" Meter | 1,375.00 | 550.00 | 825.00 | 1,375.00 | 550.00 | 825.00 | 1,375.00 |
| 3" Meter | 1,975.00 | 715.00 | 1,260.00 | 1,975.00 | 715.00 | 1,260.00 | 1,975.00 |
| 4" Meter | 3,040.00 | 1,030.00 | 2,010.00 | 3,040.00 | 1,030.00 | 2,010.00 | 3,040.00 |
| 6" Meter | 5,635.00 | 1,550.00 | 4,085.00 | 5,635.00 | 1,550.00 | 4,085.00 | 5,635.00 |

Service Charges:

| | Present Rates | Company Proposed | Staff Recommended |
|---|------------------|---------------------|----------------------|
| Establishment | \$35.00 | \$35.00 | \$35.00 |
| Establishment (After Hours) | 50.00 | 50.00 | 50.00 |
| Reconnection (Delinquent) | 50.00 | 50.00 | 50.00 |
| Meter Test (If Correct) | 30.00 | 30.00 | 30.00 |
| Deposit | . | . | . |
| Deposit Interest | . | . | . |
| Re-Establishment (Within 12 Months) | ** | ** | ** |
| Re-Establishment (Within 12 Months After Hrs) | N/A | ** | ** |
| NSF Check | \$25.00 | \$25.00 | \$25.00 |
| Deferred Payment (Per month) | 1.50% | 1.50% | 1.50% |
| Meter Re-read | N/A | \$20.00 | \$20.00 |
| Late Payment Penalty | \$5.00 | \$5.00 | \$5.00 |
| Moving Customer Meter (Customer Request) | N/A | *** | *** |
| After Hours Service Charge (Rule R14-2-403.D) | N/A | Cost | Cost |

* Per Commission Rules (R14-2-403.B)
** Months off system times the minimum (R14-2-403.D)
*** Per Commission rule R14-2-405

Oak Creek Water Co. No. 1
Docket No. W-01392A-07-0679
Test Year ended December 31, 2006

Schedule DWC-7

TYPICAL BILL ANALYSIS
3/4 - Inch Meter
Residential

Average Number of Customers: 550

| <u>Company Proposed</u> | <u>Gallons</u> | <u>Present Rates</u> | <u>Proposed Rates</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|-------------------------|----------------|----------------------|-----------------------|------------------------|-------------------------|
| Average Usage | 7,994 | \$22.39 | \$28.55 | \$6.16 | 27.5% |
| Median Usage | 5,417 | \$16.92 | \$21.60 | \$4.68 | 27.7% |
| <u>Staff Recommend</u> | | | | | |
| Average Usage | 7,994 | \$22.39 | \$24.50 | \$2.11 | 9.4% |
| Median Usage | 5,417 | \$16.92 | \$18.32 | \$1.40 | 8.3% |

Present & Proposed Rates (Without Taxes)
3/4 - Inch Meter

| <u>Gallons Consumption</u> | <u>Present Rates</u> | <u>Company Proposed Rates</u> | <u>% Increase</u> | <u>Staff Proposed Rates</u> | <u>% Increase</u> |
|----------------------------|----------------------|-------------------------------|-------------------|-----------------------------|-------------------|
| 0 | \$7.00 | \$8.93 | 27.6% | \$8.00 | 14.3% |
| 1,000 | 8.73 | 11.14 | 27.6% | 9.73 | 11.5% |
| 2,000 | 10.46 | 13.35 | 27.6% | 11.46 | 9.6% |
| 3,000 | 12.19 | 15.56 | 27.6% | 13.19 | 8.2% |
| 4,000 | 13.92 | 17.77 | 27.7% | 14.92 | 7.2% |
| 5,000 | 16.04 | 20.47 | 27.6% | 17.32 | 8.0% |
| 6,000 | 18.16 | 23.17 | 27.6% | 19.72 | 8.6% |
| 7,000 | 20.28 | 25.87 | 27.6% | 22.12 | 9.1% |
| 8,000 | 22.40 | 28.57 | 27.5% | 24.52 | 9.5% |
| 9,000 | 24.52 | 31.27 | 27.5% | 26.92 | 9.8% |
| 10,000 | 26.64 | 33.97 | 27.5% | 29.32 | 10.1% |
| 15,000 | 37.24 | 47.47 | 27.5% | 43.72 | 17.4% |
| 20,000 | 47.84 | 60.97 | 27.4% | 58.12 | 21.5% |
| 25,000 | 58.44 | 74.47 | 27.4% | 72.52 | 24.1% |
| 50,000 | 111.44 | 141.97 | 27.4% | 144.52 | 29.7% |
| 75,000 | 171.19 | 218.22 | 27.5% | 216.52 | 26.5% |
| 100,000 | 230.94 | 294.47 | 27.5% | 288.52 | 24.9% |
| 125,000 | 290.69 | 370.72 | 27.5% | 360.52 | 24.0% |
| 150,000 | 350.44 | 446.97 | 27.5% | 432.52 | 23.4% |
| 175,000 | 410.19 | 523.22 | 27.6% | 504.52 | 23.0% |
| 200,000 | 469.94 | 599.47 | 27.6% | 576.52 | 22.7% |